QUARTERLY REPORT 2

FOR THE PERIOD ENDED APRIL 30, 2009

DiagnoCure

Empowering
Oncology Decisions

MESSAGE TO SHAREHOLDERS

Dear Shareholders,

The second quarter of 2009 marked a turning point for DiagnoCure's two commercialized tests, PCA3 for prostate cancer and Previstage™ GCC for colorectal cancer. Important studies were published and major initiatives were undertaken that should significantly impact the market penetration and future sales of both tests.

Spring was without a doubt PCA3's season! Thirteen studies were presented at the annual meetings of the European Association of Urology and the American Urology Association. These studies supported the clinical potential of PCA3 as a better predictor of prostate biopsy outcome than the current PSA test and as an accurate indicator of cancer aggressiveness. Encouraged by these new studies, and the 17 peer-reviewed articles already published to date, Gen-Probe announced in late April that they were initiating a 500-man multicenter pivotal clinical study with the current version of the test. This clinical study is designed to obtain regulatory approval by the Food and Drug Administration ("FDA") allowing Gen-Probe to fully promote and sell the PCA3 test in the United States.

The experience in Europe is showing that PCA3 sales grow significantly and steadily when promoted aggressively with the right strategy. In their Q1 webcast, Gen-Probe disclosed that the global sales of PCA3, that is in both Europe and the United States, increased 100% over the same quarter the prior year, reaching US$1.5 million.

Gen-Probe stated that several factors, besides the very promising clinical data already issued, make them "highly motivated to begin their U.S. clinical trial." First, the fast growing market penetration in Europe keeps them optimistic about the sales opportunity in the United States. Second, they have received positive feedback from the FDA and opinion leaders about the feasibility of a fairly quick and cost-effective study. Third, they will now devote the necessary internal resources to PCA3 and the clinical trial. Finally, they anticipate that gaining approval for the current version of the PCA3 test will open the market for the next generation on their automated PANTHER® platform.

Both DiagnoCure and Gen-Probe are committed to making PCA3 a worldwide success. Their partnership is better aligned for commercialization than ever. In April, the two companies announced that they had signed an amendment to their collaboration and license agreement. Pursuant to this amendment, Gen-Probe purchased 4.9 million of DiagnoCure's preferred shares, for a total investment of US$5million. In addition, Gen-Probe will make annual payments of US$500,000 to DiagnoCure until specific milestones are met.

Urologists around the world have recognized for some time the limitations of the PSA test currently used to screen men for prostate cancer. With its low specificity, PSA screening leads to many false positives and unnecessary biopsies, and with a cut-off of 4 ng/mL, it misses some significant prostate cancers (false negative results). In a U.S. National Cancer Institute ("NCI") 17-year study recently published in the *New England Journal of Medicine (2009; 360:1310-9)*, regular screening with PSA and a digital rectal examination ("DRE") was shown to increase somewhat the number of diagnoses of prostate cancer but did not reduce the number of prostate cancer deaths compared to the control group. From this study, the NCI reviewers concluded that many men today are treated for their prostate cancer, and suffer from side

effects such as impotence and incontinence, with very little benefit. They stated that a better method was needed to detect prostate cancer early, reduce unnecessary biopsies and better guide treatment decisions.

DiagnoCure believes that PCA3 is the best and most advanced urological proposition available today to answer these key clinical questions. An article published in the *British Journal of Urology International* (2009; 103:441-445) reviewed many PCA3 studies. The authors suggest that PCA3 could be used to increase the confidence in deciding about an initial biopsy as well as a repeat biopsy, and when the biopsy is positive, to assess the aggressiveness of the cancer in order to better weigh the risks and benefits of radical prostatectomy versus active monitoring.

Gen-Probe stated that it will seek an initial indication from the FDA to use PCA3 as an aid in the diagnosis of prostate cancer in men with an elevated PSA level and a negative prostate biopsy. The annual worldwide market potential for this initial indication is estimated at US$180 million. But given the other potential clinical uses of PCA3, the annual worldwide market could be much larger.

On the colorectal cancer front, in February, the peer-reviewed *Journal of the American Medical Association* ("JAMA") published the results of a major prospective five-year study, sponsored by the U.S. National Institute of Health and conducted by Dr. Scott Waldman of Thomas Jefferson University (Philadelphia, Pennsylvania) on the GCC (or GUCY2C) marker. The results demonstrated that GCC is the strongest independent predictor of the risk of recurrence among colorectal cancer patients considered low risk with the current assessment methods. The study is a key validation of the clinical potential of the GCC marker, to which DiagnoCure owns the worldwide exclusive diagnostic rights. DiagnoCure's Previstage™ GCC test was developed to detect the GCC marker in the lymph nodes removed during a colorectal cancer surgery to better determine the stage of the cancer. Moreover, it uses the latest advances in molecular technologies and methodologies that have emerged in the past few years.

With the firm belief that patients play a major role in the adoption of new medical practices, DiagnoCure launched in March a dedicated patient website in the United States. The site, called www.mypersonalcancerdiagnosis.com, discusses the importance of appropriately staging colorectal cancer for an optimal treatment decision and the innovations brought about by the research on genomics and molecular diagnostic tests.

Also, over the past three months, the sales and marketing team has continued their physicians' awareness program of Previstage™ GCC in the United States, meeting with targeted local opinion leaders, and exhibiting at specialized conferences, notably the American Society of Colon & Rectal Surgeons, and the American Society of Clinical Oncology meeting in June.

DiagnoCure is in an enviable position compared to many other diagnostic and biopharmaceutical companies in today's economy. The Company's cash position, already strong, has improved with the investment from Gen-Probe. Its two revenue-generating tests, PCA3 and GCC, have clearly demonstrated clinical potential in this new and fast growing field of molecular diagnostics. With these factors to our advantage, the Company will prudently manage its business plan with the focused discipline that is the foundation of its strategy and track record.

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

The following information should be read in conjunction with the Company's unaudited consolidated financial statements and related notes included herein, together with the audited consolidated financial statements for the year ended October 31, 2008 and related notes. Management's comments were prepared to explain the Company's operations, performance and financial position as of April 30, 2009. They compare this second quarter and the six-month period of operating results and cash position with those of the second quarter and the six-month period ended April 30, 2008. Amounts are in Canadian dollars unless otherwise noted. The information contained herein is up to date as of June 1, 2009.

Overview

DiagnoCure Inc. (hereafter called the "Company" or "DiagnoCure") is a life sciences company commercializing high-value cancer diagnostic tests and laboratory services that increase clinician and patient confidence in making critical treatment decisions.

In 1998, the Company 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, as DiagnoCure looked to maximize the value of its portfolio and focus on high-value molecular diagnostics, the Company entered into a product divestment agreement for ImmunoCyt™ /uCyt+™ with Scimedx Corporation, a U.S.-based company. Terms of the agreement were not disclosed.

