



FELLOW SHAREHOLDERS:

As I write this second quarter letter, I am pleased and encouraged that the capital markets are finally starting to appreciate the potential of our Company, as reflected in our recent share price. And given the momentum in the marketplace and the name recognition that Bioscrypt is starting to enjoy, I see only positive things ahead.

In the second quarter we saw our sales order activity increase significantly after a relatively soft first quarter. This translated into 60% revenue growth over the same quarter in 2002, and 91% growth over the first quarter. The good news is that we see this growth trend continuing in the second half of the year due to the progressive demand for our products and technology. In particular, we have been working diligently with the large system integrators that are in the running to win a number of high profile Government projects that will utilize biometric technology. The superiority of Bioscrypt's fingerprint algorithm has enabled us to be extremely well positioned to participate in these large projects.

Some of the many building security installations that we have been working on for several months have recently been announced. Bioscrypt technology has been deployed at New York City's police headquarters where a new smartcard badge has been introduced that requires fingerprint verification for physical access. This project has been a tremendous success and we believe this solution could become the de facto standard within the city and state of New York. We also announced that the City Hall of Los Angeles is using our readers to provide a much higher level of physical access security, and hope to expand this deployment further in the future. Finally, the Canadian Air Transport Security Agency (CATSA) has secured their Ottawa headquarters with Bioscrypt readers.

The above is a testament to the quality of our technology, and displays the scope and stature of the implementations we have deployed to date, as well as other reputable and recognizable companies that are in the midst of deploying. The pace of adoption of our technology is rapidly increasing. We are extremely encouraged by the feedback we are receiving from our channel partners as to the number of opportunities that are emerging and the reputation that Bioscrypt has in the market.

Another important achievement during the second quarter was the finalization of the debenture financing with J.L. Albright III Venture Fund for C\$5 million. As we have consistently said, we view this financing as an "insurance policy", should the biometrics market take longer to enjoy mass deployment, and we remain focused on becoming cash flow positive in the fourth quarter. Although this is an aggressive goal, we believe that with the sales opportunities ahead of us, it is achievable.

Finally, I would like to extend my thanks to our employees, our shareholders and other business partners for their support. I believe our recent success is just the beginning and I look forward to reporting on our progress in the months ahead.

Sincerely,

Pierre Donaldson
President and CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion of the interim unaudited consolidated financial position, results of operations and cash flows of Bioscrypt Inc. for the six months ended June 30, 2003 and should be read in conjunction with the discussion of the consolidated financial position, results of operations and cash flows for the year ended December 31, 2002 along with the audited consolidated financial statements for such period and the accompanying notes. The Company reports its financial results in US dollars and under Canadian generally accepted accounting principles. This discussion has been prepared in conformance with recent guidelines published by the Canadian Institute of Chartered Accountants.

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains certain forward-looking statements that involve risks and uncertainties, such as statements of the Company's plans, objectives, strategies, expectations and intentions. The words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company, or its management, are intended to identify such forward-looking statements. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including those factors discussed below and in filings made by us with Canadian securities regulatory authorities. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. The Company does not intend, and does not assume any obligation, to update these forward-looking statements.

VISION, CORE BUSINESS AND STRATEGY

For the six months ended June 30, 2003, there have been no material changes with respect to the vision, core business and strategy as outlined in the discussion for the year ended December 31, 2002.

KEY PERFORMANCE DRIVERS

The Company's discussion for the year ended December 31, 2002 outlined six key performance drivers. These are outlined below along with management's assessment of performance for the three and six months ended June 30, 2003:

- **Top-line revenue growth.** Bioscrypt had a strong quarter in terms of top-line revenue growth relative to the previous quarter. This was primarily a result of the increase in orders of the OEM module. Management maintains its annual revenue growth forecast of approximately 65% over 2002 revenue.
- **Market share growth.** There have not been any further statistics published relative to market share, but management believes that the Company has at least maintained its leadership position.
- **Profitability.** Despite the weaker revenue growth in the first quarter, management continues to believe that with the anticipated annual revenue growth and prudent expense management, quarterly profitability, while aggressive, is achievable by the end of 2003.
- **Gross margin.** Gross margins of approximately 40% were achieved in the second quarter and for the six months ended June 30, 2003. Management believes that it can improve slightly on these margins and maintain this level throughout 2003. Margin percentage could increase further with a significant increase in licensing revenue.
- **Technology leadership.** There were no independent test results published during fiscal 2003, but management continues to believe that Bioscrypt possesses the fastest and most accurate fingerprint algorithm in the world.
- **Customer satisfaction.** Customer satisfaction levels can be determined through Bioscrypt press releases, industry publications, reference checking, etc.

