MedMira Inc.

Management's Discussion & Analysis

For the year ended July 31, 2012

Forward looking statements

This document contains forward looking statements, such as statements regarding future sales opportunities in various global regions and financing initiatives that are based on current expectations of management. These statements involve uncertainties and risks, including MedMira Inc.'s (MedMira or the Company) ability to obtain and/or access additional financing with acceptable terms, and delays in anticipated product sales. Such forward-looking statements should be given careful consideration and undue reliance should not be placed on these statements.

The preparation of Management's Discussion and Analysis (MD&A) may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Management bases estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. Management believes the accounting policies, outlined in the Significant Accounting Policies section of its consolidated financial statements, describe its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Introduction

The following MD&A for the three months and year ended July 31, 2012 has been prepared to help investors understand the financial performance of MedMira in the broader context of the Company's strategic direction, the risk and opportunities as understood by management, and the key metrics that are relevant to the Company's performance. The Audit Committee of the Board of Directors has reviewed this document and all other publicly reported financial information for integrity, usefulness, reliability, and consistency.

Annual references are to the Company's fiscal years, which end on July 31. All amounts are expressed in Canadian dollars (CAD) unless otherwise noted.

Additional information about MedMira, this document, and the related quarterly financial statements can be viewed on the Company's website at www.medmira.com and are available on SEDAR at www.sedar.com.

About MedMira

MedMira is a biotechnology company engaged in the development and commercialization of rapid diagnostics and technology platforms. The Company is headquartered in Halifax, Nova Scotia, Canada and is listed on the TSX Venture Exchange under the symbol MIR.

MedMira's patented rapid flow-through technology platform is the basis for the Company's current line of rapid diagnostics for infectious diseases. Diagnostic applications based on this technology platform are highly accurate, easy-to-use, and produce instant results – a strong advantage over most other rapid diagnostics on the market today.

MedMira's technology and growing portfolio of diagnostics demonstrate excellence in performance and quality in the highly competitive diagnostics industry. More than $20 million has been invested in perfecting MedMira's core technology, which has proven itself time and time again with its excellent clinical performance and its success in rigorous evaluations and inspections, leading to regulatory approvals in the United States, Canada, European Union, and China, as well as ISO 9001:2008 and ISO 13485:2003 certifications. MedMira's rapid HIV test is the only rapid flow-through HIV test in the world to be approved by all of these major health regulators.

MedMira sells its rapid tests through a worldwide network of medical distributors and strategic business development partners with customers in all sectors of the healthcare industry, including laboratories, hospitals, point-of-care facilities, governments, and public health agencies.

Intellectual property

The Company strives to protect its intellectual property in established and emerging markets around the world as warranted. MedMira's intellectual property portfolio for its rapid flow-through platform and the methodology behind its rapid diagnostics includes the following:

Patent #	*Title*	*Jurisdiction*
8,025,850	Rapid Diagnostic Device, Assay and Multifunctional Buffer	United States
7,531,362	Rapid Diagnostic Device, Assay and Multifunctional Buffer	United States
EP1417489	Rapid Diagnostic Device and Assay	Europe
EP1328811	HCV Mosaic Antigen Composition	Europe
ZL02819646.5	Rapid Diagnostic Device and Assay	China

The Company has 3 pending patents in the United States.

The Company's corporate and product brand names are protected by trademarks in the United States and Canada.

Corporate update

During Fiscal Year 2012, MedMira improved its overall operating position with greater financial stability, ongoing sales and business development initiatives within its global partner network, and major research, development and commercialization efforts focused on fulfilling key customer contracts and collaborative agreements.

From August 2011 through December 2011, activities at MedMira were focused on ramping up project plans for work on the Company's first US Army contract to develop and commercialize a multi-marker rapid test for the detection of the Hepatitis B Core IgG and IgM antibodies, which was awarded in July 2011. While internal efforts were primarily focused on this project, external initiatives in generating sales and business development opportunities were ongoing through the Company's global partner network.

MedMira held its Annual General Meeting in January 2012, where Mr. Hermes Chan, Mr. Markus Meile, Mr. Romano Robusto, and Dr. Shou-Ching Tang were re-elected as Directors of the Company. Shareholders approved all other matters considered at the meeting including the appointment of Deloitte & Touche LLP as the Company's auditors and ratification of the stock option plan.

In February 2012, MedMira received further equity investment of $1 million from OnSite Lab Holdings AG (Onsite), formerly Andurja Beteiligungen AG, for operations and to begin the early stages of the Company's debt reduction strategy. OnSite had made previous investments in MedMira in 2009, 2010, and 2011. This investment signalled OnSite's ongoing confidence in the potential of MedMira and its technology and products.

During April 2012, the Company made some significant moves forward in both business development initiatives and research funding efforts. On April 4, 2012 MedMira's rapid HIV test received approval from the United States Agency for

International Aid (USAID). Since its inception in 1986, the USAID HIV/AIDS program has invested over $7 billion to fight this global crisis. USAID is a key partner in the U.S. President's Emergency Plan for AIDS Relief (PEPFAR), the largest and most diverse HIV/AIDS prevention, care, and treatment initiative in the world. This validation by USAID as well as a speaking engagement with the United Nations further bolstered MedMira's promotion of its rapid HIV test and diagnostics technology platform in international markets.

