

# Annual Report 2015

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## Our Vision

To transform the rapid diagnostics industry by becoming the leading brand known for fast, accurate, value-add testing products that enhance human health and wellness and continually generate long term value for our stakeholders.

## Our Mission

To employ our one-of-a-kind, patented technology platform to develop, market and sell high quality, easy-to-use, time and cost-saving products that improve global healthcare and save lives.

## Our Core Values

Our Company is built on a set of core shared values that form a consistent base for how we operate and interact with our customers, employees, shareholders, and partners.

**Innovation** – It is the lifeblood of our Company and at the heart of everything we do.

**Excellence** – We consistently embrace excellence in the disciplines of quality science, business, and manufacturing.

**Collaboration** – We build relationships with like-minded partners, alliances, and team members to foster new opportunities and continued innovation.

**Integrity** – Doing the right thing is a standard principle by which our entire team operates.

**Passion** – Our team has an intense passion for science, diagnostics, and technology, which shines through in the quality healthcare solutions we deliver.

**Results-oriented** – We are focused on delivering high quality on-time results to drive growth and profitability.

## MIRIAD. It's the "Know" in Go/No Go.

*According to Donate Life America, more than 1 million tissue transplants are performed each year and the surgical need for tissue has been steadily rising. Every day donated donor tissue is discarded after testing positive for hepatitis B, C and/or HIV in the lab. To reduce the impact that can have on their tissue recovery resources, tissue banks are integrating MedMira multiplex rapid tests as part of their donor suitability assessment at the time of collection. With the integration of rapid pre-screening tests in the field, some customers have decreased discard rates by approximately 5%. This represents a significant saving of time and costs, as well as protecting their supply chain and also their recovery technicians from potential exposure to infectious agents.*

## A Message from MedMira's Chairman

Dear Shareholders,

MedMira focused on differentiating our offering in the marketplace in 2015, with the core element driving this market diversity being the MedMira Rapid Vertical Flow (RVF) Technology platform. Our technology team is committed to the evolution of RVF Technology, bringing additional high value functionality and performance to the platform and creating a robust pipeline of products with distinctive capabilities.

The MedMira team continued to deliver on our vision of helping people know...® meeting major milestones in bringing new products through the regulatory approvals process and on to the market. These activities included multi-center clinical trials for Reveal G4, Reveal HBsAg, and Multiplo HbC/HIV/HCV in the United States to support FDA approval and fulfill customer requirements. The FDA approval of Reveal G4 just a few weeks ago is another demonstration of the performance and capabilities of RVF Technology platform which has been the backbone of MedMira's FDA-approved rapid HIV test and business in the U.S. for more than 12 years.



*The Reveal G4 point-of-care test*

This year MedMira dedicated resources to the ongoing profile building and brand awareness campaigns in key focus markets, including the United States, Asia, and Latin America. The Company participated in a number of broader strategic industry events as well as niche sector conferences focused on military healthcare and tissue banking. MedMira engaged on new levels with customers and prospects, identifying opportunities for the RVF Technology platform to be a part of world class collaborations, deliver novel rapid testing solutions to healthcare providers and their patients, and provide researchers with a platform to continue to innovate and change the dynamic of the rapid test landscape.

The Board and management continue to work together to sharpen a strategy focused on capitalizing on RVF Technology. We go forward in to 2016, with the support and confidence of key investors and stakeholders, to seize the opportunities for our technology platform, deepen our differentiation in the marketplace, and create a higher value business for customers, employees, and shareholders.

Thank you Shareholders, for your continued support of MedMira.

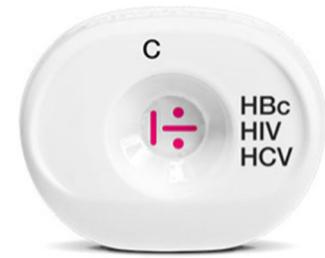


**Marvyn Robar**  
Chairman

## A Message from Our Co-Founder & CEO

Dear Shareholders,

In 2015, our vision of helping people know...® continued to drive MedMira forward, bringing the value of Rapid Vertical Flow (RVF) Technology to people around the world. MedMira technology enables rapid testing solutions that deliver diagnostic answers to those who need them, when they need results, wherever they may be – mobile hospitals in Uzbekistan, cruise ships on the open sea, hospitals and laboratories in California, tissue and eye banks in Illinois, just to name a few.



*One amazing little  
tablespoon of technology*

RVF Technology is changing the rapid diagnostics landscape with unmatched speed and multiplexing capabilities. Those designing and building infrastructure and programs are reimagining the potential they can deliver with RVF Technology, including workflow efficiencies, higher throughput of people being tested, and operations savings. Our team is constantly looking at the dynamics of healthcare around the world and at the Company to assess how MedMira products and technology are meeting the needs of rapid test users in the best way possible.

We enhanced our customer listening and engagement programs to gain greater understanding of how they use rapid testing tools, their future needs, so we can build the right tools for them. This year, we focused our Miriad product line initiatives on tissue banks in the United States. Tissue banks are using Miriad to improve their bottom line, streamline the tissue collection process, and reduce the risk of exposure to infectious diseases for their technicians. The multiplexing and speed capabilities of RVF Technology garnered an overwhelming amount of positive attention in this sector in 2015 and MedMira has been called “an industry partner” for our willingness to work with tissue banks to address some of the unique challenges they face in integrating rapid testing in their processes.

Global awareness of MedMira RVF Technology also continued to grow and resulted in a deal with an alliance which included UNAIDS and the World Health Organization, positioning the multiplexing abilities of RVF Technology on the world stage. While the sale of \$100,000 was not insignificant, the opportunity to demonstrate the performance capabilities of our rapid testing technology to international aid agencies, funding agencies, healthcare NGOs, and others was an important step in building awareness of our offering within this community. Going forward the MedMira team will continue to engage with more of these world class organizations to ensure RVF Technology ramps up its position as a key player in global healthcare.

Going forward in 2016, we will build on the momentum we created this year, moving RVF Technology and our robust product development pipeline forward to bring new solutions to customers, with our partners and collaborators. Our technology team is prioritizing the vast number of new rapid test applications and combinations – including infectious, sexually transmitted, and tropical diseases, chronic health conditions, cancers, and prenatal screening and monitoring – that can be created using RVF Technology to ensure our pipeline of new solutions answers the needs of the market.



Following excellent results in our most recent FDA site inspection, with no 483 or written observations, and buoyed by the recent FDA approval of Reveal G4, 2016 will mark the beginning of significant advancement in the U.S. MedMira's market footprint will expand with the new whole blood POC applications and build towards the launch of additional multiplexing products for hepatitis and HIV.

We look forward to 2016 with an energized focus on helping people know...across a broad range of sectors and testing settings. The possibilities of where RVF Technology will enable rapid testing to take place in 2016 are limitless, perhaps only confined by our imaginations, and we are excited to see where we can take it.

On behalf of management and the entire MedMira team, thank you for your continued support.

A handwritten signature in black ink, appearing to be "Hermes Chan".

**Hermes Chan**  
Co-Founder & CEO

## **MedMira Inc.**

Management's Discussion & Analysis  
For the year ended July 31, 2015

## **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 interim financial statements, affect 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, 2015 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](http://www.medmira.com) and are available on SEDAR at [www.sedar.com](http://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 (TSX-V) under the symbol MIR.

The patented MedMira Rapid Vertical Flow (RVF) Technology™ platform is the basis for the Company's line of rapid tests. Diagnostic applications based on this distinct technology are highly accurate, easy-to-use, and produce instant results – a strong advantage over most other rapid diagnostics on the market today. These features are enhanced further with the unique competitive advantage of enabling multiplex results on one test device with just one drop of specimen. The Company has created a new generation of rapid tests that are based on its customers' need to provide swift answers without increasing costs.

