

Victhom Human Bionics Inc.

Interim Financial Statements
as at March 31, 2003 and 2002

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Victhom Human Bionics Inc.

Earnings and Deficit

Three-month periods ended March 31, 2003 and 2002
(unaudited)

	<u>2003</u>	<u>2002</u>
	\$	\$
Expenses		
Research and development expenses, net	396 230	62 122
Administrative expenses	395 792	125 358
Financial expenses	<u>14 408</u>	<u>22 594</u>
Net loss	806 429	210 074
Deficit, beginning of period	<u>2 262 251</u>	<u>677 047</u>
Deficit, end of period	<u><u>3 068 680</u></u>	<u><u>887 121</u></u>
Basic and diluted net loss per share	<u><u>0.028</u></u>	<u><u>0.044</u></u>
Weighted average number of outstanding shares	<u><u>28 654 232</u></u>	<u><u>4 814 400</u></u>

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

Victhom Human Bionics Inc.

Cash Flows

Three-month periods ended March 31, 2003 and 2002

(unaudited)

	<u>2003</u>	<u>2002</u>
	\$	\$
OPERATING ACTIVITIES		
Net loss	(806 429)	(210 074)
Non-cash items		
Depreciation of property, plant and equipment	37 191	23 711
Amortization of investment tax credits	(2 777)	(3 386)
Amortization of financing costs	186	4 926
Interest on convertible debentures		14 858
Change in working capital items	<u>(897 057)</u>	<u>(203 866)</u>
Cash flows from operating activities	<u>(1 668 885)</u>	<u>(373 831)</u>
INVESTING ACTIVITIES		
Advances to directors		8 000
Advance to a shareholder		(30 000)
Installment on advance to a shareholder		15 000
Investments		8 370
Property, plant and equipment	<u>(44 980)</u>	<u>(21 738)</u>
Cash flows from investing activities	<u>(44 980)</u>	<u>(20 368)</u>
FINANCING ACTIVITIES		
Note payable		62 421
Repayment of long-term debt	(10 062)	(4 626)
Installments on convertible debentures	(200 000)	
Share issue	<u>2 644 711</u>	
Cash flows from financing activities	<u>2 434 649</u>	<u>57 795</u>
Net increase (decrease) in cash	720 784	(336 404)
Cash, beginning of period	<u>30 534</u>	<u>429 162</u>
Cash, end of period	<u><u>751 318</u></u>	<u><u>92 758</u></u>

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

Victhom Human Bionics Inc. Balance Sheets

	(unaudited) March 31, 2003 \$	December 31, 2002 \$
ASSETS		
Current assets		
Cash	751 318	30 534
Accounts receivable (Note 7)	1 437 280	1 268 745
Prepaid expenses	19 401	4 625
	<u>2 207 999</u>	<u>1 303 904</u>
Property, plant and equipment	713 946	700 650
Financing costs		34 654
Patents, at cost	37 100	37 381
	<u>2 959 045</u>	<u>2 076 589</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	382 681	1 096 427
Note payable, prime plus 1.75% (Note 9)	490 000	490 000
Instalments on long-term debts	44 780	42 205
Instalments on liability component of convertible debentures		534 896
	<u>917 461</u>	<u>2 163 528</u>
Deferred investment tax credits	53 047	55 824
Long-term debt (Note 10)	70 357	77 487
Liability component of convertible debentures (Note 11)		308 425
	<u>1 040 865</u>	<u>2 605 264</u>
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Equity component of convertible debentures (Note 11)		255 048
Capital stock (Note 12)	4 986 860	1 478 528
Deficit	(3 068 680)	(2 262 251)
	<u>1 918 180</u>	<u>(528 675)</u>
	<u>2 959 045</u>	<u>2 076 589</u>

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

On behalf of the board,

/s/ Benoit Côte
Director

/s/ Preston J. Maddin
Director

Victhom Human Bionics Inc.

Notes to Financial Statements

As at March 31, 2003 and December 31, 2002
(unaudited)

1- GOVERNING STATUTES AND NATURE OF OPERATIONS

The Company, incorporated under the Canada Business Corporations Act, operates a laboratory that conducts human bionics research for the design and development of advanced controllers intended to govern anthropomorphic limbs for amputees or dysmelic individuals.

