DiagnoCure

Quarterly Report 1

Period ended January 31, 2010

MESSAGE TO SHAREHOLDERS

Dear Shareholders:

As newly appointed Chairman of the Board and President of the Company, I am pleased to introduce DiagnoCure's financial report for the first quarter 2010. As you have seen in our press release dated February 15, 2010 we have made a number of changes to the Company's structure, which we expect will reduce our liquidity requirement and alleviate the need for near term financing. Throughout the first quarter, both our PCA3 marker for prostate cancer and our Previstage™ GCC Colorectal Cancer Staging Test made important commercial progress, notably with the advancement of key clinical studies. We believe that the future bodes well for these two products that have the potential to change how physicians and patients make treatment decisions about their prostate and colorectal cancers.

PCA3 marker for prostate cancer

During its fourth quarter earnings release, in February 2010, Gen-Probe announced that the sales of their PCA3 products reached US$6 million in 2009, an increase of 65% over the prior year. For 2010, Gen-Probe expects continued sales growth in Europe, while their clinical study aimed at securing approval from the U.S. Food and Drug Administration (FDA) for the PROGENSA® PCA3 test is well underway to be completed in the summer. Gen-Probe anticipates to submit a Premarket Approval Application (PMA) to the FDA in the fall of 2010. Regulatory approval could be obtained in 2011, and would then allow Gen-Probe to commercialize the PROGENSA® PCA3 test in the United States, with an anticipated positive impact on DiagnoCure's profitability.

The results of Gen-Probe's FDA study are expected to be in line with those already published, including the two largest studies to date that were presented at the American Society of Clinical Oncology's Genitourinary Symposium (ASCO GU) in March 2010. The studies included over 2,400 men suspected of having prostate cancer, from a subset of patients in GlaxoSmithKline's REDUCE trial of their drug dutasteride. These studies, one of which was highlighted in ASCO's official press program, showed that the PCA3 scores were significantly correlated with a positive prostate biopsy result and the risk of having an aggressive cancer.

Previstage™ GCC Colorectal Cancer Staging Test

In January 2010, at the Gastrointestinal Cancers Symposium of the American Society of Clinical Oncology (ASCO GI), DiagnoCure presented the results of a new study on the GCC marker used in its Previstage™ GCC test. The study analyzed the results of the GCC test on lymph nodes of 123 patients with stage II cancer, thought to be cured after their colorectal cancer surgeries, based on the absence of detection of cancer cells in their lymph nodes by standard pathology assessment. It demonstrated that patients who had at least one GCC positive lymph node were two times more likely to experience disease recurrence than patients who had no GCC positive lymph nodes.

In addition, DiagnoCure's VITAR clinical study on the Previstage™ GCC test initiated in 2009 is progressing well. Already, about 300 patient samples have been processed on a total of 700 to 1000 expected for the entire study. The VITAR (Validating Indicators To Associate Recurrence Risk) study aims to confirm that Previstage™ GCC can more accurately predict the risk of

recurrence in stage II patients, who are considered low risk by traditional histological assessment methods.

In February 2010, the American Journal of Pharmacy Benefits published an article on the managed care implications of colon cancer staging (2010;2(1):21-28). This article was the result of a panel of reimbursement and insurance experts that DiagnoCure had brought together last summer. These experts concluded that the increasing number of new and costly cancer therapies justifies the manage care's interest in tests using biomarkers to more accurately determine which patients are more likely to benefit from chemotherapy. Previstage™ GCC was cited as an example of biomarker testing for the purpose of the discussion.

Optimization of Entreprise's Structure

On February 15, 2010, the Company announced some changes aimed at optimizing its enterprise's structure. From now on, the Company will be managed according to two separate reporting entities, that is the Quebec operations comprised of the head office and R&D activities, and the West Chester, PA, service laboratory operations focused on the commercialization of molecular cancer tests, in particular DiagnoCure's Previstage™ GCC Colorectal Cancer Staging Test.

The set objective for the U.S. service laboratory is to quickly become cash flow neutral by, amongst other things, expanding its test menu. With regard to the Quebec operations, the main focus for 2010 is to complete the VITAR study aimed at confirming the clinical utility of the Previstage™ GCC test. This study is already fully funded in the Company's financial model. As a result, based on its estimated cash burn rate after the VITAR study is completed, DiagnoCure believes that it has all the liquidities necessary to support its operations until the sale of Previstage™ GCC ramp up and the PCA3 test is approved for sale in the U.S.

Dr. Yves Fradet,
President and Chief Medical Officer

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, 2009 and related notes. Management's comments were prepared to explain the Company's operations, performance and financial position as of January 31, 2010. They compare this first quarter of operating results and cash position with those of the first quarter ended January 31, 2009. Amounts are in Canadian dollars unless otherwise noted. The information contained herein is up to date as of March 12, 2010.

