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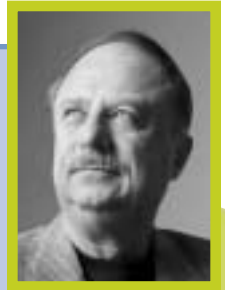
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2002...

...the pieces are coming **together**



chairman's message



Dear Shareholders,

During 2002, BioMS Medical continued to make significant progress advancing MBP8298, our lead drug for the treatment of Chronic Progressive Multiple Sclerosis (CPMS), towards commercialization. Our mission is to deliver an effective and safe treatment for CPMS to more than a million patients worldwide. In support of this vision, we spent the past year focused on assembling the necessary components that will position the Company to commence late-stage trials for our lead MS product.

MS is a chronic, disabling illness affecting more than 2 million people worldwide, with half of this population suffering from the chronic progressive form of the disease. MS is one of the most common diseases of the central nervous system in young adults. It is thought to be an autoimmune disease, where the body's own defence system attacks the nerve fibres of the brain, optic nerves, and spinal cord until nerve impulses to and from the brain are distorted or interrupted. Our hope is that with MBP8298, more people with CPMS will be able to live full, productive lives.

This is our second year reporting as a public company, and over this period, BioMS has developed into a world-class company. BioMS recently graduated to the Toronto Stock Exchange (TSX) and is gaining recognition as one of Canada's largest biotechnology companies. Our management group, selected from various backgrounds for their expertise, has emerged as a focused drug development team, and to leverage this growing in-house expertise, we have created an Emerging Technologies Division, to oversee the development of newly acquired technologies. Most importantly, we are closer than ever before to achieving regulatory approval for our lead MS therapeutic.

On behalf of the board members and officers of BioMS, I would like to thank our shareholders for sharing in our ongoing commitment to provide an effective treatment for MS patients worldwide.

A handwritten signature in black ink, appearing to read "Clifford D. Giese". The signature is written in a cursive, flowing style.

Clifford D. Giese
Chairman

**We've made it
our mission to ensure
that this treatment is
certified safe and
effective and made available
to MS patients
as soon as possible.**

president's report

I am pleased to once again report on the progress of BioMS Medical as we complete our second year as a public company. Our mission is to provide an effective treatment for Chronic Progressive Multiple Sclerosis (CPMS). During the year, some of the final pieces were put in place towards accomplishing this goal. Our efforts to build a strong, well-capitalized company with drug development expertise and solid commercial potential have been successful, and we are now poised to enter our lead MS therapeutic, MBP8298, into late-stage clinical trials.

The market for an effective treatment for CPMS is enormous, yet completely underserved.

The market for an effective treatment for CPMS is enormous, yet completely underserved. MS affects more than two million people worldwide, with 50% of this population suffering from CPMS. More than US \$2.3 billion is spent annually on therapeutics for MS, growing to \$4 billion by 2006, yet few of these therapeutics are effective or approved for the treatment of CPMS, leaving half of the MS population without many options.

Our therapeutic candidate, MBP8298, was discovered by Dr. Ken Warren and Ingrid Catz at the University of Alberta, and is based on their 26 years of research into MS. MBP8298 was first tested in CPMS patients in 1992, and since then has completed Phase I and Phase II clinical trials. With several hundred years of patient experience, MBP8298 technology has been shown to be safe and well tolerated.

Ensuring regulatory approval requires a cautious, well-planned strategy, it is for this reason alone that we have taken our time to consult, consider and select the appropriate next steps in MBP8298's clinical trial path. As a result of these efforts, we are targeting to conduct a pivotal human clinical trial and intend to begin enrolment for this trial in 2003.

As we continue to develop MBP8298, further establishing its safety and efficacy, we anticipate the investment community in Canada and beyond will increasingly recognize the value of this therapeutic.

During 2002, we also undertook to leverage the core management expertise we originally assembled to develop our MS therapy in order to broaden our therapeutic portfolio. In September, we created a new Emerging Technologies Division, headed by Mr. Richard Brown, Vice-President, to oversee the development of newly acquired technologies. This division will be responsible for



the licensing and development of additional novel technologies from the Canadian research community.

Our first addition to our pipeline through this initiative is HYC750, a new platform technology from the University of Alberta that involves a method for mobilizing hematopoietic cells in humans. HYC750 has a multitude of potential uses, such as a means to reduce the length and severity of side effects arising from other treatments for cancer. We estimate the market potential for effective products in this area to be in excess of \$10 billion annually, with current products accounting for sales over \$2 billion.

We plan to conduct a phase I human clinical trial to evaluate the safety and potential efficacy of HYC750 for the treatment of cancer therapy related side effects. It is anticipated that regulatory filings for approval of the trial will be made in 2003.