MedMira's technology and growing portfolio of diagnostic tools demonstrate excellence in performance and quality in the highly competitive diagnostics industry. More than \$30 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 (U.S Food and Drug Administration (FDA)), Canada

(Health Canada), the notified body in the European Union (CE Mark), and China (CFDA – formerly known as SFDA) and in a number of countries in Latin America, Africa, and Asia. The Company is also ISO 9001:2008 and ISO 13485:2003 certified.

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. The Company launched its Miriad™ product line in 2014 to create new opportunities in the high value technology licensing sector. This business allows the Company to monetize its award winning technology and core capabilities, including R&D, product development, and regulatory proficiency. Miriad provides access to MedMira RVF Technology for researchers, developers, and biotech companies on a license basis to facilitate the creation of new rapid tests or the transition of existing tests to this unique platform. Infiltrating new and different core sectors of the diagnostic industry, such as veterinary and environmental, with the Company's technology, enables MedMira to build a higher degree of global awareness, generate new revenue streams, and provide a superior diagnostic platform to the market.

## 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 Vertical Flow Technology and the methodology behind its rapid diagnostics includes the following:

<i>Patent #</i>	<i>Title</i>	<i>Jurisdiction</i>
9,164,087	Rapid Diagnostic Device, assay and multifunctional Buffer	United States
9,086,410	Downward or vertical flow diagnostic device and assay	United States
8,025,850	Rapid Diagnostic Device, Assay and Multifunctional Buffer	United States
8,287,817	Rapid Diagnostic Device, Assay and Multifunctional Buffer	United States
8,586,375	Rapid Diagnostic Device, Assay and Multifunctional Buffer	United States
7,531,362	Rapid Diagnostic Device, Assay and Multifunctional Buffer	United States
D706945	Diagnostic Device	United States
D706466	Diagnostic Device	United States
EP1417489	Rapid Diagnostic Device and Assay	Europe
EP1328811	HCV Mosaic Antigen Composition	Europe
ZL02819646.5	Rapid Diagnostic Device and Assay	China
2,493,616	Rapid Diagnostic Device, Assay and Multifunctional Buffer	Canada

The Company has other patents pending patents in the U.S. as well as two design patents in force or pending in eight markets.

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

## Corporate update

In Fiscal Year 2015, MedMira received a total of CAD \$2.2 million in equity investments from a new, arm's length investor from Asia and OnSite Lab Holding AG (OnSite Lab). These investments fueled the Company's progressive sales and marketing initiatives in the significantly strategic U.S. market, as well as ongoing research and development and commercialization activities to expand product lines and meet increasing customer demand for high quality, multiplex rapid diagnostics.

MedMira's development and commercialization projects with the U.S. military for Reveal HBsAg and Multiplo HBc/HIV/HCV advanced as planned during this fiscal year with all major milestones being met and the multi-center clinical trials entering the final phase as the year came to a close. The Company completed the first in a series of planned submissions to the FDA with a supplement to the existing Premarket Approval for the FDA approval of the next generation of its Reveal rapid HIV test. The supplement requested approval of Reveal G4 Rapid HIV-1 Antibody Test (Reveal G4) which adds detection of HIV antibodies in fingerstick and venipuncture whole blood to its intended use. These capabilities extend the Reveal product line into point-of-care settings, where demand for rapid HIV testing on the rise. HIV testing is now a part of routine medical care and is increasingly being conducted in community-based settings where convenience and accessibility increase the likelihood of people getting tested. Subsequent to year end the Company received FDA approved for Reveal G4.

The Company's R&D and commercialization units continued to examine market conditions for new rapid diagnostic opportunities in infectious, sexually transmitted, and tropical diseases as well as other healthcare challenges where fast, accurate results can improve patient outcomes and the provider's bottom line. In 2015, the MedMira development and commercialization pipeline was fully engaged with new concepts, prototypes, and collaborative efforts on new RVF rapid tests. Additionally, the evolution of the RVF Technology platform continued to ensure that it maintains its position as a superior product engine for next generation rapid diagnostic solutions.

MedMira's sales and marketing activities focused on expanding market knowledge and understanding of the Company's RVF Technology platform and promoting its rapid diagnostic solutions. With one of the key strategic markets being the U.S., the Company established MedMira US Inc. as a wholly-owned subsidiary to support customer service, sales channel expansion, and logistics. The office is strategically situated in Atlanta, GA to easily access global markets, and potential collaborators at the Centers for Diseases Control and Prevention (CDC), the FDA, the Carter Center, among others.

Building on the introduction of the research-focused Miriad product line in the previous year, the Company concentrated efforts on the tissue bank sector where the number of customers evaluating or considering the implementation of Miriad HBc/HIV/HCV in their tissue collection procedures increased significantly in 2015. Miriad garnered much attention in the tissue bank space in Fiscal 2015 with two American Association of Tissue Banks (AATB) webinars focused on rapid testing, which featured customers presenting their experiences and results in using Miriad HBc/HIV/HCV to screen tissue at the point of collection. Subsequent to the year end the Company made its debut at the AATB Annual Meeting, where the MedMira exhibit featured branding and messaging centered on the Company's core positioning statement helping people know...® and Miriad - the Know in Go/No Go messaging. An independent presentation on field results and user experiences with Miriad HBc/HIV/HCV test was also given by two customers during the event.

Market building activities in the U.S. in 2015 were capped off with the Company's participation in American Association for Clinical Chemistry (AACC) Annual Meeting and Clinical Lab Expo, the world's largest gathering for laboratory science. Attendees from around the world were able to see firsthand the speed and simplicity enabled by RVF Technology during demonstrations at the Company's AACC exhibit. Further market education took place as participants in the AACC OEM Lecture Series learned about how RVF Technology is powering next generation multiplexed diagnostics for point-of-care settings. The Company also presented a poster on the development of a multiplex rapid test for syphilis during AACC 2015.

While much of the attention focused on the U.S, there was also growing international interest in the multiplex capabilities of MedMira RVF Technology and rapid diagnostic solutions. The Company landed a \$100,000 deal for Multiplo Hbc/HIV/HCV and Multiplo TP/HIV tests from a coalition of UNAIDS, the World Health Organization, and the Government of the Russian Federation. The tests were ultimately destined for use in a mobile health initiative in Uzbekistan. While this deal was financially significant, it more importantly increased the awareness of the Company's multiplex rapid diagnostics on the international stage, providing exposure to international aid agencies including UNICEF, the World Bank, and United Nations agencies working to improve global health.

In Fiscal 2015 the Company appointed Robyn Cook as the Company's Chief Corporate Officer to focus on organizational alignment and prioritization of corporate strategy, implementation of industry best practices, and maximizing excellence across all MedMira business units. The Company re-elected all Board members at the Annual General Meeting in January 2015. Subsequent to the close of year end, the Company's controlling shareholder OnSite Lab appointed Dr. Philippe Dro to replace Dr. Michael Sidler as its Board of Directors representative.