The Company is considered to be in the start-up stage and will continue to be a start-up until it earns substantial revenues. The Company expects additional capital requirements to complete the development and marketing of its products. Its ability to generate future revenues and cash flows from its operating activities depends on several factors, including its ability to secure additional financing and to have its products accepted on the market.

2 - REVERSE TAKEOVER AND MERGER

On January 10, 2003, Victhom Human Bionics inc. (formerly Begama Technologies Inc.) reached an agreement with Victhom Corporation to acquire all of the issued and outstanding shares of Victhom Corporation in exchange for the issuance of 19,840,000 common shares. This transaction was accounted for at the exchange amount.

Following this transaction, the shareholders of Victhom Corporation 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. These financial statements reflect the accounts of Victhom Corporation at their carrying amount since it is deemed to be the acquirer. The assets and liabilities of Victhom Human Bionics Inc. are included in these financial statements since the acquisition date, i.e. January 10, 2003. Amounts shown for periods prior to January 10, 2003 are for Victhom Corporation

On January 10, 2003, Victhom Human Bionics Inc. and Victhom Corporation merged under the name Victhom Human Bionics Inc.

	Victhom Corporation	Victhom Human Bionics Inc.	Total
Cash	75 266	4 634	79 900
Current assets	1 216 176	158 758	1 374 934
Property, plant and equipment	696 172		696 172
Others assets	37 351	380 194	417 545
Liabilities	1 996 633	195 975	2 192 608
Net assets acquired	28 332	347 611	375 943

3 - FINANCIAL STATEMENT PRESENTATION

The accompanying unaudited financial statements are in accordance with Canadian generally accepted accounting principles for interim financial statements and do not include all the information required in complete financial statements. As necessary, the financial statements include amounts based on informed estimates and management's best judgement. The results of operations for the interim period presented are not necessarily representative of expected results for the year.

Victhom Human Bionics Inc.

Notes to Financial Statements

As at March 31, 2003 and December 31, 2002
(unaudited)

4- 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.

Patents

Patents are recorded at cost and are amortized on a straight-line basis over three years beginning in the year during which the products developed are marketed.

Amortization

Property, plant and equipment are amortized over their estimated useful lives according to the following methods and annual rates:

	<u>Methods</u>	<u>Rates</u>
Computer equipment	Diminishing balance	30%
Furniture and equipment	Diminishing balance	20%
Leasehold improvements	Straight-line	14%

Research and development costs

Research costs are accounted for as expenses in the year in which they are incurred. Development costs are accounted for as expenses in the year in which they are incurred unless they satisfy the criteria used to capitalize expenses under generally accepted accounting principles.

Research and development tax credits are applied against the related costs in the year during which they are incurred. Investment tax credits to property, plant and equipment are presented as deferred credits and amortized to income on the same basis as the related depreciable property, plant and equipment are depreciated.

Financing costs

Deferred financing costs relating to the issuance of convertible debentures are amortized on a straight-line basis over the same term as the related debentures. Should the debentures be converted, the unamortized balance of financing costs will be transferred to capital stock.

Victhom Human Bionics Inc.

Notes to Financial Statements

As at March 31, 2003 and December 31, 2002
(unaudited)

4- ACCOUNTING POLICIES (Continued)

Stock options

The Company has a stock-based compensation plan, which is described in Note 16. No compensation expense is recognized for this plan when stock or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital. If stock or stock options are repurchased from employees, the excess of the consideration paid over the carrying amount of the stock or stock options canceled is charged to retained earnings.

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 stock 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.

The convertible debentures disclosed in Note 11 and the stock options disclosed in Note 16 were not included in the computations of diluted earnings per share for the quarters ended March 31, 2003 and 2002 because the Company reported losses and the inclusion of the securities would be anti-dilutive.

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 records the future income tax asset at an amount that is more likely than not to be realized.

