

VICTHOM HUMAN BIONICS INC.

(formerly Begama Technologies Inc.)

ANNUAL REPORT AS AT DECEMBER 31, 2002

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DESCRIPTION OF THE ACTIVITIES

During the financial year ended December 31, 2002, Victhom Human Bionics Inc. ("Corporation"), formerly Begama Technologies Inc., was a capital pool company ("CPC") pursuant to Policy 2.4 of the TSX Venture Exchange ("Exchange"). The CPC program permits an initial public offering to be conducted and an Exchange listing to be achieved by a newly created company that has no assets, other than cash, and has not commenced commercial operations. The CPC then uses this pool of funds to identify and evaluate assets or businesses which, when acquired, qualify the CPC for listing as a regular issuer on the Exchange ("Qualifying Transaction").

The Corporation was incorporated on January 11, 2002 by Certificate of Incorporation issued pursuant to the provisions of the *Canada Business Corporations Act*. Immediately following its incorporation, the Corporation commenced to identify and evaluate businesses or assets with a view to completing a Qualifying Transaction as required by Policy 2.4 of the Exchange.

In April 2002, the Corporation completed its first public offering by the issuance of 2,200,000 common shares at a price of \$0.15 per share for total gross proceeds of \$330,000. On April 23, 2002, the stocks of the Corporation were listed on the Exchange under the symbol "BEG".

On May 21, 2002, the Corporation entered into an agreement in principle with Victhom Corporation ("Victhom") setting out the terms and conditions under which the Corporation proposes to acquire all of the issued and outstanding shares of Victhom.

On October 25, 2002, the shareholders of the Corporation approved the acquisition of all the issued and outstanding shares and warrants of Victhom. In conjunction with the Qualifying Transaction, the Corporation offered its stocks by way of a prospectus for a minimum of \$2,400,000 and a maximum of \$3,000,000 and received its final receipt accordingly on November 25, 2002.

On November 5, 2002, the Corporation changed its name "Begama Technologies Inc." and its French version "Les Technologies Begama inc." to "Victhom Human Bionics Inc." and its French version "Victhom Bionique Humaine inc."

On January 10, 2003, the Corporation acquired all of the Victhom issued and outstanding shares in exchange of 19,840,000 common shares of the Corporation. This transaction constitutes the Corporation's Qualifying Transaction pursuant to Policy 2.4 of the Exchange.

On January 10, 2003, the Corporation and Victhom merged and the Corporation also completed the minimum offering of \$2,400,000.

On January 17, 2003, the Corporation finalised a placement of \$600,000 in order to complete the maximum offering of \$3,000,000.

Since the business combination of Begama and Victhom on January 10, 2003, the Corporation has become a regular issuer on the Exchange and its stock symbol is VHB. The Corporation specializes in the development and marketing of bionic devices aiming at improving the quality of life of persons suffering from physical dysfunctions. The Corporation has 30 employees and is distinguished by the complementarity of its expertise and business model, which is based on the establishment of scientific and commercial partnerships.

FINANCIAL SITUATION

Overview

The Company during the course of the fiscal year utilized some funds according to TSX Venture Policy to identify and evaluate assets and businesses, which once acquired, enabled the company to qualify to the Exchange as a regular issuer.

Profit & loss statement

Sales

In its initial financial year ending December 31, 2002, Victhom Human Bionics did not record any revenue other than interest revenue of \$162.

Administration expenses

Administration expenses for the year ending December 31, 2002 were \$ 34,178, representing mainly agent's disbursements and professional fees regarding communications with the TSX Venture Exchange and investors.

Treasury and financing sources

During the year ending December 31, 2002, gross treasury resources were increased by issuing shares for \$ 382,969. Cash flow was used to cover Q-1, 2003 public offering costs and an advance to Victhom Corporation of \$101 238.

Future Outlook

Subsequent to December 31, 2002, on January 10, 2003 the company acquired all the issued and outstanding shares of Victhom Corporation. The company also, completed a \$ 3,000,000 prospectus public offering and a business combination successfully merging with Victhom Corporation enabling the successor company, Victhom Human Bionics to be a publicly traded company.

On January 10, 2003, combined cash flow is estimated at \$1,500,000 enabling the Company to continue the development of an Anthropomorphic Leg, which is expected to be commercialized during fiscal 2004.

MANAGEMENT REPORT

The Corporation's management is responsible for the preparation, integrity and objectivity of the financial statements and other financial information presented in this Annual Report.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

The Corporation's policy is to maintain a system of internal accounting and administrative controls designed to provide reasonable assurance that the financial information is relevant, accurate and reliable, and that our assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that Management fulfills its financial reporting responsibilities and is ultimately responsible for reviewing and approving the financial statements. Subsequent to the financial year ended December 31, 2002, the Board carries out these responsibilities primarily through its Audit Committee.

The Audit Committee is appointed by the Board and is comprised of outside directors. The Committee meets periodically with Management and external auditors to review accounting, auditing and internal control matters.

These financial statements have been reviewed and approved by the Board of Directors.