## **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, 2015 consolidated financial statements.

**Selected quarterly information (in thousands of dollars except per share amounts)**

<b>Income statement</b>	<b>Q4 2015</b>	<b>Q3 2015</b>	<b>Q2 2015</b>	<b>Q1 2015</b>	<b>Q4 2014</b>	<b>Q3 2014</b>	<b>Q2 2014</b>	<b>Q1 2014</b>
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	1,463	1,345	723	521	898	639	519	473
Cost of sales	1,028	1,114	403	327	678	428	316	332
Gross profit	435	231	320	194	220	211	203	141
Operating expenses	548	904	1,261	939	1,044	1,213	1,358	727
Other expenses (gains)	186	179	96	297	(462)	216	261	252
Net earnings (loss) before tax	(298)	(852)	(1,037)	(1,042)	(362)	(1,218)	(1,417)	(838)
<b>Balance sheet</b>	<b>Q4 2015</b>	<b>Q3 2015</b>	<b>Q2 2015</b>	<b>Q1 2015</b>	<b>Q4 2014</b>	<b>Q3 2014</b>	<b>Q2 2014</b>	<b>Q1 2014</b>
	\$	\$	\$	\$	\$	\$	\$	\$
Current assets	1,520	991	925	1,352	1,484	1,411	3,216	5,392
Non-current assets	264	291	313	335	358	373	378	336
Total assets	1,784	1,282	1,238	1,687	1,842	1,784	3,594	5,728
Current liabilities	6,993	5,765	5,754	5,061	4,286	3,456	3,792	4,354
Non-current liabilities	2,495	2,923	3,159	3,265	4,246	4,842	5,097	5,253
Total liabilities	9,888	8,688	8,214	8,327	8,532	8,298	8,890	9,607
Total shareholders deficiency	(7,704)	(7,406)	(7,676)	(6,640)	(6,690)	(6,514)	(5,296)	(3,879)
Total liabilities and equity	1,784	1,282	1,238	1,687	1,842	1,784	3,594	5,728
Net earnings (loss) per share	(0.001)	(0.001)	(0.002)	(0.002)	(0.001)	(0.002)	(0.003)	(0.002)

#### Fourth quarter analysis

The following table compares the results of operations for the three months ended July 31, 2015 to the three months ended July 31, 2014.

	For the three months ended		Better (worse) \$
	31-Jul-15 \$	31-Jul-14 \$	
<b>Product</b>			
Product sales	159,428	313,825	(154,397)
Royalties	-	10,900	(10,900)
Product cost of sales	(52,431)	(147,553)	95,122
<b>Gross margin on product</b>	<u>106,997</u>	<u>177,172</u>	<u>(70,175)</u>
<b>Services</b>			
Service sales	1,303,805	573,255	730,550
Service cost of sales	(975,160)	(529,115)	(446,045)
<b>Gross margin on services</b>	<u>328,645</u>	<u>44,140</u>	<u>284,505</u>
<b>Operating expenses</b>			
Research and development	330,932	170,891	160,041
Sales and marketing	(160,514)	(226,449)	65,935
Other direct costs	(159,869)	(188,239)	28,370
General and administrative	(558,624)	(800,801)	242,177
<b>Total operating expenses</b>	<u>(548,073)</u>	<u>(1,044,598)</u>	<u>496,523</u>
<b>Operating (expense) income</b>	<u>(112,433)</u>	<u>(823,286)</u>	<u>710,853</u>
<b>Non-operating expenses</b>			
Financing (expense) income	(185,879)	462,648	(648,527)
<b>Net Loss</b>	<u>(298,312)</u>	<u>(360,638)</u>	<u>62,326</u>

#### Product revenue and gross margin

The Company recorded revenue from product sales and royalties in the quarter ended July 31, 2015 of \$159,428 as compared to \$324,725 for the same period last year. The decrease in revenue was due to the management's focus on high profit and low volume markets, which increased the overall gross profit margin. Gross profit for the quarter was \$106,997 (67.1%) compared to \$177,172 (54.6%) in the same period in 2014. The cost of product sales was \$52,431 during the three months ended July 31, 2015 (July 31, 2014—\$147,553).

#### Service revenue and gross margin

The Company recorded revenue from service sales of \$1,303,805 in the three months ended July 31, 2015 (July 31, 2014 - \$573,255) with a related gross margin of \$328,645 (July 31, 2014 - \$44,140). The Company earned revenue and gross margin on two research contracts with the United States military. The current year gross margin on services was in line with the management's expectations. The increase of the profit margin was due to the strong USD in FY2015.

*Operating expenses*

Total operating expenses decreased to \$548,073 in the quarter ended July 31, 2015, compared to 1,044,598 during the same period in 2014.

- Research and development recovery for the quarter ended July 31, 2015 were \$330,932, compared to \$145,905 for the same period last year.
- Sales and marketing expenses for the quarter ended July 31, 2015 was \$160,514 compared to \$226,449 for the same period last year.
- Other direct costs for the three months ended July 31, 2015 were \$159,869 compared to \$188,239 for the same period last year.
- Administrative expenses were \$558,624 for the quarter ended July 31, 2015, compared with \$800,801 for the same period in 2014. The decrease of 30.2% was due to the cost restructuring measures implemented during FY2015.

*Non-operating income and expenses*

- The Company had a financing expenses of \$185,879 in comparison to the gain of \$462,648 in FY2014, which was due to the re-measurement of the royalty provision and the long-term debt.

### Year to date analysis

The following table compares the results of operations for the year ended July 31, 2015 to the year ended July 31, 2014.

	For the year ended		Better(worse) \$
	31-Jul-15 \$	31-Jul-14 \$	
<b>Product</b>			
Product sales	1,130,419	843,568	286,851
Royalties	753	10,900	(10,147)
Product cost of sales	(443,002)	(436,406)	(6,596)
<b>Gross margin on product</b>	<u>688,170</u>	<u>418,062</u>	<u>270,108</u>
<b>Services</b>			
Service sales	2,921,169	1,673,711	1,247,458
Service cost of sales	(2,428,973)	(1,316,978)	(1,111,995)
<b>Gross margin on services</b>	<u>492,196</u>	<u>356,733</u>	<u>135,463</u>
<b>Operating expenses</b>			
Research and development	(604,143)	(294,425)	(309,718)
Sales and marketing	(503,535)	(1,086,328)	582,793
Other direct costs	(623,742)	(609,513)	(14,229)
General and administrative	(1,920,421)	(2,353,152)	432,731
<b>Total operating expenses</b>	<u>(3,651,841)</u>	<u>(4,343,418)</u>	<u>691,577</u>
<b>Operating (expense) income</b>	<u>(2,471,475)</u>	<u>(3,568,623)</u>	<u>1,097,148</u>
<b>Non-operating expenses</b>			
Financing (expense) income	(758,090)	(266,716)	(491,374)
<b>Net Loss</b>	<u>(3,229,565)</u>	<u>(3,835,339)</u>	<u>605,774</u>

#### *Product revenue and gross margin*

The Company recorded revenue from product sales in the year ended July 31, 2015 of \$1,131,172 as compared to \$854,468 for the same period last year. Gross profit on product sales for the year was \$688,170 compared to \$418,062 in the same period last year. The increase in gross profit margin was due to higher sales in high margin markets, which was in line with the management's focus strategy. Current year gross profit was in line with management expectations.

#### *Service revenue and gross margin*

The Company recorded revenue from service sales in the year ended July 31, 2015 of \$2,921,169 as compared to \$1,673,711 for the same period last year. The Company earned revenue and gross margin on two research contracts with the United States military. The current year margin on services was in line with management expectations.

*Operating expenses*

Total operating expenses decreased by \$691,577, from \$4,343,418 for the year ended July 31, 2014 to \$3,651,841 for the year ended July 31, 2015.