In May 2000, DiagnoCure obtained an exclusive worldwide license from the University of Nijmegen, The Netherlands, to commercialize the PCA3 molecular marker in prostate cancer. In 2003, DiagnoCure developed its second diagnostic test, uPM3™, based on measuring the expression of the PCA3 molecular marker. uPM3™ was first sold in 2003 in the United States in an Analyte Specific Reagents ("ASR") format. That same year, DiagnoCure granted an exclusive worldwide license to Gen-Probe Incorporated ("Gen-Probe") of San Diego, CA, for the development and commercialization of diagnostic products using PCA3 in return for US$9 million to be paid over three years. This revenue has been recognized and amortized over a 42-month period ended in April 2007. The final payment has been 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, a number of 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 throughout Europe. As of the fall of 2008, the Progensa™ PCA3 was available from over 30 sites in Europe and the Middle East. On April 29th, 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 shares of newly issued DiagnoCure convertible preferred stock for US$5.0 million. In addition, Gen-Probe will make annual payments of US$500,000 to DiagnoCure until specific milestones are met.

On April 30, 2007, DiagnoCure secured from Targeted Diagnostics & Therapeutics, Inc. ("TDT") the exclusive worldwide diagnostic rights to the GCC marker and its potential use in two high-value molecular tests for colorectal cancer. This agreement with TDT significantly strengthened DiagnoCure's position in molecular diagnostics for cancer. In 2008, after completing the development of one of the GCC diagnostic applications, the Company launched its Previstage™ GCC Colorectal Cancer Staging Test from its CLIA-certified laboratory in West Chester, PA.

On August 16, 2007, DiagnoCure announced it had acquired Catalyst Oncology, Inc. of Worcester, MA, and its lead proprietary prognostic tests for breast, colon and potentially other cancers. The terms of the agreement provided for an upfront payment of approximately US$3 million comprised of cash and DiagnoCure shares followed by potential future payments related to the achievement of specific milestones.

2009 First Six Months Highlights

The Company presented its proprietary laboratory-developed test, the Previstage™ GCC Colorectal Cancer Staging Test, at the American Society of Clinical Oncology - The Gastrointestinal Cancers Symposium ("ASCO GI"), held in January in San Francisco. In conjunction with this annual conference, DiagnoCure was selected to provide an educational grant to an Independent Satellite Symposium, *"Molecular Markers and Prognosis of Patients with Colorectal Cancer"*. An independent panel of three key colorectal cancer opinion leaders, all members of DiagnoCure's Strategic Advisory Board, Dr. Edith P. Mitchell (Thomas Jefferson University), Dr. Stanley Hamilton (University of Texas M.D. Anderson Cancer Center) and Dr. Daniel Sargent (Mayo Clinic), reviewed different markers for the prognosis of CRC patients.

On February 18th, the *Journal of the American Medical Association* ("JAMA"), published positive results from a major prospective 5-year multicenter study of 425 enrolled patients demonstrating that guanylyl cyclase C (GCC), DiagnoCure's marker, is the strongest independent predictor of colorectal cancer recurrence in patients considered low risk by current assessment methods. The study was conducted by investigators from Thomas Jefferson University, with contributions from McGill University, the Fox Chase Cancer Center and others. The study was conducted on a group of 257 colorectal cancer (CRC) patients who were thought to have a lower risk of recurrence, according to histopathology (stage I and II patients). When GCC was considered with other factors, patients whose nodes were GCC positive were 4.7 times more likely to develop disease recurrence than those whose nodes were GCC negative. In fact, patients with GCC positive nodes had a risk of recurrence comparable to that of patients considered higher risk by histopathology (stage III).

On April 29th, DiagnoCure and Gen-Probe Incorporated 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 has acquired, on May 7, 2009, 4.9 million shares of newly issued DiagnoCure convertible preferred stock for US$5.0 million. As part of the contract amendment, Gen-Probe will make annual payments of US$500,000 to DiagnoCure until specific milestones are met. Half the amounts paid will be applied against future royalties payable to DiagnoCure.

Also on April 29th, Gen-Probe announced that they were initiating a 500-man multicenter clinical study designed to secure regulatory approval by the FDA, which will allow Gen-Probe to fully promote and sell the PCA3 test in the United States.

Operating Results

For the three-month period ended April 30, 2009

Total revenues for the second quarter of 2009 were $467,152 compared with $516,109 for the second quarter of 2008. In the second quarter of 2009, royalty revenues amounted to $164,285 compared with $46,591 for the corresponding period of 2008. Royalties revenues from Gen-Probe increased by 211% or $98,516, from $46,591 to $145,107 for the second quarter of 2009. This increase is mostly attributable to the sales of Progensa™ PCA3 in Europe by Gen-Probe. Also in the second quarter of 2009 DiagnoCure recorded royalties of $19,178 from Scimedx, related to ImmunoCyt™ / uCyt+™, compared to $86,906 of direct sales of ImmunoCyt™ / uCyt+™ for the same period of 2008. DiagnoCure ceased selling directly its non-invasive bladder cancer test, ImmunoCyt™ / uCyt+™, as Scimedx is now taking the lead and paying royalties to DiagnoCure. Also in this quarter, DiagnoCure sold clinical samples to Gen-Probe, in support of their prostate cancer testing R&D, for an amount of $28,405 compared with $47,644 in the second quarter of 2008. As part of the amended agreement signed with Gen-Probe on April 29, 2009, DiagnoCure recorded a portion of the first annual payment, that is $148,400, for the second quarter of 2009.

Interest income decreased by $211,065, to $123,903 for the second quarter of 2009 compared with $334,968 for the second quarter of 2008. The decrease is attributable to DiagnoCure's use of fund to finance its operating activities and the lower interest rates on its investments.

Cost of sales decreased by $70,328, from $86,750 for the second quarter of 2008 to $16,422 for the same quarter of 2009. This decrease is related to the termination of direct ImmunoCyt™ / uCyt+™ sales by DiagnoCure as stated above and to lower sample sales as Gen-Probe reduced its samples needs for product development.

Operating expenses decreased by $700,257, from $3,801,733 for the second quarter of 2008 to $3,101,476 for the second quarter of 2009. This decrease reflects the impact of the layoff of nine persons in November 2008 and the reduction in R&D expenses related to the completion of the Previstage™ GCC Colorectal Cancer Staging Test. Total operating expenses decreased primarily as a result of the following:

- Research and development expenses, net of investment tax credits, decreased by $458,042, from $1,650,658 for the second quarter of 2008 to $1,192,616 for the same quarter of 2009. The decrease in research and development expenses is attributable the impact of the layoff of nine persons in November 2008 and the reduction in R&D expenses related to the completion of the Previstage™ GCC Colorectal Cancer Staging Test.

