NYMOX PHARMACEUTICAL CORP
Form 20-F/A
June 19, 2003

Form 20 - F/A
Amendment No. 1

[ ] Registration statement pursuant to section 12(b) or (g) of the Securities Exchange Act of 1934

or

[X] Annual report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 '
For the fiscal year ended December 31, 2002

or

[ ] 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: 001-12033

NYMOX PHARMACEUTICAL CORPORATION
(Exact name of registrant as specified in its charter)

Canada
(Jurisdiction of incorporation or organization)

9900 Cavendish Blvd., Suite 306
St. Laurent, Quebec, Canada, H4M 2V2
(Address of principal executive offices)

Securities registered or to be registered pursuant to section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
None	Not Applicable

Securities registered or to be registered pursuant to section 12(g) of the Act
Common Stock
Securities registered or to be registered pursuant to section 15(d) of the Act
None
Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.
23,020,954 shares as of December 31, 2002

Indicate by check mark whether the registrant (1) has 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 [X] No [ ]

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 [X] Item 18 [ ]

In this annual report, the term "Nymox" refers to both Nymox Pharmaceutical Corporation and its subsidiaries, Nymox Corporation and Serex Inc., and, where applicable, a predecessor private corporation, DMS Pharmaceuticals Inc. Unless otherwise indicated all dollar amounts are in United States Dollars.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

You should be aware that this report contains forward-looking statements about, among other things, the anticipated operations, product development, financial condition and operating results of Nymox, proposed clinical trials and proposed transactions, including collaboration agreements.

By forward-looking statements, we mean any statements that are not statements of historical fact, including (but are not limited to) statements preceded by or that include the words, "believes", "expects", "anticipates", "hopes", "targets" or similar expressions.

In connection with the "safe harbor" provisions in the Private Securities Litigation Reform Act of 1995, we are including this cautionary statement to identify some of the important factors that could cause Nymox's actual results or plans to differ materially from those projected in forward-looking statements made by, or on behalf of, Nymox. These factors, many of which are beyond the control of Nymox, include Nymox's ability to:

- identify and capitalize on possible collaboration, strategic partnering or divestiture opportunities,
- obtain suitable financing to support its operations and clinical trials,
- manage its growth and the commercialization of its products,
- achieve operating efficiencies as it progresses from a development-stage to a later-stage biotechnology company,
- successfully compete in its markets,
- realize the results it anticipates from the clinical trials of its products,
- succeed in finding and retaining joint venture and collaboration partners to assist it in the successful marketing, distribution and commercialization of its products,
- achieve regulatory clearances for its products,
- obtain on commercially reasonable terms adequate product liability insurance for its commercialized products,
- adequately protect its proprietary information and technology from competitors and avoid infringement of proprietary information and technology of its competitors,
- assure that its products, if successfully developed and commercialized following regulatory approval, are not rendered obsolete by products or technologies of competitors and
- not encounter problems with third parties, including key personnel, upon whom it is dependent.

Although Nymox believes that the forward-looking statements contained in this registration statement are reasonable, it cannot ensure that its expectations will be met. These statements involve risks and uncertainties. Actual results may differ materially from those expressed or implied in these statements. Factors that could cause such differences include, but are not limited to, those discussed under "Risk Factors."

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS
Not Applicable

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE
Not Applicable

ITEM 3. KEY INFORMATION

Selected Financial Data

The following table sets forth selected consolidated financial data for Nymox for the periods indicated, derived from financial statements prepared in accordance with generally accepted accounting principles ("GAAP"). We prepare our basic financial statements in accordance with Canadian GAAP and include, as a note to the statements, a reconciliation of material differences to United States GAAP. The financial statements have been audited by KPMG, LLP, Montreal, Canada as at and for the years ended December 31, 1998, 1999, 2000, 2001 and 2002. The data set forth below should be read in conjunction with the Company's consolidated financial statements and notes thereto.

NYMOX PHARMACEUTICAL CORPORATION
Selected Consolidated Financial Data
(In U.S. dollars (3))

	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2000	Dec. 31, 1999	Dec. 199
CANADIAN GAAP					
Current Assets	$ 879,866	$ 644,522	$ 749,510	$ 776,824	$ 2,708
Property & Equipment	185,293	217,083	268,679	201,379	400
Patents & Intellectual Property	3,223,498	3,154,441	3,144,015	966,937	879
Total Assets	4,358,657	4,192,241	4,384,716	2,140,491	3,988
Total Liabilities	1,471,727	747,493	323,774	833,344	301
Share Capital	28,407,600	25,376,557	22,822,303	16,912,963	15,943
Shareholder's Equity	2,086,930	2,644,748	3,260,942	1,307,147	3,687
Total Revenues	361,748	380,609	225,867	190,203	273
Sales, license fees and research contracts	356,162	362,691	157,688	153,252	104
Research & Development Expenditures(1)	1,689,430	1,479,602	2,073,775	1,132,941	2,087
Net Loss	3,422,019	3,049,504	4,023,979	3,314,296	4,783
Loss per Share	$ 0.15	$ 0.14	$ 0.19	$ 0.17	$
Weighted Avg. No. of Common Shares	22,651,639	21,873,966	20,890,735	19,886,430	19,304

U.S. GAAP(2)					
Net Loss	$ 3,453,749	$ 3,095,133	$ 4,272,308	$ 3,409,166	$ 4,979
Loss per Share	0.15	0.14	0.20	0.17	
Shareholder's Equity	$ 1,947,696	$ 2,496,104	$ 3,102,887	$ 1,139,731	$ 3,304

(1) We earn investment tax credits by making qualifying research and development expenditures. T amounts shown are net of investment tax credits.

(2) Reference is made to Note 12 of Nymox's audited financial statements as at and for the year ended December 31, 2002 for a reconciliation of differences between Canadian and U.S. GAAP.

(3) Effective January 1, 2000, the Corporation adopted the United States dollar as its measureme currency as a result of the increasing proportion of operating, financing and investing transactions in the Canadian operations that are denominated in U.S. dollars. For Canadian G purposes, the financial information for all periods presented up to December 31, 1999 has be translated into U.S. dollars at the December 31, 1999 exchange rate, which was 1.4433 Canadi dollars to the U.S. dollar. For U.S. GAAP purposes, assets and liabilities for 1998 and 1999 have been translated into U.S. dollars at the ending exchange rate for the respective year a the statement of earnings at the average rate for the respective year. Reference is made to 12 of the consolidated financial statements.

Risk Factors

The following risk factors apply to Nymox and our industry.

It is Uncertain When, if Ever, We Will Make a Profit

We first began operations in 1995 and are only in the early stages of commercial marketing of our diagnostic products, AlzheimAlert(TM), NicAlert(TM) and NicoMeter(TM). We have never made a profit. We incurred a net loss of $4.8 million in 1998, $3.3 million in 1999, $4.0 million in 2000, $3.0 million in 2001 and $3.4 million in 2002. As of December 31, 2002, Nymox's accumulated deficit was $26.7 million.

We cannot say when, if ever, Nymox will become profitable. Profitability will depend on our uncertain ability to generate revenues from the sale of our products and the licensing of our technology that will offset the significant expenditures required for us to advance our research, protect and extend our intellectual property and develop, manufacture, license, market, distribute and sell our technology and products successfully. Similar types of expenditures in the past have helped produce the net losses reported above.

We May Not Be Able to Raise Enough Capital to Develop and Market Our Products

Nymox funded its operations primarily by selling shares of its common stock. Since late 1998, a small portion of the funds came from sales. However, sales have not been, and may not be in the foreseeable future, sufficient to meet our anticipated financial requirements.

We will continue to need to raise substantial amounts of capital for our business activities including our research and development programs, the conduct of clinical trials needed to obtain regulatory approvals and the marketing and sales of our products. We anticipate being able to fund our current total annual budgeted expenditures of approximately $3 million per year over the next year through our current cash position and additional financing, including draw downs through our common stock private purchase agreement with Lorros-Greyse Investments, Inc. Clinical trials will substantially increase cash requirements.

We anticipate being able to meet these requirements as they arise. Any necessary clinical trials for regulatory approval following successful preliminary clinical trials will require considerably more capital. We plan to raise such capital either through a new round of financing and/or through partnering with a major pharmaceutical company. Additional financing may not be available when needed, or, if available, may not be available on acceptable terms. If adequate funds on acceptable terms are not available, we may have to curtail or eliminate expenditures for research and development, testing, clinical trials, promotion and marketing for some or all of our products.

We Face Challenges in Developing and Improving Our Products

Our success depends on our ability to develop or acquire rights to new products or to improve our existing products. We are still developing many of our products and have not yet brought them to market. We cannot assure you that we will be able to develop or acquire rights to such products and to market them successfully.

Developing a treatment for Alzheimer's disease is particularly challenging. Many pharmaceutical companies, institutions and researchers are working on many different approaches and treatments. There is no consensus among researchers about the cause of this fatal illness and no guarantee that our drug development programs in this area are targeting significant factors in its cause, progression or symptoms. It is difficult to design drug candidates that can cross from the bloodstream into the brain, where the damage from Alzheimer's disease is occurring. Clinical trials to establish efficacy for drugs that slow down the progression of Alzheimer's disease over a period of months or years often require that a large number of subjects be tracked over many months or years, making them very expensive to conduct. The potentially long period from discovery and patenting through development and regulatory approval to the market can significantly reduce the patent life of an Alzheimer's disease treatment. Any marketed treatment in this area may well eventually face competition from "me-too" drugs developed by other pharmaceutical companies based on our research. We will be under constant competitive pressure to improve our products and to develop new treatments in order to protect our position in the field.

Developing and improving our diagnostic products is also challenging. The science and technology of the detection and measurement of very small amounts of biochemicals in bodily fluids and tissue is evolving rapidly. We may need to make significant expenditures in research and development costs and licensing fees in order to take advantage of new technologies. If any major changes to our testing technologies used in our AlzheimAlert(TM) and NicAlert(TM) and NicoMeter(TM) tests are made, further validation studies will be required. Developing new diagnostic products is more challenging, requiring identification and validation of the biochemical marker being detected by the new product in the clinical context and the development and validation of the product designed to detect the marker.

We Face Significant and Growing Competition

The modern pharmaceutical and biotechnology industries are intensely competitive, particularly in the field of Alzheimer's disease where there is a large unmet need for an effective treatment. Currently there are four drugs with the same mechanism of action approved for sale in the United States (Aricept(R), Cognex(R), Exelon(R) and Reminyl(R)). These drugs offer some relatively short-term symptomatic relief, but do not treat the underlying causes of the illness. Over the past decade, there has been an intense research effort both in the non-profit sectors such as universities, government agencies and research

institutes and in the pharmaceutical and biotechnology industry to develop new treatments for Alzheimer's disease. Treatment candidates under development include:

- vaccines for Alzheimer's disease;

- enzyme-blocking therapies intended to block the production of the protein found in the senile plaques characteristic of Alzheimer's disease. A number of pharmaceutical and biotechnology companies including Amgen and Bristol-Myers Squibb are working on such therapies.

- Memantine, a drug originally developed by Merz + Co. of Germany and being developed in the United States by Forest Laboratories, Inc. and Neurobiological Technologies, Inc., intended to reduce cell death and injury said to be caused by the release of too much of a signal transmitter in the brain called glutamate. The developers have applied to the FDA for its approval for use in the United States to treat Alzheimer's disease.

- implantation of a shunt (COGNIShunt(TM)) developed by its maker, Eunoe Inc., and designed to drain cerebrospinal fluid from the patient's skull into his or her abdominal cavity.

- implantation of genetically modified cells that produce human nerve growth factor into the brains of people with Alzheimer's disease. Preliminary human testing began this year at the University of California at San Diego in conjunction with the Salk Institute for Biological Studies.

There is also ongoing research into possible methods of preventing Alzheimer's disease such as taking certain cholesterol-lowering drugs called statins, estrogen replacement therapies, anti-oxidants such as vitamin E and ginkgo biloba or anti-inflammatory drugs such as ibuprofen (e.g., Advil or Motrin). The successful development of a treatment or method of preventing Alzheimer's disease could significantly impact on our ability to develop or market a competing treatment for Alzheimer's disease.