- Research and development expenses for the year ended July 31, 2015 were \$604,143 compared to \$294,425 for the year ended July 31, 2014. Actual research expenses in July 31, 2015 for the year were \$3,033,116 (July 31, 2014 – \$1,910,445 which was offset by reimbursements of research costs (July 31, 2014 – \$299,042) and allocation of \$2,428,973 to cost of sales (July 31, 2014 – \$1,316,978). The comparative increase in research costs was directly attributable to greater activity related to the United States military contracts and new product developments.
- Sales and marketing expenses for the year ended July 31, 2015 were \$503,535 compared to \$1,086,328 for the same period last year. The decrease of the Sales and Marketing expenditure has been in line with the management's vision to focus on high margin markets only.
- Other direct costs for the year ended July 31, 2015 were \$623,742, compared to \$609,513, for the same period last year.
- General and administrative expenses were \$1,920,421 for the year ended July 31, 2015, compared to \$2,353,152 for the same period in 2014. The decrease in administrative expense was due to the cost restructuring implemented in FY2015.

*Non-operating income and expenses*

Total other losses were \$758,090 in the year ended July 31, 2015, compared to a loss of \$266,716 during the same period in 2014.

- Financing expenses, including interest expense, were \$758,090 for the year ended July 31, 2015 in comparison to \$266,716 in the same period last year.

## Geographic information

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

	Product and service revenue		Product and service revenue	
	For the three months ended		For the year ended	
	31-Jul-15	31-Jul-14	31-Jul-15	31-Jul-14
	\$	\$	\$	\$
North America	1,452,193	748,373	3,591,649	2,206,708
Latin America and the Caribbean	-	60,344	111,721	142,225
Europe	6,273	13,996	27,130	19,045
Asia Pacific	4,518	75,267	82,138	160,201
West Asia	-	-	238,663	-
Middle East	-	-	791	-
Other	294	-	294	-
<b>Total revenue</b>	<b>1,463,233</b>	<b>897,980</b>	<b>4,052,341</b>	<b>2,528,179</b>

## Liquidity and capital resources

### *Cash and working capital*

The Company had a cash reserve of \$262,392 on July 31, 2015, as compared to \$162,458 on July 31, 2014. The Company's net working capital position as of July 31, 2015 was a deficit of \$5.5 million compared to the July 31, 2014 working capital deficit of \$2.8 million. The Company has incurred losses and negative cash flows on a cumulative basis since inception. For the year ended July 31, 2015, the Company incurred a net loss from operating activities of approximately \$2.5 million and negative cash flow of \$2.3 million, compared to a net loss from operations of \$3.6 million and negative cash flow from operations of \$4.7 million for the same period in 2014. In September 2015, subsequent to year-end, the Company successfully raised an additional investment of \$5 million from OnSite Lab to fund the required operating activities.

### *Operating activities*

MedMira generated negative cash flows from operations of \$2.3 million for the year ended July 31, 2015, compared to negative cash flows of \$4.4 million for the year ended July 31, 2014.

### *Financing activities*

Net cash inflows from financing activities was \$2.4 million for the year ended July 31, 2015, compared to \$4.9 million for the same period in 2014.

### *Investing activities*

Cash outflow from investments decreased to \$-nil during the year ended July 31, 2015, compared to \$96,288 for the same period in 2014.

## Debt

As at July 31, 2015, the Company had loans payable with a carrying value of \$7.0 million compared to \$6.2 million at July 31, 2014. The increase in the carrying value of loans payable from July 31, 2014 to July 31, 2015 is due to an increase in short term loans and two loans were in default due to ongoing debt re-negotiations. The Company's loans have an average payment term of 3 years.

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 Notes 2 and 11 of the Company's July 31, 2015 condensed interim consolidated financial statements.

### **Equity/Shares**

The Company is authorized to issue an unlimited number of common shares without nominal par value. During fiscal year 2015 the company issued 44,000,000 common shares. The number of issued and outstanding common shares on July 31, 2015 was 558,364,320. The Company is also authorized to issue an unlimited number of Series A preferred shares redeemable at \$0.001 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, 2015.

The Company had 2,921,875 outstanding stock options on July 31, 2015. The outstanding stock options have a weighted average exercise price of \$0.10 per share and a weighted average remaining term of 1.6 year. The number of outstanding warrants on July 31, 2015 was 306,100,000. The outstanding warrants have a weighted average exercise price of \$0.10 per share.

### **Off balance sheet arrangements**

The Company was not party to any off balance sheet arrangements as of July 31, 2015.

### **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 loans and receivables and recorded at amortized cost using the effective interest method.
- 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 long-term debt, accounts payable and accrued liabilities: 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, 2015, the Company realized a net loss of approximately \$3.6 million (July 31, 2014 – \$3.8 million), consisting of a net loss from operations of approximately \$2.5 million (July 31, 2014 – \$3.6 million), and other non-operating losses of approximately \$0.8 million (July 31, 2014 – profit of approximately \$0.3 million). Negative cash flows from operations were approximately \$2.6 million (July 31, 2014 – \$3.5 million). As at July 31, 2015, the Company had an accumulated deficit of approximately \$78.0 million (July 31, 2014 – \$75.0 million) and a negative working capital position of \$5.7 million (July 31, 2014 – \$2.8 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 \$4.7 million. These circumstances cast 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.

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. Nevertheless, there is no assurance that this initiative will be successful.

#### *Credit risk*

Credit risk refers to the risk that a 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 83% (July 31, 2014—85%) of its revenue from three (July 31, 2014—two) main customers and, for these customers, assesses the recoverability of each account on a regular basis. As of July 31, 2015, 99% of the accounts receivable balance is due from two customers (July 31, 2014—92% due from three customers) and no other customers account for more than 10% of the accounts receivable balances as at July 31, 2015.

#### *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 exchange fluctuations from year to year have accounted for a significant portion of the company's exchange gain and loss. Most sales are 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.

#### *Interest rate risk*

The Company is not exposed to interest rate risk as it borrows funds at fixed rates.

### Related party transactions

The following transactions occurred with related parties during the year ended July 31, 2015:

- A short term loan totalling \$180,000 bearing 5% interest was received from OnSite Lab. During the year \$419 in interest was accrued against this loan (2014 - \$478,920 and \$1,998 in interest).
- Short term loans totalling \$78,952 bearing 5% interest were received from the Chief Financial Officer. During the year, \$2,356 in interest was accrued against these loans (2014 - \$119,730 and \$5,892 in interest).
- A royalty agreement was entered into with OnSite Lab. In exchange for \$270,000, OnSite Lab received a 10% royalty on all future US sales of Reveal G4 product for a five year period commencing on the day of the first full payment of CAD \$100,000 worth of product (2014 – nil).
- Director fees totalling \$13,750 were incurred (2014 - \$24,367).
- Short term loan totalling \$350,000 bearing interest at 5% was received from Andurja (2014 - \$0)

The following balances with related parties were outstanding at July 31, 2015:

- Accounts payable totalling \$10,543 was due to directors (2014 – \$8,292).
- Accounts payable totalling \$193,629 was due to officers (2014 - \$0).
- A short term loan totalling \$180,419 was due to OnSite Lab (2014 – \$480,918).
- A short term loan totalling \$229,585 was due to the Chief Financial Officer (2014 – \$125,622).
- A royalty provision was owed to OnSite Lab of \$260,000 (2014 – \$260,000)
- A short term loan totalling \$78,291 was due to an employee (2014 - \$0)
- A short term loan totalling \$354,123 was due to Andurja (2014 -\$0)

### Summary Compensation Table – Officers

Name and Principal Position	Period	Paid Compensation (\$)	Accrued Compensation (\$)	Paid Compensation related to previous fiscal years (\$)	Share- and Option-based Awards* (\$)	All other compensation (\$) <sup>(1)</sup>	Total Compensation (\$)
Hermes Chan CEO	Fiscal 2015	96,000	92,000	-	-	-	188,000
Sing Chan COO	Fiscal 2015	132,000	-	-	-	-	132,000
Robyn Cook CCO	Fiscal 2015	101,941	-	-	679	25,000	127,620
Markus Meile CFO	Fiscal 2015	32,443	113,241	18,347	-	-	198,696

**Note:**

<sup>(1)</sup> All other compensation include, pension fund contributions and/or bonuses paid out.