- Selling and business development expenses decreased by $66,405, from $670,397 for the second quarter of 2008 to $603,992 for the same quarter of 2009. This decrease is attributable to a reduction of professional fees related to business development.

- General and administrative expenses decreased by $80,658, from $780,309 for the second quarter of 2008 to $699,651 for the same quarter of 2009. This decrease is attributable to lower hiring expenses since our U.S. laboratory is now fully staffed, as well as lower salary expenses.

- Stock-based compensation expenses, a non-cash charge, decreased by $159,313 from $319,404 for 2008 to $160,091 for the same period of 2009. This decrease is attributable to the lower value of the options granted during the period. The decrease also reflects the end of the charges recognition associated to previously granted options.

Based on the above, for the second quarter of 2009, DiagnoCure recorded a net loss of $2,622,237 or $0.06 per share, compared with $3,372,374 or $0.08 per share, for the same period of 2008. These results are substantially in line with Management expectations and reflect activities undertaken during this quarter, in line with the Company's plans and on-going commitment to develop high-value diagnostic tests for the detection and management of cancer.

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

	2009	2008	2007
	$	$	$
Sales	**30,564**	134,550	152,093
Revenue under research and license agreement	**312,685**	46,591	873,459
Interest	**123,903**	334,968	207,007
Total revenues	**467,152**	516,109	1,232,559
Cost of sales	**16,422**	86,750	64,524
Gross margin	**450,730**	429,359	1,168,035
Operating expenses (before stock-based compensation)	**2,941,385**	3,482,329	1,930,852
Net loss (before stock-based compensation)	**(2,490,655)**	(3,052,970)	(762,817)
Stock-based compensation	**160,091**	319,404	427,275
Net loss before income taxes	**(2,650,746)**	(3,372,374)	(1,190,092)
Future income taxes	**28,509**	—	—
Net loss	**(2,622,237)**	(3,372,374)	(1,190,092)
Basic and diluted loss per share	**(0.06)**	(0.08)	(0.03)
Weighted average number of common shares outstanding	**42,799,475**	41,771,308	36,493,714

These unaudited selected financial data has been prepared in accordance with Canadian generally accepted accounting principles.

For the six-month period ended April 30, 2009

Total revenues for the six-month period ended April 30, 2009 were $867,275 compared with $1,007,564 for the same period of 2008. In the first six months of 2009, royalty revenues amounted to $320,062 compared with $87,378 for the corresponding period of 2008. Royalties revenues from Gen-Probe increased by 217% or $190,040, from $87,378 to $277,418 for the first six months of 2009. This increase is mostly attributable to the sales of Progensa™ PCA3 in Europe by Gen-Probe. Also in the first six months of 2009, DiagnoCure recorded royalties of $42,644 from Scimedx, related to ImmunoCyt™ / uCyt+™. Direct sales of DiagnoCure's non-invasive bladder cancer test, ImmunoCyt™ / uCyt+™, were $44,827 for the first six months of 2009 versus $166,594 for the same period of 2008. These 2009 ImmunoCyt™ / uCyt+™ sales represent the last direct sales as Scimedx is now taking the lead and paying royalties to DiagnoCure. Also in this six-month period, DiagnoCure sold clinical samples to Gen-Probe, in

support of their prostate cancer testing R&D, for an amount of $56,099 compared with $83,194 for the same period of 2008. As part of the amendment agreement executed with Gen-Probe on April 29, 2009, DiagnoCure recorded a portion of the first annual payment, that is $148,400 for the first six months of 2009.

Interest income decreased by $374,671, to $295,727 for the first six months of 2009 compared with $670,398 for the same period of 2008. The decrease is attributable to DiagnoCure's use of fund to finance the operating activities and to the lower interest rates on in its investments.

Cost of sales decreased by $127,286, from $156,540 for the first six months of 2008 to $29,254 for the same period of 2009. This decrease is related to the termination of direct ImmunoCyt™ / uCyt+™ sales by DiagnoCure as stated above and to lower sample sales as Gen-Probe reduced its samples needs for its product development.

Operating expenses increased from $6,908,707 for the first six months of 2008 to $6,960,185 for the same period of 2009, an increase of $51,478, reflecting the increased activities in sales and marketing initiatives to promote and offer the Previstage™ GCC Colorectal Cancer Staging Test, offset by a decrease R&D expenses and in stock based compensation attributable to the lower value of the latest granted options. The main variations in total operating expenses were the following:

- Research and development expenses, net of investment tax credits, decreased by $209,746, from $2,828,110 for the first six months of 2008 to $2,618,364 for the same period of 2009. The decrease in research and development expenses is attributable the impact of the layoff of nine persons in November 2008 and the reduction in R&D expenses related to the completion of the Previstage™ GCC Colorectal Cancer Staging Test.

- Selling and business development expenses increased by $451,480, from $1,184,780 for the first six months of 2008 to $1,636,260 for the same period of 2009. This increase is attributable to the Company's U.S. sales and marketing initiatives to promote and offer the Previstage™ GCC Colorectal Cancer Staging Test. To promote the test, the Company contributed to a special educational grant for the January 2009 ASCO GI satellite symposium on molecular markers.

- General and administrative expenses decreased by $69,463, from $1,564,494 for the first six months of 2008 to $1,495,031 for the same period of 2009. This decrease is attributable to lower hiring expenses since our U.S. laboratory is now fully staffed, as well as lower salary expenses.

- Stock-based compensation expenses, a non-cash charge, decreased by $258,565, from $608,698 for the first six months of 2008 to $350,133 for the same period in 2009. This decrease is attributable to the lower value of the options granted during the period. The decrease also reflects the termination of the charges recognition associated to previously granted options.

Based on the above, for the first six months of 2009, DiagnoCure recorded a net loss of $6,062,892 or $0.14 per share, compared with $6,057,683 or $0.14 per share, for the same period of 2008. These results are substantially in line with Management expectations and reflect activities undertaken during this period, in line with the Company's plans and on-going commitment to develop high-value diagnostic tests for the detection and management of cancer. At the end of the period, cash, short-term and long-term investments stood at

$14,083,829, down from $20,130,705 as of October 31, 2008. This decrease of $6,046,876 is due to the use of liquidity to finance the operating activities of the six-month period ended on April 30, 2009. Management is satisfied that it has adequate cash resources to finance the Company's operations, and will monitor its cash levels.