On April 12, 2012, MedMira entered into a funding agreement with the National Research Council of Canada for the development of a new rapid HIV test platform that will capture both antigens and antibodies and provide an earlier diagnosis for patients exposed to HIV. This early detection reduces the risk of missing infected individuals that are in an early stage of the disease that is not yet detectable by other common testing methods. The funding for the 16-month project comes from the National Research Council of Canada Industrial Research Assistance Program (NRC-IRAP) under the Canadian HIV Technology Development (CHTD) Program, which aims to encourage and support the participation of small and medium-sized enterprises in the development of an HIV vaccine and other technologies related to the prevention, treatment and diagnosis of HIV. The program is part of the Canadian HIV Vaccine Initiative (CHVI), a collaborative effort between the Government of Canada and the Bill & Melinda Gates Foundation.

In June 2012, MedMira received a CAD$6.0 million equity investment to advance ongoing business development, operational, and debt reduction activities. In the same month the Company paid $1.8 million to eliminate $11.8 million in debt through debt compromise agreements. These activities improved MedMira's overall position with the operating fundamentals of the Company shifting due to cash injections, debt settlements, new contracts, and a growing portfolio of products.

MedMira continued to build on its portfolio of business with the United States Army during 2012. In July the Company was awarded its second U.S. Army Medical Research Acquisition Activity (USAMRAA) contract to develop and commercialize a rapid test capable of simultaneous detection of HIV and Hepatitis B and C. The contract, awarded through a competitive bid process, involves a two-year base period and a 10-month option with a value of USD$4,266,144. MedMira continues to devote significant effort to building solid, long-term relationships with military organizations through focused events and initiatives within the military sector, including the Military Health System Research Symposium and the Remote Damage Control Resuscitation Conference.

The Company continues to focus on advancing its primary development platform for diagnostics, its patented rapid flow-through technology. Rapid diagnostics or point-of-care tests represent one of the most lucrative segments in the global healthcare industry. The global point-of-care testing marketing is expected to experience a compound annual growth rate (CAGR) of 3.7%, to increase its value to $16.5 billion by 2016. The market is predicted to reach a value of $34.6 million by 2021 according to BCC Research. As this market segment continues to grow, quality and performance are critical for success.

The Company continues to conduct in-house research and development and collaborates with researchers at universities and institutions to explore, evaluate, and commercialize applications for infectious diseases, human health markers, food safety, and animal health. Additionally, the Company is evolving its line of tools for the life sciences research market based on the Company's patented technology.

MedMira's global sales and business development initiatives continue through its strategic partner network which enables the Company day-to-day, on-the-ground access to markets without employing a direct sales force. With a premium technology and testing solutions, developed regions of the world continue to be MedMira's primary target markets. Activities are ongoing in other markets where challenging business environments with unpredictable timelines make market penetration and sales difficult. The Company's partners continue to pursue all lines of business, in both the private and public sectors.

Financial results

Basis of preparation and significant accounting policies

The basis of financial statement preparation and the significant accounting policies of MedMira are described in Notes 2 and 3 of the Company's July 31, 2012 consolidated financial statements.

Selected quarterly information

(values expressed in thousands of dollars except per share amounts)

	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
	$	$	$	$	$	$	$	$
Revenue	272	189	274	235	249	296	189	177
Cost of sales	167	58	63	88	155	147	101	91
Gross profit	105	131	211	147	94	149	88	86
Operating expenses	707	679	685	684	492	535	711	536
Other expenses (gains)	(8,769)	1,062	864	1,310	1,234	495	681	662
Net earnings (loss) before tax	8,167	(1,610)	(1,338)	(1,847)	(1,632)	(881)	(1,304)	(1,112)
Net earnings (loss) per share	0.024	(0.006)	(0.005)	(0.007)	(0.007)	(0.004)	(0.006)	(0.005)

Selected annual information

(values expressed in dollars except per share amounts)

	For the year ended		
	31-Jul-12	31-Jul-11	31-Jul-10
	$	$	$
Total assets	**2,970,239**	**1,492,123**	**568,178**
Current liabilities	11,049,292	20,345,822	17,232,196
Long-term liabilities	629,246	260,000	-
Shareholders' deficiency	(8,708,299)	(19,113,699)	(16,664,018)
Total liabilities and shareholders' deficiency	**2,970,239**	**1,492,123**	**568,178**
Revenue	970,631	909,869	1,073,175*
Cost of sales	(376,395)	(493,914)	(338,152)*
Gross profit	594,236	415,955	735,023*
Operating and other income (expenses)	2,778,066	(5,345,138)	(5,153,685)*
Net gain (loss) before tax	**3,372,302**	**(4,929,183)**	**(4,418,662)***
Net gain (loss) per share	0.012	(0.023)	(0.023)

* Reported under GAAP, not reviewed for IFRS conformance

Fourth quarter analysis

The following table compares the results of operations for the three months ended July 31, 2012 to the three months ended July 31, 2011.

	For three months ended		Better (worse)
	31-Jul-12	31-Jul-11	
	$	$	$
Operations			
Revenue	272,272	248,681	23,591
Cost of sales	(166,864)	(154,960)	(11,904)
Gross profit	105,408	93,721	11,687
Operating expenses			
Depreciation	(5,003)	(4,479)	(524)
Administrative expenses	(357,628)	(117,503)	(240,125)
Marketing expenses	(919)	(6,027)	5,108
Wages and salaries	(337,835)	(339,871)	2,036
Research and development expenses	(5,686)	(23,865)	18,179
Total operating expenses	(707,071)	(491,745)	(215,326)
Results from operations	**(601,663)**	**(398,024)**	**(203,639)**
Non-operating income (expenses)			
Net finance costs	(824,090)	(1,153,381)	329,291
Exchange rate gains (losses)	(449,695)	(80,514)	(369,181)
Other income	-	-	-
Gain on settlement of debt	10,042,826	-	10,042,826
Total non-operating income (expenses)	**8,769,041**	**(1,233,895)**	**10,002,936**
Net and comprehensive income (loss) before tax	**8,167,378**	**(1,631,919)**	**9,799,297**

Operating revenue and gross profit

The Company recorded increased revenue from product sales of $23,591, from $248,681 for the quarter ended July 31, 2011 to $272,272 for the quarter ended July 31, 2012, and increased gross profit of $11,687, from $93,721 for the quarter ended July 31, 2011 to $105,408 for the quarter ended July 31, 2012. Increases in revenue and gross profit were attributed to increased sales in Latin America. Current year gross profit was in line with management expectations.

