UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A
(AMENDMENT NO. 1)

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): August 16, 2011

OraSure Technologies, Inc.
(Exact Name of Registrant as Specified in Charter)

Delaware	**001-16537**	**36-4370966**
(State or Other Jurisdiction of Incorporation)	**(Commission File Number)**	**(I.R.S. Employer Identification No.)**

220 East First Street **Bethlehem, Pennsylvania**	**18015-1360**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant’s telephone number, including area code: 610-882-1820

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the Registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

On August 18, 2011, OraSure Technologies, Inc. (the "Company") filed a Current Report on Form 8-K (the "Initial 8-K Report") with the Securities and Exchange Commission disclosing that the Company, through a wholly-owned subsidiary, had acquired all of the outstanding capital stock of DNA Genotek Inc. ("DNAG"), pursuant to the terms of a Support Agreement dated July 25, 2011. The Company hereby amends the Initial 8-K Report to include the information required by Items 9.01(a) and 9.01(b) of Form 8-K in connection with the DNAG acquisition.

Item 9.01 – Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired.

The audited financial statements of DNA Genotek Inc. as of December 31, 2010 and 2009 and for each of the years then ended are attached hereto as Exhibit 99.1 and are incorporated herein by reference.

The unaudited financial statements of DNA Genotek Inc. as of June 30, 2011 and for the three and six months ended June 30, 2011 and 2010 are attached hereto as Exhibit 99.2 and are incorporated herein by reference

(b) Pro Forma Financial Information.

The unaudited pro forma condensed consolidated balance sheet as of June 30, 2011 and unaudited pro forma condensed consolidated statements of operations for the year ended December 31, 2010 and the six months ended June 30, 2011 of OraSure Technologies, Inc. and DNA Genotek Inc. are attached hereto as Exhibit 99.3 and are incorporated herein by reference.

(d) Exhibits

Exhibit Number	Description
23.1	Consent of Deloitte & Touche LLP.
99.1	Audited financial statements of DNA Genotek Inc. as of December 31, 2010 and 2009 and for each of the years then ended, and the notes related thereto.
99.2	Unaudited financial statements of DNA Genotek Inc. as of June 30, 2011 and for the three and six months ended June 30, 2011 and 2010, and the notes related thereto.
99.3	Unaudited pro forma condensed consolidated financial statements of OraSure Technologies, Inc. and DNA Genotek Inc. as of June 30, 2011, for the six months ended June 30, 2011, and for the year ended December 31, 2010, and the notes related thereto.

Signatures

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ORASURE TECHNOLOGIES, INC.

Date: November 2, 2011

By: /s/ Jack E. Jerrett
Jack E. Jerrett
Senior Vice President, General Counsel and Secretary

Index to Exhibits

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Exhibit 23.1

Consent of Independent Auditors

We consent to the incorporation by reference in the registration statements on Form S-3 (No. 333-168972) and Form S-8 (No. 333-118385, No. 333-102235, No. 333-50340, No. 333-48662, No. 333-138814, No. 333-151077 and No. 333-176315) of OraSure Technologies, Inc. of our report dated October 31, 2011 with respect to the balance sheets of DNA Genotek Inc. as of December 31, 2010 and 2009, and the related statements of earnings and retained earnings and of cash flows for each of the years then ended, which report appears in this Amendment No. 1 to Current Report on Form 8-K/A.

/s/ Deloitte & Touche LLP
Chartered Accountants
Licensed Public Accountants

Ottawa, ON
November 2, 2011

FINANCIAL STATEMENTS OF

DNA Genotek Inc.

DECEMBER 31, 2010 AND 2009
(Canadian dollars)

Deloitte & Touche LLP
800 - 100 Queen Street

Independent Auditor's Report

To the Shareholders and Directors of
DNA Genotek Inc.

We have audited the accompanying financial statements of DNA Genotek Inc. (the "Company"), which comprise the balance sheets as at December 31, 2010 and December 31, 2009, and the statements of earnings and retained earnings, and cash flows for each of the years in the two-year period ended December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and auditing standards generally accepted in the United States of America. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Independent Auditor's Report (Continued)

Auditor's Responsibility (Continued)

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of DNA Genotek Inc. as at December 31, 2010 and December 31, 2009 and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2010 in accordance with Canadian generally accepted accounting principles.

Other Matter

On March 31, 2011, we reported separately to the shareholders of DNA Genotek Inc. on our audit of financial statements for the period ended December 31, 2010, prepared in accordance with Canadian generally accepted accounting policies. The attached financial statements also include Note 14, reconciliation from Canadian GAAP to US GAAP.

/s/ Deloitte & Touche LLP
Chartered Accountants
Licensed Public Accountants

October 31, 2011

DNA Genotek Inc.

Financial Statements
December 31, 2010 and 2009

DNA Genotek Inc.
Statement of Earnings and Retained Earnings
year ended December 31, 2010 and 2009
(Canadian dollars)

	2010	2009
Revenue	**$14,708,488**	$14,610,010
Cost of sales	**2,427,815**	2,570,554
Gross profit	**12,280,673**	12,039,456
Operating expenses		
Amortization	**435,768**	357,997
Sales and marketing	**4,916,424**	3,988,087
Research and development (Note 8)	**1,375,022**	683,817
Operations	**1,390,998**	879,626
Bad debt expense (Note 10)	**549,251**	—
General and administration	**2,250,597**	2,032,373
Stock-based compensation (Note 7)	**163,858**	26,147
	11,081,918	7,968,047
Earnings before undernoted items	**1,198,755**	4,071,409
Other income (expense)		
Loss on disposal of property, plant and equipment	**—**	(95,810)
Foreign exchange loss	**(275,997)**	(356,367)
Interest income	**20,684**	16,140
Total other income (expense)	**(255,313)**	(436,037)
Earnings before income taxes	**943,442**	3,635,372
Income taxes		
Current	**315,023**	677,665
Future	**(82,000)**	137,000
	233,023	814,665
NET EARNINGS	**710,419**	2,820,707
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR	**1,861,008**	(837,097)
Excess of purchase price over stated capital on share repurchase (Note 7)	**—**	(122,602)
RETAINED EARNINGS, END OF YEAR	**$ 2,571,427**	$ 1,861,008

See accompanying notes to the financial statements.

DNA Genotek Inc.
Balance Sheet
at as December 31, 2010 and 2009
(Canadian dollars)

	2010	2009
CURRENT ASSETS		
Cash and cash equivalents (Note 3)	**$ 5,693,264**	$ 7,042,193
Accounts receivable	**3,227,499**	1,463,727
Income taxes recoverable	**169,590**	—
Investment tax credit receivable	**—**	10,210
Harmonized sales tax recoverable	**124,798**	49,461
Inventory (Note 4)	**745,444**	411,123
Prepaid expenses and deposits	**150,575**	175,117
Non-refundable investment tax credits (Note 9)	**266,048**	—
	10,377,218	9,151,831
PROPERTY, PLANT AND EQUIPMENT (Note 5)	**657,293**	772,164
INTANGIBLE ASSETS (Note 6)	**188,433**	163,138
FUTURE INCOME TAX ASSETS	**20,333**	9,500
	$ 11,243,277	$10,096,633
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**$ 1,712,641**	$ 1,492,109
Current portion of leasehold inducement	**19,784**	19,784
Future income tax liabilities	**75,333**	146,500
Deferred revenue	**846,968**	775,116
	2,654,726	2,433,509
LONG-TERM LEASEHOLD INDUCEMENT	**55,754**	77,336
COMMITMENTS (Note 11)		
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	**5,618,045**	5,545,313
Contributed surplus	**343,325**	179,467
Retained earnings	**2,571,427**	1,861,008
	8,532,797	7,585,788
	$ 11,243,277	$10,096,633

See accompanying notes to the financial statements.

DNA Genotek Inc.
Statement of Cash Flows
year ended December 31, 2010 and 2009
(Canadian dollars)

	2010	2009
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net earnings	**$ 710,419**	$2,820,707
Items not affecting cash		
Amortization of property, plant and equipment	**298,529**	266,963
Amortization of intangible assets	**137,239**	91,034
Future income taxes	**(82,000)**	137,000
Loss on disposal of property, plant and equipment	**—**	95,810
Leasehold inducement	**(21,582)**	97,120
Stock-based compensation	**163,858**	26,146
	1,206,463	3,534,780
Changes in non-cash operating working capital items (Note 12)	**(2,281,932)**	1,502,140
	(1,075,470)	5,036,920
INVESTING		
Acquisition of intangible assets	**(162,534)**	(199,914)
Acquisition of property, plant and equipment	**(183,658)**	(406,599)
	(346,192)	(606,513)
FINANCING		
Issuance of Class A common shares	**72,732**	70,001
Repurchase of Class A common shares	**—**	(187,848)
	72,732	(117,847)
NET CASH (OUTFLOW) INFLOW	**(1,348,930)**	4,312,560
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**7,042,193**	2,729,633
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 5,693,263**	$7,042,193
Supplementary information:		
Income taxes paid	**$ 215,024**	$ —
Interest received	**20,684**	17,156
Interest paid	**—**	1,018

See accompanying notes to the financial statements.

1. DESCRIPTION OF BUSINESS

DNA Genotek Inc. began active operations in fiscal 2001 and is based in Ottawa, Ontario. The Company develops and markets consumable kits for the collection of DNA through saliva.

2. SIGNIFICANT ACCOUNTING POLICIES

Private enterprises are not required to apply the following Sections of the Canadian Institute of Chartered Accountants (CICA) Handbook: 1530, 3855, 3862, 3863 and 3865 which would otherwise have applied to the financial statements of the Company. The Company has elected to use this exemption and applies the requirements of Section 3861 and of Accounting Guideline 13 (AcG-13) of the CICA Handbook.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and include the following significant accounting policies:

Cash and cash equivalents

Cash and cash equivalents include cashable guaranteed investment certificates, and treasury bills with terms of three months or less at the time of purchase.