CAPABILITY TO DELIVER RESULTS

Capital Resources and Liquidity

In second quarter of fiscal 2003, the Company closed a transaction with J.L. Albright III Venture Fund for a secured debenture of \$5 million Canadian. This infusion of cash has strengthened the balance sheet and this financing provides a hedge against potential economic and market risks. At June 30, 2003, Bioscrypt had cash of approximately \$5.48 million, versus \$3.92 million at December 31, 2002.

For the quarter ended June 30, 2003 cash used in operating activities was \$1.14 million versus \$1.16 million in the comparable period in the prior year. In 2002, the use of cash was primarily due to the higher net loss for the quarter. In 2003, even though the net loss was reduced, the overall use of cash from operating activities was consistent with the prior year primarily due to an increase in working capital, specifically accounts receivable. Net cash used in operating activities for the six month period ended June 30, 2003 was \$1.99 million versus \$2.88 million in the same period in the prior year. The decrease is primarily a result of the restructuring charge from quarter 3, 2002, which reduced headcount and also aligned expenses with revenues. For the six month period ended June 30, 2003 accounts receivable decreased \$0.08 million to \$1.44 million. The slight decrease is due to improving collections of accounts receivable. Inventory has increased due to the lower revenue from quarter 1, 2003 and initial procurement for the V-Station product line. The Company is addressing this issue with a reduction in inventory commitment given to its contract manufacturer. Prepaids and deposits increased by approximately \$0.05 million to \$0.24 million at June 30, 2003. This increase is a timing issue of prepaid expenses. Accounts payable and accrued liabilities decreased \$0.10 million to \$1.72 million at June 30, 2003. The decrease is due to timing in payables from December 31, 2002.

For the quarter ended June 30, 2003 the Company used \$0.01 million for the purchase of fixed assets compared to \$0.76 million in the comparable period in the prior year. For the six month period ended June 30, 2003 Bioscrypt invested approximately \$0.03 million in capital assets versus \$0.13 million in the same period in the prior year. Decreases are due to the Company controlling cash expenditures for non-critical activities.

Financing activities in the three and six month period ended June 30, 2003 related to the proceeds from the secured debentures of \$3.71 million (\$5.00 million Canadian) less issuance costs of \$0.12 million. In addition, there were some normal capital lease payments.

RESULTS

	Three Months Ended June 30, 2003		Six Months Ended June 30, 2003	
	2003	2002	2003	2002
Revenue	\$ 2,115	\$ 1,324	\$ 3,222	\$ 2,516
Cost of Revenue	1,274	888	1,936	1,694
Gross Margin	841	436	1,286	822
Operating expenses	1,499	1,778	2,953	3,606
Loss from operations	(658)	(1,342)	(1,667)	(2,784)
Amortization	165	289	344	574
Loss before other	(823)	(1,631)	(2,011)	(3,358)
Other income(a)	90	336	208	379
Net loss	\$ (733)	\$ (1,295)	\$ (1,803)	\$ (2,979)
Loss per share – basic and diluted	(1.7c)	(3.0c)	(4.1c)	(6.9c)

(a) - Other represents the net of interest income, interest expense and foreign exchange

Revenues

Revenues for the three month period ended June 30, 2003 were \$2.12 million, an increase of \$0.79 million or 60% from the same period in the prior year. For the six month period ended June 30, 2003 revenues increased by \$0.71 million or 28% to \$3.22 million from the same period in the prior year. The increase in revenues is primarily due to the Bioscrypt fingerprint reader becoming the biometric of choice for securing mission-critical locations.