The financial statements have been audited on behalf of shareholders by Raymond Chabot Grant Thornton (Quebec), the external auditors, in accordance with Canadian generally accepted auditing standards. The external auditors have full and free access to the Audit Committee.

/s/ Benoit Côte
Benoît Côte, President and
Chief Executive Officer

/s/ Preston J.Maddin
Preston J. Maddin, Director and
Chief Financial Officer

GENERAL INFORMATION

Head Office

Victhom Human Bionics Inc.
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Directors and officers

Benoît Côte

President & Chief Executive Officer

Preston J. Maddin

Director & Chief Financial Officer

Stéphane Bédard

Director & Chief Technology Officer

Daniel Johnson

Director

Nitin Kaushal

Director

Luc Vachon

Director

Michel Blouin

Director

Ghislain Demers

Director-finance and operation

Auditors

Raymond Chabot Grant Thornton
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G1R 5P7
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Transfer Agent and Registrar

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Solicitors

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G1R 5G4
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Trading

TSX Venture Exchange
Symbol: VHB

Capital Stock

Outstanding common shares as at
December 31, 2002
3,933,333

Auditors' Report

To the Shareholders of
Victhom Human Bionics Inc. (formerly Begama Technologies Inc.)

We have audited the balance sheet of Victhom Human Bionics Inc. (formerly Begama Technologies Inc.) as at December 31, 2002 and the statements of earnings and deficit and cash flows for the initial twelve-month period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

/s/ Raymond Chabot Grant Thornton

Chartered Accountants

Québec

February 4, 2003 (Except as to note 8d which as at February 17, 2003)

Victhom Human Bionics Inc. (formerly Begama Technologies Inc.)

Earnings and Deficit

Initial twelve-month period ended December 31, 2002

	<u>\$</u>
Interest revenue	162
Administrative expenses	34,178
Financial expenses	90
	<u>34,268</u>
Net loss and deficit at the end	(34,106)
Weighted average number of outstanding shares	<u>3,350,282</u>
Net loss per share	
Basic and diluted net loss per share	<u>(0.010)</u>

The accompanying notes are an integral part of the financial statements.

Victhom Human Bionics Inc. (formerly Begama Technologies Inc.)

Changes in Cash Resources

Initial twelve-month period ended December 31, 2002

	\$
<i>OPERATING ACTIVITIES</i>	
Net loss	(34,106)
Non-cash items	
Changes in working capital items (Note 3)	(57,520)
Cash flows from operating activities	(91,626)

<i>INVESTING ACTIVITIES</i>	
Advances to Victhom Corporation and cash flows from investing activities	(101,238)

<i>FINANCING ACTIVITIES</i>	
Share issue	382,969
Deferred costs	(184,219)
Cash flows from financing activities	198,750
Net increase in cash and cash, end of period	5,886
	=====

The accompanying notes are an integral part of the financial statements.

Victhom Human Bionics Inc. (formerly Begama Technologies Inc.)

Balance Sheet

December 31, 2002

	\$
ASSETS	
Current assets	
Cash	5,886
Accounts receivable (Note 4)	158,758
	<u>164,644</u>
Deferred costs	380,194
	<u>544,838</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	195,975
SHAREHOLDERS' EQUITY	
Capital stock (Note 5)	382,969
Deficit	<u>(34,106)</u>
	<u>348,863</u>
	<u>544,838</u>

The accompanying notes are an integral part of the financial statements.

On behalf of the Board,

/s/ Benoit Côte
President and Chief Executive
Officer

/s/ Preston J.Maddin
Director and Chief Financial
Officer

Victhom Human Bionics Inc. (formerly Begama Technologies Inc.)
Notes to Financial Statements
December 31, 2002

1 – GOVERNING STATUTES AND NATURE OF ACTIVITIES

The Company, incorporated January 11, 2002 under the Canada Business Corporation Act, is classified as a capital pool company as defined in the TSX Venture Exchange Policy.

2 – ACCOUNTING POLICIES

Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results may differ from these estimates.

Cash and cash equivalents

The Company's policy is to present cash and temporary investments having a term of three months or less from the acquisition date with cash and cash equivalents.

Income taxes

The Company uses the tax liability method to account for income taxes. Under this method, future tax assets and liabilities are determined according to differences between the carrying amounts and tax bases of the assets and liabilities. They are measured by applying enacted or substantively enacted tax rates and laws at the date of the financial statements for the years in which the temporary differences are expected to reverse. The Company record the future income tax asset to an amount that is more likely than not to be realized.

Deferred costs

Differed charges include the costs incurred to increase the Company's capital stock. These amounts will be transferred to capital stock when the capital stock is issued.

Earnings per share

Basic earnings per common share is computed by dividing the net earnings available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares at the later of the beginning of the year or the issuance date. The treasury stock method is used to determine the dilutive effect of stocks options. The treasury stock method assumes that proceeds received from the exercise of in-the-money stock options are used to repurchase common shares at the average market price during the period.

Common stock options to purchase common share disclosed in note 9 were not included in computations of diluted earnings per share because the Company reported loss and the inclusion of the options would be anti-dilutive.

