FORM 6-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the quarters ended August 31, November 30, 2002 and February 28, 2003

Lorus Therapeutics Inc.

(Translation of registrant's name into English)

2 Meridian Road, Toronto, ON M9W 4Z7

(Address of principal executive offices)

[Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.]

Form 20-F ___ Form 40-F X

[Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ___ No X

[If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- ___

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.

Lorus Therapeutics Inc.

Date: May 26, 2003

By: /s/Ping Wei

Comptroller

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(L O R U S LOGO)

L O R U S THERAPEUTICS INC.
FIRST QUARTER
June 1, 2002 to August 31, 2002

LETTER TO SHAREHOLDERS

Dear Shareholders:

We are pleased to review with you the operating highlights for the first quarter of 2003. An important regulatory success was achieved with the receipt of fast track status for Virulizin(R) in the United States. Our lead antisense drug, GTI-2040, received sponsorship from the National Cancer Institute to fund multiple Phase II clinical trials. We presented results supporting the Company's gene therapy platform, and announced the appointment of a prominent oncologist as our external medical advisor.

The U.S. Food and Drug Administration ("FDA") granted Fast Track Designation for Virulizin(R) in the treatment of pancreatic cancer. This designation is granted to drugs that are intended for the treatment of a life-threatening condition and have demonstrated the potential to address an unmet medical need. The Phase III clinical trial of Virulizin(R) is a double-blind, placebo-controlled, randomized clinical trial being conducted at medical centres in North America. Virulizin(R) is being studied as a first line therapy in combination with gemcitabine for the treatment of pancreatic cancer.

The Drug Development Group of the Division of Cancer Treatment and Diagnosis, National Cancer Institute ("NCI") agreed to sponsor multiple clinical trails conducted with GTI-2040. The NCI, the U.S. Government's principal institute for cancer research and training, made their decision after an analysis of preclinical, GLP toxicology and Phase I clinical data for GTI-2040. This is the first time that the NCI has sponsored the Phase II program of a drug developed from Canadian research. This financial support from the NCI provides an opportunity to explore the full potential of this drug by evaluating its efficacy in a range of cancers.

Data demonstrating the potential of the Company's proprietary R1 tumor suppressor, supporting Lorus' emerging gene therapy platform, was presented at the Fifth Annual Meeting of the American Society of Gene Therapy. With only a modest budget for early-research, Lorus continues to show leadership with innovative approaches to cancer drug development.

Subsequent to the quarter end, Lorus appointed Dr. Mace L. Rothenberg, an internationally recognized oncologist, as an external medical advisor to provide strategic medical advice on Lorus' growing international clinical and drug development programs. Dr. Rothenberg is an Ingram Professor of Cancer Research at the Vanderbilt-Ingram Cancer Center as well as Professor of Medicine at the Vanderbilt University Medical Center, and a Director of Drug Development. The Vanderbilt-Ingram Cancer Center in Nashville, Tennessee is one of the world's leading institutions in cancer prevention, care and research. Dr. Rothenberg has made significant contributions to the development and U.S. approval of several important cancer drugs including gemcitabine for the treatment of pancreatic cancer.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following information should be read in conjunction with the unaudited consolidated financial statements and notes prepared in accordance with Canadian generally accepted accounting principles (GAAP) in this quarterly report, and should also be read

in conjunction with the audited consolidated financial statements and notes, and management's discussion and analysis contained in the Company's annual report for the year ended May 31, 2002. All amounts are expressed in Canadian dollars unless otherwise noted.

OVERVIEW
Lorus has incurred annual operating losses since inception related to the research, manufacturing, and clinical development of its proprietary compounds. The Company has not received any revenue from the sales of products to date. Three products are in the clinical trial stage of development and several potential compounds exist in preclinical studies. An agreement signed with Mayne Pharma for sales and distribution of Virulizin(R) in Mexico is expected to provide the Company with its first product revenue. Royalty revenue from this agreement will partially offset future research and development costs, but losses will continue as Lorus further invests in its drug development programs.

RESULTS OF OPERATIONS
RESEARCH AND DEVELOPMENT
Research and development expenses for the quarter ended August 31, 2002 increased to $3,047,000 from $2,142,000 for the comparable quarter last year due primarily to higher manufacturing and clinical trial costs for Virulizin(R) for the ongoing pivotal Phase III trial for the treatment of advanced pancreatic cancer. The antisense clinical program which includes the GTI-2501 Phase I trial and GTI-2040 Phase II trial in patients with renal cell carcinoma also contributed to the increase in the current quarter. Research and development costs are expected to increase during the year as the clinical trials progress.

GENERAL AND ADMINISTRATIVE
General and administrative expenses for the quarter ended August 31, 2002 increased to $1,304,000 from $1,062,000 for the comparable quarter last year. The increase was due mainly to employee related costs.

DEPRECIATION AND AMORTIZATION
Depreciation and amortization for the quarter ended August 31, 2002 decreased to $95,000 from $455,000 for the same quarter last year due mainly to the adoption of the new CICA accounting guideline for goodwill and other intangible assets whereby the Company ceased amortizing goodwill on June 1, 2002.

INTEREST INCOME
Interest income for the first quarter of fiscal 2003 decreased to $370,000 from $603,000 for the same period last year. The decrease was due to lower cash and short-term investments and due to lower investment returns caused by a decline in market interest rates over the last twelve months.

NET LOSS
Net loss for the first quarter ended August 31, 2002 totaled $4,076,000 ($0.03 per share) compared to a loss of $3,056,000 ($0.02 per share) for the first quarter last year. The increase relates primarily to costs for the Company's expanded clinical development programs. On a comparable basis, the loss for the three months ended August 31, 2001 would have been $2,692,000 or $0.02 per share after adjustment to remove amortization of goodwill which commencing June 1, 2002 no longer needs to be amortized.

LIQUIDITY AND CAPITAL RESOURCES
Since inception, Lorus has financed its operations and technology acquisitions primarily from equity financing, the exercise of warrants and stock options, and interest income on funds held for future investment. The Company believes that its available cash, cash equivalents and short-term investments, and the interest earned thereon, should be sufficient to finance its operations and capital needs for at least twelve months.

OPERATING CASH REQUIREMENTS
Lorus' cash burn (cash used in operating activities) decreased to $2,487,000 for the quarter ended August 31, 2002 compared to $3,044,000 for the first quarter last year. The decrease is due mainly to higher current liabilities at August 31, 2002, partially offset by higher product development costs in the first quarter of fiscal 2003.