Operating expenses

Total operating expenses increased by $215,326 in the quarter ended July 31, 2012, compared to the same period in 2011.

- Wages and salaries for the quarter ended July 31, 2012 remained relatively constant compared to the same period in 2011. During previous quarters, average wages had increased, however, a reduction in the number of employees reduced wages back in line with the previous year.
- Research and development expenses for the quarter ended July 31, 2012 were $5,686, compared to $23,865 for the same period last year. Actual research expenses in July 31, 2012 for the period were $158,245 which was offset by reimbursements of research costs of $152,559. The comparative increase in research costs was directly attributable to greater activity related the US military research contracts.
- Administrative expenses were $357,628 for the quarter ended July 31, 2012, compared to $117,503 for the same

period in 2011. The increase in expenses was attributable to additional spending on regulatory and professional fees.

Other expenses

Total other gains were $8,769,041 in the quarter ended July 31, 2012, compared to a loss of $1,233,895 during the same period in 2011.

- A one-time gain of $10,042,826 on the settlement of debt occurred in the quarter ended July 31, 2012 as the result of debt compromise agreements negotiated during the quarter.
- Financing expenses including interest expense decreased to $824,090 in the quarter ended July 31, 2012, compared to $1,153,381 for the same period last year. This decrease is directly attributable to the reduction in MedMira's debt balance as a result of debt compromise agreements.
- Exchange rate loss in the quarter ended July 31, 2012 was $449,695 versus a loss of $80,514 in the same period in 2011. This increased loss was due primarily to the volatility of the Canadian dollar during the year. At the time of settlement of the largest US dollar debt balance ($11 million), the Canadian dollar was relatively weak compared to the end of the previous period.

Year to date analysis

The following table compares the results of operations for the year ended July 31, 2012 to the year ended July 31, 2011.

	For the year ended		Better (worse)
	31-Jul-12	31-Jul-11	
	$	$	$
Continuing operations			
Revenue	970,631	909,869	60,762
Cost of sales	(376,395)	(493,914)	117,519
Gross profit	594,236	415,955	178,281
Operating expenses			
Depreciation	(19,329)	(30,106)	10,777
Administrative expenses	(979,714)	(636,533)	(343,181)
Marketing expenses	(33,323)	(2,213)	(31,110)
Wages and salaries	(1,523,311)	(1,328,935)	(194,376)
Research and development expenses	(199,022)	(275,272)	76,250
Total operating expenses	(2,754,699)	(2,273,059)	(481,640)
Results from operations	**(2,160,463)**	**(1,857,104)**	**(303,359)**
Non-operating income (expenses)			
Net finance costs	(3,789,906)	(3,603,613)	(186,293)
Exchange rate gains (losses)	(720,155)	528,986	(1,249,141)
Other income	-	2,548	(2,548)
Gain on settlement of debt	10,042,826	-	10,042,826
Total non-operating income (expenses)	**5,532,765**	**(3,072,079)**	**8,604,844**
Net income (loss) before tax	**3,372,302**	**(4,929,183)**	**8,301,485**

Operating revenue and gross profit

The Company recorded revenue from product sales in the year ended July 31, 2012 of $970,631 as compared to $909,869 for the same period last year. Gross profit for the year was $594,241 compared to $415,955 in the same period in 2011. Increases in revenue and gross profit were attributed to increased sales in Asia Pacific and Latin America. Current year gross profit was in line with management expectations.

Operating expenses

Total operating expenses increased by $481,640, from $2,273,059 for the year ended July 31, 2011 to $2,754,699 for the year ended July 31, 2012, compared to the same period in 2011.

- Wages and salaries for the year ended July 31, 2012 increased by $194,376 compared to the same period in 2011. The increase was primarily the result of increased labour costs throughout the year.
- Research and development expenses for the year ended July 31, 2012 were $199,022, compared to $275,272 for the same period last year. Actual research expenses in July 31, 2012 for the period were $530,114 which was offset by reimbursements of research costs of $331,092. The comparative increase in research costs was directly attributable to greater activity related to the US military research contracts.
- Administrative expenses were $979,714 for the year ended July 31, 2012, compared to $636,533 for the same period in 2011. The increase in expenses was attributable to additional spending on a number of initiatives that include increased spending on regulatory, professional fees, travel and training.

Other expenses

Total other gains were $5,532,765 in the year ended July 31, 2012, compared to a loss of $3,072,079 during the same period in 2011.

- A one-time gain of $10,042,826 on the settlement of debt occurred in the year ended July 31, 2012 as the result of debt compromise agreements negotiated during the year.
- Financing expenses including interest expense increased to $3,789,906 in the year ended July 31, 2012, compared to $3,603,613 for the same period last year. This increase was the result of interest on an increasing debt balance throughout the year.
- Exchange rate loss in the year ended July 31, 2012 was $720,155 versus a gain of $528,986 in the same period in 2011. The change from a gain to a loss was due primarily to the volatility of the Canadian dollar and timing of receipts and payments. At the time of settlement of the largest US dollar debt balance ($11 million) the Canadian dollar was relatively weak compared to the end of the previous year.

