UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended: June 30, 2012

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: **000-50571**

Response Biomedical Corp.

(Exact name of registrant as specified in its charter)

Vancouver, British Columbia, Canada	**98 -1042523**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1781 - 75th Avenue W.
Vancouver, British Columbia, Canada, V6P 6P2
(Address of principal executive offices)

(604) 456-6010
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company as defined in Rule 12b-2 of the Exchange Act: Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 129,104,393 as of July 27, 2012.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements relating to future events and our future performance within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "could," "would," "hope," "expects," "plans," "intends," "anticipates," "believes," "estimates," "projects," "predicts," "pursue," "potential" and similar expressions intended to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to future events, future results, and future economic conditions in general and statements about:

- *Our future strategy, structure, and business prospects;*
- *The planned commercialization of our additional clinical and environmental testing applications;*
- *Our ability to attain and maintain profitability;*
- *Our ability to obtain financing to fund our operations and the terms of any such funding;*
- *The adequacy of our funding; and*
- *Use of cash, cash needs and ability to raise capital.*

These statements involve known and unknown risks, uncertainties and other factors, including the risks described in Part II, of this Quarterly Report on Form 10-Q, which may cause our actual results, performance or achievements to be materially different from any future results, performances, time frames or achievements expressed or implied by the forward-looking statements. Given these risks, uncertainties and other factors, you should not place undue reliance on these forward-looking statements. Information regarding market and industry statistics contained in this Quarterly Report on Form 10-Q is included based on information available to us that we believe is accurate. It is generally based on academic and other publications that are not produced for purposes of securities offerings or economic analysis. We have not reviewed or included data from all sources and cannot assure you of the accuracy of the market and industry data we have included.

Unless the context indicates or requires otherwise, in this Quarterly Report on Form 10-Q, references to the "Company" shall mean Response Biomedical Corp. References to "$" or "dollars" shall mean Canadian dollars unless otherwise indicated.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

RESPONSE BIOMEDICAL CORP.

CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(EXPRESSED IN CANADIAN DOLLARS)

AS OF JUNE 30, 2012 AND DECEMBER 31, 2011 AND FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2012 AND 2011.

RESPONSE BIOMEDICAL CORP.

CONSOLIDATED BALANCE SHEETS
(See Note 2 – Basis of Presentation and Going Concern Uncertainty)
(Unaudited)
(In Canadian dollars)

	June 30, 2012 $	December 31, 2011 $
ASSETS		
Current		
Cash and cash equivalents	**3,453,494**	7,354,802
Trade receivables, net	**1,690,421**	1,562,305
Other receivables	**83,761**	94,744
Inventories [note 5]	**2,417,219**	2,204,443
Prepaid expenses and other	**421,853**	280,968
Total current assets	**8,066,748**	11,497,262
Long-term prepaid expenses	**61,400**	61,400
Restricted deposits [note 7]	**900,610**	900,610
Property, Plant and Equipment	**7,959,010**	8,433,994
Total assets	**16,987,768**	20,893,266
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities [notes 6 and 9]	**1,852,290**	3,527,288
Lease inducements - current portion [note 7]	**168,939**	168,939
Repayable leasehold improvement allowance - current portion [note 7]	**350,545**	331,869
Deferred revenue - current portion	**251,175**	306,071
Warrant liability [notes 4 and 8]	**4,342,239**	3,347,814
Total current liabilities	**6,965,188**	7,681,981
Lease inducements [note 7]	**1,618,993**	1,703,462
Repayable leasehold improvement allowance [note 7]	**6,272,406**	6,452,476
Deferred revenue	**55,586**	79,624
	14,912,173	15,917,543
Commitments and contingencies [notes 10 and 12]		
Shareholders' equity		
Common shares [note 8]	**99,288,056**	99,276,253
Additional paid-in capital [note 8]	**12,992,249**	12,589,561
Deficit	**(110,204,710)**	(106,890,091)
Total shareholders' equity	**2,075,595**	4,975,723
	16,987,768	20,893,266

See accompanying notes

RESPONSE BIOMEDICAL CORP.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited)
(In Canadian dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012 $	2011 $	2012 $	2011 $
REVENUE				
Product sales [note 11]	**3,038,044**	2,691,623	**6,019,938**	4,714,079
Cost of sales [notes 5, 8, and 10]	**1,888,375**	1,783,205	**3,600,536**	3,777,388
Gross profit on product sales	**1,149,669**	908,418	**2,419,402**	936,691
Contract service fees and revenues from collaborative research arrangements	-	7,124	-	455,228
	1,149,669	915,542	**2,419,402**	1,391,919
EXPENSES [notes 8, 9, and 10]				
Research and development	**907,199**	634,855	**1,596,821**	1,274,801
General and administrative	**1,365,582**	616,563	**2,236,035**	1,410,133
Sales and marketing	**354,299**	269,298	**608,673**	572,876
	2,627,080	1,520,716	**4,441,529**	3,257,810
OTHER EXPENSES (INCOME)				
Interest expense [note 7]	**185,025**	199,668	**372,011**	398,961
Interest income	**(9,823)**	(4,570)	**(14,660)**	(10,390)
Foreign exchange (gain) loss	**(47,602)**	(3,143)	**(71,087)**	66,074
Unrealized (gain) loss on revaluation of warrant liability [note 4]	**(3,994,722)**	-	**1,006,228**	-
	(3,867,122)	191,955	**1,292,492**	454,645
Net income (loss) and comprehensive income (loss) for the period	**2,389,711**	(797,129)	**(3,314,619)**	(2,320,536)
Income (loss) per common share - basic [note 8]	**0.02**	(0.02)	**(0.03)**	(0.06)
Income (loss) per common share - diluted [note 8]	**0.02**	(0.02)	**(0.03)**	(0.06)
Weighted average number of common shares outstanding - basic [note 8]	**129,098,868**	38,950,262	**129,088,517**	38,950,262
Weighted average number of common shares outstanding - diluted [note 8]	**142,608,052**	38,950,262	**129,088,517**	38,950,262

See accompanying notes

RESPONSE BIOMEDICAL CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In Canadian dollars)

Six Months Ended June 30,	2012 $	2011 $
OPERATING ACTIVITIES		
Net loss for the period	**(3,314,619)**	(2,320,536)
Add (deduct) items not involving cash:		
Depreciation of property, plant and equipment	**564,732**	649,950
Amortization of intangible assets	**-**	16,480
Amortization of deferred lease inducements	**(84,469)**	(84,468)
Restricted deposits	**-**	(5,989)
Stock-based compensation	**402,688**	235,747
Unrealized loss on revaluation of warrant liability	**1,006,228**	-
Changes in non-cash working capital		
Trade receivables	**(128,116)**	(130,331)
Other receivables	**10,983**	22,313
Inventories	**(212,776)**	600,013
Prepaid expenses and other	**(140,885)**	(35,457)
Accounts payable and accrued liabilities	**(1,674,998)**	(244,354)
Deferred revenue	**(78,934)**	(341,867)
Cash used in operating activities	**(3,650,166)**	(1,638,499)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(89,748)**	(25,375)
Cash used in investing activities	**(89,748)**	(25,375)
FINANCING ACTIVITIES		
Repayment of repayable leasehold improvement allowance	**(161,394)**	(144,654)
Cash used in financing activities	**(161,394)**	(144,654)
Decrease in cash during the period	**(3,901,308)**	(1,808,528)
Cash and cash equivalents, beginning of period	**7,354,802**	4,330,117
Cash and cash equivalents, end of period	**3,453,494**	2,521,589

See accompanying notes

1. DESCRIPTION OF BUSINESS

Response Biomedical Corp. (the "Company") was incorporated on August 20, 1980 under the predecessor to the Business Corporations Act (British Columbia). The Company is engaged in the research, development, commercialization and distribution of diagnostic technologies for the medical point of care ("POC") and on-site environmental testing markets. POC and on-site diagnostic tests (or assays) are simple, non-laboratory based tests performed using portable hand-held devices, compact desktop analyzers, single-use test cartridges and/or dipsticks. Since 1996, the Company has developed and commercialized a proprietary diagnostic system called RAMP®.

The RAMP® System is a portable fluorescence immunoassay-based diagnostic technology that combines the performance of a clinical lab with the convenience of a dipstick test. Immunoassays are highly sensitive and specific tests used to identify and measure small quantities of materials, such as proteins. A large variety of biological molecules and inorganic materials can be targeted. Accordingly, the RAMP® technology is applicable to multiple distinct market segments and many products within those segments. RAMP® tests are now commercially available for use in the early detection of heart attack, congestive heart failure, influenza A+B, the respiratory syncytial virus, environmental detection of West Nile Virus, and biodefense applications including the rapid on-site detection of anthrax, smallpox, ricin and botulinum toxin.

2. BASIS OF PRESENTATION AND GOING CONCERN UNCERTAINTY

These unaudited interim consolidated financial statements have been prepared by management in Canadian dollars in accordance with United States generally accepted accounting principles ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required to be presented for complete financial statements. The accompanying unaudited consolidated financial statements reflect, in the opinion of management, all adjustments (which include reclassifications and normal recurring adjustments) necessary for a fair presentation of the results for the interim periods presented. The accompanying consolidated balance sheet at December 31, 2011 has been derived from the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year then ended. The consolidated financial statements and related disclosures have been prepared with the assumption that users of the interim financial information have read or have access to the audited consolidated financial statements for the preceding fiscal year. Accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2011 and filed with the United States Securities and Exchange Commission ("SEC") on March 29, 2012.

Going Concern Uncertainty

The accompanying financial statements have been prepared assuming the Company will continue to operate as a going concern, which contemplates the realization of assets and liabilities and commitments in the normal course of business. However, as presented in the financial statements, as of June 30, 2012, the Company had a cash balance of $3,453,494 and an accumulated deficit of $110,204,710. The Company also incurred a net loss of $3,314,619 and negative cash flows from operations of $3,650,166 in the six months ended June 30, 2012. As a result, there exists substantial doubt about the Company's ability to continue as a going concern.

Management has been able, thus far, to finance the operations through a series of equity financings. On December 29, 2011, the Company closed a rights offering for net cash proceeds of $6,037,803. Management will continue, as appropriate, to seek other sources of financing on favorable terms. However, there are no assurances that any such financing can be obtained on favorable terms, if at all. In view of these conditions, the ability of the Company to continue as a going concern is dependent upon its ability to obtain such financing and, ultimately, on achieving profitable operations. The outcome of these matters cannot be predicted at this time. The consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business. Such adjustments could be material.

3. RECENT ACCOUNTING PRONOUNCEMENTS

On January 1, 2012, the Company adopted Accounting Standards Update (ASU) 2011 – 04, "*Fair Value Measurement*". This ASU clarifies the concepts related to highest and best use and valuation premise, blockage factors and other premiums and discounts, the fair value measurement of financial instruments held in a portfolio and of those instruments classified as a component of shareowners' equity. The guidance includes enhanced disclosure requirements about recurring Level 3 fair value measurements, the use of nonfinancial assets, and the level in the fair value hierarchy of assets and liabilities not recorded at fair value. The provisions of this ASU are effective prospectively for interim and annual periods beginning on or after December 15, 2011. The adoption of this standard did not have a material effect on the Company's consolidated financial statements.

On January 1, 2012, the Company adopted Accounting Standards Update (ASU) 2011-12, "*Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011 – 05 (ASC 220): Presentation of Comprehensive Income*." ASU 2011-12 eliminates the requirement to report the components of net income and other comprehensive income in interim periods. In addition, ASU 2011-12 defers certain provisions of ASU 2011-05 pertaining to the presentation of reclassification adjustments separately on the income statement. ASU 2011-12 is effective for interim and annual periods beginning on or after December 15, 2011. All other requirements in ASU 2011-05 are not affected by this update, including the requirement to report comprehensive income either in a single continuous financial statement or in two separate but consecutive financial statements. The provisions of ASU 2011-05 are effective for interim and annual periods beginning on or after December 15, 2011. The adoption of this standard did not have a material effect on the Company's consolidated financial statements as the Company does not have other comprehensive income.

4. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability ("exit price") in an orderly transaction between market participants at the measurement date. Fair value measurements of financial instruments are determined by using a fair value hierarchy that prioritizes the inputs to valuation techniques into three levels according to the relative reliability of the inputs used to estimate the fair values.

The three levels of inputs used to measure fair value are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical financial instruments;

Level 2 – Inputs other than quoted prices that are observable for the financial instrument either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

In determining fair value measurements, the Company uses the most observable inputs when available.

For certain of the Company's financial instruments, including cash and cash equivalents, trade receivables, other receivables, and accounts payable and accrued liabilities the carrying amounts approximate fair values due to their short-term nature. The carrying value of the restricted deposits approximates its fair value due to the nature of the cash deposit. The fair value of the repayable leasehold improvement allowance approximates its carrying value as the fixed interest rate of 11% is considered to approximate the current market rate.

The fair value hierarchy level at which a financial instrument is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement.

Financial Instruments carried at fair value as of June 30, 2012

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Liabilities				
Warrant Liability	-	-	4,342,239	4,342,239

As of June 30, 2012, the warrant liability is recorded at its fair value of $4,342,239. The Company reassesses the fair value of the common stock warrants at each reporting date utilizing a Black-Scholes pricing model. Inputs used in the pricing model include estimates of stock price volatility, contractual term of the warrant, and risk-free interest rate. The computation of expected volatility was based on the historical volatility of the Company's stock. A small change in the estimates used in the Black-Scholes pricing model may have a relatively large change in the estimated valuation of the common stock warrants.