Looking forward to 2003, we are excited about the potential of our new technology and determined to see our lead therapy realize its full potential. We remain well financed to achieve our current milestones, with more than \$22 million of working capital in reserve, including \$2.6 million received from the exercise of share purchase warrants in 2002. The year ahead will be an important and exciting one at BioMS as we begin to put the final pieces of our strategic plan in place.

The year ahead will be an important and exciting one at BioMS as we begin to put the final pieces of our strategic plan in place.

Kevin A. Giese
President and Chief Executive Officer

the whole picture...

There are
few effective drugs
approved for over one million
Chronic Progressive MS patients,
50% of the MS population

MBP8298 technology
has been tested in
MS patients for over
10 years

MBP8298 has successfully
completed phase I and II
human clinical trials

The market opportunity
for MBP8298 is
estimated to be more
than US \$4 billion

BioMS licenses the
worldwide rights to
MBP8298 from the
University of Alberta

...coming together

BioMS has raised more than **\$40 million** to date to support the development of MBP8298

MBP8298 is **patent protected** in 24 countries including the United States and Canada

BioMS has assembled a world-class **regulatory team**

recent progress

BioMS graduated to the **Toronto Stock Exchange (TSX)**, listing under the symbol "MS"

BioMS licensed **HYC750**, a method for mobilization of hematopoietic cells, from the **University of Alberta**

The Company created a new **Emerging Technologies Division** to oversee the development of newly acquired technologies

The market opportunity for **HYC750** is estimated to be more than **US \$10 billion**

2003 targeted milestones

Commence a pivotal
trial for MBP8298
in Canada

Conduct a phase I
human clinical trial
to evaluate the safety
and potential efficacy
of HYC750

Make regulatory
submissions for
MBP8298
and HYC750

Enrol MS patients
across Canada
in MBP8298
pivotal trial

management's discussion and analysis of financial condition and results of operations

Year End December 31, 2002

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the audited consolidated financial statements and accompanying notes, which are prepared in accordance with generally accepted accounting principles in Canada (Canadian GAAP). Unless otherwise indicated, all amounts shown are in Canadian dollars.

Overview

BioMS Medical Corp. ("BioMS" or the "Company") has licensed a synthetic peptide technology, MBP8298, for the treatment of multiple sclerosis on a worldwide basis. To date, MBP8298 has undergone Phase I and II human clinical trials. As of September 2002, the Company has also licensed a new platform technology, HYC750, involving a method for mobilizing hematopoietic cells in humans for use in the treatment of cancer therapy related side effects and other diseases. The technology has undergone certain pre-clinical testing, as well as preliminary human clinical trials. The Company has created a new Emerging Technologies Division to oversee the development of this and future related technologies. To fund its operations, the Company relies upon proceeds of public and private offerings of equity securities and interest income.

Shares of the Company commenced trading on the Toronto Stock Exchange (TSX) on September 4, 2002.

Discussion of Operations and Financial Condition

The consolidated net loss for the twelve months ended December 31, 2003 was \$7.8 million or \$0.19 per share compared with a consolidated net loss of \$4.8 million or \$0.24 per share for the previous year. The increased loss in 2002 resulted primarily from increased investment in research and development related to MBP8298 and HYC750.

Revenue

The Company reported interest revenue of \$542,593 for the twelve month period ended December 31, 2002, as compared to \$457,954 for the previous year. The Company expects that interest revenue will continue to fluctuate in relation to prevailing interest rates and amounts of funds invested.

Expenses

Total consolidated expenses for the twelve months ended December 31, 2002 were \$8,345,640 as compared with \$5,235,216 in the previous year. The largest contributor to the increase was planned expenses related with the continued progression in the development of MBP8298. In 2002, expenses related to the Company's direct research and development efforts accounted for \$5,004,242 or 60% of all expenses as compared with \$3,089,323 or 59% in 2001.

Research and Development

Research and development expenditures for the twelve months ended December 31, 2002 totaled \$5,004,242 compared with \$3,089,323 in 2001. The increased costs were the result of toxicology studies on MBP8298 as well as preliminary work on the design of the next phase of human clinical trials for MBP8298 and HYC750.

General and Administration

General and administration expenditures increased to \$1,846,931 for the twelve months ended December 31, 2002 as compared to \$695,297 in the year ended December 31, 2001. General and administration costs represented approximately 22% of total gross expenses for the Company in 2002 compared with approximately 13% in 2001. General and administration costs include the following: investor relations, professional fees, business development, insurance, listing fees, consulting services, office expenses, occupancy costs, management remuneration, and various other expenses relating to the operations and growth of the Company. The large increase in the total expenditures is the result of a general increase in the overall activity of the Company as well as the costs incurred in the Company's listing on the TSX in September of 2002.

