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Response
Biomedical Corp.

**1st Quarter Report
2003**

Dear Shareholder:

The first quarter of 2003 was a productive time of transition for the Company, marked by the addition of Mr. John Meekison as Chief Financial Officer, increasing revenue from RAMP biodefense sales, and entering into an agreement with a Global 500 healthcare company to fund the development of the next generation RAMP System, potentially one of the most significant initiatives undertaken by the Company.

In February, Mr. John Meekison, former Vice President, Investment Banking, Dlouhy Merchant Group Inc., joined the senior management team as Chief Financial Officer. Mr. Meekison brings 15 years of investment banking and corporate finance experience, specializing in raising public and private equity capital for junior technology companies. Prior to opening and managing the Vancouver office for Dlouhy Merchant Group, a Montreal-based institutional investment dealer, Mr. Meekison served as Vice President, Corporate Finance with Haywood Securities Inc. for almost 10 years. Mr. Meekison succeeds Mr. Rob Pilz, who assumed the position of Vice President, Finance at Class Software Solutions, a private market-leading software company.

I'd like to acknowledge Rob's considerable contribution in implementing efficient operational infrastructure and systems enabling our successful transition from an R&D focused company into a fully-integrated, development and manufacturing operation. In addition to expanding our sales and marketing efforts, a key objective is to raise our level of communication and profile in both the financial and biomedical communities. John's knowledge of North American capital markets and expertise in corporate finance will be invaluable to the Company as we advance priority development programs, support biodefense sales and prepare to launch our cardiac maker tests early in 2004.

Response Biomedical's long-term vision for RAMP includes commercializing an affordable "miniRAMP" with a broad portfolio of tests for use in hospitals, doctors' offices, ambulances, home, businesses, and anywhere rapid, reliable diagnostic information is needed. To this end, we entered into a research collaboration funded by a Global Fortune 500 healthcare company on the next generation RAMP System for entirely new market applications. For competitive reasons, the particulars of the program must remain confidential at this time, however, the Global 500 company approached Response Biomedical after considerable due diligence and has provided initial proceeds of more than \$140,000. Importantly, the parties intend to enter into negotiations to form a worldwide agreement to market the miniaturized RAMP Systems, and this collaboration further evidences the considerable commercial potential of our technology platform in entirely new applications.

Although funding delays during 2002 impacted biodefense sales industry-wide, the recent release of government grant money in the US and Canada is now beginning to reach potential purchasers, contributing to a marked increase in RAMP sales. March proved to be our best month on record with revenue of more than \$130,000 strictly from biological detection. Furthermore, as biodefense initiatives become permanent budget items and money flows to first responders, the market opportunity for RAMP appears as large as originally anticipated.

The considerable value of RAMP in reducing the impact of a hoax was clearly demonstrated when RAMP was instrumental in allowing first responders to diffuse a prominent and credible biological threat in Edmonton. Following the purchase of seven systems in Alberta, RAMP was used to positively identify two biological hoaxes on the first day the system was received.

One credible threat involved a suspect letter addressed to the Federal Gun Registry, received at a mail sorting facility with 150 employees. Instead of decontaminating employees and closing the facility for days pending confirmatory lab results, RAMP was used to quickly and confidently dismiss the threat and operations resumed within a few hours. Although difficult to quantify, the cost savings alone were estimated in the tens of thousands of dollars.

On behalf of management and staff, I would like to acknowledge the continued support of the Company's shareholders as we strive to become the worldwide leader in the on-site immunoassay market.

Sincerely,



Bill Radvak
President & Chief Executive Officer
May 30, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL OPERATIONS

Response Biomedical Corp, the "Company", develops, manufactures and markets quantitative and highly sensitive qualitative diagnostic tests for use with its proprietary RAMP[®] System for clinical, STAT-lab and point-of-care applications. While historically in the development stage, the Company has recently commenced commercial operations and is actively engaged in the marketing and selling of its products. The Company continues to invest in research and development as part of its ongoing product development strategy.

The following discussion and analysis should be read in conjunction with the unaudited consolidated interim financial statements for the three months ended March 31, 2003, including the related notes therein, the audited consolidated financial statements, prepared in accordance with Canadian generally accepted accounting principles for the year ended December 31, 2002, and the Management's Discussion and Analysis of Financial Operations section of the Company's 2002 Annual Report.

This discussion includes forward-looking statements made by management that involve uncertainties and risks, including those discussed herein. Such forward-looking statements should be given careful consideration and undue reliance should not be placed on these statements. All amounts are expressed in Canadian dollars unless otherwise indicated.

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RESULTS OF OPERATIONS

For the three months ended March 31, 2003, the Company reported a net loss of \$1,053,324 (\$0.02 per share) as compared to a net loss of \$1,442,483 (\$0.04 per share) for the same period last year.