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, in order to maximize the value of its portfolio and focus on high-value molecular diagnostics, DiagnoCure 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 relation with 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, California, for the development and commercialization of diagnostic products using PCA3 in return for US$9 million to be paid over three years. This revenue has been recognized and amortized over a 42-month period ended in April 2007. The final payment has been received in November 2006. In mid-2006, Gen-Probe made available to targeted reference laboratories in the U.S. market the ASR format of its first generation PCA3 assay on its APTIMA® technology platform. Since then, a number of laboratories in the U.S. have added PCA3 on their product listings, among which are LabCorp and Quest, the two leading U.S. diagnostic testing providers. In November 2006, Gen-Probe received the European CE Mark for its PROGENSA® PCA3 test and subsequently introduced the test in selected sites in Europe. As of the end of 2009, the PROGENSA® PCA3 was available from over 40 sites in Europe. On April 29, 2009, DiagnoCure and Gen-Probe executed an amendment to their 2003 license agreement, establishing new FDA submission milestones and key distribution arrangements to leverage the full market potential of the PCA3-based test for prostate cancer in the United States, Europe and around the world. Pursuant to the amendment, Gen-Probe acquired on May 7, 2009, 4.9 million DiagnoCure Series A Convertible Preferred Shares for US$5.0 million. In addition, Gen-Probe committed to make annual payments of US$500,000 to DiagnoCure until specific milestones are met.

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

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

2010 First Three Months Highlights

In January 2010, at the Gastrointestinal Cancers Symposium of the American Society of Clinical Oncology (ASCO GI), DiagnoCure presented the results of a new study on the GCC marker used in its Previstage™ GCC Colorectal Cancer Staging Test. The study demonstrated that patients who had at least one GCC positive lymph node were two times more likely to experience disease recurrence than patients who had no GCC positive lymph nodes.

On February 15, 2010, the Company announced some changes aimed at optimizing its enterprise's structure. Henceforth, the Company will be managed according to two separate reporting entities, that is the Quebec operations comprised of the head office and R&D activities, and the West Chester, PA, service laboratory operations focused on the commercialization of molecular cancer tests, in particular DiagnoCure's Previstage™ GCC Colorectal Cancer Staging Test.

This realignment, coupled with a selective reduction in personnel that maintained all of the Company's core competencies, is expected to allow DiagnoCure to preserve all the liquidity necessary to support its operations until the sales of Previstage™ GCC ramp up and the PCA3 test is approved for sale in the U.S. This approval is now anticipated to occur in 2011, following the expected 2010 submission of a Premarket Approval Application (PMA) by DiagnoCure's partner, Gen-Probe, to the U.S. Food and Drug Administration.

Changes to the leadership of the Company

Dr. Yves Fradet, co-founder of DiagnoCure, became Chairman of the Board on January 14, 2010 and President of DiagnoCure on February 15, 2010. He replaced Mr. Alain Rhéaume and Mr. John Schafer, who were respectively chairman and CEO of the Company. Since Dr. Fradet is not an independent board member, Mr. Paul Gobeil was appointed Lead Director of DiagnoCure's Board.

In February, John Schafer relocated to the United States, as Head of U.S. Commercial Operations, where he now leads the commercialization of the Previstage™ GCC Colorectal Cancer Staging Test, and the efforts to grow the U.S. service laboratory operations into a profitable full service specialty laboratory.

Pursuant to the enterprise reorganization, which resulted in the preservation of liquidities and alleviated the need for short-term financing, Mr. Jean-François Bureau, DiagnoCure's Chief Financial Officer, has decided to engage in other career opportunities. He will therefore leave his

position at the end of March. Mr. Frédéric Boivin, Senior Director, Finance and Administration, who has been with the Company for the past nine years, will act as CFO in the interim.

Also, as part of the realignment of activities, on February 15, Mrs. Paule De Blois was appointed Senior Vice President, Operations of DiagnoCure, Inc. Mrs. De Blois has been with the Company for the past five years, most recently as Vice President of Corporate Affairs.

