



Diagno Cure

Quarterly Report 2

Period ended April 30, 2011

MESSAGE TO SHAREHOLDERS

Dear Shareholders:

We are pleased to introduce DiagnoCure's financial results for the second quarter of fiscal year 2011. In this quarter, the Company has continued to prudently manage its liquidities while pursuing its search of potential partners to accelerate the commercialization of its Previstage™ GCC Colorectal Cancer Staging Test, and leverage its product pipeline and assets.

Once again this year, the PCA3 test for prostate cancer, which DiagoCure outlicensed to Gen-Probe Incorporated, was the topic of many posters and presentations at the European Association of Urology, in March in Vienna, and at the American Urological Association, in May, in Washington (D.C.). In addition to being useful to predict the outcome of prostate biopsies, both in repeat and initial situations, recent studies reported that the test could also provide an assessment of the aggressiveness of the cancer. For prostate cancer patients, knowing the level of aggressiveness of their cancer is key to determining if they should be closely monitored and avoid the potential long-term side effects of the surgery.

On the commercialization front, Gen-Probe' PROGENSA® PCA3 test is still under active review by the U.S. Food and Drug Administration (FDA), and the date for the expected review by the FDA's immunology advisory panel has yet to be confirmed. In addition, in May 2011, Gen-Probe announced that they have submitted a 510(k) to the FDA for its automated Panther™ system. DiagnoCure believes that this system will have a major impact on the adoption of the PCA3 test as it will significantly improve the productivity of laboratories performing molecular testing. The system has been introduced in Europe in late 2010 and Gen-Probe reported that the feedback from their customers is very positive.

In May, DiagnoCure's Previstage™ GCC Colorectal Cancer Staging Test was featured at the annual meeting of the American Society of Colon and Rectal Surgeons (ASCRS) held in Vancouver, Canada. In parallel to this key medical conference, the results of the VITAR study (Validating Indicators To Associate Recurrence Risk) on the GCC test, presented earlier at ASCO GI 2011, were published in the peer-reviewed journal *Annals of Surgical Oncology* (May 2011), with Dr. Daniel J. Sargent, Professor of Biostatistics and Oncology at Mayo Clinic as lead author and Principal Investigator of the study.

The published article reported the results of the first phase of the on-going VITAR study, which was conducted on lymph nodes of 241 stage II colon cancer patients. These patients had not been treated with adjuvant chemotherapy mainly because their lymph nodes appeared cancer-free by examination under the microscope, yet 12% of them had a disease recurrence or cancer-related death afterwards. The Previstage™ GCC test uses a technology that is 100,000 times more sensitive and which can then detect cancer cells in the lymph nodes that have escaped detection by the current microscopic examination method.

In order to establish a risk of recurrence (prognosis) for the stage II patients, the study focused on the positive lymph node (LN) ratio, defined as the number of nodes in which cancer cells were identified with the Previstage™ GCC test, divided by the total number of nodes examined. This LN ratio approach was able to significantly predict higher recurrence risk for 84 patients (35%). In fact, the estimated recurrence rates at five years after surgery were 27% for patients with a LN ratio equal to or higher than 1/10 (high-risk group), and 10% for patients with a LN

ratio under 1/10 (low-risk group). In addition, in a subset of 181 patients with traditionally favourable prognostic factors, that is, an invasive T3 tumor and 12 or more lymph nodes examined, the Previstage™ GCC test classified 1/3 of patients with a high risk of recurrence at five years, and 2/3 of patients at low risk of recurrence. In this subset, the high risk group had a 6 times greater likelihood to recur than the low risk group (27% vs 4%).

Previstage™ GCC is currently the only colorectal cancer staging test on the market that provides prognostic information based on the tumor burden measured at the molecular level in the lymph nodes. Tumor burden in the lymph nodes is more and more recognized by treating physicians as a key prognostic factor to determine the risk of recurrence of cancer patients, and hence, to determine which patients might benefit most from adjuvant chemotherapy and which could be safely managed without chemotherapy.

In order to accelerate the commercialization of Previstage™ GCC, DiagnoCure has been and still is in discussions with a number of strategic partners interested in the asset. The test has been received very positively for its clinical utility and in particular for its key importance in the management of Stage II colon cancer patients. We will keep our shareholders informed as these discussions unfold.

(Signed)

Yves Fradet
President and Chief Medical Officer
(Chief Executive 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, 2010 and related notes. Management's comments were prepared to explain the Company's operations, performance and financial position as of April 30, 2011. They compare this second quarter and the six-month period of operating results and cash position with those of the second quarter and the six-month period ended April 30, 2010. Amounts are in Canadian dollars unless otherwise noted. The information contained herein is up to date as of June 1st, 2011.