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

	2009	2008	2007
	$	$	$
Sales	**103,086**	249,788	272,042
Revenue under research and license agreement	**468,462**	87,378	1,733,792
Interest	**295,727**	670,398	403,302
Total revenues	**867,275**	1,007,564	2,409,136
Cost of sales	**29,254**	156,540	148,986
Gross margin	**838,021**	851,024	2,260,150
Operating expenses (before stock-based compensation and restructuring charges)	**6,610,052**	6,300,009	4,112,537
Net loss (before stock-based compensation and restructuring charges)	**(5,772,031)**	(5,448,985)	(1,852,387)
Restructuring charges	**—**	—	912,685
Stock-based compensation	**350,133**	608,698	882,500
Net loss before income taxes	**(6,122,164)**	(6,057,683)	(3,647,572)
Future income taxes	**59,272**	—	—
Net loss	**(6,062,892)**	(6,057,683)	(3,647,572)
Basic and diluted loss per share	**(0.14)**	(0.14)	(0.10)
Weighted average number of common shares outstanding	**42,797,799**	41,745,438	35,461,293

These unaudited selected financial data has been prepared in accordance with Canadian generally accepted accounting principles.

Total Assets and Shareholders' Equity

Total assets amounted to $27,781,898 as of April 30, 2009, compared with $33,146,066 as of October 31, 2008, mostly as a result of the use of liquidity to finance the operating activities. The book value per Common Share was $0.56 as of April 30, 2009, compared with $0.69 per Common Share as of October 31, 2008.

Balance Sheet (Unaudited)

As of April 30

	2009	2008	2007
	$	$	$
Total assets	**27,781,898**	40,255,392	45,583,883
Shareholders' equity	**23,930,789**	34,897,252	40,422,159
Number of common shares outstanding	**42,799,475**	41,831,297	40,382,878

Cash Position and Financing Sources

Cash flows required from operating activities during the second quarter of 2009 amounted to $2,492,853 compared with $2,651,926 required in the second quarter of 2008. This decrease of $159,073 is mostly due the decrease in research and development expenses attributable to the impact of the layoff of nine persons in November 2008 and the reduction in R&D expenses related to the completion of the Previstage™ GCC Colorectal Cancer Staging Test. Investment activities generated cash flows of $1,286,482 for the second quarter of 2009 compared with $1,316,363 for the second quarter of 2008. During the second quarter of 2009, acquisition of tangible and intangible capital assets amounted to $17,265 compared with $1,145,188 for the same period of 2008. This decrease is mostly attributable to intellectual properties milestones paid in the second quarter of 2008. Financing activities, primarily from the issuance of common shares relative to the exercising of options by employees, generated cash flows of $152,382 for the second quarter of 2008. In the second quarter of 2009, the Company did not issue any share.

Cash Flows for the Second Quarters (Unaudited)

	2009	2008	2007
	$	$	$
Cash flows related to operating activities	**(2,492,853)**	(2,651,926)	(196,073)
Cash flows related to investing activities	**1,286,482**	1,316,363	(1,506,891)
Cash flows related to financing activities	**—**	152,382	23,447,547

Cash flows required from operating activities during the first six months of 2009 amounted to $6,011,292 compared with $4,886,299 required for the same period of 2008. This increase of $1,124,993 is attributable to the difference in non-cash working capital, mostly due the an increase in the April 30, 2009 account receivable related to the Gen-Probe annual payment and to an increase in prepaid expenses related to the Gen-Probe agreement signed on April 29, 2009. Investment activities generated cash flows of $6,901,844 for the first six months of 2009 compared with $6,938,761 for the same period of 2008. During the first six months of 2009, acquisition of tangible and intangible capital assets amounted to $39,284 compared with $1,444,479 for the same period of 2008. This decrease is mostly attributable to intellectual properties milestones paid in the second quarter of 2008. Financing activities, primarily from the issuance of common shares relative to the exercising of options by employees, generated cash flows of $3,700 for the first six months of 2009 compared to 154,766 for the same period of 2008.

DiagnoCure will continue to invest its cash reserve in liquid, high-grade investments, guaranteed by the government. The financial crisis has had no impact on the Company's investments in the first six months of 2009, except that the decrease in interest rates has resulted in lower revenues for the Company. Furthermore, in the coming months, it could continue to impact the interest revenue that will be generated by these investments, as a result of the recent decrease in the key interest rate of the Bank of Canada.

DiagnoCure's funding needs may vary depending upon a number of factors. The Company'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.

Cash Flows for the Six-Month Period Ended April 30 (Unaudited)

	2009	2008	2007
	$	$	$
Cash flows related to operating activities	**(6,011,292)**	(4,886,299)	(1,123,393)
Cash flows related to investing activities	**6,901,844**	6,938,761	2,200,328
Cash flows related to financing activities	**3,700**	154,766	23,482,591

Issued and Outstanding Share Capital

As of June 1, 2009, the Company had 42,849,475 common shares issued and outstanding, 4,900,000 convertible preferred shares and 3,014,934 stock options granting the right to acquire an equal amount of common shares.

Off-Balance Sheet Arrangements and other commitments

During the year ended October 31, 2007, the Company entered into licence agreements with third parties regarding certain intellectual property rights. Those agreements are for an initial term of 10 years. The Company agreed to pay royalties on all products sold derived from the underlying technologies and milestone payments after achievement of the respective milestones, if applicable. The royalties that the Company might have to pay represent 5% to 10% of net sales and 20% of sublicense revenues. The total of the milestone payments that may have to be paid by the company over the next years is $2,125,000.

The Company 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 Company 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 Company from making a reasonable estimate of the maximum potential amount it could be required to pay. Historically, the Company has not made any indemnification payments under such agreements and no amount has been accrued in these consolidated financial statements with respect to these indemnification obligations.

As at April 30, 2009, 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.

Use of Proceeds from July 2004 Financing

In July 2004, the Company raised, by way of short form prospectus, net proceeds of $22,332,108 from the issuance of 5 million common shares, at $4.75 per share. At that time, estimates were made as to the use of these proceeds. As at April 30, 2009, approximately $17.90 million of funds from the July 2004 public offering have been spent on specific projects and for general corporate purposes listed in the table below. Since cash flows of the Company are derived from numerous sources, in order to determine how the proceeds of the public offering are spent and allocated, certain assumptions were required. Those assumptions are as follows:

- Day-to-day administrative and operating expenses for the Company are funded from the licence payments that DiagnoCure receives from Gen-Probe, interest income and gross margin realized on our sales.

- Additional funds over those required to fund items above are taken from the proceeds of the July 2004 public offering.