Operating Results

For the Three-Month Period Ended January 31, 2010

Total revenues for the first quarter of 2010 were $362,401 compared with $400,123 for the first quarter of 2009. In the first quarter of 2010, royalty revenues amounted to $161,421 compared with $155,777 for the corresponding period of 2009. Royalties' revenues from Gen-Probe increased by 15% or $20,244, from $132,311 to $152,555 for the first quarter of 2010. This increase is attributable to the sales of PROGENSA® PCA3 in Europe and of the PCA3 ASRs in the United States, by Gen-Probe. Also in the first quarter of 2010, DiagnoCure recorded royalties of $8,866 from Scimedx related to ImmunoCyt™ / uCyt+™, compared with $23,466 for the same period of 2009. Following the August 2008 divestment agreement, Scimedx is now taking the lead on the sale of ImmunoCyt™ / uCyt+™ and paying royalties to DiagnoCure. For the first quarter of 2009 DiagnoCure had sold clinical samples to Gen-Probe in support of their prostate cancer testing R & D for an amount of $27,695. There was no sale of clinical samples to Gen-Probe in the first quarter of 2010 since DiagnoCure sold the last clinical samples to Gen-Probe, in the second quarter of 2009. Pursuant the amended agreement signed with Gen-Probe on April 29, 2009, DiagnoCure recorded a portion of the contractual annual payment, that is, $146,376 for the first quarter of 2010. Also during the quarter ended January 31, 2010, DiagnoCure received reimbursement for its Previstage™ GCC Colorectal Cancer Staging Test for an amount of $3,663.

Interest income decreased by $120,883, to $50,941 for the first quarter of 2010 compared with $171,824 for the first quarter of 2009. The decrease is attributable to DiagnoCure's use of fund to finance its operating activities and the lower interest rates on its investments.

Cost of sales decreased by $11,298 from $12,832 for the first quarter of 2009 to $1,534 for the same quarter of 2010. This decrease is related to the end of sample sales during the second quarter of 2009 as stated above. The cost of sales for this quarter represents the cost related to the Previstage™ GCC Colorectal Cancer Staging Test reimbursed.

Operating expenses increased by $322,247 from $3,858,709 for the first quarter of 2009 to $4,180,956 for the first quarter of 2010. This increase reflects the nonrecurring restructuring charges of $716,028 related to the enterprise reorganization announced on February 15, 2010. Without these charges, the operating expense would have decreased by $393,781 to $3,464,928. Total operating expenses increased primarily as a result of the following:

- Research and development expenses, net of investment tax credits, decreased by $54,168, from $1,425,748 for the first quarter of 2009 to $1,371,580 for the same quarter of 2010. The decrease is attributable to reduction in R&D expenses related to the completion of the Previstage™ GCC Colorectal Cancer Staging Test.

- Selling and business development expenses decreased by $253,796, from $1,032,268 for the first quarter of 2009 to $778,472 for the same quarter of 2010. This decrease is attributable to a reduction of professional fees and salaries.

- General and administrative expenses decreased by $79,171, from $795,380 for the first quarter of 2009 to $716,209 for the same quarter of 2010. The decrease in general and administrative expenses is attributable to lower salary and hiring expenses.

- Restructuring charges for the first quarter of 2010 were $716,028 attributable to changes to the enterprise structure to optimize its growth potential. Henceforth, the Company is now comprised of two business segments: (1) administrative headquarters and R&D activities in Quebec City, and (2) DiagnoCure Oncology Laboratories (DOL), DiagnoCure's U.S. wholly-owned sales, marketing and service laboratory operations. This realignment of operations has also resulted in a reduction of personnel in all functional areas.

- Stock-based compensation expenses, a non-cash charge, decreased by $91,048 from $190,042 for 2009 to $98,994 for the same period of 2010. The decrease reflects the end of the charges recognition associated with previously granted options.

- Loss on foreign exchange increased by $102,737 from a gain of $37,588 in the first quarter of 2009 to a loss of $65,149 in the corresponding quarter of 2010. This increase is attributable to the conversion in C$ of the cash and investments the Company held in US$ at the end of the quarter. The Company maintains cash and investments in U.S. dollars in order to finance its U.S. activities.

Based on the above, for the first quarter of 2010, DiagnoCure recorded a net loss of $3,820,089 or $0.09 per share, compared with $3,440,655 or $0.08 per share, for the same period of 2009. These results are substantially in line with Management's expectations; they 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. These results also reflect the enterprise structure optimization announced on February 15, 2010, in line with Management's objective to ensure that it has sufficient cash resources to fund its research and development activities and to maintain its ongoing operations.