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, 13 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 2010, 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. In September 2010, Gen-Probe announced that it had filed a Premarket Approval Application with the FDA for its PROGENSA® PCA3 test.

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.

2011 First Six Months Highlights

In January 2011, the Company announced positive initial results of a multi-center clinical study, for predicting risk of colon cancer recurrence. This study, called VITAR (Validating Indicators To Associate Recurrence Risk), included 241 stage II colon cancer patients, a population categorized as low risk by traditional methods yet with an average recurrence rate of 20%. In this population, the study demonstrated that DiagnoCure's Previstage™ GCC Colorectal Cancer Staging Test can stratify patients into high and low risk of recurrence groups, thereby providing relevant and more accurate clinical information for physicians to make more personalized treatment decisions.

In order to establish a risk of recurrence (prognosis) for the stage II patients, the study focused on the positive lymph node (LN) ratio, defined as the number of nodes in which cancer cells were identified with the Previstage™ GCC test, divided by the total number of nodes examined. This LN ratio approach was able to significantly predict higher recurrence risk for 84 patients (35%). In fact, the estimated recurrence rates at five years after surgery were 27% for patients with a LN ratio equal to or higher than 1/10 (high-risk group), and 10% for patients with a LN ratio under 1/10 (low-risk group).

The results of this study were presented in January 2011 at the Gastrointestinal Cancers Symposium of the American Society of Clinical Oncology, and was published in the peer-reviewed journal *Annals of Surgical Oncology* (May 2011), with Dr. Daniel J. Sargent, Professor of Biostatistics and Oncology at Mayo Clinic as lead author and Principal Investigator.

Operating Results

For the Three-Month Period Ended April 30, 2011

Total revenues for the second quarter of 2011 were \$352,068 compared with \$344,093 for the same period of 2010. In the second quarter of 2011, royalty revenues amounted to \$187,106 compared with \$154,967 for the corresponding period of 2010. Royalty revenues from Gen-Probe increased by \$8,873 or 6%, to \$163,840 for the second quarter of 2011 from \$154,967 for the same period of 2010. Without taking into account the effect of the exchange rate variation, royalty revenues from Gen-Probe have increased by 13%, to US\$172,718 for the second quarter of 2011 from \$153,190 for the same period of 2010. This increase is attributable to the sales of PROGENSA® PCA3 in Europe and the United States by Gen-Probe. Also in the second quarter of 2011, DiagnoCure recorded royalties of \$23,266 from Scimedx, related to ImmunoCyt™ / uCyt+™, compared with no royalties for the same period of 2010. Pursuant to the amendment agreement signed with Gen-Probe on April 29, 2009, DiagnoCure recorded a portion of the annual payment, that is, \$123,801 for the second quarter of 2011 compared with \$131,088 for the same period of 2010. Also, during the second quarter, DiagnoCure received reimbursement for its Previstage™ GCC Colorectal Cancer Staging Test for an amount of \$24,737 compared with \$16,846 for the same period of 2010.

Interest income decreased by \$24,768, to \$16,424 for the second quarter of 2011 compared with \$41,192 for the same period of 2010. The decrease is attributable to DiagnoCure's use of funds to finance its operating activities.

Cost of sales increased by \$2,763, to \$14,839 for the second quarter of 2011 from \$12,076 for the same quarter of 2010. The cost of sales represents the cost related to the PrevistageTM GCC tests reimbursed.

Operating expenses decreased by \$570,297, to \$1,966,552 for the second quarter of 2011 from \$2,536,849 for the same period of 2010. This decrease is attributable to reduced expenses in R&D and selling and business development. Total operating expenses decreased primarily as a result of the following:

- ▶ Research and development expenses, net of investment tax credits, decreased by \$353,178, to \$722,617 for the second quarter of 2011 from \$1,075,795 for the same period of 2010. The decrease in research and development expenses is attributable to the postponement of the second phase of the VITAR clinical study.
- ▶ Selling and business development expenses decreased by \$147,343, to \$199,705 for the second quarter of 2011 from \$347,048 for the same quarter of 2010. This decrease is attributable to a reduction of professional fees, salaries and the number of trade shows attendance.
- ▶ General and administrative expenses increased by \$62,334, to \$551,274 for the second quarter of 2011 from \$488,940 for the same period of 2010. This increase is attributable to severances paid and to the expenses associated with the move of the Company's Quebec head office and R&D laboratory facilities.
- ▶ Stock-based compensation expenses, a non-cash charge, decreased by \$36,568 to \$79,965 for the second quarter of 2011 from \$116,533 for the same period of 2010. This decrease is attributable to the end of the charges recognition associated to previously granted options.
- ▶ Loss on foreign exchange decreased by \$71,912 to \$25,558 for the second quarter of 2011 from \$97,470 for the same period of 2010. This decrease is attributable to the lower liquidities held in US\$ compared with the second quarter of 2010.