The following table presents the changes in fair value of the Company's total Level 3 financial liabilities for the six month period ended June 30, 2012:

	Balance at December 31, 2011	Unrealized loss	Exercise of Warrants	Balance at June 30, 2012
Warrant Liability	$ 3,347,814	$ 1,006,228	$ (11,803)	$ 4,342,239

Quantitative information about unobservable inputs used in Level 3 fair value measurements is presented below:

	Valuation Technique	Unobservable Input	As at June 30, 2012	As at December 31, 2011
Warrant Liability	Option Model	Stock Price Volatility	126%	110%

A 5% increase or decrease in stock price volatility would cause a corresponding $100,000 ($110,000 – December 31, 2011) increase or decrease to the Warrant Liability.

5. INVENTORIES

	June 30, 2012 $	December 31, 2011 $
Raw materials	**866,310**	740,288
Work in progress	**625,209**	524,862
Finished goods	**925,700**	939,293
	2,417,219	2,204,443

The carrying value of inventory as of June 30, 2012 includes a provision for lower of cost and market value on the Company's RAMP® 200 Readers in the amount $102,453 [December 31, 2011 - $102,453]. The carrying value of inventory as of June 30, 2012 also includes a provision for obsolescence in the amount of $53,398 [December 31, 2011 - $31,515]. For the three and six month periods ended June 30, 2012, inventory write-downs and obsolescence charges were $9,784 and $66,571 [2011 - $358,907 and $398,706].

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities comprise:

	June 30, 2012 $	December 31, 2011 $
Trade accounts payable	**561,694**	1,340,318
Employee related accounts payable and accrued liabilities	**654,099**	871,345
Royalties	**209,515**	489,593
Other accrued liabilities	**426,982**	826,032
	1,852,290	3,527,288

7. LEASE INDUCEMENTS

During the year ended December 31, 2007, the Company entered into a 15 year facility lease agreement [note 10[c][i]]. The agreement provides for lease inducements to be provided by the landlord to the Company which are summarized as follows:

	June 30, 2012 $	December 31, 2011 $
Current Portion		
Rent-free inducement *[i]*	**54,278**	54,278
Non-repayable leasehold improvement allowance *[ii]*	**114,661**	114,661
	168,939	168,939
Repayable leasehold improvement allowance *[iii]*	**350,545**	331,869
Total Current Portion	**519,484**	500,808
Long-Term Portion		
Rent-free inducement *[i]*	**520,161**	547,299
Non-repayable leasehold improvement allowance *[ii]*	**1,098,832**	1,156,163
	1,618,993	1,703,462
Repayable leasehold improvement allowance *[iii]*	**6,272,406**	6,452,476
Total Long-Term Portion	**7,891,399**	8,155,938
Total	**8,410,883**	8,656,746

The lease inducements disclosed on the consolidated balance sheets as a result of these benefits is comprised of the following:

[i] In 2007, the Company entered into a long-term facility lease agreement that included an eight and one half month rent-free period from May 17, 2007 to February 1, 2008. The lease inducement benefit arising from the rent-free period is being amortized on a straight-line basis over the term of the operating lease as a reduction to rental expense. Amortization for the three and six month periods ended June 30, 2012 amounted to a reduction of rental expense $13,569 and $27,138 [2011 - $13,569 and $27,138].

[ii] The Company received a non-repayable allowance for an amount of $1.7 million for expenditures related to general upgrades to the facility. The lease inducement benefit arising from the non-repayable leasehold improvement allowance is being amortized on a straight-line basis over the balance of the term of the lease beginning April 1, 2008 as a reduction to rental expense. Amortization for the three and six month periods ended June 30, 2012 amounted to a reductions of rental expense of $28,666 and $57,330 [2011 - $28,665 and $57,330].

[iii] The Company received a repayable leasehold improvement for an amount of $7.8 million used for additional improvements to the facility. This lease inducement is being repaid over the term of the operating lease commencing February 1, 2008 at approximately $88,500 per month including interest calculated at an interest rate negotiated between the Company and the landlord. Principal repayments for the three and six month periods ended June 30, 2012 amounted to $81,801 and $161,394 [2011 - $73,317 and $144,654]. Interest payments for the three and six month periods ended June 30, 2012 amounted to $183,635 and $369,480 [2011 - $192,119 and $386,219].

To secure the lease, the Company is maintaining a security deposit with the landlord in the form of an irrevocable letter of credit in the amount of $870,610 collateralized by a term deposit with a market value of $870,610 that is presented as part of restricted deposits in the long-term asset section of the balance sheets.

8. SHARE CAPITAL AND ADDITIONAL PAID-IN CAPITAL

[a] Authorized - Unlimited common shares without par value.

[b] Issued

The Company closed a shareholder rights offering on December 29, 2011 consisting of 90,127,904 units, with each unit consisting of one common share and one common share purchase unit at a price of $0.0746 per share for total gross proceeds of $6,723,542.

Each warrant entitles the holder thereof to purchase one common share of the Company at a price of $0.0746 per share for a period of five years after the closing date. Each warrant may only be exercised on a net cashless exercise basis, and no warrant may be exercised at a time when the exercise price equals or exceeds the current market price. Subject to certain exceptions, the holders of the warrants will be entitled to full ratchet anti-dilution price protection for a period of two years after the closing of the offering and volume weighted anti-dilution price protection thereafter. The Company accounts for warrants under the authoritative guidance on accounting for derivative financial instruments. As a result of these price protection features, the Company has classified these warrants on the accompanying balance sheet as a liability that is revalued at each balance sheet date subsequent to the initial issuance in accordance with Accounting Standards Codification (ASC) Topic 815 – Derivatives and Hedging. On the date of issuance, the Company used the Black-Scholes pricing model to value these warrants based on an assumed risk-free interest rate of 1.18%, estimated stock price volatility of 110%, and a contractual term to expiry of five years. Subsequent changes in the fair value of the warrants between the date of issuance and the balance sheet date are reflected in the consolidated statement of loss as unrealized gain (loss) on revaluation of warrant liability.

The net proceeds of the rights offering was $6,037,803 after deducting issue costs of $685,739. Of these net proceeds, $2,330,921 was allocated to common shares and $3,706,882 was allocated to the warrants. Further, of this amount allocated to the warrants, $4,127,888 was recorded as warrant liability and $421,008 of issue costs allocated to the warrants was expensed to warrant issue costs on the consolidated statement of loss and comprehensive loss.

During the six month period ended June 30, 2012, 142,615 warrants were exercised by holders resulting in the issuance of 26,227 common shares.

[c] Stock option plan

At the Annual General Meeting held June 3, 2008, the Company's shareholders' approved a new stock option plan ("2008 Plan"). Under the plan, the Company may grant options to purchase common shares in the Company to employees, directors, officers and consultants of the Company. The exercise price of the options is determined by the Board but is equal to the fair market value of the common shares at the grant date. The Company estimates the fair value of options on the date of the grant. The options vest over the requisite service period in accordance with terms as determined by the Board, typically over four years. Stock options expire no later than five years from the date of grant.

At the Annual General Meeting held June 19, 2012, the Company's shareholders' approved an increase to the Company's authorized shares under its 2008 stock option plan from 1,700,000 to 24,200,000.

Of the 24,200,000 stock options authorized for grant under the 2008 Plan, 13,436,811 stock options are available for grant as of June 30, 2012.

Stock option transactions and the number of stock options outstanding are summarized below:

	Number of optioned common shares #	Weighted average exercise price $
Balance at December 31, 2011	184,485	3.40
Options granted	10,273,433	0.11
Options forfeited	(59,994)	0.23
Options expired	(42,681)	7.60
Balance, June 30, 2012	10,355,243	0.14

At June 30, 2012, the following stock options were outstanding:

Range of exercise price $			Number of shares under option #	Weighted average remaining contractual life (years)	Weighted average exercise price $	Number of options currently exercisable #	Weighted average exercise price $
0.11			10,223,433	9.76	0.11	3,333,333	0.11
0.34	-	0.41	47,470	3.58	0.39	4,747	0.39
1.15	-	1.20	57,130	1.98	1.17	20,806	1.18
6.90	-	7.30	15,790	0.76	6.94	15,790	6.94
8.80	-	10.20	11,420	0.39	9.05	11,420	9.05
0.11	-	**10.20**	**10,355,243**	**9.67**	**0.14**	**3,386,096**	**0.18**

The fair value of each stock award is estimated on the grant date using the Black-Scholes option-pricing model based on the assumptions noted in the following table:

Six Months Ended June 30,	2012	2011
Risk-free interest rates	1.48% - 1.89%	2.10%
Expected dividend yield	0%	0%
Expected life (in years)	5 - 6.25	3.45
Expected volatility	109.9 % - 114.9%	99%
Fair value per stock option	$0.09	$0.25

[d] Stock-based compensation

The following table shows stock-based compensation allocated by type of cost:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	$	$	$	$
Cost of sales	**16,142**	8,340	**16,077**	19,087
Research and development	**26,881**	19,449	**29,960**	42,935
General and administrative	**352,008**	4,606	**354,997**	87,582
Sales and marketing	**1,578**	71,483	**1,654**	86,143
	396,609	103,878	**402,688**	235,747

As of June 30, 2012, the total compensation expense to be recognized in future periods related to stock options granted amounts to $555,398, which is expected to be recognized over a weighted average service period of 3.71 years.

[e] Common share purchase warrants

Common share purchase warrant transactions and the number of warrants outstanding are summarized below:

	Number of warrants	Weighted average exercise price
	#	$
Balance, December 31, 2011	**90,127,904**	**0.0746**
Exercise of warrants	(142,615)	0.0746
Balance, June 30, 2012	**89,985,289**	**0.0746**

The estimated fair value of warrants issued is reassessed at each balance sheet date using the Black-Scholes option pricing model. The following assumptions were used to value the warrants on the following balance sheet dates:

	June 30, 2012	December 31, 2011
Risk-free interest rates	1.21%	1.18%
Expected dividend yield	0%	0%
Expected life (in years)	4.5	5
Expected volatility	126%	110%
Fair value of warrant	$0.05	$0.04

[f] Earnings per common share

10,355,243 stock options have been excluded from the computation of diluted earnings per share for the three month period ended June 30, 2012 as the inclusion of the stock options would have been anti-dilutive. 89,985,289 warrants and 10,355,243 stock options have been excluded from the computation of diluted earnings per share for the six month period ended June 30, 2012 as the Company has incurred a net loss for the period.

9. RELATED PARTY TRANSACTIONS

During the three and six month periods ended June 30, 2012, the Company incurred consulting fees to a director of $74,898 and $148,892 [2011 – nil]. $25,476 of these consulting fees are recorded in accounts payable and accrued liabilities as of June 30, 2012 [December 31, 2011 – $127,123]. These consulting fees are included in general and administrative expenses in the consolidated statement of loss and comprehensive loss.

All related party transactions are recorded at their exchange amounts, established and agreed between the related parties.

10. COMMITMENTS

[a] License agreements

[i] The Company entered into a non-exclusive license agreement, effective July 2005, as amended June 2008, to use and sublicense certain technology ("Technology") for one of the Company's cardiac tests. In consideration for these rights, the Company paid a non-refundable license issuance fee of $2,000,000 in the first two years after execution of the agreement and is required to pay quarterly royalties on the sale of products that incorporate the Technology. For the three and six month periods ended June 30, 2012, the Company incurred an expense of $176,108 and $293,577 [2011 - $134,806 and $204,369] for royalties.

[ii] The company entered into a non-exclusive license and supply agreement, effective June 30, 2009 to purchase certain proprietary materials and use related intellectual property to manufacture, sell and have sold lateral flow immunoassay products. In consideration for these rights, the Company is to pay a non-refundable, non-creditable license fee, of USD$85,000 in 17 equal quarterly payments of USD$5,000 commencing December 31, 2009. For the three and six month periods ended June 30, 2012, the Company incurred an expense of $5,070 and $10,066 [2011 - $4,829 and $9,677] for license fees.

All royalty and license fees incurred are included in cost of sales.

[b] Supply agreement

The Company entered into a supply agreement, effective September 2003 for certain reagents for the Company's RAMP West Nile Virus Test. In addition to paying for the reagent purchased, the Company is required to pay the supplier semi-annual royalties equal to 10% of net revenue generated from the sale of the Company's RAMP West Nile Virus Test. The initial term of the agreement was three years from the effective date and is automatically renewed for successive periods of one year until either party terminates the agreement. For the three and six month period ended June 30, 2012, the Company incurred an expense of $16,553 and $28,468 [2011 - $14,844 and $33,321] for royalties to the supplier. These royalties are included in cost of sales.

[c] Lease agreements

[i] The Company entered into a long-term agreement to lease a single tenant 46,000 square foot facility to house all of the Company's operations beginning March 2008. Rent is payable from February 1, 2008 to January 31, 2023. The Company is required to pay the landlord total gross monthly payments of approximately $167,000, which is comprised of base rent, administrative and management fees, estimated property taxes and repayments of the repayable leasehold improvement allowance [note 7[iii]].