First Quarter Results for the Three-Month Periods Ended January 31 (Unaudited)

	2010	2009	2008
	$	$	$
Sales	**3,663**	72,522	115,238
Revenue under research and license agreement	**307,797**	155,777	40,787
Interest	**50,941**	171,824	335,430
Total revenues	**362,401**	400,123	491,455
Cost of sales	**(1,534)**	(12,832)	(69,790)
Gross margin	**360,867**	387,291	421,665
Operating expenses (before stock-based compensation, restructuring charges and loss (gain) on foreign exchange)	**3,300,785**	3,706,255	2,832,750
Net loss (before stock-based compensation, restructuring charges and loss (gain) on foreign exchange)	**2,939,918**	(3,318,964)	(2,411,085)
Stock-based compensation	**98,994**	190,042	289,294
Restructuring charges	**716,028**	—	—
Loss (gain) on foreign exchange	**65,149**	(37,588)	(15,070)
Net loss before income taxes	**(3,820,089)**	(3,471,418)	(2,685,309)
Future income taxes	**—**	30,763	—
Net loss	**(3,820,089)**	(3,440,655)	(2,685,309)
Basic and diluted net loss per share	**(0.09)**	(0.08)	(0.06)
Weighted average number of common shares outstanding	**42,957,475**	42,796,160	41,720,130

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

Total Assets and Shareholders' Equity

Total assets amounted to $23,592,696 as of January 31, 2010, compared with $29,353,762 as of January 31, 2009. The book value per Common Share was $0.45 as of January 31, 2010, compared with $0.54 per Common Share as of October 31, 2009.

Balance Sheet (Unaudited)

As of January 31

	2010	2009	2008
	$	$	$
Total assets	**23,592,696**	29,353,762	41,955,296
Shareholders' equity	**19,503,150**	26,392,935	37,797,840
Number of common shares outstanding	**42,957,475**	42,799,475	41,720,130

Cash Position and Financing Sources

Cash flows required from operating activities during the first quarter of 2010 amounted to $1,996,718 compared with $3,518,439 required in the first quarter of 2009. This decrease of $1,521,721 is mostly due to the increase in the accounts payable, mostly related to the restructuring charges and a decrease in the investment tax credit as DiagnoCure received the 2008 tax credit reimbursement in November 2009. Investment activities generated cash flows of $2,266,121 for the first quarter of 2010 compared with $5,615,362 for the first quarter of 2009. During the first quarter of 2010, acquisition of tangible and intangible capital assets amounted to $45,226 compared with $22,019 for the same period of 2009. This increase is mostly attributable to acquisition of intangible as the Company continues to maintain its intellectual property portfolio up to date. Financing activities, primarily from the issuance of common

shares relative to the exercising of options by employees in the first quarter of 2009, generated cash flows of $3,700.

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 three months of 2010, except that the decrease in interest rates has resulted in lower revenues for the Company. Furthermore, in the coming months, the same impact on the interest revenue that will be generated by these investments could be observed as a result of the decrease in the key interest rate of the Bank of Canada in 2009.

DiagnoCure's funding needs may vary depending on a number of factors. The Company's funding requirements for the next years will depend on its ability to generate revenues from sales and royalties, and to conclude strategic alliances and development partnerships, as well as on the progress resulting from these agreements.

Cash Flows for the First Quarters (Unaudited)

	2010	2009	2008
	$	$	$
Cash flows related to operating activities	**(1,996,718)**	(3,518,439)	(2,234,373)
Cash flows related to investing activities	**2,266,121**	5,615,362	5,622,398
Cash flows related to financing activities	**—**	3,700	2,384
Effect of exchange rate on cash and cash equivalents	**190,529**	—	—

Issued and Outstanding Share Capital

As of March 12, 2010, the Company had 42,949,808 common shares issued and outstanding, 4,900,000 Series A Convertible Preferred Shares, and 2,540,925 stock options granting the right to acquire an equal amount of common shares.

Off-Balance Sheet Arrangements and Other Commitments

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

The Company periodically enters into research agreements or strategic alliances with third parties that include indemnification provisions that are customary in the industry. These guarantees generally require the Company to compensate the other party for certain damages arising from these transactions. In some cases, the maximum potential amount of future payments that could be required under these indemnification provisions is not limited. These indemnification provisions generally survive termination of the underlying agreement. The nature of the intellectual property indemnification obligations prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay. Historically, the Company has not made any indemnification payments under such agreements and no amount has been accrued in these consolidated financial statements with respect to these indemnification obligations.

As at January 31, 2010, 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, 2010, approximately $20.60 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 license payments that DiagnoCure receives from Gen-Probe, interest income and gross margin realized on the Company's 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	Amounts spent as at January 31, 2010	Amounts spent for the three-months period ended January 31, 2010
Improve the uPM3™ prostate cancer test, develop complementary applications and examine the therapeutic potential of the PCA3 marker	$4.00 million	$3.90 million	—
Support the commercialization and expand the automation of ImmunoCyt™ / uCyt+ ™ bladder cancer test	$2.50 million	$2.60 million	—
Advance the development of lung cancer and kidney cancer tests and initiate the development of other cancer tests	$10.50 million	$8.90 million	$0.75 million
Acquire complementary technologies and uses for other general corporate purposes	$5.33 million	$5.20 million	$0.70 million

With this financing, the Company has completed the uPM3™ prostate cancer test and has continued the advancement of other cancer tests. In 2006, the Company elected to cease its activities with respect to the automation of ImmunoCyt™ / uCyt+™ and in 2008 has completed a divestment agreement with Scimedx. The Company is now receiving royalties on the ImmunoCyt™ / uCyt+™ product sales realized by Scimedx.

