For life to continue...

QUARTERLY REPORT 2

For the Period Ended **April 30, 2006**

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MESSAGE TO SHAREHOLDERS

We are pleased to present the results of the second quarter for the fiscal 2006. As in the past quarter, these results were substantially in line with management expectations. Activities undertaken during the quarter were in line with our plans and DiagnoCure's on-going commitment to develop testing platforms for cancer diagnosis.

Prostate Cancer-PCA3

As a consequence of our exclusive partnership with Gen-Probe and their use of the PCA3 technology in the diagnosis of prostate cancer, 2006 is starting off as a year of great importance. After the transfer of the PCA3 technology to their APTIMA® platform, Gen-Probe has successfully completed the development of the PCA3 test in a quantitative format, as a second-generation detection test, from the PCA3 gene. During the second half of 2005, while completing the production validation of the PCA3 test, they developed the necessary infrastructure for the introduction in the US market of the ASR format of the test before the end of 2005, an objective that was attained in December 2005 with the introduction of the ASR format of the test to selected reference laboratories in the United States. In April 2006, two of these laboratories, Bostwick Laboratories and AmeriPath, in conjunction with the Molecular Profiling Institute, announced commercial availability of PCA3 assays in the ASR format based on Gen-Probe's technology.

Gen-Probe has announced that clinical studies to support full FDA clearance for the test in the United States are scheduled to start in late 2006. In Europe, Gen-Probe remains on track to introduce a CE-marked product for commercial sale by this year-end. Now that the assay has been made commercially available in the US, DiagnoCure expects to receive its first royalty payments from Gen-Probe PCA3 tests sales in the current fiscal year.

During the month of May 2006, five independent studies reporting various clinical aspects of the PCA3 gene were featured at the meeting of the American Urological Association in Atlanta, GA. The meeting of over 10,000 international physicians and scientists is the largest urological conference in the world. The PCA3 studies, from highly respected institutions in three countries, further define the potential clinical utility of the gene. PCA3 has been shown in several studies to be exclusively expressed by prostate cells and highly over-expressed in prostate cancer. These presentations were timely in that they corresponded with the commercial launch of the ASR version of the test referred to above. In addition, the two laboratories that announced the commercial availability of the PCA3 ASR test were present at the AUA and prominently featured the tests in their AUA booths.

These AUA presentations follow closely similar presentations at the recent meeting of the European Urological Association in Paris where Gen-Probe sponsored a successful symposium on the potential clinical use of the PCA3 gene.

The PCA3 gene was initially discovered and characterized by a joint team from the University of Nijmegen in The Netherlands and Johns Hopkins University in Baltimore, MD. US patent number 7,008,765 was issued on the technology on March 7, 2006, and the first European Patent, 1,222,266, on the messenger RNA's of the PCA3 gene was issued on March 29, 2006. DiagnoCure is the exclusive worldwide licensee for all diagnostic and therapeutic applications of the gene.

On May 30, 2006, DiagnoCure and Gen-Probe jointly announced that they have amended and expanded the terms of their license and collaboration agreement. Under the revised terms of the collaboration, Gen-Probe and DiagnoCure have agreed that submitting a U.S. regulatory application for a PCA3 product no later than early 2008 will satisfy Gen-Probe's previously agreed development obligations. In addition, in

order to maximize the market potential of PCA3, Gen-Probe has granted DiagnoCure exclusive rights to develop *in vivo* products, and co-exclusive rights to develop fluorescence in situ hybridization (FISH) products, based on the PCA3 gene. Finally, DiagnoCure will enter into a funded collaboration with Gen-Probe to evaluate the diagnostic utility of certain genetic markers for lung and/or kidney cancer over the next 12 months.

ImmunoCyt™ / uCYT+™

During the quarter work continued on the implementation of a new market positioning strategy for our bladder cancer test. It is the opinion of management that the manual version of our test is still viable and has potential for increased sales in the US and Europe if positioned correctly in the market and supported by credible clinical studies and publications. The company continues to work this strategy. Also, as announced previously, the Company embarked on a program to develop an integrated and complete automated platform to support cell based assays with ImmunoCyt™ and four other common diagnostic laboratory tests as a base set of tests on the platform. This development was completed in the second quarter, and the redeveloped automated platform went out for first scheduled field-testing. Field test results will direct our future steps with this automated platform strategy. In the meantime, presentations and publications made during the past year contributed to confirm and strengthen the credibility of the ImmunoCyt™ test in the pathology and cytology fields. Robustness, reliability and precision of the test were underscored in a paper published in the Journal of Urology of October 2005, reporting the results from an American study performed on 341 patients. With its ability to detect low grade, small superficial tumors, ImmunoCyt™ is unquestionably the most suitable available assay on the market to monitor strategies in patients at high risk of bladder cancer. Additionally, two prominent posters were presented on uCyt+™ at the recent AUA conference. The first relating to Immunocytology in the assessment of patients with Microhematuria and the second on ImmunoCyt™/ uCyt+™ in the detection of recurrent urothelial carcinoma.

