



QUARTERLY REPORT 1

FOR THE PERIOD ENDED JANUARY 31, 2009

Diagno Cure

Empowering
Oncology Decisions

MESSAGE TO SHAREHOLDERS

Dear Shareholder,

In the last two years, we have refocused the Company on high-value molecular diagnostic tests for cancer, strengthening our pipeline with the acquisition of promising markers and tests, and taking control of our distribution and marketing efforts by the opening of a U.S. CLIA-certified service laboratory and the hiring of an initial sales force. We are progressing well and taking a lead position in the rapidly growing field of molecular diagnostics for cancer. In September of last year, we launched our proprietary laboratory-developed Previstage™ GCC Colorectal Cancer Test, the first molecular test to more accurately stage colorectal cancer, and help physicians and patients make the best treatment decisions possible. We have recorded our first sales, and we are working on all the commercialization fronts to ensure that the test is known to physicians and patients, that it will be reimbursed, and become standard of care.

Notably in the first quarter 2009, we have initiated a number of local seminars to increase awareness among targeted oncologists, surgeons and pathologists, and our Previstage™ GCC test was presented at an Independent Satellite Symposium during the 2009 edition of the American Society of Clinical Oncology Gastro-Intestinal conference. At each of these events, the response of the medical community regarding Previstage™ GCC was positive.

But the most important recent milestone was the publication of the major, NIH-sponsored, prospective 5-year study on the GCC (or GUCY2C) marker in the peer-reviewed *Journal of the American Medical Association*, which has a qualified circulation of about 347,000. The results of the study conducted by Dr. Scott Waldman of Thomas Jefferson University demonstrated that GCC is the strongest independent predictor of the risk of recurrence among colorectal cancer patients considered low risk by current assessment methods. Dr. Waldman's study is an important validation of the clinical use of the GCC marker, to which DiagnoCure owns the worldwide exclusive diagnostic rights. DiagnoCure's Previstage™ GCC test was developed to detect the GCC marker as evaluated in the study, but uses all of the advances in technologies and methodologies that have emerged since the study was first initiated.

You can expect that we will continue to deploy every effort to leverage the market potential of Previstage™ GCC. Recently, we have initiated a new clinical study to further demonstrate the value of GCC in predicting risk of recurrence and influencing treatment decisions. Also, we have launched our new website dedicated to colorectal cancer patients, www.mypersonalcancerdiagnosis.com, designed to increase communications and patients' awareness of Previstage™ GCC. We will soon offer a patient registry program whereby patients' outcome will be followed once they have been tested for Previstage™ GCC.

Concurrently, we are very pleased with the increase in sales of the PCA3 test by Gen-Probe Inc., mainly in Europe, driven by articles published in peer-reviewed literature and strong marketing efforts. The expected acquisition of Tepnel by Gen-Probe also bodes well for the future of PCA3 in Europe.

In conclusion, while the world markets are still affected by the financial turmoil, and while prudently managing our cash position and our growth pace, we maintain our focus to become the leading developer and provider of high-value diagnostics for the detection and management of cancer.

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

The following information should be read in conjunction with the Company's unaudited consolidated financial statements and related notes included herein, together with the audited consolidated financial statements for the year ended October 31, 2008, and related notes. Management's comments were prepared to explain the Company's operations, performance and financial position as of January 31, 2009. They compare this first quarter of operating results and cash position with those of the first quarter ended January 31, 2008. Amounts are in Canadian dollars unless otherwise noted. The information contained herein is up to date as of March 6, 2009.

Overview

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

In 1998, the Company initiated the commercialization of its first diagnostic test, ImmunoCyt™ / uCyt+™ for bladder cancer in Europe and, in 2000, obtained a 510(k) clearance from the Food and Drug Administration ("FDA") for the commercialization of the test in the United States. In August 2008, as DiagnoCure looked to maximize the value of its portfolio and focus on high-value molecular diagnostics, the Company entered into a product divestment agreement for ImmunoCyt™ / uCyt+™ with Scimedx Corporation, a U.S.-based company. Terms of the agreement were not disclosed.

