



**Diagno Cure**

Empowering  
Oncology Decisions

DiagnoCure is a **life** sciences company commercializing **high-value** cancer diagnostic tests and lab services that increase **clinician** and patient confidence in **making** critical treatment **decisions**.

## MESSAGE TO SHAREHOLDERS

Dear Shareholder,

We are pleased to present the significant progress and results for DiagnoCure's 2008 fiscal year. This year was a turning point in the Company's growth strategy to become *the* leading developer and provider of high-value diagnostics for the detection and management of cancer. We capitalized on our 2007 acquisitions to strengthen our pipeline and to launch, throughout the United States, our Previstage™ GCC test for the staging of colorectal cancer. We staffed our U.S. service laboratory, applied for and received U.S. CLIA ("Clinical Laboratory Improvement Amendments") regulatory approval for the laboratory to perform Previstage™ GCC, and started to record sales and bill insurance companies. In addition, our first high-value cancer diagnostic test, PCA3 for prostate cancer, which was launched in 2006, recorded significant increases in market awareness and sales.

### **Molecular Diagnostics**

With two high-value cancer molecular diagnostic tests being commercialized, along with a rich pipeline, we are executing on our 2007 promise to become the leader in this rapidly growing market (30% per year). We de-emphasized early stage research and instead identified high-value tests with existing clinical data that we could develop into products and launch within 18-24 months. In 2007, we evaluated numerous opportunities before acquiring the GCC marker and its promising applications for the management of colorectal cancer. Then, in 2008, we completed the development of and launched the Previstage™ GCC Colorectal Cancer Staging Test from our new U.S. CLIA-certified service laboratory. With proprietary tests and our CLIA approved service laboratory in the U.S., we are well positioned to benefit from this high growth market segment and from direct access to physicians and patients.

### **Previstage™ GCC, Colorectal Cancer Staging Test**

Previstage™ GCC provides physicians with more precise information about the stage of a patient's cancer after surgery, thereby increasing the physician's confidence in making critical treatment decisions, such as whether or not the patient should receive adjuvant chemotherapy. Specifically, the test can be useful for patients who were determined to be cancer-free by the pathologist after surgery. Today, up to 30% of those patients experience disease recurrence with a very high risk of death, presumably because the current method of testing, which consists of looking at thin slices of lymph node under a microscope, misses some cancer cells. Previstage™ GCC uses a molecular technology and can identify cancer cells in lymph nodes 100,000 times more sensitively than the current method. More information about our test and laboratory services is available at [www.diagnocurelabs.com](http://www.diagnocurelabs.com).

In 2008, DiagnoCure employees devoted their energy and talent to develop the Previstage GCC™ test and to set up a new service laboratory in West Chester, Pennsylvania. The marketing team began to educate healthcare practitioners at the Gastrointestinal Cancers Symposium ("ASCO GI") in January 2008, and continued throughout the year, with a notable presence at the American Society of Clinical Oncology ("ASCO") conference in May. In August, DiagnoCure Oncology Laboratories received the required CLIA certification to perform Previstage™ GCC, and the test was launched. An initial sales team was hired, first concentrating its efforts in the North East of the United States. We received in September our first patient

lymph nodes and reported results, regarding GCC status, to physicians to help them and their patients make treatment decisions.

In 2008, Dr. Scott Waldman, who first identified the potential of GCC in colorectal cancer management in the early 90's, completed a 5-year, prospective study on GCC lymph node testing in colorectal cancer sponsored by the U.S. National Institutes of Health ("NIH"). He presented a poster of the summary results of the study at ASCO in May 2008 and the full results should be published in a peer-reviewed journal. The conclusions are very similar to prior studies that had shown the significant potential of GCC in staging colorectal cancer.

As clinical studies are critical in driving test adoption by the health practitioners, we will be moving forward with a number that will further demonstrate the clinical utility of Previstage™ GCC. Towards that end, we formed a Strategic Advisory Board composed of four prominent colorectal cancer opinion leaders to advise the Company on clinical and commercialization issues. We are also in discussions with several leading academic medical institutions interested in pursuing future clinical studies.

### **Great Progress for the PCA3 Test**

PCA3, our prostate cancer marker, has also shown great progress in 2008. During their third quarter conference call, Gen-Probe, DiagnoCure's PCA3 development and commercialization partner, reported that the sales of Progenesa™ PCA3 in Europe had quadrupled compared with the sales volume for the same quarter of the prior year.

The PCA3 marker was the subject of four articles published in the Journal of Urology in 2008, and of numerous other articles published in various media. Most notable was an article in the November issue of the Journal of Urology, which supported the value of a PCA3-based test as a tool for better assessing the prognosis of a prostate cancer patient. This represents another potential use for PCA3, which is currently used to more accurately predict a prostate biopsy outcome.

### **Focused on our objectives**

In summarizing 2008, thanks to the talent of its dedicated employees and management team, DiagnoCure continued to execute its plan, meet its goals, capitalize on opportunities and adapt to a changing environment. We have established a solid base for future growth. For 2009, we will work towards establishing strong sales for Previstage™ GCC through our U.S. CLIA service laboratory and leverage domestic and international market expansion through strategic partnerships. We expect continued growth of sales of PCA3 internationally and in the U.S. We will also continue to strengthen our product positions through clinical studies and publications.

Recent turmoil in the world financial markets unquestionably affects us all. Uncertain financial conditions dictate an ever more prudent management of resources. Towards that end, in November, we reviewed the scope and pace of our development and commercialization projects, which resulted in reduced expenses and investments, and a reduction of staff, mostly in research and development and administrative support. Our goal is to advance our key projects and to maintain a solid cash position to weather this financial storm with the same focus that has thus far driven us and to remain true to our mission to be *the* leading developer and provider of high value diagnostics for cancer.

(Signed)

John C. Schafer  
President and CEO

(Signed)

Alain Rhéaume  
Chairman of the Board

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

*The following information deals with the Company's operating results and financial position as at October 31, 2008, and therefore should be read in conjunction with the consolidated financial statements and accompanying notes at that same date and included in this annual report. These management comments were prepared to explain the Company's operations, performance and financial position as at October 31, 2008. They compare this fiscal year's operating results and cash position with those of the fiscal year ended October 31, 2007. The information contained herein is up to date as of January 12, 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 exploit 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. The Company also receives an 8% royalty on the first aggregate amount of US\$50 million of end-user net sales of the PCA3 test or reagents by Gen-Probe and a 16% royalty on all subsequent sales. 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 Progenesa™ PCA3 test and subsequently introduced the test throughout Europe. As of the fall of 2008, the Progenesa™ PCA3 was available from over 30 sites in Europe and the Middle East.

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, as well as an option to lease a CLIA-certified U.S. service laboratory to commercialize molecular cancer diagnostics tests. This agreement with TDT

significantly strengthened DiagnoCure's position in molecular diagnostics for cancer. Last August, 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 called 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. DiagnoCure intends to complete the development of the tests and conduct additional validating clinical studies.

## **2008 Highlights**

### **Opening of U.S. CLIA Laboratory and Launch of Previstage™ GCC**

On December 5, 2007, DiagnoCure announced that it had exercised its option from the April 2007 agreement with TDT, and signed a lease on a fully equipped service laboratory located in West Chester, PA.