Liquidity and Solvency

As at December 31, 2002 cash and short-term investments totaled \$23,860,849 as compared to \$25,799,445 at December 31, 2001.

At December 31, 2002, the Company had working capital of \$22 million as compared to \$25 million at December 31, 2001. The current working capital is sufficient for the Company to meet its ongoing obligations.

During the year the Company strengthened its cash position by the issuance of 150,000 shares through a private placement at \$4.10 per share for gross proceeds of \$615,000 and with the issuance of 658,702 shares on the exercise of warrants by shareholders at \$4.00 per share for gross proceeds of \$2,635,008.

BioMS has implemented a disciplined approach to the management of liquidity, capital and overall stability. The Company invests its cash reserves in liquid, high-grade interest bearing securities.

The Company used \$5,138,384 cash in operating activities for the twelve months ended December 31, 2002 as compared to \$3,014,376 in the year ended December 31, 2001.

Outlook

BioMS expects to continue to incur operating losses until such time as its MBP8298 technology for the treatment of Multiple Sclerosis has received regulatory approval and is available for commercial production. The Company has sufficient cash to cover the expected costs of the next clinical trials in Canada for MBP8298 and HYP750. However when BioMS commences to seek regulatory approval for MBP8298 outside of Canada the Company will need to approach the equity markets for additional funding. The Company's ability to raise capital will depend on equity market conditions at that time.

Risks and Uncertainties

The Company's operations involve certain risks and uncertainties that are inherent to the Company's industry. The most significant known risks and uncertainties faced by the Company are described below.

Licenses and Patents. The Company's success will depend in part on its ability to obtain licenses and patents, protect its trade secrets and operate without infringing the exclusive rights of other parties. There is no guarantee that any license and patent that will be granted to the Company will bring any competitive advantage to the Company, that its license and patent protection will not be contested by third parties, or that the licenses and patents of competitors will not be detrimental to the Company's commercial activities. It cannot be assured that competitors will not independently develop products similar to the Company's products, that they will not imitate the Company's products or that they will not circumvent licenses and patents granted to the Company.

management's discussion and analysis of financial condition and results of operations

Clinical Studies. The Company is presently in the final stages of designing clinical studies for its products. These studies require considerable resources from the Company. Obtaining positive and conclusive results from these studies is an essential condition of product commercialization. Therefore, unsatisfactory results may considerably hinder the development and commercialization of the Company's products.

Regulatory Approvals. In order to commercialize its products and hence generate revenues, the Company must first obtain the approval of regulatory agencies in each of the countries where it wishes to sell its products. The Company's products may not meet the criteria established by the various agencies and, consequently, may not obtain required approvals for commercialization.

Commercialization. Once commercialized, the Company's products may potentially compete with existing products on the market. Various people in the healthcare sector, such as those who may prescribe or dispense the new drugs commercialized by the Company and the parties responsible for drug reimbursement, may select other treatments than those offered by the Company.

Competition. The Company is subject to significant competition from pharmaceutical companies, biotechnology companies, academic and research institutions as well as government agencies with greater capital resources, research and development staffs and facilities who are pursuing the development of products that are similar to the Company's. Many of these organizations have marketing capabilities superior to the Company's.

Capital Resources. In order to achieve its long term development and commercialization strategy, the Company will need to raise additional capital through the issuance of shares or collaboration agreements or partnerships that would allow the Company to finance its activities. Nothing guarantees that additional funds will be available or that they may be acquired according to acceptable terms and conditions, allowing the Company to successfully market its products.

Human Resources. Members of management and scientists are highly qualified individuals who are essential to the successful research and development of the Company's products. Loss of services from a large part of this group or the inability of the Company to attract highly qualified personnel could compromise the Company's growth.

Volatility of Share Price. The market price of the Company's shares is subject to volatility. General market conditions as well as differences between the Company's financial, scientific and clinical results and the expectations of securities analysts covering its activities can have a significant impact on the trading price of the Company's shares.

Harbor Statement. The matters discussed in this annual report and more specifically in this management's discussion and analysis of financial condition and results of operations are, by nature, forward looking. For the reasons mentioned above and elsewhere in this annual report, as well as for other reasons, actual results could differ materially.

management's responsibility for financial reporting

The management of BioMS Medical Corp. has prepared the financial statements and all of the information in this annual report, and is responsible for the integrity and fairness of the data presented. The accounting policies followed in the preparation of these financial statements conform with Canadian generally accepted accounting principles, which recognize the necessity of relying on Management's judgment and best estimates. When alternative accounting methods exist, Management has chosen those it deems most appropriate in the circumstances. Financial information presented throughout this annual report is consistent with that in the financial statements.

To fulfill its responsibility and to ensure integrity of financial reporting, Management maintains a system of internal accounting controls. These controls, which include a comprehensive planning system and timely reporting of periodic financial information, are designed to provide reasonable assurance that the financial records are reliable and form a proper basis for the accurate preparation of financial statements.

