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Response
Biomedical Corp.

**2nd Quarter Report
2003**

Dear Shareholder

The Company continues to make important progress towards our end goal – having our RAMP® platform recognized as the world's leading rapid on-site immunoassay system. We have garnered considerable attention from the international business and scientific communities, favourably impressed by RAMP's performance. Leading medical experts, public health practitioners and potential business partners alike have evaluated our system and express confidence in the broad public health benefits and commercial potential based on growing ability to demonstrate RAMP's competitive advantages in multiple large market opportunities.

During the second quarter of 2003, the Company commercially launched the RAMP Pox Test, initiated development of the RAMP West Nile Virus Test, and secured additional financing by completing an \$850,000 private placement. With the continued support of its largest shareholder, the Company also increased and extended an operating line of credit by \$500,000 for an additional year.

After receiving considerable interest from first responders, the Company developed and introduced the RAMP Pox Test, the first rapid on-site environmental test capable of detecting orthopox viruses including smallpox. The US Centers for Disease Control and Prevention considers even one confirmed case of smallpox to constitute a public health emergency, and RAMP appears to be the world's first rapid on-site detection system capable of identifying smallpox. There is no effective treatment for smallpox disease, and the only prevention is vaccination. The commercially available RAMP Pox Test has a reliable detection level of 100,000 viral particles (3.6 nanograms) per swab. Furthermore, the test was also shown to recognize monkeypox and cowpox, the only orthopox viruses in addition to variola and vaccinia known to cause human infection.

Despite substantive progress throughout the quarter, we experienced a disappointing development in May when an authorized purchase order was received by the Company from the Domestic Preparedness Equipment Technical Assistance Program (DPETAP), and subsequently rescinded. Based on recent discussions, the Company has assurances from the technical experts at DPETAP that they are committed to purchase RAMP Systems, however, their senior staff were forced to reverse the decision to purchase, based on a July, 2002 communication issued by the White House Office of Science and Technology Policy. Although unfortunate, it is important to note, their forced rescission does not reflect their belief in the value of our technology, but rather, was political in nature. Also worth noting, this has had no negative effect on decision making by the first response community.

At the same time, the Company also entered into preliminary discussions with leading experts from Health Canada's National Microbiology Lab around potential collaborations to develop RAMP tests for infectious diseases, beginning with West Nile Virus. Subsequently, in less than five weeks development time, we commercially introduced the RAMP West Nile Virus Test, a high sensitivity rapid on-site environmental test capable of detecting low levels of the virus

in mosquitoes and crows. Based on a recent evaluation using infected mosquitoes, crows and live West Nile Virus, our RAMP test demonstrated a significant increase in sensitivity over other rapid on-site tests and performed well in relation to PCR-based analyzers. Independent evaluations are currently underway in the US.

The \$850,000 non-brokered private placement consisted of 1,700,000 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. Capital raised from the private placement has been applied to fund manufacturing, sales and marketing, clinical trials of CK-MB and troponin I, and product development. The line of credit, initially comprised of two facilities expiring on June 30, 2003 and September 30, 2003, was increased to US\$1,665,000 and extended to June 30, 2004.

Having achieved CE Mark, which provides market access throughout the European Union, and with multi-center clinical trials already underway for troponin I and CK-MB in preparation for FDA regulatory submission, I look forward to moving the Company's lead application for the early detection of heart attack into international markets early in 2004. On behalf of management and staff, I would like to acknowledge the continued support of the Company's shareholders as we progress toward our goal of commercializing RAMP as a full portable platform technology in large medical and environmental market opportunities.

Sincerely,



Bill Radvak
President & Chief Executive Officer
August 29, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL OPERATIONS

Response Biomedical Corp, the "Company", develops quantitative and highly sensitive qualitative diagnostic tests for use with its proprietary RAMP[®] Reader for clinical, STAT-lab and point-of-care applications. The Company is in the second quarter of commercial operations. The following discussion and analysis should be read in conjunction with the unaudited consolidated interim financial statements for the three and six months period ended June 30, 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.

RESULTS OF OPERATIONS

For the three months ended June 30, 2003, the Company reported a net loss of \$893,120 or \$0.02 per share as compared to a net loss of \$1,101,364 or \$0.03 per share for the same period last year. The net loss for the six months ended June 30, 2003 was \$1,946,444 or \$0.04 per share compared to a net loss of \$2,543,847 or \$0.06 per share for the same period in 2002.