On January 25, 2008, the Company familiarized attendees with the science behind its Previstage™ GCC Colorectal Cancer Staging Test at the Gastrointestinal Cancers Symposium of the American Society of Clinical Oncology ("ASCO GI") and presented the test to surgeons, oncologists, radiologists and other clinical specialists who focus on treating patients with colorectal and other cancers of the gastrointestinal tract.

At the end of May, during the American Society of Clinical Oncology ("ASCO") annual meeting in Chicago, DiagnoCure introduced Previstage™ GCC, a molecular diagnostic solution to the need for more accurate staging of colorectal cancer. ASCO also featured a number of important studies about colorectal cancer, including one from Dr. Scott Waldman on his discovery and clinical implications for the use of the GCC marker.

In August, the Company announced that it had received approval from the U.S. regulatory authorities with the specific CLIA certification required to launch Previstage™ GCC. The test is now sold and promoted directly to clinicians across the United States, and the first orders have been received and processed.

### **Progress of the PCA3 test**

Commercialization of the PCA3 test continued to expand in Europe with Gen-Probe announcing additions to its sales and marketing team in the area. On February 13, 2008, during their fourth quarter earnings webcast, Gen-Probe announced that they would postpone their PCA3 pivotal study in the United States, a prerequisite to an FDA submission.

Through the year, PCA3 was a subject of six key publications, four of them in the Journal of Urology, and several presentations made at international medical conferences. These peer-reviewed scientific publications and presentations continued to confirm PCA3's clinical value for prostate cancer patients in predicting the biopsy outcome, and in assessing the cancer prognosis as well.

In their third quarter 2008 conference call, Gen-Probe reported that the sales of ProgenSA™ PCA3 in Europe had quadrupled compared with the sales volume for the same quarter of the prior year. The test is now available from over 30 sites in Europe and the Middle East.

### **Divestment of ImmunoCyt™**

In July, DiagnoCure entered into a product divestment agreement for its bladder cancer test, ImmunoCyt™ / uCyt+™, with Scimedx Corporation, a U.S.-based company.

### **Other Highlights**

In January 2008, DiagnoCure announced the appointment of J.F. Bureau, CFA, as Senior Vice President and Chief Financial Officer. Mr. Bureau's experience spans nearly twenty years in the North American and European financial markets.

On June 13, DiagnoCure announced that Mr. Alain Rhéaume was succeeding Mr. Paul Gobeil as Chairman of the Board of Directors of the Company. Mr. Rhéaume is Founder and Managing Partner of Trio Capital Inc. He cumulates over 30 years of experience in management in both the public and private sectors. He had been a Director of DiagnoCure's Board and a member of the Audit and Risk Management Committee since 2005. Mr. Gobeil remained on the Board as a member of the Audit and Risk Management Committee.

DiagnoCure appointed Mr. Phillip Wells as Vice President, Marketing and National Sales on June 26, to lead its Previstage™ GCC test launch and commercial growth of the Company. He has 30 years of experience in marketing in the global healthcare sector, where he held various positions in sales management, marketing, managed care, business development and participated in many successful product launches. Mr. Wells joined DiagnoCure in 2007 as Senior Director of Reimbursement, where he has been responsible for developing and implementing corporate strategies for gaining reimbursement for the Company's high-value tests.

In July, four prominent colorectal cancer key opinion leaders agreed to serve on the Strategic Advisory Board of the Company's wholly owned subsidiary, DiagnoCure Oncology Laboratories. The mandate of these renowned specialists consists of advising DiagnoCure on a number of issues related to the Previstage™ GCC test and the Company's commercialization efforts.

### **Overall Performance**

During 2008, DiagnoCure continued to move forward with its business plan and met its stated milestones for the year to fulfil its mission to be the leading developer and provider of high-value diagnostics for the detection and management of cancer.

To this end, the Company mainly focused on the development and introduction of its new Previstage™ GCC Colorectal Cancer Staging Test in the U.S. As disclosed last year, the Company intended to open a CLIA-certified service laboratory in the United States to start offering proprietary tests to physicians and their patients. On August 26, 2008, DiagnoCure Oncology Laboratories, based in West Chester, PA, a wholly-owned subsidiary of DiagnoCure, Inc., announced that it had received the U.S. CLIA certification required for the Company to launch its new laboratory developed Previstage™ GCC test. In order to actively promote the test, a sales force was hired and trained and a market awareness program was implemented. The sales

activities began upon the launch of the test in August and, prior to fiscal year-end 2008, the first tests were ordered by physicians and results were reported.

DiagnoCure also continued to work closely and actively support Gen-Probe in its commercialization of the PCA3 test. In the last quarter of the fiscal year 2008, PCA3 sales in Europe have quadrupled over a year ago.

## 2009 Outlook

With a year-end cash position of \$20,130,705, DiagnoCure is well positioned to pursue its mission to become the leading developer and provider of high-value diagnostics for the detection and management of cancer, which are clinically useful and may enable better treatment decisions of different cancers. Molecular diagnostics is the fastest growing segment of the *in vitro* diagnostics market which, while changing the way diseases are treated, is growing at a CAGR of 15%, with clinical validation of molecular tests and associated biomarkers creating new markets and replacing some existing IVD assays.

In 2009, the Company intends to grow sales of the Previstage™ GCC Colorectal Cancer Staging Test through its U.S. CLIA laboratory as well as continue to strengthen its product positions with clinical studies and publications.

DiagnoCure further intends to partner with domestic and international cancer life science companies to leverage market growth of its Previstage™ GCC test.

DiagnoCure will continue to seek the best commercial outcome for the PCA3 test in the U.S. and internationally.

## Operating Results

Total revenues for 2008 were \$1,995,910 compared with \$3,467,425 for 2007. In 2008, DiagnoCure had no revenue recognition of the continued calendar payments and research agreement from Gen-Probe compared with \$1,711,940 in the prior year. Royalty revenues from Gen-Probe were \$262,387 for 2008, compared with \$127,843 for the corresponding period of 2007. This increase is attributable to the sales of Progenesa™ PCA3 in Europe by Gen-Probe. Sales of DiagnoCure's non-invasive bladder cancer test, ImmunoCyt™ / uCyt+™, were \$343,750 for 2008 versus \$352,351 for the prior year. Income from research and development contracts, predominantly with Gen-Probe, has decreased in 2008 by \$166,604 as specific PCA3-related contracted R&D projects got completed. Also in this period, DiagnoCure sold clinical samples to Gen-Probe, in support of their prostate cancer testing R&D, for an amount of \$180,814 compared with \$80,412 in the same period of 2007.

Interest income increased by \$14,080, to \$1,208,959 for 2008 compared with \$1,194,879 for the same period of 2007.

Cost of sales increased by \$58,490, from \$264,285 for 2007 to \$322,775 for 2008. This increase is related to higher sample sales.