For the three and six month periods ended June 30, 2012 $376,893 and $755,846 [2011 - $378,436 and $758,516] was incurred for expenses related to base rent, administrative and management fees, estimated property taxes, and interest on repayments of the repayable leasehold improvement allowance offset by amortization of both the rent-free inducement [note 7[i]] and non-repayable leasehold improvement allowance [note 7[ii]]. Excluding interest payments for the three and six month periods ended June 30, 2012 of $183,635 and $369,480 [2011 - $192,120 and $386,219] which have been recorded in interest expense, the remaining expenses are allocated to cost of sales, research and development, general and administrative, and sales and marketing expenses.

[d] Purchase Commitments

As of June 30, 2012, the Company has outstanding purchase commitments of $880,363 to purchase inventory and $22,613 to purchase manufacturing equipment.

[e] Indemnification of directors and officers

Under the Articles of the Company, applicable law and agreements with its directors and officers, the Company, in circumstances where the individual has acted legally, honestly and in good faith, may, or is required to indemnify its directors and officers against certain losses. The Company's liability in respect of the indemnities is not limited. The maximum potential of the future payments is unlimited. However, the Company maintains appropriate liability insurance that limits the exposure and enables the Company to recover any future amounts paid, less any deductible amounts pursuant to the terms of the respective policies, the amounts of which are not considered material.

[f] Indemnification of third parties

The Company has entered into license and research agreements with third parties that include indemnification provisions that are customary in the industry. These indemnifications generally require the Company to compensate the other party for certain damages and costs incurred as a result of third party claims or damages arising from these transactions. The nature of the indemnification obligations prevents the Company from making a reasonable estimate of the maximum potential amount that it could be required to pay. To date, the Company has not made any indemnification payments under such agreements and no amount has been accrued in these consolidated financial statements with respect to these indemnification obligations.

11. SEGMENTED INFORMATION

The Company operates primarily in one business segment, the research, development, commercialization and distribution of diagnostic technologies, with primarily all of its assets and operations located in Canada. The Company's revenues are generated from product sales primarily in the United States, Europe, Asia and Canada. Expenses are primarily incurred from purchases made from suppliers in Canada and the United States.

Customers that represent a concentration risk are those customers who represent 10% or greater of our total revenue. For the three month period ended June 30, 2012, $2,202,587 (73%) in product sales was generated from three customers of whom one customer represents $1,284,130 (42%) [2011 - $1,238,555 from one customer]. For the six month period ended June 30, 2012, $3,723,029 (62%) in product sales was generated from two customers of whom one customer represents $2,872,211 (48%) [2011 - $1,958,396 (42%) from one customer].

Product sales by customer location were as follows:

	Three months ended June 30,		**Six months ended June 30,**	
	2012	2011	**2012**	2011
	$	$	**$**	$
China	**1,763,984**	1,679,808	**3,734,905**	2,696,482
United States	**328,501**	435,640	**653,387**	913,543
Asia (excluding China)	**465,280**	242,381	**592,219**	403,668
Europe	**260,688**	182,237	**472,949**	359,593
Canada	**4,620**	18,770	**16,267**	42,745
Other	**214,971**	132,787	**550,211**	298,048
Total	**3,038,044**	2,691,623	**6,019,938**	4,714,079

Product sales by type of product were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	**2012**	2011
	$	$	**$**	$
Cardiovascular	**2,763,162**	2,029,830	**5,446,868**	3,561,792
Infectious Diseases	**-**	128,400	**47,120**	352,609
Bio-defense products	**109,075**	366,661	**229,305**	444,977
Vector Infectious Diseases	**165,807**	166,732	**296,645**	354,701
Total	**3,038,044**	2,691,623	**6,019,938**	4,714,079

12. CONTINGENCIES

On September 2, 2011, the Company received notification from Roche Diagnostics that they have terminated, effective September 30, 2011, the sales and distribution agreement between Roche Diagnostics and the Company dated June 25, 2008. Roche Diagnostics terminated the agreement because the Company has not obtained the necessary approvals from the U.S. Food and Drug Administration (FDA) to permit Roche Diagnostics to market the Company's cardiovascular tests for use in point-of-care settings in the United States using the RAMP® 200 Reader. This termination gives rise to loss contingencies that have a reasonable possibility of occurring but for which the potential amount of loss cannot be reasonably estimated.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes. Unless otherwise specified, all dollar amounts are Canadian dollars.

OVERVIEW

Response Biomedical develops, manufactures and sells diagnostic tests for use with its proprietary RAMP® System, a portable fluorescence immunoassay-based diagnostic testing platform. The RAMP® technology utilizes a unique method to account for sources of error inherent in conventional lateral flow immunoassay technologies, thereby providing the ability to quickly and accurately detect and quantify an analyte present in a liquid sample. Consequently, an end user on-site or in a point-of-care setting can rapidly obtain important diagnostic information. Response Biomedical currently has thirteen tests available for clinical and environmental testing applications and the Company has plans to commercialize additional tests.

Our sales for any future periods are not predictable with a significant degree of certainty, and may depend on a number of factors outside of our control, including but not limited to inventory or timing considerations by our distributors. We generally operate with a limited order backlog because our products are typically shipped shortly after orders are received. Product sales in any quarter are generally dependent on orders booked and shipped in that quarter. As a result, any such revenue shortfall would negatively affect our operating results and financial condition. In addition, our sales may be adversely impacted by pricing pressure from competitors. Our ability to be consistently profitable will depend, in part, on our ability to increase the sales volumes of our products and to successfully compete with other competitors. We believe that period to period comparisons of our results of operations are not necessarily meaningful indicators of future results.

RECENT DEVELOPMENTS

- During the first quarter, the Company had determined that a small number of products that were shipped to Iran were subject to U.S. export controls and required a license from the U.S Government prior to export. Although these products were manufactured in Canada, they incorporated U.S. origin components, and for that reason, were subject to U.S. controls. The Company, in conjunction with outside counsel, submitted to the Office of Foreign Asset Control and Bureau of Industry and Security its final voluntary disclosures. During the second quarter, the Company received notification from both the Office of Foreign Asset Control and Bureau of Industry and Security that civil monetary penalties will not be pursued by either agency.
- During the second quarter, the Company entered into a funding agreement with the National Research Council of Canada Industrial Research Assistance Program, or NRC-IRAP, to support a project which the Company believes will result in improvements to the Company's current RAMP® Point of Care Assay platform. NRC-IRAP has agreed to provide $274,056 in funding to support this project.
- On July 2, 2012, Tim Shannon signed an employment agreement with the Company to become its Senior Vice President, World Wide Sales and Marketing.
- On July 25, 2012, the board of directors, or the Board, approved the appointment of Jeffrey Purvin to the Board and named him chief executive officer of the Company. In addition, Peter Thompson resigned from the interim chief executive officer position as of July 25, 2012 but remains chairman of the Board.
- On July 25, 2012, the Board of Directors approved the appointment of Jonathan Wang to the Board.

RESULTS OF OPERATIONS

For the three month period ended June 30, 2012 and 2011:

	Three Months Ended June 30,		*Change 2011 to 2012*	
	2012	*2011*	*Increase / (Decrease)*	*Percent Change*
Product Sales	3,038,044	2,691,623	346,421	13%
Cost of Sales	1,888,375	1,783,205	105,170	6%
Gross profit on product sales	1,149,669	908,418	241,251	27%
Gross margin	37.8%	33.7%		

REVENUE AND GROSS MARGIN

Revenue

Revenues increased 13% or $0.3 million during the three month period ended June 30, 2012 as compared to June 30, 2011. The change in total revenue is due to the following:

- Cardiovascular sales have increased 36%, or $0.7 million, primarily due to:
  - An increase of $0.3 million in sales to our two distributors in China as a result of a combination of price increases and volume increases from the comparative period ;
  - An increase of $0.2 million in sales to our Japanese partner due to increases in pricing and to the timing of shipments; and
  - A $0.2 million increase representing the sum of variances across several different markets.
- Infectious disease, biodefense, and vector infectious disease sales have decreased 59% or $0.4 million due to timing of orders of infectious disease products and that there was a significant biodefense sale that occurred in 2011 that did not repeat in 2012.

Gross Margin

Gross profit on product sales increased by $0.2 million during the three month period ended June 30, 2012 as compared to the comparative period ended June 30, 2011. The change in total gross profit is primarily due to the increase in gross margin. This increase is primarily due to the following:

- An increase in the price of our products to our distributors combined with a change in product mix to higher margin products;
- An increase in the level of production during the three month period ended June 30, 2012 compared to June 30, 2011 resulting in an increase of the absorption of fixed manufacturing overhead costs;
- An increase in manufacturing efficiency during the three month period ended June 30, 2012 compared to June 30, 2011 resulting in lower material and labor costs per test produced; and
- A decrease of $0.4 million in inventory provisions to account for obsolescence and slow-moving inventory items and to reduce inventory values down to their net realizable value.

OPERATING EXPENSES

	Three Months Ended June 30,		*Change 2011 to 2012*	
	2012	*2011*	*Increase / (Decrease)*	*Percent Change*
Research and development	907,199	634,855	272,344	43%
General and administrative	1,365,582	616,563	749,019	121%
Sales and marketing	354,299	269,298	85,001	32%
Total Operating Expenses	2,627,080	1,520,716	1,106,364	73%

Research and Development Expenses

Research and Development Expenses increased by 43%, or $272,000 during the three month period ended June 30, 2012 in comparison to the same period ended June 30, 2011. The increase is due to a $127,000 increase in professional and legal fees related to the ongoing product development and regulatory activities, a $79,000 increase in product development costs as a result of an increase in ongoing development projects a $76,000 increase in administrative and overhead expenses due to the increase in product development and regulatory activity, and a $19,000 increase in travel related expenses and stock based compensation. These were offset by a $29,000 decrease in salaries and wages due to the termination of the Company's chief scientific officer in 2011.

General and Administrative Expenses

General and Administrative Expenses increased by 121%, or $749,000 during the three month period ended June 30, 2012 in comparison to the same period ended June 30, 2011. The increase is due to a $281,000 increase in stock based compensation due to the grant of stock options during the period, a $241,000 increase in professional fees for the interim CEO and CFO, a $134,000 increase in personnel costs primarily due to recruiting expenses incurred for new senior positions in the Company, a $109,000 increase in legal expenses incurred, and a $31,000 increase in corporate communication and public filing fees. These increases were offset by a $37,000 decrease in administrative expenses. The remaining $10,000 decrease is due to other immaterial offsetting variances.

Sales and Marketing Expenses

Sales and Marketing Expenses increased by 32%, or $85,000 during the three month period ended June 30, 2012 in comparison to the same period ended June 30, 2011. The increase is due to a $109,000 increase in legal and professional expenses related to business development, review of agreements, and sales and marketing consulting services. In addition, there was a $78,000 increase in bad debt expenses due to the estimated allowance for doubtful accounts. These increases were offset by a $54,000 decrease in salaries and wages due to lower headcounts, a $28,000 decrease in selling expenses as a result of a reduction in marketing support provided to a key distributor, and a $17,000 decrease in travel related expenses. The remaining $3,000 decrease is due to other immaterial variances.

OTHER EXPENSE (INCOME), NET

	Three Months Ended June 30,		*Change 2011 to 2012*	
	2012	*2011*	*Increase / (Decrease)*	*Percent Change*
Interest expense	185,025	199,668	(14,643)	(7%)
Interest income	(9,823)	(4,570)	5,253	115%
Foreign exchange (gain)loss	(47,602)	(3,143)	44,459	1415%
Unrealized gain on revaluation of warrant liability	(3,994,722)	-	3,994,722	100%
Total Other Expenses / (Income)	(3,867,122)	191,955	4,059,077	2115%

Interest Expense

Interest expenses decreased by 7%, or $14,000 during the three month period ended June 30, 2012 compared to the same period ended June 30, 2011. The decrease is due to a reduction in the interest paid on the repayable leasehold improvement allowance resulting from a decrease in principal in 2012 versus 2011.

Interest Income

Interest income increased by 115%, or $5,000, during the three month period ended June 30, 2012 compared to the same period ended June 30, 2011. The increase is due to a higher average cash balance in 2012 in comparison to 2011.

Foreign exchange (gain)/loss

Foreign exchange gain increased by $44,000 during the three month period ended June 30, 2012 compared to the same period ended June 30, 2011. Foreign exchange gains and losses are largely due to U.S. dollar balances of cash and cash equivalents, accounts receivable and accounts payable affected by the fluctuations in the value of the U.S. dollar as compared to the Canadian dollar.

Unrealized gain on revaluation of warrant liability

The unrealized gain on revaluation of the warrant liability is solely due to the mark-to-market revaluation of the outstanding warrants each reporting period. The fair market value decreased from March 31, 2012 resulting in an unrealized gain of $4.0 million. The fair market value is calculated using a Black-Scholes model with inputs for volatility, risk free interest rate, and expected life of the warrants. The primary reason for the decrease in the value of the liability is the decrease in the fair market value of the shares of the Company as of June 30, 2012 in comparison to March 31, 2012. A small change in the estimates used in the Black-Scholes pricing model may have a relatively large change in the estimated valuation of the common stock warrants.

Income / (Loss)

For the three month period ended June 30, 2012, the Company reported income of $2.4 million or $0.02 per basic and diluted share, compared to a loss of $0.8 million or $0.02 per basic and diluted share in 2011. The income for the three month period ended June 30, 2012 is primarily attributed to the $4.0 million unrealized gain on the revaluation of the warrant liability.