Other Items

On March 16, 2006, Pierre Désy, President and Chief Executive Officer of the Company, announced his intention to retire in the coming fiscal year. Mr. Désy will remain in his current role until the Board of Directors appoints a new President and Chief Executive Officer. Following Mr. Désy's announcement, the Board immediately established a selection committee to find a replacement.

Business Development

Our growth strategy is based both on internal scientific development and on the continued pursuit of external opportunities of collaboration agreements, partnerships and potential acquisition targets. One of our internal strengths is our permanent research and validation program in the areas of molecular and cell-based makers for the detection of cancer. The search for new markers and potential partners continues.

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 our audited consolidated financial statements for the year ended October 31, 2005 and related notes. Management's comments were prepared to explain the Company's operations, performance and financial position as of April 30, 2006. 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, 2005. The information contained herein is up to date as of May 31, 2006.

Overview

DiagnoCure Inc. (hereafter called the "Company" or "DiagnoCure"), founded in 1994, is a leading developer and provider of innovative high value immunoassay and molecular diagnostic tests for the detection of cancer. Specifically, the Company specializes in the development of cancer diagnostic kits incorporating gene and monoclonal antibody markers. The first non-invasive test the Company developed was based on proprietary monoclonal antibodies designed to detect bladder cancer, which is presently commercialized under the brand name of ImmunoCyt™ in the United States and uCyt+™ in the rest of the world. In 2003, DiagnoCure completed the development of uPM3™, a first-generation qualitative non-invasive test for the detection of prostate cancer, which was offered by Bostwick Laboratories in the United States under the Analyte Specific Reagent (ASR) format based on the PCA3 gene technology for which the Company holds exclusive worldwide diagnostic and therapeutic rights. In November 2003, 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 the DiagnoCure PCA3 gene technology for prostate cancer in return for CDN$14 million to be paid over three years, of which CDN$11.10 million had been paid to April 30, 2006. The Company will also receive an 8% royalty on the first aggregate amount of US$50 million of end-user net sales of the PCA3 test by Gen-Probe and a 16% royalty on all subsequent sales. On December 19, 2005, Gen-Probe made available to targeted reference laboratories in the US market the ASR format of its first generation PCA3 assay on its APTIMA technology platform. In April 2006, two of these laboratories, Bostwick Laboratories and AmeriPath in conjunction with Molecular Profiling Institute announced the commercial availability of PCA3 assays in the ASR format based on Gen-Probe's technology.

2006 First Six-Month Highlights

Gen-Probe, DiagnoCure's exclusive sub-licensee for diagnostic applications of the PCA3 gene, indicated in December 2005 that it had begun shipping to customers analyte-specific reagents (ASR) for quantifying the expression of the PCA3 gene. As noted above, two laboratories announced in April 2006 the commercial availability of PCA3 assay. Given the recent release of the assay, there is not yet any developed sales pattern for the Gen-Probe PCA3 so it is difficult to predict what any quarter to quarter future royalty revenue flow will accrue to DiagnoCure. However, now that the assay has been made commercially available, DiagnoCure expects to receive its first royalty payments from Gen-Probe PCA3 ASR sales in the current fiscal year.

Overall ImmunoCyt™ / uCyt+™ sales have decreased this past fiscal year from that of 2005 due principally to competition in the US. European sales of uCyt+™ have continued to increase due to our efforts to expand our overseas distribution network where another new distributor, Tharmac, Germany, was signed in the past quarter.

Also during the quarter DiagnoCure continued the review of a number of new lung cancer markers acquired last year from Genzyme Corporation. DiagnoCure continues to refine the direction of its lung cancer program, including exploring additional applications of these molecular markers for lung cancer detection using testing medium such as blood, sputum, or biopsy materials.