Operating expenses increased from \$12,359,359 for 2007 to \$15,597,476 for the same period in 2008, an increase of \$3,238,117, reflecting the start of the Company's U.S. clinical laboratory

activities, the CLIA certification of our new laboratory and the launch of the Previstage™ GCC Colorectal Cancer Staging Test. Total operating expenses increased primarily as a result of the following:

- Research and development expenses, net of investment tax credits, increased by \$3,069,640, from \$2,954,372 for 2007 to \$6,024,012 for the same period in 2008. The increase in research and development expenses is attributable to the development and transfer to the Company's U.S. laboratory of the GCC colorectal cancer staging test. DiagnoCure has launched the Previstage™ GCC Colorectal Cancer Staging Test on August 26, 2008.
- General and administrative expenses decreased from \$3,321,960 for 2007 to \$3,218,005 for the same period in 2008. This decrease of \$103,955 is attributable to the a decrease in professional fees.
- Selling and business development expenses increased by \$1,057,207, from \$2,511,550 for 2007 to \$3,568,757 for the same period in 2008. This increase is attributable to the beginning of the Company's U.S. sales and marketing initiatives to promote and offer the Previstage™ GCC Colorectal Cancer Staging Test.
- Restructuring charges in the first quarter of 2007 were \$1,262,685, attributable to 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. The \$55,034 restructuring charges for 2008 refers to a prior lease commitment.
- Stock-based compensation expenses, a non-cash charge, decreased by \$431,162, from \$1,550,801 for 2007 to \$1,119,639 for the same period in 2008. This decrease is attributable to the lower value of the latest granted options. The decrease also reflects the end of the charges recognition associated to previously granted options.

Based on the above, for the year ended October 31, 2008, DiagnoCure recorded a net loss of \$13,833,978 or \$0.33 per share, compared with \$9,156,219 or \$0.24 per share, for the same period of 2007. These results are substantially in line with Management expectations and reflect activities undertaken during this fiscal year, in line with the Company's plans and on-going commitment to develop high-value diagnostic tests for the detection and management of cancer. As at October 31, 2008, cash, short-term and long-term investments stood at \$20,130,705, down from \$32,867,526 as of October 31, 2007. This decrease of \$12,736,821 is due to the use of liquidity to finance the operating activities and acquisitions of property, plant and equipment and of intangibles in 2008. Management is satisfied that it has adequate cash resources to finance the Company's activities, and will monitor its cash levels.

## Selected Annual Information

(Data shown below come from the audited consolidated financial statements of the Company)

	2008	2007	2006
	\$	\$	\$
Sales	524,564	432,763	1,013,405
Revenue under research and licence agreement	262,387	1,839,783	3,230,440
Interest	1,208,959	1,194,879	787,008
<b>Total revenues</b>	<b>1,995,910</b>	<b>3,467,425</b>	<b>5,033,092</b>
Cost of sales	322,775	264,285	585,515
Operating expenses (before stock-based compensation, restructuring charges and income taxes)	14,422,803	9,545,873	9,604,525
Stock-based compensation	1,119,639	1,550,801	1,332,399
Restructuring charges (note 6)	55,034	1,262,685	—
Operating expenses before income taxes	15,597,476	12,359,359	10,936,924
Net loss before discontinued operations and income taxes	(13,924,341)	(9,156,219)	(6,491,586)
Loss from discontinued operations	—	—	(595,044)
Future income taxes	(90,363)	—	—
<b>Net loss</b>	<b>(13,833,978)</b>	<b>(9,156,219)</b>	<b>(7,086,630)</b>
Basic and diluted loss per share			
Continuing operations	(0.33)	(0.24)	(0.19)
Discontinued operations	—	—	(0.02)
<b>Basic and diluted net loss per share</b>	<b>(0.33)</b>	<b>(0.24)</b>	<b>(0.21)</b>
Weighted average number of common shares outstanding	42,272,320	38,422,096	34,401,548

## Total Assets and Shareholders' Equity

Total assets amounted to \$33,146,066 as of October 31, 2008, compared with \$43,585,440 as of October 31, 2007. The book value per Common Share is \$0.69 as of October 31, 2008 compared with \$0.96 per Common Share as of October 31, 2007.

(Data shown below come from the audited consolidated financial statements of the Company)

	2008	2007	2006
	\$	\$	\$
Total assets	33,146,066	43,585,440	21,347,421
Shareholders' equity	29,639,848	40,191,471	19,704,640
Number of common shares outstanding	42,794,465	41,718,463	34,451,142

## Cash Position and Financing Sources

Cash flow required from operating activities during 2008 amounted to \$11,064,611 compared with \$5,628,014 required in 2007, an increase of \$5,436,597 which is attributable to an increased loss in fiscal 2008, mostly due to the beginning of the Company's U.S. clinical laboratory activities, the CLIA certification of our new laboratory and the launch of the Previstage™ GCC Colorectal Cancer Staging Test. Investment activities generated cash flow of \$11,153,886 for 2008 while, for 2007, investing activities required cash flow of \$17,383,719

representing the investment done following the April 2007 financing. In 2008, acquisition of property, plant and equipment and of intangibles amounted to \$1,852,821, relating mostly to the GCC license and the acquisition of equipment for the U.S. laboratory, compared with \$2,193,425 for 2007 representing the acquisition of Catalyst Oncology and the GCC license sign with Targeted Diagnostic & Therapeutic, Inc. For the same period of 2007, DiagnoCure also acquired capital assets to upgrade its equipment used in research and development. Financing activities, primarily from the issue of common shares relative to the April 2007 public offering, generated cash flows of \$23,483,391 for 2007, compared with \$155,566 for the corresponding period of 2008. In 2008 the financing activities were primarily generated from the issue of common shares relative to the exercising of options.

DiagnoCure invests its cash reserve in liquid, high-grade investments with varying terms to maturity, selected with regard to the expected timing of operating and capital expenditures and prevailing interest rates.

Taking into consideration the actual financial crisis, 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 2008, however in the coming year, it could have an impact on the interest revenue that we will generate on these investments, due to 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 to form strategic alliances, research partnerships, as well as on the progress of the research programs and products resulting from these agreements.

## Cash Flows

(Data shown below come from the audited consolidated financial statements of the Company)

	2008	2007	2006
	\$	\$	\$
Cash flows related to operating activities	<b>(11,064,611)</b>	(5,628,014)	(3,517,577)
Cash flows related to investing activities	<b>11,153,886</b>	(17,383,719)	3,298,342
Cash flows related to financing activities	<b>155,566</b>	23,483,391	145,733

## Issued and Outstanding Share Capital

As at January 12, 2009, the Company had 42,794,475 common shares and 3,550,225 outstanding options to acquire common shares.

## Results of Fourth Quarter

Total revenues for the fourth quarter of 2008 were \$502,272 compared with \$495,844 for the fourth quarter of 2007. This increase of \$6,428 is mostly attributable to the increase in royalties revenues from Gen-Probe. Royalty revenues from Gen-Probe increased in the fourth quarter of 2008 to \$110,770, compared with \$43,787 for the fourth quarter of 2007. Sales of DiagnoCure's non-invasive bladder cancer test, ImmunoCyt™ / uCyt+™, were \$65,402 for the fourth quarter of 2008 versus \$79,085 for the same period a year ago. Also in this quarter, DiagnoCure sold

clinical samples to Gen-Probe, in support of their prostate cancer testing R&D, for an amount of \$58,441 compared with \$13,911 in the fourth quarter of 2007.