Based on these assumptions, a summary of the "Use of proceeds" from the July 2004 public offering is the following:

Description of "Use of Proceeds"	Estimated total use of proceeds as disclosed at time of July 2004 public offering	Amount spent as at April 30, 2009	Amount spent for the six-month period ended April 30, 2009
Improve the uPM3™ prostate cancer test, develop complementary applications and examine the therapeutic potential of the PCA3	$4.00 million	$3.90 million	—
Support the commercialization and expand the automation of ImmunoCyt+™ / uCyt+™ bladder cancer test	$2.50 million	$2.60 million	—
Advance the development of lung cancer and kidney cancer tests and initiate the development of other cancer tests	$10.50 million	$6.90 million	$0.90 million
Acquire complementary technologies and uses for other general corporate purposes	$5.33 million	$4.50 million	—

With this financing, the Company has completed the UPM3™ prostate cancer test and has continued the advancement of other cancer tests. In 2006, the Company elected to cease its activities with respect to the automation of ImmunoCyt+™ / uCyt+™ and in 2008 has completed a divestment agreement with Scimedx. The Company is now receiving royalties on the ImmunoCyt+™ / uCyt+™ product sales realized by Scimedx.

Use of Proceeds from April 2007 Financing

In April 2007, the Company raised, by way of short form prospectus, net proceeds of $23,353,098 from the issuance of 5.80 million common shares, at $4.30 per share. At that time, estimates were made as to the use of these proceeds. As at April 30, 2009, approximately $19.30 million of funds from the April 2007 public offering have been spent on acquiring or in-licensing additional cancer biomarkers and for product development purposes (see the table below):

Description of "Use of Proceeds"	Amount spent as at April 30, 2009
Acquire and integrate or partner with one or more reference laboratories	$4.10 million
Expand the product portfolio	$3.10 million
Acquire or in-license additional cancer biomarkers and for product development purposes.	$12.10 million

Use of Estimates

In preparing its financial statements, Management is required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. In Management's opinion, the financial statements have been prepared using careful judgment within the reasonable limits of materiality and within the framework of the accounting policies described in Note 2 of the audited consolidated financial statements included in the fiscal 2008 annual report. The Company 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 hypotheses used.

Investment Tax Credits

The Company incurred research and development expenses, which are eligible for investment tax credits. These credits, treated as a reduction to research and development expenses, amounted to $244,012 for the first six months of 2009 compared with $255,596 for the same period in 2008 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.

Impairment of Long-Term Assets

Long-lived assets and certain identifiable intangibles and intellectual properties are regularly reviewed for impairment by Management whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset with its expected future net undiscounted Cash flows from use together with its residual value (net recoverable value). If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value.

Stock-Based Compensation Plan

The Company determines the fair value of direct awards of stock options made to its employees and directors. The fair value of these options is estimated at the date of grant using the Black-Scholes option pricing model with assumptions for the risk-free interest rates, dividend yields, expected volatility of the market price of the Company's common shares and the expected life of the options.

Derivatives

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

Contractual Obligations

The Company has incurred contract agreements for the rental of premises for the following amounts:

	Required Payments			
Contractual Obligations	**Total**	**Year 1**	**Years 2 and 3**	**Years 4 and 5**
Lease Agreements	$1,832,028	$563,313	$765,619	$503,096

DiagnoCure currently leases 32,808 sq. ft., in a building where its head office and research and development laboratories are located under a lease expiring in 2011. The annual payment for the coming year under this lease agreement amounts to $328,088.

On December 5, 2007, DiagnoCure signed a lease for 11,329 sq. ft., in a building where its U.S. clinical laboratory activities are located, under a lease expiring in 2015. The annual payment for the coming year under this lease agreement amounts to $235,225.

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

Subsequent Event

On April 29, 2009, DiagnoCure and Gen-Probe executed an amendment to their 2003 license agreement. On May 7, 2009, pursuant to the amendment, Gen-Probe acquired 4.9 million of newly issued DiagnoCure convertible preferred shares for US$5.0 million representing a premium of 19.8% over the average market price of the common shares of DiagnoCure during the 20 trading days prior to April 28, 2009. These convertible preferred shares are non-voting, with a fixed, preferential and non-cumulative dividend of 6 % per annum, and may be exchanged for common shares on a one-for-one basis. DiagnoCure has the option to redeem the preferred shares or to require their conversion into common shares in certain circumstances. DiagnoCure expects to have for $600,000 in preferred shares issue expenses related to the issue of these convertible shares. As part of its investment in DiagnoCure, Gen-Probe will receive a liquidation preference in certain cases and a security interest in some intellectual property. The financial impact of this transaction will be accounted for in the third quarter of fiscal 2009

New Accounting Policies

The Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA) as at November 1st, 2008:

Section 3064, “Goodwill and Intangible Assets”, which replaces Section 3062, “Goodwill and Other Intangible Assets” and Section 3450, “Research and Development Costs”, establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets.

CICA 1400, “General Standards of Financial Statement Presentation”, was amended to include requirements to assess and disclose an entity’s ability to continue as going concern.

The adoption of these new sections do not have any material impact on the Company financial statement.

Recent Accounting Pronouncements

The CICA plans to converge Canadian GAAP with International Financial Reporting Standards (“IFRS”) over a transition period to end in 2011. The Company is currently assessing the impact of the transition to IFRS on its financial statements.

Procedures and Controls Regarding Disclosure

The President and Chief Executive Officer, and the Senior Vice President and Chief Financial Officer of the Company are responsible for the implementation and maintenance of disclosure controls and procedures, as provided for in Regulation 52-109 issued by the Canadian Securities Administrators. They are assisted in this task by the Disclosure Committee, which is comprised of members of the Company's senior management.

An evaluation was completed under their supervision in order to measure the effectiveness of the controls and procedures relating to the preparation of disclosure documentation, including this Management's Discussion and Analysis and this Quarterly Report. Based upon this evaluation, the President and Chief Executive Officer, and the Senior Vice President and Chief Financial Officer of the Company concluded that disclosure controls and procedures were effective as at the end of the quarter ended April 30, 2009, and more specifically, that the design of these controls and procedures provides reasonable assurance that important information relating to the Company, including its consolidated subsidiaries, is communicated to them in a timely manner for the preparation of this disclosure documentation.

Risk Factors

The Company's activities are subject to some risk factors that generally affect biotechnology companies. The profitability of the Company will depend upon its ability to successfully develop its products and technologies, to preserve its intellectual property rights, to maintain its highly qualified personnel, to conclude strategic alliances, research and development partnerships, strategic out-licensing agreements, to obtain satisfactory results as regards clinical studies and to obtain regulatory approvals required to commercialize its products. These activities require important financial investments. Therefore, the Company's ability to obtain necessary liquidities to finance its operations is essential to ensure future success and is as such a risk factor. 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".

Cautionary Statement

Management's comments and analysis are intended to facilitate understanding of the unaudited consolidated financial statements and accompanying notes and should therefore be read in conjunction with that information. The comments and analysis may include objectives, projections, estimates, expectations and forecasts of the Company or Management that are forward-looking. By their very nature, forward-looking statements are based on expectations and hypothesis and also involve risks and uncertainties, known and unknown, many of which are beyond DiagnoCure's control. As a result, readers are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements regarding the outcome of research and development projects and future revenues are based on Management expectations and there was, to the knowledge of Management, no event or circumstance in the second quarter of 2009 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 Company's web site at www.diagnocure.com. Additional information, including the Company's Annual Information Form and Annual report, is also available on SEDAR at www.sedar.com.