In May 2000, DiagnoCure obtained an exclusive worldwide license from the University of Nijmegen, The Netherlands, to commercialize the PCA3 molecular marker in prostate cancer. In 2003, DiagnoCure developed its second diagnostic test, uPM3™, based on measuring the expression of the PCA3 molecular marker. uPM3™ was first sold in 2003 in the United States in an Analyte Specific Reagents ("ASR") format. That same year, DiagnoCure granted an exclusive worldwide license to Gen-Probe Incorporated ("Gen-Probe") of San Diego, CA, for the development and commercialization of diagnostic products using PCA3 in return for US\$9 million to be paid over three years. This revenue has been recognized and amortized over a 42-month period ended in April 2007. The final payment has been received in November 2006. 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 sublease laboratory space and develop our 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. In 2008, after completing the development of one of the GCC diagnostic

applications, the Company launched its Previstage™ GCC Colorectal Cancer Staging Test from its CLIA-certified laboratory in West Chester, PA.

On August 16, 2007, DiagnoCure announced it had acquired Catalyst Oncology, Inc. of Worcester, MA, and its lead proprietary prognostic tests for breast, colon and potentially other cancers. The terms of the agreement 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.

2009 First Three Months Highlights

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

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

Operating Results

For the Three-Month Period Ended January 31, 2009

Total revenues for the first quarter of 2009 were \$400,123 compared with \$491,455 for the first quarter of 2008. In the first quarter of 2009 royalty revenues amounted to \$155,777 compared with \$40,787 for the corresponding period of 2008. Royalties from Gen-Probe increased by \$91,524 from \$40,787 to \$132,311 for the first quarter of 2009. This increase is attributable to the sales of Progenesa™ PCA3 in Europe by Gen-Probe. Also in the first quarter of 2009 DiagnoCure recorded its first royalty of \$23,466, from Scimedx, related to the ImmunoCyt™ / uCyt+™ divestment. Sales of DiagnoCure's non-invasive bladder cancer test, ImmunoCyt™ / uCyt+™, were \$44,827 for the first quarter of 2009 versus \$79,688 for the same period of 2008. These 2009 ImmunoCyt™ / uCyt+™ sales represent the last sales as Scimedx is now taking the lead and paying royalties to DiagnoCure. Also in this quarter, DiagnoCure sold clinical samples to Gen-Probe, in support of their prostate cancer testing R&D, for an amount of \$27,695 compared with \$35,550 in the first quarter of 2008.

Interest income decreased by \$163,606, to \$171,824 for the first quarter of 2009 compared with \$335,430 for the first quarter of 2008. The decrease is attributable to DiagnoCure's use of fund to finance the operating activities and the reduction of interest levels in its investments.

Cost of sales decreased by \$56,958, from \$69,790 for the first quarter of 2008 to \$12,832 for 2009. This decrease is related to the end of direct ImmunoCyt™ / uCyt+™ sales by DiagnoCure as stated above and to lower sample sales to Gen-Probe.