Interest income decreased \$90,269 to \$267,659 for the fourth quarter of 2008 compared with \$357,928 for the fourth quarter of 2007. The decrease is attributable to DiagnoCure's use of fund to finance the operating activities and the reduction of interest yields in its investments.

Cost of sales increased \$15,819 from \$62,875 for the fourth quarter of 2007 to \$78,694 for the fourth quarter of 2008. This increase is related to higher samples sales.

Based on the above, for the fourth quarter of 2008, DiagnoCure recorded a net loss of \$3,568,321, or \$0.09 per share, compared with a loss of \$3,320,193, or \$0.09 per share, for the fourth quarter of 2007. These results are substantially in line with Management expectations and reflect the sales and marketing activities that led to the launch of the Previstage™ GCC test in late August 2008 and the first orders of the test.

At the end of the quarter, cash, short-term investments and long-term investments were \$20,130,705, down \$12,736,821 from the \$32,867,526 reported as at October 31, 2007. This decrease is due to the use of liquidity to finance the operating activities and acquisitions for this period. Management is satisfied that it has adequate cash resources to finance the Company's activities, and will monitor its cash levels.

### Summary of Quarterly Results (Unaudited)

	Quarters Ended 2008			
	January 31	April 30	July 31	October 31
Total revenues	491,455	516,109	486,074	502,272
Cost of sales	69,790	86,750	87,541	78,694
Operating expenses	3,106,974	3,801,733	4,606,507	4,082,262
Net loss	(2,685,309)	(3,372,374)	(4,207,974)	(3,568,321)
Basic and diluted loss per share	(0.06)	(0.08)	(0.10)	(0.09)

	Quarters Ended 2007			
	January 31	April 30	July 31	October 31
Total revenues	1,176,577	1,232,559	562,445	495,844
Cost of sales	84,462	64,524	52,474	62,875
Operating expenses (before restructuring charges)	2,636,910	2,358,127	2,698,425	3,340,212
Net loss before restructuring charges	(1,544,795)	(1,190,092)	(2,188,454)	(2,970,193)
Restructuring charges	912,685	—	—	350,000
Net loss	(2,457,480)	(1,190,092)	(2,188,454)	(3,320,193)
Basic and diluted loss per share	(0.07)	(0.03)	(0.05)	(0.09)

## Off-Balance Sheet Arrangements

As at October 31, 2008, DiagnoCure has 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 October 31, 2008, approximately \$17 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 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 October 31, 2008
Improve the uPM3 <sup>TM</sup> 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+ <sup>TM</sup> /uCyt+ <sup>TM</sup> 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	\$6.00 million
Acquire complementary technologies and uses for other general corporate purposes	\$5.33 million	\$4.50 million

## 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 5.8 million common shares, at \$4.30 per share. At that time, estimates were made as to the use of these proceeds. As at October 31, 2008, approximately \$15.40 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 October 31, 2008
Acquire and integrate or partner with one or more reference laboratories	\$3.30 million
Expand the product portfolio	\$2.30 million
Acquire or in-license additional cancer biomarkers and for product development purposes.	\$9.80 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 accompanying notes to the consolidated financial statements. 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 \$486,149 in fiscal year 2008 (\$493,167 in fiscal year 2007) 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:

Contractual Obligations	Required Payments			
	Total	Year 1	Years 2 and 3	Years 4 and 5
Lease Agreements	\$1,987,962	\$563,313	\$921,553	\$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.

## Change in Accounting Policies

The following accounting standards were recently issued by the CICA.

Section 1535, "Capital Disclosures", establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure of the entity's objectives, policies and process for managing capital, the quantitative data about what the entity regards as capital, whether the entity has complied with any capital requirements, and, if it not complied, the consequences of such non-compliance. Disclosure requirements pertaining to Section 1535 are contained in note 16.

Section 3862, “Financial Instruments – Disclosures”, describes the required disclosure for the assessment of the significance of financial instruments for entity’s financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. Disclosure requirements pertaining to Section 3862 are contained in note 15.

Section 3863, “Financial Instruments – Presentation”, establishes standards for presentation of the financial instruments and non-financial derivatives. It carries forward the presentation related requirements of Section 3861 “Financial Instruments – Disclosure and Presentation”. Disclosure requirements pertaining to Section 3863 are contained in note 15.

### **Recent Accounting Pronouncements**

In February 2008, the CICA issued Section 3064, “Goodwill and Intangible Assets”. Section 3064, 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. This standard is effective for the Company for interim and annual financial statements beginning on November 1, 2008.

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 new requirements are effective for fiscal years beginning on or after January 1, 2008.

The Company is currently assessing the impact of the adoption of these new Sections on its financial statements.

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, the Annual Report, the Annual Information Form and the Management Proxy Circular. 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 fiscal year ended October 31, 2008, 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 activities is essential to assure future success and is as such a risk factor. 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".

## **Cautionary Statement**

Management's comments and analysis are intended to facilitate understanding of the audited consolidated financial statements and accompanying notes and should therefore be read in conjunction with that information. The comments and analysis may 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, 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. 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.

Further information about DiagnoCure may be obtained on the Company's web site at [www.diagnocure.com](http://www.diagnocure.com). Additional information, including the Company's Annual Information Form and Annual report, is also available on SEDAR at [www.sedar.com](http://www.sedar.com).

Québec, Canada  
January 12, 2009

(Signed)

**John C. Schafer**  
President and Chief Executive Officer

(Signed)

**Jean-François Bureau**  
Senior Vice President and Chief Financial Officer

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

The consolidated financial statements for the years ended October 31, 2008 and 2007, have been audited by Ernst & Young LLP, the external auditors appointed by the shareholders, in accordance with Canadian generally accepted auditing standards. Moreover, the auditors have access to the Audit and Risk Management Committee at all times.

Québec, Canada  
January 12, 2009

(Signed)

**John C. Schafer**  
President and Chief Executive Officer

(Signed)

**Jean-François Bureau**  
Senior Vice President and Chief Financial Officer

## AUDITORS' REPORT

To the Shareholders of  
DiagnoCure, Inc.:

We have audited the consolidated balance sheets of DiagnoCure, Inc. as at October 31, 2008 and 2007 and the consolidated statements of deficit, operations and comprehensive loss and cash flows for the years then ended. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*Ernst & Young LLP*

Chartered Accountants

Québec City, Canada  
December 5, 2008

## CONSOLIDATED BALANCE SHEETS

As at October 31

	2008	2007
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	896,427	651,586
Temporary investments <i>[note 7]</i>	11,476,739	24,575,456
Accounts receivable <i>[note 8]</i>	352,493	272,523
Investment tax credits receivable <i>[note 13]</i>	486,149	485,402
Prepaid expenses	187,588	213,588
	<b>13,399,396</b>	<b>26,198,555</b>
<b>Long-term investments <i>[note 9]</i></b>	<b>7,757,539</b>	<b>7,640,484</b>
<b>Property, plant and equipment <i>[note 10]</i></b>	<b>1,480,888</b>	<b>1,162,745</b>
<b>Intangibles <i>[note 11]</i></b>	<b>10,508,243</b>	<b>8,583,656</b>
	<b>33,146,066</b>	<b>43,585,440</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	2,491,289	2,288,677
<b>Future income tax liabilities <i>[notes 5 and 14]</i></b>	<b>1,014,929</b>	<b>1,105,292</b>
<b>Shareholders' equity</b>		
Capital stock <i>[note 12]</i>	91,885,595	89,609,479
Contributed surplus <i>[note 12]</i>	7,069,693	6,063,454
Deficit	(69,315,440)	(55,481,462)
	<b>29,639,848</b>	<b>40,191,471</b>
	<b>33,146,066</b>	<b>43,585,440</b>