Québec, Canada
June 1, 2009

(Signed)

John C. Schafer
President and Chief Executive Officer

(Signed)

Jean-François Bureau
Senior Vice President and Chief Financial Officer

NOTICE OF DISCLOSURE OF NON-AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED APRIL 30, 2009 AND 2008

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

The accompanying unaudited interim consolidated financial statements of the Company for the interim periods ended April 30, 2009 and 2008, have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of the company's management.

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

Dated this 1st day of June 2009

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(UNAUDITED)

For the periods ended April 30

	Three-month period		Six-month period	
	2009	2008	**2009**	2008
	$	$	**$**	$
Revenues				
Sales	**30,564**	134,550	**103,086**	249,788
Cost of sales	**(16,422)**	(86,750)	**(29,254)**	(156,540)
Gross margin	**14,142**	47,800	**73,832**	93,248
Revenue under research and license agreement	**312,685**	46,591	**468,462**	87,378
Interest	**123,903**	334,968	**295,727**	670,398
	450,730	429,359	**838,021**	851,024
Operating expenses				
Research and development expenses	**1,294,207**	1,779,772	**2,862,376**	3,083,706
Investment tax credits	**(101,591)**	(129,114)	**(244,012)**	(255,596)
	1,192,616	1,650,658	**2,618,364**	2,828,110
Selling and business development expenses	**603,992**	670,397	**1,636,260**	1,184,780
General and administrative expenses	**699,651**	780,309	**1,495,031**	1,564,494
Stock-based compensation	**160,091**	319,404	**350,133**	608,698
Depreciation of property, plant and equipment	**147,487**	122,905	**296,937**	230,473
Amortization of intangibles	**297,447**	228,859	**594,628**	474,352
Loss (gain) on foreign exchange	**(7,299)**	24,425	**(44,887)**	9,355
Financial expenses	**7,491**	4,776	**13,719**	8,445
	3,101,476	3,801,733	**6,960,185**	6,908,707
Loss before income taxes	**(2,650,746)**	(3,372,374)	**(6,122,164)**	(6,057,683)
Future income taxes	**28,509**	—	**59,272**	—
Net loss and comprehensive loss	**(2,622,237)**	(3,372,374)	**(6,062,892)**	(6,057,683)
Basic and diluted net loss per share	**(0.06)**	(0.08)	**(0.14)**	(0.14)
Weighted average number of common shares outstanding	**42,799,475**	41,771,308	**42,797,799**	41,745,438

CONSOLIDATED STATEMENTS OF DEFICIT

(UNAUDITED)

For the six-month periods ended April 30

	2009	2008
	$	$
Deficit, beginning of period	**(69,315,440)**	(55,481,462)
Net loss	**(6,062,892)**	(6,057,683)
Deficit, end of period	**(75,378,332)**	(61,539,145)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

For the periods ended April 30

	Three-month period		Six-month period	
	2009	2008	**2009**	2008
	$	$	**$**	$
OPERATING ACTIVITIES				
Net loss	**(2,622,237)**	(3,372,374)	**(6,062,892)**	(6,057,683)
Adjustment for:				
Stock-based compensation	**160,091**	319,404	**350,133**	608,698
Depreciation and amortization	**444,934**	351,764	**891,565**	704,825
Future income taxes	**(28,509)**	—	**(59,272)**	—
	(2,045,721)	(2,701,206)	**(4,880,466)**	(4,744,160)
Net change in non-cash working capital items	**(447,132)**	49,280	**(1,130,826)**	(142,139)
Cash flows related to operating activities	**(2,492,853)**	(2,651,926)	**(6,011,292)**	(4,886,299)
INVESTING ACTIVITIES				
Change in temporary investments	**1,333,959**	2,680,207	**2,009,361**	7,869,702
Change in long-term investments	**(30,212)**	(218,656)	**4,931,767**	513,538
Acquisition of property, plant and equipment	**(13,037)**	(232,878)	**(24,453)**	(427,124)
Acquisition of intangibles	**(4,228)**	(912,310)	**(14,831)**	(1,017,355)
Cash flows related to investing activities	**1,286,482**	1,316,363	**6,901,844**	6,938,761
FINANCING ACTIVITIES				
Issue of common shares *[note 7]*	—	152,382	**3,700**	154,766
Cash flows related to financing activities	—	152,382	**3,700**	154,766
Net increase (decrease) in cash and cash equivalents for the period	**(1,206,371)**	(1,183,181)	**894,252**	2,207,228
Cash and cash equivalents, beginning of period	**2,997,050**	4,041,995	**896,427**	651,586
Cash and cash equivalents, end of period	**1,790,679**	2,858,814	**1,790,679**	2,858,814

See accompanying notes

CONSOLIDATED BALANCE SHEETS

	(Unaudited) April 30, 2009 $	October 31, 2008 $
ASSETS		
Current assets		
Cash and cash equivalents	**1,790,679**	896,427
Temporary investments	**9,467,378**	11,476,739
Accounts receivable *[note 6]*	**982,595**	352,493
Investment tax credits receivable	**730,161**	486,149
Prepaid expenses	**848,463**	187,588
	13,819,276	13,399,396
Long-term investments	**2,825,772**	7,757,539
Property, plant and equipment	**1,208,404**	1,480,888
Intangibles	**9,928,446**	10,508,243
	27,781,898	33,146,066
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**2,895,452**	2,491,289
Future income tax liabilities	**955,657**	1,014,929
Shareholders' equity		
Capital stock *[note 7]*		
Common shares	**92,093,763**	91,885,595
Contributed surplus *[note 7]*	**7,215,358**	7,069,693
Deficit	**(75,378,332)**	(69,315,440)
	23,930,789	29,639,848
	27,781,898	33,146,066

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

As of April 30, 2009

1) Financial Information

The accompanying unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The information with respect to the October 31, 2008, consolidated balance sheet is derived from the Company's audited financial statements. These unaudited interim financial statements should be read in conjunction with the notes appearing in the Company's audited financial statements for the year ended October 31, 2008, and the accompanying notes.

2) Incorporation and Nature of Business

The Company was incorporated on December 8, 1994 under Part 1A of the *Companies Act (Québec)*. DiagnoCure, Inc. is a biotechnology company which specializes in the development and commercialization of products relating to the diagnosis of cancer.

The Company intends to continue its research and development and marketing efforts. The Company's operations are subject to all the inherent risks related to setting up and running an emerging biotechnology company, such as successfully completing its research and development activities, marketing its products and obtaining the required financing.