Use of Proceeds from April 2007 Financing

In April 2007, the Company raised, by way of short-form prospectus, net proceeds of $23,353,098 from the issuance of 5.80 million common shares, at $4.30 per share. At that time, estimates were made as to the use of these proceeds. As at January 31, 2010, approximately $22.90 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, as described:

Description of "Use of Proceeds"	Amount spent as at January 31, 2010
Acquire and integrate or partner with one or more reference laboratories	$4.90 million
Expand the product portfolio	$3.90 million
Acquire or in-license additional cancer biomarkers and for product development purposes	$14.10 million

Use of Estimates

In preparing its consolidated financial statements, Management is required to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. In Management's opinion, the consolidated financial statements have been prepared using careful judgment 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 $153,398 for the first three months of 2010 compared with $142,421 for the same period in 2009 and are based on Management's 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	$1,598,205	$564,673	$530,436	$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 $236,585.

During the year ended October 31, 2007, the Company entered into license agreements with third parties regarding certain intellectual property rights. Those agreements were 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.

Recent Accounting Pronouncements

International financial reporting standards

On February 13, 2008, the Accounting Standards Board confirmed the date of the changeover from GAAP to International Financial Reporting Standards (IFRS). Canadian publicly accountable enterprises must adopt IFRS for the interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company's IFRS changeover date will be November 1, 2011.

The Company plans to setup a project structure to achieve the changeover of its consolidated financial statements to IFRS in fiscal 2010. With the assistance of its external auditor, the Company will analyze, recommend accounting policy choices and implements each IFRS standards. The CFO and the audit committee will approve accounting policy choices and make sure that information technology, internal control, contractual and any other adjustments are made.

The Company developed a work plan which phases are outlined in the following tables, with actions, timelines and progress.

Phase 1: Preliminary study and diagnostic

Actions	1. Identification of the IFRS standards that will require changes with regard to measurement in the consolidated financial statements and disclosure. 2. Rank of standards based on their anticipated impact on the Company's consolidated financial statements and the effort their implementation will require.
Timeline	End of 2010 fiscal year.
Progress	Not yet started.

Phase 2: Standards analysis

Actions	1. Analysis of the differences between GAAP and IFRS. 2. Selection of the accounting policies that the Company will apply on an ongoing basis. 3. Company's selection of IFRS 1 exemptions at the date of transition. Calculation of the quantitative impact on the consolidated financial statements. Disclosure analysis. 4. Preparation of draft consolidated financial statements and notes. Identification of collateral impact in the following areas: ▶ Information technology ▶ Internal control over financial reporting ▶ Disclosure controls and procedures ▶ Contracts ▶ Compensation ▶ Taxation ▶ Training
Timeline	End of 2011 fiscal year.
Progress	Not yet started.

Phase 3: Implementation

Actions	1. Preparation of the opening balance sheet at the date of transition. 2. Compilation of the comparative financial data. 3. Production of the interim consolidated financial statements and the associated disclosure. 4. Production of the annual consolidated financial statements and the associated disclosure. 5. Implementation of changes regarding collateral impact.
Timeline	▶ At the end of fiscal 2011, opening balance sheet, comparative financial data under IFRS and changes regarding collateral impacts will be completed. ▶ In fiscal 2012, the Company will produce interim and annual consolidated financial statements and disclosure in accordance with IFRS.
Progress	Not yet started.

Throughout the IFRS transition project, the Company will provide update reports on the work plan. The Company will also explain the main differences between the existing accounting

policies and those that will be implemented under IFRS (both narrative and quantitative information), as well as the selection of IFRS 1 exemptions available at the date of transition.

Procedures and Controls Regarding Disclosure

The President and Chief Medical 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 and of the internal control over financial reporting, 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 and of the internal control over financial reporting, 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 Medical Officer, and the Senior Vice President and Chief Financial Officer of the Company concluded that disclosure controls and procedures and the internal control over financial reporting were effective as at the end of the quarter ended January 31, 2010. More specifically 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.

Furthermore, the design of the internal control over financial reporting provides reasonable assurance that the Company's financial information is reliable and that its financial statements are prepared for external purposes in accordance with Canadian GAAP.