Hardware revenue, for the three and six month periods ended June 30, 2003 accounted for 99% of total revenue, with the balance representing software license, royalty and services revenue. This compares to 97% and 95% for the three and six months period respectively in the prior year for hardware with the balance representing software license, royalty and service revenue. Licensing activity continues to be slow as a result of general economic conditions, whereby potential licensees put future development projects on hold as they deal with more immediate issues.

In terms of hardware sales, the Veri-Series product line remained strong and the OEM module regained the momentum seen in fiscal 2002. For the three month period ended June 30, 2003 Veri-Series revenues increased by approximately \$0.44 million and unit sales increased by approximately 41% over the

comparable period in the prior year. For the six month period ended June 30, 2003 Veri-Series revenues increased by approximately \$0.45 million and unit sales increased by approximately 20% over the comparable period in the prior year. OEM module revenues increased by approximately \$0.33 million and unit sales increased by approximately 75% for the three month period ending June 30, 2003. For the six month period ended June 30, 2003 OEM module revenues increased by approximately \$0.25 million and unit sales increased by approximately 46%.

Revenues from sales outside of the Americas represented 32% and 29% respectively for the quarters ended June 30, 2003 and 2002. For the six months ending June 30, 2003 and 2002 sales outside of the Americas represented 36% and 27% respectively. Bioscrypt believes there are significant opportunities for biometric solutions in the international market, primarily in Europe and accordingly, intends to continue to invest in this strategic market.

For the three months ended June 30, 2003, one customer accounted for approximately 16% of the Company's total revenue, while for the comparable period in the prior year, two customers accounted for approximately 30%. For the six months ended June 30, 2003, two customers accounted for approximately 26% of total revenue, while two customers accounted for 24% for the comparable period in the prior year. In addition, Bioscrypt's five largest customers accounted for 32% and 42% respectively for the six month period ended June 30, 2003 and 2002.

Cost of Revenues and Gross Margin

Cost of revenues consists primarily of hardware manufacturing costs and related shipping charges. For the three month period ended June 30, 2003 gross margin increased 93% or \$0.41 million relative to the comparable period in the prior year. For the six month period ended June 30, 2003 gross margin increased 56% or \$0.46 million relative to the comparable period in the prior year. This was as a result of continued improvements in reducing hardware costs. As a percentage, gross margin increased to 40% of sales from 33% for the three months ended June 30, 2003 as compared to the prior year. For the six month period ended June 30, 2003 margins increased 7% to 40% as compared to the prior year. Hardware margins increased to 39% of sales from 31% for the three months ended June 30, 2003 as compared to the prior year. For the six month period ended June 30, 2003 margins increased 10% to 39% as compared to the prior year.

Expenses

Research and development expenditures consist largely of salaries for technical personnel, the cost of related engineering materials, software tools and support, project expenses and related third party consulting costs. Research and development expenditures were approximately \$0.46 million for the three month period ended June 30, 2003 compared to approximately \$0.52 million for the comparable period in the prior year. For the six month period ended June 30, 2003 research and development expenditures decreased \$0.13 million to \$0.99 million. The decreases are primarily due to fewer projects in the current fiscal year and realignment of functional headcount within the Company.

Selling, general and administration were approximately \$1.04 million for the three month period ended June 30, 2003 compared to approximately \$1.26 million for the comparable period in the prior year. For the six month period ended June 30, 2003 selling, general and administration expenses decreased \$0.53 million to \$1.97 million. The decreases are a result of the restructuring charge from the third quarter of 2002, which reduced headcount and also aligned expenses with revenues.

Amortization For the quarter ended June 30, 2003 amortization expense was approximately \$0.16 million versus \$0.29 million for the comparable period in the prior year. For the six month period ended June 30, 2003, the amortization expense amounted to \$0.34 million compared with \$0.57 million recorded in the six month period ended June 30, 2002. The difference is primarily due to the amortization of deferred development and pre-operating costs which were fully amortized in the fourth quarter of 2002.