Operating expenses increased from \$3,106,974 for the first quarter of 2008 to \$3,858,709 for the first quarter of 2009, an increase of \$751,735, reflecting the product development and optimization activities, and sales and marketing initiatives to promote and offer 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 \$248,296, from \$1,177,452 for the first quarter of 2008 to \$1,425,748 for the same quarter in 2009. The increase in research and development expenses is attributable to the development and optimization of the GCC colorectal cancer staging test and to the severance pay for the lay-off of nine persons in November 2008.
- Selling and business development expenses increased by \$517,885, from \$514,383 for the first quarter of 2008 to \$1,032,268 for the same quarter in 2009. This increase is attributable to the Company's U.S. sales and marketing initiatives to promote and offer the Previstage™ GCC Colorectal Cancer Staging Test. To promote the test, the Company contributed to a special educational grant for the January 2009 ASCO GI satellite symposium on molecular markers. Following these efforts, the Company has started receiving orders from hospitals in the first quarter.
- General and administrative expenses were relatively stable at \$795,380 for the first quarter of 2009 compared with \$784,185 for the same quarter in 2008.
- Stock-based compensation expenses, a non-cash charge, decreased by \$99,252, from \$289,294 for 2008 to \$190,042 for the same period in 2009. 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 first quarter of 2009, DiagnoCure recorded a net loss of \$3,440,655 or \$0.08 per share, compared with \$2,685,309 or \$0.06 per share, for the same period of 2008. These results are substantially in line with Management expectations and reflect activities undertaken during this quarter, in line with the Company's plans and on-going commitment to develop high-value diagnostic tests for the detection and management of cancer. In particular, the results of the first quarter reflect non-recurrent expenses in the order of \$433,000, including the severance pay for the lay-off of nine persons in November 2008, and a special educational grant for the January 2009 ASCO GI satellite symposium on molecular markers. At the end of the quarter, cash, short-term and long-term investments stood at \$16,593,947, down from \$20,130,705 as of October 31, 2008. This decrease of \$3,536,758 is due to the use of liquidity to finance the operating activities of this quarter. Management is satisfied that it has adequate cash resources to finance the Company's activities, and will monitor its cash levels.

First Quarter Results (Unaudited)

	2009 \$	2008 \$	2007 \$
Sales	72,522	115,238	137,025
Revenue under research and license agreement	155,777	40,787	843,257
Interest	171,824	335,430	196,295
Total revenues	400,123	491,455	1,176,577
Cost of sales	(12,832)	(69,790)	(84,462)
Gross margin	387,291	421,665	1,092,115
Operating expenses (before stock-based compensation and restructuring charges)	3,668,667	2,817,680	2,181,685
Net loss (before stock-based compensation and restructuring charges)	(3,281,376)	(2,396,015)	(1,089,570)
Restructuring charges	—	—	912,685
Stock-based compensation	190,042	289,294	455,225
Net loss before income taxes	(3,471,418)	(2,685,309)	(2,457,480)
Future income taxes	30,763	—	—
Net loss	(3,440,655)	(2,685,309)	(2,457,480)
Basic and diluted loss per share	(0.08)	(0.06)	(0.07)
Weighted average number of common shares outstanding	42,796,160	41,720,130	34,462,537

Total Assets and Shareholders' Equity

Total assets amounted to \$29,353,762 as of January 31, 2009, compared with \$41,955,296 as of January 31, 2008, mostly as a result of the use of liquidity to finance the Company's operating activities. The book value per Common Share is \$0.62 as of January 31, 2009 compared with \$0.69 per Common Share as of October 31, 2008.

Balance Sheet (Unaudited)

As of January 31

	2009 \$	2008 \$	2007 \$
Total assets	29,353,762	41,955,296	19,897,379
Shareholders' equity	26,392,935	37,797,840	17,737,429
Number of common shares outstanding	42,799,475	41,720,130	34,478,009

Cash Position and Financing Sources

Cash flow required from operating activities during the first quarter of 2009 amounted to \$3,518,439 compared with \$2,234,373 required in the first quarter of 2008. This increase of \$1,284,066 is attributable to a higher loss in the first quarter of 2009, mostly due to the Company's U.S. clinical laboratory activities and to the Company's U.S. sales and marketing initiatives to promote and offer the Previstage™ GCC Colorectal Cancer Staging Test. Investment activities generated cash flow of \$5,615,362 for the first quarter of 2009 compared with \$5,622,398 for the first three months of 2008. During the first quarter of 2009, acquisition of tangible and intangible capital assets amounted to \$22,019 compare with \$299,291 for the same period of 2008. This decrease is mostly attributable to intellectual properties milestones paid in the first quarter of 2008. Financing activities, primarily from the issue of common shares relative to the exercising of options by employees, generated cash flows of \$3,700 for the first quarter of 2009 compared with \$2,384 for the corresponding quarter of 2008.