5 - INFORMATION INCLUDED IN THE STATEMENT OF EARNINGS

	2003	2002
	\$	\$
Interest of investment	(662)	(3 251)
Research and development expenses	563 306	237 031
Research and development tax credits	(164 299)	(171 523)
Amortization of investment tax credits	(2 777)	(3 386)
Depreciation of property, plant and equipment	37 191	23 711
Amortization of financing costs	186	4 926
Interest on long-term debt	3 851	21 337

Victhom Human Bionics Inc.

Notes to Financial Statements

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6 - INCOME TAXES

The Company's effective income tax rate differs from the combined federal and provincial income tax rate in Canada.

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

	March 31, 2003	December 31, 2002
	\$	\$
Future income tax assets		
Non-capital losses	585 000	465 000
Research and development expenses	346 000	363 000
	<u>931 000</u>	<u>828 000</u>
Futures income tax liabilities		
Property, plant and equipment and others assets	324 000	113 000
	<u>607 000</u>	<u>715 000</u>
Valuation allowance	<u>(607 000)</u>	<u>(715 000)</u>
Net future income taxes	<u><u>—</u></u>	<u><u>—</u></u>

The future income tax asset resulting from loss carry-forwards is not recorded in the financial statements. These losses and deductible temporary differences, which are available to reduce income taxes in future years, aggregate \$1,907,682 for federal tax purposes and \$2,074,966 for provincial tax purposes and are detailed as follows :

	Federal	Provincial
	\$	\$
Amount of loss carry-forwards for tax purposes expiring within the following years:		
2006		3 483
2007	56 726	56 334
2008	397 081	400 796
2009	1 326 473	1 325 788
2010	105 405	105 393
	<u>1 885 685</u>	<u>1 891 794</u>
Portion of the losses for tax purposes resulting from timing differences	<u>869 869</u>	<u>1 487 801</u>
	1 015 816	403 993
Eligible research and development expenses to be carried forward indefinitely	<u>891 866</u>	<u>1 670 973</u>
	<u><u>1 907 682</u></u>	<u><u>2 074 966</u></u>

In addition, the Company has investment tax credits amounting to approximately \$105,000 which are available until 2012.

Victhom Human Bionics Inc. Notes to Financial Statements

As at March 31, 2003 and December 31, 2002
(unaudited)

7 - ACCOUNTS RECEIVABLE

	March 31, 2003	December 31, 2002
	\$	\$
Investment tax credits receivable ⁽¹⁾	1 308 110	1 143 811
Others	129 170	124 934
	<u>1 437 280</u>	<u>1 268 745</u>

⁽¹⁾ The investment tax credits receivable recorded by the Company, for the period ended March 31, 2003 and December 31, 2002, must be examined and approved by the tax authorities. Accordingly, the amounts granted may differ from the amounts recorded.

8- PROPERTY, PLANT AND EQUIPMENT

	2 002		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Computer equipment	63,439	13,773	49,666
Furniture and fixtures	535,705	137,233	398,472
Leasehold improvements	137,572	4,893	132,679
Assets under capital lease			
Computer equipment	98,497	28,021	70,476
Furniture and fixtures	50,680	1,323	49,357
	<u>885,893</u>	<u>185,243</u>	<u>700,650</u>

9 - NOTE PAYABLE

Tax credits receivable are pledged against the note payable. The Company has issued a hypothec totaling \$780,000 against its present and future accounts receivable.

10- LONG-TERM DEBT

	2 002
	\$
Obligations under capital leases, interest rates varying between 9.11% to 20.03%, payable in monthly installments, maturing on different dates until 2006	119,692
Instalments due within one year	42,205
	<u>77,487</u>

The instalments on obligations under capital leases for the next years are as follows:

	\$
2003	55,131
2004	41,782
2005	24,142
2006	13,826
2007	12,946
Total minimum lease payments	147,827
Interest expense included in minimum lease payments	28,135
	<u>119,692</u>

Victhom Human Bionics Inc. Notes to Financial Statements

As at March 31, 2003 and December 31, 2002
(unaudited)

11 - CONVERTIBLE DEBENTURES

The following table illustrates changes in the convertible debentures during the periods:

	Liability component	Equity component \$
Balance as at January 1, 2002	287 363	102 273
Interest on convertible debentures	14 858	
Balance as at March 31, 2002	302 221	102 273
Issuance of convertible debenture - Société Innovatech	197 823	62 177
Issuance of convertible debenture - Other investors	112 200	47 800
Issuance of convertible debenture - Société Innovatech	157 203	42 798
Interest on convertible debentures	73 874	
Balance as at December 31, 2002	843 321	255 048
Repayment of convertible debentures	(166 506)	
Conversion of debentures into common shares	(676 815)	(255 048)
Balance as at March 31, 2003	-	-

The liability component of the convertible debentures was the discounted value, at the date of issue, of the cash payments of interest and principal due under the terms of the convertible debentures, discounted at the rate of interest that would apply to debt security without a conversion option, with similar maturity and risks. The equity component, which represents the value attributed to the holder's option to convert the principal balance into common shares, is calculated as the difference between the amount issued and the liability component.

12 - CAPITAL STOCK

Further to the filing of articles of amendment during the period, the Company's capital stock is as follows:

Authorized

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

issued and fully paid

The following table illustrates changes in the Company's capital stock during the period:

	Number	Amount \$
Balance as at December 31, 2002 and March 31, 2002	4 814 400	1 478 528
Conversion of convertible debentures, net	913 600	897 397
Adjustment for the reverse takeover		
Shares of Victhom Corporation	(5 728 000)	-
Shares of Victhom Human Bionics Inc.	3 933 333	-
Issuance of shares at the time of the reverse takeover	19 840 000	347 611
	23 773 333	2 723 536
Issuance of shares after the proposed public offering, net		
First issuance on January 10, 2003	4 800 000	1 714 324
Second issuance on February 17, 2003	1 200 000	549 000
	6 000 000	2 263 324
Balance as at March 31, 2003	29 773 333	4 986 860

Victhom Human Bionics Inc. Notes to Financial Statements

As at March 31, 2003 and December 31, 2002
(unaudited)

13 - RELATED PARTY TRANSACTIONS

In the normal course of its business, the Company carried out the following related party transactions with certain shareholders and directors:

	March 31, 2003	March 31, 2002
	\$	\$
Professionals fees paid to a company held by a shareholder	55 000	37 500

These transactions were accounted for at the exchange amount, which is the consideration established and agreed upon by the parties.

14 - COMMITMENT

The Company has entered into two agreements with the Corporation de l'École Polytechnique de Montréal to participate in the following projects:

	Agreement	Committed as at March 31, 2003
	\$	\$
Assessment and characterization of potential materials for designing an artificial muscle ending September 2003	300 000	210 000
Research and development of a neuro-electronic sensor for an antropomorphic leg ending in August 2005	949 000	279 000
	1 249 000	489 000

Minimum payments under these agreements during the next four years amount to \$291,000 in 2003, \$268,000 in 2004 and \$201,000 in 2005.

15 - FINANCIAL INSTRUMENTS

Cash, term deposits, accounts receivable, accounts payable and accrued liabilities and the note payable are financial instruments whose fair value approximates the carrying amount since they will mature shortly.

The fair value of long-term debt is determined by discounting contractual cash flows at the market interest rate on the balance sheet date for similar loans. The fair value of the debt approximates the carrying amount.

Victhom Human Bionics Inc.
Notes to Financial Statements

As at March 31, 2003 and December 31, 2002
(unaudited)

16 - STOCK-BASED COMPENSATION

The options granted by the Company are as follows:

	Acquisition date	Expiration date	Options	Weighted average exercise price \$
Outstanding as at March 31, 2002			-	-
Granted on April 11, 2002	April 11, 2002	April 11, 2007	350 000	0.15
Granted on April 23, 2002	April 23, 2002	October 23, 2003	220 000	0.15
Granted on January 10, 2003	January 10, 2006	January 10, 2008	2 160 000	0.53
Outstanding as at March 31, 2003			<u>2 730 000</u>	<u>0.45</u>
Options exercisable, end of the period			<u>570 000</u>	<u>0.15</u>

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 the period ended March 31, 2003 would have been the following pro forma amounts:

	\$
Net loss	
As reported	806 429
Pro forma	887 321
Net loss and diluted net loss per share	
As reported	0.028
Pro forma	0.031