CASH POSITION
At August 31, 2002 Lorus had cash and cash equivalents and short-term investments totaling $35.0 million compared to $37.8 million at May 31, 2002. Working capital was $31.7 million at August 31, 2002 compared to $35.6 million at May 31, 2002.

/s/ Jim A. Wright

DR. JIM A. WRIGHT
Chief Executive Officer

FORWARD LOOKING STATEMENTS
Except for historical information, this quarterly report contains forward-looking statements, which reflect the Company's current expectation regarding future events. These forward-looking statements involve risks and uncertainties, which may cause actual results to differ materially from those

statements. Those risks and uncertainties include, but are not limited to, changing market conditions, the successful and timely completion of clinical studies, the establishment of corporate alliances, the impact of competitive products and pricing, new product development, uncertainties related to the regulatory approval process, and other risks detailed from time-to-time in the Company's ongoing quarterly filings, annual information form, annual reports and 40-F filings. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events in this quarterly report might not occur.

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CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT
(unaudited)

<TABLE>
<CAPTION>

(Amounts in 000's except for per common share data) (Canadian Dollars)	THREE MONTHS ENDED AUG. 31, 2002	Three months ended Aug. 31, 2001	Period from inception Sept. 5, 1986 to Aug. 31, 2002
<S>	<C>	<C>	<C>
Expenses			
Research and development	$ 3,047	$ 2,142	$49,556
General and administrative	1,304	1,062	29,892
Depreciation and amortization	95	455	7,496
Interest income	(370)	(603)	(7,999)
LOSS FOR THE PERIOD	4,076	3,056	78,945
Deficit, beginning of period	74,869	61,382	-
DEFICIT, END OF PERIOD	$ 78,945	$ 64,438	$78,945
BASIC AND DILUTED LOSS PER COMMON SHARE	$ 0.03	$ 0.02	
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING USED IN THE CALCULATION OF BASIC AND DILUTED LOSS PER SHARE	144,416	142,444	

</TABLE>

See accompanying notes to unaudited consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

<TABLE>
<CAPTION>

(Amounts in 000's) (Canadian Dollars)	THREE MONTHS ENDED AUG. 31, 2002	Three months ended Aug. 31, 2001	Period from inception Sept. 5, 1986 to Aug. 31, 2002
<S>	<C>	<C>	<C>
Operating Activities			
Loss for the period	$(4,076)	$(3,056)	$(78,945)
Add items not requiring a current outlay of cash:			
Depreciation and amortization	532	892	13,122
Other	-	-	500
Net change in non-cash working capital balances related to operations	1,057	(880)	2,387
CASH USED IN OPERATING ACTIVITIES	(2,487)	(3,044)	(62,936)
Investing Activities			
Sale (purchase) of short-term investments, net	3,478	7,422	(33,179)
Business acquisition, net of cash received	-	-	(539)

Acquired research and development	-	-	(715)
Additions to fixed assets	(302)	(81)	(4,034)
Cash proceeds on sale of fixed assets	-	-	348
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	3,176	7,341	(38,119)
Financing Activities			
Issuance of warrants	-	-	31,877
Issuance of common shares	4	40	71,036
CASH PROVIDED BY FINANCING ACTIVITIES	4	40	102,913
INCREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	693	4,337	1,858
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,165	2,783	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 1,858	$ 7,120	$ 1,858

</TABLE>

See accompanying notes to unaudited consolidated financial statements

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

(Amounts in 000's) (Canadian Dollars)	AUGUST 31, 2002 (unaudited)	May 31, 2002 (audited)
<S>	<C>	<C>
Assets		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,858	$ 1,165
Short-term investments	33,179	36,657
Prepaid expenses and amounts receivable	977	1,195
TOTAL CURRENT ASSETS	36,014	39,017
FIXED ASSETS	787	533
GOODWILL (note 3)	606	606
ACQUIRED RESEARCH AND DEVELOPMENT	6,979	7,416
	$ 44,386	$ 47,572
Liabilities and Shareholders' Equity		
CURRENT LIABILITIES		
Accounts payable	$ 696	$ 442
Accrued liabilities	3,575	2,990
TOTAL CURRENT LIABILITIES	4,271	3,432
SHAREHOLDERS' EQUITY		
Share capital		
Common shares		
Authorized: unlimited number of shares; Issued and outstanding (000's):		
August 31, 2002 - 144,422		
May 31, 2002 - 144,412	119,172	119,168
Deferred stock-based compensation	(112)	(159)
Deficit accumulated during development stage	(78,945)	(74,869)
TOTAL SHAREHOLDERS' EQUITY	40,115	44,140
	$ 44,386	$ 47,572

</TABLE>

See accompanying notes to unaudited consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Basis of Presentation

These unaudited consolidated interim financial statements of Lorus Therapeutics Inc. ("the Company") have been prepared by the Company in accordance with accounting principles generally accepted in Canada and comply in all material respects with accounting principles generally accepted in the United States and follow the same accounting policies and methods of application as the audited annual financial statements for the year ended May 31, 2002 except for the changes in accounting policies as described in note 2. These statements should

be read in conjunction with the audited consolidated financial statements for the year ended May 31, 2002.

2. Changes in Accounting Policies

GOODWILL AND OTHER INTANGIBLE ASSETS

Effective June 1, 2002, the Company prospectively adopted the recommendations of the Canadian Accounting Standards Board Handbook Section 3062, "Goodwill and Other Intangible Assets". Section 3062 requires that goodwill no longer be amortized to earnings, but instead be periodically reviewed for impairment. Section 3062 also requires that intangible assets be assessed to determine if they have a finite life. Intangible assets with a finite life will continue to be amortized systematically over their estimated useful life. Intangible assets with an indefinite life are not to be amortized but are instead tested for impairment annually.

The Company evaluated its goodwill as of June 1, 2002 in accordance with Section 3062 and determined that its goodwill was not impaired as of that date. The Company will perform an annual impairment test on goodwill as of a date on or before May 31, 2003.

The Company assessed the useful lives of its intangible assets and determined that they are of finite life and continued amortizing them over their estimated useful lives.

STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS

Effective June 1, 2002, the Company also adopted the Handbook Section 3870 "Stock-based Compensation and Other Stock-based Payments". Section 3870 establishes standards for the recognition, measurement, and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services provided by employees and non-employees. It applies to transactions in which common shares, stock options, or other equity instruments are granted or liabilities incurred based on the price of common stock or other equity instruments.

Adoption of Section 3870 does not have a material impact on the Company's financial condition or results of operations as the Company's existing accounting policies, as disclosed in the audited annual financial statements for the year ended May 31, 2002, comply with the new standard.

3. Goodwill

Effective June 1, 2002, the Company ceased amortizing its goodwill due to the change in accounting policy as described in note 2. This change has not been applied retroactively and the amounts presented for prior periods have not been restated for the change. The impact of this change is as follows:

<TABLE>
<CAPTION>

(Amounts in 000's)	AUG. 31, 2002	Aug. 31, 2001
<S>	<C>	<C>
Loss for the period	$4,076	$3,056
Less: Amortization of goodwill	-	(364)
Loss before amortization of goodwill	$4,076	$2,692
Loss per share	$ 0.03	$ 0.02
Loss per share before amortization of goodwill	$ 0.03	$ 0.02

</TABLE>

4. Share Capital

As of August 31, 2002, there were 5,146,015 options outstanding to acquire common shares of the Company. During the three month period ended August 31, 2002, 10,000 options were exercised to purchase common shares of the Company.

5. Pro Forma Disclosure for Employee Stock Based Compensation

The Company accounts for its stock options granted to employees using the intrinsic value method. Section 3870 requires that companies not using the fair value method to measure the value of stock options disclose pro forma net earnings and earnings per share information as if the Company had accounted for employee stock options under the fair value method. The Company has elected to disclose pro forma net loss and pro forma net loss per share as if the Company had accounted for its options since 1995 under the fair value method.

A summary of the pro forma impact on the statement of loss is presented in the table below.

<TABLE>
<CAPTION>

	AUG. 31,

(Amounts in 000's)	2002
<S>	<C>
Loss for the period	$4,076
Compensation expense related to the fair value of stock options	675
Pro forma loss for the period	$4,751
Pro forma loss per common share	$0.03

</TABLE>

The fair value of each option granted has been estimated at the date of grant or the date when it became measurable using the Black-Scholes option pricing model with the following assumptions used for options granted in the three months ended August 31, 2002: (i) dividend yield of 0%; (ii) expected volatility of 80%; (iii) risk free interest rate of 3.5% and (iv) expected life of 5 years. The Company has assumed no forfeiture rate as adjustments for actual forfeitures are made in the year they occur. The weighted-average grant date fair values of options issued in the three months ended August 31, 2002 were $0.59.

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L O R U S THERAPEUTICS INC.
SECOND QUARTER
September 1, 2002 to November 30, 2002

LETTER TO SHAREHOLDERS

Dear Shareholders:
We are pleased to review with you the operating highlights for the second quarter of 2003.

A steering group has been formed with representatives from the U.S. National Cancer Institute to determine the cancer indications and protocols of multiple Phase II clinical trials for our lead antisense drug, GTI-2040. We have been working closely with the NCI since they have agreed to conduct the clinical trials in conjunction with Lorus.

Lorus received two important patents in the U.S. market. The Company was allowed a patent by the United States Patent and Trademark office (USPTO) to protect its lead anticancer drug, Virulizin(R). This patent protects the Virulizin(R) invention as it relates to immunodulating compositions, pharmaceutical agents containing these compositions, and the use of the compositions and agents for treatment purposes. Lorus was also allowed another patent by USPTO in 2000 to protect the only known production process for Virulizin(R).

USPTO also granted a patent to NC381, the lead anticancer drug of a subsidiary of Lorus, NuChem Pharmaceuticals Inc.. The patent protects NC381 as an effective therapeutic agent for the treatment of lung, pancreatic, and skin cancers, and as an inhibitor of prostate tumor growth with no apparent toxicity.

Lorus renewed an emergency drug program to supply Virulizin(R) for the treatment of advanced pancreatic cancer. This program enables patients who are not eligible for ongoing clinical trials to receive a supply of Virulizin(R). Approximately 30 patients in countries such as the United States, Canada, Italy, Japan, Australia and Korea have recently accessed this program. In addition to providing a service to cancer patients, Lorus will augment the Virulizin(R) database with additional safety information gathered through the program, which will be included with future regulatory filings.

Mayne Pharma exercised its option to secure distribution rights for Virulizin(R) in Argentina for the treatment of malignant melanoma. The distribution agreement for Argentina will include the same terms as the exclusive seven-year distribution agreement signed between Lorus and Mayne Pharma in October 2001 for the Mexico market. Lorus will be responsible for manufacturing Virulizin(R) and will receive royalties from Virulizin(R) sales. Mayne Pharma will share in any additional clinical development and regulatory costs that the two companies agree are appropriate in Argentina.

Mr. Graham Strachan was appointed to the chair of the board of directors. Mr. Strachan has been closely involved in the emergence and evolution of the biotechnology sector in Canada over the past 25 years and has been a director of Lorus since 2001.

Subsequent to the quarter end, Mr. J. Kevin Buchi was appointed as a director of the Company. Mr. Buchi is senior vice president and chief financial officer of Cephalon Inc., an international biopharmaceutical company.

The company acknowledges with grateful appreciation the contributions made over the years to its activities by Mr. Peter Campbell, who did not stand for re-election at the company's annual general meeting, Mr. Barry Reiter and Mr. Robert Bechard who left the Board in September and December 2002 respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following information should be read in conjunction with the unaudited consolidated financial statements and notes prepared in accordance with Canadian generally accepted accounting principles (GAAP) in this quarterly report, and should also be read in conjunction with the audited consolidated financial statements and notes, and management's discussion and analysis

contained in the Company's annual report for the year ended May 31, 2002. All

amounts are expressed in Canadian dollars unless otherwise noted.

OVERVIEW

Lorus has incurred annual operating losses since inception related to the research, manufacturing, and clinical development of its proprietary compounds. The Company has not received any revenue from the sales of products to date. Three products are in the clinical trial stage of development and several potential compounds exist in preclinical studies. An agreement signed with Mayne Pharma for sales and distribution of Virulizin(R) in Mexico will provide the Company with its first product revenue. Royalty revenue from this agreement will partially offset future research and development costs, but losses will continue as Lorus further invests in its drug development programs.