### Commitments and guarantees *[note 18]*

See accompanying notes

### On behalf of the Board:

(Signed)

**John C. Schafer**  
Director

(Signed)

**Yves Fradet**  
Director

## CONSOLIDATED BALANCE SHEETS

For the years ended October 31

	2008	2007
	\$	\$
<b>Deficit, beginning of year</b>	<b>(55,481,462)</b>	(44,523,341)
Net loss	<b>(13,833,978)</b>	(9,156,219)
Common shares issue expenses <i>[note 12]</i>	---	(1,801,902)
<b>Deficit, end of year</b>	<b>(69,315,440)</b>	(55,481,462)

See accompanying notes

## CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

For the years ended October 31

	2008	2007
	\$	\$
<b>Revenues</b>		
Sales	524,564	432,763
Cost of sales	(322,775)	(264,285)
Gross margin	201,789	168,478
Revenue under research and license agreement	262,387	1,839,783
Interest	1,208,959	1,194,879
	<b>1,673,135</b>	<b>3,203,140</b>
<b>Operating expenses [note 17]</b>		
Research and development expenses	6,510,161	3,447,539
Investment tax credits	(486,149)	(493,167)
	<b>6,024,012</b>	<b>2,954,372</b>
Selling and business development expenses	3,568,757	2,511,550
General and administrative expenses	3,218,005	3,321,960
Stock-based compensation [note 12]	1,119,639	1,550,801
Restructuring charges [note 6]	55,034	1,262,685
Depreciation of property, plant and equipment	505,306	404,264
Amortization of intangibles	1,124,054	238,466
Gain on disposal of intangibles	(15,164)	—
Write-down of intangibles	—	82,757
Loss (gain) on foreign exchange	(21,475)	23,751
Financial expenses	19,308	8,753
	<b>15,597,476</b>	<b>12,359,359</b>
Loss before income taxes	(13,924,341)	(9,156,219)
Future income taxes	(90,363)	—
<b>Net loss and comprehensive loss</b>	<b>(13, 833,978)</b>	<b>(9,156,219)</b>
<b>Basic and diluted net loss per share</b>	<b>(0.33)</b>	<b>(0.24)</b>
<b>Weighted average number of common shares outstanding</b>	<b>42,272,320</b>	<b>38,422,096</b>

See accompanying notes

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended October 31

	2008	2007
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net loss	(13,833,978)	(9,156,219)
Adjustment for:		
Stock-based compensation	1,119,639	1,550,801
Depreciation and amortization	1,629,360	642,730
Gain on disposal of intangibles	(15,164)	—
Write-down of intangibles	—	82,757
Future income taxes	(90,363)	—
	<b>(11,190,506)</b>	<b>(6,879,931)</b>
Net change in non-cash working capital items	125,895	1,251,917
<b>Cash flows related to operating activities</b>	<b>(11,064,611)</b>	<b>(5,628,014)</b>
<b>INVESTING ACTIVITIES</b>		
Change in investments	12,981,662	(14,076,674)
Acquisition of property, plant and equipment	(801,449)	(486,942)
Acquisition of intangibles	(1,051,372)	(1,706,483)
Disposal of intangibles	25,045	—
Business acquisition <i>[note 5]</i>	—	(1,113,620)
<b>Cash flows related to investing activities</b>	<b>11,153,886</b>	<b>(17,383,719)</b>
<b>FINANCING ACTIVITIES</b>		
Issue of common shares <i>[notes 5 and 12]</i>	155,566	25,285,293
Common shares issue expenses	—	(1,801,902)
<b>Cash flows related to financing activities</b>	<b>155,566</b>	<b>23,483,391</b>
Net increase in cash and cash equivalents for the year	244,841	471,658
Cash and cash equivalents, beginning of year	651,586	179,928
<b>Cash and cash equivalents, end of year</b>	<b>896,427</b>	<b>651,586</b>
<b>Additional information</b>		
Unpaid acquisitions of property, plant and equipment	22,000	—

See accompanying notes

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1) 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.

### 2) Significant Accounting Policies

#### Basis of financial statement presentation

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Company and those of its wholly owned subsidiaries, Catalyst Oncology, LP, DiagnoCure US, GP, 9184-6766 Québec, Inc. and 9161-6722 Québec, Inc. All significant intercompany transactions and balances have been eliminated upon consolidation.

#### Use of estimates

In preparing these 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 summarized below.

#### Measurement uncertainty

The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires Management to make estimates and assumptions which affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Significant areas requiring the use of estimates include the valuation of stock compensation, the estimation of future income tax asset valuation allowances and the estimated useful life of intangibles. Actual results could differ from those estimates.

#### Cash equivalents

Cash equivalents consist of investments that are readily convertible into a known amount of cash, that are subject to minimal risk of changes in value and which have an original maturity of three months or less from the date of purchase.

## 2) Significant Accounting Policies (Cont'd)

### Temporary and long-term investments

Investments consisting of commercial paper, mutual funds and short-term bonds, are recorded at amortized cost using the effective interest rate method after their initial fair value measurement. In 2008, these investments are classified as financial assets held-to-maturity.

### Property, plant and equipment and intangibles

Property, plant and equipment and intangibles are recorded at cost and depreciation is calculated using the straight-line method over the following estimated useful lives:

#### Property, plant and equipment

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

#### Intangibles

Licenses and patents	10 years
----------------------	----------

Intangibles consist of licences and patents relating to products under development purchased by the Company.

### Government assistance

Government assistance received in the form of grants and investment tax credits for qualifying research and development activities are applied as a reduction of the cost of the related property, plant and equipment or as a reduction of the applicable research and development expenses when there is reasonable assurance of their ultimate realization.

### Revenue recognition

Sales revenue is recognized when the product is delivered to customers, title has passed to customers or as services are performed and collection is reasonably assured.

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.

## **2) Significant Accounting Policies (Cont'd)**

### **Income taxes**

The Company follows the liability method of accounting for income taxes according to which future income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities, measured using substantively enacted tax rates and laws that are expected to be realized or settled. Future income tax assets are recognized to the extent that it is more likely than not that they will be realized.

### **Research and development**

Research expenses are charged to consolidated income as incurred. Development expenses are charged to consolidated income as incurred unless a development project meets the criteria under Canadian generally accepted accounting principles in respect of deferral and amortization. To date, the Company has not deferred any such development expenses.

### **Foreign currency translation**

The consolidated financial statements are denominated in Canadian dollars. The temporal method is used for accounts in foreign currencies as well as for the integrated subsidiaries. Under this method, monetary assets and liabilities recorded in a foreign currency are translated into Canadian dollars at year-end exchange rates and non-monetary assets and liabilities are translated at the exchange rates prevailing when the assets were acquired or liabilities were incurred. Revenue and expenses (other than depreciation and amortization, which are translated at the rate applicable to the corresponding assets) are translated at the average rate of exchange for the period. Gains and losses on translation of foreign currencies are included in the consolidated statement of operations in the current period.