DiagnoCure will continue to invest its cash reserve in liquid, high-grade investments, guaranteed by the government. The financial crisis has had no impact on the Company's investments in the first quarter of 2009, however in the coming months, it could have an impact on the interest revenue that will be generated 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 conclude strategic alliances and development partnerships, as well as on the progress resulting from these agreements.

Cash Flows for the First Quarters (Unaudited)

	2009	2008	2007
	\$	\$	\$
Cash flows related to operating activities	(3,518,439)	(2,234,373)	(927,320)
Cash flows related to investing activities	5,615,362	5,622,398	3,707,219
Cash flows related to financing activities	3,700	2,384	35,044

Issued and Outstanding Share Capital

As of March 6, 2009, the Company had 42,799,475 common shares issued and outstanding and 3,545,225 stock options granting the right to acquire an equal amount of common shares.

Off-Balance Sheet Arrangements

As at January 31, 2009, DiagnoCure had not entered into any off-balance sheet arrangement except for premises rental contracts described in the "Contractual Obligations" section of the present report.

Use of Proceeds from July 2004 Financing

In July 2004, the Company raised, by way of short form prospectus, net proceeds of \$22,332,108 from the issuance of 5 million common shares, at \$4.75 per share. At that time, estimates were made as to the use of these proceeds. As at January 31, 2009, approximately \$17.50 million of funds from the July 2004 public offering have been spent on specific projects and for general corporate purposes listed in the table below. Since cash flows of the Company are derived from numerous sources, in order to determine how the proceeds of the public offering are spent and allocated, certain assumptions were required. Those assumptions are as follows:

- Day-to-day administrative and operating expenses for the Company are funded from the licence payments that DiagnoCure receives from Gen-Probe, interest income and gross margin realized on our sales.
- Additional funds over those required to fund items above are taken from the proceeds of the July 2004 public offering.

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

Description of "Use of Proceeds"	Estimated total use of proceeds as disclosed at time of July 2004 public offering	Amount spent as at January 31, 2009
Improve the uPM3 TM 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+ TM / uCyt+ TM 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	\$6.50 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 5.80 million common shares, at \$4.30 per share. At that time, estimates were made as to the use of these proceeds. As at January 31, 2009, approximately \$17.50 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 January 31, 2009
Acquire and integrate or partner with one or more reference laboratories	\$3.80 million
Expand the product portfolio	\$2.80 million
Acquire or in-license additional cancer biomarkers and for product development purposes.	\$10.90 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 prepared using careful judgment within the reasonable limits of materiality and within the framework of the accounting policies described in Note 2 of the audited consolidated financial statements included in the fiscal 2008 annual report. The Company periodically evaluates its estimates and assumptions based on its past experience and other pertaining factors. The following paragraphs give details on the use of estimates and hypotheses used.

Investment Tax Credits

The Company incurred research and development expenses, which are eligible for investment tax credits. These credits, treated as a reduction to research and development expenses, amounted to \$142,421 for the first three months of 2009 compared with \$126,482 in 2008 and are based on management estimates of amounts to be recovered. While these amounts are

subject to review by tax authorities, Management believes that its estimate of these amounts is reasonable.

Impairment of Long-Term Assets

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

Stock-Based Compensation Plan

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

Derivatives

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

Contractual Obligations

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

	Required Payments			
Contractual Obligations	Total	Year 1	Years 2 and 3	Years 4 and 5
Lease Agreements	\$1,909,970	\$563,313	\$843,561	\$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.