RESULTS OF OPERATIONS

RESEARCH AND DEVELOPMENT

Research and development expenses for the second quarter of fiscal 2003 increased to $3,323,000 compared to $2,093,000 for the same quarter last year. For the six months ended November 30, 2002 research and development expenses increased to $6,370,000 compared to $4,235,000 for the same period last year. Costs increased in fiscal 2003 due primarily to higher clinical trial costs for Virulizin(R) for the ongoing pivotal Phase III trial for the treatment of advanced pancreatic cancer. The antisense clinical program which includes the GTI-2040 Phase II trial in patients with renal cell carcinoma and the GTI-2501 Phase I trial in patients with solid tumors or lymphoma also contributed to the increase in the current periods.

GENERAL AND ADMINISTRATIVE

General and administrative expenses for the second quarter of fiscal 2003 decreased to $796,000 compared to $1,583,000 for the same quarter last year. For the six months ended November 30, 2002 general and administrative expenses decreased to $2,100,000 compared to $2,645,000 for the same period last year. The decrease in both periods was due mainly to lower use of external advisory services. For the six months ended November 30, 2002 this decrease was partially offset by higher employee related costs that occurred in the first quarter.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization for the second quarter of fiscal 2003 decreased to $164,000 from $567,000 for the same quarter last year. For the six months ended November 30, 2002 depreciation and amortization expenses decreased to $259,000 from $1,022,000 during the same period last year. In both periods, the decrease was due mainly to the adoption of the new CICA accounting guideline for goodwill and other intangible assets whereby the Company ceased amortizing goodwill on June 1, 2002.

INTEREST INCOME

Interest income for the second quarter of fiscal 2003 decreased to $314,000 from $560,000 for the same quarter last year. For the six months ended November 30, 2002 interest income decreased to $684,000 from $1,163,000 for the same period last year. The decrease was due primarily to lower cash and short-term investments balances in fiscal 2003 compared to the comparable periods in fiscal 2002.

NET LOSS

Net loss for the second quarter ended November 30, 2002 totaled $3,969,000 ($0.03 per share) compared to a loss of $3,683,000 ($0.03 per share) for the second quarter last year. On a year-to-date basis, the loss was $8,045,000 ($0.06) for the first six months of fiscal 2003 compared to $6,739,000 ($0.05) for the comparable period last year. The increase in net loss relates primarily to greater costs for the Virulizin(R) Phase III clinical trial and the antisense clinical development programs as planned and lower interest income,

partially offset by lower administrative costs from cost conservation efforts and lower goodwill amortization due to a recent accounting pronouncement effective June 1, 2002. On a comparable basis, the loss for the three months and six months ended November 30, 2001 would have been $3,321,000 ($0.02 per share) and $6,012,000 ($0.04 per share) respectively after adjustment to remove amortization of goodwill in those periods.

LIQUIDITY AND CAPITAL RESOURCES

Since inception, Lorus has financed its operations and technology acquisitions primarily from equity financing, the exercise of warrants and stock options, and interest income on funds held for future investment. The Company believes that its available cash, cash equivalents and short-term investments, and the interest earned thereon, should be sufficient to finance its operations and capital needs for at least twelve months.

OPERATING CASH REQUIREMENTS
Lorus' cash burn (cash used in operating activities) for the second quarter of fiscal 2003 decreased to $2,700,000 for the quarter ended November 30, 2002 compared to $3,981,000 for the second quarter last year. For the six months ended November 30, 2002 the cash burn decreased to $5,187,000 from $7,025,000 for the comparable period last year. The decrease is due mainly to higher current liabilities at November 30, 2002, partially offset by higher product development costs in the three months and six months ended November 30, 2002.

CASH POSITION
At November 30, 2002 Lorus had cash and cash equivalents and short-term investments totaling $31.7 million compared to $37.8 million at May 31, 2002. Working capital was $27.8 million at November 30, 2002 compared to $35.6 million at May 31, 2002.

/s/ Jim A. Wright

DR. JIM A. WRIGHT
Chief Executive Officer

FORWARD LOOKING STATEMENTS
Except for historical information, this quarterly report contains forward-looking statements, which reflect the Company's current expectation regarding future events. These forward-looking statements involve risks and uncertainties, which may cause actual results to differ materially from those statements. Those risks and uncertainties include, but are not limited to, changing market conditions, the successful and timely completion of clinical studies, the establishment of corporate alliances, the impact of competitive products and pricing, new product development, uncertainties related to the regulatory approval process, and other risks detailed from time-to-time in the Company's ongoing quarterly filings, annual information form, annual reports and 20-F filings. We undertake no obligation to publicly update or revise any forwardlooking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forwardlooking events in this quarterly report might not occur.

For more information:
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CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT
(unaudited)

<TABLE>
<CAPTION>

(Amounts in 000's except for per common share data) (Canadian Dollars)	THREE MONTHS ENDED NOV. 30, 2002	Three months ended Nov. 30, 2001	SIX MONTHS ENDED NOV. 30, 2002	Six months ended Nov. 30, 2001	Period from inception Sept. 5, 1986 to Nov. 30, 2002
<S>	<C>	<C>	<C>	<C>	<C>
Expenses					
Research and development	$ 3,323	$ 2,093	6,370	$ 4,235	$52,879
General and administrative	796	1,583	2,100	2,645	30,688
Depreciation and amortization	164	567	259	1,022	7,660
Interest income	(314)	(560)	(684)	(1,163)	(8,313)
LOSS FOR THE PERIOD	3,969	3,683	8,045	6,739	82,914

Deficit, beginning of period	78,945	64,438	74,869	61,382
-				
DEFICIT, END OF PERIOD	$ 82,914	$ 68,121	$ 82,914	$ 68,121
$82,914				
BASIC AND DILUTED LOSS PER COMMON SHARE	$ 0.03	$ 0.03	$ 0.06	$ 0.05
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING USED IN THE CALCULATION OF BASIC AND DILUTED LOSS PER SHARE	144,422	143,166	144,419	142,805

</TABLE>

See accompanying notes to unaudited consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