Financial Results

For the Three-Month Period Ended April 30, 2006

Total revenues for the second quarter of 2006 were $1,425,180 compared with $1,960,312 for the second quarter of 2005. Revenue recognition of the continued calendar payments from Gen-Probe were $739,107 for the period, down $24,930 from the prior year due to unfavourable changes in the US to

Canadian foreign currency exchange rates. Sales of DiagnoCure's bladder cancer test, ImmunoCyt™ / uCyt+™ were $81,961 for the second quarter of 2006 versus $138,542 for the same period a year ago. While uCyt+™ sales outside the U.S. have increased by 10% over last year, US based sales of ImmunoCyt™ have suffered from strong competition and reimbursement issues. Every effort is being made to reverse this trend, and the recognition of the worth of ImmunoCyt™ / uCyt+™ , at the recent AUA conference, as noted above, supports our turn around efforts.

Income from research & development contracts, predominantly with Gen-Probe, has decreased in the second quarter of 2006 by $256,474 as was anticipated under the contract terms. Also in this quarter, DiagnoCure sold clinical samples to Gen-Probe, in support of their prostate cancer testing R & D, for an amount of $67,595.

Sales of DiagnoCure developed uPM3™ ASR prostate cancer test for the second quarter of 2006 were $183,711 compared to $121,360 for the same period of 2005. As we transition over to the Gen-Probe PCA3 assay and the withdrawal from the market of the DiagnoCure uPM3™ test, labs have filled their final uPM3™ orders.

The sales of our subsidiary Samba Technologies SAS, after inter-company elimination of Samba work done for DiagnoCure, were $162,123 for the second quarter of 2006 compared to $489,940 a year ago. Euros to Canadian dollar exchange rates have fallen in the past year, contributing to a portion of the decrease. Samba products and services sold to third parties, image analysis, archival and transmission software and hardware, can often have a long or erratic sales cycle and while second quarter revenues were below those of the same period last year, the pipeline for fiscal 2006 remains positive.

Interest income decreased $24,206 to $190,683 for the second quarter of 2006 compared to $214,889 for the second quarter of 2005. The decrease is attributable to the overall uses of cash in the past year to finance our on-going operating and research & development activities. (See below, Use of Proceeds from July 2004 Financing).

Cost of sales decreased $220,416 from $588,171 for the second quarter of 2005 to $367,755 for the second quarter of 2006. This decrease is related to lower actual product sales, as noted above, for ImmunoCyt™ / uCyt+™ , lower Samba sales and a shift in the mix of sales for Samba in the quarter to lower margin equipment.

Operating expenses rose from $1,999,000 for the second quarter of 2005 to $2,723,677 for the same period in 2006, for an increase of $724,677 primarily as a result of the following:

- Year over year increase in salaries and benefits.

- Research and development expenses, net of investment tax credits, increased by $331,940, from $724,840 for the second quarter of 2005 to $1,056,780 for the same quarter in 2006. The increase in research and development expenses is in line with the Company's plan, and included increased project spending for enhancements to ImmunoCyt™ / uCyt+™ and the related automated platform, the lung cancer project, further potential applications of the PCA3 gene, and other research into potential cancer diagnostic products including breast and kidney.

- General and administrative expenses increased, from $424,896 for the second quarter of 2005 to $624,030 for the same quarter in 2006. This increase of $199,134 is attributable to an increase in professional fees (legal & investor relations), and the increase in administrative employees.

- Selling and business development expenses increased by $165,012 from $492,154 for the second quarter of 2005 to $657,166 for the same quarter in 2006. This increase is attributable to the on-going execution of our marketing plan to promote our products, manage our intellectual property portfolio and support our efforts to identify and conclude new potential strategic alliances and in-licensing agreements.

- Stock-based compensation expenses, a non-cash charge, were relatively stable at $265,091 for the second quarter of 2006 compared to $268,691 for the same period in 2005. This stability is attributable to the updating of the assumptions used to calculate option values under the Black-Scholes method. (See below, **Stock-Based Compensation**). The disclosure of this non-cash item was initiated in 2005 to comply with the new accounting regulation.

Based on the above, for the second quarter of 2006, DiagnoCure recorded a net loss of $1,666,252 or $0.05 per share, compared with $626,859, or $0.02 per share, for the second quarter of 2005. These results are in line with management expectations. As was disclosed in the "Use of Proceeds" relative to our July 2004 financing (see below, **Use of Proceeds from July 2004 Financing**) the Company anticipated significantly increasing its ongoing investment in research and development activities and related staff and administrative expenses incurred as our Company grows. Those investments in our future success impact on our current bottom line results. At the end of the quarter, cash, short-term investments and long-term investments stood at $21,838,096, down only $883,609 from the $22,721,705 reported as at October 31, 2005. Management is satisfied that it has adequate cash resources to execute its business plan in the near-term and mid-term.