Based on the above, for the second quarter of 2011, DiagnoCure recorded a net loss of \$1,601,439 or \$0.04 per share, compared with \$2,204,832 or \$0.05 per share, for the same period of 2010. These results reflect activities undertaken during this period and on-going commitment to develop high-value diagnostic tests for the detection and management of cancer.

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

	2011 \$	2010 \$	2009 \$
Sales	24,737	16,846	30,564
Revenue under research and license agreement	310,907	286,055	312,685
Interest	16,424	41,192	123,903
Total revenues	352,068	344,093	467,152
Cost of sales	(14,839)	(12,076)	(16,422)
Gross margin	337,229	332,017	450,730
Operating expenses (before stock-based compensation, and loss (gain) on foreign exchange)	1,861,029	2,322,846	2,948,684
Net loss (before stock-based compensation and loss (gain) on foreign exchange)	(1,523,800)	(1,990,829)	(2,497,954)
Stock-based compensation	79,965	116,533	160,091
Loss (Gain) on foreign exchange	25,558	97,470	(7,299)
Net loss before income taxes	(1,629,323)	(2,204,832)	(2,650,746)
Future income taxes	27,884	—	28,509
Net loss	(1,601,439)	(2,204,832)	(2,622,237)
Basic and diluted loss per share	(0.04)	(0.05)	(0.06)
Weighted average number of common shares outstanding	42,984,716	42,965,148	42,799,475

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

For the Six-Month Period Ended April 30, 2011

Total revenues for the six-month period ended April 30, 2011 were \$714,169 compared with \$706,494 for the same period of 2010. In the first six months of 2011, royalty revenues amounted to \$348,896 compared with \$316,388 for the corresponding period of 2010. Royalty revenues from Gen-Probe increased by \$17,397, to \$324,919 for the first six months of 2011 from \$307,522 for the first six months of 2010. Without taking into account of the effect of the exchange rate variation, royalty revenues from Gen-Probe have increased by 12%, to US\$333,443 for the first six-month of 2011 from US\$296,634 for the same period of 2010. This increase is attributable to the sales of PROGENSA[®] PCA3 in Europe and the United States by Gen-Probe. Also in the first six months of 2011, DiagnoCure recorded royalties of \$23,977 from Scimedx, related to ImmunoCyt[™] / uCyt+[™], compared with \$8,866 for the first six-month of 2010. Pursuant to the amendment agreement signed with Gen-Probe on April 29, 2009, DiagnoCure recorded a portion of the annual payment that is \$254,889 for the first six months of 2011 compared with \$277,464 for the same period of 2010. Also, during the first six-month period ending April 30, 2011, DiagnoCure received reimbursement for its Previstage[™] GCC Colorectal Cancer Staging Test for an amount of \$71,441 compared with \$20,509 for the same period of 2010.

Interest income decreased by \$53,190, to \$38,943 for the first six months of 2011 compared with \$92,133 for the same period of 2010. The decrease is attributable to DiagnoCure's use of funds to finance the operating activities.

Cost of sales increased by \$28,525, to \$42,135 for the first six months of 2011 from \$13,610 for the same period of 2010. The cost of sales represents the cost related to the Previstage[™] GCC tests reimbursed.

Operating expenses decreased by \$2,780,021 to \$3,937,784 for the first six months of 2011 from \$6,717,805 for the same period of 2010. This decrease reflects the impact of the enterprise structure optimization announced in February 2010. This decrease also reflects the postponement of the second phase of VITAR clinical study and the reduction of selling and business development activities. Total operating expenses decreased primarily as a result of the following:

- ▶ Research and development expenses, net of investment tax credits, decreased by \$1,029,616, to \$1,417,759 for the first six-month of 2011 from \$2,447,375 for the same period of 2010. The decrease in research and development expenses is attributable to the completion of the development of the Previstage™ GCC Colorectal Cancer Staging Test and the postponement of the second phase of the VITAR clinical study.
- ▶ Selling and business development expenses decreased by \$700,846, to \$424,674 for the first six-month of 2011 from \$1,125,520 for the same period of 2010. This decrease is attributable to a reduction of professional fees, salaries and number of trade show attendance following the enterprise structure optimization announced in February 2010.
- ▶ General and administrative expenses decreased by \$100,285, to \$1,104,864 for the first six-month of 2011 from \$1,205,149 for the same period of 2010. This decrease is attributable to salaries reduction following the enterprise structure optimization announced in February 2010.
- ▶ Restructuring charges for the first six-month 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 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 \$11,865 to \$203,662 for the first six-month of 2011 from \$215,527 for the same period of 2010. This decrease is attributable to the lower value of the options granted during the period. The decrease also reflects the end of the charges recognition associated to previously granted options.
- ▶ Loss on foreign exchange decreased by \$137,810 to \$24,809 for the first six months of 2011 from \$162,619 for the same period of 2010. This decrease is attributable to the lower liquidities held in US\$ compared with the same period of 2010.