<TABLE>
<CAPTION>

(Amounts in 000's)(Canadian Dollars)	THREE MONTHS ENDED NOV. 30, 2002	Three months ended Nov. 30, 2001	SIX MONTHS ENDED NOV. 30, 2002	Six months ended Nov. 30, 2001	Period from inception Sept. 5, 1986 to Nov. 30, 2002
<S>	<C>	<C>	<C>	<C>	<C>
Operating Activities					
Loss for the period	$(3,969)	$(3,683)	$(8,045)	$ (6,739)	$(82,914)
Add items not requiring a current outlay of cash:					
Depreciation and amortization	600	1,004	1,132	1,896	13,722
Other	-	-	-	-	500
Net change in non-cash working capital balances related to operations	669	(1,302)	1,726	(2,182)	3,056
CASH USED IN OPERATING ACTIVITIES	(2,700)	(3,981)	(5,187)	(7,025)	(65,636)
Investing Activities					
Sale (purchase) of short-term investments, net	4,959	(1,953)	8,437	5,469	(28,220)
Business acquisition, net of cash received	-	-	-	-	(539)
Acquired research and development	-	-	-	-	(715)
Additions to fixed assets	(601)	(9)	(903)	(90)	(4,635)
Cash proceeds on sale of fixed assets	-	-	-	-	348
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	4,358	(1,962)	7,534	5,379	(33,761)
Financing Activities					
Issuance of warrants	-	-	-	-	31,877
Issuance of common shares	-	610	4	650	71,036
CASH PROVIDED BY FINANCING ACTIVITIES	-	610	4	650	

102,913

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	1,658	(5,333)	2,351	(996)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,858	7,120	1,165	2,783
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 3,516	$ 1,787	$ 3,516	$ 1,787

</TABLE>

See accompanying notes to unaudited consolidated financial statements

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

(Amounts in 000's) (Canadian Dollars)	NOVEMBER 30, 2002 (unaudited)	May 31, 2002 (audited)
<S>	<C>	<C>
Assets		
CURRENT ASSETS		
Cash and cash equivalents	$ 3,516	$ 1,165
Short-term investments	28,220	36,657
Prepaid expenses and amounts receivable	943	1,195
TOTAL CURRENT ASSETS	32,679	39,017
FIXED ASSETS	1,312	533
GOODWILL (note 3)	606	606
ACQUIRED RESEARCH AND DEVELOPMENT	6,542	7,416
	$ 41,139	$ 47,572
Liabilities and Shareholders' Equity		
CURRENT LIABILITIES		
Accounts payable	$ 1,482	$ 442
Accrued liabilities	3,424	2,990
TOTAL CURRENT LIABILITIES	4,906	3,432
SHAREHOLDERS' EQUITY		
Share capital		
Common shares		
Authorized: unlimited number of shares; Issued and outstanding (000's):		
November 30, 2002 - 144,422		
May 31, 2002 - 144,412	119,297	119,168
Deferred stock-based compensation	(150)	(159)
Deficit accumulated during development stage	(82,914)	(74,869)
TOTAL SHAREHOLDERS' EQUITY	36,233	44,140
	$ 41,139	$ 47,572

</TABLE>

See accompanying notes to unaudited consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Basis of Presentation

These unaudited consolidated interim financial statements of Lorus Therapeutics Inc. ("the Company") have been prepared by the Company in accordance with accounting principles generally accepted in Canada and comply in all material respects with accounting principles generally accepted in the United States and follow the same accounting policies and methods of application as the audited annual financial statements for the year ended May 31, 2002 except for the changes in accounting policies as described in note 2. These statements should be read in conjunction with the audited consolidated financial statements for the year ended May 31, 2002.

2. Changes in accounting policies

GOODWILL AND OTHER INTANGIBLE ASSETS
Effective June 1, 2002, the Company prospectively adopted the recommendations of the Canadian Accounting Standards Board ("AcSB") Handbook Section 3062, "Goodwill and Other Intangible Assets." Section 3062 requires that goodwill no longer be amortized to earnings, but instead be periodically reviewed for impairment. Section 3062 also requires that intangible assets be assessed to determine if they have a finite life. Intangible assets with a finite life will continue to be amortized systematically over their estimated useful life. Intangible assets with an indefinite life are not to be amortized but are instead tested for impairment annually.

The Company evaluated its goodwill as of June 1, 2002 in accordance with Section 3062 and determined that its goodwill was not impaired as of that date. The Company will perform an annual impairment test on goodwill as of a date on or before May 31, 2003.

The Company assessed the useful lives of its intangible assets and determined that they are of finite life and continued amortizing them over their estimated useful lives.

STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS
Effective June 1, 2002, the Company also adopted the Handbook Section 3870 "Stock-based Compensation and Other Stock-based Payments". Section 3870 establishes standards for the recognition, measurement, and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services provided by employees and non-employees. It applies to transactions in which common shares, stock options, or other equity instruments are granted or liabilities incurred based on the price of common stock or other equity instruments.

Adoption of Section 3870 does not have a material impact on the Company's financial condition or results of operations as the Company's existing accounting policies, as disclosed in the audited annual financial statements for the year ended May 31, 2002, comply with the new standard.

3. Goodwill
Effective June 1, 2002, the Company ceased amortizing its goodwill due to the change in accounting policy as described in note 2. This change has not been applied retroactively and the amounts presented for prior periods have not been restated for the change. The impact of this change is as follows:

<TABLE>
<CAPTION>

(Amounts in 000's)	THREE MONTHS ENDED NOV. 30, 2002	Three months ended Nov. 30, 2001	SIX MONTHS ENDED NOV. 30, 2002	Six months ended Nov. 30, 2001
<S>	<C>	<C>	<C>	<C>
Loss for the period	$3,969	$3,683	$8,045	$6,739
Less: Amortization of goodwill	-	(362)	-	(727)
Loss before amortization of goodwill	$3,969	$3,321	$8,045	$6,012
Loss per share	$ 0.03	$ 0.03	$ 0.06	$ 0.05
Loss per share before amortization of goodwill	$ 0.03	$ 0.02	$ 0.06	$ 0.04

</TABLE>

4. Share capital
As of November 30, 2002, there were 5,720,718 options outstanding to acquire common shares of the Company. During the six month period ended November 30, 2002, 10,000 options were exercised to purchase common shares of the Company.

5. Pro forma disclosure for Employee Stock Based Compensation
The Company accounts for its stock options granted to employees using the intrinsic value method. Section 3870 requires that companies not using the fair value method to measure the value of stock options disclose pro forma net earnings and earnings per share information as if the Company had accounted for employee stock options under the fair value method. The Company has elected to disclose pro forma net loss and pro forma net loss per share as if the Company had accounted for its options since 1995 under the fair value method.