3) Significant Accounting Policies

Revenue recognition

The Company's product revenues for tests performed are recognized when the following criteria of revenue recognition are met: (1) persuasive evidence that an arrangement exists; (2) delivery has occurred or services rendered; (3) the fee is fixed or determinable; and (4) collectability is reasonably assured. Criterion (2) is satisfied when the Company performs the test and generates and delivers a report to the physician. Determination of criteria (3) and (4) is based on management's judgments regarding the nature of the fee charged for products or services delivered and the collectability of those fees. Product revenues where the criteria set forth in (1) and (2) above are met, and (3) and (4) above are not met, are recognized on a cash basis when cash is received.

The Company generally bills third-party payors for the Previstage™ GCC Colorectal Cancer Staging Test upon generation and delivery of a Previstage™ GCC Result Report to the physician. As such, the Company takes assignment of benefits and the risk of collection with the third-party payor. The Company usually bills the patient directly for amounts owed after multiple requests for payment have been denied or only partially paid by the insurance carrier. As a relatively new test, the Previstage™ GCC Colorectal Cancer Staging Test may be considered investigational by payors and not covered under their reimbursement policies. Consequently, the Company pursues case-by-case reimbursement where policies are not in place or payment history has not been established. As a result, at the time of delivery of the Previstage™ GCC Result Report to the physician, and in the absence of a reimbursement contract or sufficient payment history, collectability cannot reasonably be assured and revenues are therefore only recognized at the time cash is collected.

3) Significant Accounting Policies (Cont'd)

The Company recognizes revenues from research and license agreements as the contracted services are performed, in accordance with the terms of the specific agreement. Non-refundable up front and calendar payments for access to the Company's proprietary technologies in connection with the research and license agreements are recognized as revenue over the term of the related collaboration. Amounts received in advance of recognition are included in deferred revenues.

Interest income is recognized on an accrual basis.

4) New Accounting Policies

The Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA) as at November 1st, 2008:

Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs", establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets.

CICA 1400, "General Standards of Financial Statement Presentation", was amended to include requirements to assess and disclose an entity's ability to continue as going concern.

The adoption of these new sections do not have any material impact on the Company financial statement.

5) Restructuring Charges

On December 13, 2006, the Company announced a shift in business strategy, including the decision to discontinue supporting R&D activities related to improvements in its cell-based bladder cancer diagnostic test and a reduction in marketing initiatives for this product. This decision has resulted in a realignment of resources to support the new strategy, with changes in the requisite skills of Company researchers and a reduction in the number of employees supporting certain research and development projects, including related marketing and administrative positions. The total restructuring charge was $1,317,719 of which $1,076,696 was paid as of April 30, 2009, and $241,023 is still to be paid.

	Opening balance of liabilities as of October 31, 2008 $	Cost engaged and past in charge $	Adjustments $	Closing balance as of April 30, 2009 $
Retention bonuses and termination benefits	—	—	—	—
Legal and outplacement fees	—	—	—	—
Provision for vacated leased premises	**363,151**	**122,128**	—	**241,023**
	363,151	**122,128**	—	**241,023**

No additional charges related to 2007 restructuring are expected for the 2009 financial year.

6) Accounts Receivable

As at April 30, 2009 the Company has an account receivable of $593,600 (US$500,000) representing the first annual payment from Gen-Probe relating to the April 29, 2009 amendment.

7) Capital Stock

Authorized

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

Common, voting and participating shares.

Preferred shares, issuable in series, non-voting, of which the rights, privileges, restrictions and conditions attached to each series, will be determined by the directors upon the issuance of each series.

Common Shares

	(UNAUDITED) April 30, 2009	October 31, 2008
	$	$
Issued and fully paid		
42,799,475 common shares (42,794,475 as at October 31, 2008)	**92,093,763**	91,885,595

	April 30, 2009	
	Number of shares	**Amount $**
Capital Stock		
Balance, beginning of period	**42,794,475**	**91,885,595**
Issuance of common shares	**5,000**	**3,700**
Portion previously recognized to surplus as part of stock-based compensation	**—**	**204,468**
Balance, end of period	**42,799,475**	**92,093,763**

Stock options

During the period ended April 30, 2009, the Company granted 296,000 (613,500 in 2008) options to certain employees and directors. These options were granted during the first quarter of 2009. The weighted average fair value of stock options granted during this period amounted to $0.62 ($1.32 in 2008) per stock option. The Company did not grant options in the second quarter. The fair value of each option granted was determined using the Black-Scholes option pricing model and the following weighted average assumptions:

	2009
Risk-free interest rate	**2.44%**
Expected life	**8 years**
Expected volatility in the market price of the share	**76%**
Expected dividend yield	**—**

7) Capital Stock (Cont'd)

Contributed surplus

For stock options granted to directors and key employees, the Company records compensation expense using a fair value method. Fair value is determined by using Black-Scholes option pricing model. Compensation cost are recognized over the vesting period as an increase to stock-based compensation expense and credited to contributed surplus. When options are exercised, the proceeds received by the Company, together with the fair value amount in contributed surplus are credited to capital stock.

Contributed surplus	**2009**
	$
Balance as of October 31, 2008	**7,069,693**
Stock-based compensation expense	**350,133**
Stock options cancelled	**(204,468)**
Balance as of April 30, 2009	**7,215,358**

Stock-based compensation is amortized to expense on a straight-line basis over the vesting period, which is usually three years.

8) Financial Instruments

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

	April 30, 2009					
	Held for trading	**Held-to-maturity**	**Loans and receivables**	**Other financial liabilities**	**Carrying value Total**	**Fair value Total**
	$	**$**	**$**	**$**	**$**	**$**
Financial assets						
Cash and cash equivalents	**1,790,679**	—	—	—	**1,790,679**	**1,790,679**
Temporary investments	—	**9,467,378**	—	—	**9,467,378**	**9,557,352**
Accounts receivable	—	—	**936,808**	—	**936,808**	**936,808**
Long-term investments	—	**2,825,772**	—	—	**2,825,772**	**2,940,121**
	1,790,679	**12,293,150**	**936,808**	—	**15,020,637**	**15,224,960**
Financial liabilities						
Accounts payable	—	—	—	**2,845,033**	**2,845,033**	**2,845,033**

8) Financial Instrument (Cont'd)

October 31, 2008						
	Held for trading $	Held-to-maturity $	Loans and receivables $	Other financial liabilities $	Carrying value Total $	Fair value Total $
Financial assets						
Cash and cash equivalents	896,427	—	—	—	896,427	896,427
Temporary investments	—	11,476,739	—	—	11,476,739	11,484,734
Accounts receivable	—	—	268,552	—	268,552	268,552
Long-term investments	—	7,757,539	—	—	7,757,539	7,853,710
	896,427	19,234,278	268,552	—	20,399,257	20,503,423
Financial liabilities						
Accounts payable	—	—	—	2,401,456	2,401,456	2,401,456

Fair value

Fair value is the amount of consideration that would be agreed upon in arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The Company 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 interim consolidated balance sheet as follows:

Held for trading

Cash and cash equivalents – The carrying amount is recorded at the fair market value determined using quoted market prices.

