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Response
Biomedical Corp.

**3rd Quarter Report
2003**

Dear Shareholder,

During the third quarter of 2003, Response Biomedical continued to gather considerable evidence that RAMP is an entirely new class of immunoassay diagnostics. Not only does RAMP continue to dramatically outperform classical yes/no immunoassay diagnostics, there is mounting validation that RAMP has comparable performance and sensitivity to leading laboratory immunoassay analyzers. In and of itself, this represents a tremendous leap in technology allowing the Company to pursue market leadership in both current and entirely new opportunities. By providing rapid lab-quality information in a portable quantitative system, RAMP's unprecedented performance has facilitated the achievement of numerous business development milestones indicative of meaningful progress in the execution of the Company's Three-Pillar Business Strategy.

Response Biomedical's business strategy focuses on the simultaneous execution of three distinct types of market opportunities:

Near-term Niche Opportunities

(eg. Biodefense, Infectious Diseases, Food)

- Niche opportunities are characterized by early revenue, high margins and a rapid return on investment, clear market needs with little or no regulatory barriers to entry.

Mid-term Clinical Point-Of-Care Opportunities

(eg. Heart Attacks, Cancer, Stroke)

- Clinical opportunities represent large market opportunities expected to provide considerable mid-term revenue growth.

Long-term Over-The-Counter Opportunities

(eg. Next Generation MiniRAMP)

- The long-term vision for RAMP includes miniaturizing the instrument to the size of a hand-held for mass marketing as a low margin product selling into a high volume global market.

Of particular note, the Company initiated a multi-center US clinical trial of two additional RAMP cardiac marker tests for detecting troponin I and CK-MB, in preparation for a regulatory submission to the US Food and Drug Administration later this year. The Company developed and introduced the high sensitivity RAMP West Nile Virus (WNV) Test, which has been subsequently validated by the US Centers for Disease Control and Prevention (CDC) and Health Canada as the most sensitive rapid environmental test on the market. Further, the Company began raising awareness and garnering considerable investor interest in new and important financial centers in both Europe and the United States.

Although revenue from biodefense sales during the summer failed to meet expectations, I am pleased to report the Company is well positioned for a strong fourth quarter and has generated revenue in excess of \$1 million during the first 10 months of 2003. All three segments of the Company's business are contributing to its current revenue stream, and the goal is to introduce 4 – 6 new tests per year. Importantly, it is reasonable to expect revenue of \$5 - \$7 million in 2004 from biodefense, combined with important new commercial RAMP products including West Nile virus and cardiac testing.

Advancing Cardiac Program

In August, we commenced a multi-center US clinical trial of two RAMP cardiac marker test for detecting troponin I and CK-MB. The Company anticipates submitting for FDA regulatory clearance before the end of the year. Having announced receipt of FDA market clearance in 2002 for the RAMP Reader for general clinical use and the myoglobin assay, the Company is on-schedule to launch all three cardiac marker tests in the US early in 2004.

The recent completion of the clinical trial marks a critical milestone toward commercializing our lead medical application and the results are very promising. Earlier this year, the Company announced positive pre-clinical results that demonstrated significant performance benefits over the current market leading point-of-care system for the early detection of heart attack.

The promising clinical data and the upcoming FDA submission are expected to add significant impetus to the negotiations with several potential marketing partners for the Company's cardiac tests, which will be followed by other tests that either add value in the critical care setting such as for congestive heart failure and sepsis, or other clinical markets such as PSA or stroke markers.

RAMP West Nile Virus Test

Since commercially introducing the RAMP WNV Test in July, three sets of independent evaluations released in October suggest that RAMP may well have sufficient sensitivity and reliability to replace PCR-based lab equipment as the industry standard in the environmental detection of West Nile virus.

Commercial interest from potential purchasers and marketing partners accelerated last month after we released the results from an independent US CDC evaluation demonstrating our high sensitivity RAMP West Nile Virus Test is the most accurate rapid on-site environmental test on the market.

According to recent evaluations performed by the US CDC, the RAMP WNV Test is more than 10 times as sensitive as any other commercially available rapid environmental WNV test. Furthermore, field-testing conducted separately by Health Canada and the Pennsylvania Department of Environmental Protection shows RAMP consistently demonstrates greater than 75% sensitivity in direct comparison with PCR-based lab analyzers when testing mosquitoes.

Investor Relations

To assist the Company in raising its profile in Europe and facilitate meetings with targeted potential investors, the Company has retained Value Relations IR Services, an investor relations consultancy based in Germany. In conjunction with the Company's listing on the Frankfurt Exchange, the Company has been attending industry conferences and delivering corporate presentations to targeted groups of potential investors.