Final responsibility for the financial statements and their presentation to shareholders rests with the Board of Directors. The Audit Committee of the Board of Directors oversees management's preparation of financial statements and financial control operations. The audit Committee meets separately with Management and the Company's independent auditors, Collins Barrow, to review the financial statements and recommend approval by the Board of Directors.



Kevin Giese
President and Chief Executive Officer



Don Kimak
Chief Financial Officer

February 28, 2003


auditors' report

To the Shareholders of
BioMS Medical Corp.

We have audited the consolidated balance sheet of BioMS Medical Corp. as at December 31, 2002 and December 31, 2001 and the consolidated statements of operations, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2002 and December 31, 2001 and the results of its operations and the cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Edmonton, Alberta
February 28, 2003

Chartered Accountants

consolidated balance sheet

December 31, 2002 and December 31, 2001

	2002	2001
ASSETS		
Current Assets		
Cash	\$ 23,860,849	\$ 25,799,445
Amounts receivable	72,829	63,837
Prepaid expenses	81,598	16,825
	24,015,276	25,880,107
Licensing costs (Note 4)	14,741,947	16,213,688
Property and equipment (Note 5)	50,294	29,264
	\$ 38,807,517	\$ 42,123,059
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 1,771,247	\$ 527,286
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	50,081,276	46,837,732
Deficit	(13,045,006)	(5,241,959)
	37,036,270	41,595,773
	\$ 38,807,517	\$ 42,123,059

Commitment (Note 12)

Approved on behalf of the Board



Director



Director

consolidated statement of operations

For the Years Ended December 31, 2002 and December 31, 2001

	2002	2001
Revenue		
Interest	\$ 542,593	\$ 457,954
Expenses		
Research and development (Note 7)	5,004,242	3,089,323
General and administrative (Note 8)	1,846,931	695,297
Amortization of licensing costs	1,471,741	1,444,356
Amortization of property and equipment	22,726	6,240
	8,345,640	5,235,216
Net loss	\$ 7,803,047	\$ 4,777,262
Loss per common share - basic (Note 9)	\$ 0.19	\$ 0.24

consolidated statement of deficit

For the Years Ended December 31, 2002 and December 31, 2001

	2002	2001
Balance, beginning of year	\$ 5,241,959	\$ 464,697
Net loss	7,803,047	4,777,262
Balance, end of year	\$13,045,006	\$ 5,241,959

consolidated statement of cash flows

For the Years Ended December 31, 2002 and December 31, 2001

	2002	2001
Operating Activities		
Net loss	\$ (7,803,047)	\$ (4,777,262)
Items not involving cash:		
Amortization of licensing costs	1,471,741	1,444,356
Amortization of property and equipment	22,726	6,240
Net change in non-cash working capital balances related to operations (Note 10)	1,170,196	312,290
Cash used in operating activities	(5,138,384)	(3,014,376)
Investing Activities		
Licensing costs	---	(567,283)
Purchase of property and equipment	(43,756)	(35,504)
Goods and services tax recoverable	---	1,336,510
Cash provided by (used in) investing activities	(43,756)	733,723
Financing Activities		
Share issue costs	(15,375)	(1,004,438)
Net proceeds from issuance of share capital	3,258,919	25,249,283
Cash provided by financing activities	3,243,544	24,244,845
Increase (decrease) in cash	(1,938,596)	21,964,192
Cash, beginning of year	25,799,445	3,835,253
Cash, end of year	\$ 23,860,849	\$ 25,799,445
Cash consists of:		
Bank and trust accounts	\$ 2,697,275	\$ 9,043,718
Interest bearing deposits and securities	21,163,574	16,755,727
	\$ 23,860,849	\$ 25,799,445

notes to consolidated financial statements

December 31, 2002 and December 31, 2001

1. Nature of Business

The Corporation was incorporated pursuant to the provisions of the Company Act (British Columbia) on December 15, 1998 under the name 576693 BC Ltd. The Corporation changed its name to EPS Capital Corp. (EPS) on February 9, 2001 and to BioMS Medical Corp. on July 30, 2001. The Corporation was continued to the Province of Alberta July 31, 2001.

The Corporation is a development stage company and, through its subsidiaries, has obtained an exclusive worldwide license to a new medical technology for the treatment of multiple sclerosis.

The Corporation has also obtained an exclusive worldwide license to new medical technology for mobilizing hematopoietic cells in humans.

2. Reverse Takeover

On August 1, 2001, BioMS acquired all of the outstanding common shares of Rycor Technology Investments Corp. in exchange for 38,431,289 shares and 6,810,163 non-transferrable share warrants of BioMS. The acquisition was accounted for as a reverse takeover of BioMS by Rycor in the fiscal year ended December 31, 2001.