Risk Factors

The Company's activities are subject to some risk factors that generally affect biotechnology companies. The profitability of the Company will depend on 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 ensure 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 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's expectations and there was, to the knowledge of Management, no event or circumstance in the first quarter of 2010 likely to cause actual results to differ materially from these forward looking-statements. In addition, the reader is referred to the applicable general risks and uncertainties described in DiagnoCure's most recent Annual Information Form under the heading "Risk Factors". DiagnoCure undertakes no obligation to publicly update or revise any forward-looking statements contained herein unless required by the applicable securities laws and regulations.

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

Québec, Canada

March 12, 2010

(signed)

Yves Fradet
President and
Chief Medical 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, 2010 and 2009

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, 2010 and 2009, 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 12th day of March 2010

Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)

For the three-month periods ended January 31

	2010	2009
	$	$
Revenues		
Sales	**3,663**	72,522
Cost of sales	**(1,534)**	(12,832)
	2,129	59,690
Revenue under research and license agreement	**307,797**	155,777
Interest	**50,941**	171,824
	360,867	387,291
Operating expenses		
Research and development expenses	**1,524,978**	1,568,169
Investment tax credits	**(153,398)**	(142,421)
	1,371,580	1,425,748
Selling and business development expenses	**778,472**	1,032,268
General and administrative expenses	**716,209**	795,380
Restructuring charges (note 4)	**716,028**	—
Stock-based compensation	**98,994**	190,042
Depreciation of property, plant and equipment	**131,212**	149,450
Amortization of intangibles	**298,032**	297,181
Loss (gain) on foreign exchange	**65,149**	(37,588)
Financial expenses	**5,280**	6,228
	4,180,956	3,858,709
Loss before income taxes	**(3,820,089)**	(3,471,418)
Future income taxes	**—**	30,763
Net loss and comprehensive loss	**(3,820,089)**	(3,440,655)
Basic and diluted net loss per share	**(0.09)**	(0.08)
Weighted average number of common shares outstanding	**42,957,475**	42,796,160

See accompanying notes

Consolidated Statements of Deficit

(Unaudited)

For the three-month periods ended January 31

	2010	2009
	$	$
Deficit, beginning of period	**(82,250,669)**	(69,315,440)
Net loss	**(3,820,089)**	(3,440,655)
Deficit, end of period	**(86,070,758)**	(72,756,095)

Consolidated Statements of Cash Flows

(Unaudited)

For the three-month periods ended January 31

	2010	2009
	$	$
OPERATING ACTIVITIES		
Net loss	**(3,820,089)**	(3,440,655)
Adjustment for:		
Stock-based compensation	**98,994**	190,042
Depreciation and amortization	**429,244**	446,631
Foreign exchange gain	**(190,529)**	—
Future income taxes	**—**	(30,763)
	(3,482,380)	(2,834,745)
Net change in non-cash working capital items	**1,485,662**	(683,694)
Cash flows related to operating activities	**(1,996,718)**	(3,518,439)
INVESTING ACTIVITIES		
Temporary investments	**1,487,435**	675,402
Long-term investments	**823,912**	4,961,979
Acquisition of property, plant and equipment	**(39,295)**	(11,416)
Acquisition of intangibles	**(5,931)**	(10,603)
Cash flows related to investing activities	**2,266,121**	5,615,362
FINANCING ACTIVITIES		
Issue of common shares (note 5)	**—**	3,700
Cash flows related to financing activities	**—**	3,700
Effect of exchange rate on cash and cash equivalents	**190,529**	—
Net increase in cash and cash equivalents for the period	**459,932**	2,100,623
Cash and cash equivalents, beginning of period	**4,812,117**	896,427
Cash and cash equivalents, end of period	**5,272,049**	2,997,050

See accompanying notes

Consolidated Balance Sheets

	(Unaudited) January 31, 2010 $	October 31, 2009 $
ASSETS		
Current assets		
Cash and cash equivalents	**5,272,049**	4,812,117
Temporary investments	**7,431,425**	8,918,860
Accounts receivable	**206,222**	235,333
Investment tax credits receivable	**512,012**	906,170
Prepaid expenses	**197,832**	296,690
	13,619,540	15,169,170
Long-term investments	**—**	823,912
Property, plant and equipment	**907,959**	999,876
Intangibles	**9,065,197**	9,357,298
	23,592,696	26,350,256
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**2,550,268**	1,965,316
Deferred revenues	**524,349**	145,766
Future income tax liabilities	**1,014,929**	1,014,929
Shareholders' equity		
Capital stock *(note 5)*		
Common shares	**92,015,103**	92,015,103
Preferred shares	**5,857,000**	5,857,000
Contributed surplus *(note 5)*	**7,701,805**	7,602,811
Deficit	**(86,070,758)**	(82,250,669)
	19,503,150	23,224,245
	23,592,696	26,350,256

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

As of January 31, 2010

1. FINANCIAL INFORMATION

The 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, 2009, consolidated balance sheet is derived from the Company's audited financial statements. These unaudited interim financial statements should be read in conjunction with in the Company's audited financial statements for the year ended October 31, 2009, 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. RECENT ACCOUNTING PRONOUNCEMENTS

The CICA plans to replace the Canadian GAAP with the 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.