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

	2006	2005	2004
	$	**$**	$
Sales	**495,390**	749,842	465,083
Revenue under research and license agreement	**739,107**	995,581	1,104,211
Interest	**190,683**	214,889	39,688
Total revenues	**1,425,180**	1,960,312	1,608,982
Cost of sales	**367,755**	588,171	297,803
Gross margin	**1,057,425**	1,372,141	1,311,179
Operating expense (before stock-based compensation)	**2,458,586**	1,730,309	1,300,115
Stock-based compensation	**265,091**	268,691	181,434
Net loss	**(1,666,252)**	(626,859)	(170,370)
Basic and diluted loss per share	**(0.05)**	(0.02)	(0.01)
Weighted average number of common shares outstanding	**34,372,585**	34,193,809	29,136,089

For the Six-Month Period Ended April 30, 2006

Total revenues for the six-month period ended April 30, 2006 were $2,944,793 compared with $3,743,564 for the same period of 2005. Revenue recognition of the continued calendar payments from Gen-Probe were $1,478,214 for the period, down $100,688 from the prior year due to unfavourable changes in the US to Canadian foreign currency exchange rates. Sales of DiagnoCure's bladder cancer test, ImmunoCyt™ / uCyt+™ were $184,603 for the first six-month of 2006 versus $242,874 for the same period a year ago. Sales of DiagnoCure developed uPM3™ ASR prostate cancer test for the first six-month of 2006 were $349,140 compared to $297,121 for the same period of 2005.

Income from research & development contracts, predominantly with Gen-Probe, has decreased in 2006 by $422,624 as was anticipated under the contract terms. Also in this period, DiagnoCure sold clinical samples to Gen-Probe, in support of their prostate cancer testing R & D, for an amount of $134,250.

The sales of our subsidiary Samba Technologies SAS, after inter-company elimination of Samba work done for DiagnoCure, were $276,415 for the first six-month of 2006 compared to $743,006 a year ago. Euros to Canadian dollar exchange rates have fallen in the past year, contributing to a portion of the decrease. Samba products and services to third parties, image analysis, archival and transmission software and hardware, can often have a long or erratic sales cycle and while first six-month revenues were below those of the same period last year, the pipeline for fiscal 2006 remains positive.

Interest income decreased $37,554 to $383,682 for the first six-month of 2006 compared to $421,236 for the same period of 2005. The decrease is attributable to the overall uses of cash in the past year to finance our on-going operating and research & development activities. (See below, **Use of Proceeds from July 2004 Financing**).

Cost of sales decreased $256,403 from $928,824 for the first six-month of 2005 to $672,421 for the first six-month of 2006. This decrease is related to lower actual product sales, as noted above, for ImmunoCyt™ / uCyt+™, lower Samba sales and a shift in the mix of sales for Samba in the period to lower margin equipment.

Operating expenses rose from $4,049,206 for the first six-month of 2005 to $5,637,272 for the same period in 2006, for an increase of $1,588,066 primarily as a result of the following:

- Year over year increase in salaries and benefits.

- Research and development expenses, net of investment tax credits, increased by $758,218, from $1,350,545 for the first six-month of 2005 to $2,108,763 for the same period in 2006. The increase in research and development expenses is in line with the Company's plan, and includes increases in project spending for enhancements to ImmunoCyt™ / uCyt+™ and the related automated platform, the lung cancer project, further potential applications of the PCA3 gene, and other research into cancer diagnostic products including breast and kidney.

- General and administrative expenses increased, from $839,588 for the first six-month of 2005 to $1,426,410 for the same period in 2006. This increase of $586,822 is attributable to an increase in professional fees (legal & investor relations), higher regulatory and filing fees and an increase in administrative employees.

- Selling and business development expenses increased by $236,878 from $1,088,549 for the first six-month of 2005 to $1,325,427 for the same period in 2006. This increase is attributable to the on-going execution of our marketing plan to promote our products, manage our intellectual property portfolio and support our efforts to identify and conclude new potential strategic alliances and in-licensing agreements.

- Stock-based compensation expenses, a non-cash charge, decreased by $52,770, from $601,254 for the first six-month of 2005 to $548,484 for the same period in 2006. This decrease is attributable to the fact that less options were granted during the first six-month of 2006 compared to the same period of 2005 and the updating of the assumptions used to calculate option values under the Black- Scholes method. (See below, **Stock-Based Compensation**). The

disclosure of this non-cash item was initiated in 2005 to comply with the new accounting regulation.