Our treatments under development for enlarged prostate (benign prostatic hyperplasia or BPH) face significant competition from existing products. There are five drugs approved for treatment of BPH: finasteride (Proscar(R)), terazozin (Hytrin(R)), doxazozin (Cardur(R)), tamsulosin (Flomax(R)) and prazosin (Minipres(R)). There are a number of thermal treatments on the market designed to shrink the enlarged prostate by heating its tissue with a device inserted through the urethra (the tube leading from the bladder through the penis through which men urinate) or through the abdomen. The devices on the market use microwave energy (Prostatron(R), Targis Therapy(R) or TherMatrx(R)), low level radiowaves (TUNA System(R)), lasers (Indigo LaserOptic Treatment System(R)), direct heat or hot water to heat or burn away prostate tissue. A variety of surgical procedures exist to surgically reduce or remove the prostate or to widen the urethra. These include procedures to cut away prostate tissue which as TURP (transurethral resection of the prostate) and using a resectoscope with an electrical loop inserted through the penis to cut the prostate tissue. A small device used to widen the constricted urethra called a prostatic stent can also be inserted.

The diagnostic testing industry is also highly competitive. In the area of Alzheimer's disease, Athena Diagnostics, Inc. markets diagnostic tests for different biochemical indicators found in blood and spinal fluid and for genetic predispositions for the illness. Other companies are attempting to develop and market other diagnostic products in this area. The introduction of other diagnostics products for Alzheimer's disease or tobacco product use that are

cheaper, easier to perform, more accurate or otherwise more attractive to the physicians, health care payers or other potential customers would have a significant impact on the sales of our AlzheimAlert(TM), NicAlert(TM) or NicoMeter(TM) products.

We May Not Be Able to Successfully Market Our Products

To increase our marketing, distribution and sales capabilities both in the United States and around the world, we will need to enter into licensing arrangements, contract sales agreements and co-marketing deals. We cannot assure you that we will be able to enter into agreements with other companies on terms acceptable to us, that any licensing arrangement will generate any revenue for the company or that the costs of engaging and retaining the services of a contract sales organization will not exceed the revenues generated.

Our Products and Services May Not Receive Necessary Regulatory Approvals

Our diagnostic products, AlzheimAlert(TM), NicAlert(TM) and NicoMeter(TM), and our products in development, are subject to a wide range of government regulation governing laboratory standards, product safety and efficacy. The actual regulatory schemes in place vary from country to country and regulatory compliance can take several years and involve substantial expenditures.

We cannot be sure that we can obtain necessary regulatory approvals on a timely basis, if at all, for our products in development and all of the following could have a material adverse effect on our business:

- failure to obtain or significant delays in obtaining requisite approvals;
- loss of or changes to previously obtained approvals; and
- failure to comply with existing or future regulatory requirements.

We currently market AlzheimAlert(TM) as a clinical reference laboratory service provided by our government-inspected clinical reference laboratory in New Jersey. Physicians send us urine samples from their patients to our laboratory where the AlzheimAlert(TM) test is performed and the results reported back to the physicians. A clinical laboratory test like AlzheimAlert(TM) does not require approval from the United States Food and Drug Administration (FDA). Our laboratory is regulated by the Centers for Medicare & Medicaid Services (CMS) under the Clinical Laboratory Improvement Amendments and is subject to inspection and certification. In addition, individual states like New York and Florida have their own requirements for reference laboratories like ours that offer diagnostic services. In addition, the FDA has its own regulations governing in vitro diagnostic products, including some of the reagents used in clinical reference laboratories. Any changes in CMS or state law requirements or in the FDA regulations could have a detrimental impact on our ability to offer or market any reference laboratory services and/or on our ability to obtain reimbursement from the Medicare and Medicaid programs and providers.

We may develop a diagnostic kit based on AlzheimAlert(TM) for sale to third parties. If so, we will require prior approval from the FDA before we can market, distribute or sell such a product in the United States. We have not submitted any such product to the FDA for approval. In general, such approval requires clinical testing as to the safety and efficacy of the device and preparation of an approval application with extensive supporting documentation. If approved, the device would then be subject to postmarketing record and reporting obligations and manufacturing requirements. Similar requirements exist in many other countries. Obtaining these approvals and complying with the

subsequent regulatory requirements can be both time-consuming and expensive.

We currently sell NicAlert(TM) and NicoMeter(TM) as tests for tobacco product use and for research use. In October, 2002, we received 510(k) clearance from the U.S. Food and Drug Administration for our NicAlert(TM) product.

In the United States, our drugs in development will require FDA approval, which comes only at the end of a lengthy, expensive and often arduous process. We have not submitted any drugs for FDA approval. We have begun Phase I safety studies for NX-1207, our investigational new drug for benign prostatic hyperplasia (BPH). We cannot predict with any certainty the amount of time the FDA will take to approve one of our drugs or even whether any such approval will be forthcoming. Similar requirements exist in many other countries.

Protecting Our Patents and Proprietary Information is Costly and Difficult

We believe that patent and trade secret protection is important to our business, and that our success will depend, in part, on our ability to obtain strong patents, to maintain trade secret protection and to operate without infringing the proprietary rights of others.

Obtaining and maintaining our patent position is costly. We pay for the filing, prosecution and fees of over 200 patents and patent applications in countries around the world, including the United States, Europe, Japan, Canada, Australia, New Zealand and South Korea. In the United States alone, Nymox has fourteen patents issued or allowed and thirteen patent applications pending relating to its technology. Its subsidiary, Serex Inc. has nine patents issued and allowed. Through licensing agreements with the Massachusetts General Hospital, Nymox separately licensed global patent rights relating to neural thread proteins and to novel cancer markers that have potential application both for the treatment and diagnosis of specific cancers. These licensed patent rights include five issued United States patents and numerous patents and patent application in other countries around the world.

We believe that we have strong patent protection for the products we sell and for our product development programs and are in the process of extending that patent protection to cover more countries or new discoveries or products. We cannot assure you that additional patents covering new products or improvements will be issued or that any new or existing patents will be of commercial benefit or be valid and enforceable if challenged.

We are not currently involved in patent litigation. In the pharmaceutical and biotechnology industry patent disputes are frequent and can preclude the commercialization of products. Patent litigation is costly and the outcome often difficult to predict. It can expose us to significant liabilities to third parties and may require us to obtain third-party licenses at a material cost or cease using the technology or product in dispute.

We Face Changing Market Conditions

The healthcare industry is in transition with a number of changes that affect the market for therapeutic and diagnostic test products. The U.S. Federal and various state governments have under consideration a number of proposals that may have the effect of directly or indirectly limiting drug prices in the U.S. markets. Such changes may adversely affect the prices we may charge for any therapeutic drug we develop. Funding changes and budgetary considerations can lead major health care payers and providers to make changes in reimbursement policies for our AlzheimAlert(TM) product. These changes can seriously impact the potential for growth for the market for AlzheimAlert(TM), either favorably

when the decision is to offer broad coverage for our test at a reasonable price or negatively when the decision is to deny coverage altogether. Changes in the healthcare delivery system have resulted in major consolidation among reference laboratories and in the formation of multi-hospital alliances, reducing the number of institutional customers for therapeutic and diagnostic test products. There can be no assurance that Nymox will be able to enter into and/or sustain contractual or other marketing or distribution arrangements on a satisfactory commercial basis with these institutional customers.

Health Care Plans May Not Cover or Adequately Pay for our Products and Services

Throughout the developed world, both public and private health care plans are under considerable financial and political pressure to contain their costs. The two principal methods of restricting expenditures on drugs and diagnostic products and services are to deny coverage or, if coverage is granted, to limit reimbursement. For single-payer government health care systems, a decision to deny coverage or to severely restrict reimbursement for one of our products can have an adverse effect on our business and revenues.

In the United States, where, to a significant degree, the patient population for our products is elderly, Medicare and Medicaid are sources of reimbursement. In general, any restriction on reimbursement, coverage or eligibility under either program could adversely affect reimbursement to Nymox for products and services provided to beneficiaries of the Medicare and/or Medicaid programs. Many elderly people are covered by a variety of private health care organizations either operating private health care plans or Medicare or Medicaid programs subject to government regulation. These organizations are also under considerable financial constraints and we may not be able to secure coverage or adequate reimbursement from these organizations. Without coverage, we will have to look to the patients themselves who may be unwilling or unable to pay for the product; in turn, doctors may be reluctant to order or prescribe our products in the absence of coverage of the product for the patient.

The Issuance of New Shares May Dilute Nymox's Stock

The issuance of further shares and the eligibility of issued shares for sale will dilute our common stock and may lower its share price. There were 23,473,434 common shares of Nymox issued and outstanding as of April 30, 2003. All of these shares are eligible for sale under Rule 144 or are otherwise freely tradable. In addition, 1,654,000 share options are outstanding, of which 1,489,000 are currently vested and 611,860 shares are subject to issuance upon exercise of warrants. The great majority of the Nymox options expire in 3 to 8 years. These options have been granted to employees, officers, directors and consultants of the company. Moreover, Nymox may use its shares as currency in acquisitions.

We Face Potential Losses Due to Foreign Currency Exchange Risks

Nymox incurs certain expenses, principally relating to salaries and operating expenses at its Canadian head office, in Canadian dollars. All other expenses are derived in U.S. dollars. As a result, we are exposed to the risk of losses due to fluctuations in the exchange rates between the U.S. dollar and the Canadian dollar. We protect ourselves against this risk by maintaining cash balances in both currencies. We do not currently engage in hedging activities. We cannot say with any assurance that the Company will not suffer losses as a result of unfavorable fluctuations in the exchange rates between the United States dollar and Canadian dollar.

We Have Never Paid a Dividend and are Unlikely to do so in the Foreseeable

Future

Nymox has never paid any dividends and does not expect to do so in the foreseeable future. We expect to retain any earnings or positive cash flow in order to finance and develop Nymox's business.

ITEM 4. INFORMATION ON THE COMPANY
History of the Company

Nymox was incorporated under the Canada Business Corporations Act in May, 1995 to acquire all of the common shares of DMS Pharmaceutical Inc., a private company which had been carrying on research and development since 1989 on diagnostics and drugs for brain disorders and diseases of the aged with an emphasis on Alzheimer's disease. Nymox has two subsidiaries: one wholly owned subsidiary named Nymox Corporation and the other a majority owned subsidiary named Serex, Inc, purchased in March, 2000. Both subsidiaries are based in the same building in Maywood, New Jersey, but each have separate facilities within the building. Nymox Corporation operates our certified clinical reference laboratory where our AlzheimAlert(TM) test is performed, and conducts some research and

development, while Serex conducts research and development, and some of the manufacturing for NicAlert(TM) and NicoMeter(TM).

Nymox's principal executive offices are located at:

Nymox Pharmaceutical Corporation
9900 Cavendish Boulevard, Suite 306
St. Laurent, Quebec, Canada, H4M 2V2
Phone: (800) 936-9669
Fax: (514) 332-2227

Nymox's two subsidiaries are located at:

Nymox Corporation
230 West Passaic St.
Maywood, NJ, USA 07607

Serex, Inc.
230 West Passaic St.
Maywood, NJ, USA 07607

We specialize in the research and development of therapeutics and diagnostics for the aging population with an emphasis on Alzheimer's disease. Alzheimer's disease is a progressive, terminal brain disease of the elderly marked by an irreversible decline in mental abilities, including memory and comprehension, and often accompanied by changes in behavior and personality. It currently afflicts an estimated four million people in the United States and at least fifteen million people worldwide. As the baby-boomer generation continues to age, these figures are expected to rise sharply. Our subsidiary, Serex, Inc., specializes in the development of diagnostic products for a wide range of indications based on its proprietary patented diagnostic platforms and technologies.

Acquisition of a Majority Interest in Serex, Inc.

On March 2, 2000, we closed our acquisition of a controlling interest in Serex, Inc., a privately held diagnostic company based in Maywood, New Jersey. We have

subsequently acquired more shares of the common stock of Serex, Inc. from other shareholders and now own approximately 98% of its common stock.