Research and development

Research costs are expensed as incurred. Expenditures for research and development equipment, net of related investment tax credits, are capitalized. Development costs are deferred and amortized when the criteria for deferral under Canadian GAAP are met, or otherwise, are expensed as incurred. To date, no such costs have been capitalized.

Inventory

Inventory consists of plastic parts, chemical solution and finished goods and is valued at lower of average cost and net realizable value.

Investment tax credits

The Company records investment tax credits when it believes it has complied with the eligibility requirements set out in the Income Tax Act and there is a reasonable assurance of realization. Investment tax credits are recorded as a reduction of the related expense or the cost of the asset acquired.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue from product sales is recognized upon shipment, when persuasive evidence of an arrangement exists, the price to the buyer is fixed or determinable, all significant obligations have been satisfied and collection is reasonably assured. Deferred revenue is recorded when customers pay in advance of product delivery.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at year-end. Non-monetary assets and liabilities are translated at historical rates. Foreign currency transactions are translated at rates in effect on the dates of the transactions.

Property, plant and equipment

Property plant and equipment are recorded at cost. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold improvements	term of lease
Computer equipment	3 years
Office, production and lab equipment	5 years
Furniture and fixtures	5 years

In the year of acquisition, amortization is prorated based on the number of months remaining in the year.

Intangible assets

Intangible assets are comprised of computer software which is recorded at cost less accumulated amortization. Computer software is amortized on a straight-line basis over two years.

Impairment of long-lived assets

The Company performs reviews for the impairment of property, plant and equipment and intangible assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is assessed based on the carrying value of the asset and its fair value, which is generally determined based on the sum of the undiscounted cash flows expected to result from the use and the eventual disposal of the asset. An impairment loss is recognized when the carrying amount is not recoverable and exceeds fair value.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income taxes are recognized based on the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax basis, using the substantively enacted income tax rates for the years in which the differences are expected to reverse. The Company recognizes future income tax assets to the extent that they are more likely than not to be utilized.

Stock-based compensation plan

The Company has a stock-based compensation plan, which is described in Note 7. The Company has adopted the CICA Handbook Section 3870, *Stock-Based Compensation and Other Stock-Based Payments*, which establishes standards for the recognition, measurement and disclosure of stock-based compensation. Under this Section, stock options are measured and recognized using a fair value based method.

Use of accounting estimates

The preparation of financial statements in conformity with GAAP requires the Company's management to make estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from the estimates made by management. Significant estimates in the financial statements include amounts accrued for investment tax credits receivable, amortization rates and estimated useful lives of property, plant and equipment and intangible assets, warranty provision, the allowance for bad debts, reserve for inventory obsolescence, accrued liabilities and estimates and assumptions used in the calculation of stock-based compensation.

Future accounting changes

New accounting framework

The CICA has issued a new accounting framework applicable to Canadian private enterprises. Effective for fiscal years beginning on January 1, 2011, private enterprises will have to choose between International Financial Reporting Standards (IFRSs) and Accounting Standards for Private Enterprises (ASPE), whichever suits them best. Early adoption of these standards is permitted. The Company has decided to adopt ASPE for its upcoming fiscal year.

(Canadian dollars)

3. CASH AND CASH EQUIVALENTS

	2010	2009
Cash	**$ 913,244**	$ 1,942,193
$3,680,020 (US$3,700,000) term deposit, interest at 0.1%, due January 7, 2011, $1,000,000 GIC, interest at 0.85%, due January 7, 2011, $100,000 GIC, interest at 0.3%, due January 27, 2011 (2009 -$1,300,000 prime-linked cashable GIC, interest at variable %, due June 22, 2010, $2,000,000 GIC, interest at 0.5%, due January 20, 2010, $1,800,000 GIC, interest at 0.5%, due January 8, 2010)	**4,780,020**	5,100,000
	$ 5,693,264	$ 7,042,193

4. INVENTORY

	2010	2009
Raw materials	**$ 292,547**	$ 232,600
Finished goods	**452,897**	178,523
	$ 745,444	$ 411,123

The cost of inventories recognized as an expense during the period was $2,040,855 (2009 - $2,106,386). The Company wrote down its inventories by $62,260 in fiscal 2010 (2009 - $92,955) to reflect its carrying amount at net realizable value.

(Canadian dollars)

5. PROPERTY, PLANT AND EQUIPMENT

	2010		
	Cost	Accumulated Amortization	Net Book Value
Leasehold improvements	**$ 169,591**	**$ 121,520**	**$ 48,071**
Computer equipment	**323,062**	**203,263**	**119,799**
Office, production and lab equipment	**910,190**	**586,923**	**323,266**
Furniture and fixtures	**249,365**	**83,208**	**166,157**
	$1,652,208	**$ 994,914**	**$657,293**

	2009		
	Cost	Accumulated Amortization	Net Book Value
Leasehold improvements	$ 165,086	$ 96,011	$ 69,075
Computer equipment	234,780	130,630	104,150
Office, production and lab equipment	881,086	426,018	455,068
Furniture and fixtures	187,597	43,726	143,871
	$1,468,549	$ 696,385	$772,164

During fiscal 2010, investment tax credits of $NIL (2009 - $18,324) were recorded as a reduction of the cost of office, production and lab equipment.

6. INTANGIBLE ASSETS

	2010		
	Cost	Accumulated Amortization	Net Book Value
Computer software	**$467,938**	**$ 279,505**	**$188,433**

	2009		
	Cost	Accumulated Amortization	Net Book Value
Computer software	$305,404	$ 142,266	$163,138

(Canadian dollars)

7. SHARE CAPITAL

Authorized

Unlimited number of Class A common shares

	2010	2009
Issued		
27,437,571 Class A common shares (2009 - 27,292,571)	**$5,618,045**	$5,545,313

During the year, 145,000 (2009 - 220,416) Class A common shares were issued at a weighted average price of $0.5016 (2009 - $0.28) following the exercise of options for total cash consideration of $72,732 (2009 - $70,001).

In fiscal 2009, 250,464 Class A common shares were repurchased from an existing shareholder for total cash consideration of $187,848, resulting in a redemption amount over the carrying amount of $122,602.

Stock option plan

Under the 2003 Stock Option Plan, the Company may grant options to its employees, consultants and directors. The aggregate number of options shall not exceed 4,750,000 of which 204,943 are available for grant as at December 31, 2010. The exercise price of each option equals the market price of the Company’s common stock on the date of grant and an option’s maximum term is ten years. In general, the options vest 33% after one year with the balance on a quarterly basis over the following two years.

	Options	Weighted Average Exercise Price
Outstanding, December 31, 2008	3,973,297	$ 0.45
Granted 2009	161,000	$ 0.75
Exercised 2009	(220,416)	$ 0.32
Forfeited 2009	(39,958)	$ 0.56
Expired 2009	(93,542)	$ 0.35
Outstanding, December 31, 2009	3,780,381	$ 0.47
Granted 2010	515,500	$ 0.75
Exercised 2010	(145,000)	$ 0.50
Forfeited 2010	(241,373)	$ 0.52
Expired 2010	(114,127)	$ 0.51
Outstanding, December 31, 2010	3,795,381	$ 0.50
Options exercisable, December 31, 2010	**3,135,244**	**$ 0.50**

(Canadian dollars)

7. SHARE CAPITAL (Continued)

Stock option plan (Continued)

The following table summarizes information about fixed stock options outstanding at December 31, 2010:

Exercise Price	Options Outstanding at 12/31/10	Weighted Average Remaining Contractual Life (Years)	Options Exercisable at 12/31/10
$ 0.30	808,018	4.1	808,018
$ 0.50	2,342,863	6.3	2,234,393
$ 0.75	644,500	9.3	92,833
$ 0.50	**3,795,381**	**6.3**	**3,135,244**

In January 2010 the stock option plan was modified such that the lives for all options were extended from five to ten years. This resulted in an incremental stock-based compensation expense of $149,562 in fiscal 2010.

Stock-based compensation

The Black-Scholes option pricing model used by the Company to calculate option values, as well as other currently accepted valuation models, were developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differ from the Company's option awards. These models require subjective assumptions, including future stock price volatility and expected time until exercise, which affect calculated values.

The fair market value of these options was determined using the Black-Scholes option pricing model based on the fair value of the common shares on the date of grant and the following assumptions: Seven-year life (2009 - five-year life); interest rate of 3.34% (2009 - 3.012%); volatility of NIL% (2009 - NIL%); and no dividends (2009 - no dividends). The weighted average grant date fair value of options issued in 2010 was $0.14 (2009 - $0.10).

Total stock-based compensation expense recorded by the Company for the year ended December 31, 2010 was $163,858 (2009 - $26,147). This includes the amounts resulting from the option-life extension referred to above in 2010.7.

8. RESEARCH AND DEVELOPMENT

	2010	2009
Research and development expenses	**$1,978,475**	$1,481,613
Investment tax credits	**(603,453)**	(797,796)
	$1,375,022	$ 683,817

9. INCOME TAXES

As at December 31, 2010, the Company has $266,048 (2009 - $NIL) of investment tax credits which can be used to offset future federal taxes payable and which expire in 2030.

This amount has been recorded as a current asset due to the fact there is reasonable assurance that the Company will use this amount in the coming fiscal year.

10. FINANCIAL INSTRUMENTS

Currency risk

The Company's earnings are subject to financial risk as a result of fluctuations in foreign exchange rates, and the degree of volatility of these rates. The Company currently does not use derivative instruments to hedge its foreign currency exposure. This exposure is primarily limited to the U.S. dollar as the Company realizes approximately 58% of its sales principally in U.S. dollars.

The balance sheet includes the following amounts expressed in Canadian dollars with respect to financial assets and liabilities for which cash flows are denominated in the following currencies:

	2010	2009
U.S. dollars:		
Cash	**$3,966,140**	$1,268,590
Accounts receivable	**2,539,446**	1,104,996
Accounts payable and accrued liabilities	**83,846**	(24,952)

Fair value

The carrying amounts for cash and cash equivalents, accounts receivables, accounts payable and accrued liabilities approximate fair market value because of the short maturity of these instruments.