New Accounting Policies

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

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

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

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

Recent Accounting Pronouncements

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

Procedures and Controls Regarding Disclosure

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

An evaluation was completed under their supervision in order to measure the effectiveness of the controls and procedures relating to the preparation of disclosure documentation, including this Management’s Discussion and Analysis and this quarterly Report. Based upon this evaluation, the President and Chief Executive Officer, and the Senior Vice President and Chief Financial Officer of the Company concluded that disclosure controls and procedures were effective as at the end of the quarter ended January 31, 2009, and more specifically, that the design of these controls and procedures provides reasonable assurance that important information relating to the Company, including its consolidated subsidiaries, is communicated to them in a timely manner for the preparation of this disclosure documentation.

Risk Factors

The Company’s activities are subject to some risk factors that generally affect biotechnology companies. The profitability of the Company will depend upon its ability to successfully develop its products and technologies, to preserve its intellectual property rights, to maintain its highly qualified personnel, to conclude strategic alliances, research and development partnerships, strategic out-licensing agreements, to obtain satisfactory results as regards clinical studies and to obtain regulatory approvals required to commercialize its products. These activities require important financial investments. Therefore, the Company’s ability to obtain necessary liquidities to finance its activities is essential to assure future success and is as such a risk factor. The reader is referred to the applicable general risks and uncertainties described in DiagnoCure’s most recent Annual Information Form under the heading “Risk Factors”.

Cautionary Statement

Management's comments and analysis are intended to facilitate understanding of the unaudited consolidated financial statements and accompanying notes and should therefore be read in conjunction with that information. The comments and analysis may include objectives, projections, estimates, expectations and forecasts of the Company or Management that are forward-looking. By their very nature, forward-looking statements are based on expectations and hypothesis and also involve risks and uncertainties, known and unknown, many of which are beyond DiagnoCure's control. As a result, readers are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements regarding the outcome of research and development projects and future revenues are based on Management expectations. In addition, the reader is referred to the applicable general risks and uncertainties described in DiagnoCure's most recent Annual Information Form under the heading "Risk Factors". DiagnoCure undertakes no obligation to publicly update or revise any forward-looking statements contained herein unless required by the applicable securities laws and regulations.

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

Québec, Canada
March 6, 2009

(Signed)

John C. Schafer
President and Chief Executive Officer

(Signed)

Jean-François Bureau
Senior Vice President and Chief Financial Officer

NOTICE OF DISCLOSURE OF NON-AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED JANUARY 31, 2009 AND 2008

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

The accompanying unaudited interim consolidated financial statements of the Company for the interim periods ended January 31, 2009 and 2008, have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of the company's management.

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

Dated this 6th day of March 2009

CONSOLIDATED STATEMENTS
(UNAUDITED)

For the three-month periods ended January 31

Consolidated Statements of operations and comprehensive loss

	2009	2008
	\$	\$
Revenues		
Sales	72,522	115,238
Cost of sales	(12,832)	(69,790)
Gross margin	59,690	45,448
Revenue under research and license agreement	155,777	40,787
Interest	171,824	335,430
	387,291	421,665
Operating expenses		
Research and development expenses	1,568,169	1,303,934
Investment tax credits	(142,421)	(126,482)
	1,425,748	1,177,452
Selling and business development expenses	1,032,268	514,383
General and administrative expenses	795,380	784,185
Stock-based compensation	190,042	289,294
Depreciation of property, plant and equipment	149,450	107,568
Amortization of intangibles	297,181	245,493
Loss (gain) on foreign exchange	(37,588)	(15,070)
Financial expenses	6,228	3,669
	3,858,709	3,106,974
Loss before income taxes	(3,471,418)	(2,685,309)
Future income taxes	30,763	---
Net loss and comprehensive loss	(3,440,655)	(2,685,309)
Basic and diluted net loss per share	(0.08)	(0.06)
Weighted average number of common shares outstanding	42,796,160	41,720,130

CONSOLIDATED STATEMENTS

(UNAUDITED)