Based on the above, for the first six months of 2011, DiagnoCure recorded a net loss of \$3,209,982 or \$0.08 per share, compared with \$6,024,921 or \$0.14 per share, for the same period of 2010. These results reflect activities undertaken during this period 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 in February 2010, to ensure that the Company has sufficient cash resources to fund its research and development activities and to maintain its ongoing operations. At the end of the period, cash, short-term and long-term investments stood at \$4,706,383, down from \$6,904,241 as of October 31, 2010. This decrease of \$2,197,858 is due to the use of liquidity to finance the operating activities of the six-month period ended on April 30, 2011. Management is satisfied that it has adequate cash resources to finance the Company's activities, and will monitor its cash levels.

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

	2011	2010	2009
	\$	\$	\$
Sales	71,441	20,509	103,086
Revenue under research and license agreement	603,785	593,852	468,462
Interest	38,943	92,133	295,727
Total revenues	714,169	706,494	867,275
Cost of sales	(42,135)	(13,610)	(29,254)
Gross margin	672,034	692,884	838,021
Operating expenses (before stock-based compensation, loss (gain) on foreign exchange and restructuring charges)	3,709,313	5,623,631	6,654,939
Net loss (before stock-based compensation, loss (gain) on foreign exchange and restructuring charges)	(3,037,279)	(4,930,747)	(5,816,918)
Restructuring charges	—	716,028	—
Loss (gain) on foreign exchange	24,809	162,619	(44,887)
Stock-based compensation	203,662	215,527	350,133
Net loss before income taxes	(3,265,750)	(6,024,921)	(6,122,164)
Future income taxes	55,768	—	59,272
Net loss	(3,209,982)	(6,024,921)	(6,062,892)
Basic and diluted loss per share	(0.08)	(0.14)	(0.14)
Weighted average number of common shares outstanding	42,982,640	42,961,248	42,797,799

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 \$14,094,862 as of April 30, 2011, compared with \$16,809,427 as of October 31, 2010. The book value per Common Share was \$0.28 as of April 30, 2011, compared with \$0.31 per Common Share as of October 31, 2010.

Balance Sheet (Unaudited)

As of April 30

	2011	2010	2009
	\$	\$	\$
Total assets	14,094,862	20,295,730	27,781,898
Shareholders' equity	11,877,724	17,426,433	23,930,789
Number of common shares outstanding	42,988,472	42,976,140	42,799,475

Cash Position and Financing Sources

Cash flows required from operating activities during the second quarter of 2011 amounted to \$1,278,844 compared with \$3,054,044 in the second quarter of 2010. This decrease of \$1,775,200 is mostly due to the reduction of the operating expenses and to the restructuring charges of \$716,028 that was paid in the second quarter of 2010. Investment activities required cash flows of \$602,340 for the second quarter of 2011 compared with \$1,646,552 generated for the second quarter of 2010. During the second quarter of 2011, acquisition of tangible and intangible assets amounted to \$284,018 compared with \$397 for the same period of 2010. This increase is mostly attributable to leasehold improvements made as a result of the move of the

Company's Quebec head office to new premises on March 4, 2011. For these leasehold improvements of \$435,669, DiagnoCure contracted a loan in the amount of \$152,675 with the landlord, bearing interest of 9.53% repayable in 60 monthly installments of \$3,209 in capital and interest. Financing activities, primarily from the issuance of common shares relative to the exercising of options by employees generated cash flow of \$2,413 for the second quarter of 2011 compared with \$11,582 for the second quarter of 2010.

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

	2011	2010	2009
	\$	\$	\$
Cash flows related to operating activities	(1,278,844)	(3,054,044)	(2,492,853)
Cash flows related to investing activities	(449,665)	1,646,552	1,286,482
Cash flows related to financing activities	2,413	11,582	—
Effect of exchange rate on cash and cash equivalent	(14,009)	26,478	—

Cash flows required from operating activities during the first six months of 2011 amounted to \$1,914,686 compared with \$5,050,762 in the first six months of 2010. This decrease of \$3,136,076 is mostly due to the reduction of the operating expenses and to the restructuring charges of \$716,028 that was paid in the second quarter of 2010. Investment activities generated cash flows of \$1,373,356 for the first six month of 2011 compared with \$3,912,673 for the same period of 2010. During the first six month of 2011, acquisition of tangible and intangible assets amounted to \$301,765 compared with \$39,692 for the same period of 2010. This increase is mostly attributable to leasehold improvements made as a result of the move of the Company's Quebec head office to new premises on March 4, 2011. For these leasehold improvements of \$435,669, we contracted a loan in the amount of \$152,675 with the landlord bearing interest of 9.53% repayable in 60 monthly installments of \$3,209 in capital and interest. Financing activities, primarily from the issuance of common shares relative to the exercising of options by employees generated cash flow of \$6,547 for the first six month of 2011 compared with \$11,582 for the first six month of 2010.

