

*For life
to continue...*



DIAGNOCURE

QUARTERLY REPORT 1 ▶

For the Period Ended **January 31, 2006**

MESSAGE TO SHAREHOLDERS

We are pleased to present the results of the first quarter for the fiscal year 2006. These results were substantially in line with management expectations. Activities during the quarter remained in line with our plans and our Company commitment to develop testing platforms for early-stage cancer diagnosis.

Prostate Cancer-PCA3

As a consequence of our exclusive partnership with Gen-Probe for the use of the PCA3 technology in the diagnosis of prostate cancer, 2006 will be a year of great importance. Following transfer of the PCA3 technology to the APTIMA platform, Gen-Probe has successfully completed the development of the PCA3 APTIMA test in a quantitative format, a second-generation detection test using the PCA3 gene. During the second half of 2005, while completing the production validation of the PCA3 APTIMA test, Gen-Probe diligently developed the necessary infrastructure for introduction of the ASR format of the PCA3 APTIMA test to the US market before the end of 2005, an objective that was attained in December 2005 with the introduction of the ASR format of the test to selected laboratories in the United States. With the announcement of a collaboration agreement with The Molecular Profiling Institute of Phoenix, for the market development of the test, Gen-Probe has now established the basis of an important network of laboratories, necessary to ensure the base for the commercial success of its PCA3 APTIMA prostate cancer assay. Gen-Probe has announced that clinical studies to support full FDA clearance for the test in the United States are scheduled to start in 2006. In Europe, Gen-Probe is presently completing the planning of clinical studies to generate a filing for CE Mark approval by the end of 2006. DiagnoCure expects to receive its first royalty payments from Gen-Probe PCA3 APTIMA tests sales in the current fiscal year.

Further in support of our PCA3 development initiatives and those of Gen-Probe, we were very pleased to announce on March 7, 2006 that the United States Patents and Trademarks Office (USPTO) had issued a first patent on PCA3, DiagnoCure's highly prostate-cancer specific gene. US patent 7,008,765 "PCA3, PCA3 genes and methods of use" is at the forefront of a series of patent applications covering PCA3, its structure and its role in the diagnosis, prognosis and therapy of prostate cancer. The issuance of this patent strengthens our intellectual property portfolio and increases the value of the PCA3 technology. The '765 Patent covers the structure of the PCA3 gene, its polynucleotide sequence and various methods for detecting the nucleic acid. The first evident application of such methods is for the detection of prostate cancer, PCA3 being known to be over-expressed in malignant prostate tissue and not in normal prostate tissue.

ImmunoCyt™ / uCYT+™

During the quarter work continued on the updating of the Company's marketing strategy for our bladder cancer test. It is the opinion of management that the manual version of our test has potential for increased sales in the US and Europe if positioned correctly in the market and supported by credible clinical studies and publications. Also, as announced previously, the Company embarked on a program to develop an integrated and complete automated platform to support cell based assays with ImmunoCyt™ / uCyt+™ and four other common diagnostic laboratory tests as a base set of tests on the platform. This development has continued in the first quarter and we anticipate having a redeveloped automated platform available for field-testing in the second quarter. In the meantime, presentations and publications made during the past year helped to strengthen the credibility of the ImmunoCyt™ / uCyt+™ test in the pathology and cytology fields. Robustness, reliability and precision of the test were underscored in a paper published in the Journal of Urology of October 2005, reporting the results from an American study performed on 341 patients. With its ability to detect low grade, small superficial tumors, ImmunoCyt™ is unquestionably the most suitable available assay on the market to monitor strategies in patients at high risk of bladder cancer.

Business Development

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

DiagnoCure remains deeply committed to the belief that winning the battle against cancer will require accurate and early diagnosis. Our operations and research and development program continues to support that commitment.