Revenues

Revenues from product sales for the quarter ended March 31, 2003 were \$204,164 as compared to \$nil for the same period last year. Initial sales of RAMP environmental systems began in the fourth quarter of 2002. Revenues in the first quarter of 2003 were generated primarily from sales of RAMP Environmental Test Kits.

Expenses

General and administrative expenses for the quarter ended March 31, 2003, increased by \$13,467 or 4% to \$346,729 compared to \$333,262 for the same period in 2002. The Company recorded \$85,000 in loan costs relating to amortizing fair value of loan guarantees. This was partially offset by a reduction in consulting services over the prior year and a UBC license fee expense in the first quarter of last year.

Marketing and business development expenses increased by \$129,787 or 221% to \$188,635 for the quarter ended March 31, 2003, compared to \$58,848 for the same period in 2002. The primary reason for the increase is due to the hiring of a sales and marketing team, use of demos and product promotion materials, distributor training to improve effectiveness of relationship selling, participation in trade conferences and related travel costs to promote RAMP products to new target markets in North America, Asia and Europe.

Manufacturing overhead costs were \$55,589 for the quarter ended March 31, 2003, compared to \$nil for the same period last year. The significant amounts for the first quarter in 2003 consisted of \$41,000 for indirect labour and benefits, and \$14,000 in amortization on manufacturing equipment.

Research and development expenditures decreased by \$72,192 or 11% to \$575,816 for the quarter ended March 31, 2003, compared to \$648,008 for the same period in 2002. The decrease is primarily due to the completion of the anthrax environmental test project and reader development project in 2002.

Consulting fees increased by \$90,000 for the management of new projects, including RAMP miniaturization and increased quality control systems and documentation costs.

Other Income/Expenses

During the period ended March 31, 2003, interest expense was \$14,260 compared to \$438,342 for the same period in 2002. The expense in the first quarter of 2003 represents interest on the Company's line of credit. The interest expense in 2002 included \$403,481 representing the deemed fair market value

of bonus shares and warrants issued to lenders as part of a loan facility agreement, which were converted to shares effective April 1, 2002.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2003, the Company had cash and cash equivalents of \$16,151 as compared to \$1,075 at December 31, 2002. The Company's net working capital position as of March 31, 2003 was a deficit of \$1,407,711, a decrease of \$336,945 over the December 31, 2002 working capital deficit of \$1,070,766. During the three month period ended March 31, 2003, the Company relied on revenues from product sales, a collaborative research arrangement with a Fortune 500 company, and funds from a bank credit line. The Company received proceeds of \$490,000 from the exercise of 1.1 million warrants at \$0.45 and \$145,000 from the exercise of stock options.

Until the Company receives significant revenue from product sales, it will continue to fund its operations from a combination of the sale and issuance of equity securities, contract service fees, collaborative research arrangements, and debt financing.

RISKS AND UNCERTAINTIES

In addition to the general business risks outlined in the Overview, the Company has had an ongoing need to raise additional funds to continue conducting its research and development programs and clinical trials, purchase capital equipment and commercialize its products. There can be no assurance that such funds will be available on favorable terms, or at all. If adequate funding is not available, the Company may be required to delay, reduce or eliminate one or more of its research or development programs or obtain funds through arrangements with corporate partners or others that may require the Company to relinquish greater or all rights to product candidates at an earlier stage of development or on less favorable terms than the Company would otherwise seek. Insufficient funding may also require the Company to relinquish rights to certain of its technologies that the Company would otherwise develop itself.

Further to this, as a result of being undercapitalized, the Company continues to experience a chronic working capital shortage that has hampered certain aspects of the Company's business. This has led to, among other things, additional expenses related to interest charges from outstanding short-term loans and deferral of certain corporate programs due to associated costs. The Company is attempting to address this issue by both raising additional equity capital and pursuing product sales.

CONSOLIDATED INTERIM BALANCE SHEETS

(Expressed in Canadian dollars)	March 31 2003 \$ (Unaudited)	December 31 2002 \$ (Audited)
ASSETS		
Current		
Cash and cash equivalents	16,151	1,075
Amounts receivable	178,853	154,134
Inventories <i>[note 4]</i>	320,521	327,997
Prepaid expenses and other	138,144	98,911
Total current assets	653,669	582,117
Capital assets	237,025	226,483
Other assets <i>[note 5]</i>	171,472	53,900
	1,062,166	862,500
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current		
Demand loan payable	1,330,690	1,203,416
Accounts payable and accrued liabilities	531,992	398,259
Deferred revenue	198,698	51,208
Total current liabilities	2,061,380	1,652,883
Commitments		
Shareholders' deficiency		
Share capital	26,202,871	25,567,572
Contributed surplus	559,594	350,400
Deficit	(27,761,679)	(26,708,355)
Total shareholders' deficiency	(999,214)	(790,383)
	1,062,166	862,500