DiagnoCure will continue to invest its cash reserve in liquid, high-grade investments, guaranteed by the government. In the coming months, the interest revenue that will be generated by these investments could be lower as a result of the lower level of the key interest rate of the Bank of Canada.

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 Six-Month Period Ended April 30 (Unaudited)

	2011	2010	2009
	\$	\$	\$
Cash flows related to operating activities	(1,914,686)	(5,050,762)	(6,011,292)
Cash flows related to investing activities	1,678,706	3,912,673	6,901,844
Cash flows related to financing activities	6,547	11,582	3,700
Effect of exchange rate on cash and cash equivalent	(6,908)	217,007	—

Issued and Outstanding Share Capital

As of June 1st, 2011, the Company had 42,988,472 common shares issued and outstanding, 4,900,000 Series A Convertible Preferred Shares and 2,127,341 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 are for an initial term of 10 years. The Company agreed to pay royalties on all products sold derived from the underlying technologies and milestone payments after achievement of the respective milestones, if applicable. The royalties that the Company might have to pay represent 5% to 10% of net sales and 30% of sublicense revenues. The total of the milestone payments that may have to be paid by the Company over the next years is \$2,125,000.

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

As at April 30, 2011, 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 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 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 2010 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 \$104,027 for the first six months of 2011 compared with \$223,184 for the same period in 2010 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	\$451,073	\$123,755	\$163,659	\$163,659

On January 14, 2011, DiagnoCure signed a lease for 9,627 sq. ft., for a building where its head office and research and development laboratories have been relocated under a lease beginning on March 4th, 2011 and expiring in 2016. The annual payment for the current year under this lease agreement amounts to \$81,830.

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 2011. The annual payment for the current year under this lease agreement amounts to \$41,925.

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 (IFRS)

In February 2008, the AcSB confirmed that Canadian GAAP for publicly accountable entities will be changed to IFRS effective in calendar year 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures. First reporting under IFRS is required for the Company's interim and annual financial statements beginning on November 1st, 2011.

The Company has implemented a conversion plan aiming to apply IFRS starting on November 1st, 2011.

With the assistance of an external consultant, the Company analyzes, recommends accounting policy choices and implements each IFRS standard. The Chief Financial Officer and the Audit and Risk Management Committee will approve accounting policy choices and make sure that information technology, internal control, contractual and any other adjustments are made.

The conversion plan includes phases of which actions, timelines and progress are outlined in the following tables:

Phase 1: Preliminary study and diagnostic

Actions	<ol style="list-style-type: none">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	Completed

Phase 2: Standards analysis

Actions	<ol style="list-style-type: none">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.5. Identification of collateral impact in the following areas:<ul style="list-style-type: none">▶ Information technology and information systems▶ Internal control over financial reporting▶ Disclosure controls and procedures▶ Contracts▶ Compensation▶ Taxation▶ Training
Timeline	End of 2011 fiscal year.
Progress	Based on Phase 1 conclusions, Management has established a hierarchy of IFRS standards applicable to the Company. The impact of such standards is currently under thorough analysis, and is undetermined as of the date of this report. In addition, IFRS training sessions have been offered over the last months to employees responsible for financial reporting. The Company has made significant progress in deeply analyzing and documenting its future accounting under IFRS. Certain preliminary analysis are presented thereafter.

Phase 3: Implementation

Actions	<ol style="list-style-type: none">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	<ul style="list-style-type: none">▶ 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	The Company is in the process of compiling and analyzing its opening balance sheet prepared in accordance with IFRS as of November 1, 2010 (the "Transition date"), which will be required for comparative purposes in its interim and annual financial statements for fiscal year 2011-2012.

To date, the Company has identified the following impacts on its future financial statements under IFRS:

- **IFRS 1 – First-Time Adoption of IFRS**

IFRS 1 is a financial reporting standard that stipulates the requirements for an entity that is preparing IFRS compliant statements for the first time, and applies at the time of changeover. IFRS 1 provides for optional exemptions to the general rule of retrospective application of IFRS. These optional exemptions include :

- (i) Business combinations – IFRS 1 permits entities not to restate business combinations which occurred prior to Transition date.
- (ii) Share-based payments – IFRS 1 permits entities not to restate grants which occurred and vested prior to Transition date, and
- (iii) Fair value as deemed cost – an entity may elect to measure certain types of assets at the Transition date at its fair value or use a previous GAAP revaluation and use that fair value or revaluation as its deemed cost at that date.