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

The following information should be read in conjunction with the Company's unaudited consolidated financial statements and related notes included herein, together with our audited consolidated financial statements for the year ended October 31, 2005 and related notes. Management's comments were prepared to explain the Company's operations, performance and financial position as of January 31, 2006. They compare this quarter operating results and cash position with those of the quarter ended January 31, 2005. The information contained herein is up to date as of March 10, 2006.

Overview

DiagnoCure Inc. (hereafter called the "Company" or "DiagnoCure"), founded in 1994, is a leading developer and provider of innovative high value immunoassay and molecular diagnostic tests for the early detection of cancer. Specifically, the Company specializes in the development of cancer diagnostic kits incorporating gene and monoclonal antibody markers. The first non-invasive test the Company developed was based on proprietary monoclonal antibodies designed to detect bladder cancer, which is presently commercialized under the brand name of ImmunoCytTM in the United States and uCyt+TM in the rest of the world. In 2003, DiagnoCure completed the development of uPM3TM, a first-generation qualitative non-invasive test for the detection of prostate cancer, which is presently offered by Bostwick Laboratories in the United States under the Analyte Specific Reagent (ASR) format based on the PCA3 gene technology for which the Company holds exclusive worldwide diagnostic and therapeutic rights. In November 2003, DiagnoCure granted an exclusive worldwide license to Gen-Probe Incorporated ("Gen-Probe") of San Diego, CA for the development and commercialization of diagnostic products using the DiagnoCure PCA3 gene technology for prostate in return for CDN\$14 million to be paid over three years, of which CDN\$11.10 million had been paid to January 31, 2006. The Company will also receive an 8% royalty on the first aggregate amount of US\$50 million of end-user net sales by Gen-Probe and a 16% royalty on all subsequent sales. On December 19, 2005, Gen-Probe made available to targeted reference laboratories in the US market the ASR format of its first generation PCA3 assay on its APTIMA technology platform.

2006 First Quarter Highlights

In December 2005, Gen-Probe introduced its PCA3 APTIMA prostate cancer assay in its ASR format to targeted laboratories in the US, "seeding" the market as they have termed it. As this test only recently been introduced to the market and is being validated by the reference laboratories there is not yet any developed sales pattern for PCA3 APTIMA so it is difficult to predict what any quarter to quarter future royalty revenue flow will accrue to Diagnocure. However, now that the assay has been made available, DiagnoCure expects to receive its first royalty payments from Gen-Probe PCA3 APTIMA tests sales in the current fiscal year.

Also in December 2005, the Company announced the formation of a Lung Cancer Strategic Advisory board (LCSAB) bringing to DiagnoCure access to valued counsel from clinicians and researchers with international recognition in their respective fields. This committee met for the first time on December 8, 2005. The purpose of the LCSAB is to help guide the Company's technical and strategic decisions relative to its research and development of lung cancer diagnostics, which the Company believes will be of key importance to its continuing success. With the input obtained from LCSAB members and giving consideration to the recent acquisition, announced in October 2005, of the rights to a number of new lung cancer markers from Genzyme Corporation, DiagnoCure intends to refine the direction of its lung cancer program during the coming year, including exploring additional applications of these molecular markers for lung cancer detection using other testing medium such as such as blood, sputum, or biopsy materials.

Financial Results

Total revenues for the first quarter of 2006 were \$1,519,613 compared with \$1,783,252 for the first quarter of 2005. Revenue recognition of the continued calendar payments from Gen-Probe were \$739,107 for the period, down \$75,758 from the prior year due to unfavourable changes in the US to Canadian foreign currency exchange rates. Sales of DiagnoCure's non-invasive bladder cancer test, ImmunoCytTM / uCyt+TM were relatively stable at \$102,642 for the first quarter of 2006 versus \$104,332 for the same period a year ago. Sales of DiagnoCure developed uPM3TM ASR prostate cancer test for the first quarter of 2006 were \$165,429 compared to \$175,761 for the same period of 2005. This decrease reflects the beginning of the transition to Gen-Probe's assay, PCA3 APTIMA ASR test which, as noted above, was introduced to the US market in December 2005. uPM3TM will slowly be withdrawn from the market as the new market develops for the Gen-Probe PCA3 APTIMA assay.