In the US, the Company has also retained Katan Associates International to facilitate the process of securing a US-listing anticipated next year. To that end, the Company is

completing an audit of its financial statements to ensure conformity to US GAAP and is working towards a 20F filing with the SEC.

Corporate Relocation

Finally, the Company relocated at the end of September to an expanded 15,000 square foot facility with scale-up manufacturing capacity to meet near term commercial demand and enable additional resources to be applied toward product development for promising new market opportunities.

On behalf of management and staff, I would like to acknowledge the continued support of the Company's shareholders as we transition into a fully integrated commercial enterprise, steadily growing revenue through sales of RAMP in medical and environmental applications.

Sincerely,



Bill Radvak
President & Chief Executive Officer
November 28, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL OPERATIONS

Response Biomedical Corp., the "Company", manufactures and markets rapid on-site diagnostic tests for use with its proprietary RAMP[®] System for clinical and environmental applications. The RAMP system consists of a portable fluorescent Reader and single use disposable test cartridges. The Company is in the third 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 nine months period ended September 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 September 30, 2003, the Company reported a net loss of \$1,172,724 or \$0.02 per share as compared to a net loss of \$1,191,563 or \$0.03 per share for the same period last year. The net loss for the nine months ended September 30, 2003 was \$3,119,168 or \$0.06 per share compared to a net loss of \$3,735,410 or \$0.09 per share for the same period in 2002.

Revenues

Total revenues of \$255,825 were earned during the three months ended September 30, 2003. Sales of RAMP readers and test kits to customers in Canada, United States, Middle East and Asia, generated \$103,186 in revenue. Additional revenue income of \$152,639 was earned from service contracts including RAMP miniaturization and a biodefense project. For the nine months ended September 30, 2003, the Company generated revenues of \$498,068 from RAMP sales and \$408,241 from service contracts for total revenues of \$906,309.

Expenses

Cost of Goods Sold

The cost of goods sold includes costs to produce products for both product sales and service contracts since the provision of products was a material component of service contracts. Cost of goods sold for the three months ended September 30, 2003 was \$106,335 or 42% as a percentage of total sales and for the nine month period ending September 30, 2003 was \$348,432 or 38% of total sales compared to nil for the same periods last year. The Company expects that its gross margin will be maintained for the remainder of the year and first two quarters of 2004.

Manufacturing

Manufacturing overhead expenses for the three months ended September 30, 2003 were \$85,519 and \$241,027 for the nine month period ended September 30, 2003 compared to nil for the same periods in 2002. Significant costs for this quarter were \$48,000 for direct labour and benefits, \$19,000 for manufacturing supplies and repair and maintenance of equipment, and \$18,000 for amortization of manufacturing equipment and molds. Additional contract fees of \$10,000 were incurred for continued development of manufacturing equipment and processes.

Marketing and Business Development

Marketing and business development expenses increased to \$252,623 for the three month period ended September 30, 2003 compared to \$136,506 for the same period in 2002. The 85% increase was largely due to increased payroll, advertising and selling fees. Salaries and benefits increased \$40,000 with the addition of two sales and marketing employees and an in-house graphic designer. Advertising and promotion costs for the three months ended September 30, 2003 was \$36,000 greater than the same period last year due to the expensing of certain demonstration readers and test cartridges used for

marketing purposes. Selling fees include \$14,000 in fees to distributors for facilitating biodefense sales, \$5,000 for product promotion and \$4,000 for third party biodefense training. Additionally there was a \$10,000 increase in travel expenses resulting from travel to a greater number of locations for trade shows, providing on-site demos and training to product representatives and key industry personnel.

For the nine month period ending September 30, 2003, marketing and business development expenses increased to \$643,023 compared to \$309,974 for the same period in 2002. The 107% increase is due to selling fees, increased advertising, conferences and related travel and payroll. Selling fees increased by \$58,000 for end user training, fees paid to distributors for facilitating sales, contracting of direct marketing support and product promotion. An increase in advertising and promotion costs of \$47,000 for the nine month period ending September 30, 2003 was related to a greater number of demonstration readers and test cartridges being expensed for product promotion purposes as well as higher usage of trade magazine advertisements. Travel increased by \$49,000 to support attendance at an increased number of trade shows, end user training, conferences and presentations to industry experts. Departmental payroll increased by \$144,000 as the impact of additional sales and marketing employees hired following the third quarter of 2002 were realized.