While the Company has not finalized certain decisions, it currently anticipates making these IFRS elections under items (i) and (ii).

- **IFRS 2 – Share-based Payments**

Compared to current accounting policy made by the Company under Canadian GAAP, IFRS 2 introduces for equity-settled grants with graded vesting conditions in installments a requirement to account for each installment as a separate arrangement with its own distinct fair value measurement. Compensation cost for each tranche is recognized over its own distinct vesting period.

In addition, where it was a policy choice under Canadian GAAP, IFRS 2 requires that a forfeiture rate needs to be taken into account and that represents the expected number of equity instruments that will ultimately vest due to vesting conditions other than market conditions.

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.

The IASB continues to make changes to other IFRSs and has a number of ongoing projects. The Company will continue to monitor all of the IASB projects that are in progress to ensure timely implementation and accounting.

Procedures and Controls Regarding Disclosure

The President and Chief Medical Officer (Chief Executive Officer) and the 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, the Annual Report, the Annual Information Form and the Management Proxy Circular. Based upon this evaluation, the President and Chief Medical Officer (Chief Executive Officer) and the 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 April 30, 2011. 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 second quarter of fiscal year 2011 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 City, Canada

June 1st, 2011

(Signed)

Yves Fradet
President and Chief Medical Officer
(Chief Executive Officer)

(Signed)

Chantal Miklosi
Chief Financial Officer

Notice of Disclosure of Non-Auditor Review of Interim Financial Statements for the Six-months Period Ended April 30, 2011 and 2010

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

The accompanying unaudited interim consolidated financial statements of the Company for the interim periods ended April 30, 2011 and 2010, have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of the company's management.

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

Dated this 1st day of June 2011

Consolidated Statements of Operations and Comprehensive Loss (Unaudited)

For the periods ended April 30

	Three-month periods		Six-month periods	
	2011	2010	2011	2010
	\$	\$	\$	\$
Revenues				
Sales	24,737	16,846	71,441	20,509
Cost of sales	(14,839)	(12,076)	(42,135)	(13,610)
	9,898	4,770	29,306	6,899
Revenue under research and license agreement	310,907	286,055	603,785	593,852
Interest	16,424	41,192	38,943	92,133
	337,229	332,017	672,034	692,884
Operating expenses				
Research and development expenses	739,683	1,145,581	1,521,786	2,670,559
Investment tax credits	(17,066)	(69,786)	(104,027)	(223,184)
	722,617	1,075,795	1,417,759	2,447,375
General and administrative expenses	551,274	488,940	1,104,864	1,205,149
Selling and business development expenses	199,705	347,048	424,674	1,125,520
Restructuring charges	—	—	—	716,028
Stock-based compensation	79,965	116,533	203,662	215,527
Loss on foreign exchange	25,558	97,470	24,809	162,619
Financial expenses	4,958	2,728	8,716	8,008
Loss (Gain) on disposal of property, plant and equipment	1,278	—	(24,544)	—
Amortization of property, plant and equipment	82,306	110,173	180,188	241,385
Amortization of intangibles	298,891	298,162	597,656	596,194
	1,966,552	2,536,849	3,937,784	6,717,805
Loss before income taxes	(1,629,323)	(2,204,832)	(3,265,750)	(6,024,921)
Future income taxes	27,884	—	55,768	—
Net loss and comprehensive loss	(1,601,439)	(2,204,832)	(3,209,982)	(6,024,921)
Basic and diluted net loss per share	(0.04)	(0.05)	(0.08)	(0.14)
Weighted average number of common shares outstanding	42,984,716	42,965,148	42,982,640	42,961,248

See accompanying notes

Consolidated Statements of Deficit

(Unaudited)

For the six-month periods ended April 30

	2011	2010
	\$	\$
Deficit, beginning of period	(91,068,086)	(82,250,669)
Net loss	(3,209,982)	(6,024,921)
Deficit, end of period	(94,278,068)	(88,275,590)

Consolidated Statements of Cash Flows

(Unaudited)