(Canadian dollars)

10. FINANCIAL INSTRUMENT (Continued)

Credit risk

The Company provides credit to its customers in the normal course of its operations. The Company establishes allowances for doubtful accounts based upon specific credit risk of its clients and its historic experience with bad debts. Approximately 26% (2009 - 44%) of year-end accounts receivable is concentrated with two (2009 - three) customers.

The carrying amount of cash and cash equivalents and accounts receivable represents the maximum exposure to credit risk. The maximum exposure to credit risk at December 31, 2010 is $8,920,763 (2009 - $8,505,918). The cash and cash equivalents are held by the Company's bank, which is one of the large Canadian banks. Over the last five years, the Company has not suffered any loss in relation to cash or cash equivalents held by the bank.

11. OPERATING LEASE COMMITMENTS

The Company's minimum future operating lease commitments by year and in aggregate are as follows:

2011	**$ 448,691**
2012	**446,152**
2013	**436,267**
2014	**217,782**
	$1,548,892

(Canadian dollars)

12. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	2010	2009
Accounts receivable	**$(1,763,772)**	$ 776,062
Income taxes recoverable	**(169,590)**	—
Investment tax credits receivable	**10,210**	372,667
Harmonized sales tax recoverable	**(75,337)**	(441)
Inventory	**(334,321)**	26,987
Prepaid expenses and deposits	**24,542**	15,482
Non-refundable investment tax credits	**(266,048)**	—
Accounts payable and accrued liabilities	**220,532**	84,206
Deferred revenue	**71,852**	227,177
	$(2,281,932)	$1,502,140

13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. This includes $235,152 reclassified from sales and marketing expenses to revenue and to cost of goods sold and the reclassification of a foreign exchange loss of $356,367 from general and administration expenses to a separate line item under other income (expense).

14. RECONCILIATION WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Company follows Canadian GAAP which is different in some respects from the accounting principles generally accepted in the United States ("US GAAP") and from practices prescribed by the United States Securities and Exchange Commission. The significant differences between Canadian and US GAAP, and their effects on the financial statements, are described below.

(Canadian dollars)

14. RECONCILIATION WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

Statement of Changes in Shareholders' Equity

	Common Shares Number	Common Shares Amount	Additional Paid-in Capital	Deficit	Total
Balance, December 31, 2008, in accordance with Canadian GAAP	27,322,619	$5,531,342	$ 162,536	$ (837,097)	$4,856,781
Adjustment to opening shareholders' equity - stock- based compensation	—	—	284,941	(284,941)	—
Issuance of stock on exercise of employee stock options	220,416	79,218	—	—	79,218
Repurchase of stock for cash	(250,464)	(65,246)	(122,602)	—	(187,848)
Stock-based compensation expense for the year	—	—	265,094	—	265,094
Amount credited to share capital related to options issued	—	—	(9,217)	—	(9,217)
Earnings and comprehensive earnings	—	—	—	2,581,760	2,581,760
Balance, December 31, 2009, in accordance with US GAAP	27,292,571	5,545,314	580,752	1,459,722	7,585,788
Issuance of stock on exercise of employee stock options	145,000	72,732	—	—	72,732
Stock-based compensation expense for the year	—	—	425,694	—	425,694
Earnings and comprehensive earnings	—	—	—	448,583	448,583
	145,000	72,732	425,694	448,583	947,009
Balance, December 31, 2010, in accordance with US GAAP	27,437,571	$5,618,046	$1,006,446	$1,908,305	$8,532,797

(Canadian dollars)

14. RECONCILIATION WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

Statement of Earnings

	2010	2009
Earnings in accordance with Canadian GAAP	**$ 710,419**	$2,820,707
Stock-based compensation [i]	**(261,836)**	(238,947)
Earnings in accordance with US GAAP	**$ 448,583**	$2,581,760

i. Stock-based compensation

The Company grants stock options to employees in accordance with the 2003 Stock Option Plan. Under Canadian GAAP, privately held enterprises are permitted to use the minimum value methodology to value compensation related to stock options granted to employees.

Under US GAAP, effective January 1, 2006, the Company adopted Financial Accounting Standards Board, Accounting Standards Codification 718 - Stock Compensation (“ASC 718”) to account for employee stock-based compensation. This standard requires companies to expense the fair value of stock-based compensation awards through operations. The fair value of stock options granted is to be calculated using the Black-Scholes option pricing model and must take into consideration estimated forfeitures at the time of grant to determine the number of awards that will ultimately vest.

The Company has elected to use the modified prospective application transition method to implement the accounting for employee stock options outstanding at January 1, 2006 under ASC 718. Under the modified prospective method, ASC 718 is generally applied only to share-based awards granted, modified, repurchased or cancelled on or after January 1, 2006. ASC 718 was applied prospectively to new awards and to awards modified, repurchased or cancelled after the required effective date of January 1, 2006. The Company has adopted the straight-line attribution method for determining the compensation cost to be recorded during each accounting period.

14. RECONCILIATION WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

i. Stock-based compensation (Continued)

As a result of adopting ASC 718, which does not permit use of the minimum value method and requires forfeitures to be estimated at the grant date, additional compensation expense has been recorded under US GAAP for the years ended December 31, 2009 and December 31, 2010.

Other disclosure related to share-based compensation is as follows:

a) The total number of options vested and exercisable as at December 31, 2010 was 3,135,244 (December 31, 2009 - 2,973,481) with a weighted average exercise price of $0.46 (December 31, 2009 - $0.45), and a weighted average remaining term of 5.76 years (December 31, 2009 - 6.42 years).

b) The total number of options vested and expected to vest amounted to 3,795,381 as at December 31 2010 (December 31, 2009 - 3,780,381) and had a weighted average exercise price of $0.50 (December 31, 2009 - $0.47), and a weighted average remaining term of 6.33 years (December 31, 2009 - 7.02 years).

c) As at December 31, 2010, compensation costs not yet recognized relating to stock option awards outstanding was $195,395 (December 31, 2009 - $195,127). As at December 31, 2010, compensation cost will be recognized on a straight-line basis over the remaining weighted average period of approximately 21 months for the time vesting awards. Compensation will be adjusted for subsequent changes in estimated forfeitures.

d) Expected volatilities are based on similar publicly traded companies in the industry as this represents the most appropriate basis to determine the actual expected volatility of the Company's shares in future periods.

e) Upon exercise of stock options, the Company satisfies its obligations by issuing treasury shares.

(Canadian dollars)

14. RECONCILIATION WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

Other disclosures required under US GAAP

1. Income statement

a) Stock-based compensation

Non-cash stock-based compensation of $425,694 was recorded for the year ended December 31, 2010 (December 31, 2009 - $265,094) and was included in General and Administration, Sales and Marketing, Operations and Research and Development as follows:

	2010	2009
General and administration	**$159,553**	$ 89,910
Sales and marketing	**146,956**	107,526
Operations	**81,567**	46,396
Research and development	**37,618**	21,262
	$425,694	$265,094

b) Rental expense related to premises included in general and administration expense is $497,692 for the year ended December 31, 2010 (December 31, 2009 - $408,482).

c) For the year ended December 31, 2010, the Company earned non-refundable investment tax credits of $603,453 (2009 - $76,651) for eligible research and development expenditures and accounted for these as a reduction to research and development expense under Canadian GAAP. Under US GAAP, this amount is reclassified on the statement of earnings to income tax expense and, accordingly, does not have an impact on net earnings.

For the year ended December 31, 2010, the Company also received $NIL (2009 - $721,145) refundable investment tax credits for eligible research and development expenditures and accounts for the credits received using the flow-through method. These refundable credits were recorded as a reduction to research and development expense.

(Canadian dollars)

14. RECONCILIATION WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

2. Balance sheet

a) Details of accounts payable and accrued liabilities are as follows:

	2010	2009
Trade payables	**$ 911,385**	$ 365,740
Accruals	**717,888**	1,054,371
Payroll related accruals	**10,900**	—
Warranty	**72,468**	71,998
	$1,712,641	$1,492,109

b) Warranty liability

The Company records a liability for future warranty costs based on management's best estimate of probable claims under Company warranties. The accrual is based on the terms of the warranty and historical experience. The Company regularly evaluates the appropriateness of the remaining accrual.

The following table details the changes in the warranty accrual.

	2010	2009
Balance at beginning of the year	**$71,998**	$ 43,175
Accruals	**1,795**	67,550
Utilization	**(1,325)**	(38,727)
Balance at end of the year	**$72,468**	$ 71,998

3. Cash flow statement

There were no material differences in the presentation of the cash flow statement under US GAAP.

14. RECONCILIATION WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

4. Income taxes

a) Adoption of FASB Interpretation 48

In June 2006, the Financial Accounting Standards Board (“FASB”) issued Interpretation No.48, Accounting for Uncertainty in Income Taxes (“FIN 48”) an interpretation of FAS 109, effective for fiscal years beginning on or after December 15, 2006 (now ASC 740). ASC 740 provides specific guidance on the recognition, de-recognition and measurement of income tax positions in financial statements, including the accrual of related interest and penalties recorded in interest expense. An income tax position is recognized when it is more likely than not that it will be sustained upon examination based on its technical merits, and is measured as the largest amount that is greater than 50% likely of being realized upon ultimate settlement. Under Canadian GAAP, the Company recognizes and measures income tax positions based on the best estimate of the amount that is more likely than not of being realized. The adoption of this standard did not have any impact on the Company’s US GAAP results.

b) Under Canadian GAAP, income taxes are measured using substantively enacted tax rates, while under US GAAP, measurement is based upon enacted tax rates. There is a difference between the enacted and substantively enacted rates for the periods presented, however; this difference does not result in a difference in the financial statement.

c) Deferred tax asset

Under US GAAP, investment tax credits are included in the determination of deferred tax assets whereas under Canadian GAAP, investment tax credits are not considered in the determination of future tax assets but are disclosed separately on the balance sheet. Including the investment tax credits as a deferred tax asset under the US GAAP would have the impact of increasing the Company’s deferred tax assets by $266,048 as a December 31, 2010 (December 31, 2009 - $NIL) with an offsetting decrease in the non-refundable investment tax credits asset.

d) Fiscal periods subject to examination

The Company files tax returns in Canada and the United States. Generally, the years 2008 to 2010 remain subject to examination by tax authorities.