Application of reverse takeover accounting results in the following:

- a) The consolidated financial statements of the combined entity are issued under the name of BioMS Medical Corp. (formerly EPS), but are considered the continuation of the financial statements of Rycor. However, the stated capital of the consolidated entity at December 31, 2001 is that of BioMS.
- b) As Rycor was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these financial statements at their historical carrying value. The operations of BioMS was included from August 1, 2001.
- c) Control of the assets and operations of BioMS was considered to be acquired by Rycor. For purposes of this transaction, the consideration was deemed to be the fair value of the net assets of BioMS, which was \$330,053 at August 1, 2001. Immediately prior to the acquisition, there were 3,030,000 common shares of BioMS outstanding with an assigned value of \$407,967.

The fair value of the assets of BioMS acquired by Rycor were:

Cash	\$ 330,024
Prepays	3,616
Accounts receivable	2,993
Accounts payable	(6,280)
	<hr/>
	\$ 330,053
	<hr/>

3. Summary of Significant Accounting Policies

Principles of Consolidation

These consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries Rycor Technology Investments Ltd. and Rycor Corp. All intercompany balances and transactions have been eliminated on consolidation.

Cash

Cash includes short term investments and term deposits, which are highly liquid interest bearing marketable securities or deposits with a maturity of three months or less when purchased. The short term investments are valued at cost.

Property and Equipment

Property and equipment is recorded at cost. Amortization is calculated on an annual 20% straight-line basis.

Licensing Costs

Costs incurred to acquire license rights and acquire product and process technology are capitalized. Capitalized costs are being amortized on the straight-line method over the term of the license agreement, being twelve years.

Revenue Recognition

Interest revenue is recognized on the accrual basis in accordance with the terms of the deposits or securities held.

Future revenues which may arise from licensing, royalties or sales of products will be recognized on an accrual basis in accordance with contractual agreements.

Research and Development Costs

Research and development costs are expensed as incurred unless they meet generally accepted accounting criteria for deferral and amortization. The Corporation reassesses whether it has met the relevant criteria for deferral and amortization at each reporting date. To date, no development costs have been deferred.

Future Income Taxes

Future income taxes result principally from temporary differences in the recognition of certain revenue and expense items for financial and income tax reporting purposes. The principal items which results in timing differences between financial and tax reporting purposes are amortization and tax loss carry forwards. Due to the uncertainty surrounding the realization of the future income tax assets at December 31, 2002, no future income taxes have been reported.

Stock-Based Compensation

Effective for the fiscal year ended December 31, 2002, the Company has adopted the recommendations of new CICA Handbook section 3870 Stock-Based Compensation and Other Stock-Based Payments with respect to its incentive stock option plan as described in Note 6. As permitted by the new standard, the Company has elected to continue measuring compensation cost based on the excess, if any, of the quoted market value of the stock at the date of the grant over the exercise price of the stock options.

notes to consolidated financial statements

3.Summary of Significant Accounting Policies (Continued)

Stock-Based Compensation (Continued)

Amounts received from the exercise of share options and warrants are recorded as share capital. Compensation expense is not recognized on the issuance of common share options to directors and employees as the exercise price of the options is approximately equal to the market value of the common shares at the date of grant.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4.Licensing Costs

	2002			2001
	Cost	Accumulated Amortization	Net	Net
Licensing costs	\$ 17,665,286	\$ 2,923,339	\$ 14,741,947	\$ 16,213,688

5.Property and Equipment

	2002			2001
	Cost	Accumulated Amortization	Net	Net
Computer equipment and software	\$ 50,470	\$ 10,342	\$ 40,128	\$ 16,218
Web site development costs	---	---	---	13,046
Leasehold improvements	12,714	2,548	10,166	---
	\$ 63,184	\$ 12,890	\$ 50,294	\$ 29,264

December 31, 2002 and December 31, 2001

6. Share Capital

Authorized:

Unlimited number of Class A and B voting, common shares

Unlimited number of Class C and D non-voting, common shares

Unlimited number of Class E, F, G, H and I non-voting, redeemable, retractable, preferred shares

Class A common shares issued:

	Number of Common Shares	Amount
BioMS Medical Corp.		
December 31, 2001		
Outstanding, beginning of year	2,900,000	\$ 383,390
Reverse takeover by Rycor Technology Investments Corp.	38,431,289	30,104,917
Exercise of stock options and warrants	3,266,630	9,070,490
Issued for cash	3,300,000	8,250,000
Share issue costs	---	(971,065)
	47,897,919	46,837,732
December 31, 2002		
Issued for cash on exercise of share purchase warrants	658,752	2,635,008
Private placement; issued for cash	150,000	615,000
Issued for cash on exercise of employee stock options	3,000	8,911
Share issuance costs	---	(15,375)
Outstanding, end of year	48,709,671	\$ 50,081,276

notes to consolidated financial statements

6.Share Capital (Continued)