Serex's NicAlert(TM) and NicoMeter(TM) strips can reliably detect one of the metabolic products of nicotine in human urine or saliva (NicAlert(TM) only), in order to determine whether a person, such as a teenager or insurance applicant, is using a tobacco product. NicAlert(TM) and NicoMeter(TM) are currently being distributed in Japan by Mizuho Medy Co. Ltd. of Japan and outside of Japan by Nymox and Jant Pharmacal Corporation.

Serex developed and patented its particle valence technology, a unique, highly sensitive, new method to detect very small amounts of biochemical indicators in body fluids such as blood, urine and saliva. This technology can be adapted to detect a wide range of biochemical indicators for diseases, conditions and drug use.

Serex also assisted in the development of our AlzheimAlert(TM) test.

Diagnostic Products for Alzheimer's Disease

Alzheimer's disease is the most common cause of dementia in persons 65 years of age and older and is the fourth leading cause of death among the elderly. Despite the need for an accurate clinical test, the definitive diagnosis of the disease is possible only after the death of the patient by expert, pathologic examination of brain tissue.

The Surgeon General's Report on Mental Health, released on December 13, 1999, identified the importance and the need for the early detection and diagnosis of Alzheimer's disease. The report described the current approach to Alzheimer's disease diagnosis, clinical examination and the exclusion of other common causes of its symptoms, as time- and labor-intensive, costly and largely dependent on the expertise of the examiner. As a result, the illness is currently underrecognized, especially in primary care settings, where most older patients seek care. The report joined other experts writing in the field in recognizing the need for a better, more reliable method for diagnosing the disease in living patients and in particular, the need of a simple, accurate and convenient test that could detect a biochemical change early in patients with Alzheimer's disease. We believe our AlzheimAlert(TM) provides such a test.

AlzheimAlert(TM); An Aid to the Diagnosis of Alzheimer's Disease

We market a proprietary diagnostic test for Alzheimer's disease, known as the AlzheimAlert(TM) Test, through our government-inspected clinical reference laboratory in Maywood, New Jersey. AlzheimAlert(TM) is an improved version of our AD7C(TM) test, which has been on the market since 1997. It is a urine test, where the patient provides a first-morning urine sample for testing. The patient's doctor then forwards the sample to our laboratory where our technical staff performs the test. We then report the results to the doctor.

AlzheimAlert(TM) is the latest generation of our NTP testing technology. It measures the level of a brain protein called neural thread protein (NTP) which is elevated early in Alzheimer's disease as reported both in the scientific literature and at scientific conferences. Researchers at the Massachusetts General Hospital and Brown University led by Doctors Suzanne de la Monte and Jack Wands first found large amounts of the protein in the brain tissue of patients known to have died with Alzheimer's disease. Subsequent research led to the characterization of NTP and the gene that produces it. Nymox succeeded in developing a highly sensitive test to detect the presence of NTP in the spinal fluid and, most recently, in the urine of patients with Alzheimer's disease. A

recent study (J. Neuropathol Exp Neurol (2001; 60: 195-207)) has provided further evidence that increased production of NTP leads to a marked increase in nerve cell death and shown that the cells subjected to NTP died in a programmed fashion similar to the way the nerve cells in the brains of patients with Alzheimer's disease die. One of the characteristic signs of Alzheimer's disease is widespread brain cell loss.

Nymox believes that its AlzheimAlert(TM) test can assist a physician faced with the task of diagnosing whether a patient has Alzheimer's disease. In company funded trials of its NTP testing technology to date, involving over 500 clinical samples, the test results were positive for over 80% of the patients with verified Alzheimer disease and negative in over 89% of subjects without the disease (known as a low false positive rate). The low rate of positive results for patients without the disease is important for doctors investigating patients with subtle or marginal symptoms of mental, emotional, cognitive, or

behavioral changes. If the doctor can rule out Alzheimer's with more assurance, a great deal of patient and family anguish and anxiety will be avoided. A low test score will help the doctor to be more certain that Alzheimer's disease is not the cause of the patient's symptoms and to target the other, often reversible causes of the patient's symptoms, such as depression.

Many studies published in scientific publications or presented at scientific conferences over the past decade have confirmed the accuracy of NTP as a biochemical marker for Alzheimer's disease. Recent publications in the peer-reviewed literature include, for example, the Journal of Clinical Investigation (1997; 100: 3093-3104); Journal of Contemporary Neurology (1998; art. 4a); Journal of Clinical Laboratory Analysis (1998; 12: 285-288) and (1998; 12: 223-226); Alzheimer's Reports (1999; 2: 327-332), (2000; 3: 177-184) and (2001; 4: 61-65); Neurology (2000; 54: 1498-1504) and (2000; 55: 1068); Journal of Alzheimer's Disease (2001; 3: 345-353), and Neurology and Clinical Neurophysiology (2002; 1: 2-7). Reports about this Nymox technology have also been featured in prestigious trade and lay publications such as Clinica (Sept.25, 2000), Genetic Engineering News (Oct.1, 2000), Clinical Laboratory News (Sept., 1999 and Oct., 2000), Modern Maturity (Dec., 2000), ADVANCE for Administrators of the Laboratory (June, 2001), ASRT Scanner (August, 2001), RN magazine (August, 2001), Clinical Geriatrics (Nov., 2000), LabMedica International (June, 1998), and Clinical Laboratory International (October, 1998).

There can be no assurance that further studies will repeat the same level of success experienced to date.

The early diagnosis of Alzheimer's disease is important to physicians, patients and their families and enables them to make informed and early social, legal and medical decisions about treatment and care. Early diagnosis of Alzheimer's disease has become increasingly important with new improvements in drug treatment and care. Even a modest delay in institutionalization can mean substantial social and financial savings. Conversely, any testing procedure that could rule out Alzheimer's disease would eliminate the tremendous uncertainty and anxiety patients and their families otherwise face and would allow physicians to focus on the other, often reversible, causes of cognitive changes.

Early diagnosis as facilitated by the AlzheimAlert(TM) test represents a potentially large cost-savings in the form of a reduced number of office visits, lab tests, scans and other procedures required by the traditional methods of diagnosis.

The AlzheimAlert(TM) test is an aid to diagnosis, to be considered together with patient history, physical examination and other relevant medical data. The test does not replace a physician's diagnosis.

We intend to develop and sell a diagnostic kit version of the AlzheimAlert(TM) test. Such a kit would permit the testing of patient samples either in a general purpose medical laboratory or in a physician's office. The development of such a kit will be subject to further laboratory and clinical validation and to any necessary regulatory approvals. AlzheimAlert(TM) offers a more technically advanced means to detect elevated levels of NTP in urine. It is a completely new assay in the competitive affinity format and has significant advantages of easy adaptability to systems and equipment present in all modern clinical laboratories.

We expect that, if approved, a diagnostic kit version of AlzheimAlert(TM) kit will increase the availability and acceptance of our test while lowering its cost to the patient or health care payor.

Other Biochemical Indicators of Alzheimer's Disease

We hold exclusive patent rights to several other biochemical indicators for Alzheimer's disease, including the brain protein, 35i9, which we believe is also associated with Alzheimer's disease. We intend to use our extensive scientific, medical and commercial experience and know-how in the field of Alzheimer's disease in order to develop new diagnostic tests, methods and treatments for the disease from these and other indicators.

Development of Therapeutic Products for Alzheimer's Disease

At present, there is no cure for Alzheimer's disease. There are four drugs approved by the FDA, tacrine (brand-name Cognex(R)), donepezil HCI (brand-name Aricept(R)), rivastigmine (brand-name Exelon(R)) and galantamine hydrobromide (brand name Reminyl(R)) for the treatment of Alzheimer's disease. However, at most these drugs offer symptomatic relief for the loss of mental function associated with the disease and possibly help to delay the illness- progression. There is no consensus as to the cause of Alzheimer's disease or even whether it is one disease or many.

There is an urgent need for an effective treatment for the illness, caused in part by the rising health care, institutional and social costs for the treatment and care of Alzheimer's disease sufferers. The Surgeon General's Report on Mental Health released on December 13, 1999, put the direct health care costs for the illness in the United States at almost $18 billion for 1996. In April 2002, the National Institute on Aging reported that the cost of care to family, caregivers and society in general was estimated to exceed $100 billion per year.

These costs are expected to rise sharply as the baby boom generation ages and more people become at risk for the disease. According to the National Institute on Aging's Progress Report on Alzheimer's Disease, 2000, the number of Americans aged 65 or over, now some 35 million, is expected to double by year 2050. The age group of Americans over the age of 85 is one of the fastest growing segments of the population. As people live longer, they become more at risk of developing Alzheimer's disease.

Nymox's research into drug treatments for Alzheimer's disease is aimed at compounds that could arrest the progression of the disease and therefore are targeted for long term use.

Drugs Targeting Spherons

We are a leader in research and development into drugs for the treatment of Alzheimer's disease that target spherons. Nymox researchers believe that spherons are a cause of senile plaques, the characteristic lesion found abundantly in the brains of patients with Alzheimer's disease and believed by many researchers to play a pivotal role in the fatal illness. Spherons are tiny balls of densely packed protein found in brain cells scattered throughout the brains of all humans from age one. Nymox researchers have found that as humans age the spherons grow up to a hundred times larger until they become too large for the cells that hold them. Once released from the cells, the researchers believe that the spherons burst, creating senile plaques, contributing to the cellular damage and biochemical changes pivotal to the symptoms and signs of Alzheimer's disease.

The substantial evidence linking spherons to senile plaques and Alzheimer's disease has been published in journals such as the Journal of Alzheimer's Disease, Drug News & Perspectives and Alzheimer Reports. There are 20 important criteria of validity which have been set forth correlating the

disappearance of spherons in old age with the appearance of senile plaques and implicating spherons as a major causal in Alzheimer's disease. In 2000, Nymox researchers published important findings in Alzheimer Reports (2000; 3: 177-184) confirming that spherons contain key proteins that are also known to be in senile plaques and showing that, like senile plaques, spherons contain unusually old proteins in terms of the human body's metabolism, with an average age of 20 to 40 years.

Nymox researchers believe that stopping or inhibiting the transformation of spherons into senile plaques will help stop or slow the progress of this illness. You should be aware that there is no consensus among researchers about the causes or possible treatments of Alzheimer's disease and that not all researchers share this belief that spherons are a causative factor in Alzheimer's disease or are a target for the development of treatments for the disease.

Based on these research findings and this approach to the treatment of the disease, we developed novel, proprietary drug screening methods based on spherons and used them to discover, develop and test drug candidates to inhibit the formation of Alzheimer plaques from spherons. These candidates have the potential to slow or stop the progression of the disease.

We have two distinct new drug candidates, NXD-3109 and NXD-1191, neither of which demonstrate significant toxicity and both of which had positive animal testing results. These candidates are at the stage of pre-clinical testing.

Such drug candidates will require regulatory approval in order to begin clinical studies for humans. You should be aware there is no guarantee that any of these drug candidates will ever be approved for marketing as a treatment for Alzheimer's disease. Drug candidates that look promising in early studies in the laboratory or with animals often prove on further testing to be unsafe, ineffective or impractical to use with human patients. The cost of bringing a drug candidate through the necessary clinical trial and regulatory approvals is very high and may require us to seek substantial financing through various sources including the issuing of more stock, the borrowing of funds secured by financial instruments such as bonds or agreements with major pharmaceutical companies. We risk not being able to secure such funding in the necessary amounts or on sufficiently favorable terms.

Nymox holds global patent rights covering both methods for using spherons as targets for developing drugs and for the actual drug candidates discovered.