\*The Company makes certain estimates and assumptions when calculating the fair value of option-based awards. The Company uses an option-pricing model which includes significant assumptions including estimates of the expected volatility, expected life, expected dividend rate and expected risk-free rate of return. Changes in these assumptions may result in a material change to the amounts recorded for the issuance of stock options.

**Summary Compensation Table – Directors**

Name Designation Position(s)	Period	Paid Compensation (\$)	Accrued Compensation (\$)	Share- and Option-based Awards (\$)*	Paid Compensation related to previous fiscal year (\$)	Total Compensation (\$)
Hermes Chan Director	Fiscal 2015	-	-	6,793	-	6,793
Romano Robusto Director/Audit Committee Chair Member of Nomination and Compensation Committee	Fiscal 2015	2,500	2,500	5,094	5,276	15,370
Michael Sidler Director	Fiscal 2015	-	-	6,793	-	6,793
Marvyn Robar Director/Chairman of the Board/Member of Audit and Nomination & Compensation Committee	Fiscal 2015	1,250	3,750	4,840	2,945	12,785
Colin MacGillivray Director/Nomination & Compensation Committee Chair/Member of Audit Committee	Fiscal 2015	1,250	2,500	3,566	2,411	9,727

\*The Company makes certain estimates and assumptions when calculating the fair value of option-based awards. The Company uses an option-pricing model which includes significant assumptions including estimates of the expected volatility, expected life, expected dividend rate and expected risk-free rate of return. Changes in these assumptions may result in a material change to the amounts recorded for the issuance of stock options.

**Subsequent events**

In September 2015, the Company completed a \$5 million equity investment from its controlling shareholder OnSite Lab. Under the terms of the deal, the investor acquired 100,000,000 equity units at \$0.05 per unit. Each equity unit consists of

one common share and one common share purchase warrant and is subject to a four month hold period which expires on January 31, 2016. Each full warrant entitles the investor to purchase one common share of MedMira at \$0.10 per share exercisable over four years.

### **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, 2015.

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 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 facility's 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.

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## **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 FDA, the CFDA, CE Mark 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 CFDA approvals (or, to a lesser extent, approval of applicable health authorities in other countries) for MedMira's new or existing products could materially adversely affect 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, dependent 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 United States, a relationship has been established with My Care Solution to support the logistics and distribution of the Company's products. The Company will rely on the joint efforts of My Care Solution and distributors Cardinal Health, a Fortune 100 company, and VWR International to distribute MedMira's product line.

Outside the United States, 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.

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, CE, CFDA 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 attempts 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 United States, Canada, China, and other foreign countries relating to various aspects of its rapid diagnostic platform, processes, reagents, and equipment. Although it is management's belief 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.

## **MedMira Inc.**

Consolidated Financial Statements  
July 31, 2015 and 2014

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November 24, 2015

**Management's responsibility for financial reporting**

The accompanying consolidated financial statements of MedMira Inc. (MedMira or the Company) are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements includes amounts and assumptions based on management's best estimates which have been derived with careful judgement.

In fulfilling its responsibilities, management has developed and maintains a system of internal accounting controls. These controls are designed to ensure that the financial records are reliable for preparation of the consolidated financial statements.

The Board of Directors of the Company is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements and the accompanying management's discussion and analysis. The Board of Directors carries out this responsibility principally through its Audit Committee.

The Audit Committee is a subcommittee of the Board of Directors. It is responsible for oversight of the internal control and financial matters assisting the Company's management and independent auditors to ensure that the integrity of the financial reporting process is maintained.

The Company's independent auditors are appointed by the shareholders to conduct an audit in accordance with Canadian generally accepted auditing standards and their report follows.

(signed) *Hermes Chan*  
Chief Executive Officer

(signed) Markus Meile  
Chief Financial Officer

## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of MedMira Inc.:

We have audited the accompanying consolidated financial statements of MedMira Inc. ("MedMira" or "the Company"), which comprise the consolidated statements of financial position as at July 31, 2015 and July 31, 2014, and the consolidated statements of operations and comprehensive loss, consolidated statements of changes in equity, and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of MedMira Inc. as at July 31, 2015 and July 31, 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

**Emphasis of Matter**

We draw attention to Note 2 in the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

The image shows a handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, slightly slanted style.

Chartered Professional Accountants

November 24, 2015

Halifax, Nova Scotia, Canada

**Consolidated statements of financial position**  
**As at July 31, 2015 and July 31, 2014**

*In Canadian dollars*

	<i>Notes</i>	<b>31-Jul-15</b>	<b>31-Jul-14</b>
		\$	\$
<b>Assets</b>			
<i>Current assets</i>			
Cash		262,392	162,458
Trade and other receivables		769,698	778,345
Prepaid expenses		38,627	48,270
Current tax assets		149,000	193,000
Inventories	5	<u>299,928</u>	<u>301,770</u>
Total current assets		<u>1,519,645</u>	<u>1,483,843</u>
<i>Non-current assets</i>			
Property, plant and equipment	6	264,005	358,082
Intangible assets	7	<u>2</u>	<u>2</u>
Total non-current assets		<u>264,007</u>	<u>358,084</u>
<b>Total assets</b>		<u>1,783,652</u>	<u>1,841,927</u>
<b>Liabilities</b>			
<i>Current liabilities</i>			
Current portion of debt	10	4,720,878	2,234,870
Accounts payable and accrued liabilities		2,265,005	1,847,946
Deferred revenue		<u>7,311</u>	<u>203,100</u>
Total current liabilities		<u>6,993,194</u>	<u>4,285,916</u>
<i>Non-current liabilities</i>			
Provision for royalty	12	260,000	260,000
Long term portion of debt	10	<u>2,234,825</u>	<u>3,986,078</u>
Total non-current liabilities		<u>2,494,825</u>	<u>4,246,078</u>
<b>Total liabilities</b>		<u>9,488,019</u>	<u>8,531,994</u>
<b>Equity</b>			
Share capital	8	60,211,178	59,018,425
Warrant reserve	8	8,202,394	7,207,647
Stock based compensation reserve	8	1,311,597	1,283,832
Equity reserve		595,770	595,770
Accumulated deficit		<u>(78,025,306)</u>	<u>(74,795,741)</u>
<b>Total shareholders' deficiency</b>		<u>(7,704,367)</u>	<u>(6,690,067)</u>
<b>Total liabilities and equity</b>		<u>1,783,652</u>	<u>1,841,927</u>

The accompanying notes are an integral part of these consolidated financial statements.