For the six month period ended June 30, 2012 and 2011:

	Six Months Ended June 30,		*Change 2011 to 2012*	
	2012	*2011*	*Increase / (Decrease)*	*Percent Change*
Product Sales	6,019,938	4,714,079	1,305,859	28%
Cost of Sales	3,600,536	3,777,388	(176,852)	(5%)
Gross profit on product sales	2,419,402	936,691	1,482,711	158%
Gross margin	40.2%	19.9%		

REVENUE AND GROSS MARGIN

Revenue

Revenues increased 28% or $1.3 million during the six month period ended June 30, 2012 in comparison to the same period ended June 30, 2011. The change in total revenue is due to the following:

- Cardiovascular sales have increased 53%, or $1.9 million primarily due to:
  - An increase of $1.3 million in sales to our two distributors in China as a result of a combination of price increases and volume increases from the comparative period ;
  - An increase of $0.2 million in sales to our Japanese partner due to increases in pricing and to the timing of shipments; and
  - A $0.4 million increase representing the sum of variances across several different markets.
- Infectious disease, biodefense, and vector infectious disease sales have decreased 50%, or $0.6 million, due to a reduction of orders by 3M during the current period versus the comparative period, a significant biodefense sale made in 2011 that did not repeat in 2012, and a weaker West Nile Virus season realized by our distributor in the United States.

Gross Margin

Gross profit on product sales increased by $1.5 million during the six month period ended June 30, 2012 as compared to the same period ended June 30, 2011. The change in total gross profit is primarily due to the increase in gross margin to 40.2% from a gross margin of 19.9% in 2011. This increase is primarily due to the following:

- An increase in the price of our products to our distributors combined with a change in product mix to higher margin products;
- An increase in the level of production during the six month period ended June 30, 2012 compared to 2011 resulting in an increase of the absorption of fixed manufacturing overhead costs;
- An increase in manufacturing efficiency during the six month period ended June 30, 2012 compared to 2011 resulting in lower material and labor costs per test produced; and
- A decrease of $0.4 million in inventory provisions to account for obsolescence and slow-moving inventory items and to reduce inventory values down to their net realizable value.

CONTRACT SERVICE FEES

	Six Months Ended June 30,		*Change 2011 to 2012*	
	2012	*2011*	*Increase / (Decrease)*	*Percent Change*
Contract service fees	-	455,228	(455,228)	(100%)

Contract service fees decreased by 100%, or $0.45 million during the six month period ended June 30, 2012 in comparison to the same period in 2011 due to the termination of a project agreement with Roche Diagnostics Ltd. in 2011. Upon termination, the Company recognized the remaining revenue under the contract to offset costs incurred in accordance with the agreement. There are no current collaborative arrangements in progress.

OPERATING EXPENSES

	Six Months Ended June 30,		*Change 2011 to 2012*	
	2012	*2011*	*Increase / (Decrease)*	*Percent Change*
Research and development	1,596,821	1,274,801	322,020	25%
General and administrative	2,236,035	1,410,133	825,902	59%
Sales and marketing	608,673	572,876	35,797	6%
Total Operating Expenses	4,441,529	3,257,810	1,183,719	36%

Research and Development Expenses

Research and Development Expenses increased by 25%, or $322,000 during the six month period ended June 30, 2012 in comparison to the same period ended June 30, 2011. The increase is due to a $148,000 increase in consulting and legal expenses incurred, a $135,000 increase in product development costs as a result of an increase in ongoing development projects, and a $91,000 increase in administrative and overhead expenses. These were offset by a $49,000 decrease in salaries and wages primarily due to the termination of the Company's chief scientific officer. The remaining $3,000 decrease is due to offsetting, immaterial variances.

General and Administrative Expenses

General and Administrative Expenses increased by 59%, or $826,000 during the six month period ended June 30, 2012 in comparison to the same period ended June 30, 2011. The increase is due to a $330,000 increase in professional fees for interim CEO, CFO, and finance related services, a $279,000 increase in legal expenses incurred, a $201,000 increase in stock based compensation expenses due to stock options granted during 2012, a $173,000 increase in recruitment expenses for new senior positions in the Company, and a $29,000 increase in corporate communication and public filing fees. These increases were offset by a $154,000 decrease in salaries and wages due to lower headcounts and a $22,000 decrease in depreciation costs. The remaining $11,000 decrease is due to other immaterial offsetting variances.

Sales and Marketing Expenses

Sales and Marketing Expenses increased by 6%, or $36,000 during the six month period ended June 30, 2012 in comparison to the same period ended June 30, 2011. The increase is due to a $171,000 increase in legal and professional expenses related to business development, review of agreements, and sales and marketing consulting services. In addition, there was an $89,000 increase in bad debt expenses due to the estimated allowance for doubtful accounts. These increases were offset by a $139,000 decrease in salaries and wages due to lower headcounts, a $55,000 decrease in selling expenses as a result of a reduction in marketing support provided to a key distributor, a $18,000 decrease in stock based compensation, and a $17,000 decrease in travel related expenses. The remaining $5,000 increase is due to other immaterial variances.

OTHER EXPENSE (INCOME), NET

	2012	*2011*	*Increase / (Decrease)*	*Percent Change*
Interest expense	372,011	398,961	(26,950)	(7%)
Interest income	(14,660)	(10,390)	4,270	41%
Foreign exchange (gain)loss	(71,087)	66,074	137,161	208%
Unrealized loss on revaluation of warrant liability	1,006,228	-	1,006,228	100%
Total Other Expenses	1,292,492	454,645	837,847	184%

Interest Expense

Interest expenses decreased by 7%, or $27,000 during the six month period ended June 30, 2012 compared to the same period ended June 30, 2011. The decrease is due to a reduction in the interest paid on the repayable leasehold improvement allowance resulting from a decrease in principal in 2012 versus 2011.

Interest Income

Interest income increased by 41%, or $4,000, during the six month period ended June 30, 2012 compared to the same period ended June 30, 2011. The increase is due to a higher average cash balance in 2012 in comparison to 2011.

Foreign exchange (gain)/loss

Foreign exchange gain increased by $137,000 during the six month period ended June 30, 2012 compared to a foreign exchange loss in the same period in 2011. Foreign exchange gains and losses are largely due to U.S. dollar balances of cash and cash equivalents, accounts receivable and accounts payable affected by the fluctuations in the value of the U.S. dollar as compared to the Canadian dollar.

Unrealized loss on revaluation of warrant liability

The unrealized loss on revaluation of the warrant liability is solely due to the mark-to-market revaluation of the outstanding warrants each reporting period. The change in fair market value increased from December 31, 2011 resulting in an unrealized loss of $1.0 million. The fair market value is calculated using a Black-Scholes model with inputs for volatility, risk free interest rate, and expected life of the warrants. The primary reason for the increase in the value of the liability is the increase in the fair market value of the shares of the Company as of June 30, 2012. A small change in the estimates used in the Black-Scholes pricing model may have a relatively large change in the estimated valuation of the common stock warrants.

Loss

For the six month period ended June 30, 2012, the Company reported a loss of $3.3 million or $0.03 per basic and diluted share, compared to a loss of $2.3 million or $0.06 per basic and diluted share in 2011. The increase in the loss for the six month period ended June 30, 2012 is primarily attributed to the $1.0 million unrealized loss on the revaluation of the warrant liability. In addition, there was a $1.2 million increase in operating expenses offset by a combination of increased product sales and a higher gross margin earned.

LIQUIDITY AND CAPITAL RESOURCES

Total cash and cash equivalents and working capital at June 30, 2012, and December 31, 2011 were as follows:

	As at June 30, 2012	As at December 31, 2011
Cash and cash equivalents	$3,453,494	$7,354,802
Percentage of total assets	20%	35%
Working capital	$1,101,560	$3,815,281

The change in working capital is primarily due to the $3.9 million decrease in cash from December 31, 2011 to June 30, 2012. The decrease in cash is primarily due to a $1.7 million decrease in accounts payable and accrued liabilities in addition to increased operating expenses and other changes to the Company's non-cash working capital. In addition, the $1.0 million increase in the fair market value of the warrant liability has contributed to a decrease in working capital. The warrant liability is presented as a current liability in accordance with ASC 815; however, each warrant may only be exercised on a net cashless exercise basis and no warrant may be exercised at a time when the exercise price equals or exceeds the current market price. Therefore, the potential settlement of any warrant does not require any cash disbursement

FINANCIAL CONDITION

The Company has financed its operations primarily through equity financings. As of June 30, 2012, the Company has raised approximately $103.0 million from the sale and issuance of equity securities and debt, net of issue costs.

The Company has sustained continuing losses since its formation and at June 30, 2012, had a deficit of $110.2 million and for the six month period ended June 30, 2012 incurred negative cash flows from operations of $3.7 million compared to $1.6 million in the same period in 2011. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

Management has been able, thus far, to finance the operations through a series of equity financings. Management will continue, as appropriate, to seek other sources of financing on favorable terms; however, there are no assurances that any such financing can be obtained on favorable terms, if at all. In view of these conditions, the ability of the Company to continue as a going concern is dependent upon its ability to obtain such financing and, ultimately, on achieving profitable operations. The outcome of these matters cannot be predicted at this time.

ONGOING SOURCES AND USES OF CASH

CHANGES IN CASH FLOWS

For the Six Months Ended June 30,	*2012*	*2011*
Cash used in operating activities	(3,650,166)	(1,638,499)
Cash used in investing activities	(89,748)	(25,375)
Cash used in financing activities	(161,394)	(144,654)
Decrease in cash during the period	$ (3,901,308)	$ (1,808,528)

As of June 30, 2012, the Company had cash and cash equivalents balance of $3.5 million as a result of a $3.9 million decrease in cash during the six month period ended June 30, 2012. The cash decrease was a result of $3.7 million of cash used in operating activities, $89,748 of cash used in investing activities, and $161,394 of cash used in financing activities.

Cash Used in Operating Activities

Cash used in Operating Activities is primarily due to the net change in non-cash working capital. The net change in non-cash working capital and non-current asset balances related to operations for the six month period ended June 30, 2012 and 2011 consists of the following:

	2012	*2011*
Trade receivables	(128,116)	(130,331)
Other receivables	10,983	22,313
Inventories	(212,776)	600,013
Prepaid expenses and other	(140,885)	(35,457)
Accounts payable and accrued liabilities	(1,674,998)	(244,354)
Deferred revenue	(78,934)	(341,867)
Total change in non-cash working capital	$ (2,224,726)	$ (129,683)

Explanations of the more significant net changes in working capital are as follows:

- Accounts payable and accrued liabilities decreased from $3.5 million to $1.9 million as a result of the timing of payments of the amounts outstanding primarily related to legal and audit related expenses incurred in the rights offering that completed late 2011. In addition, the decrease is attributable to the timing of royalty and severance payments made.
- Inventory balances increased from $2.2 million to $2.4 million as a result of increases in production due to a higher level of sales during the period.
- Trade receivables increased from $1.6 million to $1.7 million as a result of the timing of sales to and payments made from our largest distributor.
- Prepaid expenses increased from $0.3 million to $0.4 million due to the timing of deposits being made for future purchases.

Cash Used in Investing Activities

Net cash used in investing activities for the six month period ended June 30, 2012 and 2011 was $90,000 and $25,000 respectively which represents cash that was used for the purchase of property, plant, and equipment.

Cash Provided by Financing Activities

Net cash used in financing activities for the six month period ended June 30, 2012, and 2011 was $161,000 and $145,000 respectively which represents cash that was used in the repayment of the leasehold improvement allowance. The increase is due to the increase of principal paid on every payment made to our landlord.

OFF-BALANCE-SHEET ARRANGEMENTS

The Company does not have any off-balance sheet financing arrangements at June 30, 2012.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A summary of the significant accounting policies is as follows:

Use of estimates

Our consolidated financial statements are prepared in accordance with U.S. GAAP. In the application of U.S. GAAP we are required to make estimates that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities in our consolidated financial statements. Changes in the accounting estimates from period to period are reasonably likely to occur. Accordingly, actual results could differ significantly from the estimates made by management. To the extent that there are material differences between these estimates and actual results, our future financial statement presentation of our financial condition or results of operations may be affected.

On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, valuation of stock based compensation, valuation of long-lived assets, tax related contingencies, valuation of inventories, contingencies and litigation, valuation of the warrant liability, among others. We base our estimates on historical experience and on various other assumptions, including expected trends that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

In addition to making critical accounting estimates, we must ensure that our financial statements are properly stated in accordance with U.S. GAAP. In many cases, the accounting treatment of a particular transaction is specifically dictated by U.S. GAAP and does not require a high degree of management judgment in its application, while in other cases, management's judgment is required in selecting among available alternative accounting standards that allow different accounting treatment for similar transactions.

Our significant accounting policies are discussed in Note 3, "Significant Accounting Policies," to the consolidated financial statements included in Item 8 of Form 10-K filed with the SEC on March 29, 2012. We believe that the following are our most critical accounting policies and estimates, each of which is critical to the portrayal of our financial condition and results of operations and requires our most difficult, subjective and complex judgments. Our management has reviewed our critical accounting policies and the related disclosures with the Audit Committee of our Board of Directors.