	Number of Common Shares	Number of Warrants	Amount
Rycor Technology Investments Corp.			
December 31, 2001			
Balance, beginning of year	18,123,275	9,763,860	\$21,014,501
Special warrants issued for cash	---	7,667,379	7,599,098
Conversion of special warrants to common shares	17,431,239	(17,431,239)	---
Common shares issued for acquisition of Rycor Corp.	2,876,775	---	1,524,691
Share issue costs	---	---	(33,373)
Outstanding, end of year	38,431,289	---	\$30,104,917

5,952,377 common shares issued are held in escrow at December 31, 2002. These escrowed shares were available to be released on January 27, 2003.

The Corporation's incentive stock option plan permits the grant of stock options to employees, directors, officers and consultants of the Company. The options are non-transferable. Options granted to directors and officers will terminate one year following the date the optionee ceases to be a director or hold an office of the Corporation by reason of death, or 90 days after ceasing to be a director or officer for any reason other than death. Options granted to employees and consultants will expire on the date the optionee ceases to be an employee or consultant of the Corporation. At December 31, 2002, 4,000,000 common shares were reserved for stock options.

6.Share Capital (Continued)

	2002		2001	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	1,059,500	\$ 2.15	---	\$ ---
Granted	1,485,000	3.89	1,059,500	2.15
Exercised	(3,000)	2.97	---	---
Outstanding, end of year	2,541,500	\$ 3.17	1,059,500	\$ 2.15

Range of Exercise Prices:

	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Number Exercisable	Weighted Average Exercise Price
\$0.20	159,500	\$ 0.20	3.0	159,500	\$ 0.20
\$2.50 to \$2.99	1,122,000	2.59	3.7	539,500	2.63
\$4.00 to \$4.50	1,230,000	4.01	9.5	1,230,000	4.01
\$5.75	30,000	5.75	3.9	30,000	5.75
	2,541,500	3.17	6.5	1,959,000	3.35

1,571,000 options are issued to directors and 970,500 options are issued to employees and consultants.

notes to consolidated financial statements

6.Share Capital (Continued)

In addition to the above options, the Corporation has issued warrants for the fiscal years ended December 31, 2001 and December 31, 2002 as follows:

	Weighted Average Number of Warrants	Subscription Price
December 31, 2001		
Outstanding, beginning and end of year	5,444,283	\$ 4.55
December 31, 2002		
Exercised during the year	(658,752)	\$ 4.00
Expired on December 31, 2002	(3,135,531)	\$ 4.00
Outstanding, end of year	1,650,000	\$ 5.80

The remaining 1,650,000 Series A share purchase warrants at December 31, 2002 have an expiry date of October 22, 2003. They entitle the holders to purchase up to an aggregate of 1,650,000 Class A common shares at the subscription price of \$5.80 per share.

In addition to the above options and warrants, on October 23, 2001, the Corporation issued agent's warrants entitling the holder to purchase up to 330,000 units at the subscription price of \$2.50 per unit on or before October 22, 2003. Each unit consists of one Class A common share and one half of one share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one Class A common share at the subscription price of \$5.80 per share on or before October 22, 2003.

7.Research and Development Expenses

Research and development costs consist primarily of products and consulting services relating to the development and testing of technology for the treatment of multiple sclerosis.

8.General and Administrative Expenses

General and administrative expenses consist primarily of consulting services, office expenses, occupancy costs and management remuneration and expenses.

9. Loss Per Common Share

Loss per common share has been allocated on the weighted average number of common shares outstanding for the period of 41,961,063 (December 31, 2001 - 19,825,355).

The effect of potential exercise of options is anti-dilutive at December 31, 2002 and December 31, 2001 and is therefore not presented.

10. Net Change in Non Cash Working Capital Items Related to Operations

	2002	2001
Amounts receivable	\$ (8,992)	\$ (59,755)
Prepaid expenses	(64,773)	(20,884)
Accounts payable	1,243,961	392,929
	<u>\$ 1,170,196</u>	<u>\$ 312,290</u>

11. Income Taxes

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's future tax liabilities and assets as of December 31, 2002 are as follows:

	2002	2001
Difference between book value and tax value of capital assets and licensing costs	\$ 6,035,098	\$ 4,761,442
Income tax losses	9,782,785	3,715,998
	<u>\$15,817,883</u>	<u>\$ 8,477,440</u>
Future income tax asset	<u>\$ 6,010,796</u>	<u>\$ 3,221,427</u>

notes to consolidated financial statements

11. Income Taxes (Continued)

Due to the uncertainty surrounding the realization of the future income tax benefits at December 31, 2002, no future income tax assets have been recorded.