14. RECONCILIATION WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

5. Fair Value Measurements

Effective January 1, 2008, the Company adopted FASB Standard SFAS No. 157, *Fair Value Measurements*, (now ASC 820) which defines fair value, establishes a framework and prescribes methods for measuring fair value and outlines the additional disclosure requirements on the use of fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price in the principal or most advantageous market for an asset or liability in an orderly transaction between market participants at the measurement date). ASC 820 establishes a three-level hierarchy that prioritizes the inputs used to measure fair value. The three levels of fair value hierarchy based on the reliability that prioritizes the inputs are as follows:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Inputs are significant observable inputs other than quoted prices included in level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data; and

Level 3 - Inputs are significant unobservable inputs that reflect the reporting entity's own assumptions and are supported by little or no market activity.

The Company's financial assets and liabilities that are measured at fair value on a recurring basis have been segregated into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date in the table below. ASC 820 delayed the effective date for non-financial assets and liabilities until January 1, 2009, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis.

(Canadian dollars)

14. RECONCILIATION WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

Financial assets and liabilities measured at fair value as at December 31, 2010 in the financial statements on a recurring basis are summarized below:

	Level 1	Level 2	Level 3	Total Balance
Cash and cash equivalents	**$5,693,264**	**$ —**	**$ —**	**$5,693,264**

Financial assets and liabilities measured at fair value as at December 31, 2009 in the financial statements on a recurring basis are summarized below:

	Level 1	Level 2	Level 3	Total Balance
Cash and cash equivalents	$7,042,193	$ —	$ —	$7,042,193

15. SUBSEQUENT EVENT

On August 17, 2011, the Company was acquired by OraSure Technologies, Inc. for $50 million in cash.

INTERIM FINANCIAL STATEMENTS OF

DNA GENOTEK INC.

FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2011

(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)

DNA Genotek Inc.

Unaudited Interim Financial Statements
Period ended June 30, 2011

DNA Genotek Inc.

Statements of Earnings and Retained Earnings
(Unaudited, expressed in Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	**2011**	2010
Revenue	**$3,289,478**	$3,361,724	**$7,389,736**	$7,766,070
Cost of sales	**737,951**	490,922	**1,631,565**	1,046,263
Gross profit	**2,551,527**	2,870,802	**5,758,171**	6,719,807
Operating expenses				
Amortization	**112,290**	107,570	**228,123**	213,788
Sales and marketing	**1,278,920**	1,314,318	**2,450,521**	2,327,039
Research and development (Note 5)	**452,894**	315,796	**987,224**	628,678
Operations	**417,438**	490,038	**723,013**	741,801
General and administration	**625,814**	555,236	**1,428,229**	1,249,112
Stock-based compensation (Note 4)	**28,758**	45,809	**62,245**	165,690
	2,916,114	2,828,767	**5,879,355**	5,326,109
Earnings (loss) before undernoted items	**(364,587)**	42,036	**(121,184)**	1,393,698
Other income (expense)				
Foreign exchange income (loss)	**21,802**	154,900	**(16,273)**	26,147
Interest income	**7,905**	5,133	**18,362**	10,618
Total other income	**29,707**	160,033	**2,089**	36,765
Earnings (loss) before income taxes	**(334,880)**	202,069	**(119,095)**	1,430,463
Income taxes (benefit)				
Current	**7,408**	69,538	**1,983**	491,735
Future	**(59,771)**	(18,101)	**(16,000)**	(127,998)
	(52,363)	51,437	**(14,017)**	363,737
NET EARNINGS (LOSS)	**(282,517)**	150,632	**(105,078)**	1,066,726
RETAINED EARNINGS BEGINNING OF PERIOD	**2,748,866**	2,777,104	**2,571,428**	1,861,009
RETAINED EARNINGS, END OF PERIOD	**$2,466,349**	$2,927,735	**$2,466,349**	$2,927,735

See accompanying notes to the financial statements.

DNA Genotek Inc.

Balance Sheets

(Unaudited, expressed in Canadian dollars)

	June 30, 2011	December 31, 2010
CURRENT ASSETS		
Cash and cash equivalents	**$ 5,862,433**	$ 5,693,264
Accounts receivable, net	**2,234,431**	3,227,499
Income taxes recoverable	**169,590**	169,590
Harmonized sales tax recoverable	**82,742**	124,798
Inventory (Note 3)	**585,528**	745,444
Prepaid expenses and deposits	**101,969**	150,575
Non-refundable investment tax credits (Note 6)	**460,748**	266,048
	9,497,441	10,377,218
PROPERTY, PLANT AND EQUIPMENT, NET	**597,882**	657,293
INTANGIBLE ASSETS, NET	**161,310**	188,433
FUTURE INCOME TAX ASSETS	**33,133**	20,333
	$10,289,766	$ 11,243,277
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**$ 1,242,506**	$ 1,712,641
Current portion of leasehold inducement	**19,784**	19,784
Future income tax liabilities	**72,133**	75,333
Deferred revenue	**335,169**	846,968
	1,669,592	2,654,726
LONG-TERM LEASEHOLD INDUCEMENT	**44,963**	55,754
COMMITMENTS		
SHAREHOLDERS' EQUITY		
Share capital (Note 4)	**5,703,293**	5,618,045
Contributed surplus	**405,570**	343,325
Retained earnings	**2,466,349**	2,571,427
	8,575,212	8,532,797
	$10,289,766	$ 11,243,277

See accompanying notes to the financial statements.

DNA Genotek Inc.

Statements of Cash Flows
(Unaudited, expressed in Canadian dollars)

	Six months ended June 30, 2011	Six months ended June 30, 2010
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net earnings (loss)	**$ (105,078)**	$ 1,066,726
Items not affecting cash		
Amortization of property, plant and equipment	**136,346**	148,563
Amortization of intangible assets	**91,778**	65,225
Future income taxes	**(16,000)**	(127,998)
Leasehold inducement	**(10,792)**	(10,792)
Stock-based compensation	**62,245**	165,690
	158,499	1,307,414
Changes in non-cash operating working capital items (Note 8)	**67,012**	(1,785,886)
	225,511	(478,472)
INVESTING		
Acquisition of intangible assets	**(60,451)**	(18,563)
Acquisition of property, plant and equipment	**(81,139)**	(103,408)
	(141,590)	(121,971)
FINANCING		
Issuance of Class A common shares	**85,248**	13,794
	85,248	13,794
NET CASH INFLOW (OUTFLOW)	**169,169**	(586,649)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**5,693,264**	7,042,193
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 5,862,433**	$ 6,455,544
Supplementary information:		
Interest received	**$ 18,362**	$ 10,618

See accompanying notes to the financial statements.

1. DESCRIPTION OF BUSINESS

DNA Genotek Inc. began active operations in fiscal 2001 and is based in Ottawa, Ontario. The Company develops and markets consumable kits for the collection of DNA through saliva. On August 17, 2011, OraSure Technologies, Inc. acquired DNA Genotek (see note 10 – Subsequent Events).

2. SIGNIFICANT ACCOUNTING POLICIES

DNA Genotek adopted ASPE (Accounting Standards for Private Enterprises) for fiscal 2011 in accordance with the financial statement reporting changes introduced by the Canadian Institute of Chartered Accountants (CICA). An assessment of the differences between historical Canadian GAAP (generally accepted accounting principles) and ASPE on DNA Genotek's results has isolated the changes primarily to disclosure differences. The impact of any changes, outside of certain disclosures required in the financial statement notes, is not considered material.

No material transitional differences were identified as result of the adoption of ASPE. Accordingly, the opening balance sheet as of January 1, 2010 is unchanged from the balance sheet previously presented as of December 31, 2009, and the statements of earnings and retained earnings and the statements of cash flows for the six month period ended June 30, 2011 are in accordance with pre-changeover Canadian generally accepted accounting principles and no additional reconciliation of the opening balance sheet will be presented. In addition, as no material differences have been identified, reconciliations of the statements of earnings and retained earnings and cash flows have not been presented.

Cash and cash equivalents

Cash and cash equivalents include cashable term deposits with terms of three months or less at the time of purchase.

Research and development

Research costs are expensed as incurred. Expenditures for research and development equipment, net of related investment tax credits, are capitalised. Development costs are deferred and amortized when the criteria for deferral under Canadian GAAP are met, or otherwise, are expensed as incurred. To date, no such costs have been capitalized.

Inventory

Inventory consists of plastic parts, chemical solution and finished goods and is valued at lower of average cost and net realizable value.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment tax credits

The Company records investment tax credits when it believes it has complied with the eligibility requirements set out in the Canadian Income Tax Act and there is a reasonable assurance of realization. Investment tax credits are recorded as a reduction of the related expense or the cost of the asset acquired.

Revenue recognition

Revenue from product sales is recognized upon shipment, when persuasive evidence of an arrangement exists, the price to the buyer is fixed or determinable, all significant obligations have been satisfied and collection is reasonably assured. Deferred revenue is recorded when customers pay in advance of product delivery.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at year-end. Non-monetary assets and liabilities are translated at historical rates. Foreign currency transactions are translated at rates in effect on the dates of the transactions.

Property, plant and equipment

Property, plant and equipment are recorded at cost. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold improvements	term of lease
Computer equipment	3 years
Office, production and lab equipment	5 years
Furniture and fixtures	5 years

In the year of acquisition, amortization is prorated based on the number of months remaining in the year.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company performs reviews for the impairment of property, plant and equipment and intangible assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is assessed based on the carrying value of the asset and its fair value, which is generally determined based on the sum of the undiscounted cash flows expected to result from the use and the eventual disposal of the asset. An impairment loss is recognized when the carrying amount is not recoverable and exceeds fair value.