The sales of our subsidiary Samba Technologies SAS were \$114,291 for the first quarter of 2006 compared to \$253,066 a year ago. Samba products and services, image analysis, archival and transmission software and hardware, can often have a long or erratic sales cycle and while first quarter revenues were below those of the same period last year, the pipeline for fiscal 2006 remains positive.

Income from research & development contracts, predominantly with Gen-Probe, has decreased in 2006 by \$90,392 as was anticipated under the contract terms. Also in this quarter, DiagnoCure sold clinical samples to Gen-Probe, in support of their prostate cancer testing R & D, for an amount of \$66,656.

Interest income decreased \$13,348 to \$192,999 for the first quarter of 2006 compared to \$206,347 for the first quarter of 2005. The decrease is attributable to the overall uses of cash in the past year to finance our on-going operating and research & development activities. (See below, **Use of Proceeds from July 2004 Financing**).

Cost of sales decreased \$35,987 from \$340,653 for the first quarter of 2005 to \$304,666 for the first quarter of 2006. This decrease is related to lower actual product sales, as noted above, for uPM3TM and ImmunoCytTM / uCyt+TM and a shift in the mix of sales for Samba in the quarter to lower margin equipment.

Operating expenses rose from \$2,050,206 for the first quarter of 2005 to \$2,913,595 for the same period in 2006, for an increase of \$863,389 primarily as a result of the following:

- Research and development expenses, net of investment tax credits, increased by \$426,278, from \$625,705 for the first quarter of 2005 to \$1,051,983 for the same quarter in 2006. The increase in research and development expenses is in line with the Company's plan, and included increase in project spending for enhancements to ImmunoCytTM / uCyt+TM and the related automated platform, the lung cancer project and other research into cancer diagnostic products including breast and kidney.

- General and administrative expenses increased, from \$414,692 for the first quarter of 2005 to \$802,380 for the same quarter in 2006. This increase of \$387,688 is attributable to an increase in professional fees (legal & investor relations), higher regulatory and filing fees and an increase in administrative employees, including the full effect of the 2005 hiring of new CFO and Director of HR & Operations.
- Selling and business development expenses increased by \$71,866 from \$596,395 for the first quarter of 2005 to \$668,261 for the same quarter in 2006. This increase is attributable to the on-going execution of our marketing plan to promote our products, manage our intellectual property portfolio and support our efforts to identify and conclude new potential strategic alliances and in-licensing agreements.
- Stock-based compensation expenses, a non-cash charge, decreased by \$49,170, from \$332,563 for the first quarter of 2005 to \$283,393 for the same period in 2006. This decrease is attributable to the fact that less options were granted during the first quarter of 2006 compared to the same period of 2005 and the updating of the assumptions used to calculate option values under the Black- Scholes method. (See below, *Stock-Based Compensation*). The disclosure of this non-cash item was initiated in 2005 to comply with the new accounting regulation.

Based on the above, for the first quarter of 2006, DiagnoCure recorded a net loss of \$1,698,648 or \$0.05 per share, compared with \$607,607, or \$0.02 per share, for the first quarter of 2005. These results are in line with management expectations. As was disclosed in the “Use of Proceeds” relative to our July 2004 financing (see below, **Use of proceeds from July 2004 financing**) the Company anticipated significantly increasing its ongoing investment in research and development activities and related staff and administrative expenses incurred as our Company grows. Those investments in our future success impact on our current bottom line results. At the end of the quarter, cash, short-term investments and long-term investments stood at \$24,102,114, up from \$22,721,705 as at October 31, 2005. Management is satisfied that it has adequate cash resources to execute its business plan in the near-term and mid-term.