The Corporation has non-capital income tax losses in the amount of \$9,782,785 in the aggregate, which were incurred:

December 31, 2000	\$ 659,307
December 31, 2001	3,056,691
December 31, 2002	6,066,787
	<hr/>
	\$ 9,782,785

These losses may be carried forward for seven fiscal periods from the date incurred. The potential income tax benefit of these losses has not been reflected in the financial statements to December 31, 2002.

12. Commitment

The Corporation has entered into a licensing agreement to cover certain patent claims related to Medical Technology for the treatment of Multiple Sclerosis. The licensing agreement requires payment of a monthly maintenance fee plus royalties on an escalating scale based on net sales of the licensed product.

On September 25, 2002, the Corporation entered into a licensing agreement to cover certain patent claims relating to new medical technology for mobilizing hematopoietic cells in humans. This licensing agreement requires payment of an initial licensing fee to be made concurrently with execution of the Clinical Research Program Agreement, additional payments upon reaching certain objectives, and royalties on an escalating scale based on net sales of the licensed product.

13. Differences Between Canadian and United States Generally Accepted Accounting Principles

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in Canada which, as they apply to the Company, differ in certain material respects from those applicable in the United States. Significant differences between Canadian GAAP and U.S. GAAP are set forth below:

Balance Sheet Adjustments:

	2002	2001
Licensing Costs		
Balance under Canadian GAAP	\$ 14,917,812	\$ 16,213,688
Adjustment for licensing costs (A)	(14,917,812)	(16,213,688)
Balance under U.S. GAAP	\$ ---	\$ ---
Share Capital		
Balance under Canadian GAAP	\$ 50,081,276	\$ 46,837,732
Adjustment for stock compensation for non-employees (B)	74,700	74,700
Adjustment for stock compensation for employees (B)	3,159,000	3,159,000
Balance under U.S. GAAP	\$ 53,314,976	\$ 50,071,432
Deficit		
Balance under Canadian GAAP	\$ 13,045,006	\$ 5,241,959
Adjustment for licensing costs capitalized (A)	---	2,157,537
Adjustment for amortization of licensing costs (A)	(1,471,741)	(1,444,356)
Adjustment for stock compensation to non-employees (B)	---	74,700
Adjustment for stock compensation to employees (B)	---	3,159,000
Cumulative adjustment of prior years differences	19,447,388	15,500,507
Balance under U.S. GAAP Referred to as "Deficit Accumulated During The Development Stage"	\$ 31,020,653	\$ 24,689,347

13. Differences Between Canadian and United States Generally Accepted

notes to consolidated financial statements

Accounting Principles (Continued)

	2002	2001
Effect on consolidated statement of operations.		
Net loss under Canadian GAAP	\$ 7,803,047	\$ 4,777,262
Licensing costs (A)	(1,471,741)	713,181
Employee stock option compensation (B)	---	3,159,000
Non-employee stock option compensation (B)	---	74,700
Net loss and comprehensive loss under U.S. GAAP	\$ 6,331,306	\$ 8,724,143
Basic loss per share - U.S. GAAP	\$ 0.15	\$ 0.44

There are no other differences between Canadian GAAP and U.S. GAAP in amounts reported as cash flows provided by (used in) operating, financing or investing activities.

A) Licensing Costs

On December 14, 2000, the Company entered into a licensing agreement with the University of Alberta through which it was granted exclusive rights to medical technology for the treatment of multiple sclerosis. Under Canadian GAAP licensing costs are capitalized and amortized over the term of the licensing agreement. Under U.S. GAAP, the licensing costs are considered rights to unproven technology which may not have alternative future uses and therefore, would have been expensed entirely for the fiscal year ended December 31, 2001. For the current fiscal year, there would be no amortization on licensing costs expensed under U.S. GAAP.

B) Stock Based Compensation

In the prior year, under U.S. GAAP, the Corporation would have applied the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations in accounting for its stock option plans. During the prior year 900,000 options were issued to employees with an exercise price of \$2.50 when the prevailing market price was \$6.01. The intrinsic value method recognizes an expense based on the difference between the exercise price and the prevailing market rate. During the current year all options granted had an exercise price exceeding the prevailing market price on the grant date.

Under U.S. GAAP, SFAS No. 123, "Accounting for Stock Based Compensation", requires the recording of compensation costs for stock options and warrants issued after December 15, 1995, to non-employees, at fair value. The fair value of the non-employee stock options granted during the fiscal years ended December 31, 2001 and December 31, 2002 has been estimated as the performance occurs and the options are earned using the Black-Scholes option pricing model based on the assumptions set out below.

Under U.S. GAAP, SFAS 123 requires the reporting of pro forma amounts for compensation expense that would have been recorded for the issuance of compensatory share options using an option pricing model.