### **Earnings per share**

Basic earnings per share are calculated using the weighted average number of shares outstanding during the year. Diluted earnings per share are calculated using the treasury stock method, giving effect to the exercise of all dilutive securities. The treasury stock method assumes that proceeds from the exercise of options are used to purchase common shares at the average market price during the period. Shares issued in connection with share purchase loans are excluded from the calculation of basic earnings per share but are considered to be contingently returnable for purposes of calculating diluted earnings per share when the effect is dilutive.

### **Impairment of long-lived assets**

Long-lived assets and certain identifiable intangibles are 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.

## **2) Significant Accounting Policies (Cont'd)**

### **Stock-based compensation**

The fair value of each option granted to employees and directors since November 1<sup>st</sup>, 2002, is estimated on the date of the grants using the Black-Scholes option pricing model and is amortized as a compensation expense over the graded vesting schedule of the granted option which is three years as if the grants were a series of awards rather than a single award. These expenses are included in the stock-based compensation expense and credited to the contributed surplus. When options are exercised, the proceeds received by the Company, together with the fair value amount recorded in contributed surplus, are credited to capital stock.

### **Disposal of long-lived assets and discontinued operations**

Assets classified as held for sale are measured at the lower of carrying value and fair value less disposal costs. Assets classified as held for sale are not to be amortized while classified as such. The results of operations of a component of the Company that has been disposed of by either sale or abandonment are reported as discontinued operations and comprise operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company.

## **3) New Accounting Policies**

The Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA) as at November 1<sup>st</sup>, 2007:

Section 1535, "Capital Disclosures", establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure of the entity's objectives, policies and processes for managing capital, the quantitative data about what the entity regards as capital, whether the entity has complied with any capital requirements, and, if it not complied, the consequences of such non-compliance. Disclosure requirements pertaining to Section 1535 are contained in note 16.

Section 3862, "Financial Instruments – Disclosures", describes the required disclosure for the assessment of the significance of financial instruments for entity's financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. Disclosure requirements pertaining to Section 3862 are contained in note 15.

Section 3863, "Financial Instruments – Presentation", establishes standards for presentation of the financial instruments and non-financial derivatives. It carries forward the presentation related requirements of Section 3861 "Financial Instruments – Disclosure and Presentation". Disclosure requirements pertaining to Section 3863 are contained in note 15.

#### 4) Recent Accounting Pronouncements

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets". Section 3064, 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. This standard is effective for the Company for interim and annual financial statements beginning on November 1, 2008.

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 new requirements are effective for fiscal years beginning on or after January 1, 2008.

The Company is currently assessing the impact of the adoption of these new Sections on its financial statements.

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.

#### 5) Business Acquisition

On August 16, 2007, the Company acquired all the issued and outstanding shares of Catalyst Oncology, Inc. This acquisition has been recorded using the purchase method. Catalyst Oncology, Inc. had no operating activities for the two-year period ended October 31, 2008. The final allocation of the purchase price of the fair value of the assets acquired and liabilities assumed was as follows:

	Catalyst Oncology, Inc.
	\$
<hr/>	
<b>Assets acquired</b>	
Intangible assets	5,251,793
<b>Liabilities assumed</b>	
Current liabilities	866,023
Future income tax liabilities	1,105,292
<b>Fair value of assets acquired and liabilities assumed</b>	<b>3,280,478</b>
<hr/>	
<b>Consideration</b>	
Cash	1,113,620
Common shares issued <i>[note 12]</i>	2,166,858
<b>Total consideration</b>	<b>3,280,478</b>

The intangible assets acquired consist of license agreement and research in progress.

## 5) Business Acquisition (Cont'd)

In addition, earn out payments might have to be disbursed either in cash or by the issuance of common shares by the Company depending on the net revenue earned from the technology acquired. The earn out payments range from 37.5% to 50.0% of net revenue for the next two years following the acquisition.

## 6) 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. For the fiscal year 2007, the non-recurring restructuring charge was \$1,262,685, and an additional charge of \$55,034 was considered in 2008 for a total of \$1,317,719 of which \$954,568 was paid as of October 31, 2008, and \$363,151 is still to be paid.

	Items paid as at October 31, 2008 \$	Liabilities as at October 31, 2008 \$	Total restructuring charges \$
Retention bonuses and termination benefits	636,144	—	636,144
Legal and outplacement fees	85,152	—	85,152
Provision for vacated leased premises	233,272	363,151	596,423
	<b>954,568</b>	<b>363,151</b>	<b>1,317,719</b>

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

## 7) Temporary Investments

	2008		2007	
	Book value \$	Weighted average effective rate %	Book value \$	Weighted average effective rate %
Bonds	11,476,739	3.47	14,474,469	4.30
Commercial paper	—	—	10,100,987	4.51
	<b>11,476,739</b>		<b>24,575,456</b>	

## 8) Accounts Receivable

	2008 \$	2007 \$
Research and license agreement	110,770	43,787
Accounts receivable – Trade	193,049	169,891
Sales taxes	48,674	58,845
	<b>352,493</b>	272,523

The accounts receivable denominated in US dollars amount to \$257,064 (US\$227,934) as at October 31, 2008, (\$67,777 [US\$69,079] as at October 31, 2007). The accounts receivable denominated in Euros amount to \$10,010 (6,320 Euros) as at October 31, 2008, (\$79,169 [54,920 Euros] as at October 31, 2007).

## 9) Long-Term Investments

	2008		2007	
	Book value \$	Weighted average effective rate %	Book value \$	Weighted average effective rate %
Bonds	7,757,539	4.11	7,640,484	4.58

The long-term investments are maturing at various dates from November 2009 to November 2010.

## 10) Property, Plant and Equipment

	2008		2007	
	Cost \$	Accumulated depreciation \$	Cost \$	Accumulated depreciation \$
Leasehold improvements	1,246,710	1,177,706	1,234,437	1,139,434
Office furniture and equipment	418,234	317,522	342,558	293,954
Laboratory equipment	3,146,872	2,088,831	2,617,389	1,754,976
Computer hardware and software	751,573	498,442	545,556	388,831
	<b>5,563,389</b>	<b>4,082,501</b>	4,739,940	3,577,195
Accumulated depreciation	<b>4,082,501</b>		3,577,195	
	<b>1,480,888</b>		1,162,745	

## 11) Intangibles

	2008	2007
	\$	\$
Licenses and patents	12,119,593	9,094,149
Less: accumulated amortization	1,611,350	510,493
	<b>10,508,243</b>	8,583,656

Intangible assets consist of exclusive licences acquired from third parties with respect to the use of certain intellectual properties and professional fees incurred to date for obtaining patents and securing exclusive licences. These costs are amortized on a straight-line basis over the life of the patents or over the term of the licence agreements, which is 10 years.