See accompanying notes
On behalf of the Board



William J. Radvak
Director



Brian G. Richards
Director

**CONSOLIDATED INTERIM STATEMENTS
OF LOSS AND DEFICIT**

(Expressed in Canadian dollars)	Three Months Ended March 31	
	2003 \$	2002 \$
	(Unaudited)	(Audited)
REVENUE		
Sales of product	204,164	—
Less: cost of sales	89,321	—
	114,843	—
EXPENSES		
General and administrative	346,729	333,262
Marketing and business development	188,635	58,848
Manufacturing Overhead	55,589	—
Research and development	575,816	648,008
	1,166,769	1,040,118
Other (income) expense:		
Interest expense	14,260	438,342
Interest income	(6)	(641)
Gain on settlement with creditors	—	(15,832)
Miscellaneous income	—	(15,000)
Foreign exchange gain	(12,856)	(4,504)
Total other (income) expense	1,398	402,365
Loss for the period	1,053,324	1,442,483
Deficit, beginning of period	26,708,355	22,034,699
Deficit for the end of period	27,761,679	23,477,182
Los per common share – basic and diluted	(\$0.02)	(\$0.03)
Weighted average number of common shares	47,043,229	38,269,460

See accompanying notes

**CONSOLIDATED INTERIM STATEMENTS
OF CASH FLOWS**

(Expressed in Canadian dollars)	Three Months Ended March 31	
	2003 \$	2002 \$
	(Unaudited)	(Audited)
OPERATING ACTIVITIES		
Loss for the year	(1,053,324)	(1,442,483)
Add (deduct) items not involving cash:		
Amortization	30,222	20,619
Gain on settlement	—	(15,832)
Stock-based compensation	6,000	76,000
Amortization of deferred loan costs	85,622	403,481
Change in non-cash working capital:		
Accounts and amounts receivable	(24,719)	(54,240)
Inventories	7,476	—
Prepaid expenses and other	(39,233)	1,02,741
Accounts payable and accrued liabilities	133,733	52,853
Deferred revenue	147,490	—
Cash used in operating activities	(706,733)	(1,062,343)
INVESTING ACTIVITIES		
Purchase of capital assets	(40,764)	(24,501)
Cash used in investing activities	(40,764)	(24,501)
FINANCING ACTIVITIES		
Proceeds from issuance of share capital,		
Net of share issue costs	635,299	2,086,041
Proceeds from demand loans payable	127,274	319,420
Cash provided by financing activities	762,573	2,405,461
Decrease' in cash and cash equivalents during the period	15,076	1,318,617
Cash and cash equivalents, beginning of period	1,075	88,384
Cash and cash equivalents, end of period	16,151	1,407,001
Supplemental Disclosure		
Interest Paid	14,260	34,861

See accompanying notes

1. BASIS OF PRESENTATION

The accompanying interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles on a basis consistent with the Company's annual financial statements for the year ended December 31, 2002.

These unaudited interim consolidated financial statements reflect, in the opinion of management, all adjustments (which include reclassifications and normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at March 31, 2003 and for all such periods presented. Certain comparative figures for prior periods have been reclassified to conform to the current presentation.

These statements should be read in conjunction with the audited financial statements for the year ended December 31, 2002 included in the Response Biomedical Corp. Annual Report filed with the appropriate securities commissions. The results of operations for the three month period ended March 31, 2003 are not necessarily indicative of the results for the full year.

2. INVENTORY

	March 31 2003 \$	December 31, 2002 \$
Raw materials	210,189	187,355
Work in process	66,449	66,449
Finished goods	43,883	74,193
	320,521	327,997

3. OTHER ASSETS

	March 31 2003 \$	December 31, 2002 \$
Deferred loan costs	171,472	53,900

Deferred loan costs represent the net fair value of bonus warrants issued a guarantee fees for demand loans secured by several of the Company's directors and a shareholder.

As part of the US\$665,000 credit facility, the Company issued 884,602 common share purchase warrants as consideration for providing guarantees. The fair value of the share purchase warrants amounting to \$203,194 has been credited to contributed surplus and is being amortized over the life of the loan guarantees.

4. SHARE CAPITAL

[a] **Authorized** - 100,000,000 common shares without par value.