Other. Net interest income decreased to approximately \$0.01 million for the three months ended June 30, 2003 compared to approximately \$0.05 million in the comparable period. For the six months ended June 30, 2003 net interest income was approximately \$0.03 million versus \$0.09 million for the comparable period in the prior year. The decrease is due to lower interest rates and lower cash balances. Interest expense recorded for the three months ended June 30, 2003 was due to interest on the secured debentures and for capital lease payments. Prior periods interest expense relates primarily to capital lease payments. For the quarter ended June 30, 2003 a foreign exchange gain of \$0.08 million was recorded versus a gain of \$0.29 for the comparable period in the prior year. The

Company recorded approximately \$0.19 million of foreign exchange gain for the six months ended June 30, 2003 versus a gain of approximately \$0.29 million for the same period in the prior year. The decrease in the foreign exchange gain is due to lower Canadian dollar cash balances as compared to the prior year.

Accounting Changes

In February 2003, the Canadian Institute of Chartered Accountants ("CICA") issued Accounting Guideline 14, - disclosure of guarantees - ("AcG-14"), which addresses the disclosure to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees.

AcG-14 requires the guarantor to disclose the nature of the guarantees, the maximum potential amount of future payments and the current carrying amount of the liability for the non-contingent component of the guarantee, which is the obligation to stand ready to perform in the event that specified triggering events or conditions occur. The disclosure is required even if is not probable that payments will be required under the guarantee or if the guarantee was issued with a premium payment or as part of a transaction with multiple elements.

In the first quarter of 2003, the Company has adopted the disclosure requirements of AcG-14 and has found no guarantees from their current contracts.

Prospective Analysis

For the six months ended June 30, 2003, there have been no material changes with respect to the prospective analysis as outlined in the discussion for the year ended December 31, 2002.

Risks

For the six months ended June 30, 2003, there have been no material changes with respect to the risks as outlined in the discussion for the year ended December 31, 2002.

BIOSCRYPT INC. CONSOLIDATED BALANCE SHEETS (Unaudited) (in U.S. dollars)

	June 30 2003	December 31 2002
Assets		
Current Assets		
Cash	\$ 5,480,579	\$ 3,916,076
Accounts receivable	1,443,165	1,522,721
Inventory	2,244,752	1,788,985
Prepaid expenses and deposits	242,804	194,230
	<u>9,411,300</u>	<u>7,422,012</u>
Fixed Assets		
Fixed Assets	593,172	663,104
Intangibles	7,224,443	7,470,145
Deferred Financing Costs	99,263	-
	<u>\$ 17,328,178</u>	<u>\$ 15,555,261</u>
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 1,721,604	\$ 1,820,569
Current portion of obligations under capital leases	-	5,143
Current portion of deferred tenant inducement	32,532	32,532
	<u>1,754,136</u>	<u>1,858,244</u>
Secured Debentures		
Secured Debentures	3,101,978	-
Deferred Tenant Inducement	52,281	68,544
	<u>4,908,395</u>	<u>1,926,788</u>
Shareholders' Equity		
Share capital	44,438,893	44,438,893
Warrants	1,003,766	414,717
Contributed surplus	11,893	-
Deferred stock compensation	(6,937)	-
Deficit	(33,027,832)	(31,225,137)
	<u>12,419,783</u>	<u>13,628,473</u>
	<u>\$ 17,328,178</u>	<u>\$ 15,555,261</u>

BIOSCRYPT INC.