First Quarter Results (Unaudited)

	2006	2005	2004
	\$	\$	\$
Sales	449,018	533,159	208,091
Revenue under research and license agreement	877,596	1,043,746	921,972
Interest	192,999	206,347	41,658
Total revenues	1,519,613	1,783,252	1,171,721
Cost of sales	(304,666)	(340,653)	(206,456)
Gross margin	1,214,947	1,442,599	965,265
Operating expenses (before stock-based compensation)	2,630,202	1,717,643	1,286,732
Stock-based compensation	283,393	332,563	76,633
Net loss	(1,698,648)	(607,607)	(398,100)
Basic and diluted loss per share	(0.05)	(0.02)	(0.01)
Weighted average number of common shares outstanding	34,358,256	34,190,451	29,079,585

Total Assets and Shareholders' Equity

Total assets amounted to \$27,110,312 as of January 31, 2006, compared with \$26,895,639 as of October 31, 2005. This increase is due to the receipt of the scheduled contract payment of \$3,545,000 received in November 2005 from Gen-Probe net of accrued receivable of \$1.3 million and cash outflows for the quarter. The book value per Common Share is \$0.70 as of January 31, 2006 compared to \$0.74 as of October 31, 2005.

Balance Sheet (Unaudited)

<i>As of January 31</i>	2006	2005	2004
	\$	\$	\$
Total assets	27,110,312	29,612,507	8,461,263
Shareholders' equity	23,990,725	26,616,158	4,447,397
Number of common shares outstanding	34,369,310	34,192,809	29,098,878

Cash Position and Financing Sources

Cash flow generated from operating activities during the first quarter of 2006 amounted to \$1,446,320 compared with \$495,014 for the first quarter of 2005, totalling an increase of \$951,306 which is attributable to the receipt of the scheduled contract payment from Gen-Probe of \$3,545,000 in November 2005. Following this payment, investment activities required cash flows of \$1,367,543 for the first three months of 2006 while, for the same period of 2005, investing activities generated cash flows of \$857,430. During the first quarter of 2006, acquisition of tangible and intangible capital assets amounted to \$158,753, relating mostly to additional purchase of new laboratory equipment compared to \$403,463 for the first quarter of 2005. For the same quarter of 2005, DiagnoCure also acquired capital assets to upgrade its equipment used in research and development and production activities. Financing activities, primarily from the issue of Capital Stock relative to the exercising of options by former staff, generated cash flows of \$92,842 for the first quarter of 2006 compared to \$11,298 for the corresponding quarter of 2005.

As of January 31, 2006, cash, cash equivalents, temporary investments, and long-term investment amounted to \$24,102,114 an increase from the \$22,721,705 as of October 31, 2005.

Cash Flows for the First Quarters (Unaudited)

	2006	2005	2004
	\$	\$	\$
Cash flows related to operating activities	1,446,320	495,014	2,863,387
Cash flows related to investing activities	(1,367,543)	857,430	(2,931,435)
Cash flows related to financing activities	92,842	11,298	93,492

Issued and Outstanding Share Capital

As of March 10, 2006, the Company had 34,370,643 commons shares and 2,258,623 stock options outstanding, granting the right to acquire an equal amount of common shares.

Off-Balance Sheet Arrangements

As of January 31, 2006, DiagnoCure has not entered into any off-balance sheet arrangement except for the lease agreements described in the "Contractual Obligations" section presented hereof.

Related Party Transactions

The Company is party to a consultation contract with the management company of one of its managers under which the activities of this manager are available to the Company. Expenses incurred by the Company with respect to this agreement totalled \$84,583 for this quarter of 2006 compared with \$25,000 in 2005. These services have been charged at fair market value and have been accounted for as research and development expenses.