Inventories

Raw material inventory is carried at the lower of actual cost, determined on a first-in first-out basis, and market value. Finished goods and work in process inventories are carried at the lower of weighted average cost and market value. Cost of finished goods and work in process inventories includes direct materials, direct labour and applicable overhead. The Company writes down its inventory balances for estimates of excess and obsolete amounts. These write-downs are recorded as a component of cost of sales. At the point of the write-down, a new, lower-cost basis for that inventory is established, and any subsequent improvements in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

Long Lived Asset Impairment

Long-lived assets to be held and used by the Company are periodically reviewed to determine whether any events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. For long-lived assets to be held and used, the Company bases its evaluation on such impairment indicators such as the nature of the assets, the future economic benefit of the assets, any historical or future profitability measurements, as well as other external market conditions or factors that may be present. In the event that facts and circumstances indicate that the carrying amount of an asset may not be recoverable and an estimate of future undiscounted cash flows is less than the carrying amount of the asset, an impairment loss will be recognized for the difference between the carrying value and the fair value.

Deferred lease inducements

Lease inducements arising from rent-free inducements and non-repayable leasehold improvement allowances received from the landlord are being amortized over the term of the lease on a straight-line basis.

Contingent Liabilities

The Company provides for contingent liabilities when (1) it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and (2) the amount of the loss can be reasonably estimated. Disclosure in the notes to the financial statements is required for loss contingencies that do not meet both these conditions if there is a reasonable possibility that a loss may be incurred. The costs of defending legal claims against the Company are expensed as incurred.

Revenue recognition

Product sales are recognized when legal title passes to distributors or customers, the sales price is fixed and determinable, collection of the resulting receivables is reasonably assured and no uncertainties with regard to customer acceptance exist. Sales are recorded net of discounts and sales returns.

Contract service fees are recorded as revenue as the services are performed pursuant to the terms of the contract provided collectability is reasonably assured. Upfront fees from collaborative research arrangements which are non-refundable, require the ongoing involvement of the Company and are directly linked to specific milestones are deferred and amortized into income as services are rendered. Upfront fees from collaborative research arrangements that are non-refundable, require the ongoing involvement of the Company and are not directly linked to specific milestones are deferred and amortized into income on a straight-line basis over the term of ongoing development. Upfront fees from collaborative research arrangements that are refundable are deferred and recognized once the refundability period has lapsed. The Company did not earn revenue from contract service fees from collaborative research arrangements during the three or six month periods ended June 30, 2012. The Company earned revenue from contract service fees from a collaborative research arrangement with Roche Diagnostics for the three and six month periods ended June 30, 2011. The collaborative research arrangement with Roche Diagnostics was to develop a next generation Troponin assay. Under the agreement with Roche Diagnostics, the Company was entitled to $1,392,060 over the entire arrangement.

Stock-based compensation

The Company uses the fair value method of accounting for all stock-based awards for non-employees and for all stock-based awards to employees that were granted, modified or settled since January 1, 2003. The fair value of stock options is determined using the Black-Scholes option-pricing model, which requires certain assumptions, including future stock price volatility, estimated forfeiture rates and expected time to exercise. Stock-based compensation expense is recorded net of estimated forfeitures such that expense is recorded only for those stock-based awards that are expected to vest. A forfeiture rate is estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from initial estimates. Changes to any of these assumptions could produce different fair values for stock-based compensation. The expense is amortized on a straight-line basis over the graded vesting period.

Income taxes

The Company accounts for income taxes using the liability method of tax allocation. Deferred income taxes are recognized for the future income tax consequences attributable to differences between the carrying values of assets and liabilities and their respective income tax bases. Deferred income tax assets and liabilities are measured using substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to reverse. The effect on deferred income tax assets and liabilities of a change in substantively enacted rates is included in earnings in the period that includes the substantive enactment date. Deferred income tax assets, net of a valuation allowance, are recorded in the consolidated financial statements if realization is considered more likely than not.

The Company accounts for uncertain tax positions using a “more-likely-than-not threshold” for recognizing and resolving uncertain tax positions. The Company evaluates uncertain tax positions on a quarterly basis and considers various factors, including, but not limited to, changes in tax law, the measurement of tax positions taken or expected to be taken in tax returns, the effective settlement of matters subject to audit, new audit activity and changes in facts or circumstances related to a tax position. The Company includes interest and penalties related to gross unrecognized tax benefits in the provision for income taxes.

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect reported amounts and related disclosures. We have discussed those estimates that we believe are critical and require the use of complex judgment in their application in our 2011 Form 10-K filed with the SEC on March 29, 2012. Since the date of our 2011 Form 10-K, there have been no material changes to our critical accounting policies or the methodologies or assumptions we apply under them except for the change in estimate of the useful life of certain manufacturing equipment as disclosed in note 3 in the consolidated financial statements included in Item 1.

See note 3, "Recent Accounting Pronouncements," of the consolidated financial statements in Item 1 for information related to the adoption of new accounting standards in 2012, none of which had a material impact on our financial statements, and the future adoption of recently issued accounting standards, which we do not expect to have a material impact on our financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Under the rules and regulations of the United States Securities and Exchange Commission, (the "SEC") and Canadian regulatory authorities, as a smaller reporting company, we are not required to provide information required under this item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that material information required to be disclosed in our periodic reports filed or submitted under the Securities Exchange Act of 1934, as amended, or the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Our disclosure controls and procedures are also designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including its principal executive officer and principal financial officer as appropriate, to allow timely decisions regarding required disclosure.

During the quarter ended June 30, 2012, we carried out an evaluation, under the supervision and with the participation of our management, including the principal executive officer and the principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective, as of the end of the period covered by this report.

Changes in Internal Control Over Financial Reporting

We have not made any changes to our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended June 30, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not aware of any material litigation involving us that is outstanding, threatened or pending.

ITEM 1A. RISK FACTORS

Our future performance is subject to a number of risks. If any of the following risks actually occur, our business could be harmed and the trading price of our common stock could decline. In evaluating our business, you should carefully consider the following risks in addition to the other information in this Quarterly Report on Form 10-Q. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. It is not possible to predict or identify all such factors and, therefore, you should not consider the following risks to be a complete statement of all the potential risks or uncertainties that we face.

RISKS RELATED TO OUR COMPANY

We may need to raise additional capital to fund operations. If we are unsuccessful in attracting capital to our Company, we will not be able to continue operations or will be forced to sell assets to do so. Alternatively, capital may not be available to our Company on favorable terms, or at all. If available, financing terms may lead to significant dilution to the shareholders' equity in our Company.

We are not profitable and have negative cash flows from operations. Based on our current cash resources, expected cash burn, and anticipated revenues, we expect that we can maintain operations through the second quarter of 2013. We may need to raise additional capital to fund our operations. We have relied primarily on debt and equity financings to fund our operations and commercialize our products. Additional capital may not be available, at such times or in amounts as needed by us. Even if capital is available, it might be on adverse terms. Any additional equity financing will be dilutive to our shareholders. If access to sufficient capital is not available as and when needed, our business will be materially impaired and we may be required to cease operations, curtail one or more product development programs, attempt to obtain funds through collaborative partners or others that may require us to relinquish rights to certain technologies or product candidates, or we may be required to significantly reduce expenses, sell assets, seek a merger or joint venture partner, file for protection from creditors or liquidate all our assets.

Our inability to generate sufficient cash flows may result in our Company not being able to continue as a going concern.

We have incurred significant losses to date. As at June 30, 2012, we had an accumulated deficit of $110,204,710 and have not generated positive cash flow from operations. Accordingly, there is substantial doubt about our ability to continue as a going concern. We may need to seek additional financing to support our continued operation; however, there are no assurances that any such financing can be obtained on favorable terms, if at all. In view of these conditions, our ability to continue as a going concern is dependent upon our ability to obtain such financing and, ultimately, on achieving profitable operations. The outcome of these matters cannot be predicted at this time. The consolidated financial statements for the six months ended June 30, 2012 do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should we be unable to continue in business. Such adjustments could be substantial.

We have incurred substantial operating losses to date. We expect these losses to continue for the near future. If we are unable to generate sufficient revenue, positive cash flow or earnings, or raise sufficient capital to maintain operations, we may not be able to continue operating our business and be forced to sell our Company or liquidate our assets.

We have evolved from a pure development company to a commercial enterprise but to date have realized minimal operating revenues from product sales. As of June 30, 2012, we have incurred cumulative losses since inception of $110,204,710. For the six months ended June 30, 2012, we incurred a loss of $3,314,619. We currently are not profitable and expect operating losses to continue. Generating revenues and profits will depend significantly on our ability to successfully develop, commercialize, manufacture and market our products. The time necessary to achieve market success for any individual product is uncertain. No assurance can be given that product development efforts will be successful, that required regulatory approvals can be obtained on a timely basis, if at all, or that approved products can be successfully manufactured or marketed. Consequently, we cannot assure that we will ever generate significant revenue or achieve or sustain profitability. As well, there can be no assurance that the costs and time required to complete commercialization will not exceed current estimates. We may also encounter difficulties or problems relating to research, development, manufacturing, distribution and marketing of our products. In the event that we are unable to generate adequate revenues, cash flow or earnings, to support our operations, or we are unable to raise sufficient capital to do so, we may be forced to cease operations and either sell our business or liquidate our assets.

Current and future conditions in the global economy may have a material adverse effect on our business prospects, financial condition and results of operations.

During the second half of fiscal year 2008, the global financial crisis, particularly affecting the credit and equity markets, accelerated and the global recession deepened, with an exceptionally weak global economy in 2009 and 2010 followed by a mixed economic performance during 2011 through the first half of 2012. Though we cannot predict the extent, timing or ramifications of the global financial crisis and the economic outlook in different economies, we believe that the current downturn in the world's major economies and the constraints in the credit markets have heightened or could heighten a number of material risks to our business, results of operations, cash flows and financial condition, as well as our future prospects, including the following:

- Credit availability and access to equity markets — Continued issues involving liquidity and capital adequacy affecting lenders could affect our ability to fully obtain credit facilities or additional debt and could affect the ability of any lenders to meet their funding requirements when we need to borrow. Further, the high level of volatility in the equity markets and the decline in our stock price may make it difficult for us to access the equity markets for additional capital at attractive prices, if at all. If we are unable to obtain credit, or access the capital markets, where required, our business could be negatively impacted.

- Credit availability to our customers — We believe that many of our customers are reliant on liquidity from global credit markets and, in some cases, require external financing to fund their operations. As a consequence, if our customers lack liquidity, it would likely negatively impact their ability to pay amounts due to us.

- Commitments from our customers — There is a greater risk that customers may be slower to make purchase commitments during the current economic downturn, which may negatively impact the sales of our new and existing products.

- Supplier difficulties — If one or more of our suppliers experiences difficulties that result in a reduction or interruption in supplies or services to us, or they fail to meet any of our manufacturing requirements, our business could be adversely impacted until we are able to secure alternative sources, if any.

Many of these and other factors affecting the diagnostic technology industry are inherently unpredictable and beyond our control.

We are not able to predict sales in future quarters and a number of factors affect our periodic results, which makes our quarterly operating results less predictable.

We are not able to accurately predict our sales in future quarters. A significant portion of our product sales is made through distributors. As a result, our financial results, quarterly product sales, trends and comparisons are affected by seasonal factors and fluctuations in the buying patterns of end-user customers, our distributors, and by the changes in inventory levels of our products held by these distributors. For example, higher utilization rates of our BNP and NT-proBNP tests may be due to a higher number of emergency department visits by patients exhibiting shortness of breath, a symptom of heart failure and of influenza. However, higher utilization may also result from greater awareness, education and acceptance of the uses of our tests, as well as from additional users within the hospitals. Accordingly, our sales in any one quarter or period are not indicative of our sales in any future period.

We generally operate with a limited order backlog, because we ship our products shortly after we receive the orders from our customers. As a result, our product sales in any quarter are generally dependent on orders that we receive and ship in that quarter. As a result, any such revenue shortfall would immediately materially and adversely impact our operating results and financial condition. The sales cycle for our products can fluctuate, which may cause revenue and operating results to vary significantly from period to period. We believe this fluctuation is primarily due (i) to seasonal patterns in the decision making processes by our independent distributors and direct customers, (ii) to inventory or timing considerations by our distributors and (iii) to the purchasing requirements by various international governments to acquire our products.

Accordingly, we believe that period to period comparisons of our results of operations are not necessarily meaningful. In the future, our periodic operating results may vary significantly depending on, but not limited to, a number of factors, including:

- new product announcements made by us or our competitors;
- changes in our pricing structures or the pricing structures of our competitors;
- our ability to develop, introduce and market new products on a timely basis, or at all;
- our manufacturing capacities and our ability to increase the scale of these capacities;
- the mix of product sales between our instruments and our consumable products;
- the amount we spend on research and development; and
- changes in our strategy.

We rely on a limited number of third party distributors to market and sell our products in China

We sell in China through an exclusive distributor for RAMP branded products, O&D Biotech Co. Ltd., China (O&D), and an exclusive distributor for private labeled OEM products, Wondfo Biotech Co. Ltd. (Wondfo). Sales to O&D accounted for 48% of our total product sales during the six months ended June 30, 2012. If O&D underperforms, we may not be able to generate alternative distribution channels rapidly enough to prevent a significant disruption in sales generated in China, which would have an adverse impact on our business performance.

Although we are a Canadian company, a small number of our products are subject to U.S. export control and economic sanctions laws.

We have determined that some of our products are subject to U.S. export controls and may require a license from the U.S. Government prior to export to countries subject to economic sanctions. Although these products are manufactured in Canada, they incorporate U.S. origin components, and for that reason, they may be subject to U.S. controls.

As a result, we must monitor, on an on-going basis, the level of U.S. origin components contained in our products which may lead to more of our products being subject to U.S. controls. If we inadvertently violate U.S. export control and economic sanction laws, significant penalties that could include fines, termination of our ability to export our products, and/or referral for criminal prosecution may be imposed against us, our management, or other employees. These penalties may have a material adverse effect on our business, operating results, and financial condition.