A summary of the pro forma impact on the statement of loss is presented in the table below.

<TABLE>
<CAPTION>

	THREE MONTHS ENDED	SIX MONTHS ENDED

(Amounts in 000's)	NOV. 30, 2002	NOV. 30, 2002
<S>	<C>	<C>
Loss for the period	$3,969	$8,045
Compensation expense related to the fair value of stock options	317	992
Pro forma loss for the period	$4,286	$9,037
Pro forma loss per common share	$ 0.03	$ 0.06

</TABLE>

The fair value of each option granted has been estimated at the date of grant or the date when they become measurable using the Black-Scholes option pricing model with the following assumptions used for options granted in the three and six months periods ended November 30, 2002: (i) dividend yield of 0%; (ii) expected volatility of 80%; (iii) risk free interest rate of 3.5% and (iv) expected life of 5 years. The Company has assumed no forfeiture rate as adjustments for actual forfeitures are made in the year they occur. The weighted-average grant date fair values of options issued in the three and six months period ended November 30, 2002 were $0.28 and $0.52, respectively.

BUILDING
VALUE
THROUGH
PROGRESS

(L O R U S LOGO)

L O R U S THERAPEUTICS INC.
THIRD QUARTER
December 1, 2002 to February 28, 2003

LETTER TO SHAREHOLDERS

Dear Shareholders:
We are very pleased to review with you the operating highlights for the third quarter of 2003.

Lorus reached a milestone in the quarter by recording our first ever revenue in February from the sale of Virulizin(R) to our Mexico distributor Mayne Pharma.

Lorus continued to advance the clinical programs in the third quarter. We expanded the ongoing phase II clinical trial of our lead antisense drug, GTI-2040, in renal cell carcinoma to six major oncology centers in the United States (U.S.).

The U.S. National Cancer Institute (NCI) has approved protocols for six additional cancer indications in the multiple phase II clinical trial program with GTI-2040. The indications include breast cancer, colon cancer, non-small cell lung cancer, acute myeloid leukemia, prostate cancer, and a range of solid tumors.

The U.S. Food and Drug Administration (FDA) awarded orphan drug status to GTI-2040 for the treatment of advanced renal cell carcinoma. This status allows the FDA to help facilitate the drug's development process by providing financial incentives and granting seven years of market exclusivity in the U.S. independent of patent protection upon approval of the drug in the U.S.

Lorus made significant advances with its lead immunotheraphy drug, Virulizin(R). Subsequent to the quarter end, a patent was allowed by the United States Patent and Trademark Office (USPTO) titled "Immunomodulating Compositions for the Treatment of Immune System Disorders". This is the third U.S. Patent allowance for Virulizin(R), and it significantly broadens protection to include methods for treatment of a variety of different cancers.

The Mexican Patent Office allowed Lorus a patent to protect the immunomodulator composition, process for preparation and use of Virulizin(R) for the treatment of cancer. The allowance is critically important to our strategic plan for maximizing the value of Virulizin(R) in our first commercial marketplace.

Dr. Robert Capizzi was appointed to the board of directors in January. Dr. Capizzi has served on and chaired various boards of the U.S. National Institutes of Health, the American Cancer Society, national and international professional societies, and scientific advisory boards of multinational pharmaceutical companies. He has also lectured extensively and is the author and/or co-author of several hundred publications and presentations of original research and review articles in journals, periodicals and textbooks.

Lorus made an important addition to the senior management team with the appointment of Mr. Bruce Rowlands to the position of Senior Advisor. Mr. Rowlands brings considerable industry experience in the areas of corporate finance, institutional equity sales and investor communications. Most recently, he served as vice president and director at Dominick & Dominick Securities Canada, an affiliate of Dominick & Dominick LLC in New York City.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following information should be read in conjunction with the unaudited consolidated financial statements and notes prepared in accordance with Canadian generally accepted accounting principles (GAAP) in this quarterly report, and should also be read in conjunction with the audited consolidated financial statements and notes, and management's discussion and analysis contained in the Company's
annual report for the year ended May 31, 2002. All amounts are expressed in Canadian dollars unless otherwise noted.

RESULTS OF OPERATIONS

REVENUES
Lorus has recorded its first revenue from the sale of Virulizin(R) in Mexico in the quarter. The Company has incurred annual operating losses since inception related to the research, manufacturing, and clinical development of its proprietary compounds. Revenue from the sale of Virulizin(R) will partially offset future research and development costs, but losses will continue as Lorus further invests in its drug development programs.

RESEARCH AND DEVELOPMENT
Research and development expenses for the third quarter of fiscal 2003 increased to $2,876,000 compared to $1,872,000 for the same quarter last year. For the nine months ended February 28, 2003, research and development expenses increased to $9,246,000 compared to $6,107,000 for the same period last year. Cost increases in fiscal 2003 can be attributed primarily to higher clinical trial costs for the ongoing pivotal Phase III trial of Virulizin(R) for the treatment of advanced pancreatic cancer and an expanded GTI-2040 phase II trial in patients with renal cell carcinoma.

GENERAL AND ADMINISTRATIVE
General and administrative expenses for the third quarter of fiscal 2003 decreased to $960,000 compared to $1,209,000 for the same quarter last year. For the nine months ended February 28, 2003, general and administrative expenses decreased to $3,060,000 compared to $3,854,000 for the same period last year. The decrease in both periods was due mainly to lower use of external advisory services, and ongoing cost containment.

DEPRECIATION AND AMORTIZATION
Depreciation and amortization for the third quarter of fiscal 2003 decreased to $224,000 from $458,000 for the same quarter last year. For the nine months ended February 28, 2003, depreciation and amortization expenses decreased to $483,000 from $1,480,000 during the same period last year. In both periods, the decrease was due mainly to the adoption of the new CICA accounting pronouncement for goodwill and other intangible assets whereby the Company ceased amortizing goodwill on June 1, 2002.

INTEREST INCOME
Interest income for the third quarter of fiscal 2003 decreased to $258,000 from $511,000 for the same quarter last year. For the nine months ended February 28, 2003, interest income decreased to $942,000 from $1,674,000 for the same period last year. These decreases can be attributed primarily to lower cash and short-term investments balances in fiscal 2003.