Research and Development

Research and development expenditures decreased to \$540,458 for the three month period ended September 30, 2003 compared to \$832,516 for the same period in 2002. The 35% decrease is mostly due to reduced patent and product development costs which were only \$3,000 during the three month period ending September 30, 2003 compared to \$194,000 for the same period in 2002. Product development costs decreased \$49,000 compared to the same period last year primarily as a result of the completion of Anthrax product validation and Troponin I activity testing and design and engineering for the RAMP reader in 2002. The decrease was partly offset by a \$22,000 increase in materials consumed for development of the West Nile Virus test, further enhancing performance characteristics of the Company's clinical and environmental tests, as well as materials consumed in support of clinical trials for CK-MB and high sensitivity Troponin. The Company incurred an increase of \$35,000 in professional fees related primarily to clinical trials, product development and preliminary costs in preparation for relocation to a new facility with increased lab space. Costs relating to contractors hired for development of manufacturing processes and R&D were comparable to last year.

Research and development expenditures for the nine month period ended September 30, 2003 decreased to \$1,652,723 compared to \$2,108,329 the same period in 2002. The 22% decrease results from reduced patent, product development and consumable costs. Patent costs decreased by \$229,000 primarily due to the completion of a comprehensive patent review process initiated in 2002. Product development costs decreased by \$172,000 and consumable materials costs declined by \$125,000 as most costs during the nine months ended September 30, 2003 related primarily to enhancing performance of commercially available biodefense products, rapid development of the Company's new West Nile Virus test and support for clinical trials of CK-MB and high sensitivity Troponin, versus last year when significant costs were being incurred for general supplies, development of environmental and clinical test cartridges, reader development and third party costs for development of Troponin. Additionally, increased consulting costs required to conduct feasibility studies for RAMP miniaturization costs, new test development, documentation of manufacturing processes in preparation for ISO 13485 standardization were partially offset by reduced salary costs that corresponded to the re-allocation of labour resources to manufacturing.

General and Administrative Expenses

General and administrative expenses increased by 38% to \$335,794 for the three month period ended September 30, 2003 compared to \$244,080 for the same period in 2002. This was primarily due to an increase of \$97,000 utilized to support enhanced investor relation activities in North America and Europe including associated travel costs. Legal costs increased by \$15,000 compared to the same period last year.

General and administrative expenses decreased to \$879,646 for the nine month period ended September 30, 2003 compared to \$938,058 for the same period in 2002. Cost reductions of \$41,000 were realized in corporate communications due to the in-house production of investor information, and a further reduction of \$35,000 due to reduction in stock based compensation relating to consultants. Also this year the company incurred no license or royalty fees compared to \$24,000 last year. Departmental payroll increased by \$49,000 as the full impact of two employees hired during the first nine months of 2002 and employee changes made in early 2003 were realized.

An increase of \$22,000 in travel costs was incurred to support investor relations efforts.

Other Income/Expenses

Interest income of \$25 was earned during the three months ended September 30, 2003 compared to \$2,285 for the same period in 2002. For the nine months ending September 30 2003, interest income was \$429 whereas interest income was \$5,650 for the same nine month period in 2002. The Company did not receive any grant funding during the nine months ending September 30, 2003, however during the nine months ending September 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. In 2002, the Company also realized research and development income for a feasibility study for the development of a Test for a prostate specific antigen (PSA).

The Company currently has an unrealized foreign exchange gain of \$6,615 for the nine months ended September 30, 2003, compared to a loss of \$14,646 for the nine months ended September 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, offset by the negative impact of the dollar on US sales.