## 12) 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.

	2008	2007
	\$	\$
<b>Issued and fully paid</b>		
42,794,475 common shares (41,718,463 as at October 31, 2007)	<b>91,885,595</b>	89,609,479

	2008		2007	
	Number of shares	Amount \$	Number of shares	Amount \$
Balance, beginning of year	41,718,463	89,609,479	34,451,142	59,697,388
Issuance of common shares	1,076,012	2,162,716	7,267,321	29,894,151
Portion previously recognized to surplus as part of stock- based compensation	—	113,400	—	17,940
Balance, end of year	<b>42,794,475</b>	<b>91,885,595</b>	41,718,463	89,609,479

## **12) Capital Stock (Cont'd)**

### **Common shares issue**

#### ***Fiscal 2008***

The Company issued 467,477 common shares at a price of \$2.14 per share for a total value of \$1,000,000 and 493,701 common shares at a price of \$2.04 per share for a total value of \$1,007,150, to Targeted Diagnostic & Therapeutic, Inc. as per the licence agreement signed in 2007. This issue of common shares and increase in licences totalling \$2,007,150 did not involve any cash consideration and is not presented in the statement of cash flows.

114,834 common shares were issued for a cash consideration of \$155,566 following the exercise of stock options.

#### ***Fiscal 2007***

In connection with a public offering, the Company issued 5,850,000 common shares at a price of \$4.30 per share for total gross proceeds of \$25,155,000. The net proceeds of this offering, after deduction of underwriter's commissions and issue expenses, amounted to \$23,353,098.

83,736 common shares were issued for a cash consideration of \$130,293 following the exercise of stock options.

Finally, the Company issued 765,697 common shares at a price of \$2.83 per share for a total value of \$2,166,858 and 567,908 common shares at a price of \$4.30 per share for total value of \$2,442,000 as a consideration for the acquisition of Catalyst Oncology, Inc. and a licence, respectively. The two issues of common shares did not involve any cash consideration and are not presented in the statement of cash flows.

### **Stock options**

The Company adopted a stock option plan for its directors, executives, employees and consultants under which a total of 7% of the Company's outstanding common shares were reserved for issue. No stock options are granted for a period exceeding ten years and the exercise price of each stock option cannot be below the average market price of the five days preceding the grant. The stock options generally vest over a three-year period following the date of the grant.

## 12) Capital Stock (Cont'd)

The Company's outstanding stock options as at October 31, 2008 and 2007, and the changes that occurred during the years then ended are as follows:

	2008		2007	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Options outstanding, beginning of year	3,122,417	2.68	2,977,125	2.61
Granted	644,400	1.93	237,500	3.16
	3,766,817		3,214,625	
Exercised	(114,834)	1.35	(83,736)	1.56
Cancelled or forfeited	(290,757)	4.20	(8,472)	3.67
Options outstanding, end of year	3,361,226	2.45	3,122,417	2.68
Options exercisable, end of year	2,091,160	2.39	2,060,746	2.29

Of the 3,361,226 options outstanding as at October 31, 2008, 1,175,000 options were issued outside of the plan.

The following table summarizes information relating to the stock options outstanding as at October 31, 2008:

Range of exercise prices	Options outstanding			Options exercisable	
	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
4.21 to 6.13	360,000	6.57	4.56	326,667	4.58
2.00 to 3.96	1,511,997	6.63	3.00	837,764	2.98
1.34 to 1.90	1,165,227	6.12	1.63	602,727	1.43
0.37 to 0.96	324,002	4.16	0.45	324,002	0.45
	3,361,226	6.15	2.45	2,091,160	2.39

## 12) Capital Stock (Cont'd)

During the period ended October 31, 2008, the Company granted 644,400 (237,500 in 2007) options to certain employees and directors. The weighted average fair value of stock options granted during this period amounted to \$1.36 (\$2.39 in 2007) 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:

	2008	2007
Risk-free interest rate	3.80%	4.18%
Expected life	8 years	8 years
Expected volatility in the market price of the share	70%	71%
Expected dividend yield	—	—
<b>Contributed surplus</b>		
	2008	2007
	\$	\$
Balance, beginning of year	6,063,454	4,530,593
Stock-based compensation expense	1,119,639	1,550,801
Stock options exercised	(113,400)	(17,940)
Balance, end of year	7,069,693	6,063,454

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

### Earnings per share

No adjustments were required to the net loss for purposes of calculating basic and diluted earnings per share. There were also no adjustments to the weighted average number of shares outstanding for the purpose of calculating diluted earnings per share, because to do so would be anti-dilutive.

## 13) Investment Tax Credits Receivable

The amounts recorded as research and development tax credits receivable are related to amounts claimed which have not yet been subject to a review by the tax authorities. In case of differences between the amounts claimed by the Company and the amounts granted by the tax authorities, any adjustment will be recorded during the year in which they are determined.

## 14) Income Taxes

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

	2008	2007
	\$	\$
Income tax provision at combined Canadian federal and provincial statutory rate	4,329,000	2,932,000
Increase (decrease) in taxes recoverable resulting from:		
Foreign income taxed at different rates	160,000	—
Stock-based compensation not deductible	(348,000)	(497,000)
Tax credit not taxable in Québec	54,000	49,000
Change in tax rates	(1,795,000)	(415,000)
Unrecognized tax benefits of operating losses and other available deductions	(2,490,363)	(2,069,000)
	<b>(90,363)</b>	—

The major components of future income tax are as follows:

	2008	2007
	\$	\$
<b>Future income tax assets</b>		
Net operating losses carried forward	9,696,000	5,725,000
Net capital losses carried forward	114,000	163,000
Research and development expenditures	3,300,000	3,205,000
Provision for vacated leased premises	119,000	123,000
Share issue costs	291,000	524,000
Tax value of capital assets in excess of carrying values	2,468,000	4,069,000
Total future income tax assets	15,988,000	13,809,000
Valuation allowance	(15,988,000)	(13,809,000)
<b>Net future income tax assets</b>	—	—
<b>Future income tax liabilities</b>		
Future foreign income taxes	1,014,929	1,105,292

#### 14) Income Taxes (Cont'd)

The Company has the following non-capital tax losses, which are available to reduce future taxable income and expire as follows:

Year Of loss	Canada		United States	Year of expiry
	Federal \$	Québec \$		
October 31, 2002	2,110,000	1,934,000	—	2009
October 31, 2003	2,743,000	2,626,000	—	2010
October 31, 2006	4,768,000	4,406,000	—	2026
October 31, 2007	12,662,000	12,395,000	—	2027
October 31, 2008	8,859,000	8,476,000	4,076,000	2028
	31,142,000	29,837,000	4,076,000	

As at October 31, 2008, the Company has scientific research and experimental development expenses which have not been deducted for tax purposes and may be used to reduce the Company's taxable income in future years, with no set expiry date, amounted to approximately \$12,059,000 at the federal level and \$19,236,000 at the Québec level.