13. Differences Between Canadian and United States Generally Accepted

Accounting Principles (Continued)

B) Stock-Based Compensation (Continued)

Assumptions	2002	2001
Risk free interest rate	5.0%	5.0%
Dividend yield	0.0%	0.0%
Volatility factors of expected market place	27.0%	41.0%
Weighted average expected life of the options	88 months	60 months

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, the valuation model calculates the expected stock price volatility based on highly subjective assumptions. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing model does not necessarily provide a reliable single measure of the fair value of its employee stock options.

Pro forma disclosures of loss and loss per common share are presented below as if the Company had adopted the cost recognition requirements under SFAS 123. The compensation cost for the stock-based compensation was \$2,343,983 more than what would be reported using the intrinsic value method.

	2002	2001
Loss - U.S. GAAP As reported	\$ 6,331,306	\$ 8,724,143
Loss - U.S. GAAP Pro forma	\$ 8,675,289	\$ 9,437,843
Basic loss per common share As reported	\$ 0.15	\$ 0.44
Basic loss per common share Pro forma	\$ 0.21	\$ 0.47

13. Differences Between Canadian and United States Generally

notes to consolidated financial statements

Accepted Accounting Principles (Continued)

C) Development Stage Enterprise

Under U.S. GAAP, specifically SFAS No. 7, "Accounting and Reporting of a Development Stage Enterprise," the following additional disclosures are required:

Consolidated Statement of Loss and Deficit

	Cumulative from inception through December 31, 2002	Cumulative from inception through December 31, 2001
Revenue	\$ ---	\$ ---
Expenses:		
Research and development	26,275,147	21,270,905
Employee stock option compensation	3,159,000	3,159,000
Non-employee stock option compensation	74,700	74,700
Administration	2,586,692	725,403
Amortization of capital assets	14,608	6,240
Loss from operations before interest income	32,110,147	25,236,248
Interest income	1,089,494	546,901
Deficit accumulated during the development stage	\$ 31,020,653	\$ 24,689,347

14. Financial Instruments

Fair value estimates are made as of a specific point in time using available information about the financial instrument. These estimates are subjective in nature and often cannot be determined with precision.

Financial instruments of the Corporation consist mainly of cash, amounts receivable and accounts payable. As at December 31, 2002, there are no significant differences between the carrying amounts of these items and their estimated fair values.

15. Related Party Transactions

The Corporation paid management and administration amounts of \$321,666 (2001 - \$133,333) and office rent in the amount of \$24,600 (2001 - \$13,500) to companies controlled by directors of the Corporation.

All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

16. Interest Rate Risk

The Corporation has reduced its exposure to interest rate risk by holding short term deposits.

17. Credit Risk

The Corporation has no exposure to credit risk as no sales have yet occurred.

18. Comparative Figures

Effective August 1, 2001, the Corporation acquired all the shares and related assets of Rycor Technology Investments Corp., a Company holding an interest in certain licensing rights and conducting research and development activities relating to technology for the treatment of multiple sclerosis. The acquisition has been accounted for as a reverse takeover and accordingly includes the results of Rycor Technology Investments Corp. operations in these financial statements from January 1, 2001 and the results of BioMS Medical Corp. operations since August 1, 2001. The acquisition was completed through the issuance of 38,431,289 shares from treasury.

Effective March 1, 2001, Rycor Technology Investments Corp. acquired all the shares and related assets of Rycor Corp., a Company holding an interest in certain patent rights and conducting research and development activities relating to technology for the treatment of multiple sclerosis. The acquisition has been accounted for by the purchase method of accounting and, accordingly, includes the results of Rycor Corp. operations in these financial statement from the date of acquisition. As a result of the acquisition, the Company acquired net assets of \$2,124,691 for \$600,000 cash and through the issuance of 2,876,825 shares from treasury for an aggregate amount of \$1,524,691.

corporate information

Board of Directors and Officers

Clifford D. Giese

Chairman

Kevin A. Giese

President and Chief Executive Officer

Laine M. Woollard

Director

Dr. Kjell Stenberg

Director

Dr. John Wetherell

Director

Don Kimak

Chief Financial Officer

Michael Kennedy

Secretary

Legal Counsel

Anfield Sujir Kennedy & Durno

Auditors

Collins Barrow

Registrar and Transfer Agent

Pacific Corporate Trust Company

Exchange and Symbol

BioMS is listed on the Toronto Stock Exchange (TSX) under the symbol "MS"

Corporate Office

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Annual General Meeting

Monday, June 30th, 2003 at 2:00pm
Delta Edmonton South Hotel
and Conference Centre
4404 Calgary Trail
Edmonton, Alberta T6H 5C2
(780) 434-6415 tel

Website

www.biomsmedical.com

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the whole picture...coming together



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