Neural Thread protein Based Drugs

Nymox developed a unique drug screening system, based on the research that led to its AlzheimAlert(TM) test, to identify other potential drug candidates for the treatment of Alzheimer's disease. There is a substantial body of evidence showing that NTP may play a key role in Alzheimer's disease. The published studies include Journal of the Neurological Sciences (1996; 138: 26-35), Journal of Neuropathology and Experimental Neurology (1996; 55: 1038-50), Journal of Clinical Investigation (1997; 100: 3093-3104), Alzheimer's Reports (1999; 2: 327-332), Journal of Alzheimer's Disease (2001; 3: 345-353) and Cellular and Molecular Life Sciences (2001; 58: 844-849). A recent study published in the Journal of Neuropathology and Experimental Neurology (2001; 60: 195-207) reported on how a team of researchers at Brown University led by Dr. Suzanne de la Monte and Dr. Jack Wands implanted the gene that produces NTP in nerve cells derived from humans. They then caused the cells to turn on the implanted NTP gene and to begin to produce NTP in elevated quantities. This caused a marked increase in nerve cell death. Sophisticated analysis showed that the cells died in

a programmed fashion similar to the way the nerve cells in brains of patients with Alzheimer's disease die. Extensive loss of brain cells and accompanying brain shrinkage is a key part of the Alzheimer's disease process.

Nymox screened compounds for their ability to impede this process of premature cell death and thus potentially help slow or halt the loss of brain cells in the Alzheimer's disease brain. This screening process identified promising drug candidates. The Company has targeted the candidate, NXD-9062, for human trials. Successful completion of pre-clinical studies is necessary before any candidate can move into formal regulatory studies.

Nymox licensed this technology in 1997 from Harvard University and the Massachusetts General Hospital as part of a sponsored research and licensing agreement. Under the terms of this agreement, Nymox sponsored the research of the principal investigators, Dr. Suzanne de la Monte and Dr. Jack Wands, into the use of neural thread protein, its antibodies or genes for diagnostic or therapeutic purposes. Nymox also paid the patent costs for the patent applications filed arising out of this research. In return, Nymox received an exclusive worldwide license of the patents to sell products and to use processes encompassed by them. Nymox is to pay the Massachusetts General Hospital a 4% royalty of the net sales price of any product developed and sold under the license. Nymox currently pays this royalty on its sales of AlzheimAlert(TM). The license and the obligation to pay patent costs and royalties continues for the life of the patents, which run until November, 2014 at the earliest. The Massachusetts General Hospital has the right to terminate the license in any country where, after the first commercial sale of the product in the country, there is a continuous two year period in which no product is sold in such country. There are four issued U.S. patents and one outstanding U.S. patent application under license and a correspondingly larger number of patents and patent applications in Europe, Japan, Canada, Australia, New Zealand and South Korea. The sponsored research portion of this agreement was transferred to Brown University and the Rhode Island Hospital as of March, 1999, when Dr. de la Monte and Dr. Wands moved to Brown University.

Nymox also has a similar sponsored research and licensing agreement with Brown University and the Rhode Island Hospital where Dr. de la Monte and Dr. Wands now

carry out their research into neural thread protein. Under the terms of this agreement, which became effective March 1, 1999 and was renewed in January 2002, Nymox sponsors the research of the principal investigators, Dr. Suzanne de la Monte and Dr. Jack Wands, into the uses of neural thread proteins, their antibodies or genes for diagnostic, therapeutic and research purposes. Nymox also pays the patent costs for any patent applications filed arising out of this research. In return, Nymox will receive an exclusive worldwide license of the patents to sell products and to use processes encompassed by them. The Rhode Island Hospital has the right to terminate the license in any country where, after the first commercial sale of the product in the country, there is a continuous two year period in which no product is sold in such country. Nymox is to pay the Rhode Island Hospital a 4% royalty of the net sales price of any product developed and sold under the license.

The Use of Statin Drugs for the Treatment or Prevention of Alzheimer's Disease

In October 2002, we were issued a United States patent for the use of statin drugs to treat, prevent or reduce the risk of the onset of Alzheimer's disease. Statins are a class of commonly prescribed cholesterol lowering drugs that have a well-established safety record and are widely available. A number of published studies showed a link between statin use and lower incidence of Alzheimer's

disease. Research in this area is ongoing and no statin drug has been approved for use in the treatment or prevention of Alzheimer's disease.

New Antibacterial Agents Against Infections and Food Contamination

We are developing new antibacterial agents for the treatment of urinary tract and other bacterial infections in humans which have proved highly resistant to conventional antibiotic treatments and for the treatment of E. coli O157:H7 bacterial contamination in hamburger meat and other food and drink products.

Nymox has developed four new antibacterial agents:

- NXB-4221 for the treatment of difficult chronic and persistent urinary tract infections;
- NXB-5886 for the treatment of streptococcal infection; and
- NXT-1021 for the treatment of staphylococcal infection; and
- NXC-4720 for the treatment of E. coli contamination of meat and other food and drink products

In the last ten years there has been a growing recognition of the increasing problem of antibiotic-resistant infections and the need for truly novel antibacterial drugs. See, for example, the European Commission report dated May 28, 1999, "Opinion of the Scientific Steering Committee on Antimicrobial Resistance" and the report from the Interagency Task Force on Antimicrobial Resistance, co-chaired by the Centers for Disease Control and Prevention, the U.S. Food and Drug Administration and the National Institutes of Health, entitled A Public Health Action Plan to Combat Antimicrobial Resistance released on January 19, 2001.

Urinary tract infections in women caused by bacteria such as E. coli are a common and significant infection often resistant to conventional antibiotic treatment. Some varieties of streptococcus and staphylococcus bacteria, a common source of infection in humans, have acquired a broad immunity to antibiotic treatments. Infections from these antibiotic resistant bacteria are difficult to

treat and can be life threatening.

Nymox's three antibacterial agents for the treatment of infectious disease have all shown the ability to kill their bacterial targets in culture with no signs of toxicity. Further pre-clinical testing and development is required before we can apply for regulatory approval to begin initial testing in humans.

E. coli contamination of food and drink is a serious public health problem worldwide and a major concern for meat processors in particular. E. coli bacteria occur normally and usually harmlessly in the gastrointestinal tracts of humans, cows and other animals. However, one mutant variety of the E. coli bacteria, E. coli O157:H7, can cause life-threatening illness and has been implicated in cases of severe diarrhea, intestinal bleeding and kidney failure, leading, in some cases, to death in children and the elderly. E. coli contamination in hamburger meat and other food products and in drinking water affects about 70,000 people in the United States a year.

There is a well-recognized need in the beef industry to address the problem of E. coli contamination in meat processing and in livestock. E. coli contamination has triggered massive recalls of ground beef in

the U.S.. Cattle are a natural reservoir for the deadly strain of E. coli. Water contamination from cattle operations have led to public health tragedies.

Nymox developed a potent new antibacterial agent, NXC-4720. Tests of NXC-4720 show it to be highly effective against all known substrains of E. coli O157:H7, the bacteria implicated in these severe cases of food and drink contamination. Tests of NXC-4720 show that it destroys E. coli O157 strains, including H7, efficiently, rapidly and at a very low dose. In 1999, we began further laboratory trials for this agent as a treatment for food and drink contamination and are continuing trials with various collaborators, including the Faculty of Veterinary Medicine at the University of Montreal, the Department of Food Science at the University of Manitoba and BioPhage Inc.. Further pre-clinical testing and development is required before we can apply for regulatory approval for use of this agent on the processing of food and drink for human consumption.

Nymox has patent rights to these and other antibacterial agents.

Development of Therapeutic Products for Enlarged Prostate

We are developing treatments for enlarged prostate (benign prostatic hyperplasia or BPH), using novel compounds. We have begun Phase 1 safety studies in humans for one treatment candidate, NX-1207.

More than half of men in their sixties and as many as 90% of men in their seventies and eighties have some symptoms of BPH. Symptoms include more frequent urination (especially at night), difficulty urinating, incomplete emptying of the bladder and sometimes complete inability to urinate. More serious cases may require surgical intervention to reduce the size of the prostate. There is a need for a simple, effective treatment for BPH, particularly in cases where existing drug treatments have proven to be ineffective and where more intrusive procedures such as surgery which may be inadvisable or bring unacceptable risks.

The NicAlert(TM) Test for Tobacco Product Use

We also market NicAlert(TM) and NicoMeter(TM) inexpensive, simple-to-use test strips that use urine or saliva (NicAlert(TM) only) to determine whether a person is using tobacco products. Both NicAlert(TM) and NicoMeter(TM) detect

levels of cotinine, a byproduct of the body's breakdown of nicotine and generally regarded as the best indicator of tobacco exposure for smokers and nonsmokers.

Smoking and other tobacco product use is a serious public health problem. Smoking kills. According to the Centers for Disease Control and Prevention, cigarette smoking is responsible for more than 430,000 deaths per year in the United States alone. Smoking can cause cancer of the lung, mouth, bladder, larynx and esophagus among others, heart disease and stroke and chronic lung disease. Every year, exposure to second-hand smoke (environmental tobacco smoke or ETS) causes an estimated 3,000 nonsmoking Americans to die of lung cancer and up to 300,000 American infants and small children to suffer from lower respiratory tract infections.

NicAlert(TM) and NicoMeter(TM) employ Serex, Inc.'s patented technology. NicAlert(TM) and NicoMeter(TM) are currently being used in research programs into tobacco use and exposure and are being marketed in the United States, Japan and Switzerland as a test to determine whether a person, such as a teenager,

student athlete or insurance applicant, is using a tobacco product. In October 2002, NicAlert(TM) received clearance from the FDA.

Property, Plant And Equipment

Nymox and Serex laboratory facilities in Maywood, New Jersey comprise 4,687 square feet of leased space. That lease agreement expires February 28, 2005. Nymox office and research facilities in St. Laurent, Quebec, Canada comprise 6,923 square feet of leased space. The lease agreement expires on August 31, 2005. Nymox Pharmaceutical Corp. and its two US subsidiaries Nymox Corp. and Serex, Inc. own a full complement of equipment used in all aspects of their research and development work and the Nymox reference laboratory. Nymox believes that its facilities are adequate for its current needs and that additional space, if required, would be available on commercially reasonable terms.

Governmental Regulation

Our AlzheimAlert(TM) test which we provide as a service through our clinical reference laboratory in Maywood, New Jersey is subject to extensive government regulation in the United States. Our clinical reference laboratory and its performance of the AlzheimAlert(TM) must be certified by the Centers for Medicare & Medicaid Services (CMS) under the Clinical Laboratory Improvement Amendments (CLIA), which establishes quality standards for the laboratory tests being performed to ensure the accuracy, reliability and timeliness of patient test results. In addition, some individual states such as New York, Florida and New Jersey have their own requirements for the inspection and certification of reference laboratories which offer diagnostic services for patients within the state. Finally, the FDA has its own regulations governing in vitro diagnostic products, including analyte-specific reagents used in clinical reference laboratories. Any changes in our current certification status, CMS or state law requirements or in the FDA regulations could have an impact on our future ability to offer or market any reference laboratory services and/or on our ability to obtain reimbursement from the Medicare and Medicaid programs and providers.

We intend to develop and sell a diagnostic kit version of the AlzheimAlert(TM) test. We will need to successfully complete clinical and laboratory validation studies and obtain FDA approval before we can market or sell such a diagnostic kit version outside of the clinical reference laboratory setting in the United States. Such approval for this type of commercial development is necessary for

all in vitro diagnostic kits.

The regulatory process leading to such approval can be time-consuming and expensive and can result in an outright denial or a very limited approval only. Our product will be subject to subject to premarketing and postmarketing requirements applicable to such devices, including those governing:

- clinical testing;
- design control procedures;
- prior FDA approval of a 510(k) application, where the FDA has determined that our diagnostic device is substantial equivalent to a marketed device, or a premarket approval application, where the FDA has been satisfied with clinical studies demonstrating the safety and efficacy of our device;
- postmarketing record and reporting obligations; and

- good manufacturing practices.

The requirements for a premarket approval application are analogous to those for the approval of a new drug and include four categories of information: indications for use, device description and manufacturing methods, alternative practices and procedures for the diagnosis of the disease and clinical and nonclinical studies. The requirements for a 510(k) application are generally less onerous but still include indications for use, safety and effectiveness data as well as manufacturing and quality assurance data and information. There can be no assurance that the AlzheimAlert(TM) test or any other medical device that we may develop in the future will obtain the necessary approvals within a specified time framework, if ever. In addition, the FDA may impose certain postmarketing requirements that may significantly increase the regulatory costs associated with our product. The FDA has recourse to a wide range of administrative sanctions and civil and criminal penalties in order to enforce the applicable laws, rules and regulations.