CONSOLIDATED STATEMENTS OF EARNINGS AND DEFICIT

(Unaudited) (in U.S. dollars)	Three months ended June 30		Six months ended June 30	
	2003	2002	2003	2002
Revenue				
Product sales	\$ 2,100,311	\$ 1,282,175	\$ 3,491,877	\$ 2,380,569
License, royalties and services	15,000	42,250	30,000	135,650
	<u>2,115,311</u>	<u>1,324,425</u>	<u>3,221,877</u>	<u>2,516,219</u>
Cost of Revenue				
Product sales	1,274,142	888,156	1,935,542	1,679,337
License, royalties and services	-	126	-	14,763
	<u>1,274,142</u>	<u>888,282</u>	<u>1,935,542</u>	<u>1,694,100</u>
Gross Margin	841,169	436,143	1,286,335	822,119
Expenses				
Research and development	462,480	521,092	987,474	1,114,455
Selling, general and administration	1,036,672	1,256,888	1,965,774	2,492,097
	<u>1,499,152</u>	<u>1,777,980</u>	<u>2,953,248</u>	<u>3,606,552</u>
Loss Before Amortization and Other	(657,983)	(1,341,837)	(1,666,913)	(2,784,433)
Amortization				
Fixed assets	41,950	66,101	98,208	128,615
Deferred development and pre-operating costs	-	99,926	-	199,852
Intangibles	122,851	122,851	245,702	245,702
	<u>164,801</u>	<u>288,878</u>	<u>343,910</u>	<u>574,169</u>
Loss Before Other	(822,784)	(1,630,715)	(2,010,823)	(3,358,602)
Other				
Interest income	14,413	48,306	30,076	90,814
Interest expense	(8,144)	(909)	(8,291)	(1,946)
Foreign exchange gain	83,812	288,466	186,343	290,498
	<u>90,081</u>	<u>335,863</u>	<u>208,128</u>	<u>379,366</u>
Net Loss	(732,703)	(1,294,852)	(1,802,695)	(2,979,236)
Deficit Beginning of Period	(32,295,129)	(17,014,874)	(31,225,137)	(15,330,490)
Deficit End of Period	<u>\$ (33,027,832)</u>	<u>\$ (18,309,726)</u>	<u>\$ (33,027,832)</u>	<u>\$ (18,309,726)</u>
Loss Per Share				
Basic and diluted	(1.7c)	(3.0c)	(4.1c)	(6.9c)

BIOSCRYPT INC. CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (in U.S. dollars)

	Three months ended June 30		Six months ended June 30	
	2003	2002	2003	2002
Net Inflow (Outflow) of Cash Related to the Following Activities:				
Operating				
Net loss	\$ (732,703)	\$ (1,294,852)	\$ (1,802,695)	\$ (2,979,236)
Items not affecting cash:				
Amortization:				
Fixed assets	41,950	66,101	98,208	128,615
Deferred development and pre-operating costs	-	99,926	-	199,852
Intangibles	122,851	122,851	245,702	245,702
Deferred tenant inducements	(8,132)	(8,132)	(16,263)	(16,263)
Issuance of options for services	2,973	-	4,956	-
	<u>(573,061)</u>	<u>(1,014,106)</u>	<u>(1,470,092)</u>	<u>(2,421,330)</u>
Changes in non-cash operating working capital items:				
Accounts receivable	(616,300)	296,643	79,556	371,457
Inventory	(67,701)	(129,896)	(455,767)	(382,369)
Prepaid expenses and deposits	(48,755)	(92,720)	(48,574)	39,111
Accounts payable and accrued liabilities	168,004	(217,009)	(98,965)	(482,989)
	<u>(1136,013)</u>	<u>(1,157,088)</u>	<u>(1,993,842)</u>	<u>(2,876,120)</u>
Investing				
Purchase of fixed assets	(9,862)	(75,937)	(28,276)	(129,859)
Financing				
Proceeds from secured debentures	3,710,500	-	3,710,500	-
Issuance costs	(18,736)	-	(18,736)	-
Repayment of obligations under capital leases	(2,823)	(13,315)	(5,143)	(26,795)
	<u>3,588,941</u>	<u>(13,315)</u>	<u>3,586,621</u>	<u>(26,795)</u>
Net increase (decrease) in cash	2,442,166	(1,246,340)	1,564,503	(3,032,774)
Cash at Beginning of Period	3,038,413	7,863,337	3,036,076	9,649,771
Cash at End of Period	<u>\$ 5,480,579</u>	<u>\$ 6,616,997</u>	<u>\$ 5,480,579</u>	<u>\$ 6,616,997</u>
Supplementary Information				
Interest paid during the period	\$ 344	\$ 909	\$ 491	\$ 1,946
Interest received during the period	\$ 14413	\$ 48,306	\$ 30,076	\$ 90,814

BIOSCRIPT INC.
Notes to Interim Consolidated Financial Statements
June 30, 2003
(Unaudited)
(in U.S. dollars)

1. BASIS OF PRESENTATION

These interim unaudited consolidated financial statements include the accounts of Bioscript Inc. ("Bioscript" or the "Company") and its wholly-owned subsidiaries. These interim unaudited consolidated financial statements have been prepared by management in U.S. dollars in accordance with Canadian generally accepted accounting principles with respect to the preparation of interim financial information. Accordingly, they do not include all information and notes as required in the preparation of annual consolidated financial statements.