**Approved on behalf of the Board of Directors**

(signed) *Hermes Chan*, Director

(signed) *Romano Robusto*, Director

**Consolidated statements of operations and comprehensive loss**  
**For the years ended July 31, 2015 and July 31, 2014**

*In Canadian dollars*

	<i>Notes</i>	<b>31-Jul-15</b> \$	<b>31-Jul-14</b> \$
<b>Product</b>			
Product sales	4	1,130,419	843,568
Royalties	4	753	10,900
Product cost of sales	5	<u>(443,002)</u>	<u>(436,406)</u>
<b>Gross margin on product</b>		<u>688,170</u>	<u>418,062</u>
<b>Services</b>			
Service sales	4	2,921,169	1,673,711
Service cost of sales	14	<u>(2,428,973)</u>	<u>(1,316,978)</u>
<b>Gross margin on services</b>		<u>492,196</u>	<u>356,733</u>
<b>Operating expenses</b>			
Research and development	14	(604,143)	(294,425)
Sales and marketing		(503,535)	(1,086,328)
Other direct costs		(623,742)	(609,513)
General and administrative		<u>(1,920,421)</u>	<u>(2,353,152)</u>
<b>Total operating expenses</b>		<u>(3,651,841)</u>	<u>(4,343,418)</u>
<b>Operating loss</b>		<u>(2,471,475)</u>	<u>(3,568,623)</u>
<b>Non-operating expense</b>			
Financing expense	19	<u>(758,090)</u>	<u>(266,716)</u>
<b>Net and comprehensive loss</b>		<u>(3,229,565)</u>	<u>(3,835,339)</u>
Basic loss per share	9	(0.006)	(0.007)
Diluted loss per share	9	(0.006)	(0.007)

The accompanying notes are an integral part of these consolidated financial statements.

**Consolidated statements of changes in equity**
*In Canadian dollars*

	<u>Share capital</u>			Stock based compensation reserve	Equity reserve	Accumulated deficit	Shareholders' deficiency
	Common shares	Preferred shares	Warrant reserve				
<b>Balance at July 31, 2013</b>	<b>55,658,683</b>	<b>2,500</b>	<b>4,493,647</b>	<b>1,099,202</b>	<b>595,770</b>	<b>(70,960,402)</b>	<b>(9,110,600)</b>
Net and comprehensive loss	-	-	-	-	-	(3,835,339)	(3,835,339)
Issuance of common shares for cash	3,097,536	-	2,479,113	-	-	-	5,576,649
Issuance of common shares for debt	293,464	-	234,887	-	-	-	528,351
Share issuance costs	(33,758)	-	-	-	-	-	(33,758)
Issuance of stock options	-	-	-	184,630	-	-	184,630
<b>Balance at July 31, 2014</b>	<b>59,015,925</b>	<b>2,500</b>	<b>7,207,647</b>	<b>1,283,832</b>	<b>595,770</b>	<b>(74,795,741)</b>	<b>(6,690,067)</b>
Net and comprehensive loss	-	-	-	-	-	(3,229,565)	(3,229,565)
Issuance of common shares for cash	1,205,253	-	994,747	-	-	-	2,200,000
Share issuance costs	(12,500)	-	-	-	-	-	(12,500)
Issuance of stock options	-	-	-	27,765	-	-	27,765
<b>Balance at July 31, 2015</b>	<b>60,208,678</b>	<b>2,500</b>	<b>8,202,394</b>	<b>1,311,597</b>	<b>595,770</b>	<b>(78,025,306)</b>	<b>(7,704,367)</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Consolidated statements of cash flows**  
**For the years ended July 31, 2015 and July 31, 2014**

*In Canadian dollars*

	<i>Notes</i>	31-Jul-15 \$	31-Jul-14 \$
<b>Cash from operating activities</b>			
Loss for the year ending July 31		(3,229,565)	(3,835,339)
Adjustments for:			
Depreciation	6	94,078	83,262
Provision for royalty		-	(479,817)
Stock based compensation		27,765	184,630
Accretion expense		475,994	524,766
<b>Net cash from operating activities</b>		<u>(2,631,728)</u>	<u>(3,522,498)</u>
<b>Movements in working capital:</b>			
(Increase)/decrease in trade and other receivables		8,647	(458,092)
(Increase)/decrease in inventories		1,842	(96,770)
(Increase)/decrease in prepaids		9,644	21,833
(Increase)/decrease in current tax assets		44,000	12,489
(Increase)/decrease in trade and other payables		417,057	(712,057)
(Increase)/decrease in deferred revenue		(195,789)	99,778
<b>Net cash used operating activities</b>		<u>(2,346,327)</u>	<u>(4,655,317)</u>
<b>Cash flow from investing activities</b>			
Payments to acquire capital assets		-	(96,288)
<b>Net cash used in investing activities</b>		<u>-</u>	<u>(96,288)</u>
<b>Cash flow from financing activities</b>			
Proceeds from the issuance of common shares	8	2,200,000	6,105,000
Payment for share issue costs	8	(12,500)	(33,758)
Proceeds from borrowings		1,073,805	481,056
Repayment of borrowing		(815,044)	(1,659,177)
<b>Net cash from financing activities</b>		<u>2,446,261</u>	<u>4,893,121</u>
Net increase (decrease) in cash		99,934	141,516
Cash at the beginning of the year		162,458	20,942
<b>Cash at the end of the year</b>		<u>262,392</u>	<u>162,458</u>

The accompanying notes are an integral part of these consolidated financial statements.

MedMira Inc.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2015 and July 31, 2014

In Canadian dollars

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## 1. Reporting entity

### Nature of operations

MedMira Inc. (MedMira or the Company) is a biotechnology company headquartered in Canada. The address of the Company's registered office is 155 Chain Lake Drive, Suite 1, Halifax, Nova Scotia, B3S 1B3. OnSite Lab Holdings AG (OnSite Lab) owns the majority of MedMira's shares and is the controlling shareholder. The consolidated financial statements of the Company as at and for the years ended July 31, 2015 and 2014, comprise the Company and its subsidiaries. MedMira, through its subsidiaries, is engaged in the business of research, development and manufacturing of rapid diagnostics and technologies. The Company invests in research in order to maintain and expand its position in the global diagnostics market. MedMira's research is focused on specific areas of the broader diagnostics market, namely the rapid, point-of-care, and *in vitro* sectors.

## 2. Basis of preparation

### a. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements were authorized for issue by the Board of Directors on November 18, 2015.

### b. Going-concern

The accompanying consolidated financial statements have been prepared on the basis of IFRS applicable to a going-concern, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations. However, certain adverse conditions and events cast significant doubt upon the validity of this assumption.

The Company has incurred losses and negative cash flows from operations on a cumulative basis since inception. For the year ended July 31, 2015, the Company realized a net loss of approximately \$3.2 million (July 31, 2014 – \$3.8 million), consisting of a net loss from operations of approximately \$2.5 million (July 31, 2014 – \$3.6 million), and other non-operating losses of approximately \$0.8 million (July 31, 2014 – \$0.3 million). Negative cash flows from operations were approximately \$2.6 million (July 31, 2014 – \$3.5 million). As at July 31, 2015, the Company had an accumulated deficit of approximately \$78.0 million (July 31, 2014 – \$75.0 million) and a negative working capital position of \$5.7 million (July 31, 2014 – \$2.8 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 \$4.7 million. These circumstances cast 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.

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. Nevertheless, there is no assurance that this initiative will be successful. Additional details on financing subsequent to July 31, 2015 are provided in Note 20.