Our therapeutic products under development by Nymox would also have to receive regulatory approval. This is a costly, lengthy and risky process. In the United States, in order for a product to be marketed, it must go through four distinct development and evaluation stages:

Product Evaluation

We must conduct preliminary studies of potential drug candidates using various screening methods to evaluate them for further testing, development and marketing.

Optimization of Product Formulation

The activities in this stage of development involve consultations between us and investigators and scientific personnel. Preliminary selection of screening candidates to become product candidates for further development and further evaluation of drug efficacy is based on a panel of research based biochemical measurements. Extensive formulation work and in vitro testing are conducted for each of various selected screening candidates and/or product candidates.

Clinical Screening and Evaluation

During this phase of development, portions of which may overlap with product evaluation and optimization of product formulation, initial clinical screening of product candidates is undertaken and full scale clinical trials commence. The FDA must approve any clinical testing on healthy subjects (Phase 1) and on patients (Phase 2 and 3).

Final Product Development

The activities to be undertaken in final product development include performing final clinical evaluations, conducting large-scale experiments to confirm the reproducibility of clinical responses, making clinical lots for any additional extensive clinical testing that may be required, performing any further safety studies required by the FDA, carrying out process development work to allow pilot scale production of the product, completing production demonstration runs for each potential product, filing new drug applications, product license applications, investigational device exemptions (and any necessary supplements or amendments) and undergoing comprehensive regulatory approval programs and processes.

We cannot assure you that we will successfully complete the development and commercialization of any therapeutic products.

In the United States, obtaining the necessary FDA approval for any drug is a lengthy, expensive and often arduous process. We cannot predict with any certainty the amount of time the FDA will take to approve one of our drugs or even whether any such approval will be forthcoming. Similar requirements exist in many other countries.

In the United States, the FDA approval procedure is a two-step process. We must file an investigational new drug application for each product with the FDA before beginning the initial (Phase I) clinical testing of the new drug in healthy subjects. If the FDA has not commented on or questioned the application within 30 days of its filing, initial clinical studies may begin. If, however, the FDA has comments or questions, the questions must be answered to the satisfaction of the FDA before initial clinical testing can begin. In some instances, this process could result in substantial delay and expense. Phase I studies are intended to demonstrate the functional characteristics and safety of a product.

After Phase I testing, we must conduct extensive clinical trials with patients in order to establish the efficacy and safety of our drug. Once we complete the required clinical testing, we expect to have to file a new drug application for FDA approval in order to market most, if not all, of our new drugs. The application is complicated and detailed and must include the results of extensive clinical and other testing, the cost of which is substantial. The FDA conducts an extensive and often lengthy review of such applications. The agency is required to review applications within 180 days of their filing, but, during the review, frequently requests that additional information be submitted. This starts the 180-day regulatory review period anew when the requested additional information is submitted and, as a result, can significantly extend the review period. Until the FDA actually approves the new drug application, there can be no assurance that the agency will consider the information requested and submitted to justify approval. The packaging and labeling of products are also subject to FDA regulation. Accordingly, it is impossible to anticipate when the FDA will approve a new drug application.

We must also obtain approval for our drugs or diagnostic devices from the comparable regulatory authority in other countries before we can begin marketing our product in that country. The approval procedure varies from country to country and can involve additional testing. The time required may differ from that required for FDA approval. Although there are some procedures for unified filings for certain European countries, in general each country has its own procedures and requirements, many of which are time-consuming and expensive. Thus, there can be substantial delays in obtaining required approvals from both the FDA and foreign regulatory authorities after the relevant applications are

filed.

After such approvals are obtained, further delays may be encountered before the products become commercially available. If, subsequent to approval, new information becomes available concerning the safety or effectiveness of any approved product, the regulatory authority may require the labeling for the affected product to be revised or the product to be withdrawn. Our manufacturing of any approved drug must conform with the FDA's good manufacturing practice regulations which govern the production of pharmaceutical products and be subject to inspections and compliance orders.

Government regulation also affects our ability to receive an appropriate level of reimbursement for our products. Throughout the developed world, both public and private health care plans are under considerable financial and political pressure to contain their costs. The two principal methods of restricting expenditures on drugs and diagnostic products and services are to deny coverage or, if coverage is granted, to limit reimbursement. For single-payer government health care systems, a

decision to deny coverage or to severely restrict reimbursement for one of our products can have an adverse effect on our business and revenues.

In the United States, where, to a significant degree, the patient population for our products is elderly, Medicare and Medicaid are sources of reimbursement. In general, any restriction on reimbursement, coverage or eligibility under either program could adversely affect reimbursement to Nymox for products and services provided to beneficiaries of the Medicare and/or Medicaid programs. Many elderly people are covered by a variety of private health care organizations either operating private health care plans or Medicare or Medicaid programs subject to government regulation. These organizations are also under considerable financial constraints and we may not be able to secure coverage or adequate reimbursement from these organizations. Without coverage, we will have to look to the patients themselves who may be unwilling or unable to pay for the product; in turn, doctors may be reluctant to order or prescribe our products in the absence of coverage of the product for the patient.

In response to rising health care costs, the U.S. Congress implemented sweeping changes to the U.S. Medicare and Medicaid systems in the Balanced Budget Act of 1997 and is currently considering a number of other proposals that could significantly impact on the level of funding for Medicare and Medicaid programs. Under the new Part C: Medicare + Choice programs, beneficiaries can now opt for a variety of health delivery models, including coordinated care plans, HMOs, preferred provider organizations and provider sponsored organizations, private fee-for-service plans and medical savings account plans. In addition, states now have the option to require Medicaid recipients to enroll with managed health care plans without first obtaining a waiver, making it substantially easier for the states to meet their Medicaid obligations through private managed care organizations. All these health care delivery systems, including the original Medicare and Medicaid systems, are subject to funding formulas and spending caps and may compensate for these restrictions by limiting coverage, eligibility and/or payments. The long-term impact of these legislative changes in terms of their efficiency, effectiveness and financial viability in delivering health care services to an aging population is uncertain at present. Any legislative or regulatory actions to reduce or contain federal spending under either the Medicare or Medicaid programs could adversely affect our ability to participate in either program as a provider or supplier of services or products and the amount of reimbursement under these programs potentially available to us.

Our AlzheimAlert(TM) test, and any of the new diagnostic and therapeutic products and services that we may develop, will be subject to coverage determinations by health care providers and payers. Federal and state regulations and law and internal coverage policies of health care organizations affect our ability to obtain payments for our products and services. The Medicare program will not pay for any expenses incurred for items or services that are not reasonable and necessary for the diagnosis or treatment of illness or injury or to improve the functioning of a malformed body member. Historically, CMS interpreted this provision in order to exclude from Medicare coverage those medical and health care services that are not demonstrated to be safe and effective by acceptable clinical evidence. CMS recently revised both its national coverage policies and procedures in general and specifically its coverage of diagnostic laboratory tests and constituted a Medicare Coverage Advisory Committee to provide advice on the effectiveness and appropriateness of medical items and services that are eligible for coverage under Medicare. It is unknown how these changes will affect our ability to obtain Medicare coverage for its products and services. However, an adverse national coverage decision with respect to one of our products or services will make it impossible to receive reimbursement from Medicare for that product and more difficult to convince private health care organizations to provide coverage for it. Even if we receive a favorable coverage decision for one of our products or services,

there is no guarantee that the level of reimbursement for it will be close to our retail price for it or commensurate with the costs of developing and marketing it.

Patents And Proprietary Information

We believe that patent and trade secret protection is important to our business, and that our success will depend, in part, on our ability to obtain strong patents, to maintain trade secret protection and to operate without infringing the proprietary rights of others.

The commercial success of products incorporating our technologies may depend, in part, upon our ability to obtain strong patent protection. We cannot assure you that additional patents covering new products or improvements will be issued or that any new or existing patents will be of commercial benefit or be valid and enforceable if challenged.

We pursue a policy of seeking patent protection for valuable patentable subject matter of our proprietary technology and require all employees, consultants and other persons who may have access to its proprietary technology to sign confidentiality agreements.

Nymox has fourteen U.S. patents issued or allowed and thirteen U.S. patent applications pending and a corresponding larger number of patents and patent applications worldwide relating to the inventions and discoveries in those patents and patent applications. Nymox has issued patents in the main European markets, including Great Britain, Germany, France, Italy, The Netherlands, Sweden and Spain among others and in other countries such as Japan, Canada and Australia. These patents and patent applications cover much of our current product development and technologies, including new drug candidates, proprietary screening technologies for finding drugs, promising diagnostic markers, new diagnostic assay methods, methods of treating meat and other food products; and anti-infective agents. The earliest expiry date for its patents is in March, 2007; the next is in February, 2009 and the rest range from 2010 through 2017.

Nymox's subsidiary, Serex, has nine patents issued or allowed and five patent applications pending in the United States and a corresponding larger number of

patents and patent applications worldwide. These patents and patent applications cover such areas as Serex's proprietary diagnostic technologies and methodologies. The expiry dates for its patents range from 2012 to 2017.

Nymox also has exclusive rights to five issued or allowed U.S. patents and five pending U.S. patent applications as well as a corresponding larger number of patents and patent applications worldwide through research and license agreements. The earliest of these patents expires in 2014.

Many companies have patents covering various drugs, methods and discoveries in the fields of diagnostics and therapeutics for Alzheimer's disease and related conditions and of new anti-infective agents. We believe that the patents issued to date will not preclude Nymox from developing and marketing our products; however, it is impossible to predict the extent to which licenses from third parties will be necessary. If Nymox were to need licenses from third parties there can be no assurance that we could obtain such licenses on commercially reasonable terms, if at all.

In the fields of diagnostic methods and diagnostic tests for common human diseases and conditions, where Serex has many of its patents, there are many patents issued covering many areas of diagnostic methods, tests and technologies. We believe that these patents issued to date to other companies will

not preclude Serex from developing and marketing its products but you should be aware that it is often difficult to determine the nature, breadth and validity of competing patent claims in these fields, that there has been significant litigation in some of these areas (not involving Serex) and that, if and when Serex's products become more commercially successful, Serex's products or patents may become the subject matter of litigation. If Serex were to need licenses from third parties there can be no assurance that it could obtain such license on commercially reasonable terms, if at all.

Neither Nymox nor Serex are currently involved in litigation over patent and other intellectual property rights but significant litigation over these matters in the pharmaceutical and biotechnology industry is not uncommon. The validity and extent of patent rights can be very difficult to determine and involve complex legal, factual and scientific questions. Important legal issues about patent protection in the field of biotechnology have not been resolved. Patent litigation is costly and time-consuming and can consume substantial resources. An adverse decision can preclude the marketing of a product, expose us to significant liabilities or require us to obtain third party licenses, which may not be available at commercially reasonable prices.

We also rely upon trade secrets, know-how, and continuing technological advancement to develop and maintain our competitive position. We control the disclosure and use of our know-how and confidential information through agreements with the parties involved. In addition, we have confidentiality agreements with our key employees, consultants, officers and directors. There can be no assurance, however, that all confidentiality agreements will be honored, that others will not independently develop equivalent technology, that disputes will not arise as to the ownership of intellectual property, or that disclosure of our trade secrets will not occur. Furthermore, there can be no assurance that others have not obtained or will not obtain patent protection that will exclude us from using our trade secrets and confidential information. To the extent that consultants or research collaborators use intellectual property owned by others in their work with us, disputes may also arise as to the rights to related or resulting know-how or inventions.

Competition

Rapidly evolving technology and intense competition are the hallmarks of modern pharmaceutical and biotechnology industries. Our competitors include:

- major pharmaceutical, diagnostic, chemical and biotechnology companies, many of which have financial, technical and marketing resources significantly greater than ours;

- biotechnology companies, either alone or in collaborations with large, established pharmaceutical companies to support research, development and commercialization of products that may be competitive with ours; and

- academic institutions, government agencies and other public and private research organizations which are conducting research into Alzheimer's disease and which increasingly are patenting, licensing and commercializing their products either on their own or through joint ventures.