Revenues

The three months ended June 30, 2003 represent the continued expansion of the Company's network of international distributors and customers. RAMP readers and test kits were sold to customers in Canada, United States, Europe, Middle East and Asia, generating \$190,719 of revenue. Additional revenue income of \$255,601 was earned through collaboration with a Fortune 500 company to miniaturize the RAMP technology. Of this figure, \$147,490 represents recognition of deferred revenues, for which payment was received in the first quarter of 2003 but not earned until the current quarter. For the six months ended June 30, 2003 the Company generated revenues of \$394,883 from RAMP sales and \$255,601 from the Company's collaboration.

Expenses

Cost of goods sold

Cost of goods sold for the three months ended June 30, 2003 was \$152,776 or 34% as a percentage of total sales and for the six month period ending June 30, 2003 was \$242,097 or 37% of total sales compared to nil last year. The Company expects that its gross margin will be maintained or increased through improved production processes and purchasing efficiencies as product sales increase.

Manufacturing

Manufacturing overhead expenses for the three months ended June 30, 2003 were \$99,919 and \$155,508 for the six month period ended June 30, 2003 compared to nil for the same periods in 2002. Significant costs for this quarter were direct labour and benefits of \$49,000, manufacturing supplies of \$10,000 and \$17,000 for amortization of manufacturing equipment and molds. Additional contract fees of \$16,000, of which \$7,500 was in the form of stock based compensation, were incurred for continued development of manufacturing equipment and processes. As a percentage of revenues, direct labour for the three months ended June 30, 2003 was 11% and was 12% for the six months ended June 30, 2003. As the size of production runs continues to increase and manufacturing efficiencies are achieved, the Company expects that labour costs will decline as a percentage of revenue.

Marketing and business development

Marketing and business development expenses increased to \$201,765 for the three month period ended June 30, 2003 compared to \$114,619 for the same period in 2002. The 76% increase was partly due to increased travel and related promotional efforts required to improve market awareness of the RAMP environmental and clinical products. Further, the Company hired two additional marketing personnel to assist in establishing the Company's distribution network in the US as well as increasing the Company's profile with potential customers in North America and international markets. The Company also incurred modest costs of \$3,000 for end user training and related selling expenses. These expenses are expected to increase proportionally as RAMP sales increase.

For the six month period ending June 30, 2003, marketing and business development expenses increased to \$390,400 compared to \$173,467 for the same period in 2002. The 125% increase reflects the addition of three marketing personnel and greater sales efforts to bring the RAMP test products to market.

Research and Development

Research and development expenditures decreased to \$536,449 for the three month period ended June 30, 2003 compared to \$636,662 for the same period in 2002. The 16% decrease results from reduced RAMP product development and consumable costs reflecting the completion of design and engineering for the RAMP reader and tests. Salary costs are also reduced as certain labour costs were reallocated from research and development to manufacturing and quality assurance. These reduced costs were somewhat offset by increased consulting and development expenditures for new test assays including High Sensitivity Troponin I, Smallpox and West Nile virus, development of equipment molds, RAMP miniaturization, and documentation of manufacturing processes required to obtain ISO 13485 certification.

Research and development expenditures for the six month period ended June 30, 2003 decreased to \$1,112,265 compared to \$1,284,670 the same period in 2002. The 13% decrease results from reduced product development and consumable costs related to the completion of a variety of RAMP tests including, Anthrax, Ricin, Botulinum Toxin, and Troponin I, and the completion of design and engineering relating to the RAMP reader and cartridge development. Salary costs remained constant until the second quarter at which time there was a reallocation of select staff resources to manufacturing and quality assurance. Reduced costs were partially offset by increased consulting and development required to conduct feasibility studies for RAMP miniaturization costs, new test development, documentation of manufacturing processes required to obtain ISO 13485 certification and CE Mark. The CE Mark, required for sales in the European Economic Union was obtained at the end of the first quarter of 2003.

General and administrative expenses

General and administrative expenses decreased to \$332,898 for the three month period ended June 30, 2003 compared to \$351,860 for the same period in 2002. The 5% decrease was primarily due to reduced consulting and other third party costs pertaining to investor relations. Though investor relations will continue to be an ongoing expense, additional funds are being allocated to Sales and Marketing as the Company's primary focus shifts to product sales.

General and administrative expenses decreased to \$679,627 for the six month period ended June 30, 2003 compared to \$685,122 for the same period in 2002 for the same reasons as explained above.

Other Income/Expenses

Interest income of \$398 was earned during the three months ended June 30, 2003 compared to \$2,724 for the same period in 2002. For the six months ending June 30 2003, interest income was \$404 whereas interest income was \$3,365 for the respective six month period in 2002. The Company did not receive any grant funding during the six months ending June 30, 2003, however during the six months ending June 30, 2002, the Company received grant income in the amount of \$24,985 to assist in the development of the RAMP Anthrax Test and for evaluation of the RAMP reader technology.