For the three-month periods ended January 31

Consolidated Statements of Deficit

	2009	2008
	\$	\$
Deficit, beginning of period	(69,315,440)	(55,481,462)
Net loss	(3,440,655)	(2,685,309)
Deficit, end of period	(72,756,095)	(58,166,771)

CONSOLIDATED STATEMENTS
(UNAUDITED)

For the three-month periods ended January 31

Consolidated Statements of Cash Flows

	2009	2008
	\$	\$
OPERATING ACTIVITIES		
Net loss	(3,440,655)	(2,685,309)
Adjustment for:		
Stock-based compensation	190,042	289,294
Depreciation and amortization	446,631	353,061
Future income taxes	(30,763)	—
	(2,834,745)	(2,042,954)
Net change in non-cash working capital items	(683,694)	(191,419)
Cash flows related to operating activities	(3,518,439)	(2,234,373)
INVESTING ACTIVITIES		
Change in investments	5,637,381	5,921,689
Acquisition of property, plant and equipment	(11,416)	(194,246)
Acquisition of intangibles	(10,603)	(105,045)
Cash flows related to investing activities	5,615,362	5,622,398
FINANCING ACTIVITIES		
Issue of common shares <i>[note 6]</i>	3,700	2,384
Cash flows related to financing activities	3,700	2,384
Net increase in cash and cash equivalents for the period	2,100,623	3,390,409
Cash and cash equivalents, beginning of period	896,427	651,586
Cash and cash equivalents, end of period	2,997,050	4,041,995

See accompanying notes

CONSOLIDATED BALANCE SHEETS

	(Unaudited) January 31, 2009 \$	October 31, 2008 \$
ASSETS		
Current assets		
Cash and cash equivalents	2,997,050	896,427
Temporary investments	10,801,337	11,476,739
Accounts receivable	366,709	352,493
Investment tax credits receivable	628,570	486,149
Prepaid expenses	200,017	187,588
	14,993,683	13,399,396
Long-term investments	2,795,560	7,757,539
Property, plant and equipment	1,342,854	1,480,888
Intangibles	10,221,665	10,508,243
	29,353,762	33,146,066
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	1,976,661	2,491,289
Future income tax liabilities	984,166	1,014,929
Shareholders' equity		
Capital stock <i>[note 6]</i>	92,093,763	91,885,595
Contributed surplus <i>[note 6]</i>	7,055,267	7,069,693
Deficit	(72,756,095)	(69,315,440)
	26,392,935	29,639,848
	29,353,762	33,146,066

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

As of January 31, 2009

1) Financial Information

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

2) Incorporation and Nature of Business

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

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

3) Significant Accounting Policies

Revenue recognition

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

As of January 31, 2009

3) Significant Accounting Policies (Cont'd)

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

Interest income is recognized on an accrual basis.

4) New Accounting Policies

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

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

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

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

5) Restructuring Charges

On December 13, 2006, the Company announced a shift in business strategy, including the decision to discontinue supporting R&D activities related to improvements in its cell-based bladder cancer diagnostic test and a reduction in marketing initiatives for this product. This decision has resulted in a realignment of resources to support the new strategy, with changes in the requisite skills of Company researchers and a reduction in the number of employees supporting certain research and development projects, including related marketing and administrative positions. The total restructuring charge were \$1,317,719 of which \$1,003,259 was paid as of January 31, 2009, and \$314,460 is still to be paid.

	Items paid as at January 31, 2009 \$	Liabilities as at January 31, 2009 \$	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	281,963	314,460	596,423
	1,003,259	314,460	1,317,719

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

As of January 31, 2009

6) 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.