Segmented information

The Company organizes and records the sales and distribution of its products based on major geographical territories around the world. The table below provides the geographic breakdown of revenue:

	For three months ended		For the year ended	
	31-Jul-12	**31-Jul-11**	**31-Jul-12**	**31-Jul-11**
	$	**$**	**$**	**$**
North America	151,888	68,154	588,417	540,340
Latin America/Caribbean	53,113	2,345	132,830	9,105
Europe	5,528	0	8,098	106,115
Asia Pacific	59,703	178,182	239,246	178,403
Other	2,040	0	2,040	75,906
Total revenue	272,272	248,681	970,631	909,869

Liquidity and capital resources

Cash and working capital

The Company had a cash reserve of $2.4 million on July 31, 2012, as compared to $1.0 million on July 31, 2011. The Company's net working capital position as of July 31, 2012 was a deficit of $8.1 million compared to the July 31, 2011 working capital deficit of $18.9 million. The Company has incurred operational losses and negative cash flows on a cumulative basis since inception. For the year ended July 31, 2012, the Company incurred a net loss from operating activities of approximately $2.2 million and negative cash flows from operations of $2.2 million, compared to a net loss from operations of $1.9 million and negative cash flows from operations of $1.9 million for the same period in 2011.

Operating activities

MedMira generated negative cash flows from operations of $2.2 million for the year ended July 31, 2012, compared to negative cash flows of $1.9 million for the year ended July 31, 2011. The decrease in cash flow from operations was caused by an increase in accounts receivable and a decrease in accounts payable.

Financing activities

Cash flows from financing activities were $3.6 million for the year ended July 31, 2012, compared to $3.0 million for the same period in 2011. Cash flow from financing increased significantly as a result of equity investments during the year which exceeded payments involved in the restructuring of MedMira's debt.

Investing activities

Cash flow from investments included purchase of equipment for the three months ended July 31, 2012 of $5,708, compared to $6,823 for the same period in 2011.

Debt

As at July 31, 2012, the Company had outstanding loan principal of $7.4 million compared to $14.7 million at July 31, 2011. A significant portion of the debt outstanding is in default on principal and interest payments and classified as a current liability. The Company is unable to settle the debts given its current financial resources.

Further discussions on liquidity and capital resources can be found in the Liquidity Risk section of this document, under Need for Additional Capital in the Risk and Uncertainties section in this document and in the Notes for the Company's July

31, 2012 audited consolidated financial statements.

Equity/Shares

The Company is authorized to issue an unlimited number of common shares without par value. The number of issued and outstanding common shares on July 31, 2012 was 392,264,320. The Company is also authorized to issue an unlimited number of Series A preferred shares redeemable at $0.01 per share after March 31, 2010, convertible into an equal number of common shares upon the Company meeting certain milestones. There were 5,000,000 Series A preferred shares issued and outstanding on July 31, 2012.

The Company had 5,840,000 outstanding stock options on July 31, 2012. The outstanding stock options have a weighted average exercise price of $0.12 per share and a weighted average remaining term of 1.66 years. The number of outstanding warrants on July 31, 2012 was 236,119,500. The outstanding warrants have a weighted average exercise price of $0.10 per share and a weighted average remaining term of 2.92 years.

Off balance sheet arrangements

The Company was not party to any off balance sheet arrangements as of July 31, 2012.

Financial instruments – fair value

The Company recognizes financial instruments based on classification. Depending on the financial instruments' classification, changes in subsequent measurements are recognized in net loss or other comprehensive loss. The Company has implemented the following classifications:

Financial assets

- Cash and bank balances: Classified as available for sale and recorded at fair market value. Changes in fair value for the year are recorded in net loss.
- Trade and other receivables: After initial fair value measurement, trade and other receivables are measured at amortized cost using the effective interest method.

Financial liabilities

- Total bank indebtedness and current portion of debt, deferred income, trade and other payables, provision for royalty: After initial fair value measurement, these financial liabilities are measured at amortized cost using the effective interest method.

Management believes the carrying value of accounts receivable, bank indebtedness, and accounts payable and accrued liabilities approximate fair value at the year-end due to their short-term nature.

Fair value estimates are made at a specific point in time based on relevant market information. These estimates involve uncertainties and matters of significant judgement and cannot be determined with precision. Change in assumptions and estimates could significantly affect fair values.

Financial instruments – risk factors

MedMira has exposure to the following risks from its financial instruments: liquidity risk, credit risk, currency risk, and interest rate risk. Senior management monitors risk levels and reviews risk management activities as necessary.

Liquidity risk

The Company manages liquidity by forecasting and monitoring operating cash flows and through the use of revolving credit facilities and share issuances.

The Company has incurred losses and negative cash flows from operations on a cumulative basis since inception. For the

year ended July 31, 2012, the Company realized a net income of approximately $3.4 million (July 31, 2011 – net loss $4.9 million), consisting of a net loss from operations of $2.2 million (July 31, 2011 - $1.9 million), a gain on forgiveness of debt of $10.1 million (July 31, 2011 – $nil), and other non-operating losses of $4.5 million (July 31, 2011 - $3.1 million). Negative cash flows from operations were approximately $2.2 million (July 31, 2011 - $1.9 million). As at July 31, 2012, the Company had an accumulated deficit of approximately $70.5 million (July 31, 2011 - $73.9 million). In addition to its on-going working capital requirements, the Company must secure sufficient funding for its research and development programs for existing commitments, including its current portion of loans of approximately $7.2 million. These circumstances lend significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going-concern.