For the periods ended April 30

	Three-month periods		Six-month periods	
	2011	2010	2011	2010
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net loss	(1,601,439)	(2,204,832)	(3,209,982)	(6,024,921)
Adjustments for:				
Stock-based compensation	79,965	116,533	203,662	215,527
(Gain) Loss on disposal of property, plant and equipment	1,278	—	(24,544)	—
Amortization	381,197	408,335	777,844	837,579
Foreign exchange (gain) Loss	14,009	(26,478)	6,908	(217,007)
Future income taxes	(27,884)	—	(55,768)	—
	(1,152,874)	(1,706,442)	(2,301,880)	(5,188,822)
Net change in non-cash working capital items	(125,970)	(1,347,602)	387,194	138,060
Cash flows related to operating activities	(1,278,844)	(3,054,044)	(1,914,686)	(5,050,762)
INVESTING ACTIVITIES				
Net change of temporary investments	(155,943)	1,651,502	1,959,894	3,138,937
Net change of long-term investments	1,239	—	1,623	823,912
Acquisition of property, plant and equipment	(284,018)	(397)	(301,765)	(39,692)
Disposal of property, plant and equipment	829	—	32,596	—
Acquisition of intangible assets	(11,772)	(4,553)	(13,642)	(10,484)
Cash flows related to investing activities	(449,665)	1,646,552	1,678,706	3,912,673
FINANCING ACTIVITIES				
Issue of common shares (note 5)	2,413	11,582	6,547	11,582
Cash flows related to financing activities	2,413	11,582	6,547	11,582
Effect of exchange rate on cash and cash equivalents	(14,009)	26,478	(6,908)	217,007
Net change in cash and cash equivalents for the period	(1,740,105)	(1,369,432)	(236,341)	(909,500)
Cash and cash equivalents, beginning of period	2,639,590	5,272,049	1,135,826	4,812,117
Cash and cash equivalents, end of period	899,485	3,902,617	899,485	3,902,617

See accompanying notes

Consolidated Balance Sheets

	(Unaudited) April 30, 2011 \$	October 31, 2010 \$
ASSETS		
Current assets		
Cash and cash equivalents	899,485	1,135,826
Temporary investments	3,784,959	5,744,853
Accounts receivable	251,095	169,486
Investment tax credits receivable	325,385	679,875
Prepaid expenses	340,976	266,988
	5,601,900	7,997,028
Long-term investments	21,939	23,562
Property, plant and equipment	854,485	588,285
Intangibles	7,616,538	8,200,552
	14,094,862	16,809,427
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	961,908	931,317
Deferred revenues	395,462	237,752
Short term portion of long-term debt (note 4)	25,027	—
	1,382,397	1,169,069
Future income tax liabilities	707,093	762,861
Long-term debt (note 4)	127,648	—
Shareholders' equity		
Capital stock (note 5)		
Common shares	92,049,445	92,036,202
Preferred shares	5,857,000	5,857,000
Contributed surplus (note 5)	8,249,347	8,052,381
Deficit	(94,278,068)	(91,068,086)
	11,877,724	14,877,497
	14,094,862	16,809,427

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

As of April 30, 2011

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, 2010, 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, 2010, 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

In February 2008, the AcSB confirmed that Canadian GAAP for publicly accountable entities will be changed to IFRS effective in calendar year 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures. First reporting under IFRS is required for the Company's interim and annual financial statements beginning on November 1st, 2011.

The Company has implemented a conversion plan aiming to apply IFRS starting on November 1st, 2011.

With the assistance of an external consultant, the Company will analyze, recommend accounting policy choices and implements each IFRS standard. The Chief Financial Officer and the Audit and Risk Management Committee will approve accounting policy choices and make sure that information technology, internal control, contractual and any other adjustments are made.

4. LONG-TERM DEBT

The long-term debt was contracted with the landlord of the Company's premises in Quebec City, to finance the acquisition of the leasehold improvements, bearing interest at 9.53%, repayable by monthly installments of \$3,209 in capital and interest, maturing in April 2016.

	April 30, 2011	October 31, 2010
	\$	\$
Long-term debt	152,675	—
Less current portion	25,027	—
Long-term debt end of period	127,468	—

The acquisition of \$152,675 of leasehold improvement financed by this long-term debt is a non cash transaction and is excluded from the consolidated statements of cash flows.

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. Series A 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.

Common Shares

	April 30, 2011	October 31, 2010
	\$	\$
Issued and fully paid		
42,988,472 common shares (42,976,140 as at October 31, 2010)	92,049,445	92,036,202

	April 30, 2011	
	Number of shares	Amount \$
Capital Stock		
Balance, beginning of period	42,976,140	92,036,202
Issuance of common shares	12,332	6,547
Portion previously recognized to surplus as part of stock-based compensation	—	6,696
Balance, end of period	42,988,472	92,049,445

5. CAPITAL STOCK (cont'd)

Preferred Shares

	April 30, 2011	October 31, 2010
	\$	\$
Issued and fully paid		
4,900,000 Series A Convertible Preferred shares (4,900,000 as at October 31, 2010)	5,857,000	5,857,000
	April 30, 2011	
	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, 2011, the Company did not grant options (none either in the first quarter of 2010) to employees or directors.