NET LOSS
Net loss for the third quarter ended February 28, 2003 totaled $3,802,000 ($0.026 per share) compared to a loss of $3,028,000 ($0.021 per share) for the same quarter last year. The loss was $11,847,000 ($0.082 per share) for the first nine months of fiscal 2003 compared to $9,767,000 ($0.068 per share) for the comparable period last year. The increase in net loss relates primarily to higher level of activities with the Virulizin(R) Phase III clinical trial, the expanded GTI-2040 phase II clinical trial and lower interest income, partially offset by lower administrative costs from cost conservation efforts and the ceasing of amortization of goodwill in accordance with the adoption of a new accounting pronouncement effective June 1, 2002. On a comparable basis, the loss for the three months and nine months ended February 28, 2002 would have been $2,664,000 ($0.02 per share) and $8,676,000 ($0.06 per share) respectively after adjustment to remove the amortization of goodwill.

LIQUIDITY AND CAPITAL RESOURCES
Since inception, Lorus has financed its operations and technology acquisitions primarily from equity financing, the exercise of warrants and stock options, and interest income on funds held for future investment. The Company believes that its available cash, cash equivalents and short-term investments, and the interest earned thereon, should be sufficient to finance its operations and capital needs for at least twelve months.

OPERATING CASH REQUIREMENTS
Lorus' cash burn (cash used in operating activities) for the third quarter of fiscal 2003 increased to $3,747,000 compared to $1,885,000 for the same quarter last year. For the nine months ended February 28, 2003 the cash burn increased slightly to $8,934,000 from $8,910,000 for the comparable period last year. The increase in the quarter is due mainly to higher product development and clinical trial costs in the quarter, partially offset by lower current liabilities at February 28, 2003.

CASH POSITION
At February 28, 2003 Lorus had cash and cash equivalents and short-term investments totaling $27.7 million compared to $37.8 million at May 31, 2002. Working capital was $24.3 million at February 28, 2003 compared to $35.6 million at May 31, 2002.

/s/ Jim A. Wright

DR. JIM A. WRIGHT
Chief Executive Officer

FORWARD LOOKING STATEMENTS
Except for historical information, this quarterly report contains forward-looking statements, which reflect the Company's current expectation regarding future events. These forward-looking statements involve risks and uncertainties, which may cause actual results to differ materially from those statements. Those risks and uncertainties include, but are not limited to, changing market conditions, the successful and timely completion of clinical studies, the establishment of corporate alliances, the impact of competitive products and pricing, new product development, uncertainties related to the regulatory approval process, and other risks detailed from time-to-time in the Company's ongoing quarterly filings, annual information form, annual reports and 20-F filings. We undertake no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward looking events in this quarterly report might not occur.

For more information:
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Lorus Therapeutics Inc.
T 416 798 1200 ext.380
F 416 798 2200
E ir@lorusthera.com
www.lorusthera.com

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT
(unaudited)

<TABLE>
<CAPTION>

(Amounts in 000's except for per common share data)(Canadian Dollars)	THREE MONTHS ENDED FEB. 28, 2003	Three months ended Feb. 28, 2002	NINE MONTHS ENDED FEB. 28, 2003	Nine months ended Feb. 28, 2002	Period from inception Sept. 5, 1986 to Feb. 28, 2003
<S>	<C>	<C>	<C>	<C>	<C>
Revenues					
Product sales (note 2)	27	-	27	-	27
Operating expenses					
Cost of sales	27	-	27	-	27
Research and development	2,876	1,872	9,246	6,107	55,755
General and administrative	960	1,209	3,060	3,854	31,648
Depreciation and amortization	224	458	483	1,480	7,884
OPERATING LOSS	4,060	3,539	12,789	11,441	95,287
INTEREST INCOME	(258)	(511)	(942)	(1,674)	(8,571)
LOSS FOR THE PERIOD	3,802	3,028	11,847	9,767	86,716

Deficit, beginning of period	82,914	68,121	74,869	61,382	-
DEFICIT, END OF PERIOD	$ 86,716	$ 71,149	$ 86,716	$ 71,149	$ 86,716
BASIC AND DILUTED LOSS PER COMMON SHARE	$ 0.02	$ 0.02	$ 0.08	$ 0.07	
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING USED IN THE CALCULATION OF BASIC AND DILUTED LOSS PER SHARE	144,433	143,898	144,424	143,170	

</TABLE>

See accompanying notes to unaudited consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

<TABLE>
<CAPTION>

(Amounts in 000's)(Canadian Dollars)	THREE MONTHS ENDED FEB. 28, 2003	Three months ended Feb. 28, 2002	NINE MONTHS ENDED FEB. 28, 2003	Nine months ended Feb. 28, 2002	Period from inception Sept. 5, 1986 to Feb. 28, 2003
<S>	<C>	<C>	<C>	<C>	<C>
Operating Activities					
Loss for the period	$ (3,802)	$ (3,028)	$(11,847)	$ (9,767)	$ (86,716)
Add items not requiring a current outlay of cash:					
Depreciation and amortization	661	894	1,793	2,790	14,383
Other	-	-	-	-	500
Net change in non-cash working capital balances related to operations	(606)	249	1,120	(1,933)	2,450
CASH USED IN OPERATING ACTIVITIES	(3,747)	(1,885)	(8,934)	(8,910)	(69,383)
Investing Activities					
Sale (purchase) of short-term investments, net	3,717	4,071	12,154	9,540	(24,503)
Business acquisition, net of cash received	-	-	-	-	(539)
Acquired research and development	-	-	-	-	(715)
Additions to fixed assets	(325)	(194)	(1,228)	(284)	(4,960)
Cash proceeds on sale of fixed assets	-	-	-	-	348
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	3,392	3,877	10,926	9,256	(30,369)
Financing Activities					
Issuance of warrants	-	-	-	-	31,877
Issuance of common shares	21	739	25	1,389	71,057
CASH PROVIDED BY FINANCING ACTIVITIES	21	739	25	1,389	102,934

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	(334)	2,731	2,017	1,735	3,182
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	3,516	1,787	1,165	2,783	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 3,182	$ 4,518	$ 3,182	$ 4,518	$ 3,182