To date the Company has relied on temporary funding advanced by key investors and allocation of limited resources through the management of payables. Management is pursuing other financing alternatives to fund the Company's operations, so it can continue as a going-concern. Management plans to secure the necessary financing through new equity and debt arrangements and is pursuing dramatic increases in sales revenue. Nevertheless, there is no assurance that this initiative will prove successful.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company mitigates this risk by requiring a 50% down payment on most orders at the time of purchase, and the remaining 50% prior to shipment. The Company derives approximately 82% (July 31, 2011—86%) of its revenue from two (July 31, 2011—two) main customers and, for these customers, assesses the recoverability of each account on a regular basis. As of July 31, 2012, 78% of the accounts receivable balance is due from three customers (July 31, 2011—66% due from three customers) and no other customers account for more than 10% of the accounts receivable balances as at July 31, 2012.

Currency risk

MedMira receives most of its revenues in foreign currencies and incurs expenses in US and Canadian currencies. As a result, the Company is subject to uncertainty as foreign exchange rates fluctuate. The Company's US dollar (USD) denoted debt is approximately US $75,000 plus accrued interest payable of approximately US $22,084 at July 31, 2012. The exchange fluctuations from year to year have accounted for a significant portion of the company's exchange gain and loss. Sales are, for the most part, in USD, however, they are recorded at the exchange rate prevailing on or near the transaction date and collected in a timely manner.

The Company also experiences currency exposure resulting from balance sheet fluctuations of US-denominated cash, accounts receivable, accounts payable and US-denominated promissory notes.

MedMira mitigates this currency risk by maintaining a balance of USD currency which is used to pay down US-denominated liabilities and replenishes the balance through US-denominated revenues.

A one cent change in the USD/CAD exchange rate would have an estimated impact on revenue of $8,700.

Interest rate risk

The Company is exposed to interest rate risk because it borrows funds at both fixed and floating interest rates. The Company presently holds a single floating interest rate loan with the Province of Nova Scotia's Department of Economic and Rural Development and Tourism (the Province) with interest bearing at the Province's five year cost of funds plus 2%. As a result, the Company is exposed to fluctuations in the Province's cost of funds. A 1% increase in the Province's cost of funds rate would result in approximately $34,800 in additional interest per year.

Related party transactions

The following transactions occurred with related parties during the year ended July 31, 2012:

- An interest expense of $3.2 million was recorded on a loan from a director (July 31, 2011 - $2.6 million).
- $7.0 million was invested in the course of the year by a significant shareholder (July 31, 2011 - $2.5 million).

The following balances with related parties were outstanding at July 31, 2012:

- A receivable balance of $8,630 is owed to MedMira by a company which is presided over by a director (July 31, 2011 – $10,521, August 1, 2010 - $nil).
- An accounts payable balance of $22,083 is owed to a director of MedMira (July 31, 2011 - $1.7 million, August 1, 2010 - $1.6 million).
- A royalty liability to a significant shareholder of $401,443 has been recorded (July 31, 2011 – $260,000, August 1, 2010 - $nil).

Changes in accounting standards

Transition to International Financial Reporting Standards (IFRS)

The Company's consolidated financial statements for the year ending July 31, 2012 are the Company's first set of annual financial statements that comply with IFRS as issued by the IASB including application of IFRS 1. IFRS 1 requires that comparative financial information be provided, therefore the Company has applied IFRS as of August 1, 2010.

IFRS requires first-time adopters to retrospectively apply all IFRS that will be in effect at its July 31, 2012 reporting date. However, it also provides for certain optional exemptions and certain mandatory exemptions for first-time adopters. The Company has applied certain of these exemptions to its opening Statement of Financial Position dated August 1, 2010 as described below.

a. Elected exemptions for full retrospective application

Business combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 - Business Combinations (IFRS 3) retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has elected to use this exemption and has only applied IFRS 3 to business combinations that occurred on or after August 1, 2010.

Borrowing costs

The Company has elected the transition date, August 1, 2010, as the date to apply the transitional provisions set out in IAS - 23 Borrowing Costs (IAS 23). The Company will capitalize borrowing costs in accordance with IAS 23 for qualifying assets which commenced construction after August 1, 2010.

Arrangements containing a lease

The Company has elected to apply transitional provisions under IFRIC - 4 Determining Whether an Arrangement Contains a Lease (IFRIC 4). The Company has not reassessed arrangements containing leases as of August 1, 2010.

Share-based payment transactions

IFRS 1 permits first-time adopters to not apply IFRS 2 to equity instruments that were granted on or before November 7, 2002 or equity instruments that were granted subsequent to November 7, 2002 and vested before the date of transition to IFRS. The Company has elected to take this exemption and not apply IFRS 2 to awards that vested prior to August 1, 2010.

b. Mandatory exceptions to retrospective application

Estimates

In accordance with IFRS 1, an entity's estimates at the date of transition to IFRS must be consistent with estimates made for the same date under previous Canadian GAAP (GAAP), unless there is objective evidence that those estimates were made in error. Hindsight was not used to create or revise estimates and accordingly the estimates made by the Company under GAAP are consistent with their application under IFRS.

c. Reconciliation from GAAP to IFRS

The accounting policies set out in Note 3 have been applied in preparing the consolidated financial statements for the year ended July 31, 2012, the comparative information presented in these financial statements for the year ended July 31, 2011 and in the preparation of an opening IFRS statement of financial position at August 1, 2010 (the Company's date of transition).