Held-to-maturity

Temporary and long-term investments – After their initial fair value measurement, the carrying amount is measured at amortized cost using the effective interest rate method.

Loans and receivables / Other financial liabilities

Accounts receivables and accounts payable – The carrying amount is a reasonable approximation of fair value due to the short-term nature of the accounts.

Risk arising from financial instruments

The Company does not use financial derivatives.

Foreign currency risk

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

8) Financial Instruments (Cont'd)

The Company maintains available for sale cash equivalents, accounts payable and accrued liabilities in US dollars and is therefore exposed to foreign exchange risk on these balances.

The significant balances in foreign currencies as at April 30, 2009 are as follow:

	US dollars $
Cash and cash equivalents	460,533
Accounts receivable	781,813
Accounts payable	(384,389)
Net exposure	857,957

Based on the aforementioned net exposure as at April 30, 2009, and assuming that all other variable remain constant, a 5% rise or fall in the Canadian dollar against the US dollar would have resulted in (increase) decrease in the net loss as follows:

	Canadian dollars	
	Appreciates 5% $	Depreciates 5% $
Against US dollar		
Net loss	50,928	(50,928)

Credit Risk

Investment tax credits receivable are due from the Québec government. All of the cash and cash equivalents are held with Canadian chartered banks. Temporary and long-term investments are held in commercial paper or bonds of municipalities, hospitals, CEGEPs and government bodies and therefore do not represent a concentration risk. These assets are convertible into a known amount of cash and subject to minimal risk of changes in value.

Liquidity risk and market risk

The Company's investment policy is to invest its excess cash in high-grade investments bonds with varying terms to maturity, selected with regard to the expected timing of expenditures for continuing operations.

The Company's investments are comprised of government guaranteed bonds subject to minimal fluctuations in value.

9) Segmented Information

Information pertaining to segmented results for the periods ended April 30, 2009 and 2008 is as follows:

	Three-month period					
	Consolidated Amounts		Biotechnologies		Laboratory Services	
	2009	2008	**2009**	2008	**2009**	2008
	$	$	**$**	$	**$**	$
Revenue from external sales	**343,249**	181,141	**341,089**	181,141	**2,160**	—
Interest Revenues	**123,903**	334,968	**122,996**	334,968	**907**	—
Loss before the following items:	**817,105**	1,045,772	**285,854**	449,743	**531,251**	596,029
Stock-based compensation	**160,091**	319,404	**160,091**	319,404	—	—
Depreciation and amortization	**444,934**	351,764	**400,972**	338,431	**43,962**	13,333
Segmented loss	**1,422,130**	1,716,940	**846,917**	1,107,578	**575,213**	609,362
Net R&D expenses	**1,192,616**	1,650,658	**673,735**	1,231,273	**518,881**	419,385
Financial expenses	**7,491**	4,776	**3,046**	3,292	**4,445**	1,484
Net loss	**2,622,237**	3,372,374	**1,523,698**	2,342,143	**1,098,539**	1,030,231

	Six-month period					
	Consolidated Amounts		Biotechnologies		Laboratory Services	
	2009	2008	**2009**	2008	**2009**	2008
	$	$	**$**	$	**$**	$
Revenue from external sales	**571,548**	337,166	**569,388**	337,166	**2,160**	—
Interest revenues	**295,727**	670,398	**293,758**	670,398	**1,969**	—
Loss before the following items:	**2,189,111**	1,907,605	**742,459**	921,704	**1,446,652**	985,901
Stock-based compensation	**350,133**	608,698	**350,133**	608,698	—	—
Depreciation and amortization	**891,565**	704,825	**804,292**	691,492	**87,273**	13,333
Segmented loss	**3,430,809**	3,221,128	**1,896,884**	2,221,894	**1,533,925**	999,234
Net R&D expenses	**2,618,364**	2,828,110	**1,543,929**	2,317,429	**1,074,435**	510,681
Financial expenses	**13,719**	8,445	**6,048**	6,700	**7,671**	1,745
Net loss	**6,062,892**	6,057,683	**3,446,861**	4,546,023	**2,616,031**	1,511,660

The business segment Laboratory Services reflects the Company's U.S. activities and its Previstage™ GCC staging test initiative. The Laboratory Services activities are performed by the subsidiary DiagnoCure U.S., GP. The business segment Biotechnologies reflects the Company's Canadian activities and its R&D initiative to develop diagnostic tests. This segment also includes some administrative activities. The Biotechnologies activities are performed by DiagnoCure, Inc. Assets relating to the Biotechnologies segment represent 98% of the consolidated assets and are located in Canada.

9) Segmented Information (Cont'd)

For the biotechnologies segment, one American client represented 85% (51% in 2008) of the revenues from external sales.

In the first six months of 2009 the total external sales are attributable to the United States. In the first six months of 2008, $200,784 was attributable to the United States, $45,028 to Canada and $91,354 to Europe. The Company determines the revenues by country based on where the product or service is delivered.

10) Management of Capital

The Company'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 Company includes shareholders' equity which amounts to $23,930,789 ($29,639,848 as of October 31, 2008) in the definition of capital.

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

Management is satisfied that it has adequate cash resources to finance the Company's activities, and will monitor its cash levels.

11) Subsequent Event

On April 29, 2009, DiagnoCure and Gen-Probe executed an amendment to their 2003 license agreement. On May 7, 2009, pursuant to the amendment, Gen-Probe acquired 4.9 million of newly issued DiagnoCure convertible preferred shares for US$5.0 million representing a premium of 19.8% over the average market price of the common shares of DiagnoCure during the 20 trading days prior to April 28, 2009. These convertible preferred shares are non-voting, with a fixed, preferential and non-cumulative dividend of 6 % per annum, and may be exchanged for common shares on a one-for-one basis. DiagnoCure has the option to redeem the preferred shares or to require their conversion into common shares in certain circumstances. DiagnoCure expects to have for $600,000 in preferred shares issue expenses related to the issue of these convertible shares. As part of its investment in DiagnoCure, Gen-Probe will receive a liquidation preference in certain cases and a security interest in some intellectual property. The financial impact of this transaction will be accounted for in the third quarter of fiscal 2009.

12) Comparative Figures

Certain of the 2008 figures have been reclassified in order to conform to the presentation adopted in 2009.