Based on the above, for the six-month period ended April 30, 2006, DiagnoCure recorded a net loss of $3,364,900 or $0.10 per share, compared with $1,234,466, or $0.04 per share, for the same period of 2005. These results are in line with management expectations. As was disclosed in the "Use of Proceeds" relative to our July 2004 financing (see below, **Use of Proceeds from July 2004 Financing**) the Company anticipated significantly increasing its ongoing investment in research and development activities and related staff and administrative expenses incurred as our Company grows. Those investments in our future success impact on our current bottom line results.

Six-Month Period Results Ended April 30, (Unaudited)

	2006	2005	2004
	$	**$**	$
Sales	**944,408**	1,283,001	673,174
Revenue under research and license agreement	**1,616,703**	2,039,327	2,026,183
Interest	**383,682**	421,236	81,346
Total revenues	**2,944,793**	3,743,564	2,780,703
Cost of sales	**672,421**	928,824	504,259
Gross margin	**2,272,372**	2,814,740	2,276,444
Operating expenses before stock-based compensation)	**5,088,788**	3,447,952	2,586,847
Stock-based compensation	**548,484**	601,254	258,066
Net loss	**(3,364,900)**	(1,234,466)	(568,469)
Basic and diluted loss per share	**(0.10)**	(0.04)	(0.02)
Weighted average number of common shares outstanding	**34,365,301**	34,192,102	29,107,526

Total Assets and Shareholders' Equity

Total assets amounted to $25,144,208 as of April 30, 2006, compared with $26,895,639 as of October 31, 2005. This decrease is due to the use of cash to finance our operating activities. The book value per Common Share is $0.66 as of April 30, 2006 compared to $0.74 per Common Share as of October 31, 2005.

Balance Sheet (Unaudited)

As of April 30	**2006**	2005	2004
	$	$	$
Total assets	**25,144,208**	27,905,329	7,669,172
Shareholders' equity	**22,592,089**	26,259,579	4,527,169
Number of common shares outstanding	**34,373,476**	34,193,809	29,141,210

Cash Position and Financing Sources

Cash flow used for operating activities during the second quarter of 2006 was $2,150,563 compared with $1,438,161 for the second quarter of 2005, totalling a spread of $712,402, which is attributable to an increase in the net loss for this quarter. Investment activities generated cash flow of $2,393,759 for the second quarter of 2006 while, for the same period of 2005, investing activities generated cash flow of

$470,002. Cash proceeds from the realization of these investments activities (temporary investments) were made to support operating activities and the purchase of property, plant and equipment. Financing activities generated cash flow of $2,525 for the second quarter of 2006 compared to $1,589 for the corresponding quarter of 2005.

Cash Flows for the Second Quarters (Unaudited)

	2006	2005	2004
	$	$	$
Cash flows related to operating activities	**(2,150,563)**	(1,438,161)	(1,116,875)
Cash flows related to investing activities	**2,393,759**	470,002	1,092,826
Cash flows related to financing activities	**2,525**	1,589	68,708

Cash flow required for operating activities during the first six-month of 2006 was $704,243 compared to $943,147 for the same period of 2005, a decrease of $238,904, which is attributable to the change in non-cash working capital, which includes the receipt of the second instalment from Gen-Probe of $1,226,840 in November 2004 compared with the third instalment of $3,545,000 in November 2005. Investment activities generated cash flow of $1,026,216 for the first six-month of 2006 while, for the same period of 2005, investing activities generated cash flow of $1,327,432. During the first six-month of 2006, the Company acquired $232,993 of property, plant and equipment, compared to $444,252 for the same period in 2005. Financing activities generated cash flow of $95,367, all attributable to the exercise of options for the first six-month of 2006 compared to $12,887 for the corresponding period of 2005.

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

	2006	2005	2004
	$	$	$
Cash flows related to operating activities	**(704,243)**	(943,147)	1,746,512
Cash flows related to investing activities	**1,026,216**	1,327,432	(1,838,609)
Cash flows related to financing activities	**95,367**	12,887	162,200

As of April 30, 2006, cash, cash equivalents, temporary investments, and long-term investments amounted to $21,838,096 compared with $22,721,705 as of October 31, 2005.

The Company remains confident that given its current cash and investment balances it has sufficient liquid assets to finance its normal, on-going operating activities for the next four to five years without the necessity of returning to the public capital markets. Not withstanding the foregoing, should a special, non-operating project be initiated, the Company could consider seeking financing for such a special project through a public offering.

Issued and Outstanding Share Capital

As of May 31, 2006, the Company had 34,374,309 commons shares issued and outstanding and 2,254,957 stock options, granting the right to acquire an equal amount of common shares.