The Company currently has an unrealized foreign exchange gain of \$12,323 for the six months ended June 30, 2003, compared to a loss of \$6,428 for the six months ended June 30, 2002. The favourable position is due to the positive impact of the rising Canadian Dollar on the purchase of supplies and equipment from US suppliers.

Interest expense for the three months ended June 30, 2003 was \$15,498 compared to nil for the same period last year. Interest expense for the six months ended June 30, 2003 was \$29,758 year to date compared to \$438,342 for the same period last year. The reduction in interest expense is due to the conversion of debt to equity through a share issuance on April 1, 2002 and replacement of that loan with the current line of credit, thereby reducing the interest rate from 8% to prime. Prime rate at June 30, 2003 is 3.01%.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2003, the Company had cash and cash equivalents of \$87,123 compared to \$1,075 at December 31, 2002. The Company's net working capital position as of June 30, 2003 was a deficit of \$1,382,376, a decrease of \$311,609 over the December 31, 2002 working capital position of a

\$1,070,766 deficit. During the three month period ended June 30, 2003, the company received \$21,600 through the exercise of stock options and net proceeds of \$844,392 from the sale of equity securities through a private placement. During the six month period ended June 30, 2003, the Company received \$656,898 through the exercise of stock options and warrants and net proceeds of \$844,392 from the sale of equity securities.

Until the Company receives sufficient 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, revenues from collaborative research arrangements, trade receivables factoring and debt financing.

RISKS AND UNCERTAINTIES

The Company needs to raise additional funds to continue 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 and 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.

To the extent possible, management implements strategies to reduce or mitigate the risks and uncertainties associated with the Company's business. Operating risks include: (i) market acceptance of the Company's technology and products, (ii) the Company's ability to obtain and enforce timely patent protection of its technology and products, (iii) the competitive environment and impact of technological change, and (iv) the continued availability of capital to finance the Company's activities.

CONSOLIDATED INTERIM BALANCE SHEETS

(Expressed in Canadian dollars)	June 30	December 31
	2003	2002
	\$	\$
	(Unaudited)	(Audited)
ASSETS		
Current		
Cash and cash equivalents	87,123	1,075
Amounts receivable	165,491	154,134
Inventories [note 4]	391,883	327,997
Prepaid expenses and other	101,313	98,911
Total current assets	745,810	582,117
Capital assets	243,175	226,483
Other assets [note 5]	224,479	53,900
	1,214,004	862,500
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current		
Demand loans payable	1,672,692	1,203,416
Accounts payable and accrued liabilities	404,286	398,259
Deferred revenue	51,208	51,208
Total current liabilities	2,128,186	1,652,883
Commitments [note 8]		
Shareholders' deficiency		
Share capital [note 6]	27,068,863	25,567,572
Contributed surplus	671,754	350,400
Deficit	(28,654,799)	(26,708,355)
Total shareholders' equity (deficiency)	(914,182)	(790,383)
	1,214,004	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		Six Months Ended	
	June 30	June 30	June 30	June 30
	2003	2002	2003	2002
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
REVENUES				
Sales	446,320	—	650,484	—
Less: Cost of Sales	(152,776)	—	(242,097)	—
Gross Margin	293,544	—	408,387	—
EXPENSES				
General and administrative	332,898	351,860	679,627	685,122
Marketing and business development	201,765	114,619	390,400	173,467
Manufacturing Overhead	99,919	—	155,508	—
Research and development	536,449	636,662	1,112,265	1,284,670
	1,171,031	1,103,141	2,337,800	2,143,259
Other (income) expense:				
Interest expense	15,498	—	29,758	438,342
Interest income	(398)	(2,724)	(404)	(3,365)
Miscellaneous income	—	(9,985)	—	(24,985)
Gain on settlement with creditors	—	—	—	(15,832)
Foreign exchange loss (gain)	533	10,932	(12,323)	6,428
Total other (income) expense	15,633	(1,777)	17,031	400,588
Net loss for the period	893,120	1,101,364	1,946,444	2,543,847
Deficit, beginning of period	27,761,679	23,477,182	26,708,355	22,034,699
Deficit, end of period	28,654,799	24,578,546	28,654,799	24,578,546
Loss per common share – basic and diluted [note 6(d)]	\$0.02	\$0.03	\$0.04	\$0.06
Weighted average number of common shares [note 6(d)]	47,863,269	40,932,508	47,863,269	40,932,508