The Company is subject to risks associated with early stage companies, including but not limited to, dependence on key individuals, competition from substitute services and larger companies, and the requirement for the continued

successful development and marketing of its products and services. The Company's ability to continue as a going-concern is dependent upon its ability to generate positive cash flow from operations and secure additional financing. These financial statements do not reflect the adjustments to carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going-concern assumption not appropriate. These adjustments could be material.

c. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

d. Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries. All financial information is presented in Canadian dollars unless explicitly stated.

e. Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. These include but are not limited to:

- Amounts recorded for depreciation, impairment and reversals of impairment of property, equipment and intangible assets which depend on estimates of net recoverable amounts based on expected economic lives and future cash flows from related assets;
- Amounts recorded for investment tax credits recoverable which are calculated based on the expected eligibility and tax treatment of qualifying scientific research and experimental development expenditures recorded in the Company's consolidated financial statements;
- Contingencies that are accrued when it is probable that a liability for past events exists and the liability can be reasonably estimated. In determining whether a liability exists, the Company is required to make judgements as to the probability of future events occurring;
- The allocation of proceeds between common shares and warrants, determined by valuation of warrants which includes assumptions regarding the volatility and risk free rate;
- The fair value calculation of promissory notes, convertible debt, and long-term debt, which includes assumptions of the market rate and expected cash flows;
- The royalty provision, which includes judgements about the expectation and timing of future sales, and estimates of discount rate, price and cost of production;
- Determination of operating segments.
- Determination of the fair value of stock options and warrants granted. The Company uses an option pricing model, which includes significant assumptions including estimate of expected volatility, expected life, expected dividend rate and expected risk-free rate of return.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

### 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and to the Company's subsidiaries.

The Company and its significant subsidiaries are shown below.

	Country of incorporation	Ownership interest	
		%	%
		31-Jul-15	31-Jul-14
MedMira Inc.	Canada	100	100
MedMira Laboratories Inc.	Canada	100	100
Maple Biosciences Inc.	Canada	100	100
MedMira International AG	Switzerland	100	100
MedMira (US) Inc.	United States	100	-

#### a. Basis of consolidation

##### *Subsidiaries*

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align with the policies adopted by the Company.

##### *Transactions eliminated on consolidation*

Intra-company balances and transactions, and any unrealized income and expenses arising from intra-company transactions, are eliminated in preparing the consolidated financial statements.

#### b. Foreign currency transactions

Transactions in foreign currencies are translated to Canadian dollars, the functional currency of the Company and its subsidiaries, at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in the foreign currency translated at the exchange rate at the end of the reporting period.

MedMira Inc.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2015 and July 31, 2014

In Canadian dollars

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c. Financial instruments

*Financial assets*

The Company initially recognizes loans, receivables, and deposits on the date of origination. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies loans and receivables as non-derivative financial assets. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

Cash is comprised of cash balances and bank overdrafts that are repayable on demand and form an integral part of the Company's cash management for the purpose of the statement of cash flows.

*Financial liabilities*

The Company initially recognizes debt securities issued and subordinated liabilities on the date of origination. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following other liabilities: long term debt, provision for royalty and accounts payable and accrued liabilities. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

### *Share capital*

#### Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

#### Preferred shares

Preferred share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity.

Preferred share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in profit or loss as accrued.

### *Stock purchase warrants*

The fair value of these warrants is determined at the time the services are received by the Company and the expense is recognized in the statement of operations and comprehensive loss. The fair value of the warrants is the fair value of the services received where this can be estimated reliably by comparable services by independent parties. In such circumstances where the fair value of the services received cannot be estimated reliably, the fair value is measured indirectly by reference to the fair value of the equity instrument granted, measured at the date the entity receives the relevant services. For warrants issued for cash or to settle debt, the Company determines the fair value of the warrants using the Black-Scholes option pricing model. All such warrants are classified in a warrant reserve within equity.

#### *d. Property, plant and equipment*

##### *Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes any expenditure that is directly attributable to the acquisition of the asset. Gains and losses on the disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

##### *Subsequent costs*

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

##### *Depreciation*

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future

MedMira Inc.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2015 and July 31, 2014

In Canadian dollars

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economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

- office equipment and furniture            5 years
- leasehold improvements                    lower of 7 years and length of lease
- manufacturing equipment                 5 years
- laboratory equipment                      5 years

Depreciation methods, useful lives, and residual values are reviewed at each financial year end and adjusted if appropriate.

e. Intangible assets

*Research and development*

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. A development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and borrowing costs on qualifying assets for which the commencement date for capitalization is on or after August 1, 2010. Any other development expenditure is recognized in profit or loss as incurred.

A capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

*Other intangible assets*

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

*Subsequent expenditure*

A subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. Any other expenditure, including an expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

*Amortization*

Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Intellectual properties/product technology	10 – 20 years
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f. Leased assets

Leases with terms in which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the future minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized in the Company's statement of financial position.

g. Inventories

Raw materials inventory consists of chemicals, plastic components and packaging materials. Work in process inventory includes partially assembled tests, and any materials that have been modified, but not yet converted to finished products. Finished product inventory includes completed diagnostics tests in a state ready for sale.

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Inventory cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in process, cost includes an appropriate share of production overhead based on normal operating capacity.

h. Impairment

*Financial assets (including receivables)*

Financial assets, other than those at fair value through profit and loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as

a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

#### *Long-lived assets*

The carrying amounts of the Company's long-lived assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the CGU).

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### *i. Employee benefits*

##### *Short-term employee benefits*

Short-term employee benefit obligations such as vacation and healthcare benefits are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

##### *Share-based payment transactions*

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. Under the Company's current option plan, options vest at the date of issuance; therefore, the full value of options is recorded as an increase in equity at the date of issuance.

j. Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

*Onerous contracts*

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

k. Revenue

*Goods sold*

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Down payments are recognized as deferred revenue until such time as the revenue associated with the sales order meets the criteria for revenue recognition. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the contract of sale. For sales of rapid diagnostics, transfer typically occurs when the product is shipped from the Company's warehouse; however, for some international shipments, transfer may occur when goods are received.

*Services*

The Company's service revenue consists primarily of research and development contracts with the US Military. Revenue from services rendered is recognized in profit or loss as allowable costs eligible for reimbursement are incurred, as this is the point at which revenue can be measured reliably, it is possible that the economic benefits associated with the transaction will flow to the Company and the cost incurred for the transaction can be measured reliably.

#### *Royalties and licence fees*

Revenue from royalties and licences is recognized when the terms of the royalty or licence agreement are met, payment is reasonably assured, and payment can be reliably measured. Licences subject to attaining milestones are recognized as milestones are reached. Non-refundable up-front license fees are recognized when no uncertainty about collection exists. It is recognized on a basis that reflects the timing, nature and value of the benefits provided.

#### *Deferred revenue*

All deferred revenue is classified as current and consists of customer advances for product that has not yet been shipped or the conditions required to account for payments as revenue have not yet been met.

#### *l. Government grants*

Government grants are recognized initially as deferred revenue at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant. Grants that compensate the Company for expenses incurred are recognized in profit or loss as a reduction in expense on a systematic basis in the same periods in which the expenses are recognized.

The Company also receives government loans with below market interest rates. These loans are classified as government grants. The benefit from the grant is determined based on the difference between the amount received and the fair value of the loan and is recognized in profit or loss as a reduction in expense on a systematic basis in the same periods in which the expenses are recognized.

#### *m. Finance income and finance costs*

Finance costs comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

#### *n. Deferred income taxes*

The Company uses the liability method of accounting for income taxes. Under this method, current income taxes are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the substantively enacted tax rates that will be in effect when the differences are expected to reverse or when losses are expected to be utilized. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in operations in the year in which the change occurs. Deferred tax assets are recognized for the carry forward of unused tax losses to the extent that it is probably that future taxable profit will be available against which the unused tax losses can be utilized

#### *o. New and amended standards*

The following standards and amendments to standards are effective for annual periods beginning on or after January 1, 2014.

*IAS 32 – Financial Instruments Presentation:* the IASB published amendments to IAS 32, on December 16, 2011, to clarify the application of the offsetting requirements.