	(UNAUDITED)	
	January 31, 2009	October 31, 2008
	\$	\$
Issued and fully paid		
42,799,475 common shares (42,794,475 as at October 31, 2008)	92,093,763	91,885,595
	<hr/>	
	January 31, 2009	
	Number of	Amount
	shares	\$
Capital Stock		
Balance, beginning of period	42,794,475	91,885,595
Issuance of common shares	5,000	3,700
Portion previously recognized to surplus as part of stock-based compensation	—	204,468
Balance, end of period	42,799,475	92,093,763

Stock options

During the quarter ended January 31, 2009, the Company granted 296,000 (313,500 in 2008) options to certain employees and directors. The weighted average fair value of stock options granted during this period amounted to \$0.62 (\$1.31 in 2008) 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:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

As of January 31, 2009

6) Capital Stock (Cont'd)

Contributed surplus

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

Contributed surplus	2009 \$
Balance as of October 31, 2008	7,069,693
Stock-based compensation expense	190,042
Stock options cancelled	(204,468)
Balance as of January 31, 2009	7,055,267

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

7) 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:

	January 31, 2009					Fair value Total \$
	Held for trading \$	Held-to- maturity \$	Loans and receivables \$	Other financial liabilities \$	Carrying value Total \$	
Financial assets						
Cash and Cash equivalents	2,997,050	—	—	—	2,997,050	2,997,050
Temporary investments	—	10,801,337	—	—	10,801,337	10,931,938
Accounts receivable	—	—	321,983	—	321,983	321,983
Long-term investments	—	2,795,560	—	—	2,795,560	2,892,069
	2,997,050	13,596,897	321,983	—	16,915,930	17,143,040
Financial liabilities						
Accounts payable	—	—	—	1,933,161	1,933,161	1,933,161

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

As of January 31, 2009

7) Financial Instruments (Cont'd)

October 31, 2008

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

Fair value

Fair value is the amount of consideration that would be agreed upon in arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The Company uses the following methods and assumptions to establish the fair value for each class of financial instruments for which their carrying amounts are included in the interim consolidated balance sheet as follows:

Held for trading

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

Held-to-maturity

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

Loans and receivables / Other financial liabilities

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

Risk arising from financial instruments

The Company does not use financial derivatives.

Foreign currency risk

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

As of January 31, 2009

7) Financial Instruments (Cont'd)

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

The significant balances in foreign currencies as at January 31, 2009 are as follow:

	US dollars
	\$
Cash and cash equivalents	1,089,660
Accounts receivable	257,876
Accounts payable	(507,632)
Net exposure	839,904

Based on the aforementioned net exposure as at January 31, 2009, and assuming that all other variable remain constant, a 5% rise or fall in the Canadian dollar against the US dollar would have resulted in (increase) decrease in the net loss as follows:

	Canadian dollars	
	Appreciates	Depreciates
	5%	5%
	\$	\$
Against US dollar		
Net loss	50,519	(50,519)

Credit Risk

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

Liquidity risk and market risk

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

As of January 31, 2009

8) Segmented Information

Information pertaining to segmented earnings for the period ended January 31, 2009 and January 31, 2008 is as follows:

	Consolidated Amounts		Biotechnologies		Laboratory Services	
	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$
Revenue from external sales	400,123	491,455	400,123	491,455	—	—
Loss before the following items:	1,372,006	861,833	456,605	471,961	915,401	389,872
Stock-based compensation	190,042	289,294	190,042	289,294	—	—
Depreciation and amortization	446,631	353,061	403,320	353,061	43,311	—
Segmented loss	2,008,679	1,504,188	1,049,967	1,114,316	958,712	389,872
Net R&D expenses	1,425,748	1,177,452	870,194	1,086,156	555,554	91,296
Financial expenses	6,228	3,669	3,002	3,408	3,226	261
Net loss	3,440,655	2,685,309	1,923,163	2,203,880	1,517,492	481,429

The business segment Laboratory services reflects the Company's U.S. activities and its Previstage™ GCC staging test initiative. The Laboratory services activities are performed by the subsidiary DiagnoCure U.S., GP. Assets relating to the Biotechnologies segment represent 98% of the consolidated assets and are located in Canada.

9) 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 \$26,392,935 (\$29,639,848 as of October 31, 2008) in the definition of capital.

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

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

10) Comparative Figures

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