Victhom Human Bionics Inc. (formerly Begama Technologies Inc.)

Notes to Financial Statements

December 31, 2002

3 – FIXED ASSETS

The changes in working capital items are detailed as follows:

	<u>\$</u>
Accounts receivable	<u>(57,520)</u>

4 – ACCOUNTS RECEIVABLE

	<u>\$</u>
Indirect taxes receivable	57,520
Advances from Victhom Corporation, without interest	101,238
	<u>158,758</u>

5 – CAPITAL STOCK

Authorized

Unlimited number of common shares without par value, voting and participating

	<u>\$</u>
Issued and fully paid	
Common shares	<u>382,969</u>

	<u>Number</u>	<u>Amount</u>
		<u>\$</u>
Issued for cash on January 12, 2002 (1)	1,600,000	120 000
Issued for cash on March 15, 2002 (1)	133,333	10 000
Issued for cash on April 11, 2002(1)	2 200,000	297 000
Issuance fees		(44 031)
	<u>3 933 333</u>	<u>382 969</u>

(1) A total of 1,821,333 common shares are subject to an escrow agreement and may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities.

Victhom Human Bionics Inc. (formerly Begama Technologies Inc.)

Notes to Financial Statements

December 31, 2002

6 – INCOME TAXES

The Company's effective income tax rate differs from the combined federal and provincial income tax rate in Canada. This difference arises from the following items:

	\$
Loss before	<u>(34,106)</u>
Income taxes calculated using the combined federal and provincial income tax rate in Canada of 31.02 %	<u>(10,579)</u>
Decrease in income taxes resulting from the following	
Unrecognized future income taxes	8,745
Non deductibles expenses and other items	<u>1,834</u>
Income taxes	<u>–</u>

The future income tax assets and liabilities result from differences between the carrying amount and the tax basis of the following:

	\$
Future income tax assets	
Non-capital losses	32,332
Future income tax liabilities	
Deferred costs	<u>23,587</u>
	8,745
Valuation allowance	<u>(8,745)</u>
Net future income tax assets recorded	<u>–</u>

Future income tax assets resulting from loss carry-forwards is not recorded in the financial statements. These losses are available to reduce income taxes in future years, aggregate \$28,194 for tax purposes and are detailed as follows:

	\$
Amount of loss carry-forwards for tax purposes expiring within the following years:	
2010	104,233
Portion of losses for tax purposes resulting from timing difference	<u>76,039</u>
	<u>28,194</u>

7 – FINANCIAL INSTRUMENTS

The fair value of current financial instruments is equivalent to their carrying amount given that they will mature shortly.

Victhom Human Bionics Inc. (formerly Begama Technologies Inc.)
Notes to Financial Statements
December 31, 2002

8 – SUBSEQUENT EVENT

After the end of the year, the following transactions were carried out by the Company :

- (a) Further to an agreement between the Company and Victhom Corporation Inc., on January 10, 2003, Victhom Human Bionics Inc. acquired all of the Victhom Corporation Inc. issued and outstanding shares in exchange of 19,840,000 common shares of the Company totalling \$9,920,000. Following this transaction, the shareholders of Victhom Corporation Inc. directly or indirectly own approximately 85% of the outstanding voting shares of Victhom Human Bionics Inc.. This transaction was accounted for as a reverse takeover and will be accounted for according to the purchase method.
- (b) Also on January 10, 2003, the Company completed a public offering for \$2,400,000 out of a total offering of \$3,000,000. This placement was carried out via 4,800,000 newly issued units at a price of \$0.50 per unit. Each unit is composed of one common share and one half common share warrant. Each warrant entitles the holder to acquire one common share for \$0.80 before July 10, 2004.
- (c) On January 10, 2003, the Company and Victhom Corporation Inc. merged under the name Victhom Human Bionics Inc..
- (d) On February 17, 2003, the Company raised an additional \$600,000 though 1,200,000 units issued for \$0.50 per unit, completing the public offering of \$3,000,000.

Victhom Human Bionics Inc. (formerly Begama Technologies Inc.)

Notes to Financial Statements

December 31, 2002

9 – STOCK-BASED COMPENSATION

On April 11, 2002, the Company granted stock options for a total of 350,000 common shares to two directors at an exercise price of \$0.15. The options granted can be exercised over a period beginning on their grant date. The Company does not record any compensation expense in earnings when the options are granted. Had the compensation expense for the stock options granted been determined using the fair value-based method at the grant date, the Company's net loss and the net loss per share figures for period ended December 31, 2002 would have been the following pro forma amounts:

	\$
Net loss	
As reported	(34,106)
Pro forma	(72,606)
Net loss and diluted net loss per share	
As reported	(0.010)
Pro forma	(0.022)

The fair value of the options granted during the period ended December 31, 2002 is estimated at \$0.11 per option. The fair value of these options was determined at the grant date using the Black-Scholes option pricing model considering the following assumptions:

Risk-free interest rate	5.16%
Expected life (in years)	5
Expected share volatility	90%
Expected dividends	0

