

Letter to Shareholders

Response Biomedical reached several important milestones in 2009. The Company continued to benefit from rising global demand for and a heightened awareness of its RAMP® rapid point-of-care diagnostic products.

We generated record revenues and improved financial margins following the Roche launch in the United States of our family of RAMP cardiovascular tests, under the Cardiac 200 brand, and an additional infectious disease test, under the 3M™ Rapid Detection Brand. We also completed a feasibility study for a point-of-care tuberculosis test and the development for a next-generation Troponin I cardiac test, which will soon begin clinical trials.



Our performance in 2009 validates our commercialization strategies for an increasingly broad range of RAMP tests. It will take time to establish significant market share for those tests; however, our industry-leading partners and international distributors will continue to exploit RAMP's competitive advantages. Among those advantages are outstanding clinical and analytical results that lead to earlier diagnosis, better treatment and lower healthcare costs. On the back of those benefits we anticipate continued robust revenue growth in 2010 and target positive cash flow by late 2010.

Record revenues on rising clinical product sales

Revenues in 2009 reached a record \$9.9 million, an approximate 70% increase over 2008. Clinical products provided the majority of this revenue, with sales of our RAMP Readers and assays increasing 85.3%, to \$6.8 million. Non-clinical product sales rose 9% to \$1.3 million, with contract service revenues from collaborative research arrangements rising 84% to \$1.8 million. Operating expenses fell 22.6%, to \$10.6 million, which, together with higher revenues, reduced our net loss to \$9.5 million (\$0.04 per share), from \$13.7 million (\$0.10 per share) a year earlier.

Our gross margin for 2009 was 3%, compared with negative 7% in 2008; or a 1000 basis points improvement. While margins will continue to fluctuate over the near term, we will begin to see improvement in the year ahead as a result of rising sales and increased production in our state-of-the-art manufacturing facility. Our ongoing mix shift, to recurring sales of higher-margin RAMP assays from lower-margin RAMP Readers will also improve our profitability.

Capital market support strengthens

Until we achieve greater revenues from product sales, we must obtain additional funding and we access capital when prudent and available. In May 2009, we topped up our treasury with a \$12.65 million equity financing. The over-subscribed public offering was led by a Canadian institutional investor and, for the first time, attracted key institutions from the United States and Europe. Despite this support, we believe that our market capitalization has yet to fairly reflect the underlying value of our business and that we will be required to pursue additional funding.

Our cash and cash equivalents were \$5.1 million at year-end, with working capital of \$7 million. We expect to be cash flow positive by the fourth quarter of 2010 as we continue to grow revenues and control and reduce our cash burn rate, where possible.

Product commercialization yields robust international growth

We made gratifying progress with the ongoing rollout of our cardiac and infectious diseases tests in North American and international markets in 2009. In the United States, Roche Diagnostics, the world's leader in clinical diagnostics, launched our line of RAMP cardiac tests in April 2009. We developed and commercialized the NT-proBNP assay under license from Roche Diagnostics and by year-end, Roche Diagnostics had expanded its sales efforts to generate the demand for all of our RAMP cardiac tests.

Also, in 2009, 3M Health Care had its first full year of sales of the 3M™ Rapid Detection Flu A+B test kit. The global outbreak in 2009 of the H1N1 influenza virus, a form of influenza A, heightened awareness of and demand for rapid point-of-care diagnostic influenza tests. We, therefore, obtained FDA clearance to include analytical reactivity information for a strain of the H1N1 virus in 3M's influenza test kit labeling. We also worked with 3M to develop an RSV test that was launched in October 2009. RSV is an upper respiratory disease that affects most children in their first two years of life. It is also common in the elderly and is often difficult to distinguish from influenza.

Elsewhere, sales by Shionogi & Co. of our RAMP BNP heart failure tests in Japan again grew steadily. We also expanded aggressively in international markets through the use of independent distributors. This approach was especially successful in China, where our distributor, O&D Biotech Co., Ltd., generated a significant portion of our international revenues in 2009 from co-branded RAMP cardiac products.

Product development pipeline remains active

In 2009, we completed the development of a next-generation Troponin I assay in partnership with Roche Diagnostics. We will complete the clinical trials for that assay in 2010 and file a 510(k) submission for the U.S. FDA. Troponin I is a common diagnostic marker for heart attacks. Our RAMP assay for that marker holds considerable promise for strengthening the commercial success of our cardiovascular product line.

We are also optimistic that the Foundation for Innovative New Diagnostics (FIND)—a Swiss non-profit organization whose donors include the Bill and Melinda Gates Foundation, the European Union and the government of the Netherlands—will proceed with the next step towards full-scale development of a RAMP tuberculosis test in 2010. We completed feasibility work on such a test for FIND in late 2009, and FIND is evaluating our data.

Our long-term focus continues to be on achieving market leadership for the RAMP system. We have 13 tests available for clinical and environmental testing applications, but our proprietary technology has the potential to be adapted to more than clinical and non-clinical point-of-care tests. We are seeking new partners with interests in clinical diagnostic applications beyond infectious diseases and cardiac markers to help us develop RAMP's full potential.

Positive cash flow on the horizon

We expect robust revenue growth in 2010 as we build market share internationally. In the United States, Roche Diagnostics is beginning to make inroads in the lucrative cardiac care market and the expanded capabilities of 3M's infectious diseases platform should afford that firm continued growth in 2010. In China, we recently added a second distributor, Guangzhou Wondfo Biotech Co., Ltd., to better facilitate the distribution of our products in that nation's large and growing market. We are also working to establish a presence in further markets abroad, including in India and in Europe and the Middle East. We believe that new partners or distributors can help us to capitalize on attractive growth opportunities in these territories.

In 2010, we will diligently pursue our business plan, which contemplates being cash flow positive in the fourth quarter of 2010. In the short term, however, we expect that our quarterly revenue will remain variable as our product mix evolves to include a higher proportion of recurring sales of RAMP assays.

I welcome new shareholders and also thank our current shareholders for your confidence and trust. I also thank our employees, partners and distributors for their contributions to our growth and success in 2009.

Sincerely,

S. Wayne Kay

Chief Executive Officer