4. RESTRUCTURING CHARGES

December 2006 restructuring charges

On December 13, 2006, the Company announced a shift in its business strategy, including the decision to discontinue supporting R&D activities related to improvements in its cell-based bladder cancer diagnostic test and a reduction in marketing initiatives for this product. This decision has resulted in a realignment of resources to support the new strategy, with changes in the requisite skills of Company researchers and a reduction in the number of employees supporting certain research and development projects, including related marketing and administrative positions. The total restructuring charge was $1,317,719 of which $1,244,963 was paid as of January 31, 2010, and $72,756 is still outstanding.

4. RESTRUCTURING CHARGES (cont'd)

	Opening balance of liabilities as of October 31, 2009	Items paid during the period	Adjustments	Closing balance as of January 31, 2010
	$	$	$	$
Provision for vacated leased premises	**118,788**	**46,032**	**—**	**72,756**

No additional charges related to the 2007 restructuring are expected for the 2010 financial year.

February 2010 restructuring charges

On February 15, 2010, DiagnoCure has announced changes to its enterprise structure to optimize its growth potential. Henceforth, the Company is now comprised of two business segments: (1) administrative headquarters and R&D in Quebec City, and (2) DiagnoCure Oncology Laboratories (DOL), DiagnoCure's U.S. wholly-owned sales, marketing and service laboratory operations. This decision has resulted in a reduction of personnel in all areas of the Company. The total restructuring charge was $716,028 of which $716,028 is still outstanding as of January 31, 2010.

	Incurred liabilities as of January 31, 2010	Items paid during the period	Adjustments	Closing balance as of January 31, 2010
	$	$	$	$
Provision for severance indemnities	**676,650**	**—**	**—**	**676,650**
Legal and outplacement fees	**39,379**	**—**	**—**	**39,379**
	716,028	**—**	**—**	**716,028**

5. 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. They have a fixed, preferential and non-cumulative dividend of 6% per annum, and may be exchanged at the option of the holder for common shares on a one-for-one basis. DiagnoCure has the option to redeem the preferred shares or to require their conversion into common shares in certain circumstances.

5. CAPITAL STOCK (cont'd)

Common Shares

	January 31, 2010	October 31, 2009
	$	$
Issued and fully paid		
42,957,475 common shares (42,957,475 as at October 31, 2009)	**92,015,103**	92,015,103

	January 31, 2010	
	Number of shares	**Amount $**
Capital Stock		
Balance, beginning of period	**42,957,475**	**92,015,103**
Issuance of common shares	—	—
Portion previously recognized to surplus as part of stock-based compensation	—	—
Balance, end of period	**42,957,475**	**92,015,103**

Preferred Shares

	January 31, 2010	October 31, 2009
	$	$
Issued and fully paid		
4,900,000 Series A Convertible Preferred shares (4,900,000 as at October 31, 2009)	**5,857,000**	5,857,000

	January 31, 2010	
	Number of shares	**Amount $**
Capital Stock		
Balance, beginning of period	**4,900,000**	**5,857,000**
Issuance of preferred shares	—	—
Balance, end of period	**4,900,000**	**5,857,000**

Stock options

During the three-month period ended January 31, 2010, the Company did not grant options (296,000 in 2009) to certain employees and directors. The weighted average fair value of stock options granted during the first quarter of 2009 was $0.62 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:

	Three-month periods	
	January 31	
	2010	2009
Risk-free interest rate	—	2.44%
Expected life	—	8 years
Expected volatility factor	—	76%
Expected dividend yield	—	—

5. CAPITAL STOCK (cont'd)

Contributed surplus

	2010 $
Balance as of October 31, 2009	**7,602,811**
Stock-based compensation expense	**98,994**
Stock options cancelled	—
Balance as of January 31, 2010	**7,701,805**