A reconciliation of the impact of the transition from GAAP to IFRS on the Company's financial position, financial performance and cash flows is set out in the following tables and notes that accompany the tables.

Reconciliation of consolidated statement of financial position

	July 31, 2011			August 1, 2010		
	Previous Canadian GAAP $	Effect of transition to IFRS $	IFRS $	Previous Canadian GAAP $	Effect of translation to IFRS $	IFRS $
Total assets	**1,492,123**	**-**	**1,492,123**	**568,178**	**-**	**568,178**
Current liabilities						
Bank indebtedness	-	-	-	62,745	-	62,745
Accounts payable and accrued liabilities	5,048,216	-	5,048,216	3,887,097	-	3,887,097
Unearned revenue	643,976	-	643,976	591,108	-	591,108
Current portion of debt	14,653,630	-	14,653,630	12,260,918	430,328	12,691,246
Total current liabilities	20,345,822	-	20,345,822	16,801,868	430,328	17,232,196
Non-current liabilities						
Provision for royalty	260,000	-	260,000	-	-	-
Long-term debt	-	-	-	430,328	(430,328)	-
Total non-current liabilities	260,000	-	260,000	430,328	(430,328)	-
Total liabilities	**20,605,822**	**-**	**20,605,822**	**17,232,196**	**-**	**17,232,196**
Total equity	**(19,113,699)**	**-**	**(19,113,699)**	**(16,664,018)**	**-**	**(16,664,018)**
Total liabilities and equity	**1,492,123**	**-**	**1,492,123**	**568,178**	**-**	**568,178**

Reclassification of long-term debt to current

The long-term debt recognized under GAAP was booked as non-current as renegotiated terms had been approved before August 23, 2010. Under IFRS, renegotiated terms must be approved prior to the balance sheet date of July 31, 2010. As a result, the Company has reclassified the long-term debt of $430,328 from long-term debt to current portion of long-term debt.

Reconciliation of consolidated statement of changes in equity

There was no impact on the consolidated statement of changes in equity as at August 1, 2010 and July 31, 2011 as a result of the transition to IFRS.

Reconciliation of consolidated statement of comprehensive income

There was no impact on the consolidated statement of comprehensive income for the year ended July 31, 2011 as a result of the transition to IFRS. A reclassification of $37,000 in recovery from income tax was recorded to warrant reserve resulting in a decrease in net income after tax of $37,000.

Reconciliation of consolidated statement of cash flows

There was no significant impact on the statement of cash flows as the result of the transition to IFRS. Under IFRS, bank indebtedness has been included as a part of cash and cash equivalents. This has resulted in a decrease in opening cash and cash equivalents of $62,745. In addition, IFRS allows payments of interest on debt to be treated as a finance cash flow resulting in a decrease in cash from financing and increase in operating cash flows of $27,990.

Subsequent events

Following the year ended July 31, 2012, the Company paid $312,992 to settle $1,021,503 in debt. This renegotiation was the final stage of MedMira's debt restructuring plan and results in no debt in default. Interest rates on all remaining debt are at or below 3% with interest only payments for the remainder of the fiscal year ended July 31, 2013.

Internal control systems and disclosure controls

To ensure the integrity and objectivity of the data, management maintains a system of internal controls comprising of written policies, procedures and a program of internal reviews which provides reasonable assurance that transactions are recorded and executed in accordance with its authorization that assets are properly safeguarded and that reliable financial records are maintained.

Management is currently updating existing standardized processes to improve internal controls and reduce compliance costs. The updated controls will help improve timeliness and accuracy of financial records as well as continue to ensure that the Company's assets are properly safeguarded.

Disclosure controls and procedures within MedMira have been designed to provide reasonable assurance that all relevant information is identified to the Disclosure Committee to ensure appropriate and timely decisions are made regarding public disclosure.

Management, under the supervision of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's internal control over financial reporting and based on this evaluation, has concluded that internal control over financial reporting was effective as of July 31, 2012.

Due to inherent limitations, internal control over financial reporting and disclosure controls can provide only reasonable assurances and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Audit Committee of the Board of Directors of MedMira reviewed this MD&A, and the consolidated financial statements of MedMira for July 31, 2012 and MedMira's Board of Directors approved these documents prior to release.

Risk and uncertainties

The Company's base of activity has expanded to manufacturing products for distribution in international markets, making it difficult to accurately predict future operating results. Actual future results may differ significantly in any forward-looking statements. Currently, the Company is not making sufficient sales to be self-sustaining. As a result, the Company's financial condition, business and operations, and intellectual property are exposed to a variety of risk factors. These risks include, but are not limited to, the following:

Risks and uncertainties related to the Company's financial condition

Need for additional capital

Cash generated from operations is insufficient to satisfy working capital and capital expenditure requirements, and the Company is operating with a substantial working capital deficit. The Company will need to secure additional financing in the near term in order to continue as a going concern which may include the sale of additional equity or debt securities or obtaining additional credit facilities. In recent quarters, the Company has relied on temporary funding advanced from key investors. There can be no assurance that this source of funding will continue to be available on acceptable terms, and additional capital may not be available on satisfactory terms, or at all. Management is pursuing other financing alternatives to fund the Company's operations so it can continue as a going-concern.