During the three-month period ended April 30, 2011, the Company did not grant options (550,000 in 2010) to employees or directors. The weighted average fair value of stock options granted during the second quarter of 2010 was \$0.87 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		April 30	
	2011	2010	2011	2010
Risk-free interest rate	—	—	—	3.27%
Expected life	—	—	—	8 years
Expected volatility factor	—	—	—	74%
Expected dividend yield	—	—	—	—

Contributed surplus

	2011
	\$
Balance as of October 31, 2010	8,052,381
Stock-based compensation expense	203,662
Stock options exercised	(6,696)
Balance as of April 30, 2011	8,249,347

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:

	April 30, 2011					
	Held for trading	Held-to-maturity	Loans and receivables	Other financial liabilities	Carrying value Total	Fair value Total
	\$	\$	\$	\$	\$	\$
Financial assets						
Cash and cash equivalents	899,485	—	—	—	899,485	899,485
Temporary investments	—	3,784,959	—	—	3,784,959	3,765,577
Accounts receivable ⁽¹⁾	—	—	187,335	—	187,335	187,335
Long-term investments	—	21,939	—	—	21,939	21,939
	899,485	3,806,898	187,335	—	4,893,718	4,874,336
Financial liabilities						
Accounts payable ⁽²⁾	—	—	—	407,634	407,634	407,634

	October 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	1,135,826	—	—	—	1,135,826	1,135,826
Temporary investments	—	5,744,853	—	—	5,744,853	5,741,079
Accounts receivable ⁽¹⁾	—	—	143,649	—	143,649	143,649
Long-term investments	—	23,562	—	—	23,562	23,562
	1,135,826	5,768,415	143,649	—	7,047,890	7,044,116
Financial liabilities						
Accounts payable ⁽²⁾	—	—	—	863,499	863,499	863,499

⁽¹⁾ Excluding investment tax credits, commodity and other taxes

⁽²⁾ Excluding other accruals

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 dollars 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.

6. FINANCIAL INSTRUMENTS (cont'd)

The significant balances in foreign currencies are as follow:

	April 30, 2011 US dollars \$	October 31, 2010 US dollars \$
Cash and cash equivalents	330,855	429,903
Accounts receivable	197,245	134,905
Accounts payable	(294,557)	(370,684)
Net exposure	233,543	194,124

Based on the aforementioned net exposure as at April 30, 2011 and October 31, 2010, 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:

	2011 Canadian dollars		2010 Canadian dollars	
	Appreciates 5% \$	Depreciates 5% \$	Appreciates 5% \$	Depreciates 5% \$
Against US dollar				
Net loss	(11,677)	11,677	(9,706)	9,706

7. SEGMENTED INFORMATION

Information pertaining to segmented results for the periods ended April 30, 2011 and 2010 is as follows:

	Three-month periods					
	Consolidated Amounts		Biotechnologies		Laboratory Services	
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$
Revenue from external sales	335,644	302,901	310,907	286,055	24,737	16,846
Interest Revenues	16,424	41,192	16,424	41,192	—	—
Loss before the following items:	440,586	601,441	303,863	344,079	136,723	257,362
Stock-based compensation	79,965	116,533	79,965	116,533	—	—
Depreciation and amortization	381,197	408,335	345,936	367,003	35,261	41,332
Segmented loss	901,748	1,126,309	729,764	827,615	171,984	298,694
Net R&D expenses	722,617	1,075,795	379,305	683,068	343,312	392,727
Financial expenses	4,958	2,728	1,954	1,196	3,004	1,532
Future income taxes	(27,884)	—	(27,884)	—	—	—
Net loss	1,601,439	2,204,832	1,083,139	1,511,879	518,300	692,953

7. SEGMENTED INFORMATION (cont'd)

	Six-month periods					
	Consolidated Amounts		Biotechnologies		Laboratory Services	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
Revenue from external sales	675,226	614,361	603,785	593,852	71,441	20,509
Interest revenues	38,943	92,133	38,943	92,133	—	—
Loss before the following items:	857,769	2,516,432	553,601	1,069,661	304,168	1,446,771
Stock-based compensation	203,662	215,527	203,662	215,527	—	—
Depreciation and amortization	777,844	837,579	701,861	755,615	75,983	81,964
Segmented loss	1,839,275	3,569,538	1,459,124	2,040,803	380,151	1,528,735
Net R&D expenses	1,417,759	2,447,375	696,360	1,549,434	721,399	897,941
Financial expenses	8,716	8,008	3,700	3,605	5,016	4,403
Future income taxes	(55,768)	—	(55,768)	—	—	—
Net loss	3,209,982	6,024,921	2,103,416	3,593,842	1,106,566	2,431,079

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 96% of the consolidated assets and are located in Canada.

For the biotechnologies segment, one American client represented 96% (98% in 2010) of the revenues from external sales.

For the six-month period of 2011 and 2010, the total external sales were 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 \$11,877,724 (\$14,877,497 as of October 31, 2010) 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.

8. MANAGEMENT OF CAPITAL (cont'd)

The Company is satisfied that it has adequate cash resources to carry out its research and development activities and its ongoing operations.