6. 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, 2010					
	Held for trading $	**Held-to-maturity $**	**Loans and receivables $**	**Other financial liabilities $**	**Carrying value Total $**	**Fair value Total $**
Financial assets						
Cash and cash equivalents	**5,272,049**	**—**	**—**	**—**	**5,272,049**	**5,272,049**
Temporary investment	**—**	**7,431,425**	**—**	**—**	**7,431,425**	**7,483,894**
Accounts receivable[1]	**—**	**—**	**171,545**	**—**	**171,545**	**171,545**
Long-term investments	**—**	**—**	**—**	**—**	**—**	**—**
	5,272,049	**7,431,425**	**171,545**	**—**	**12,875,019**	**12,927,488**
Financial liabilities						
Accounts payable [2]	**—**	**—**	**—**	**2,508,549**	**2,508,549**	**2,508,549**

	October 31, 2009					
	Held for trading $	Held-to-maturity $	Loans and receivables $	Other financial liabilities $	Carrying value total $	Fair value total $
Financial assets						
Cash and Cash equivalents	4,812,117	—	—	—	4,812,117	4,812,117
Temporary investments	—	8,918,860	—	—	8,918,860	8,985,988
Accounts receivable [1]	—	—	190,522	—	190,522	190,522
Long-term investments	—	823,912	—	—	823,912	835,616
	4,812,117	9,742,772	190,522	—	14,745,411	14,824,243
Financial liabilities						
Accounts payable [2]	—	—	—	1,897,497	1,897,497	1,897,497

[1] Excluding investment tax credits, commodity and other taxes

[2] Excluding other accruals

6. FINANCIAL INSTRUMENTS (cont'd)

Foreign currency risk

The Company operates internationally and a portion of its expenses are incurred in U.S. dollars. A significant change in the currency exchange rate between the Canadian dollar relative to the U.S. dollar 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 U.S. dollars and is therefore exposed to foreign exchange risk on these balances.

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

	2010	2009
	US dollars	US dollars
	$	$
Cash and cash equivalents	**2,931,208**	1,089,660
Accounts receivable	**152,470**	257,876
Accounts payable	**(1,181,749)**	(507,632)
Net exposure	**1,901,929**	839,904

Based on the aforementioned net exposure as at January 31, 2010 and 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:

	2010		2009	
	Canadian dollars		Canadian dollars	
	Appreciates	**Depreciates**	Appreciates	Depreciates
	5%	**5%**	5%	5%
	$	**$**	$	$
Against US dollar				
Net loss	**(95,096)**	**95,096**	(41,995)	41,995

7. SEGMENTED INFORMATION

Information pertaining to segmented results for the periods ended January 31, 2010 and 2009 is as follows:

	Consolidated Amounts		**Biotechnologies**		**Laboratory Services**	
	2010	2009	**2010**	2009	**2010**	2009
	$	$	**$**	$	**$**	$
Revenue from external sales	**311,460**	228,299	**307,797**	228,299	**3,663**	—
Interest Revenues	**50,941**	171,824	**50,941**	171,824	—	—
Loss before the following items:	**1,914,991**	1,372,006	**725,582**	456,605	**1,189,409**	915,401
Stock-based compensation	**98,994**	190,042	**98,994**	190,042	—	—
Depreciation and amortization	**429,244**	446,631	**388,612**	403,320	**40,632**	43,311
Segmented loss	**2,443,229**	2,008,679	**1,213,188**	1,049,967	**1,230,041**	958,712
Net R&D expenses	**1,371,580**	1,425,748	**866,366**	870,194	**505,214**	555,554
Financial expenses	**5,280**	6,228	**2,409**	3,002	**2,871**	3,226
Net loss	**3,820,089**	3,440,655	**2,081,963**	1,923,163	**1,738,126**	1,517,492

7. SEGMENTED INFORMATION (cont'd)

The business segment Laboratory Services reflects the Company's U.S. activities and its Previstage™ GCC staging test initiative. The Laboratory Services activities are performed by the subsidiary DiagnoCure U.S., GP. The business segment Biotechnologies reflects the Company's Canadian activities and its R&D initiative to develop diagnostic tests. This segment also includes some administrative activities. The Biotechnologies activities are performed by DiagnoCure, Inc. Assets relating to the Biotechnologies segment represent 97% of the consolidated assets and are located in Canada.

For the biotechnologies segment, one American client represented 96% (70% in 2009) of the revenues from external sales.

In the first quarters of 2010 and 2009, the total external sales are attributable to the United States. The Company determines the revenues by country based on where the product or service is delivered.

8. 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 $19,503,150 ($23,224,245 as of October 31, 2009) 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 and development collaboration or by disposing of assets.

Following the reorganiszation of its enterprise structure of February 15, 2010, Management is satisfied that it has adequate cash resources to finance the Company's activities, and will monitor its cash levels.