See accompanying notes

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Expressed in Canadian dollars)	Three Months Ended		Six Months Ended	
	June 30	June 30	June 30	June 30
	2003	2002	2003	2002
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
OPERATING ACTIVITIES				
Loss for the period	(893,120)	(1,101,364)	(1,946,444)	(2,543,847)
Add (deduct) items not involving cash:				
Amortization	32,027	19,741	62,249	40,360
Gain on settlement with creditors	—	—	—	(15,832)
Stock-based compensation	9,000	17,000	15,000	93,000
Amortization of deferred loan costs	50,153	—	135,775	403,481
Deferred revenue	(147,490)	—	—	—
Realized foreign exchange loss	—	5,900	—	5,900
Change in non-cash working capital:				
Amounts receivable	13,362	(2,107)	(11,357)	(56,347)
Inventories	(71,362)	(100,036)	(63,886)	(100,036)
Prepaid expenses and other	36,831	38,227	(2,402)	(64,514)
Accounts payable and accrued liabilities	(127,706)	(140,984)	6,027	(88,131)
Demand Loan Payable	342,001	—	469,276	—
Cash used in operating activities	(756,304)	(1,263,623)	(1,335,762)	(2,325,966)
INVESTING ACTIVITIES				
Deposit on capital asset purchase	—	(64,352)	—	(64,352)
Purchase of capital assets	(38,717)	—	(79,480)	(24,501)
Cash provided by (used in) investing activities	(38,717)	(64,352)	(79,480)	(88,853)
FINANCING ACTIVITIES				
Proceeds from issuance of share capital, net of share issue costs	865,992	251,278	1,501,291	2,337,31
Proceeds from loans payable to shareholders and directors	—	—	—	319,420
Cash provided by financing activities	865,992	251,278	1,501,291	2,656,73
Increase(decrease) in cash and cash equivalents during the period	70,972	(1,076,697)	86,048	241,920
Cash and cash equivalents, beginning of period	16,151	1,407,001	1,075	88,384
Cash and cash equivalents, end of period	87,123	330,304	87,123	330,304
Supplemental disclosure				
Interest paid	—	—	34,861	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 June 30, 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 six-month period ended June 30, 2003 are not necessarily indicative of the results for the full year.

2. ACCOUNTING POLICIES

Revenue Recognition

Revenue from product sales is recognized when the product is shipped to the customer, provided the company has not retained any significant risks of ownership or future obligations with respect to products shipped. Revenue from product sales is recognized net of discounts. Provisions for future returns and allowances are established in the same period as the related product sales and are based on an estimate.

Inventories

Raw materials inventory is carried at the lower of actual cost and replacement cost. Finished goods and work in process inventories are carried at the lower of weighted average cost and net realizable value.

3. CHANGE IN ACCOUNTING PRINCIPLE

Stock-based compensation

Stock-based compensation

Effective January 1, 2002, the Company has adopted the recommendations of the new CICA Handbook Section 3870 Stock-Based Compensation and Other Stock-Based Payments. The new section establishes the standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. The standard requires that all stock-based awards made to non-employees be measured and recognized using a fair value based method. The standard encourages the use of the fair value based method of accounting for all employee stock-based compensation plans, but only requires the use of the fair value method for direct awards of stock, stock appreciation rights, and awards that call for settlement in cash or other assets. The new recommendations are applied prospectively to all stock-based payments granted to employees and non-employees on or after January 1, 2002.

The Company accounts for all stock-based payments to non-employees granted on or after January 1, 2002, using the fair value method. Under the fair value method, stock-based payments to non-employees are measured at the fair value of the equity instruments issued. The fair value of stock-based payments to non-employees is periodically re-measured during the vesting period, and any change therein is recorded in the statement of operations for the period.

Any consideration received on the exercise of stock options is credited to share capital. If common shares are repurchased, the excess or deficiency of the consideration paid over the carrying amount of the common shares cancelled is charged or credited to contributed surplus or deficit.

4. INVENTORIES

	June 30, 2003	December 31, 2002
	\$	\$
Raw materials	91,266	187,355
Work in process	132,960	66,449
Finished goods	167,657	74,193
	391,883	327,997

5. OTHER ASSETS

	June 30, 2003	December 31, 2002
	\$	\$
Deferred loan costs	224,479	53,900

During the six month period ending June 30, 2003, the Company carried forward loan costs of \$53,900, capitalized additional loan costs of \$306,354 and recorded amortization expense of \$135,775, which was recorded as interest expense. Loan costs represent the fair value of warrants issued in exchange for loan guarantees.