Off-Balance Sheet Arrangements

As of April 30, 2006, DiagnoCure has not entered into any off-balance sheet arrangement except for the lease agreements described in the "Contractual Obligations" section presented hereof.

Related Party Transactions

The Company is party to a consultation contract with the management company of one of its directors under which the activities of this manager are available to the Company. Expenses incurred by the Company with respect to this agreement totalled $110,725 for the six-month period ended April 30 2006 compared with $50,000 in 2005. These services have been charged at fair market value and have been accounted for as research and development expenses.

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, 2006, approximately $9.30 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 receive from Gen-Probe, interest income and gross margin realized on our sales.

Additional funds over those required to fund items above will be 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, 2006**
Improve the uPM3™ prostate cancer test, develop complementary applications and examine the therapeutic potential of the PCA3	$4.00 million	$2.30 million
Support the commercialization and expand the automation of ImmunoCyt+™ / uCyt+™ bladder cancer test	$2.50 million	$2.10 million
Advance the development of lung cancer and kidney cancer tests and initiate the development of other cancer tests	$10.50 million	$3.00 million
Acquire complementary technologies and uses for other general corporate purposes	$5.33 million	$1.90 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 properly prepared using careful judgement within the reasonable limits of materiality and within the framework of the accounting policies described in note 3 of the audited consolidated financial statements included in the 2005 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 accounted for as a reduction of research and development expenses, amounted to $220,547 for the first six-month of 2006 compared with $232,924 in 2005 and are based on management estimates on amounts to be recovered. These amounts are subject to audit and acceptance by tax authorities. Management believes that it has made a reasonable estimate of these amounts.

Impairment of Long-Lived 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

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.
During the first quarter of 2006, the Company revised certain assumptions to reflect the new expected volatility and the expected life of the options. The Company has evaluated the volatility of the market price of the Company's common shares as being 80% and the expected life of the options as being 8 years.

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 Payment Per Year					
Contractual Obligations	Total	Year one	Year two and three	Year four and five	Year six and up
Lease agreements	$1,404,636	$160,899	$614,378	$629,359	---

DiagnoCure currently leases the sixth floor, with commitments for additional space on an adjacent floor in July 2007, in a building where its head office and research and development laboratories are located under a lease expiring in 2011. Annual payments for the coming year under this lease agreement amount to $160,899.

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 activities is essential to assure future success and is as such a risk factor.

Cautionary Statement

Management's comments and analysis are intended to facilitate understanding of the unaudited consolidated interim 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 risk and uncertainties, know 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. In addition, the reader is referred to the applicable general risk and uncertainties described in DiagnoCure's most recent Annual Information Form under the heading "Risk Factors". DiagnoCure undertakes no obligation to publicly update or revise any forward-looking statements contained herein.

Additional information on the Company may be obtained on the following web site: www.sedar.com

(Signed)

Pierre Désy
President and Chief Executive Officer

(Signed)

Thom Skinner, CA
Chief Financial Officer

CERTIFICATION OF INTERIM FILINGS DURING TRANSITION PERIOD IN ACCORDANCE WITH MULTILATERAL INSTRUMENT 52-109F2 CERTIFICATION OF DISCLOSURE IN ISSUER ANNUAL AND INTERIM FILING

I, Pierre Désy, President and Chief Executive Officer of DiagnoCure Inc., certify that:

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of DiagnoCure Inc., (the issuer) for the interim period ending April 30, 2006;

2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;

3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings;

4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures for the issuer, and we have:

   a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared.

Date : May 31, 2006

(Signed)
Pierre Désy
President and Chief Executive Officer

CERTIFICATION OF INTERIM FILINGS DURING TRANSITION PERIOD IN ACCORDANCE WITH MULTILATERAL INSTRUMENT 52-109F2 CERTIFICATION OF DISCLOSURE IN ISSUER ANNUAL AND INTERIM FILING

I, Thom Skinner, Chief Financial Officer of DiagnoCure Inc., certify that:

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of DiagnoCure Inc., (the issuer) for the interim period ending April 30, 2006;
2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;
3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings;
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures for the issuer, and we have:
   a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared.

Date : May 31, 2006

(Signed)

Thom Skinner
Chief Financial Officer

DIAGNOCURE INC.