A larger-than-required and high cost Facility lease and associated cash used to repay additional financial obligations associated with the Facility will negatively impact our operating results and financial position.

In May 2007, we entered into an agreement to lease a multi-use, 46,000 square foot facility in Vancouver, British Columbia, Canada.

This facility, which the company occupied as its main operation center in 2008, is significantly larger than required for our near term production requirements. The excess space is difficult to sublease due to the current layout of the company's manufacturing operations and the significant availability of space in other buildings in the local real estate market. In addition to rental payments for the facility, we are obligated to repay with interest over the next 12 years the $6,622,951 balance due as of June 30, 2012 on the repayable leasehold improvement allowance.

We believe that the financial obligation associated with this facility lease and associated liabilities represent a total facilities cost significantly above the current real estate market prevailing lease rates. This factor, together with the excessive size of the facility, may adversely affect the company's financial performance.

Should there be a downturn in our business or the markets in which we compete, we may not have a need to expand our facility as we have planned. As a result, we may then seek an alternative use for all or a portion of the property, seek to sub-lease some or all of our property and we may not exercise the option to extend the lease, any of which may have a negative impact on our operating results. We may experience unanticipated decreases in productivity and other losses due to inefficiencies relating to any such transition, or delays in obtaining any required approvals or clearances from regulatory agencies related to the validation of any new manufacturing facilities. For instance, the scale-up of manufacturing at our planned facility could result in lower than expected manufacturing output and higher than expected product costs.

Sole-source suppliers provide some of our raw materials. In the event a sole-sourced material became unavailable, there may be a delay in obtaining an alternate source, and the alternate source may require significant development to meet product specifications. It is also possible that we may not be able to locate an acceptable alternate source at all. Consequently, we may face difficulty in manufacturing, or be entirely unable to manufacture, some of our products.

Single-source suppliers provide some key components, in particular antibodies, used in the manufacture of our products. Except for one of the antibodies we use in our West Nile Virus Test and two of the antibodies we use in our B-type natriuretic peptide Test, we do not have supply agreements with any of our other antibody suppliers. We are currently negotiating supply agreements for some of the other key reagents that we use. Although we maintain inventories of some key components, including antibodies, any loss or interruption in the supply of a sole-sourced component or raw material would have a material adverse effect on our ability to manufacture these products until a new source of supply is qualified and, as a result, may temporarily or even permanently prevent us from being able to sell our products. Given the nature of variations in biological raw materials, a new supply source of antibodies may require considerable time and resources to develop manufacturing procedures to meet the required product performance levels for commercial sale. Additionally, it may require us to enter into supply agreements on commercial reasonable terms with the new suppliers to ensure supply, or at all, there could be a material adverse effect on our ability to manufacture product for commercial sale.

Interruption in the supply of any sole-sourced component or raw material would likely have a material adverse effect on our profit margins, our ability to develop and manufacture products on a timely and competitive basis, and the timing of market introductions and subsequent sales of products.

We rely significantly on third party manufacturers for some of our products and rely on third party manufacturers of certain equipment necessary for us to scale-up our internal capacity to manufacture products. If these third party manufacturers experience difficulties, our ability to serve various markets with our products may be significantly restricted.

All of our test kits, or Kits, are currently produced in-house and our portable fluorescence readers or Readers, are manufactured and supplied to us under contract. We have qualified a local contract manufacturer for the Readers. To meet the projected demand for our products, we will require additional equipment to scale up our manufacturing processes. Some of this equipment will require customization that may increase the lead-time from the supplier. If demand for our products significantly exceeds forecast, or if the third party manufacturers of Readers or manufacturing equipment are unable to deliver to us on schedule, we may not be able to meet customer requirements.

Some components of our instruments face obsolescence pressure. If we are not able to secure enough of these components to meet our future demands, our ability to serve various markets may be significantly restricted.

As mentioned above, our Readers are manufactured by a local contract manufacturer. Some critical components used in the manufacturing of our Readers may become unavailable resulting in delays in production or lead to the inability to manufacture our instrument as currently designed. As a result of the lack of availability of critical components, if significant delays in production by our contract manufacturer or the potential inability to manufacture our instrument as currently designed occurs, we may not be able to meet customer requirements which could have a material adverse effect on future sales.

We may not be able to adequately protect our technology and proprietary rights, and third parties may claim that we infringe on their proprietary rights. If we cannot protect our technology, companies with greater resources than us may be able to use our technology to make products that directly compete with ours. Additionally, third parties claiming that we infringe on their proprietary rights may be able to prevent us from marketing our products or force us to enter into license agreements to do so. Both situations may negatively impact our ability to generate revenues, cash flows and earnings.

The success of our technology and products is highly dependent on our intellectual property portfolio, for which we have sought protection through a variety of means, including patents (both issued and pending) and trade secrets, see "Intellectual Property". There can be no assurance that any additional patents will be issued on existing or future patent applications or on patent applications licensed from third parties. Even when such patents have been issued, there can be no assurance that the claims allowed will be sufficiently broad to protect our technologies or that the patents will provide protection against competitive products or otherwise be commercially valuable. No assurance can be given that any patents issued to or licensed to us will not be challenged, invalidated, infringed, circumvented or held unenforceable. In addition, enforcement of our patents in foreign countries will depend on the laws and procedures in those foreign jurisdictions. Monitoring and identifying unauthorized use of our technologies or licensed technologies may prove difficult, and the cost of litigation may impair the ability to guard adequately against such infringement. If we are unable to successfully defend our intellectual property, third parties may be able to use our technology to commercialize products that compete with ours. Further, defending intellectual property can be a very costly and time-consuming process. The costs and delays associated with such a defense may negatively impact our financial position.

There are many patent claims in the area of lateral flow immunoassays and some patent infringement lawsuits have occurred amongst parties, other than ourselves, with respect to patents in this area. Our commercial success may depend upon our products not infringing on any intellectual property rights of others and upon no such claims of infringement being made. In the event that a third party was able to substantiate a claim against us, it could result in us not being able to sell our products in certain markets or at all. Further, as a result we may be required to enter into license agreements with said third parties on terms that would negatively impact our ability to conduct our business. Even if such claims were found to be invalid, the dispute process would likely have a materially adverse effect on our business, results of operations and prospects. To date, to the best of our knowledge, there have been no threats of litigation, legal actions or other claims made against any of our intellectual property. Although we attempted to identify patents that pose a risk of infringement, there is no assurance that we have identified all U.S. and foreign patents that present such a risk.

In addition to patent protection, we also rely on trade secrets, proprietary know-how and technological advances which we seek to protect, in part, through confidentiality agreements with our collaborative partners, employees and consultants. There can be no assurance that these agreements will not be breached, that we will have adequate remedies for any breach, or that the trade secrets and proprietary know-how will not otherwise become known or be independently discovered by others, which could negatively impact our ability to compete in the marketplace.

To continue developing new products or enhance existing ones, we may need to obtain licenses to certain technologies and rights from third parties, and such licenses may not be available on acceptable terms, or at all. If our product development efforts are hindered, we may face considerable challenges competing in the market place with our existing products or be unable to introduce new products.

Although we believe we are able to conduct our business based on our current intellectual property portfolio, there is a risk that additional non-core technology licenses may be required in the development of new products or to enhance the performance characteristics of our existing products. We believe that such licenses would generally be available on a non-exclusive basis; however, there is no guarantee that they will be available on acceptable terms, or at all. If we are unable to license any required non-core technology, it may impede our product development capabilities, which may put us at a competitive disadvantage in the market place and negatively affect our ability to generate revenue or profits.

We must increase sales of our Cardiovascular products or we may not be able to become profitable.

Our ability to continue to be profitable and to increase profitability will depend, in part, on our ability to increase our sales volumes of our Cardiovascular line. Increasing the sales volume of our products will depend upon, among other things, our ability to:

- continue to improve our existing products and develop new and innovative products;
- increase our sales and marketing activities;
- effectively manage our manufacturing activities; and
- effectively compete against current and future competitors.

We cannot assure you that we will be able to successfully increase our sales volumes of our products to increase or sustain profitability.

Compliance with changing regulations and standards for accounting, corporate governance and public disclosure may result in additional expenses.

Changing laws, regulations and standards relating to corporate governance and public disclosure, new SEC and BC Securities Commission regulations, and Toronto Stock Exchange, or TSX, rules, are creating additional complexities and expenses for companies such as ours. In 2005, the Accounting Standards Board announced that Canadian GAAP is to be converged with International Financial Reporting Standards, or IFRS. On February 13, 2008, the Canadian Institute of Chartered Accountants confirmed that the use of IFRS is required for fiscal years beginning on or after January 1, 2011. According to Section 4.1 of National Instrument 52-107, which governs GAAP requirements in Canada, SEC issuers may use U.S. GAAP. The Company satisfies the definition of an SEC issuer and consequently converted its primary basis of accounting from Canadian GAAP to U.S. GAAP as of January 1, 2011. However, the SEC may determine at some point to incorporate IFRS into the U.S. domestic reporting system. Transitioning to IFRS is likely to impact how management communicates with investors, as well as how some companies conduct business with customers and vendors. The new financial reporting regime will affect internal operations and the transition will require sophisticated planning due to the many interrelated changes it will entail within the Company. The eventual conversion to IFRS will add complexity and costs to our business and require a significant investment of our time and resources to complete. Additionally, we will make every effort to ensure the effectiveness of our internal controls each year, but there is no guarantee that our efforts to do so will be successful. To maintain high standards of corporate governance and public disclosure, we intend to invest all reasonably necessary resources to comply with all other evolving standards. These investments may result in increased general and administrative expenses and a diversion of management time and attention from strategic revenue generating and cost management activities. If we fail to maintain effective internal controls and procedures for financial reporting, or the SEC requirements applicable to these, we could be unable to provide timely and accurate financial information and therefore be subject to investigation by the SEC, and civil or criminal sanctions. Additionally, ineffective internal control over financial reporting would place us at increased risk of fraud or misuse of corporate assets and could cause our stockholders, lenders, suppliers and others to lose confidence in the accuracy or completeness of our financial reports.

Management's determination that material weaknesses existed in our internal control over financial reporting could have a material adverse impact on the Company.

We are required to maintain internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external purposes. The Company determined in our amended annual report for the year ending December 31, 2010 filed under form 20-F/A that material weaknesses exist in the Company's internal control over financial reporting. Due to these material weaknesses, management had concluded that as of December 31, 2010, the Company's disclosure controls and procedures were not effective. If we fail to maintain effective internal controls over financial reporting and disclosure controls and procedures, our business and results of operations could be harmed, we may be unable to report properly or timely the results of our operations and investors may lose faith in the reliability of our financial statements. As a result of the material weakness identified in 2010, we or our current or former officers, directors and employees may be subject to investigation by the SEC or Canadian securities regulators, and civil or criminal sanctions, or shareholder lawsuits, any of which could result in significant expense, whether directly or indirectly through the Company's statutory or contractual obligations to indemnify such persons, and require significant investments of management time, which may prevent management from focusing its efforts on our business operations. Ineffective internal control over financial reporting may also increase the risk of, or result in, fraud or misuse of our corporate assets. As a consequence, the market price of our securities may be harmed.

We may be subject to product liability claims, which may adversely affect our operations.

We may be held liable or incur costs to settle liability claims if any of the products we sell cause injury or are found unsuitable. Although we currently maintain product liability insurance, we cannot be assured that this insurance is adequate, and, at any time, it is possible that such insurance coverage may cease to be available on commercially reasonable terms, if at all. A product liability claim could result in liability to us greater than our total assets or insurance coverage. Moreover, product liability claims could have an adverse impact on our business even if we have adequate insurance coverage.

We rely significantly on third party distributors and alliance partners to market and sell our products. If we are unable to successfully negotiate or maintain acceptable agreements with potential distributors, our ability to access various markets with our products may be significantly restricted. Further, we may not be able to negotiate agreements that would permit us to sell our products at a profit.

Our marketing strategy in both the environmental and the medical diagnostics markets depends significantly on our ability to establish and maintain collaborative arrangements with third party distributors and alliance partners for marketing and distribution.

There can be no assurance that we will be able to negotiate or maintain acceptable collaborative arrangements enabling us to sell our products in certain markets or be able to sell our products at acceptable prices or volumes. Consequently, we may not be able to generate sufficient revenue or gross margins to be profitable.

Manufacturing risks and inefficiencies may adversely affect our ability to produce products and could reduce our gross margins and increase our research and development expenses.

We are subject to manufacturing risks, including our limited manufacturing experience with newer products and processes which may hinder our ability to scale-up manufacturing. Additionally, unanticipated acceleration or deceleration of customer demand may lead to manufacturing inefficiencies. We must manufacture our products in compliance with regulatory requirements, in sufficient quantities and on a timely basis, while maintaining acceptable product quality and manufacturing costs. Significant additional resources, implementation of additional automated and semi-automated manufacturing equipment and changes in our manufacturing processes and organization have been, and are expected to continue to be, required for scale-up to meet increasing customer demand once commercialization begins, and this work may not be successfully or efficiently completed.

In addition, although we expect some of our newer products and products under development to share production attributes with our existing products, production of these products may require the development of new manufacturing technologies and expertise. It may not be possible for us, or any other party, to manufacture these products at a cost or in quantities to make these products commercially viable.