6. 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	517,224	166,071
Private placement, net of issue costs [i]	1,700,000	844,392
Balance, June 30, 2002	49,365,725	27,068,863

[i] On June 13, 2003, the Company closed a non-brokered private placement consisting of 1,700,000 units at a price of \$0.50 per unit, for total proceeds of \$850,000 before share issue costs of \$5,608. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles 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.

[b] **Stock options**

At June 30, 2003 the following stock options were outstanding:

Range of exercise prices \$	Options outstanding June 30, 2003			Options exercisable June 30, 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	1,618,750	3.33	0.27	1,462,876	0.27
0.49 - 0.57	3,331,400	3.67	0.51	2,263,664	0.50
0.61 - 0.68	418,600	2.96	0.63	276,827	0.63
0.73 - 0.86	317,050	2.47	0.84	237,789	0.84
0.95 - 1.05	110,550	4.04	1.01	82,913	1.01
1.25 - 1.78	100,000	0.78	1.39	100,000	1.39
0.27 - 1.78	5,896,350	3.42	0.49	3,600,981	0.48

The options expire at various dates from July 17, 2003 to April 7, 2008.

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	518,300	0.56
Options forfeited	(56,026)	0.54
Options expired	(221,000)	1.00
Options exercised	(517,224)	0.32
Balance, June 30, 2003	5,896,350	0.49

[c] **Common share purchase warrants**

At June 30, 2003, the following common share purchase warrants were outstanding:

Number of common shares issuable	Exercise price \$	Date of expiry
183,981	0.55	30-Sept-03
750,000	0.50	29-Apr-04
100,000	0.50	13-Jun-04
410,426	0.75	30-Jun-04
700,621	0.45	30-Jun-04
793,542	0.46	30-Jun-04
2,938,570		

[d] **Loss per common share**

	Three months ended June 30		Six months ended June 30	
	2003	2002	2003	2002
Numerator				
Net loss for the period	\$ 893,120	\$ 1,101,364	\$ 1,976,444	\$ 2,543,847
Denominator				
Weighted average number of common shares outstanding	47,863,269	41,757,508	47,863,269	41,757,508
Less: escrowed shares		825,000		825,000
Weighted average number of common shares outstanding	47,863,269	40,932,508	47,863,269	40,932,508
Loss per common share – basic and diluted	\$ 0.02	\$ 0.03	\$ 0.04	\$ 0.06

7. STOCK-BASED COMPENSATION

Effective January 1, 2002, the Company adopted the new CICA Handbook Section 3870, which requires that a fair value based method of accounting be applied to all stock-based payments to non-employees and to direct awards of stock to employees. The new standard permits the Company to continue its existing policy of measuring compensation costs using the intrinsic value based method for employee stock options. Under this method, no compensation expense is recognized when stock options are granted, as the exercise price of each option equals the minimum of the market value at the date immediately preceding the grant.

During the six month period ending June 30, 2003, the estimated fair value of vested options granted to non-employees for services rendered in the amount of \$15,000 compared to \$93,000 for the same period last year. The expense has been charged to consulting fees and credited to contributed surplus in the consolidated interim financial statements. Calculations are based on the Black-Scholes options pricing model and a weighted average fair value of \$0.48 per option compared to \$0.30 for June 30, 2002.

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:

	Six Months Ended June 30, 2003 \$
Net loss – as reported	(1,946,444)
Net loss – pro forma	(2,195,497)
Loss per common share – as reported	0.04
Loss per common share – pro forma	0.05

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 128%, risk-free interest rate of 3.38%, and expected average option term of 2.46 years. The weighted average fair value of the options granted to employees during the six month period ended June 30, 2003 was \$0.42 per option.

8. COMMITMENTS

- [a] In March 2002, the Company entered into a two-year agreement for the supply of anthrax and botulinum test reagents including a provision whereby the Company is required to make minimum payments to the supplier. The commitment for 2003 is US\$164,000 with a balance of US\$92,000 remaining for the year.
- [b] At June 30, 2003, the Company is obligated to make further payments of approximately \$64,000, over the remainder of 2003, pursuant to a purchase agreement for RAMP Readers.

9. PROJECTS UNDER DEVELOPMENT

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

Project	Six Months Ended June 30		Inception-to-date \$
	2003 \$	2002 \$	
RAMP Reader	157,634	191,754	7,280,557
Anthrax	85,206	469,144	820,399
Troponin I	154,855	470,695	2,248,746
Troponin I HS	282,719	—	282,719
West Nile	33,392	—	33,392
Other Applications	398,459	153,077	4,962,491
	1,112,265	1,284,670	15,628,304



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