In the opinion of management, all adjustments considered necessary for fair presentation of the Company's financial position, results of operations and cash flows have been included. Operating results for the interim period presented are not necessarily indicative of the results to be expected for any subsequent quarter or for the full fiscal year ending December 31, 2003.

The accounting policies used in the preparation of these interim unaudited consolidated financial statements are consistent with those used in preparing the annual financial statements. These interim unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2002, as set out in the 2002 Annual Report. Note disclosures have been presented for material updates to the information previously reported.

2. ACCOUNTING CHANGES

a) Secured debentures

Financial instruments that contain both a liability and an equity element are required to have the instrument's component parts classified separately. The debt component is equal to the proceeds less the amount allocated to equity at the time of issue. The debt component is considered to have a discount equal to the portion of the secured debenture allocated to equity. The discount is amortized over the term to maturity as an adjustment to interest expense to accrete the carrying amount of the debt up to the face value.

The equity component of the secured debenture is presented under Shareholders' Equity on the consolidated balance sheet. A fair value is ascribed to warrants issued to the holder of the secured debentures using the Black-Scholes option-pricing model.

Debenture issue costs are proportionately allocated to their respective debt and equity components. The debt component of the issue costs are classified as deferred financing costs and amortized over the term of the debentures. The equity component of the issue costs reduces the carrying value of the equity component of the debentures.

b) Guarantees

In February 2003, the Canadian Institute of Chartered Accountants ("CICA") issued Accounting Guideline 14, - disclosure of guarantees - ("AcG-14"), which addresses the disclosure to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees.

AcG-14 requires the guarantor to disclose the nature of the guarantees, the maximum potential amount of future payments and the current carrying amount of the liability for the non-contingent component of the guarantee, which is the obligation to stand ready to perform in the event that specified triggering events or conditions occur. The disclosure is required even if it is not probable that payments will be required under the guarantee or if the guarantee was issued with a premium payment or as part of a transaction with multiple elements.

In the first quarter of fiscal 2003, the Company has adopted the disclosure requirements of AcG-14 and has found no guarantees from their current contracts.

3. SECURED DEBENTURES

On June 23, 2003 the Company completed a private placement of \$3,710,500 of 11.0% secured debentures and issued 1,982,759 share purchase warrants. Interest on the debentures is paid monthly in arrears. The secured debentures are repayable on June 23, 2007. The Company may prepay the secured debentures at any time. Each share purchase warrant entitles the holder thereof to purchase one common share at the exercise price of \$0.58 per share purchase warrant. The share purchase warrants expire on June 23, 2007. The fair value of the share purchase warrants was estimated on the date of the issuance using the Black-Scholes option-pricing model with the following assumptions: risk-free interest rate 3.44%, expected dividend yield 0.00%, expected share price volatility 102.0%; and expected life of the warrants 4 years.

Issuance costs of \$118,736 were proportionately allocated to the related debt and equity components. The deferred financing costs on the balance sheet are being amortized to interest expense over the term of the secured debentures and the equity component of the issue costs reduced the carrying value of the share purchase warrants. The estimated fair value of the share purchase warrants is \$608,522 less \$19,473, which is the proportional share of the issue costs related to the secured debentures. As at June 30, 2002 no share purchase warrants have been exercised. Amortization of the secured debentures discount for the period ending June 30, 2003 was nil.