</TABLE>
See accompanying notes to unaudited consolidated financial statements

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

(Amounts in 000's)(Canadian Dollars)	FEBRUARY 28, 2003 (unaudited)	May 31, 2002 (audited)
<S>	<C>	<C>
Assets		
CURRENT ASSETS		
Cash and cash equivalents	$ 3,182	$ 1,165
Short-term investments	24,503	36,657
Prepaid expenses and amounts receivable	828	1,195
TOTAL CURRENT ASSETS	28,513	39,017
FIXED ASSETS	1,566	533
GOODWILL (note 4)	606	606
ACQUIRED RESEARCH AND DEVELOPMENT	6,106	7,416
	$ 36,791	$ 47,572
Liabilities and Shareholders' Equity		
CURRENT LIABILITIES		
Accounts payable	$ 758	$ 442
Accrued liabilities	3,427	2,990
TOTAL CURRENT LIABILITIES	4,185	3,432
SHAREHOLDERS' EQUITY		
Share capital		
Common shares		
Authorized: unlimited number of shares; Issued and outstanding (000's):		
February 28, 2003 - 144,455		
May 31, 2002 - 144,412	119,420	119,168
Deferred stock-based compensation	(98)	(159)
Deficit accumulated during development stage	(86,716)	(74,869)
TOTAL SHAREHOLDERS' EQUITY	32,606	44,140
	$ 36,791	$ 47,572

</TABLE>

See accompanying notes to unaudited consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Basis of presentation
These unaudited consolidated interim financial statements of Lorus Therapeutics Inc. ("the Company") have been prepared by the Company in accordance with accounting principles generally accepted in Canada and comply in all material respects with accounting principles generally accepted in the United States and follow the same accounting policies and methods of application as the audited annual financial statements for the year ended May 31, 2002 except for the accounting policies newly adopted as described in notes 2 and 3. These statements should be read in conjunction with the audited consolidated financial statements for the year ended May 31, 2002.

2. Newly adopted accounting policies

REVENUE RECOGNITION

The Company recognizes revenue from product sales when title has passed and collection is reasonably assured which typically is upon delivery to the distributor.

The Company earns royalties from its distributor. Total royalties from the distribution and licensing agreement are recognized when the amounts are reasonably determinable and collection is reasonably assured.

INVENTORY

The company purchases drugs for resale and for research and clinical development. Drugs purchased for use in research and clinical development are expensed as purchased. Drugs purchased for resale are recorded as inventory and valued at lower of cost and net realizable value.

3. Changes in accounting policies

GOODWILL AND OTHER INTANGIBLE ASSETS

Effective June 1, 2002, the Company prospectively adopted the recommendations of the Canadian Accounting Standards Board ("AcSB") Handbook Section 3062, "Goodwill

and Other Intangible Assets." Section 3062 requires that goodwill no longer be amortized to earnings, but instead be periodically reviewed for impairment. Section 3062 also requires that intangible assets be assessed to determine if they have a finite life. Intangible assets with a finite life will continue to be amortized systematically over their estimated useful life. Intangible assets with an indefinite life are not to be amortized but are instead tested for impairment annually.

The Company evaluated its goodwill as of June 1, 2002 in accordance with Section 3062 and determined that its goodwill was not impaired as of that date. The Company will perform an annual impairment test on goodwill as of a date on or before May 31, 2003.

The Company assessed the useful lives of its intangible assets and determined that they are of finite life and continued amortizing them over their estimated useful lives.

STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS

Effective June 1, 2002, the Company adopted the Handbook Section 3870 "Stock-based Compensation and Other Stock-based Payments". Section 3870 establishes standards for the recognition, measurement, and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services provided by employees and non-employees. It applies to transactions in which common shares, stock options, or other equity instruments are granted or liabilities incurred based on the price of common stock or other equity instruments.

Adoption of Section 3870 does not have a material impact on the Company's financial condition or results of operations as the Company's existing accounting policies, as disclosed in the audited annual financial statements for the year ended May 31, 2002, comply with the new standard.

4. Goodwill

Effective June 1, 2002, the Company ceased amortizing its goodwill due to the change in accounting policy as described in note 3. This change has not been applied retroactively and the amounts presented for prior periods have not been restated for the change. The impact of this change is as follows:

<TABLE>
<CAPTION>

(Amounts in 000's)	THREE MONTHS ENDED FEB. 28, 2003	Three months ended Feb. 28, 2002	NINE MONTHS ENDED FEB. 28, 2003	Nine months ended Feb. 28, 2002
<S>	<C>	<C>	<C>	<C>
Loss for the period	$ 3,802	$ 3,028	$ 11,847	$ 9,767
Less: Amortization of goodwill	-	(364)	-	(1,091)
Loss before amortization of goodwill	$ 3,802	$ 2,664	$ 11,847	$ 8,676
Loss per share	$ 0.03	$ 0.02	$ 0.08	$ 0.07
Loss per share before amortization of goodwill	$ 0.03	$ 0.02	$ 0.08	$ 0.06

</TABLE>

5. Share capital

As of February 28, 2003, there were 6,177,916 options outstanding to acquire common shares of the Company. During the nine month period ended February 28, 2003, 42,307 options were exercised to purchase common shares of the Company.

6. Pro forma disclosure for Employee Stock Based Compensation

The Company accounts for its stock options granted to employees using the intrinsic value method. Section 3870 requires companies not using the fair value method to disclose pro forma net earnings and earnings per share information as if the Company had accounted for employee stock options under the fair value method. The Company has elected to disclose pro forma net loss and pro forma net loss per share as if the Company had accounted for its options since 1995 under the fair value method.

A summary of the pro forma impact on the statement of loss is presented in the table below.

<TABLE>
<CAPTION>

(Amounts in 000's)	THREE MONTHS ENDED FEB. 28, 2003	NINE MONTHS ENDED FEB. 28, 2003
<S>	<C>	<C>
Loss for the period	$ 3,802	$ 11,847
Compensation expense related to the fair value of stock options	270	997
Pro forma loss for the period	$ 4,072	$ 12,844
Pro forma loss per common share	$ 0.03	$ 0.09

</TABLE>

The fair value of each option granted has been estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions used for options granted in the three and nine months periods ended February 28, 2003: (i) dividend yield of 0%; (ii) expected volatility of 80%; (iii) risk free interest rate of 3.5% and (iv) expected life of 5 years. The Company has assumed no forfeiture rate as adjustments for actual forfeitures are made in the year they occur. The weighted-average grant date fair values of options issued in the three and nine months period ended February 28, 2003 were $0.40 and $0.49, respectively.