## 15) 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:

October 31, 2008						
	Held for trading	Held-to-maturity	Loans and receivables	Other financial liabilities	Carrying value Total	Fair value Total
	\$	\$	\$	\$	\$	\$
<b>Financial assets</b>						
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
	<b>896,427</b>	<b>19,234,278</b>	<b>268,552</b>	<b>—</b>	<b>20,399,257</b>	<b>20,503,423</b>
<b>Financial liabilities</b>						
Accounts payable	—	—	—	2,401,456	2,401,456	2,401,456

October 31, 2007						
	Held for trading	Held-to-maturity	Loans and receivables,	Other financial liabilities	Carrying value Total	Fair value Total
	\$	\$	\$	\$	\$	\$
<b>Financial assets</b>						
Cash and Cash equivalents	651,586	—	—	—	651,586	651,586
Temporary investments	—	24,575,456	—	—	24,575,456	24,578,003
Accounts receivable	—	—	213,678	—	213,678	213,678
Long-term investments	—	7,640,484	—	—	7,640,484	7,621,743
	<b>651,586</b>	<b>32,215,940</b>	<b>213,678</b>	<b>—</b>	<b>33,081,204</b>	<b>33,065,010</b>
<b>Financial liabilities</b>						
Accounts payable	—	—	—	2,274,277	2,274,277	2,274,277

## 15) Financial Instruments (Cont'd)

### ***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 and Euros. A significant change in the currency exchange rate between the Canadian dollar relative to the US dollars or Euros could have a material effect on its consolidated results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

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 October 31, 2008 are as follow:

	US dollars \$
Cash and cash equivalents	309,750
Accounts receivable	244,615
Accounts payable	(654,758)
<b>Net exposure</b>	<b>(100,393)</b>

## 15) Financial Instruments (Cont'd)

Based on the aforementioned net exposure as at October 31, 2008, and assuming that all other variables remain constant, a 5% rise or fall in the Canadian dollar against the US dollar would have resulted in (increase) decrease in the net loss as follows:

	Canadian dollars	
	Appreciates	Depreciates
	5%	5%
	\$	\$
Against US dollar		
Net loss	164,459	(164,459)

### 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.

As at October 31, 2008, one client represented 77% of the accounts receivable (in 2007 one client represented 21%).

### 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.

## 16) 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 \$29,639,848 (\$40,191,471 in 2007) 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.

## 16) Management of Capital (Cont'd)

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

## 17) Government Assistance

The Company incurred research and development expenditures that are eligible for Quebec SR & ED tax credits. The credits, totalling \$486,149 (\$493,167 in 2007), were applied against research and development expenses.

In addition, the Company has investment tax credits which it has not recognized the benefit of that it may carry forward for federal tax purposes as follows:

Year of credit	Amount \$	Year of expiry
October 31, 1999	216,000	2009
October 31, 2000	150,000	2010
October 31, 2001	226,000	2011
October 31, 2002	189,000	2012
October 31, 2003	183,000	2013
October 31, 2004	325,000	2014
October 31, 2005	540,000	2015
October 31, 2006	445,000	2026
October 31, 2007	351,000	2027
October 31, 2008	322,000	2028
	2,947,000	

## 18) Commitments and Guarantees

As at October 31, 2008, the Company has obligations under leases maturing in 2011 and 2015. The minimum annual payments in relation with these leases for the next five years are as follows: 2009 – \$563,313; 2010 – \$563,313; 2011 – \$358,240; 2012 – \$251,548 and 2013 – \$251,548.

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.

## 18) Commitments and Guarantees (Cont'd)

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.

## 19) Segmented Information

Information pertaining to segmented earnings for the years ended October 31, 2008 and October 31, 2007 is as follows:

	Consolidated Amounts		Biotechnologies		Laboratory Services	
	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$
Revenue from external sales	<b>1,995,910</b>	3,467,425	<b>1,995,910</b>	3,467,425	—	—
Loss before the following items:	<b>5,041,659</b>	3,893,055	<b>2,658,584</b>	3,893,055	<b>2,383,075</b>	—
Stock-based compensation	<b>1,119,639</b>	1,550,801	<b>1,119,639</b>	1,550,801	—	—
Depreciation and amortization	<b>1,629,360</b>	725,487	<b>1,562,598</b>	725,487	<b>66,762</b>	—
Segmented loss	<b>7,790,658</b>	6,169,343	<b>5,340,821</b>	6,169,343	<b>2,449,837</b>	—
Net R&D expenses	<b>6,024,012</b>	2,954,372	<b>4,403,445</b>	2,954,372	<b>1,620,567</b>	—
Financial expenses	<b>19,308</b>	32,504	<b>13,587</b>	32,504	<b>5,721</b>	—
Net loss	<b>13,833,978</b>	9,156,219	<b>9,757,853</b>	9,156,219	<b>4,076,125</b>	—

The business segment Laboratory services reflects the Company's US activities in its Previstage staging test initiative. The Laboratory services activities are performed by the subsidiary Diagnocure US GP. The accounting policies of the reportable segments are the same as those described in note 2 "Significant accounting policies". Assets relating to the Biotechnologies segment represent 98% of the consolidated assets and are located in Canada.

## 20) Comparative Figures

Certain of the 2007 figures have been reclassified in order to conform with the presentation adopted in 2008.

## CORPORATE INFORMATION

### Board of Directors

Alain Rhéaume  
Chairman of the Board, DiagnoCure, Inc.  
Managing Partner, Trio Capital

Michel E. Côté <sup>2</sup>  
Corporate Director

Yves Fradet, M.D., F.R.C.S. (c)  
Senior Vice President,  
Chief Medical Officer and Secretary,  
DiagnoCure, Inc.

Paul Gobeil, FCA <sup>1</sup>  
Vice Chairman of the Board,  
Metro, Inc.

Alain G. Michel <sup>1</sup>  
Chairman of the Board,  
Cari-All Group, Inc.

Louise Proulx, Ph.D. <sup>1</sup>  
Vice President, Product Development,  
ViroChem Pharma, Inc.

John C. Schafer  
President and Chief Executive Officer,  
DiagnoCure, Inc.

Mario Thomas, Ph.D. <sup>2</sup>  
Vice President,  
Gestion T2C2/Bio, Inc.

Vincent R. Zurawski, Jr., Ph.D. <sup>2</sup>  
President and CEO,  
Varinel, Inc.

<sup>1</sup> Audit and Risk Management Committee

<sup>2</sup> Corporate Governance, Human Resources  
and Nominating Committee

### Management

John C. Schafer  
President and Chief Executive Officer

Jean-François Bureau, CFA  
Senior Vice President  
and Chief Financial Officer

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

Paule De Blois, MBA  
Vice President, Corporate Affairs

Richard Gauthier, MBA  
Vice President, Business Development

Timothy J. Holzer, Ph.D.  
Vice President and Chief Scientific Officer

Phillip Wells  
Vice President,  
Marketing and National Sales

### General Information

DiagnoCure Inc. (Head Office)  
2050 René-Lévesque Blvd. West  
6th floor  
Québec (Québec) G1V 2K8 Canada  
Telephone: (418) 527-6100  
Fax: (418) 527-0240  
communications@diagnocure.com  
www.diagnocure.com

DiagnoCure Oncology Laboratories  
1045A Andrew Drive  
West Chester, PA 19380 USA  
Telephone: (877) 701-9007  
customercare@diagnocure.com  
www.diagnocurelabs.com

### Stock Exchange Listing

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

# Diagno Cure

Empowering  
Oncology Decisions

2050 René-Lévesque Blvd West, 6<sup>th</sup> Floor  
Québec (Québec) G1V 2K8 Canada  
T: (418) 527-6100  
F: (418) 527-0240  
[communications@diagnocure.com](mailto:communications@diagnocure.com)

[www.diagnocure.com](http://www.diagnocure.com)



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