Intangible assets

Intangible assets are comprised of computer software which is recorded at cost less accumulated amortization. Computer software is amortized on a straight-line basis over two years.

Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income taxes are recognized based on the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax basis, using the substantively enacted income tax rates for the years in which the differences are expected to reverse. The Company recognizes future income tax assets to the extent that they are more likely than not to be utilized.

Stock-based compensation plan

The Company has a stock-based compensation plan, which is described in Note 4. The Company has adopted the CICA Handbook Section 3870, *Stock-Based Compensation and Other Stock-Based Payments*, which establishes standards for the recognition, measurement and disclosure of stock-based compensation. Under this Section, stock options are measured and recognized using a fair value based method.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of accounting estimates

The preparation of financial statements in conformity with Canadian GAAP requires the Company's management to make estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from the estimates made by management. Significant estimates in the financial statements include amounts accrued for investment tax credits receivable, amortization rates and estimated useful lives of property, plant and equipment, warranty provision, the allowance for bad debts, inventory obsolescence, accrued liabilities and estimates and assumptions used in the calculation of stock-based compensation.

3. INVENTORY

	June 30, 2011	December 31, 2010
Raw materials	$213,774	$ 292,547
Finished goods	371,754	452,897
	$585,528	$ 745,444

4. SHARE CAPITAL

Stock option plan

Under the 2003 Stock Option Plan, the Company may grant options to its employees, consultants and directors. The aggregate number of options shall not exceed 4,750,000 of which 6,943 are available for grant as at June 30, 2011. The exercise price of each option equals the market price of the Company's common stock on the date of grant and an option's maximum term is ten years. In general, the options vest 33% after one year with the balance on a quarterly basis over the following two years.

4. SHARE CAPITAL (Continued)

Stock option plan (Continued)

	Options	Weighted Average Exercise Price
Outstanding, December 31, 2009	3,780,381	$ 0.47
Granted	515,500	$ 0.75
Exercised	(145,000)	$ 0.50
Forfeited	(241,373)	$ 0.52
Expired	(114,127)	$ 0.51
Outstanding, December 31, 2010	3,795,381	$ 0.50
Granted	216,000	$ 1.04
Exercised	(165,000)	$ 0.52
Forfeited	(18,000)	$ 0.68
Expired	—	$
Outstanding, June 30, 2011	3,828,381	$ 0.53
Options exercisable, June 30, 2011	**3,143,415**	**$ 0.53**

The following table summarizes information about fixed stock options outstanding at June 30, 2011:

Exercise Price	Options Outstanding at June 30, 2011	Weighted Average Remaining Contractual Life (Years)	Options Exercisable at June 30, 2011
$0.30	808,018	3.65	808,018
$0.50	2,182,863	5.81	2,171,814
$0.75	621,500	8.77	163,583
$1.03	190,000	9.56	—
$1.10	26,000	9.85	—
$0.53	**3,828,381**	**6.05**	**3,143,415**

4. SHARE CAPITAL (Continued)

Stock-based compensation

The Black-Scholes option pricing model used by the Company to calculate option values, as well as other currently accepted valuation models, were developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differ from the Company's option awards. These models require subjective assumptions, including future stock price volatility and expected time until exercise, which affect calculated values.

The fair market value of the options granted in 2011 was determined using the Black-Scholes option pricing model based on the fair value of the common shares on the date of grant and the following assumptions: Ten-year life; interest rate of 3.012%; volatility of NIL%; and no dividends.

5. RESEARCH AND DEVELOPMENT

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	**2011**	2010
Research and development expenses	**$551,237**	$ 466,659	**$1,181,924**	$ 930,405
Investment tax credits	**(98,343)**	(150,863)	**(194,700)**	(301,727)
	$452,894	$ 315,796	**$ 987,224**	$ 628,678

6. INCOME TAXES

As at June 30, 2011, the Company had $460,748 of investment tax credits which can be used to offset future federal taxes payable and which expire in 2030.

This amount has been recorded as a current asset due to the fact there is reasonable assurance that the Company will use this amount in the coming fiscal year.

7. FINANCIAL INSTRUMENTS

Currency risk

The Company's earnings are subject to financial risk as a result of fluctuations in foreign exchange rates, and the degree of volatility of these rates. The Company currently does not use derivative instruments to hedge its foreign currency exposure. This exposure is primarily limited to the U.S. dollar as the Company realizes approximately 60% of its sales principally in U.S. dollars.

The balance sheet includes the following amounts expressed in Canadian dollars with respect to financial assets and liabilities for which cash flows are denominated in the following currencies:

	June 30, 2011	December 31, 2010
U.S. dollars:		
Cash	$ 262,842	$3,966,140
Accounts receivable	1,715,643	2,539,446
Accounts payable and accrued liabilities	29,837	83,846

Fair value

The carrying amounts for cash and cash equivalents, accounts receivables, accounts payable and accrued liabilities approximate fair market value because of the short maturity of these instruments.

8. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	June 30, 2011	June 30, 2010
Accounts receivable	**$ 993,069**	$(1,729,806)
Income taxes recoverable	**—**	190,008
HST recoverable	**42,056**	(3,307)
Inventory	**159,916**	(53,726)
Prepaid expenses and deposits	**48,606**	(100.232)
Non-refundable investment tax credits	**(194,700)**	—
Accounts payable and accrued liabilities	**(470,136)**	(357,059)
Deferred revenue	**(511,799)**	268,236
	$ 67,012	$(1,785,886)

9. RECONCILIATION WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Company follows Canadian GAAP which is different in some respects from the accounting principles generally accepted in the United States ("US GAAP") and from practices prescribed by the United States Securities and Exchange Commission. The significant differences between Canadian and US GAAP, and their effects on the financial statements, are described below.

	Common Shares Number	Common Shares Amount	Additional Paid-in Capital	Retained Earnings	Total
Statement of Changes in Shareholders' Equity					
Balance, December 31, 2009, in accordance with Canadian GAAP	27,292,571	$5,545,313	$ 179,467	$1,861,008	$7,585,788
Adjustment to opening shareholders' equity—stock-based compensation	—	—	523,888	(523,888)	—
Adjustment to opening additional paid-in-capital - repurchase of stock for cash	—	—	(122,602)	122,602	—
Issuance of stock on exercise of employee stock options	145,000	72,732	—	—	72,732
Stock-based compensation expense for the year	—	—	425,694	—	425,694
Earnings	—	—	—	448,583	448,583
Balance, December 31, 2010, in accordance with US GAAP	27,437,571	5,618,045	1,006,447	1,908,305	8,532,797
Issuance of stock on exercise of employee stock options	165,000	85,248	—	—	85,248
Stock-based compensation expense for the period	—	—	112,309	—	112,309
Loss	—	—	—	(155,142)	(155,142)
Balance, June 30, 2011, in accordance with US GAAP	27,602,571	$5,703,293	$1,118,756	$1,753,163	$8,575,212

	Three months ended June 30, 2011	Three months ended June 30, 2010	**Six months ended June 30, 2011**	Six months ended June 30, 2010
Statement of Earnings (Loss)				
Earnings (loss) in accordance with Canadian GAAP	**($282,517)**	$150,632	**($105,078)**	$1,066,726
Stock-based compensation [i]	**(24,255)**	(21,699)	**(50,064)**	(133,319)
Earnings (loss) in accordance with US GAAP	**($306,772)**	$128,933	**($155,142)**	$ 933,407

i. Stock-based compensation

The Company grants stock options to employees in accordance with the 2003 Stock Option Plan. Under Canadian GAAP, privately held enterprises are permitted to use the minimum value methodology to value compensation related to stock options granted to employees.

9. RECONCILIATION WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

i. Stock-based compensation (Continued)

Under US GAAP, effective January 1, 2006, the Company adopted Financial Accounting Standards Board, Accounting Standards Codification 718 - Stock Compensation ("ASC 718") to account for employee stock-based compensation. This standard requires companies to expense the fair value of stock-based compensation awards through operations. The fair value of stock options granted is to be calculated using the Black-Scholes option pricing model and must take into consideration estimated forfeitures at the time of grant to determine the number of awards that will ultimately vest.

The Company has elected to use the modified prospective application transition method to implement the accounting for employee stock options outstanding at January 1, 2006 under ASC 718. Under the modified prospective method, ASC 718 is generally applied only to share-based awards granted, modified, repurchased or cancelled on or after January 1, 2006. ASC 718 was applied prospectively to new awards and to awards modified, repurchased or cancelled after the required effective date of January 1, 2006. The Company has adopted the straight-line attribution method for determining the compensation cost to be recorded during each accounting period.

As a result of adopting ASC 718, which does not permit use of the minimum value method and requires forfeitures to be estimated at the grant date, additional compensation expense has been recorded under US GAAP for the three and six month periods ended June 30, 2011 and June 30, 2010.

Other disclosure related to share-based compensation is as follows:

a) The total number of options vested and exercisable as of June 30, 2011 was 3,143,415 with a weighted average exercise price of $0.53 and a weighted average remaining term of 6.05 years.

b) The total number of options vested and expected to vest amounted to 3,828,381 as at June 30, 2011 and had a weighted average exercise price of $0.53 and a weighted average remaining term of 6.05 years.

c) As at June 30, 2011, compensation costs not yet recognized relating to stock option awards outstanding was $303,649. As at June 30, 2011, compensation cost will be recognized on a straight-line basis over the remaining weighted average period of approximately 27 months for the time vesting awards. Compensation will be adjusted for subsequent changes in estimated forfeitures.

9. RECONCILIATION WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

i. Stock-based compensation (Continued)

d) Expected volatilities are based on similar publicly traded companies in the industry as this represents the most appropriate basis to determine the actual expected volatility of the Company's shares in future periods.

e) Upon exercise of stock options, the Company satisfies its obligations by issuing treasury shares.