In the field of Alzheimer's disease diagnosis, our AlzheimAlert(TM) test faces growing competition which could detrimentally impact on our ability to successfully market and sell our diagnostic test. Our competitors include:

- Athena Diagnostics, Inc. which is currently marketing three tests claimed to aid in the diagnosis of Alzheimer's disease: a genetic test for the rare cases of familial, early-onset Alzheimer's disease; a genetic test for a relatively common mutation of a gene said to increase the likelihood of a person with at least one of the genes contracting the disease; and a test for two proteins in the spinal fluid of patients.

- Mitokor, Inc. which developed a blood test known as Mito-Load that looks for certain mutations in mitochondrial DNA said to be associated with Alzheimer's disease. Mitokor recently entered into a non-exclusive licensing agreement in Japan for the marketing and sale of its product there.

- Synapse Technologies, Inc. which developed a blood test known as p97 Diagnostic that detects a protein said to be diagnostic of Alzheimer's disease. Synapse Technologies also licensed its technology for use in Japan.

- NeuroLogic, Inc., which announced in September, 1999 that it acquired an exclusive world-wide license to a cellular test for Alzheimer's disease.

There are also a number of other proposed biochemical signs of the disease that could potentially be developed into a commercial diagnostic test as well as various scanning and imaging technologies which might compete some day for a portion of the diagnostic market for Alzheimer's disease.

We also face intense competition for the development of an effective treatment for Alzheimer's disease. The market conditions for an Alzheimer's disease drug strongly favor the entry of other corporations into the area. The current market for therapeutic drugs for Alzheimer's disease is an estimated $2 billion. This market is expected to grow rapidly as new drugs enter the market and as the baby boom generation becomes more at risk for developing Alzheimer's disease. As a result, most of the major pharmaceutical companies and many biotechnology companies have ongoing research and development programs for drugs and treatments for Alzheimer's disease. Many of these companies have much greater scientific, financial and marketing resources than we have and may succeed in

developing and introducing effective treatments for Alzheimer's disease before we can. At present, three drugs for Alzheimer's disease are being widely marketed in the United States, Aricept(R) by Pfizer, Exelon(R) by Novartis and Reminyl(R) by Janssen. These three drugs only treat some of the symptoms of Alzheimer's disease by enhancing memory and other mental functions and not the underlying causes of the illness.

A similar competitive reality prevails in the field of novel anti-infectives. Over the past ten years, there has been an increasing awareness of the medical need and of emerging market opportunities for new treatments for antibiotic resistant bacterial infections. Many of the major pharmaceutical companies are developing anti-infective drugs that either modify their existing drugs or involve new anti-bacterial properties. Many biotechnology companies are developing new classes of anti-bacterial drugs. At least three major pharmaceutical companies have vaccines against bacterial infections in development. To the extent that these companies are able to develop drugs or vaccines that offer treatment for some or all of the indications for our anti-infectives, the market for our products may be adversely affected.

Our treatments under development for enlarged prostate (benign prostatic hyperplasia or BPH) face significant competition from existing products. There are five drugs approved for treatment of BPH: finasteride (Proscar(R)), terazozin (Hytrin(R)), doxazozin (Cardura(R)), tamsulosin (Flomax(R)) and prazosin (Minipres(R)). There are a number of thermal treatments on the market designed to shrink the enlarged prostate by heating its tissue with a device inserted through the urethra (the tube leading from the bladder through the penis through which men urinate) or through the abdomen. The devices on the market use microwave energy (Prostatron(R), Targis Therapy(R) or TherMatrx(R)), low level radiowaves (TUNA System(R)), lasers (Indigo LaserOptic Treatment System(R)), direct heat or hot water to heat or burn away prostate tissue. A variety of surgical procedures exist to surgically reduce or remove the prostate or to widen the urethra. These include procedures to cut away prostate tissue such as TURP (transurethral resection of the prostate) and using a resectoscope with an electrical loop inserted through the penis to cut the prostate tissue. A small device used to widen the constricted urethra called a prostatic stent can also be inserted.

The problem of E. coli O157:H7 contamination of hamburger meat and other food products is also well-known and a number of companies and researchers have been pursuing various potential solutions, including irradiation with x-rays, better detection of contamination, electronic pasteurization, vaccination and competitive exclusion of the pathogenic E. coli bacteria by harmless bacteria. The development of alternative solutions to the problem of E. coli infection may adversely affect the market for our treatment for E. coli O157:H7 infection in cattle and contamination of food products.

Marketing

We currently market our AlzheimAlert(TM) test as a clinical reference laboratory service primarily in the United States. We are also marketing NicAlert(TM) and NicoMeter(TM) tests, which can determine a person's exposure to tobacco products, in the United States through our own marketing arm and distributors, in Japan with Mizuho Medy Co. Ltd. of Japan and in Switzerland with Health4u AG. We have not started to commercially market or distribute any of our other products under development and most of them will require regulatory approval in each country before being marketed there.

At present, we have a network of over 60 independent medical representatives and do most of our marketing ourselves. To increase our marketing, distribution and

sales capabilities both in the United States and around the world, we will need to enter into licensing arrangements, contract sales agreements and co-marketing deals. We cannot assure you that we will be able to enter into agreements with other companies on terms acceptable to us, that any licensing arrangement will generate any revenue for the company or that the costs of engaging and retaining the services of a contract sales organization will not exceed the revenues generated.

If successfully developed and approved, we plan to market and sell our therapeutic and diagnostic products directly or through co-promotion arrangements or other licensing arrangements with third parties. In cases where we have sole or shared marketing rights, we plan to build a small, focused sales force if and when such products approach marketing approval in some markets, including Europe. Implementation of this strategy will depend on many factors, including the market potential of any products we develop as well as on our financial resources. To the extent we will enter into co-promotion or other licensing arrangements, any revenues received by us will be dependent on the efforts of third parties.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

General

We are a development stage biopharmaceutical company that specializes in the research and development of therapeutics and diagnostics for the aging population with an emphasis on Alzheimer's disease.

We have begun to market the AlzheimAlert(TM) test, which we provide in our clinical reference laboratory, that is an aid to the diagnosis of Alzheimer's disease. AlzheimAlert(TM) is an improved version of our AD7C(TM) test, from which we began generating revenue from sales in 1997.

We also market NicAlert(TM) and NicoMeter(TM), our two products, which determine a person's level of exposure to tobacco products.

We have under development therapeutic agents for the treatment of Alzheimer's disease, for the treatment of enlarged prostate (BPH) and of certain antibiotic-resistant infections as well as antibacterial agents for E. coli contamination of food and drink products.

We also have the rights to a U.S. patent for the use of statin drugs for the treatment or prevention of Alzheimer's Disease.

We have incurred operating losses throughout our history. Management believes that such operating losses will continue for the next few years. The costs relating to clinical trials for our potential therapeutic products will increase expenditures and delay profitability, despite anticipated increases in sales revenue in the coming years.

All figures are presented in U.S. dollars, unless otherwise stated.

Liquidity And Capital Resources

We fund our operations and projects primarily by selling shares of Nymox's common stock. However, since 1997, a small portion of our funding came from sales. This source of funding became more significant in late 1998, following the launch of our urinary version of the AD7C(TM) test. Since its incorporation in May, 1995, Nymox raised the capital necessary to fund its on-going research and development work and its marketing and sales operations primarily through

private placements of its shares.

On December 1, 1997, our common shares began trading on the Nasdaq Stock Market. Nymox's common shares also traded on the Montreal Exchange from December 18, 1995 to November 19,1999.

Private placements completed by Nymox since December, 1995 are as follows:

- December 1995, 1,578,635 common shares at a price of CAN$2.00 (US$1.38) per share for total proceeds of CAN$3,157,270 (US$2,187,536);
- April 1996, 877,300 common shares at a price of CAN$6.00 (US$4.15) per share for total proceeds of CAN$5,263,800 (US$3,647,059);

- May 1997, 696,491 common shares at a price of CAN$6.50 (US$4.50) and warrants exercisable at a price of CAN$8.50 (US$5.88) per share for total proceeds of CAN$4,527,191 (US$3,136,694). In 1998, all 696,491 of these warrants were exercised for additional proceeds to Nymox of CAN$5,920,174 (US$4,101,832);
- May 1998, 231,630 common shares at a price of CAN$8.50 (US$5.88) for total proceeds of CAN$1,968,855 (US$1,364,134). A total of 110,000 warrants were issued as well, exercisable at a price of CAN$8.50 (US$5.88) per share (50,000) and CAN$10.00 (US$6.93) per share (60,000). These warrants have since expired;
- December 1998, 135,000 common shares and January 1999, 55,000 common shares at CAN$8.50 (US$5.88) per share, for total proceeds of CAN$1,615,000 (US$1,118,963). A total of 95,000 warrants were issued as well, exercisable at the price of CAN$10.00 (US$6.93) per share. These warrants have since expired;
- September 1999, 122,000 common shares at CAN$5.00 (US$3.46) per share, for total proceeds of CAN$610,000 (US$422,642).
- March 2000, 821,637 common shares at an average price of $4.87 per share, for total proceeds of $4,000,000. A total of 93,334 warrants were issued as well, exercisable at a price of $9.375 per share (66,667) and $7.8125 per share (26,667). These warrants expire on March 6, 2004.
- March, 2001, 200,000 common shares at $2.06 per share, for total proceeds of $412,000. A total of 100,000 warrants were issued as well, exercisable at a price of $2.06. These warrants were exercised on February 17, 2003.
- August 3, 2001, 80,000 common shares at $2.50 per share for total proceeds of $200,000.
- August 22, 2001, 140,000 common shares at $3.75 per share for total proceeds of $525,000.
- October 3, 2001, 110,000 common shares at $3.75 per share for total proceeds of $412,500.
- November 14, 2001, 64,100 common shares at $3.90 per share for total proceeds of $250,000.
- January 24, 2002, 74,074 common shares at $4.05 per share for total proceeds of $300,000.
- March 18, 2002, 195,000 common shares at $4.20 per share for total proceeds of $819,000.
- June 18, 2002, 90,000 common shares at $4.00 per share for total proceeds of $360,000.
- July 17, 2002, 86,000 common shares at $4.68 per share for total proceeds of $403,000.
- September 9, 2002, 91,000 common shares at $4.40 per share for total proceeds of $400,400.
- November 27, 2002, 53,500 common shares at $3.75 per share for total proceeds of $200,625.
- December 17, 2002, 125,000 common shares at $4.10 per share for total proceeds of $512,500.

- February 17, 2003, 100,000 warrants were exercised at a price of $2.06 per share for total proceeds of $206,000.

From March 2000 to January 2003, we received a total of $1,327,273 for the following sales of our shares pursuant to a common stock purchase agreement with an investment company.

- August 16, 2000, 152,616 common shares at a volume weighted average price of $3.2924 per share;
- October 12, 2000, 137,889 common shares at a volume weighted average price of $3.6261 per share;
- February 7, 2001, 161,696 common shares at a volume weighted average price of $2.0240 per share;
- May 31, 2001, 56,108 common shares at a volume weighted average price of $1.9466 per share.

This common stock purchase agreement expired in January 2003. As part of the agreement we issued to the investment company a stock purchase warrant, which expires November 30, 2004, permitting it to purchase up to 200,000 shares of our common stock at an exercise price of $4.53 per share.

On January 27, 2003 we entered into a Common Stock Private Purchase Agreement with an investment company, Lorros-Greyse Investments, Ltd., for the future issuance and purchase of Nymox's common shares. We expect this stock purchase agreement to provide sufficient financing to enable us to advance our research and product development for the next two years.

In general, the agreement provides Nymox with a commitment from the investment company to purchase up to $5 million of Nymox's common shares over the twenty-four month period beginning in January 2003. At any time during that period, we may give notice to the investment company requiring it to purchase a specified dollar amount of our shares. The amount specified in any one notice may be up to $500,000 but not less than $150,000. The maximum amount can be higher if both parties agree. The number of shares Nymox will issue to the investment company in return for that money will be equal to the amount specified in the notice divided by 97% of the average market price of our common shares for the five trading days preceding the giving of the notice.

Since January 27, 2003, we have received a total of $1,400,000 for the following shares under this common stock private purchase agreement:

- January 30, 2003, 107,382 common shares at a price of $3.725 per share.
- March 3, 2003, 245,098 common shares at a price of $4.08 per share.