NOTICE OF DISCLOSURE OF NON-AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED APRIL 30, 2006 AND 2005

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, 2006 and 2005, 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 31st day of May 2006

CONSOLIDATED STATEMENTS

(UNAUDITED)

FOR THE PERIODS ENDED APRIL 30

Consolidated Statements of Operations

	three-month period		six-month period	
	2006	2005	**2006**	2005
	$	$	**$**	$
Revenues				
Sales	**495,390**	749,842	**944,408**	1,283,001
Cost of sales	**(367,755)**	(588,171)	**(672,421)**	(928,824)
Gross margin	**127,635**	161,671	**271,987**	354,177
Revenue under research and license agreement	**739,107**	995,581	**1,616,703**	2,039,327
Interest	**190,683**	214,889	**383,682**	421,236
	1,057,425	1,372,141	**2,272,372**	2,814,740
Operating expenses				
Research and development expenses	**1,166,281**	829,847	**2,329,310**	1,583,469
Investment tax credits	**(109,501)**	(105,007)	**(220,547)**	(232,924)
	1,056,780	724,840	**2,108,763**	1,350,545
General and administrative expenses	**624,030**	424,896	**1,426,410**	839,588
Selling and business development expenses	**657,166**	492,154	**1,325,427**	1,088,549
Stock-based compensation	**265,091**	268,691	**548,484**	601,254
Depreciation of property, plant and equipment	**89,861**	75,994	**171,302**	135,504
Financial expenses	**18,548**	5,354	**32,995**	20,257
Amortization of intangibles	**12,201**	7,071	**23,891**	13,509
	2,723,677	1,999,000	**5,637,272**	4,049,206
Loss before income taxes	**(1,666,252)**	(626,859)	**(3,364,900)**	(1,234,466)
Provision for income taxes	**---**	---	**---**	---
Net loss	**(1,666,252)**	(626,859)	**(3,364,900)**	(1,234,466)
Basic and diluted loss per share	**(0.05)**	(0.02)	**(0.10)**	(0.04)
Weighted average number of common shares outstanding	**34,372,585**	34,193,809	**34,365,301**	34,192,102

Consolidated Statements of Deficit

	2006	2005
	$	$
Deficit beginning of period	**(37,436,711)**	(34,386,582)
Add		
Net Loss	**(3,364,900)**	(1,234,466)
Deficit, end of period	**(40,801,611)**	(35,621,048)

FOR THE PERIODS ENDED APRIL 30

Consolidated Statements of Cash Flows

	three-month period		six-month period	
	2006	2005	**2006**	2005
	$	$	**$**	$
OPERATING ACTIVITIES				
Net loss	**(1,666,252)**	(626,859)	**(3,364,900)**	(1,234,466)
Adjustments for:				
Stock-based compensation	**265,091**	268,691	**548,484**	601,254
Depreciation and amortization	**102,062**	83,065	**195,193**	149,013
	(1,299,099)	(275,103)	**(2,621,223)**	(484,199)
Net change in non-cash working capital items	**(851,464)**	(1,163,058)	**1,916,980**	(458,948)
Cash flows related to operating activities	**(2,150,563)**	(1,438,161)	**(704,243)**	(943,147)
INVESTING ACTIVITIES				
Change in investments	**2,509,739**	550,676	**1,300,949**	1,811,569
Acquisition of property, plant and equipment	**(112,156)**	(66,936)	**(232,993)**	(444,252)
Acquisition of intangibles	**(3,824)**	(13,738)	**(41,740)**	(39,885)
Cash flows related to investing activities	**2,393,759**	470,002	**1,026,216**	1,327,432
FINANCING ACTIVITIES				
Issue of capital stock	**2,525**	1,589	**95,367**	12,887
Cash flows related to financing activities	**2,525**	1,589	**95,367**	12,887
Net increase in cash and cash equivalents	**245,721**	(966,570)	**417,340**	397,172
Cash and cash equivalents, beginning of period	**905,774**	2,012,594	**734,155**	648,852
Cash and cash equivalents, end of period	**1,151,495**	1,046,024	**1,151,495**	1,046,024

CONSOLIDATED BALANCE SHEETS

	(UNAUDITED) APRIL 30, 2006 $	(AUDITED) OCTOBER 31, 2005 $
Assets		
Current assets		
Cash and cash equivalents	**1,151,495**	734,155
Temporary investments	**13,748,161**	15,954,962
Accounts receivable	**685,715**	1,933,074
Investment tax credits receivable	**908,702**	688,155
Prepaid expenses	**255,802**	176,352
Total current assets	**16,749,875**	19,486,698
Long-term investments	**6,938,440**	6,032,588
Property, plant and equipment	**1,038,125**	976,434
Intangibles	**417,768**	399,919
	25,144,208	26,895,639
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	**1,760,781**	1,557,622
Deferred revenues	**791,338**	24,879
Total current liabilities	**2,552,119**	1,582,501
Shareholders' equity		
Capital stock *[note 3]*	**59,632,662**	59,532,811
Contributed surplus *[note 3]*	**3,761,038**	3,217,038
Deficit	**(40,801,611)**	(37,436,711)
	22,592,089	25,313,138
	25,144,208	26,895,639

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

AS OF APRIL 30, 2006

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, 2005 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, 2005 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 subsidiary Samba Technologies SAS specializes in software development activities relating to the automation of diagnosis tests.