Manufacturing and quality problems have arisen and may arise in the future as we attempt to scale-up our manufacturing capacity and implement automated and semi-automated manufacturing methods. We rely on third parties for the manufacture of much of our automated and semi-automated manufacturing equipment. Consequently, implementation of automated and semi-automated manufacturing methods may not be achieved in a timely manner or at a commercially reasonable cost, or at all. In addition, we continue to make investments to improve our manufacturing processes and to design, develop and purchase manufacturing equipment that may not yield the improvements that we expect. Unanticipated acceleration and deceleration of customer demand for our products has resulted, and may continue to result, in inefficiencies or constraints related to our manufacturing, which has harmed and may in the future harm our gross margins and overall financial results. Such inefficiencies or constraints may also result in delays, lost potential product sales or loss of current or potential customers due to their dissatisfaction.

We may not be able to effectively and efficiently manage the planned growth of our operations and, as a result, we may find ourselves unable to effectively compete in the marketplace with our products resulting in lost revenue, poor operational performance, and sustained losses.

We anticipate growth in the scope of the operating and financial systems and the geographic area of operations as new products are developed and commercialized. This growth will result in increases in responsibilities for both existing and new management personnel. Managing growth effectively will require us to continue to implement and improve operational, financial and management information systems, and to successfully attract, hire on favorable terms, develop, motivate and manage employees. This growth may require additional locations and new capital equipment. If we are unable to successfully manage our expansion, we may experience an inability to take advantage of new sales opportunities, poor employee morale, an inability to attract new employees and management, an inability to generate adequate financial and other relevant reports, poor quality control and customer service and difficulty managing our operating expenses and working capital. As a consequence, we may find ourselves unable to compete effectively in the market place with our products leading to loss of revenue and poor operational performance, including sustained losses.

The research and development of our products carries substantial technical risk. We may not be able to successfully commercialize future products. As a consequence, our ability to expand our product portfolio to generate new revenue opportunities may be severely limited.

Our future growth will depend upon, among other factors, our ability to successfully develop new products and to make product improvements to meet evolving market needs. Although we believe that we have scientific and technical resources available, future products will nevertheless be subject to the risks of failure inherent in the development of products based on innovative technologies. Any specific new product in research and development may face technical challenges that may significantly increase the costs to develop that product, cause delays to commercialization or prevent us from commercializing that product at all. Although we expect to continue to expend resources on research and development efforts, to enhance existing products and develop future ones, we are unable to predict whether research and development activities will result in any commercially viable products. There can be no assurance that we will be able to successfully develop future products and tests, which would prevent us from introducing new products in the marketplace and negatively impact our ability to grow our revenues and become profitable.

We depend on our key personnel, the loss of whose services could adversely affect our business.

We are highly dependent upon the members of our management and scientific staff, who could leave Response at any time. The loss of these key individuals could impede our ability to achieve our business goals. We face competition for qualified employees from numerous industry and academic sources and there can be no assurance that we will be able to retain qualified personnel on acceptable terms. We currently do not have key man insurance in place on any of our key employees.

In the event that we are unable to retain key personnel, and recruit qualified key personnel on favorable terms, we may not be able to successfully manage our business operations, including sales and marketing activities, product research and development and manufacturing. As a consequence, we may not be able to effectively develop and manufacture new products, negotiate strategic alliances or generate revenue from existing products.

A substantial portion of our business is in China where we have no direct presence to closely monitor and understand the rapidly expanding market.

Approximately 62% of our product revenue derives from sales of our products through our distribution channel partners in China. China is a dynamic and rapidly evolving market for medical technology including the near-patient diagnostic testing market in which the Company competes. We have neither a direct presence nor personnel in China to allow us to closely monitor and understand this market. We may not be able to anticipate changes in this market as a consequence, which could materially and adversely impact our product sales.

We may not be able to compete effectively with larger, more established entities or their products, or with future organizations or future products, which could cause our sales to decline.

In-vitro diagnostics is a well-established field in which there are a number of competitors that have substantially greater financial resources and larger, more established marketing, sales and service organizations than we do.

Our principal competitors in the human diagnostic market are Alere Inc., or Alere, Abbott Point of Care Inc., Mitsubishi Chemical Medience Corporation, Roche Diagnostics, Becton Dickinson Corporation, and Quidel Corporation. Many of our competitors have significantly larger product lines to offer and greater financial and other resources than we do. In particular, many of these competitors have large sales forces and well-established distribution channels and brand names.

Our Company is organized under the laws of British Columbia, Canada, and certain of our directors and officers and substantially all of our assets are located outside of the United States, which may make enforcement of United States judgments against us difficult.

We are organized under the laws of British Columbia, Canada, substantially all of our assets are located outside of the United States, we do not currently maintain a permanent place of business within the United States and certain of our directors and officers are resident outside the United States. As a result, it may be difficult for U.S. investors to effect service of process or enforce within the United States any judgments obtained against us or those officers or directors, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof. In addition, there is uncertainty as to whether the courts of Canada would recognize or enforce judgments of United States courts obtained against us or our directors and officers predicated upon the civil liability provisions of the securities laws of the United States or any state thereof, or be competent to hear original actions brought in Canada against us or our directors and officers predicated upon the securities laws of the United States or any state thereof.

Valuation of stock-based payments, which we are required to perform for purposes of recording compensation expense under FASB – ASC 718 "Compensation - Stock Compensation", involves significant assumptions that are subject to change and difficult to predict.

On January 1, 2006, we adopted FAS 123(R), which is now codified as FASB ASC 718 Compensation – Stock Compensation, which requires that we record compensation expense in the statement of income for stock-based payments, such as stock options, using the fair value method. As long as stock-based awards are utilized as part of our compensation strategy, the requirements of ASC 718 have had, and will continue to have, a material effect on our future financial results reported under Generally Accepted Accounting Principles, and make it difficult for us to accurately predict our future financial results.

For instance, estimating the fair value of stock-based payments is highly dependent on assumptions regarding the future exercise behavior of our employees and changes in our stock price. Our stock-based payments have characteristics significantly different from those of freely traded options, and changes to the subjective input assumptions of our stock-based payment valuation models can materially change our estimates of the fair values of our stock-based payments. In addition, the actual values realized upon the exercise, expiration, early termination or forfeiture of stock-based payments might be significantly different than our estimates of the fair values of those awards as determined at the date of grant.

ASC 718 could also adversely impact our ability to provide accurate guidance on our future financial results as assumptions that are used to estimate the fair value of stock-based payments are based on estimates and judgments that may differ from period to period. For instance, we may be unable to accurately predict the timing, amount and form of future stock-based payments to employees. We may also be unable to accurately predict the amount and timing of the recognition of tax benefits associated with stock-based payments as they are highly dependent on the exercise behavior of our employees and the price of our stock relative to the exercise and price fair value of each outstanding stock option.

For those reasons, among others, ASC 718 may create variability and uncertainty in the compensation expense we will record in future periods, potentially negatively impacting our ability to provide accurate financial guidance. This variability and uncertainty could further adversely impact our stock price and increase our expected stock price volatility as compared to prior periods.

RISKS RELATED TO OUR INDUSTRY

Products in the biomedical industry, including ours, may be subject to government regulation. Obtaining government approvals can be costly and time consuming. Any failure to obtain necessary regulatory approval will restrict our ability to sell those products and impede our ability to generate revenue.

As we operate in the biomedical industry, some of our products are subject to a wide variety of government regulation (federal, state and municipal) both within the United States and in other international jurisdictions. See "Point-of-Care (POC) Clinical Diagnostics – Regulatory Approval". For example, the FDA and comparable regulatory agencies in other countries impose substantial pre-market approval requirements on the introduction of medical products through lengthy and detailed clinical testing programs and other costly and time consuming procedures. Satisfaction of these requirements is expensive and can take a long period of time depending upon the type, complexity and novelty of the product. All medical devices manufactured for sale in the United States, regardless of country of origin, must be manufactured in accordance with Good Manufacturing Practices specified in regulations under the Federal Food, Drug, and Cosmetic Act. These practices control the product design process as well as every phase of production from incoming receipt of raw materials, components and subassemblies to product labeling, tracing of consignees after distribution and follow-up and reporting of complaint information. Both before and after a product is commercialized, we have ongoing responsibilities under the regulations of the FDA and other agencies. Noncompliance with applicable laws and the requirements of the FDA and other agencies can result in, among other things, fines, injunctions, civil penalties, recall or seizure of products, total or partial suspension of production, failure of the government to grant pre-market clearance or pre-market approval for devices, withdrawal of marketing clearances or approvals, and criminal prosecution. The FDA has the authority to request recall, repair, replacement or refund of the cost of any device manufactured or distributed by us. The FDA also administers certain controls over the import and export of medical devices to and from the United States, respectively.

The U.S. Clinical Laboratory Improvement Acts of 1988 also affects our medical products. This law is intended to assure the quality and reliability of all medical testing in the United States regardless of where tests are performed. The regulations require laboratories performing clinical tests to meet specified standards in the areas of personnel qualification, administration, participation in proficiency testing, patient test management, quality control, quality assurance and inspections.

As we generate a large part of our revenues from international product sales and services for international customers, we are subject to risks inherent in international business, including currency exchange risk, difficulty in collecting accounts receivable, and possible marketing restrictions. Consequently, we may be restricted from selling our products in certain jurisdictions or our products may not be able to be sold at a profit.

There are various operational and financial risks associated with international activity. We may face difficulties and risks in our international business, including changing economic or political conditions, export restrictions, currency risks, export controls relating to technology, compliance with existing and changing regulatory requirements, tariffs and other trade barriers, longer payment cycles, problems in collecting accounts receivable, reimbursement levels, reduced protection for intellectual property, potentially adverse tax consequences, limits on repatriation of earnings, the burdens of complying with a wide variety of foreign laws, nationalization, war, insurrection, terrorism and other political risks and factors beyond our control. As a consequence, these potential international risks may prevent us from selling our products in certain jurisdictions, may make it very difficult or even impossible to collect on accounts receivable or may impose a variety of additional expenses on our business such that we cannot sell our products at a profit. For international sales, we price and invoice our products primarily in U.S. dollars and consequently incur a U.S./Canadian foreign exchange risk. We also expect that there may be a greater requirement in the future for sales to European customers to be priced and invoiced in Euros. Any significant adverse change in currency exchange rates may negatively impact our profit margins such that we may not be able to generate positive cash flow or earnings from our operations. To date, we have not made any provision for a currency-hedging program. We periodically evaluate options to mitigate our exposure to currency fluctuations, but there can be no assurance that we will be able to do so.

Sales and pricing of medical products, including ours, are affected by third-party reimbursement. Depending on our manufacturing costs, we may not be able to profitably sell our products at prices that would be acceptable to third party reimbursement programs. Consequently, we may have difficulty generating revenue, resulting in reduced profit margins and potential operating losses.

Sales of our medical products are dependent, in part, on the availability of levels of reimbursement from third-party payers, such as government agencies and private insurance companies. Reimbursement policies by such third-party payers could reduce or eliminate such reimbursements and thereby adversely affect future sales of our products. Third-party payers are increasingly challenging prices paid for medical products and the cost effectiveness of such products. Significant uncertainty exists as to the reimbursement status of newly cleared health care products. There can be no assurance that proposed products will be considered cost effective or that reimbursement from third party payers will be available or, if available, that reimbursement will not be limited, thereby adversely affecting our ability to sell products or sell our products at a profit.

Third party payers can indirectly affect the pricing or the relative attractiveness of our products by regulating the maximum amount of reimbursement provided for testing services. If the reimbursement amounts for testing services are decreased in the future, it may decrease the amount that physicians and hospitals are able to charge patients for such services and therefore the prices that we, or our distributors, can charge for our products. Consequently our ability to generate revenue and/or profits may be negatively impacted for both existing and new products.

Our business is substantially dependent on market acceptance of our products. As well, our environmental and biodefense business is affected by industry, governmental and public perceptions of these products in general. Failure to obtain or retain market acceptance for some or all of our products would have a negative impact on our revenue and ability to operate profitably.

The commercial success of our clinical tests is highly dependent upon the acceptance and adoption of the tests by the medical community. The medical community tends to be very conservative with regards to adopting new technologies and products.

Often substantial data and evidence supporting product performance is required to generate market acceptance. If we are unsuccessful in generating market acceptance, our ability to generate revenue and hence profits would be severely limited. The commercial success of our environmental and biodefense tests is dependent upon their acceptance by the public safety community and government funding agencies as being useful and cost effective. In addition, the purchase of our biodefense products in the United States (our largest potential market) by the public safety community is highly dependent on the availability of federal and state government funds dedicated to "homeland security". In the event that homeland security funds became unavailable for use (to purchase our products or otherwise) or the release of such funds was significantly delayed, it would have a negative effect on our ability to generate revenue or profits.

Federal, state and foreign regulations regarding the manufacture and sale of medical devices continue to evolve and are constantly subject to change. We cannot predict what regulations may come into effect in the future and what impact, if any, such regulatory changes may have on our business.

A majority of our sales are through distributors in foreign markets who sell our products or modifications of our products in their local country markets. Sales through these distributors in these markets are usually subject to the regulators in those markets. Frequently our distributors are responsible for obtaining and maintaining regulatory approval in their territories and are thus subject to all of those requirements. In the future, should we elect to build our own sales and marketing operations in certain countries outside the US, we would be subject to extensive regulations in each of those countries. We may not be successful in such new initiatives.