On April 30, 2003, Nymox had $3.6 million of financing available under the facility.

Also, the Company has received total proceeds of $669,144 from the exercise of 256,900 options since 1995 as follows:

- $355,536 for 158,900 shares at a per share price of $2.25.
- $258,858 for 83,000 shares at a per share price of $3.12.
- $16,000 for 5,000 shares at a per share price of $3.20.
- $38,750 for 10,000 shares at a per share price of $3.875.

Pursuant to the share purchase agreement entered into to acquire a controlling interest of Serex, Inc., a total of 257,607 additional shares and 158,526 warrants were issued in exchange for the shares of Serex (see Note 4 "Business Acquisition" in the financial statements).

In total, Nymox has raised over $28 million, since its incorporation in May 1995.

We have no financial obligations of significance other than long-term lease commitments for our premises in the United States and Canada of $14,583 per month in 2003 and ongoing research funding payments to a U.S. medical facility totaling $249,000 for 2003. Total commitments beyond 2002 are summarized in note 8 to the consolidated financial statements.

Results Of Operations

YEAR ENDED DECEMBER 31, 2002 COMPARED TO YEAR ENDED DECEMBER 31, 2001

Overview

Since inception, the Company has focused its activities on developing certain pharmaceutical technologies and obtaining outside funding to support the continued development of its technologies. The Company has incurred losses since inception of operations. Future profitability will depend on the Company's ability to generate revenues from the sale of products and the licensing of technology sufficient to offset the expenditures required to further the Company's research and development program and ongoing operations. See Item 4 of this report for a description of the projects in the Company pipeline.

Effective January 1, 2000, the Company adopted the US dollar as its measurement currency. All amounts presented are in US dollars.

In 2000, the Company acquired a majority interest in Serex, Inc. for a consideration comprising common shares, warrants and options.

Critical Accounting Policies

In December 2001, the Securities and Exchange Commission ("SEC") released "Cautionary Advice Regarding Disclosure About Critical Accounting Policies". According to the SEC release, accounting policies are among the "most critical" if they are, in management's view, most important to the portrayal of the company's financial condition and most demanding on their calls for judgement.

Our accounting policies are described in the notes to our consolidated financial statements. We consider the following policies to be the most critical in understanding the judgements that are involved in preparing our financial statements and the matters that could impact our results of operations, financial condition and cash flows.

Revenue Recognition

The Corporation applies guidance from SAB 101 (Staff Accounting Bulletin 101) issued by the Securities and Exchange Commission in the recognition of revenue. The Company derives its revenue from product sales, research contracts, license fees and interest. Revenue from product sales is recognized when the product or service has been delivered or obligations as defined in the agreement are performed. Revenue from research contracts is recognized at the time research activities are performed under the agreement. Revenue from license fees, royalties and milestone payments is recognized upon the fulfillment of all obligations under the terms of the related agreement. These agreements may include upfront payments to be received by the Corporation. Upfront payments are recognized as revenue on a systematic basis over the period that the related services or obligations as defined in the agreement are performed. Interest is

recognized on an accrual basis. Deferred revenue presented in the balance sheet represents amounts billed to and received from customers in advance of revenue recognition.

The Company currently markets AlzheimAlert(TM) as a service provided by our CLIA certified reference laboratory in New Jersey. Physicians send urine samples taken from their patients to our laboratory where the AlzheimAlert(TM) test is performed. The results are then reported back to the physicians. We recognize the revenues when the test has been performed. The Company sometimes enters into bulk sales of its diagnostic products to customers under which it has a continuing obligation to perform related testing services at its laboratory. Although the Company receives non-refundable upfront payments under these agreements, revenue is recognized in the period that the Company fulfils its obligation or over the term of the arrangement. For research contracts and licensing revenues, the Company usually enters into an agreement specifying the terms and obligations of the parties. Revenues from these sources are only recognized when there are no longer any obligations to be performed by the Company under the terms of the agreement.

Valuation of Capital Assets

The Company reviews the unamortized balance of property and equipment, intellectual property rights and patents on an annual basis and recognizes any impairment in carrying value when it is identified. Factors we consider important, which could trigger an impairment review include:

- Significant changes in the manner of our use of the acquired assets or the strategy for our overall business; and
- Significant negative industry or economic trends.

No impairment losses were recognized for the periods ended December 31, 2002, 2001 and 2000.

Valuation of Future Income Tax Assets

Management judgement is required in determining the valuation allowance recorded against net future tax assets. We have recorded a valuation allowance of $7.8 million as of December 31, 2002, due to uncertainties related to our ability to utilize some of our future tax assets, primarily consisting of net operating losses carried forward and other unclaimed deductions, before they expire. In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income and tax planning strategies. The generation of future taxable income is dependent on the successful commercialization of our products and technologies.

Results of Operations

Revenues
Revenues from sales amounted to $356,162 for the year ended December 31, 2002, compared with $235,288 for the year ended December 31, 2001. The increase is attributable principally to higher sales volumes for NicAlert(TM) (increase of 94%). Interest revenue was $5,586 in 2002 compared to $17,918 in 2001, due to lower average cash balances. In 2002, one customer accounted for 33% of revenues and three customers accounted for 65% of total revenues.

Research and Development
Research and development expenditures were $1,706,086 for the year ended December 31, 2002, compared with $1,499,654 for the year ended December 31, 2001. The increase is attributable to higher spending in the development of the therapeutic products in the Company's pipeline. In 2002, research tax credits amounted to $16,656 compared to $20,052 in 2001.

Marketing Expenses
Marketing expenditures were $235,925 for the year ended December 31, 2002, in comparison to expenditures of $343,244 for the year ended December 31, 2001. The decrease is attributable to reduced costs relating to marketing agreements.

Administrative Expenses
General and administrative expenses amounted to $1,230,439 for the year ended December 31, 2002, compared with $1,087,326 in the year ended December 31, 2001, due primarily to increased Directors & Officers insurance premiums (increase of 240%).

Foreign Exchange
The Company incurs expenses in the local currency of the countries in which it operates, which include the United States and Canada. Approximately 75% of 2002 expenses (75% in 2001) were in U.S. dollars. Foreign exchange fluctuations had no meaningful impact on the Company's results in 2002 or 2001.

Inflation
The Company does not believe that inflation has had a significant impact on its results of operations.

Long-Term Commitments
Nymox has no financial obligations of significance other than long-term lease commitments for its premises in the United States and Canada of $14,583 per month and ongoing research funding payments to a U.S. medical facility totaling approximately $479,000 over the next two years. The timing of our contractual commitments are as follows:

	2003	2004	2005	Total
Operating Leases	$175,000	$175,000	$69,000	$419,000
Research Licensing	$249,000	$230,000		$479,000

Results of Operations
Net losses for the period ended December 31, 2002 were $3,422,019, or $0.15 per share, compared to $3,049,504, or $0.14 per share, for the same period in 2001. The weighted average number of common shares outstanding for the year ending December 31, 2002 were 22,651,639 compared to 21,873,966 for the same period in 2001.

Financial Position

Liquidity and Capital Resources

As of December 31, 2002, cash totaled $660,629 and receivables totaled $101,364. In January 2003, the Corporation signed a common stock private purchase agreement whereby the investor is committed to purchase up to $5 million of the Corporation's common shares over a twenty-four month period commencing January 2003. As at March 31, 2003, two drawings had been made under this purchase

agreement, for total proceeds of $1,400,000. Specifically, on January 30, 2003,

107,382 common shares were issued at a price of $3.725 per share and on March 3, 2003, 245,098 common shares were issued at a price of $4.08 per share. The Company intends to access financing under this agreement when appropriate to fund its research and development.

During 2002, the Company completed seven private placements and issued 714,574 common shares for total proceeds of $2,995,525. On January 24, 74,074 shares were issued at a price of $4.05 in a private placement for total proceeds of $300,000. On March 18, 195,000 shares were issued at a price of $4.20 in a private placement for total proceeds of $819,000. On June 18, 90,000 shares were issued at a price of $4.00 in a private placement for total proceeds of $360,000. On July 17, 86,000 shares were issued at a price of $4.68 in a private placement for total proceeds of $403,000. On September 9, 91,000 shares were issued at a price of $4.40 in a private placement for total proceeds of $400,400. On November 27, 53,500 shares were issued at a price of $3.75 in a private placement for total proceeds of $200,625. On December 17, 125,000 shares were issued at a price of $4.10 in a private placement for total proceeds of $512,500.

The Company used cash of $2,406,600 in operations in 2002 compared to $2,595,201 in 2001. The Company invested $605,538 in additional capital assets in the year ended December 31, 2002, consisting mostly of patent costs, compared to $340,662 in the same period in 2001. The Company believes that funds from operations as well as from existing equity facilities will be sufficient to meet the Company's cash requirements for the next twelve months.

YEAR ENDED DECEMBER 31, 2001 COMPARED TO YEAR ENDED DECEMBER 31, 2000

Revenue

Revenue from sales amounted to $235,288 for the year ended December 31, 2001, compared with $157,688 for the year ended December 31, 2000. The increase is attributable to higher sales volumes for both AlzheimAlert(TM) ($113,132) and NicAlert(TM) ($122,156) in 2001 compared to 2000 (AlzheimAlert(TM) increased 93% and NicAlert(TM) increased 23%). The Company also earned revenue from research and licensing contracts ($127,403). Research contract revenue ($30,000) was funded by the Foundation for Nutritional Advancement. A director and officer of the Foundation is also a director of the Company. License fees ($97,403) include the sale of certain rights to a third party in 2001 for which the Company has no continuing obligations. Interest revenue was $17,918 in 2001 compared to $68,179 in 2000, due to lower average cash balances. In 2001, one customer accounted for approximately 26% of revenue and, in total, 5 customers accounted for 54% of revenue in 2001. In 2000 and 1999, no single customer accounted for more than 10% of revenue.

Expenses

Research and development expenditures were $1,499,654 for the year ended December 31, 2001, compared with $2,084,232 for the year ended December 31, 2000. Management reduced its salary expenses in R&D by reducing staff, while advancing its development of the products in the Company's pipeline. In 2001, research tax credits amounted to $20,052 compared to $10,457 in 2000.

Marketing expenditures remained relatively constant at $343,244 for the year ended December 31, 2001, in comparison to the expenditures of $363,142 for the year ended December 31, 2000.

General and administrative expenses amounted to $1,087,326 for the year ended December 31, 2001, compared with $1,335,500 in the year ended December 31, 2000.

The decrease is principally due to reductions in professional fees.

Results of Operations

Net losses for the period ended December 31, 2001 were $3,049,504, or $0.14 per share, compared to $4,023,979, or $0.19 per share, for the same period in 2000. The weighted, fully diluted, average number of common shares outstanding for the period ending December 31, 2001 were 21,995,694 compared to 21,130,286 for the same period in 2000.

The Company invested $340,662 in additional capital assets in the year ended December 31, 2001, consisting mostly of patent costs, compared to $381,568 in the same period in 2000.

YEAR ENDED DECEMBER 31, 2000 COMPARED TO YEAR ENDED DECEMBER 31, 1999

Revenue

Revenue from sales amounted to $157,688 for the year ended December 31, 2000, compared with $153,252 for the year ended December 31, 1999. Sales for fiscal 2000 include the revenue from sales of the NicAlert(TM) test of $99,148 and for the diagnostic test AlzheimAlert(TM) and its predecessor AD7C(TM) of $58,540. The price for AlzheimAlert(TM) was reduced in 2000, resulting in a drop in revenue but not in sales volume for this product. Interest revenue was $68,179 in 2000, compared to $36,951 in 1999, derived from interest earned on the Company's cash balances. The AlzheimAlert(TM) test is an improved version of this diagnostic product and we anticipate an increase in sales volume and revenue for this product in the coming years.

Expenses

Research and development expenditures were $2,084,232 for the year ended December 31, 2000, compared with $1,137,122 for the year ended December 31, 1999, reflecting a net increase in expenditures in the development of the products in the Company's existing pipeline of $860,380, as well as development of the potential products acquired with the acquisition of Serex Inc. of $86,730. In 2000, research tax credits amounted to $10,457 compared to $4,181 in 1999.

