

GeneNews Limited

CONSOLIDATED BALANCE SHEETS
(Unaudited)
(Expressed in Canadian dollars)

As at

	September 30 2009 \$	December 31 2008 \$
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ASSETS		
Current		
Cash and cash equivalents	1,331,005	1,414,395
Restricted cash	252,208	1,239,605
Accounts receivable	131,416	549,134
Investment tax credits recoverable	200,000	400,000
Prepaid expenses and deposits	396,285	284,423
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Total current assets	2,310,914	3,887,557
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Property, plant and equipment, net	2,874,722	3,400,298
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	5,185,636	7,287,855
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LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	1,735,683	3,156,397
Deferred revenue	13,500	15,871
Current portion of long-term debt	81,085	1,061,368
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Total current liabilities	1,830,268	4,233,636
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Long-term debt	158,141	219,548
Convertible debentures	2,568,595	729,646
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Total liabilities	4,557,004	5,182,830
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Shareholders' equity		
Capital stock	47,562,516	44,870,734
Contributed surplus	4,715,964	3,753,924
Deficit	(51,649,848)	(46,519,633)
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Total shareholders' equity	628,632	2,105,025
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	5,185,636	7,287,855
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GeneNews Limited

CONSOLIDATED STATEMENTS OF OPERATIONS
AND DEFICIT
(Unaudited)
(Expressed in Canadian dollars)

	Three months ended September 30 2009	Three months ended September 30 2008	Nine months ended September 30 2009	Nine months ended September 30 2008
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Revenue				
Milestone revenue	\$ 34,430	\$ 299,828	\$ 131,174	\$ 882,552
Non-refundable license revenue	311,684	-	566,144	-
Sales	16,850	2,712	38,100	2,712
	<hr/> 362,964	302,540	735,418	885,264
Expenses				
Research and development	655,575	2,647,640	2,445,131	7,877,621
Sales and marketing	145,187	319,329	417,689	319,329
General and administrative	469,786	725,969	1,677,966	2,045,204
Stock-based compensation	371,585	420,376	962,040	914,914
Amortization of intellectual property	-	110,537	-	331,611
Interest on debentures	122,412	-	336,739	-
Interest on long term debt	4,960	29,554	40,041	88,254
	<hr/> 1,769,505	4,253,405	5,879,606	11,576,933
Interest income	1,083	34,738	13,973	194,432
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Net and comprehensive loss for the period	(1,405,458)	(3,916,127)	(5,130,215)	(10,497,237)
Deficit, beginning of period	(50,244,390)	(39,929,240)	(46,519,633)	(33,348,130)
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Deficit, end of period	\$(51,649,848)	\$(43,845,367)	\$(51,649,848)	\$(43,845,367)
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Net and comprehensive loss per common share				
Basic and fully diluted	\$ (0.02)	\$ (0.07)	\$ (0.09)	\$ (0.19)

Weighted average
number of
common shares
outstanding

Basic and fully diluted	62,687,251	56,207,176	58,176,297	56,213,363
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CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Expressed in Canadian dollars)

	September 30 2009	September 30 2008	September 30 2009	September 30 2008
Cash flows provided by (used in):				
Operations:				
Net and comprehensive loss for the period	\$ (1,405,459)	\$ (3,916,127)	\$ (5,130,215)	\$ (10,497,237)
Items therein not requiring cash				
Debt interest	122,412	-	336,739	-
Stock based compensation	371,584	420,376	962,040	914,914
Amortization of capital assets	138,274	229,962	530,760	588,326
Amortization of intellectual property	-	110,537	-	331,611
	(773,189)	(3,155,252)	(3,300,676)	(8,662,386)
Changes in non-cash working capital:				
Accounts receivable	(17,348)	55,512	417,718	916,995
Investment tax credit recoverable	-	(49,778)	200,000	817,944
Prepaid expenses and deposits	31,190	181,144	210,397	238,728
Accounts payable and accrued liabilities	(56,807)	(62,834)	(1,420,714)	(79,852)
Deferred revenue	(11,605)	(299,829)	(2,371)	(882,552)
	(827,759)	(3,331,037)	(3,895,646)	(7,651,123)
Financing:				
Net proceeds from issuance of convertible debentures	-	-	2,193,993	-
Proceeds from exercise of employee stock options	-	-	-	251,100
Proceeds from issuance of				

shares	2,000,000	-	2,000,000	-
Proceeds from issuance of shares held in trust	(322,259)	-	(322,259)	-
Restricted cash	74,956	-	987,396	-
Payments on long term debt	(19,297)	178,255	(1,041,689)	(109,901)
	1,733,400	178,255	3,817,441	141,199
Investments:				
Additions to capital assets	-	(313,097)	(5,185)	(546,258)
Increase (decrease) in cash and cash equivalents				
	905,641	(3,465,879)	(83,390)	(8,056,182)
Cash and cash equivalents, beginning of period				
	425,364	6,688,727	1,414,395	11,279,030
Cash and cash equivalents, end of period				
	\$ 1,331,005	\$ 3,222,848	\$ 1,331,005	\$ 3,222,848
Supplemental cash flow information:				
Interest received	1,083	40,905	13,973	164,862
Interest paid	4,960	29,544	40,041	88,254