The Company intends to continue its research and development and commercializing 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 and distributing its products and obtaining the required financing.

3. Capital stock

Authorized

An unlimited number of shares of the following classes, without nominal 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.

	(UNAUDITED)	(AUDITED)
	APRIL 30, 2006	OCTOBER 31, 2005
	$	$
Issued and fully paid		
34,373,476 common shares (34,310,910 as of October 31, 2005)	**59,632,662**	59,532,811

	APRIL 30, 2006	
	Number of shares	Amount
Capital stock		$
Balance, beginning of period	34,310,910	59,532,811
Issuance of common shares	62,566	95,367
Stock options exercised as part of the stock-based compensation	---	4,484
Balance, end of period	34,373,476	59,632,662

3. Capital stock (Cont'd)

Stock options

During the period ended April 30, 2006, the Company granted 135,000 options to certain key employees and directors. The weighted average fair value of stock options granted during this period amounted to $3.44 per stock option. The fair value of each option granted was determined using the Black-Scholes option pricing model and the following weighted average assumptions:

Risk-free interest rate	4.07%
Expected life	8 years
Expected volatility in the market price of the shares	80%
Expected dividend yield	---

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option-pricing models require the use of highly subjective assumptions including the expected stock price volatility. Because the Company's employees and directors stock options have characteristics significantly different from those of traded options, and because changes in the subjective assumptions can have a material effect on the fair value estimate, in management's opinion, the existing option pricing models do not necessarily provide a single measure of the fair value of its employees and directors stock options.

Contributed Surplus

For stock options granted to keys employees and directors after November 1st, 2002, 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	**Amount**
	$
Balance as of October 31, 2005	3,217,038
Stock-based compensation expense	548,484
Stock options exercised	(4,484)
Balance as of April 30, 2006	3,761,038

4. Segmented Information

Information pertaining to segmented earnings for the three-month periods ended April 30, 2006 and 2005:

	Consolidated Amounts		**Biotechnologies**		**Software Development**	
	2006	2005	**2006**	2005	**2006**	2005
	$	$	**$**	$	**$**	$
Revenue from						
External sales	**1,425,180**	1,960,312	**1,263,057**	1,470,505	**162,123**	489,807
Inter-segment sales	**---**	---	**(83,979)**	(8,773)	**83,979**	8,773
	1,425,180	1,960,312	**1,179,078**	1,461,732	**246,102**	498,580
Earnings (loss) before the following items:	**(223,771)**	455,091	**(171,265)**	524,511	**(52,506)**	(69,420)
Stock-based compensation	**265,091**	268,691	**265,091**	268,691	**---**	---
Depreciation and amortization	**102,062**	83,065	**101,870**	82,771	**192**	294
Segmented earnings (loss)	**(590,924)**	103,335	**(538,226)**	173,049	**(52,698)**	(69,714)
Net R&D expenses	**1,056,780**	724,840				
Financial expenses	**18,548**	5,354				
Net loss	**(1,666,252)**	(626,859)				

Information pertaining to segmented earnings for the six-month periods ended April 30, 2006 and 2005:

	Consolidated Amounts		**Biotechnologies**		**Software Development**	
	2006	2005	**2006**	2005	**2006**	2005
	$	$	**$**	$	**$**	$
Revenue from						
External sales	**2,944,793**	3,743,564	**2,668,370**	3,000,480	**276,423**	743,084
Inter-segment sales	**---**	---	**(139,414)**	(8,773)	**139,414**	8,773
	2,944,793	3,743,564	**2,528,956**	2,991,707	**415,837**	751,857
Earnings (loss) before the following items:	**(479,465)**	886,603	**(381,653)**	948,457	**(97,812)**	(61,854)
Stock-based compensation	**548,484**	601,254	**548,484**	601,254	**---**	---
Depreciation and amortization	**195,193**	149,013	**194,744**	148,419	**449**	594
Segmented earnings (loss)	**(1,223,142)**	136,336	**(1,124,881)**	198,784	**(98,261)**	(62,448)
Net R&D expenses	**2,108,763**	1,350,545				
Financial expenses	**32,995**	20,257				
Net loss	**(3,364,900)**	(1,234,466)				