The Company intends to continue to explore opportunities to enter into supply agreements, joint venture relationships, and other special purpose vehicles with third parties from time to time in order to continue to commercialize its patent pending technology and other intellectual property. Such arrangements may include the issuance of equity or debt securities of the Company, subject to compliance with the applicable requirements of the Canadian securities regulatory authorities and the TSX-V.

Any additional equity financing may result in the dilution of shareholders, and debt financing, if available, may include restrictive covenants. MedMira's future liquidity and capital funding requirements will depend on numerous factors including:

- the extent to which new products and products under development are successfully developed, gain market acceptance and become and remain competitive;
- the costs and timing of further expansion of sales, marketing and manufacturing activities and facilities needs;
- the timing and results of clinical studies and regulatory actions regarding potential products; and
- the costs and timing associated with business development activities, including potential licensing of technologies patented by others.

Continued operations will be contingent on generating sufficient revenues or raising additional capital or debt financing. There is no assurance that these initiatives will be successful.

Fluctuations in revenue

The Company's quarterly and annual revenues may fluctuate due to several factors, including seasonal variations in demand, competitive pressure on average selling prices, customer order patterns, the rate of acceptance of the Company's products, product delays or production inefficiencies, regulatory uncertainties or delays, costs and timing associated with business development activities, including potential licensing of technologies, international market conditions and variations in the timing and volume of distributor purchases. The healthcare industry traditionally is not impacted by seasonal demand. The impact of one or a combination of several of these factors could have a significant adverse effect on the operations of the Company. In addition, changes in existing collaborative relationships, as well as

the establishment of new relationships, product licensing and other financing relationships, could materially impact the Company's financial position and results from operations.

Effects of inflation and foreign currency fluctuations

A significant portion of the Company's revenue and expenses are in U.S. dollars, and therefore subject to fluctuations in exchange rates. There is a risk that significant fluctuations in exchange rates may impact the Company's ability to sell its products and, thereby, have a material adverse impact on the Company's results of operations.

Possible volatility of share price

The stock market has from time to time experienced significant price and volume fluctuations that may be unrelated to the operating performance of the Company. In addition, the market price of the Company's common shares, like the share prices of many publicly traded biotechnology companies, has been highly volatile. Announcement of technology innovations or new commercial products by the Company or its competitors, developments or disputes concerning patent or proprietary rights, publicity regarding actual or potential medical results relating to products under development by the Company or its competitors, regulatory developments in both the U.S. and foreign countries, public concern as to the safety of biotechnology products and economic and other external factors, as well as period to period fluctuations in financial results may have a significant impact on the market price of the Company's common shares. It is likely that in some future quarter the Company's operating results will be below the expectations of the public market analysts and investors. In such event, the price of the Company's common shares would likely be materially adversely affected.

Risks and uncertainties related to the Company's business and operations

Lack of market acceptance

MedMira's ability to market its diagnostic products will, in part, depend on its or its partners' ability to convince users that these products represent viable and efficacious diagnostic tests. There can be no assurance that MedMira will be successful in this regard.

Competition

The *in vitro* diagnostics market in which the Company participates is highly complex and competitive. It is comprised of both large healthcare companies that have substantially greater financial, scientific, and other resources than MedMira and a variety of international companies producing diagnostic products of varying quality. In the developed regions of the world with strong healthcare infrastructures, the *in vitro* diagnostics market for serious and emerging infectious diseases such as HIV and Hepatitis C has been focused on diagnostic tests using instrument based platforms designed for clinical laboratories. Diagnostic products designed for use in non-laboratory settings at the point-of-care or for use in laboratories or public health clinics using non-instrument based platforms for the screening and diagnosis of infectious diseases are becoming more mainstream in both the developed and developing regions of the world. Competition in this sector of the market is intense and is expected to increase. Many of the companies have substantially greater resources available for development, marketing and distribution of these products than does MedMira.

Significant development effort required

Products currently under development by MedMira require additional development, testing and investment prior to any final commercialization. There can be no assurance that these products or any future products will be successfully developed, prove to be safe and effective in clinical trials, receive applicable regulatory approvals, be capable of being produced in commercial quantities at reasonable costs or be successfully marketed. The long-term success of MedMira must be considered in light of the expenses, difficulties and delays frequently encountered in connection with the development of new technology and the competitive and highly regulated environment in which MedMira operates.

Uncertainties in sales cycles in target markets

MedMira markets and distributes its products to both developed and developing regions of the world. Sales cycles in developed regions of the world are somewhat conventional, however, timing of registrations and other activities surrounding the sale of product into a specific market are unpredictable and highly dependent on third party and government organizations to complete certain processes before a sales transaction can take place. In developing regions of the world where MedMira and its strategic partners are working to close deals, the sales cycle timing is highly uncertain given a number of factors including political and economic turmoil, as well as bureaucratic processes necessary to do business in these regions.

High degree of regulation

MedMira operates in a highly regulated industry and is subject to the authority and approvals of certain regulatory agencies, including Health Canada, the US Food and Drug Administration (FDA), the State Food and Drug Administration (SFDA) in China, the Notified Body in the European Union and applicable health authorities in other countries, with regard to the development, testing, manufacture, marketing and sale of its products. The process of obtaining such approvals can be costly and time consuming, and there can be no assurance that regulatory approvals will be obtained or maintained. Any failure to obtain (or significant delay in obtaining) or maintain Health Canada, FDA, Notified Body or SFDA approvals (or, to a lesser extent, approval of applicable health authorities in other countries) for MedMira's new or existing products could materially adversely effect MedMira's ability to market its products successfully and could therefore have a material adverse effect on the business of MedMira.