Use of Proceeds from July 2004 Financing

In July 2004 the Company raised, by way of short form prospectus, net proceeds of \$22,332,108 from the issuance of 5 million common shares, at \$4.75 per share. At that time, estimates were made as to the use of these proceeds. As at January 31, 2006, approximately \$7.60 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 licence payments that DiagnoCure receive from Gen-Probe Incorporated, interest income and gross margin realized on our sales.
- Additional funds over those required to fund item above will be taken from the proceeds of the July 2004 public offering.

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

Description of "Use of Proceeds"	Estimated total use of proceeds as disclosed at time of July 2004 public offering	Amount spent as at January 31, 2006
Improve the uPM3 TM prostate cancer test, develop complementary applications and examine the therapeutic potential of the PCA3	\$4.00 million	\$1.70 million
Support the commercialization and expand the automation of ImmunoCyt+ TM /uCyt+ TM bladder cancer test	\$2.50 million	\$1.8 million
Advance the development of lung cancer and kidney cancer tests and initiate the development of other cancer tests	\$10.50 million	\$2.50 million
Acquire complementary technologies and uses for other general corporate purposes	\$5.33 million	\$1.60 million

Use of Estimates

In preparing its financial statements, management is required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. In management's opinion, the financial statements have been properly prepared using careful judgement within the reasonable limits of materiality and within the framework of the accounting policies described in note 3 of the audited consolidated financial statements included in the 2005 annual report. The Company periodically evaluates its estimates and assumptions based on its past experience and other pertaining factors. The following paragraphs give details on the use of estimates and hypotheses used.

Investment Tax Credits

The Company incurred research and development expenses, which are eligible for investment tax credits. These credits, accounted for in reduction of research and development expenses, amounted to \$111,046 for the first quarter of 2006 compared with \$127,917 in 2005 and are based on management estimates on amounts to be recovered. These amounts are subject to audit and acceptance by tax authorities. Management believes that it has made a reasonable estimate of these amounts.

Impairment of Long-Lived Assets

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

Stock-Based Compensation

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

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

Derivatives

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

Contractual Obligations

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

Required Payment Per Year					
Contractual Obligations	Total	Year one	Year two and three	Year four and five	Year six and up
Lease agreements	\$1,431,452	\$160,899	\$614,378	\$656,176	---

DiagnoCure currently leases the sixth floor in a building where its head office and research and development laboratories are located under a lease expiring in 2011. Annual payments for the coming year under this lease agreement amount to \$160,899.

Risk Factors

The Company's activities are subject to some risk factors that generally affect biotechnology companies. The profitability of the Company will depend upon its ability to successfully develop its products and technologies, to preserve its intellectual property rights, to maintain its highly qualified personnel, to conclude strategic alliances, research and development partnerships, strategic out-licensing agreements, to obtain satisfactory results as regards clinical studies and to obtain regulatory approvals required to commercialize its products. These activities require important financial investments. Therefore, the Company's ability to obtain necessary liquidities to finance its activities is essential to assure future success and is as such a risk factor.

Cautionary Statement

Management's comments and analysis are intended to facilitate understanding of the unaudited consolidated interim financial statements and accompanying notes and should therefore be read in conjunction with that information. The comments and analysis may include objectives, projections, estimates, expectations and forecasts of the Company or management that are forward-looking. Positive or negative verbs such as to "believe", "plan", "estimate", "expect" and "evaluate", or similar expressions, are used to identify forward-looking statements. The Company cautions readers that, by their very nature, forward-looking statements involve major risks and uncertainties such that the Company's activities or results could differ significantly from those indicated, whether explicitly or implicitly.

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

(Signed)

Pierre Désy
President and Chief Executive Officer

(Signed)

Thom Skinner, CA
Chief Financial Officer

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

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

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of DiagnoCure Inc., (the issuer) for the interim period ending January 31, 2006;
2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;
3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings;
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures for the issuer, and we have:
 - a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared.