Management reduced its marketing activities resulting in a decrease in expenditures to $363,142 for the year ended December 31, 2000 compared to $942,205 for the year ended December 31, 1999.

General and administrative expenses amounted to $1,335,500 for the year ended December 31, 2000, compared with $1,229,894 in the year ended December 31, 1999. The increase was principally due to the acquisition of Serex Inc. in 2000.

Results of Operations

Net losses for the period ended December 31, 2000 were $4,023,979, or $0.19 per share, compared to $3,314,296, or $0.17 per share, for the same period in 1999. The weighted average number of common shares outstanding for the period ending December 31, 2000 were 20,890,735 compared to 19,886,430 for the same period in 1999.

The Company invested $381,568 in additional capital assets in the year ended December 31, 2000, consisting mostly of patent costs, compared to $164,783 in the same period in 1999.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Directors and Senior Management

Dr. Paul Averback, M.D., D.A.B.P., 52, President and Director since September 1995 and Chairman since June of 2001, is the founder of Nymox and the inventor of much of its initial technology. Prior to founding Nymox, Dr. Averback served as President of Nymox's predecessor, DMS Pharmaceuticals Inc. He received his M.D. in 1975 and taught pathology at universities, including Cambridge University, England (1977-1980), during which time he initiated his research on Alzheimer's disease. He has practiced medicine in numerous Canadian institutions as well as in private practice. Dr. Averback has published extensively in the scientific and medical literature.

Dr. Hans Black, MD, 49, Director since May 13, 1999, has a doctorate in medicine from McGill University, and has been Chairman and Chief Investment Officer of Interinvest Consulting Corporation, a Montreal-based global money management firm with offices in Toronto and Boston and affiliates in Bermuda and Zurich, for over twenty five years. Dr. Black appears regularly on the PBS network show, Nightly Business Report, and has been a guest lecturer at Harvard, Temple and McGill Universities. Dr. Black is a member of the boards of Fonds de Recherche de l'Institut de Cardiologie de Montreal and L'Opera de Montreal, a member of the Advisory Council of The Paul H. Nitze School of Advanced International Studies of Johns Hopkins University, and is a member of the board of the NASDAQ-listed Nymox Corporation. In addition, Dr. Black serves as chairman of the board of the Quebec-based food company, Les Aliments SoYummi Inc.

Jack Gemmell, 51, has been a Director since June, 2001 and is Nymox's General Counsel and Chief Information Officer. He graduated from the Faculty of Law at the University of Toronto in 1977 and was called to the bar in 1979. He practiced in private practice primarily in the area of litigation for over 19 years with before joining Nymox in July, 1998.

Michael R. Sonnenreich, 65, Director since April 18, 2000, is a graduate of Harvard University Law School, and has been Senior Partner of Michael Sonenreich, since 1973, Chairman and CEO of Kikaku America International for the past fifteen years, and President and CEO of Glocal Communications Corp. Ltd. of London for the past five years. He is also Vice Chairman of PharMa International Corporation of Tokyo, Director of Asset Advisory Services of Zurich, Member of the Board of Advisors of John Hopkins University School of Advanced International Studies and Member of the Board of Overseers of Tufts University Medical School. Mr. Sonnenreich has in the past been a Board Member or a Trustee of numerous important companies and universities, and has long-term involvements with many non-profit institutions, and served as President of the National Coordinating Council on Drug Education.

Professor Walter P. von Wartburg, 64, Director since April 18, 2000, is a partner in the private law practice of Law & Life Sciences in Basel, Switzerland, specializing in biotech and drug regulatory affairs. Prior to joining Law & Life Sciences, Professor von Wartburg spent 32 years in the pharmaceutical industry. Most recently, from 1996 to 1999, he was Chief Information Officer of Novartis and from 1990-1996, he was Chief of Staff of Ciba-Geigy (which merged with Sandor in 1996 to form Novartis). From 1980 to 1990, he was a member of the Executive Committee of

Ciba-Geigy. He is a law graduate of the Universities of Basel, Paris, Princeton, Stanford and Harvard Law School; Member of the Basel Bar Association and

Professor on public health policy at the Saint Gall Graduate School of Economics, Business and Public Administration. He is author of various books and articles on drug abuse, pharmaceutical legislation, biotechnology, issues management, communications and business administration. He is also the Founder-President of the Swiss Foundation for the Mentally Handicapped "PRO MENTE SANA;" Member of the National Advisory Board of the Bioethics Institute of the Johns Hopkins University and past Chairman of the Board of the University Hospital of Basel.

Michael Munzar, M.D., 49, Medical Director since June 1, 1996, received an M.D. from the Faculty of Medicine, McGill University, in 1979. He practiced medicine for over 15 years in a variety of institutional and private practice settings. He has a diverse medical background that includes most aspects of medical care, including geriatrics and psychiatry. He also has extensive business experience with the establishment, operation and management of medical facilities.

Mr. Roy M. Wolvin, 48, Secretary-Treasurer and Chief Financial Officer since September 1995. Prior to September 1995, Mr. Wolvin was Account Manager, private business, for a Canadian chartered bank. Mr. Wolvin holds a degree in Economics from the University of Western Ontario.

Compensation

The table below provides compensation information for the fiscal year ended December 31, 2002 for each executive officer of Nymox and for the directors and executive officers as a group.

Summary Compensation Table

	Fiscal Year ending Dec. 31, 2002		Fiscal Year ending Dec. 31, 2001	
NAME AND PRINCIPAL POSITION	SALARY	OTHER CASH COMPENSATION	SALARY	OTHER CASH COMPENSATION
Dr. Paul Averback President and C.E.O.	CAN$ 50,000 (US$ 31,839)	--	CAN$ 50,000 (US$ 31,839)	--
Mr. Roy Wolvin Secretary-Treasurer	CAN$ 72,000 (US$ 45,848)	--	CAN$ 72,000 (US$ 45,848)	--
Mr. Jack Gemmell General Counsel	CAN$ 96,000 (US$ 61,130)	--	CAN$ 96,000 (US$ 61,130)	--
Dr. Michael Munzar Medical Director	CAN$159,725 (US$101,710)	--	CAN$138,000 (US$87,876)	--
All directors and senior management as a group	CAN$377,725 (US$240,527)	--	CAN$356,000 (US$226,693)	--

Nymox does not have written ent contracts with any of the senior management named above. Directors of Nymox, with the exception of the President and our General Counsel, are paid a fee of $1,000 for each board meeting attendance and are reimbursed for expenses incurred in connection with their office.

The Company does not have any pension plans or other type of plans providing retirement or similar benefits for senior management.

Board Practices

Directors are elected at each annual meeting for a term of office until the next annual meeting. Executive officers are appointed by the board of directors and serve at the pleasure of the board. Other than Dr. Averback, no other officer or director previously was affiliated with DMS Pharmaceuticals Inc.

There are no family relationships between any director or executive officer and any other director or executive officer.

Nymox does not have written contracts with any of the directors named above. The Company does not have any pension plans or other type of plans providing retirement or similar benefits for directors, nor any benefits upon termination of service as a director.

Nymox's Audit Committee consists of three directors appointed by the Board who are independent of management and who are generally knowledgeable in financial and auditing matters. The Chairman of the Audit Committee is Hans Black, M.D.; the other members are Michael Sonnenreich and Walter von Wartburg.

The primary role of the Audit Committee is to provide independent oversight of the quality and integrity of the accounting, auditing, and reporting practices of the Company with a particular focus on financial statements and financial reporting to shareholders.

Subject to shareholder approval, the Committee is responsible for the appointment, compensation, and oversight of the public accounting firm engaged to prepare or issue an audit report on the financial statements of the Company. It oversees all relationships between the Company and the auditor, including reviewing on an ongoing basis any non-audit services and special engagements that may impact the objectivity or independence of the auditors. The auditors report directly to the Audit Committee. The Audit Committee reviews the scope and results of the audit with the independent auditors.

The Audit Committee meets at least four times a year to review with management and the independent auditors the company's interim and year-end financial condition and results of operations. Its review includes an assessment of the adequacy of the internal accounting, bookkeeping and control procedures of the company.

The Audit Committee also has the responsibility for reviewing on an ongoing basis all material transactions between the company and its affiliates and other related parties such as officers, directors, other key management personnel, major shareholders and their close family members, affiliated companies or associated enterprises.

The Audit Committee has the power to conduct or authorize investigations into any matters within the Committee's scope of responsibilities, including the power and authority to retain and determine

funding for independent counsel, accountants, or other advisors as it determines necessary to carry out its duties.

The Human Resources and Compensation Committee consists of the independent directors of the company with the company's CEO being an ex officio non-voting member of the Committee. The Chairman of the Committee is Professor Walter von Wartburg; the other member are Dr. Hans Black, Michael Sonnenreich and Dr. Paul Averback (ex offico).

The Committee establishes and reviews overall policy and structure with respect

to compensation and employment matters, including the determination of compensation arrangements for directors, executive officers and key employees of the company. The Committee is also responsible for the administration and award of options to purchase shares pursuant to the company's option and share purchase plans. When considering the compensation arrangements for the CEO, the Committee meets in executive session without the presence of the company's CEO.

Employees

In addition to the employees in its Maywood and St.-Laurent laboratories and offices, Nymox carries out its work with the assistance of an extensive group of research collaborators, out-sourced manufacturing teams, research suppliers, research institutions, service providers and research consultants. To help carrying out its marketing, Nymox has over 60 independent medical representatives detailing its products.

In its Maywood and St.-Laurent laboratories and offices, for the year 2002, the company employed on the average nineteen persons with fourteen in research and development and five in administration and marketing; for the year 2001, twenty-one persons (fifteen in research and development and six in administration and marketing; and for the year 2000 twenty-three persons (eighteen in research and development and five in administration and marketing).

Share Ownership

As of April 30, 2003, the numbers of common shares owned by and options granted to directors and senior officers of the Corporation were as follows:

Name	Common Shares Owned	Options Vested	Options Not Vested	Exercise Price	Expiry Date M/D/Y
Paul Averback, M.D.	12,650,895				
Hans Black, M.D.	10,000	25,000		$3.12 (C$4.50)	05/13/09
		25,000		$3.875	05/01/10
		20,000	30,000	$6.93 (C$10.00)	05/01/10
		10,000		$4.70	06/15/10
		50,000	25,000	$4.33	11/13/11
Michael Sonnenreich	62,000	100,000		$3.875	05/01/10
		50,000	25,000	$4.33	11/13/11

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Name	Common Shares Owned	Options Vested	Options Not Vested	Exercise Price	Expiry Date M/D/Y
Walter von Wartburg	42,000	100,000		$3.875	05/01/10
		50,000	25,000	$4.33	11/13/11
Jack Gemmell	10,525	50,000		$6.93 (C$10.00)	01/22/09
		25,000		$3.875	05/01/10
		25,000		$1.93	04/22/11

Roy Wolvin	5,000	10,000		$2.25 (C$3.25)	01/17/06
		10,000		$9.53 (C$13.75)	01/17/06
		10,000		$6.79 (C$9.80)	01/17/06
		20,000		$6.93 (C$10.00)	01/17/06
		20,000		$3.12 (C$4.50)	05/13/09
		5,000		$1.93	04/22/11
Michael Munzar	33,925	50,000		$7.97 (C$11.50)	04/30/06
		5,000		$6.24 (C$9.00)	10/31/07
		30,000		$6.93 (C$10.00)	10/31/07
			10,000	$6.93 (C$10.00)	10/31/07
		20,000		$3.12 (C$4.50)	05/13/09
		50,000		$3.90	08/25/10
		35,000		$1.93	04/22/11
		20,000		$4.45	08/25/12

Options

Nymox has created a stock option plan for its key employees, its officers and directors and certain consultants. The board of directors of Nymox administers the plan. The board may grant options to purchase a specified number of common shares of Nymox to a designated individual. The total number of common shares to be optioned to any one individual cannot exceed 5% of the total number of issued and outstanding shares and the maximum number of common shares which may be optioned under the plan cannot exceed 2,5