4. SHAREHOLDERS' EQUITY

a) Stock based compensation

The Company has three fixed stock option plans. For stock options granted to employees since the adoption of CICA Handbook Section 3870 - stock based compensation and other stock-based payments - had the Company determined compensation cost based on the fair values at the dates of grant, the Company's net loss would have been reported as the pro forma amounts indicated below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Net loss	\$ (732,703)	\$ (1,294,852)	\$ (1,802,695)	\$ (2,979,236)
Pro forma loss	\$ (746,749)	\$ (1,317,006)	\$ (1,928,988)	\$ (3,045,430)
Pro forma basic and diluted loss per share	(1.7c)	(3.0c)	(4.4c)	(7.0c)

www.bioscript.com

Stock Exchange Listing - The Toronto Stock Exchange (TSX:BYT)
Investor Relations Contact: investor@bioscript.com

The fair value of each option granted was estimated on the date of the grant using the following assumptions:

	Three months ended	
	June 30, 2003	March 31, 2003
Risk-free interest rate	3.49%	4.14%
Volatility factor of the future expected market price	102%	102%
Dividend yield	0%	0%
Weighted average expected life of the options	5 years	5 years

For purposes of the pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period on a straight-line basis. The pro forma disclosure omits the effect of awards granted before adoption of Section 3870.

b) Fixed stock option plans

A summary of the changes during the six month period ended June 30, 2003, expressed in Canadian dollars, and the status of the Primary Stock Option Plan, Second Stock Option Plan and Third Stock Option Plan is presented below:

Primary Stock Option Plan	Number of Options	Canadian dollars
		Weighted Avg. Exercise Price
Outstanding at December 31, 2002	2,571,455	\$ 1.35
Granted	40,000	\$ 0.88
Exercised	-	\$ -
Cancelled/Expired	(391,958)	\$ 1.64
Outstanding at March 31, 2003	2,219,497	\$ 1.27
Granted	17,500	\$ 0.59
Exercised	-	\$ -
Cancelled/Expired	(57,697)	\$ 1.27
Outstanding at June 30, 2003	2,179,300	\$ 1.27
Options exercisable at June 30, 2003	1,493,735	\$ 1.28
Options available for issuance at June 30, 2003	914,500	

In February 2003 the Company granted 30,000 options to a consultant. These options are recorded as deferred stock compensation and contributed surplus on the date of grant and are being expensed over the vesting period of 12 months.

Second Stock Option Plan	Number of Options	Canadian dollars
		Weighted Avg. Exercise Price
Outstanding at December 31, 2002 and June 30, 2003	450,000	\$ 5.25
Options exercisable at June 30, 2003	450,000	\$ 5.25

Third Stock Option Plan	Number of Options	Canadian dollars
		Weighted Avg. Exercise Price
Outstanding at December 31, 2002 and June 30, 2003	100,000	\$ 3.89
Options exercisable at June 30, 2003	66,000	\$ 3.89

c) Warrants

Compensation Warrants	Number	Amount
Balance, December 31, 2002 and June 30, 2003	727,721	\$ 414,717

Share Purchase Warrants

Issued (Note 3)	1,982,759	\$ 589,049
Balance June 30, 2003	1,982,759	\$ 589,049
Total Warrants June 30, 2003	2,710,480	\$ 1,003,766

5. SEGMENTED INFORMATION

The Company operates in one industry segment, which is the development and licensing of advanced biometric technologies to original equipment manufacturers and other customers requiring state of the art user authentication. Substantially all revenue is derived from sales to customers in the Americas. The Americas includes countries in North and South America. All assets of the Company, which support the revenues of the Company, are also located in the Americas. The distribution of net revenue by location of customers is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Net revenue:				
Americas	\$ 1,433,540	\$ 938,657	\$ 2,070,979	\$ 1,828,336
Asia	266,388	52,644	389,277	216,649
Europe	219,706	91,790	404,174	161,477
Middle East	135,718	158,164	211,131	184,541
Other	59,959	83,170	146,316	125,216
Total revenue	\$ 2,115,311	\$ 1,324,425	\$ 3,221,877	\$ 2,516,219

6. COMMITMENTS

As at June 30, 2003 the Company has commitments to purchase approximately \$1,012,000 of inventory.

7. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the presentation adopted in the current period.