Interest expense for the three months ended September 30, 2003 was \$24,745 compared to \$9,778 for the same period last year. Interest expense for the nine months ended September 30, 2003 was \$54,503 compared to \$448,120 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 and short term loans from directors and shareholders. This reduced the interest rate from 8% to prime on 85% of the company's debt and increased the interest rate to 9% on the balance for an aggregate interest rate of 3.8%. Prime rate at September 30, 2003 was 2.89%. For the three months ended September 30, 2003 the company expensed \$77,392 in deferred loan costs by the amortization of warrants issued in exchange for loan guarantees. Deferred loan costs realized for the nine months ended September 30, 2003 were \$213,167.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2003, the Company had cash and cash equivalents of \$124,855 compared to \$1,075 at December 31, 2002. The Company's net working capital position as of September 30, 2003 was a deficit of \$2,497,800, a decrease of \$1,427,034 over the December 31, 2002 working capital position of a \$1,070,766 deficit. During the three month period ended September 30, 2003, the Company received \$20,250 through the exercise of stock options. During the nine month period ended September 30, 2003, the Company received \$677,148 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)	September 30		December 31	
	2003	2002	2003	2002
	\$	\$	\$	\$
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
ASSETS				
Current				
Cash and cash equivalents	124,855	1,075	1,075	1,075
Amounts receivable	46,740	154,134	154,134	154,134
Inventories	394,369	327,997	327,997	327,997
Prepaid expenses and other	50,698	98,911	98,911	98,911
Total current assets	616,662	582,117	582,117	582,117
Capital assets	307,057	226,483	226,483	226,483
Other assets [note 5]	147,087	53,900	53,900	53,900
	1,070,806	862,500	862,500	862,500
LIABILITIES AND SHAREHOLDERS' DEFICIENCY				
Current				
Demand loans payable	2,068,679	1,203,416	1,203,416	1,203,416
Accounts payable and accrued liabilities	639,089	398,259	398,259	398,259
Short Term Loan	355,485	—	—	—
Deferred revenue	51,208	51,208	51,208	51,208
Total current liabilities	3,114,461	1,652,883	1,652,883	1,652,883
Commitments [note 8]				
Shareholders' deficiency				
Share capital [note 6]	27,089,113	25,567,572	25,567,572	25,567,572
Contributed surplus	694,754	350,400	350,400	350,400
Deficit	(29,827,522)	(26,708,355)	(26,708,355)	(26,708,355)
Total shareholders' equity (deficiency)	(2,043,655)	(790,383)	(790,383)	(790,383)
	1,070,806	862,500	862,500	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		Nine Months Ended	
	September 30	September 30	September 30	September 30
	2003	2002	2003	2002
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
REVENUES				
Sales	255,825	—	906,309	—
Less: Cost of Sales	(106,335)	—	(348,432)	—
Gross Margin	149,490	—	557,877	—
EXPENSES				
General and administrative	335,794	244,080	879,646	938,058
Marketing and business development	252,623	136,506	643,023	309,974
Manufacturing Overhead	85,519	—	241,027	—
Research and development	540,458	832,516	1,652,723	2,108,329
	1,214,394	1,213,102	3,416,419	3,356,361
Other (income) expense:				
Interest expense	24,745	9,778	54,503	448,120
Interest income	(25)	(2,285)	(429)	(5,650)
Deferred Loan Costs	77,392	—	213,167	—
Service Contracts & Research Revenue	—	(37,250)	—	(37,250)
Miscellaneous income	—	—	—	(24,985)
Gain on settlement with creditors	—	—	—	(15,832)
Foreign exchange loss (gain)	5,708	8,218	(6,615)	14,646
Total other (income) expense	107,820	(21,539)	260,606	379,049
Net loss for the period	1,172,724	1,191,563	3,119,168	3,735,410
Deficit, beginning of period	28,654,799	24,578,546	26,708,355	22,034,699
Deficit, end of period	29,827,523	25,770,109	29,827,523	25,770,109
Loss per common share – basic and diluted [note 6(d)]	(\$0.02)	(\$0.03)	(\$0.06)	(\$0.09)
Weighted average number of common shares [note 6(d)]	49,440,725	42,333,808	49,440,725	42,333,808

See accompanying notes

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Expressed in Canadian dollars)	Three Months Ended		Nine Months Ended	
	September 30	September 30	September 30	September 30
	2003	2002	2003	2002
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
OPERATING ACTIVITIES				
Loss for the period	(1,172,724)	(1,191,563)	(3,119,168)	(3,735,410)
Add (deduct) items not involving cash:				
Amortization	31,970	17,683	94,219	58,043
Gain on settlement with creditors	—	—	—	(15,832)
Stock-based compensation	23,000	10,000	38,000	103,000
Amortization of deferred loan costs	77,392	9,545	213,167	413,026
Deferred revenue	—	(37,250)	—	(37,250)
Realized foreign exchange loss	—	1,000	—	6,900
Change in non-cash working capital:				
Amounts receivable	118,751	33,570	107,394	(22,777)
Inventories	(2,486)	(151,882)	(66,372)	(251,918)
Prepaid expenses and other	50,615	45,995	48,213	(18,519)
Accounts payable and accrued liabilities	234,803	188,442	240,830	100,311
Demand Loan Payable	395,987	—	865,263	—
Cash used in operating activities	(242,692)	(1,074,460)	(1,578,454)	(3,400,426)
INVESTING ACTIVITIES				
Deposit on capital asset purchase	—	(41,483)	—	(105,835)
Purchase of capital assets	(95,312)	—	(174,793)	(24,501)
Cash provided by (used in) investing activities	(95,312)	(41,483)	(174,793)	(130,336)
FINANCING ACTIVITIES				
Proceeds from issuance of share capital, net of share issue costs	20,250	599,855	1,521,541	2,937,174
Proceeds from demand loans payable	—	210,600	—	210,600
Proceeds from shareholders' and directors' loans	355,485	—	355,485	319,420
Cash provided by financing activities	375,735	810,455	1,877,026	3,467,194
Increase(decrease) in cash and cash equivalents during the period	37,732	(305,488)	123,780	(63,568)
Cash and cash equivalents, beginning of period	87,123	330,304	1,075	88,384
Cash and cash equivalents, end of period	124,855	24,816	124,855	24,816
Supplemental disclosure				
Interest paid	—	233	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 September 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 three and nine month periods ended September 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