Date : March 10, 2006

(Signed)
Pierre Désy
President and Chief Executive Officer

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

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

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of DiagnoCure Inc., (the issuer) for the interim period ending January 31, 2006;
2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;
3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings;
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures for the issuer, and we have:
 - a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared.

Date : March 10, 2006

(Signed)
Thom Skinner
Chief Financial Officer

DIAGNOCURE INC.

NOTICE OF DISCLOSURE OF NON-AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED JANUARY 31, 2006 AND 2005

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

The accompanying unaudited interim consolidated financial statements of the Company for the interim periods ended January 31, 2006 and 2005, have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of the company's management.

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

Dated this 10th day of March 2006

CONSOLIDATED STATEMENTS
(UNAUDITED)

FOR THE THREE-MONTH PERIODS ENDED JANUARY 31

Consolidated Statements of Operations

	2006	2005
	\$	\$
Revenues		
Sales	449,018	533,159
Cost of sales	(304,666)	(340,653)
Gross margin	144,352	192,506
Revenue under research and license agreement	877,596	1,043,746
Interest	192,999	206,347
	1,214,947	1,442,599
Operating expenses		
Research and development expenses	1,163,029	753,622
Investment tax credits	(111,046)	(127,917)
	1,051,983	625,705
General and administrative expenses	802,380	414,692
Selling and business development expenses	668,261	596,395
Stock-based compensation	283,393	332,563
Depreciation of property, plant and equipment	81,441	59,510
Financial expenses	14,447	14,903
Amortization of intangibles	11,690	6,438
	2,913,595	2,050,206
Loss before income taxes	(1,698,648)	(607,607)
Provision for income taxes	---	---
Net loss	(1,698,648)	(607,607)
Basic and diluted loss per share	(0.05)	(0.02)
Weighted average number of common shares outstanding	34,358,256	34,190,451

Consolidated Statements of Deficit

	2006	2005
	\$	\$
Deficit, beginning of period	(37,436,711)	(34,386,582)
Add		
Net Loss	(1,698,648)	(607,607)
Deficit, end of period	(39,135,359)	(34,994,189)

CONSOLIDATED STATEMENTS
(UNAUDITED)

FOR THE THREE-MONTH PERIODS ENDED JANUARY 31

Consolidated Statements of Cash Flows

	2006	2005
	\$	\$
OPERATING ACTIVITIES		
Net loss	(1,698,648)	(607,607)
Adjustments for:		
Stock-based compensation	283,393	332,563
Depreciation and amortization	93,131	65,948
	(1,322,124)	(209,096)
Net change in non-cash working capital items	2,768,444	704,110
Cash flows related to operating activities	1,446,320	495,014
INVESTING ACTIVITIES		
Change in investments	(1,208,790)	1,260,893
Acquisition of property, plant and equipment	(120,837)	(377,316)
Acquisition of intangibles	(37,916)	(26,147)
Cash flows related to investing activities	(1,367,543)	857,430
FINANCING ACTIVITIES		
Issue of capital stock	92,842	11,298
Cash flows related to financing activities	92,842	11,298
Net increase in cash and cash equivalents	171,619	1,363,742
Cash and cash equivalents, beginning of period	734,155	648,852
Cash and cash equivalents, end of period	905,774	2,012,594

CONSOLIDATED BALANCE SHEETS

	(UNAUDITED)	(AUDITED)
	JANUARY 31,	OCTOBER 31,
	2006	2005
	\$	\$
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Assets		
Current assets		
Cash and cash equivalents	905,774	734,155
Temporary investments	15,594,848	15,954,962
Accounts receivable	550,675	1,933,074
Investment tax credits receivable	799,201	688,155
Prepaid expenses	216,347	176,352
Total current assets	18,066,845	19,486,698
Long-term investments	7,601,492	6,032,588
Property, plant and equipment	1,015,830	976,434
Intangibles	426,145	399,919
	27,110,312	26,895,639
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Liabilities and Shareholders' Equity