Issued and outstanding	Number #	Amount \$
Balance, December 31, 2002	46,057,751	25,567,572
Issued for cash:		
Exercise of warrants	1,090,750	490,828
Exercise of stock options	437,224	144,471
Balance, March 31, 2003	47,585,725	26,202,871

[b] **Stock options**

At March 31, 2003 the following stock options were outstanding:

Range of exercise prices \$	Options outstanding March 31, 2003			Options exercisable March 31, 2003	
	Number of shares under option #	Weighted average remaining contractual life (years)	Weighted average exercise price \$	Number of options currently exercisable #	Weighted average exercise price \$
0.27 – 0.36	1,700,126	3.35	0.27	1,542,876	0.27
0.50 – 0.68	3,744,850	3.67	0.52	2,527,727	.052
0.73 – 0.95	337,450	2.74	0.84	182,700	.084
1.00 – 1.26	167,350	3.94	1.14	144,263	1.16
1.58 – 1.78	50,000	1.97	1.69	50,000	1.69
	5,999,776	3.40	0.50	4,447,566	0.48

The options expire at various dates from April 3, 2003 to March 21, 2008.

[c] **Common share purchase warrants**

Stock option transactions and the number of share options outstanding are summarized as follows:

	Number of optioned common shares #	Weighted average exercise price \$
Balance, December 31, 2002	6,172,300	0.49
Options granted	374,700	0.58
Options expired	(110,000)	1.25
Options exercised	(437,224)	0.33
Balance, March 31, 2003	5,999,776	0.50

[d] **Loss per common share**

	Three Months Ended March 31	
	2003 (Unaudited)	2002 (Audited)
Numerator		
Net loss for the period	\$1,053,324	\$1,442,483
Denominator		
Weighted average number of common shares outstanding	47,868,229	39,094,460
Less: escrowed shares	(825,000)	(825,000)
Weighted average number of common shares outstanding	47,043,229	38,269,460
Loss per common share – basic and diluted	\$ 0.02	\$ 0.03

[e] **Common share purchase warrants**

At March 31, 2003, the following common share purchase warrants were outstanding:

Number of common shares issuable	Exercise price \$	Date of expiry
1,197,682	0.62 - 0.63	June 1, 2003
410,426	0.75	June 30, 2003
700,621	0.45	September 30, 2003
183,981	0.55	September 30, 2003
2,492,710		

5. STOCK-BASED COMPENSATION

The estimated fair value of vested options granted to non-employees for services rendered in the amount of \$9,000 [2002 – 76,000] has been charged to expense and contributed surplus in the consolidated interim financial statements, based on the Black-Scholes options pricing model and a weighted average fair value of \$0.38 per option [2002 - \$0.33].

Had compensation expense for the Company's stock-based employee compensation plan been determined based on the fair value at the grant dates, additional compensation expense would have been recorded in the statement of operations for the period, with pro forma results as follows:

	Three Months Ended March 31, 2003 \$
Net loss – as reported	(1,053,324)
Net loss – pro forma	(1,176,318)
Loss per common share – as reported	0.02
Loss per common share – pro forma	0.03

The fair value of each option is estimated as at the grant date using the Black-Scholes option pricing model with the following weighted average assumptions: dividend yield 0.0%, expected volatility of 127%, risk-free interest rate of 3.4%, and expected average option term of 2.5 years. The weighted average fair value of the options granted to employees during the three month period ended March 31, 2003 was \$0.41 per option (2002 - \$0.59 per option).

6. PROJECTS UNDER DEVELOPMENT

The Company incurred research and development expenses relating to the following projects:

Project	Nine Months Ended September 30		Inception-to-date \$
	2002 \$	2001 \$	
RAMP® System	93,879	186,600	9,962,709
Troponin I	101,543	164,343	2,185,256
Anthrax	52,741	246,978	843,064
Other applications	327,653	50,087	2,068,636
	575,816	648,008	15,059,665

7. SUBSEQUENT EVENTS

[i] In March 2003, the Company obtained regulatory approval to extend the expiry date on common share purchase warrants issued in conjunction with the Company's March 2002 non-brokered private placement. The expiry date of the warrants was extended 60 days from April 1, 2003 to June 1, 2003.

[ii] In April 2003, the Company announced it was undertaking a non-brokered private placement consisting of 2,000,000 units at a price of \$0.50 per unit, each unit consisting of one common share and one-half of one common share purchase warrant. Each common share purchase warrant shall entitle the holder to purchase one common share of the Company at a price of \$0.50 per share for a period of 12 months from the closing date of the private placement.

[iii] In May 2003, the Company announced that it would increase the November 2002 US\$665,000 revolving demand credit facility with a Canadian chartered bank to US\$1,165,000. The interest rate on the credit facility will remain at the bank's prime rate. The increase in the facility will be guaranteed by a shareholder who, in consideration for the additional guarantee, will receive 793,542 non-transferable share purchase warrants. Each share purchase warrant will entitle the holder to purchase through June 30, 2004, one common share of the Company at a price of \$0.46 per common share. Shares issued as a result of the exercise of the share purchase warrants will have a four month hold period from the date of issue.



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