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.

Inventories

4. INVENTORIES

	September 30, 2003	December 31, 2002
Raw materials	95,812	187,355
Work in process	74,257	66,449
Finished goods	224,300	74,193
	394,369	327,997

5. OTHER ASSETS

	September 30, 2003	December 31, 2002
Deferred loan costs	147,087	53,900

During the nine month period ending September 30, 2003, the Company carried forward loan costs of \$53,900, capitalized additional loan costs of \$306,354 and recorded amortization expense of \$213,167, which was recorded as guarantee fees, which are grouped with 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	592,224	166,071
Private placement, net of issue costs [i]	1,700,000	844,392
Balance, September 30, 2003	49,440,725	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 September 30, 2003 the following stock options were outstanding:

Range of exercise prices	Options outstanding September 30, 2003			Options exercisable September 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	1,543,750	2.91	0.27	1,424,126	0.27
0.40 - 0.49	40,700	4.46	0.45	15,850	0.47
0.50 - 0.57	3,583,700	3.16	0.51	2,354,526	0.50
0.61 - 0.68	418,600	2.51	0.63	343,975	0.63
0.73 - 0.86	517,050	2.09	0.90	287,789	0.82
0.95 - 1.05	110,550	3.54	1.01	82,913	1.01
1.25 - 1.78	50,000	0.76	1.52	50,000	1.52
0.27 - 1.78	6,264,350	3.10	0.50	4,559,179	0.48

The options expire at various dates from October 14, 2003 to August 05, 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	1,086,300	0.57
Options forfeited	(56,026)	0.54
Options cancelled	(75,000)	0.50
Options expired	(271,000)	1.04
Options exercised	(592,224)	0.32
Balance, September 30, 2003	6,264,350	0.50

[c] **Common share purchase warrants**

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

Number of common Shares issuable	Exercise price \$	Date of expiry
166,785	0.55	31-Dec-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
2,921,374		

[d] **Loss per common share**

	Three months ended September 30		Nine months ended September 30	
	2003	2002	2003	2002
Numerator				
Net loss for the period	\$ 1,172,724	\$ 1,191,563	\$ 3,119,168	\$ 3,735,410
Denominator				
Weighted average number of common shares outstanding	49,440,725	42,333,808	47,863,269	42,333,808
Less: escrowed shares	—	825,000	—	825,000
Weighted average number of common shares outstanding	47,863,269	43,158,808	47,863,269	43,158,808
Loss per common share – basic and diluted	\$ 0.02	\$ 0.03	\$ 0.06	\$ 0.09

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 nine month period ending September 30, 2003, the estimated fair value of vested options granted to non-employees for services rendered in the amount of \$38,000 compared to \$103,000 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 \$0.50 per option compared to \$0.38 for September 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:

	Nine Months Ended September 30, 2003
	\$
Net loss – as reported	(3,119,168)
Net loss – pro forma	(3,505,889)
Loss per common share – as reported	0.06
Loss per common share – pro forma	0.07

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 nine month period ended September 30, 2003 was \$0.41 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\$62,000 remaining for the year.
- [b] At September 30, 2003, the Company is obligated to make further payments of approximately \$31,680, over the remainder of 2003, pursuant to a purchase agreement for RAMP Readers.

9. SUBSEQUENT DISCLOSURES

On October 6, 2003, the Company announced it was undertaking a non-brokered private placement of 3,500,000 Units at a price of \$0.43 per Unit for gross proceeds of \$1,505,000. Each Unit consists 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 \$0.55 per common share for a period of 12 months from the closing date of the private placement. Following the private placement announcement, the Company applied for an increase of 500,000 units. The TSX approved the increase on November 20, 2003.



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