We operate primarily selling through distributors in highly competitive markets, with continual developments in new technologies and products. Some of our competitors have significantly greater resources than we do. Others while smaller may have a very strong market or other leadership position in a specific local market where we or our distributors compete We or our distributors may not be able to compete successfully based on many factors, including product price or performance characteristics, sales and marketing effort or customer support capabilities. An inability to successfully compete could lead to us having limited prospects for establishing market share or generating revenues.

The diagnostic industry is characterized by extensive research efforts, ongoing technological progress and intense competition. There are many public and private companies, including well-known diagnostic companies, engaged in marketing and developing products for the markets we have targeted. Many of these companies have substantially greater financial, technical and human resources than we do. Our competitors may be more successful in convincing potential customers to adopt their products over ours and hence gain greater market share. Competitors with greater financial resources may also have an advantage when dealing with suppliers, particularly sole source suppliers providing antibodies or unique reagents. Additionally, they may develop technologies and products that are more effective than any products developed by us, or that would render our technologies and products obsolete or non-competitive.

We believe our primary current competitors in the Point of Care, or POC, cardiovascular diagnostics market are: Biosite, Incorporated, or Biosite, which entered into a merger agreement with Alere in 2007; Abbott Point of Care Inc., or Abbott; and Dade Behring, Inc., or Dade. Biosite and Abbott have quantitative POC systems, and Dade produces a small quantitative bench-top system, for the detection of some cardiac markers. These three companies are currently marketing and selling their products in the cardiovascular testing market in which we compete, see "POC Clinical Diagnostics Market, Competition". In addition, in various emerging markets such as China, there may be local competitors who sell only in that specific country. Some of these local competitors may be very strong competitors in their local markets due to factors which may include lower cost production, stronger sales, marketing and distribution capabilities, customer familiarity and preference for local suppliers and local government environments which may favor local companies and their products.

In the environmental biodefense testing market, our primary competitors are Alexeter Technologies LLC, or Alexeter, Idaho Technology Inc., and Cepheid Inc., or Cepheid. Alexeter sells rapid on-site immunoassay tests that are read by an instrument and Cepheid has a polymerase chain reaction test system being sold in this marketplace.

In the vector environmental testing market, our primary competitor is Medical Analysis Systems, Inc., which is wholly owned by Thermo Fisher Scientific, Inc. Medical Analysis Systems, Inc. markets and sells a product for the rapid detection of West Nile virus.

We believe the primary competitors in the POC Flu A/B and RSV testing market are Binax, Inc., a division of Alere, and Quidel Corporation. Both companies have qualitative POC tests for the detection of Flu A+B and RSV.
Many of our competitors have access to substantially greater technical and financial resources. In the event that we are not able to compete successfully in the marketplace, we may face limited adoption of our products by potential customers or erosion of current market share, which would seriously impede our ability to generate revenue.

In addition to the specific competitive risks from rapid diagnostic manufacturers that we face in the market for our tests, we face intense competition in the general market for diagnostic testing including companies making laboratory-based tests and analyzers, and clinical reference laboratories. Currently, the majority of diagnostic tests prescribed by physicians and other healthcare providers is performed by independent clinical reference laboratories and hospital-based laboratories using automated testing systems. Therefore, in order to achieve market acceptance for our products we will be required to demonstrate that our products provide clinical benefit and are cost-effective and time saving alternatives to automated tests traditionally used by clinical reference laboratories or hospital-based laboratories.

Companies operating in our industry may be impacted by potential healthcare reform. Such healthcare reform may include pricing restrictions on medical products, including ours, that may restrict our ability to sell our products at a profit.

Healthcare reform bills that have been before the United States Congress contemplate changes in the structure, financing and delivery of healthcare services in the United States. These and any future healthcare reforms may have a substantial impact on the operations of companies in the healthcare industry, including us. Such reforms could include product pricing restrictions or additional regulations governing the usage of medical products. No assurances can be given that any such proposals, or other current or future legislation in the United States or in other countries, will not adversely affect our product development and commercialization efforts, results of operations or financial condition. At this time, we are unaware of any recent legislation or pending legislative proposals that will negatively affect our business.

The impact of consolidation of several major competitors in the market for immunoassay testing is difficult to predict and may harm our business.

The market for immunoassay-based diagnostic testing is rapidly changing as a result of recent consolidation in the industry. Within the past few years, Siemens acquired Bayer Diagnostics, Diagnostic Products Corp. and Dade; and Biosite entered into a merger agreement with Alere. There have been many acquisitions in the medical diagnostics market including several by Alere, helping the company expand its presence in the market for rapid diagnostic tests used in hospitals and doctors' offices. Siemens and Alere both have significant existing businesses in diagnostics and/or related markets for healthcare equipment and services. Given the period of time since the announcement of these transactions, it is unclear how these completed and proposed acquisitions will impact the competitive landscape for our products or for hospital-based diagnostic testing in general. However, because these competitors sell a broad range of product offerings to our prospective hospital customers and because of the substantially greater financial resources and more established marketing, sales and service organizations that they each have, we believe there is greater risk that these new consolidated competitors may offer discounts as a competitive tactic or may hold other competitive advantages as a result of their ability to sell a broader menu of important hospital infrastructure equipment and information systems on a combined or bundled basis.

Our business and industry is affected by seasonality, including governmental budget cycles. We may not be able to successfully scale up operations to meet demand during peak seasonal periods or scale down operations during periods of low demand, which could result in lost revenue and/or negative cash flows and losses.

Our operating results may fluctuate from quarter to quarter due to many seasonal factors. Many of our prospective customers are government related organizations at a federal, state/provincial or municipal level. Consequently, our sales may be tied to government budget and purchasing cycles. Sales may also be slower in the traditional vacation months, could be accelerated in the first or fourth calendar quarters by customers whose annual budgets are about to expire (especially affecting purchases of our fluorescent Readers), may be distorted by unusually large Reader shipments from time to time, or may be affected by the timing of customer cartridge ordering patterns. Seasonality may require us to invest significantly in additional resources, including equipment, labor and inventory to meet demand during peak seasonal periods. There can be no assurance that we will be successful in putting in place the resources to meet anticipated demand, which could lead to lost revenue opportunities. If we cannot scale down our operations and expenses sufficiently during periods of low demand for our products, we may experience significantly negative cash flow and operating losses. If we are unable to adequately forecast seasonal activity, we may experience periods of inventory shortages or excesses that would negatively impact our working capital position. If products in the biodefense testing industry and other environmental testing segments, including ours, become subject to government legislation in the future, obtaining necessary government approvals may be very costly and time consuming. Failure to obtain government approvals will restrict our ability to sell our products and impede our ability to generate revenue. In the biodefense and vector environmental testing markets, there is currently an absence of regulatory checks and balances and there is significant market uncertainty and misinformation. While we believe it is likely that future regulatory requirements in these markets will come into effect, the form and substance of these regulations remain highly uncertain. The effect of government regulations may be to prevent or to delay marketing and pricing of any new products for a considerable or indefinite period or to require additional studies prior to approval. Federal, state and foreign regulations, or lack thereof, regarding the sale of environmental testing devices are subject to change. We cannot predict the impact, if any, such changes may have on our business.

RISKS RELATED TO OUR COMMON STOCK

As we have a large number of warrants and stock options outstanding, our shareholders will experience dilution from these options and warrants in the event that they are exercised.

As of June 30, 2012, we had outstanding stock options to purchase an aggregate of 10,355,243 shares, at exercise prices between $0.11 and $10.20 and warrants to purchase an aggregate of 89,985,289 shares at a price of $0.0746, which in total represents 44% of our fully diluted outstanding share capitalization at that date. To the extent that these outstanding options and warrants are exercised, considerable dilution to the interests of our shareholders will occur.

The price of our common stock may be volatile, and a shareholder's investment in our common stock could suffer a decline in value.

There has been significant volatility in the volume and market price of our common stock, and this volatility may continue in the future. This volatility may be caused by a variety of factors, including the lack of readily available quotations, the absence of consistent administrative supervision of "bid" and "ask" quotations and generally lower trading volume. In addition, factors such as quarterly variations in our operating results, changes in financial estimates by securities analysts or our failure to meet our or their projected financial and operating results, litigation involving us, general trends relating to the medical device industry, actions by governmental agencies, national economic and stock market considerations as well as other events and circumstances beyond our control could have a significant impact on the future market price of our common stock and the relative volatility of such market price.

Because our common stock is considered a "penny stock," a shareholder may have difficulty selling shares in the secondary trading market.

Our common stock is subject to certain rules and regulations relating to "penny stock" (generally defined as any equity security that is not quoted on the Nasdaq Stock Market and that has a price less than US$5.00 per share, subject to certain exemptions). Broker-dealers who sell penny stocks are subject to certain "sales practice requirements" for sales in certain nonexempt transactions (e.g., sales to persons other than established customers and institutional "accredited investors"), including requiring delivery of a risk disclosure document relating to the penny stock market and monthly statements disclosing recent price information for the penny stock held in the account, and certain other restrictions. For as long as our common stock is subject to the rules on penny stocks, the market liquidity for such securities could be significantly limited. This lack of liquidity may also make it more difficult for us to raise capital in the future through sales of equity in the public or private markets.

Because our common stock is not traded on a national securities exchange in the U.S., a U.S. shareholder's ability to sell shares in the secondary trading market may be limited.

Our common stock is currently listed for trading in Canada on the Toronto Stock Exchange. Our common stock is also quoted in the United States on the OTC Bulletin Board. Shareholders may find it more difficult to dispose of or to obtain accurate quotations as to the price of our securities than if the securities were traded on a national securities exchange like The New York Stock Exchange, the NASDAQ Stock Market or the NYSE Amex LLC.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference
3.1	Certificate of Incorporation dated August 20, 1980	Previously filed as an exhibit to, and incorporated herein by reference from, our Annual Report of Form 20-F for the year ended December 31, 2004, as filed on May 2, 2005.
3.2	Company Act Name Change dated October 15, 1991	Previously filed as an exhibit to, and incorporated herein by reference from, our Annual Report of Form 10-K for the year ended December 31, 2011 as filed on March 29, 2012
3.3	Articles of the Company dated April 10, 1997	Previously filed as an exhibit to, and incorporated herein by reference from, our Registration Statement on Form 20-F filed on February 4, 2004.
4.1	Escrow Agreement dated July 29, 2004	Previously filed as an exhibit to, and incorporated herein by reference from, our Annual Report of Form 20-F for the year ended December 31, 2004, as filed on May 2, 2005.
10.1#	Consulting Agreement dated October 28, 2011 by and between the Company and Richard Canote	Previously filed as an exhibit to, and incorporated herein by reference from, Form 8-K as filed on March 30, 2012
10.2#	Employment Agreement, dated April 10, 2012 by and between the Company and Jeffrey L. Purvin	Previously filed as an exhibit to, and incorporated herein by reference from, Form 8-K as filed on April 13, 2012
10.3#	Consulting Agreement, dated June 27, 2012, by and between the Company and Jeffrey L. Purvin	Previously filed as an exhibit to, and incorporated herein by reference from, Form 8-K as filed on June 29, 2012.
14	Company’s Code of Ethics	Previously filed as an exhibit to, and incorporated herein by reference from, our Annual Report of Form 10-K for the year ended December 31, 2011 as filed on March 29, 2012
31.1	CEO's Certification required by Rule 13A-14(a) of the Securities Exchange Act of 1934	
31.2	CFO's Certification required by Rule 13A-14(a) of the Securities Exchange Act of 1934	
32.1	CEO's Certification of periodic financial reports pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, U.S.C. Section 1350	
32.2	CFO's Certification of periodic financial reports pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, U.S.C. Section 1350	
101	The following materials from Response Biomedical Corp.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, formatted in XBRL (Extensible Business Reporting Language): (i) unaudited Consolidated Statements of Loss and Comprehensive Loss for the three and six months ended June 30, 2012 and 2011, (ii) unaudited Consolidated Balance Sheets as of June 30, 2012, (iii) audited Consolidated Balance Sheets as of December 31, 2011, (iv) unaudited Consolidated Statements of Cash Flows for the six months ended June 30, 2012 and 2011, and (v) unaudited Notes to Consolidated Financial Statements	

Management compensatory plan, contract or arrangement

* Confidential portion of this exhibit has been omitted and filed separately with the Commission pursuant to an application for confidential treatment under Rule 24b-2 promulgated under the Securities Exchange Act of 1934, as amended.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Response Biomedical Corp.
(Registrant)

Date: August 9, 2012

/s/ Jeffrey L. Purvin
Jeffrey L. Purvin
Chief Executive Officer

Date: August 9, 2012

/s/ Richard A. Canote
Richard A. Canote
Chief Financial Officer

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULE 13A-14 OR 15D-14 OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jeffrey L. Purvin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Response Biomedical Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 9, 2012

/s/ Jeffrey L. Purvin
Jeffrey L. Purvin
Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULE 13A-14 OR 15D-14 OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Richard Canote, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Response Biomedical Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 9, 2012

/s/ Richard A. Canote
Richard A. Canote
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Response Biomedical Corp. (the "Company") for the period ended June 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey L. Purvin, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Jeffrey L. Purvin
Jeffrey L. Purvin
Chief Executive Officer

Dated: August 9, 2012

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Response Biomedical Corp. (the "Company") for the period ended June 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard Canote, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Richard A. Canote
Richard A. Canote
Chief Financial Officer

Dated: August 9, 2012