Ability to retain and attract key management and other experienced personnel

Since its inception, the Company has been, and continues to be, dependant in its ability to attract and maintain key scientific and commercial personnel upon whom the Company relies for its product innovations and commercialization programs. Loss of key personnel individually or as a group could have significant adverse impact on the Company's immediate and future achievement of operating results.

Limited sales and marketing resources and reliance on key distributors to market and sell the Company's product

Any revenues received by the Company will be dependent on the efforts of third parties and there can be no assurance that such efforts will be successful. Failure to establish sustainable and successful sales and marketing programs with effective distributor support programs may have a material adverse effect on the Company.

Commercialization of the Company's products is expensive and time consuming. In the USA, an exclusive distribution relationship has been established with American Health Diagnostics to market and sell the Company's products. The Company will rely on the joint sales efforts of its exclusive US distributor and their sub-distributors Cardinal Health, a Fortune 100 company, and VWR International to distribute MedMira's *Reveal*™ G3 Rapid HIV-1 Antibody Test product line.

Outside the US, the Company pursues collaborative arrangements with established pharmaceutical and distribution companies for marketing, distribution, and sale of its products.

In China, MedMira has formed a strategic partnership with Triplex to market and distribute the Company's rapid HIV test within the assigned territory. This strategic partnership also encompasses the assembly and packaging of final product components.

In Africa, MedMira works with a number of strategic partners, including Vitest AG, Advance Aid, and MultiMED, all covering various regions and sectors of Sub-Saharan Africa, North Africa, and the Middle East.

If any of the Company's distribution agreements are terminated and the Company is unable to enter into alternative agreements, or if the Company elects to distribute new products directly, additional investment in sales and marketing resources would be required which would increase future selling, general and administrative expenses. The Company has

limited experience in direct sales, marketing and distribution of its products. A failure of the Company to successfully market its products would have a material and adverse effect on the Company.

Manufacturing capabilities and scale-up

The Company must manufacture its products in compliance with regulatory requirements, in sufficient quantities and on a timely basis, while maintaining product quality and acceptable manufacturing costs. If it is unable to manufacture or contract for such capabilities on acceptable terms for its products under development, MedMira's plans for commercialization could be materially adversely affected.

MedMira's manufacturing facilities are, or will be, subject to periodic regulatory inspections by the FDA, Notified Body, SFDA and other regulatory agencies and these facilities are subject to Quality System Regulations requirements of the FDA and other standards organizations. MedMira may not satisfy such regulatory or standards requirements, and any failure to do so would have a material adverse effect on the Company.

In addition, production and scale-up of manufacturing for new products may require the development and implementation of new manufacturing technologies and expertise. Manufacturing and quality control problems may arise as the Company attempt to scale-up manufacturing and such scale-up may not be achieved in a timely manner or at commercially reasonable cost, or at all.

Rapidly changing technology

The *in vitro* diagnostic testing field as a whole is characterized by rapidly advancing technology that could render MedMira's products obsolete at any time and thereby adversely affect the financial condition and future prospects of the Company.

Uncertainties regarding healthcare reimbursement and reform

The future revenues and profitability of diagnostic companies as well as the availability of capital may be affected by the continuing efforts of government and third party payers to contain or reduce costs of healthcare through various means. For example, in certain foreign markets, pricing or profitability is subject to government control. In the US, there has been, and the Company expects that there will continue to be, a number of federal and state proposals to implement similar government controls. While the Company cannot predict whether any such legislative or regulatory proposals will be adopted, the announcement or adoption of such proposals could have a material adverse effect on the Company's results of operations.

Product liability

MedMira may be subject to claims of personal injury and could become liable to clinical laboratories, hospitals and patients for injuries resulting from the use of its products. MedMira could suffer financial loss due to defects in its products and such financial loss together with litigation expenses could have a material adverse effect on its operations. MedMira has obtained product liability insurance to protect against possible losses of this nature. However, no assurance can be given that such insurance will be adequate to cover all claims or that MedMira will be able to maintain such insurance at a reasonable cost.

Risks and uncertainties related to the Company's intellectual property

No assurance of patent protection

MedMira has filed patent applications in the US, Canada, China, and other foreign countries relating to various aspects of its rapid diagnostic platform, processes, reagents, and equipment. Although MedMira's management believes that the patents for which the Company applied may be issued, there can be no such assurance, nor can MedMira assure that competitors will not develop functionally similar or superior diagnostic testing devices. Moreover, there is a question as to

the extent to which biotechnology discoveries and related products and processes can effectively be protected by patents. The law regarding the breadth or scope of biotechnology patents is new and evolving. No assurance can be given that, if a patent issued to MedMira is challenged, it will be held valid and enforceable or will be found to have a scope sufficiently broad to cover competitors' products or processes. The cost of enforcing MedMira's patent right, if any, in lawsuits that it may bring against infringers may be significant and could limit MedMira's operations.

Possible patent infringement

The extent to which biotechnology discoveries and related products and processes can be effectively protected by patents and be enforceable is uncertain and subject to interpretation by the courts. The technologies, products, and processes of MedMira may be subject to claims of infringement on the patents of others and, if such claims are successful, could result in the requirement to access such technology by license agreement. There can be no assurance that such licenses would be available on commercially acceptable terms. If MedMira is required to acquire rights to valid and enforceable patents but cannot do so at reasonable cost, MedMira's ability to manufacture or market its products would be materially adversely affected. The cost of MedMira's defence against infringement charges by other patent holders may be significant and could limit MedMira's operations.