Current liabilities		
Accounts payable and accrued liabilities	1,625,339	1,557,622
Deferred revenues	1,494,248	24,879
Total current liabilities	3,119,587	1,582,501
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Shareholders' equity		
Capital stock <i>[note 3]</i>	59,627,237	59,532,811
Contributed surplus <i>[note 3]</i>	3,498,847	3,217,038
Deficit	(39,135,359)	(37,436,711)
	23,990,725	25,313,138
	27,110,312	26,895,639
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

AS OF JANUARY 31, 2006

1. Financial Information

The accompanying unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The information with respect to the October 31, 2005 consolidated balance sheet is derived from the Company's audited financial statements. These unaudited interim financial statements should be read in conjunction with the notes appearing in the Company's audited financial statements for the year ended October 31, 2005 and the accompanying notes.

2. Incorporation and nature of business

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

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

3. Capital stock

Authorized

An unlimited number of shares of the following classes, without nominal value:

Common, voting and participating shares.

Preferred shares, issuable in series, non-voting, of which the rights, privileges, restrictions and conditions attached to each series will be determined by the directors upon the issuance of each series.

	(UNAUDITED)	(AUDITED)
	JANUARY 31, 2006	OCTOBER 31, 2005
	\$	\$
<hr/>		
Issued and fully paid		
34,369,310 common shares (34,310,910 as of October 31, 2005)	59,627,237	59,532,811

	JANUARY 31, 2006	
	Number of shares	Amount \$
Capital stock		
Balance, beginning of period	34,310,910	59,532,811
Issuance of common shares	58,400	92,842
Stock options exercised as part of the stock-based compensation	---	1,584
Balance, end of period	34,369,310	59,627,237

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(U N A U D I T E D)

AS OF JANUARY 31, 2006

3. Capital stock (Cont'd)

Stock options

During the quarter ended January 31, 2006, the Company granted 110,000 options to certain key employees and directors. The weighted average fair value of stock options granted during this period amounted to \$3.37 per stock option. The fair value of each option granted was determined using the Black-Scholes option pricing model and the following weighted average assumptions:

Risk-free interest rate	4.04%
Expected life	8 years
Expected volatility in the market price of the shares	80%
Expected dividend yield	---

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

Contributed Surplus

For stock options granted to keys employees and directors after November 1st, 2002, the Company records compensation expense using a fair value method. Fair value is determined by using Black-Scholes option pricing model. Compensation cost are recognized over the vesting period as an increase to stock-based compensation expense and credited to contributed surplus. When options are exercised, the proceeds received by the Company, together with the fair value amount in contributed surplus are credited to capital stock.

Contributed Surplus	Amount
	\$
Balance as of October 31, 2005	3,217,038
Stock-based compensation expense	283,393
Stock options exercised	(1,584)
Balance as of January 31, 2006	3,498,847

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(U N A U D I T E D)

AS OF JANUARY 31, 2006

4. Segmented Information

Information pertaining to segmented earnings for the three-month periods ended January 31, 2006 and 2005:

	Consolidated Amounts		Biotechnologies		Software Development	
	2006	2005 \$	2006	2005 \$	2006	2005 \$
Revenue from						
External sales	1,519,613	1,783,252	1,405,313	1,529,975	114,300	253,277
Inter-segment sales	---	---	(55,435)	---	55,435	---
	1,519,613	1,783,252	1,349,878	1,529,975	169,735	253,277
Earnings (loss) before the following items:	(255,694)	431,512	(210,388)	423,946	(45,306)	7,566
Stock-based compensation	283,393	332,563	283,393	332,563	---	---
Depreciation and amortization	93,131	65,948	92,874	65,648	257	300
Segmented earnings (loss)	(632,218)	33,001	(586,655)	25,735	(45,563)	7,266
Net R&D expenses	1,051,983	625,705				
Financial expenses	14,447	14,903				
Net loss	(1,698,648)	(607,607)				