Other disclosures required under US GAAP

1. Income statement

a) Stock-based compensation

Non-cash stock-based compensation of $112,309 and $53,013 was recorded for the six and three month periods ended June 30, 2011 (June 30, 2010 - $299,009 and $67,508), respectively, and was included in General and Administration, Sales and Marketing, Operations, and Research and Development as follows:

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	**2011**	2010
General and administration	**$14,314**	$24,303	**$ 30,323**	$107,644
Sales and marketing	**20,145**	23,628	**42,677**	104,653
Operations	**11,133**	13,502	**23,585**	59,802
Research and development	**7,422**	6,076	**15,723**	26,911
	$53,013	$67,508	**$112,309**	$299,009

9. RECONCILIATION WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

b) Rental expensed related to premises included in General and Administration expense is $241,626 and $103,496 for the six and three month periods ended June 30, 2011 (June 30, 2010 - $241,490 and $136,602).

c) The Company earned non-refundable investment tax credits in the six and three month periods ended June 30, 2011 of $194,700 and $98,343 (June 30, 2010 - $301,727 and $150,863), respectively, for eligible research and development expenditures and accounted for these as a reduction to Research and Development expense under Canadian GAAP. Under US GAAP, this amount is reclassified on the statement of earnings to income tax expense.

2. Balance sheet

a) Details of accounts payable and accrued liabilities are as follows:

	June 30, 2011	December 31, 2010
Trade payables	**$ 596,149**	$ 911,385
Accruals	**559,498**	717,888
Payroll related accruals	**19,932**	10,900
Warranty	**66,927**	72,468
	$1,242,506	$1,712,641

9. RECONCILIATION WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

3. Income taxes

a) Adoption of FASB Interpretation 48

In June 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No.48, Accounting for Uncertainty in Income Taxes ("FIN 48") an interpretation of FAS 109, effective for fiscal years beginning on or after December 15, 2006 (now ASC 740). ASC 740 provides specific guidance on the recognition, de-recognition and measurement of income tax positions in financial statements, including the accrual of related interest and penalties recorded in interest expense. An income tax position is recognized when it is more likely than not that it will be sustained upon examination based on its technical merits, and is measured as the largest amount that is greater than 50% likely of being realized upon ultimate settlement. Under Canadian GAAP, the Company recognizes and measures income tax positions based on the best estimate of the amount that is more likely than not to be realized. The adoption of this standard did not have any impact on the Company's US GAAP results.

b) Under Canadian GAAP, income taxes are measured using substantively enacted tax rates, while under US GAAP, measurement is based upon enacted tax rates. There is a difference between the enacted and substantively enacted rates for the periods presented, however; this difference does not result in a difference in the financial statements.

c) Deferred tax asset

Under US GAAP, investment tax credits are included in the determination of deferred tax assets whereas under Canadian GAAP, investment tax credits are not considered in the determination of future tax assets but are disclosed separately on the balance sheet. Including the investment tax credits as a deferred tax asset under US GAAP would have the impact of increasing the Company's deferred tax assets by $460,748 as a June 30, 2011 (December 31, 2010 - $266,048) with an offsetting decrease in the non-refundable investment tax credits asset.

9. RECONCILIATION WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

d) Fiscal periods subject to examination

The Company files tax returns in Canada and the United States. Generally, the years 2008 to 2010 remain subject to examination by tax authorities.

4. Fair Value Measurements

Effective January 1, 2008, the Company adopted FASB standard SFAS No. 157, *Fair Value Measurements* (now ASC 820), which defines fair value, establishes a framework and prescribes methods for measuring fair value and outlines the additional disclosure requirements on the use of fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price in the principal or most advantageous market for an asset or liability in an orderly transaction between market participants at the measurement date). ASC 820 establishes a three-level hierarchy that prioritizes the inputs used to measure fair value. The three levels of fair value hierarchy based on the reliability that prioritizes the inputs are as follows:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Inputs are significant observable inputs other than quoted prices included in level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data; and

Level 3 - Inputs are significant unobservable inputs that reflect the reporting entity’s own assumptions and are supported by little or no market activity.

9. RECONCILIATION WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

4. Fair Value Measurements (Continued)

The Company’s financial assets and liabilities that are measured at fair value on a recurring basis have been segregated into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date in the table below.

Financial assets and liabilities measured at fair value as at June 30, 2011 in the financial statements on a recurring basis are summarized below:

	Level 1	Level 2	Level 3	Total Balance
Cash and cash equivalents	**$5,862,433**	**$ —**	**$ —**	**$5,862,433**

Financial assets and liabilities measured at fair value as at December 31, 2010 in the financial statements on a recurring basis are summarized below:

	Level 1	Level 2	Level 3	Total Balance
Cash and cash equivalents	$5,693,264	$ —	$ —	$5,693,264

10. SUBSEQUENT EVENTS

On August 17, 2011, the Company was acquired by OraSure Technologies, Inc. for $50 million in cash.

OraSure Technologies, Inc.
Unaudited Pro Forma Condensed Consolidated Financial Statements
(Expressed in U.S. Dollars)

ORASURE TECHNOLOGIES, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Overview

On August 17, 2011, OraSure Technologies, Inc. (the “Company” or “OraSure”), through a wholly-owned subsidiary, acquired all of the outstanding capital stock of DNA Genotek Inc. (“DNAG”), pursuant to the terms of a Support Agreement dated July 25, 2011. The purchase price was $50 million Canadian dollars (“CDN”) and was funded by the Company with cash on hand.

The Company’s Unaudited Pro Forma Condensed Consolidated Balance Sheet as of June 30, 2011 is based upon the historical unaudited balance sheet of the Company as of June 30, 2011 (as filed with the Securities and Exchange Commission (the “SEC”) in its Quarterly Report on Form 10-Q on August 5, 2011), combined with the unaudited balance sheet of DNAG, as set forth in Exhibit 99.2 to the Company’s Amendment No. 1 to Current Report on Form 8-K/A filed November 2, 2011 (“Amendment No. 1 to Current Report”), after giving effect to the conversion from Canadian generally accepted accounting principles (“Canadian GAAP”) to generally accepted accounting principles in the United States (“U.S. GAAP”), the translation of the balance sheet of DNAG from Canadian dollars to U.S. dollars, and the pro forma impact of applying the purchase method of accounting in accordance with U.S. GAAP.

The Company’s Unaudited Pro Forma Condensed Consolidated Statement of Operations for the six months ended June 30, 2011 is based upon the historical unaudited statement of operations of the Company for the six months ended June 30, 2011 (as filed with the SEC in its Quarterly Report on Form 10-Q on August 5, 2011), combined with the unaudited statement of operations of DNAG for the six months ended June 30, 2011, as set forth in Exhibit 99.2 to Amendment No. 1 to Current Report. The Company’s Unaudited Pro Forma Condensed Consolidated Statement of Operations for the year ended December 31, 2010 is based upon the historical audited statement of operations of the Company for the year ended December 31, 2010 (as filed with the SEC in its Annual Report on Form 10-K on March 10, 2011), combined with the audited statement of operations of DNAG for the year ended December 31, 2010, as set forth in Exhibit 99.1 to Amendment No. 1 to Current Report. The statements of operations for DNAG have been translated from Canadian dollars to U.S. dollars (“USD”) at the average exchange rates experienced during the covered periods. Pro forma adjustments or reclassifications included therein are based upon available information and assumptions that the Company believes are reasonable.

The Unaudited Pro Forma Condensed Consolidated Balance Sheet is presented as if the acquisition of DNAG had occurred on June 30, 2011. The Unaudited Pro Forma Condensed Consolidated Statements of Operations for the six months ended June 30, 2011 and for the year ended December 31, 2010 depict the effect of the acquisition of DNAG, as if the transaction had occurred on January 1, 2010. The historical financial information has been adjusted to give effect to pro forma events that are directly attributable to the acquisition, are factually supportable, and with respect to the Unaudited Pro Forma Condensed Consolidated Statements of Operations, expected to have a continuing impact on the combined results of the Company and DNAG. The assumptions used to prepare the Unaudited Pro Forma Condensed Consolidated Financial

Statements are contained in the accompanying notes and should be reviewed in their entirety. These Unaudited Pro Forma Condensed Consolidated Financial Statements are for informational purposes only, in accordance with Article 11 of Regulation S-X. These financial statements are not necessarily indicative of future results or of actual results that would have been achieved had the DNAG acquisition been consummated on the dates presented, and should not be taken as representative of future consolidated operating results of the Company. The Unaudited Pro Forma Condensed Consolidated Financial Statements do not reflect any operating efficiencies or cost savings that the Company may achieve, or any additional expenses that the Company may incur, with respect to the combined companies.

The Unaudited Pro Forma Condensed Consolidated Balance Sheet was prepared using the purchase method of accounting. It includes the estimated fair values of the acquired tangible and intangible assets and assumed liabilities as of August 17, 2011, which are based on estimates and assumptions of the Company and the consideration paid. As explained in more detail in the accompanying notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements, the total purchase price of $50 million CDN has been allocated to the DNAG tangible and identifiable intangible assets acquired and the liabilities assumed, based upon preliminary estimated fair values at August 17, 2011. The excess of the fair value of the consideration paid over the estimated fair value of the assets acquired and liabilities assumed has been recorded as goodwill. Independent valuation specialists are currently conducting analyses in order to assist management of the Company in determining the fair values of the selected assets and liabilities. The Company’s management is responsible for these internal and third party valuations and appraisals and is continuing to finalize the valuations of these net assets. The fair value allocation of the purchase price is subject to change upon the finalization of these valuation analyses, which is expected to be completed prior to the Company’s filing of its Annual Report on Form 10-K for the year ended December 31, 2011. Any change in amounts allocated to intangible assets would likewise change the amount of amortization expense associated with those same intangibles.

The Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the historical financial statements and accompanying notes thereto of the Company contained in its Annual Report on Form 10-K for the year ended December 31, 2010, its Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2011 and June 30, 2011, and its Current Report on Form 8-K filed on August 18, 2011, and DNAG’s audited financial statements for the years ended December 31, 2010 and 2009, and DNAG’s unaudited financial statements as of June 30, 2011 and for the three and six months ended June 30, 2011 and 2010, included as Exhibits 99.1 and 99.2, respectively, to Amendment No. 1 to Current Report.

ORASURE TECHNOLOGIES, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2011

	ORASURE TECHNOLOGIES, INC.	DNA GENOTEK INC.	PRO FORMA ADJUSTMENTS	ELIMINATION ENTRIES	CONSOLIDATED
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 75,399,491	$ 6,073,363	$ (54,334,000) (a)	$ —	$ 27,138,854
Accounts receivable, net of allowance for doubtful accounts	11,744,080	2,314,826	—	—	14,058,906
Inventories	8,146,605	606,595	911,438 (b)	—	9,664,638
Prepaid expenses and other current assets	1,718,705	844,375	—	—	2,563,080
Total current assets	97,008,881	9,839,159	(53,422,562)	—	53,425,478
PROPERTY AND EQUIPMENT, net	19,478,446	786,508	—	—	20,264,954
INTANGIBLE ASSETS, net	4,434,919	—	27,438,863 (c)	—	31,873,782
GOODWILL	—	—	21,789,515 (d)	—	21,789,515
INVESTMENT IN DNA GENOTEK INC.	—	—	17,266,334 (e)	(17,266,334)	—
NOTE RECEIVABLE FROM DNA GENOTEK INC.	—	—	34,532,666 (f)	(34,532,666)	—
OTHER ASSETS	333,456	34,325	—	—	367,781
	$ 121,255,702	$ 10,659,992	$ 47,604,816	$(51,799,000)	$ 127,721,510
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Current portion of long-term debt	$ 7,541,680	$ —	$ —	$ —	$ 7,541,680
Accounts payable	3,723,978	617,598	—	—	4,341,576
Deferred income taxes	—	74,728	248,539 (g)	—	323,267
Accrued expenses and other	8,788,184	1,083,917	—	—	9,872,101
Total current liabilities	20,053,842	1,776,243	248,539	—	22,078,624
DEFERRED INCOME TAXES	—	—	6,976,026 (g)	—	6,976,026
NOTE PAYABLE TO ORASURE TECHNOLOGIES, INC.	—	—	34,532,666 (f)	(34,532,666)	—
STOCKHOLDERS' EQUITY					
Common stock	47	—	—		47
Additional paid-in capital	245,057,576	6,328,660	10,937,674 (h)	(17,266,334)	245,057,576
Accumulated other comprehensive loss	(233,829)	—	—	—	(233,829)
Accumulated deficit	(143,621,934)	2,555,089	(5,090,089) (i)	—	(146,156,934)
Total stockholders' equity	101,201,860	8,883,749	5,847,585	(17,266,334)	98,666,860
	$ 121,255,702	$ 10,659,992	$ 47,604,816	$(51,799,000)	$ 127,721,510

See accompanying notes to the financial statements.

ORASURE TECHNOLOGIES, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2011

	ORASURE TECHNOLOGIES, INC.	DNA GENOTEK INC.	PRO FORMA ADJUSTMENTS	RECLASSIFICATION AND ELIMINATION ENTRIES	CONSOLIDATED
REVENUES:					
Product	$ 35,749,397	$ 7,566,927	$ —	$ —	$ 43,316,324
Licensing and product development	727,891	—	—	—	727,891
	36,477,288	7,566,927	—	—	44,044,215
COST OF PRODUCTS SOLD	12,949,493	1,670,687	591,783 (j)	259,703 (o)	15,471,666
Gross profit	23,527,795	5,896,240	(591,783)	(259,703)	28,572,549
OPERATING EXPENSES:					
Research and development	9,563,227	1,026,996	39,993 (j)	316,862 (o)	10,947,078
Sales and marketing	10,283,717	2,752,349	545,230 (j)	—	13,581,296
General and administrative	8,593,127	2,491,618	(265,000) (k)	(576,565) (o)	10,243,180
	28,440,071	6,270,963	320,223	(259,703)	34,771,554
Operating loss	(4,912,276)	(374,723)	(912,006)	—	(6,199,005)
INTEREST EXPENSE	(157,743)	—	(1,251,750) (l)	1,251,750 (p)	(157,743)
INTEREST INCOME	57,420	18,802	1,208,655 (m)	(1,251,750) (p)	33,127
FOREIGN CURRENCY LOSS	(18,374)	(16,663)	—	—	(35,037)
OTHER EXPENSE	(5,530)	—	—	—	(5,530)
Loss before income taxes	(5,036,503)	(372,584)	(955,101)	—	(6,364,188)
INCOME TAX BENEFIT	—	(213,722)	(644,279) (n)	—	(858,001)
NET LOSS	$ (5,036,503)	$ (158,862)	$ (310,822)	$ —	$ (5,506,187)
LOSS PER SHARE:					
BASIC AND DILUTED	$ (0.11)				$ (0.12)
SHARES USED IN COMPUTING LOSS PER SHARE					
BASIC AND DILUTED	46,666,895				46,666,895

See accompanying notes to the financial statements.

ORASURE TECHNOLOGIES, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2010

	ORASURE TECHNOLOGIES, INC.	DNA GENOTEK INC.	PRO FORMA ADJUSTMENTS	RECLASSIFICATION AND ELIMINATION ENTRIES	CONSOLIDATED
REVENUES:					
Product	$ 71,198,520	$ 14,288,511	$ —	$ —	$ 85,487,031
Licensing and product development	3,816,316	—	—	—	3,816,316
	75,014,836	14,288,511	—		89,303,347
COST OF PRODUCTS SOLD	27,655,507	2,358,493	1,227,531 (j)	493,620 (o)	31,735,151
Gross profit	47,359,329	11,930,018	(1,227,531)	(493,620)	57,568,196
OPERATING EXPENSES:					
Research and development	13,191,917	1,958,527	80,649 (j)	552,148 (o)	15,783,241
Sales and marketing	20,727,667	5,452,371	1,192,479 (j)	—	27,372,517
General and administrative	16,793,852	4,195,176	489,805 (j)	(1,045,768) (o)	20,433,065
	50,713,436	11,606,074	1,762,933	(493,620)	63,588,823
Operating income (loss)	(3,354,107)	323,944	(2,990,464)	—	(6,020,627)
INTEREST EXPENSE	(316,185)	—	(2,405,697) (l)	2,405,697 (p)	(316,185)
INTEREST INCOME	151,757	20,093	2,297,678 (m)	(2,405,697) (p)	63,831
FOREIGN CURRENCY GAIN (LOSS)	5,240	(268,116)	—	—	(262,876)
OTHER INCOME	16,350	—	—	—	16,350
Net income (loss) before income taxes	(3,496,945)	75,921	(3,098,483)	—	(6,519,507)
INCOME TAX BENEFIT	—	(359,853)	(1,289,422) (n)	—	(1,649,275)
NET INCOME (LOSS)	$ (3,496,945)	$ 435,774	$ (1,809,061)	$ —	$ (4,870,232)
LOSS PER SHARE:					
BASIC AND DILUTED	$ (0.08)				$ (0.11)
SHARES USED IN COMPUTING LOSS PER SHARE					
BASIC AND DILUTED	46,187,332				46,187,332

See accompanying notes to the financial statements.

1. Background and basis of pro forma presentation.

On August 17, 2011 (the “Acquisition Date”), the Company, through a wholly-owned subsidiary, acquired all of the outstanding capital stock of DNAG, pursuant to the terms of a Support Agreement dated July 25, 2011. The purchase price was $50 million CDN (approximately $52 million in U.S. dollars at June 30, 2011 exchange rates) and was funded by the Company with cash on hand. Of the $50 million CDN purchase price, $5 million CDN (or approximately $5.2 million in U.S. dollars at June 30, 2011 exchange rates) was deposited in escrow for a limited period after closing, pursuant to DNAG’s indemnification obligations under the purchase agreement.

The acquisition of DNAG has been accounted for using the purchase method of accounting, in accordance with U.S. GAAP. Under the purchase method of accounting, the total purchase price is allocated to the tangible and identifiable intangible assets acquired and the liabilities assumed based upon their respective preliminary estimated fair values as of the Acquisition Date. The excess of the fair value of the consideration paid over the estimated fair value of the assets acquired and liabilities assumed was recorded as goodwill. For purposes of the purchase price allocation, fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value guidance also requires that the fair value measurements reflect the assumptions market participants use in pricing an asset or liability based upon the best information available. Under the purchase method of accounting, acquisition related transaction costs, such as success-based banking fees and professional fees, are not included as a component of consideration transferred, but rather are accounted for as expenses in the periods in which the costs are incurred.

The Unaudited Pro Forma Condensed Consolidated Balance Sheet was prepared using the purchase method of accounting. The estimated fair values of the acquired tangible and intangible assets and assumed liabilities as of August 17, 2011, which are based on estimates and assumptions of the Company, the consideration paid, and the entries to record the transaction costs incurred, are reflected within the pro forma adjustment entries. The Unaudited Pro Forma Condensed Consolidated Balance Sheet is presented as if the acquisition of DNAG had occurred on June 30, 2011. The Unaudited Pro Forma Condensed Consolidated Statements of Operations for the six months ended June 30, 2011 and for the year ended December 31, 2010 depict the effect of the acquisition of DNAG, as if the transaction had occurred on January 1, 2010.

2. Preliminary purchase price allocation.

For purposes of the Unaudited Pro Forma Condensed Consolidated Balance Sheet, the approximate $52 million USD purchase price has been allocated based upon a preliminary estimate of the fair values of the acquired tangible and intangible assets and assumed liabilities. The determination of the estimated fair value allocation of the purchase price required management of the Company to make significant estimates and assumptions. These estimates and assumptions are preliminary and are subject to change. Independent valuation specialists, using these estimates and assumptions, are currently conducting analyses to assist management of the Company in determining the estimated fair value of acquired intangibles. The work performed by the independent valuation specialists, while not yet finalized, has been considered in management's estimates of the fair values reflected. Finalization of the valuation analysis by the independent valuation specialists may result in asset and liability fair values that are different than the preliminary estimates of the amounts included herein.

The following table summarizes the preliminary allocation of the purchase price to the estimated fair values of the assets acquired and the liabilities assumed as if the acquisition of DNAG occurred on June 30, 2011:

	USD
Current assets	$10,750,597
Property, plant and equipment	786,508
Other assets	34,325
Acquired intangible assets	27,438,863
Goodwill	21,789,515
Total assets acquired	60,799,808
Current liabilities	(1,776,243)
Deferred tax liability	(7,224,565)
Total liabilities assumed	(9,000,808)
Purchase price	$51,799,000

The following represents details of the purchased intangible assets as part of the acquisition:

Description	Estimated Useful Life (in yrs)	USD
Customer list	10	$12,278,130
Acquired technology	7	9,472,138
Tradename	15	4,674,270
Non-compete agreements	2	1,014,325
Total acquired intangible assets		$27,438,863

The acquisition of DNAG will provide the Company with an opportunity to access and expand its business in the molecular diagnostics marketplace. This factor contributed to a purchase price resulting in goodwill. The acquired goodwill will not be amortized, and also is not deductible for income tax purposes.

3. Historical financial statements.

The historical financial statements of DNAG as presented in the Unaudited Pro Forma Condensed Consolidated Financial Statements were derived from the DNAG audited and unaudited financial statements included in Exhibits 99.1 and 99.2 to Amendment No. 1 to Current Report. DNAG's historical financial statements are denominated in Canadian dollars. For purposes of the pro forma financial statements, DNAG's balance sheet and statements of operations were translated from Canadian dollars to U.S. dollars, using the closing exchange rate of $1.036 for the balance sheet amounts at June 30, 2011; the average exchange rate of $1.024 for the statement of operations amounts for the six months ended June 30, 2011; and the average exchange rate of $0.9715 for the statement of operations amounts for the year ended December 31, 2010. DNAG's historical financial statements were also prepared in accordance with Canadian GAAP. The reconciliations of the balance sheet and the statements of operations from Canadian GAAP to U.S.GAAP are depicted below.

DNA GENOTEK, INC.
BALANCE SHEET
AS OF JUNE 30, 2011

	Canadian GAAP (CDN)	U.S. GAAP Adjustments (CDN)	U.S. GAAP (CDN)	U.S. GAAP (USD)
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 5,862,433	$ —	$ 5,862,433	$ 6,073,363
Accounts receivable, net of allowance for doubtful accounts	2,234,431	—	2,234,431	2,314,826
Inventories	585,528	—	585,528	606,595
Prepaid expenses and other current assets	815,049	—	815,049	844,375
Total current assets	9,497,441	—	9,497,441	9,839,159
PROPERTY AND EQUIPMENT, net	759,192	—	759,192	786,508
OTHER ASSETS	33,133	—	33,133	34,325
	$10,289,766	$ —	$10,289,766	$10,659,992
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Accounts payable	$ 596,149	$ —	$ 596,149	$ 617,598
Deferred income taxes	72,133	—	72,133	74,728
Accrued expenses and other	1,046,271	—	1,046,271	1,083,917
Total current liabilities	1,714,553	—	1,714,553	1,776,243
STOCKHOLDERS' EQUITY				
Common stock and additional paid-in capital	6,108,863	713,187 (1)	6,822,050	6,328,660
Retained Earnings	2,466,350	(713,187) (1)	1,753,163	2,555,089
Total stockholders' equity	8,575,213	—	8,575,213	8,883,749
	$10,289,766	$ —	$10,289,766	$10,659,992

DNA GENOTEK, INC.
STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2011

	Canadian GAAP (CDN)	U.S. GAAP Adjustments (CDN)	U.S. GAAP (CDN)	U.S. GAAP (USD)
REVENUES	$7,389,736	$ —	$7,389,736	$7,566,927
COST OF PRODUCTS SOLD	1,631,565	—	1,631,565	1,670,687
Gross profit	5,758,171	—	5,758,171	5,896,240
OPERATING EXPENSES	5,879,355	244,764 (2)	6,124,119	6,270,963
Operating loss	(121,184)	(244,764)	(365,948)	(374,723)
OTHER INCOME	2,089	—	2,089	2,139
Loss before income taxes	(119,095)	(244,764)	(363,859)	(372,584)
INCOME TAXES (BENEFIT)	(14,017)	(194,700) (3)	(208,717)	(213,722)
NET LOSS	$ (105,078)	$ (50,064)	$ (155,142)	$ (158,862)

DNA GENOTEK, INC.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Canadian GAAP (CDN)	U.S. GAAP Adjustments (CDN)	U.S. GAAP (CDN)	U.S. GAAP (USD)
REVENUES	$14,708,488	$ —	$14,708,488	$14,288,511
COST OF PRODUCTS SOLD	2,427,815	—	2,427,815	2,358,493
Gross profit	12,280,673	—	12,280,673	11,930,018
OPERATING EXPENSES	11,081,918	865,289 (2)	11,947,207	11,606,074
Operating income (loss)	1,198,755	(865,289)	333,466	323,944
OTHER EXPENSE	(255,313)	—	(255,313)	(248,023)
Income before taxes	943,442	(865,289)	78,153	75,921
INCOME TAXES (BENEFIT)	233,023	(603,453) (3)	(370,430)	(359,853)
NET INCOME (LOSS)	$ 710,419	$ (261,836)	$ 448,583	$ 435,774

(1) To reflect the cumulative adjustment to account for stock based compensation and to reflect the cumulative repurchase of stock both in accordance with U.S. GAAP.

(2) To account for additional stock based compensation expense of $50,064 and $261,836 for the periods ended June 30, 2011 and December 31, 2010, respectively, in accordance to U.S. GAAP plus the reclassification described in Note 3 below. Canadian GAAP allows privately held enterprises to use the minimum value methodology to value stock options granted to employees. U.S. GAAP does not allow the use of the minimum value method and requires forfeitures to be estimated at the grant date. For additional information see Note 14 to the financial statements in Exhibit 99.1.

(3) For periods ended June 30, 2011 and December 31, 2010, this adjustment includes a reclassification of $194,700 and $603,453, respectively, to income tax expense for investment tax credits that were classified as a reduction of research and development expense under Canadian GAAP. Investment tax credits are considered a reduction of income tax expense under U.S. GAAP.

4. Pro forma adjustments, reclassifications, and eliminations.

The historical financial information has been adjusted to give effect to pro forma events that are directly attributable to the acquisition, factually supportable, and with respect to the Unaudited Pro Forma Condensed Consolidated Statements of Operations, expected to have a continuing impact on the combined results of the companies. Certain amounts in the historical financial statements of DNAG have been reclassified to conform to the Company’s financial statement presentation. The following pro forma adjustments are included in the Unaudited Pro Forma Condensed Consolidated Financial Statements:

(a) Represents the adjustment to record the Company’s cash consideration of $51,799,000 paid from the Company’s available cash on hand, converted to U.S. dollars using the June 30, 2011 exchange rate of 1.036. The amount also includes an adjustment to reduce OraSure’s cash available at June 30, 2011 by a total of $2,535,000 for transaction costs related to the acquisition.

(b) Represents the purchase accounting adjustment related to assigning a fair value to the acquired DNAG inventory on August 17, 2011, commonly referred to as “stepped-up value,” of $879,783 CDN converted to USD at the June 30, 2011 exchange rate. This non-recurring, non-cash charge to cost of products sold will occur over the expected inventory turn-period, as the related finished goods inventory is sold.

(c) Represents the adjustment to record the fair value of the intangible assets purchased. Total intangible assets acquired were $26,485,900 CDN converted at the June 30, 2011 exchange rate. The intangible assets will be amortized on a straight-line basis over their estimated useful lives ranging from 1 to 15 years.

(d) Represents the adjustment to record the excess of the purchase price paid over the net assets acquired.

(e) Represents the adjustment to record OraSure’s intercompany investment in DNAG. This amount will be eliminated in consolidation against the capital contribution recorded on DNAG’s books.

(f) As part of the consideration paid, OraSure issued a long-term intercompany note payable in the principal amount of $33,333,333 CDN to DNAG, bearing interest at a fixed rate of 7.5%. This intercompany amount is eliminated in consolidation.

(g) To record the deferred income tax liability associated with the non tax-deductible values for intangible assets and for the “stepped-up value” of inventory at the effective tax rates for the period in which the deferred income tax liability is expected to reverse.

(h) Represents the corresponding adjustment to (e) above to record the contributed capital provided by OraSure to DNAG, net of the elimination of DNAG’s historical balance of additional paid-in capital.

(i) Represents the elimination of DNAG’s historical retained earnings and the impact of the transaction costs of $2,535,000 in (a) above.

(j) Represents amortization expense related to the intangibles acquired in the transaction.

(k) Represents amortization expense of approximately $235,000 related to the purchased intangibles offset by transaction costs of approximately $500,000 incurred by both companies during the six months ended June 30, 2011.

(l) Represents the adjustment to record interest expense on the intercompany note payable at 7.5%.

(m) Represents the adjustment to record interest income received from the intercompany note payable, offset by a decrease in interest income earned on the average cash balances due to the reduction in cash for consideration paid, assuming the transaction occurred on January 1, 2010.

(n) To record the deferred income tax benefit related to non tax-deductible amortization expense associated with the acquired intangible assets, in addition to the tax benefit realized as a result of DNAG’s estimated taxable loss incurred after consideration of intercompany interest expense.

(o) To reclassify general and administrative expenses consistent with OraSure’s classification policies.

(p) Elimination of intercompany interest.