*IFRIC 21, Levies:* IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

*IAS 36 - Impairment of Assets (IAS 36)* was amended by the IASB in May 2013. The amendments require the disclosure of the recoverable amount of impaired assets when an impairment loss has been recognized or reversed during the period and additional disclosures about the measurement of the recoverable amount of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount.

The Company adopted these standards as of August 1, 2014 and has determined that they have no material impact on the Company's financial results.

p. New standards issued by not yet effective

The following standards and amendments to standards are effective for annual periods beginning on or after January 1, 2015 or later, with earlier adoption permitted.

*Disclosure Initiative (Amendments to IAS 1)* - On December 18, 2014, the IASB issued *Disclosure Initiative (Amendments to IAS 1)* as part of its major initiative to improve presentation and disclosure in financial reports. The amendments to IAS 1 relate to (i) materiality; (ii) order of the notes; (iii) subtotals; (iv) accounting policies; and (v) disaggregation and are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures. The standard is effective for annual periods beginning on or after January 1, 2016. Earlier adoption is permitted.

*IFRS 9 - Financial Instruments* - A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement* has been issued and is effective for annual periods beginning on or after January 1, 2018. The standard contains requirements in the following areas: classification and measurement, impairment, hedge accounting and derecognition. This new standard supersedes all prior versions of IFRS 9.

*IFRS 11 - Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)*. The standard is effective on or after January 1, 2016 and has been amended to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in *IFRS 3 Business Combinations*) to: apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11 and disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not re-measured).

*IFRS 15 - Revenue from Contracts with Customers*. This standard is effective from fiscal years beginning on or after January 1, 2018 and provides a single, principles based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable

consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. This standard has been tentatively deferred until January 1, 2018.

*IAS 16 - Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments to IAS 16). The amendments are effective for annual periods beginning January 1, 2016 and clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.

The Company is currently evaluating the potential impact, if any, of these standards.

#### 4. Revenue

	31-Jul-15	31-Jul-14
	\$	\$
Product sales	1,130,419	843,568
Royalties	753	10,900
Service revenue	<u>2,921,169</u>	<u>1,673,711</u>
<b>Total revenue</b>	<u>4,052,341</u>	<u>2,528,179</u>

Service revenue is generated from research work on a contract with the US Army. The costs associated with research conducted to earn this revenue have been recognized as a service cost of sales (see note 14).

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

	31-Jul-15	31-Jul-14
	\$	\$
North America	3,591,649	2,206,708
Latin America and the Caribbean	111,721	142,225
Europe	27,130	19,045
Asia Pacific	82,138	160,201
West Asia	238,663	-
Middle East	791	-
Other	<u>249</u>	<u>-</u>
<b>Total revenue</b>	<u>4,052,341</u>	<u>2,528,179</u>

MedMira Inc.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2015 and July 31, 2014

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## 5. Inventories

As at July 31, 2015, there were no valuation allowances against inventory (July 31, 2014 – \$nil).

During the year ended July 31, 2015, inventory valued at \$383,132 was expensed as a cost of goods sold (July 31, 2014 – \$328,003).

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	<b>31-Jul-15</b>	<b>31-Jul-14</b>
	\$	\$
Raw materials and consumables	227,723	248,584
Work in process	58,895	45,908
Finished goods	<u>13,310</u>	<u>7,278</u>
<b>Total inventories</b>	<u>299,928</u>	<u>301,770</u>

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## 6. Property, plant and equipment

During the years ended July 31, 2014 and 2013, the Company did not identify any indicators of impairment. The Company did not make any commitment to acquire property, plant and equipment during the year ended July 31, 2015 (July 31, 2014 – \$nil).

The table below summarizes changes in property, plant and equipment.

	Leasehold improvements \$	Laboratory equipment \$	Manufacturing equipment \$	Office equipment and furniture \$	Total \$
<b>Cost</b>					
<b>Balance at July 31, 2013</b>	<b>820,271</b>	<b>39,686</b>	<b>174,394</b>	<b>278,442</b>	<b>1,312,793</b>
Additions		11,275	34,185	63,673	109,133
Disposals	(6,137)			(8,215)	(14,352)
<b>Balance at July 31, 2014</b>	<b>814,134</b>	<b>50,961</b>	<b>208,579</b>	<b>333,900</b>	<b>1,407,574</b>
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
<b>Balance at July 31, 2015</b>	<b>814,134</b>	<b>50,961</b>	<b>208,579</b>	<b>333,900</b>	<b>1,407,574</b>
<b>Accumulated depreciation and impairment losses</b>					
<b>Balance at July 31, 2013</b>	<b>585,137</b>	<b>25,503</b>	<b>172,180</b>	<b>184,917</b>	<b>967,737</b>
Depreciation expense for the year	52,657	3,735	4,859	25,078	86,329
Disposals	(3,069)	-	-	(1,506)	(4,575)
<b>Balance at July 31, 2014</b>	<b>634,725</b>	<b>29,238</b>	<b>177,039</b>	<b>208,489</b>	<b>1,049,491</b>
Depreciation expense for the year	50,613	5,405	7,399	30,661	94,078
Disposals	-	-	-	-	-
<b>Balance at July 31, 2015</b>	<b>685,338</b>	<b>34,643</b>	<b>184,438</b>	<b>239,150</b>	<b>1,143,569</b>
<b>Carrying amounts</b>					
At July 31, 2013	235,134	14,182	2,214	93,525	345,056
At July 31, 2014	179,409	21,723	31,540	125,411	358,083
At July 31, 2015	128,796	16,318	24,141	94,750	264,005

## 7. Intangible assets

	Intellectual properties \$	Product technology \$	Total \$
<b>Cost or deemed cost</b>			
Balance at July 31, 2013	2,584,899	258,137	2,843,036
Balance at July 31, 2014	2,584,899	258,137	2,843,036
Balance at July 31, 2015	2,584,899	258,137	2,843,036
<b>Accumulated amortization and accumulated impairment losses</b>			
Balance at July 31, 2013	2,584,898	258,136	2,843,034
Balance at July 31, 2014	2,584,898	258,136	2,843,034
Balance at July 31, 2015	2,584,898	258,136	2,843,034
<b>Carrying amounts</b>			
At July 31, 2013	1	1	2
At July 31, 2014	1	1	2
At July 31, 2015	1	1	2

The Company acquired product technology and intellectual properties in 2000 through the acquisition of Precious Life Savings Products Inc. and MedMira Laboratories Inc. In 2001, the Company recorded an impairment charge to write-down these assets to a nominal value. There is no indication that this impairment has reversed.

During 2006, the Company acquired intellectual properties, in the form of patents and technology with a value of \$2,102,569 related to the acquisition of Maple Biosciences Inc. and the BAG-1 technology. During 2008, management reduced its research and development efforts related to these intangible assets and recorded an impairment charge to write-down these assets to a nominal value. Accumulated impairment charges at July 31, 2015 total \$1,693,046 (July 31, 2014 – \$1,693,046). There is no indication that this impairment has reversed.

## 8. Capital and other components of equity

### a. Authorized

The Company is authorized to issue an unlimited number of Series A preferred shares, non-voting, non-participating, redeemable at the Company's option at \$0.001 per share after March 31, 2010, convertible into an equal number of common shares upon the Company meeting certain milestones. The preferred shares earn no dividends.

The Company is authorized to issue an unlimited number of voting common shares without nominal or par value.

b. Share capital issued

	Number of		Value of		Total share capital \$
	Common shares	Preferred shares	Common shares \$	Preferred shares \$	
<b>Balance at July 31, 2013</b>	<b>392,264,320</b>	<b>5,000,000</b>	<b>55,658,683</b>	<b>2,500</b>	<b>55,661,183</b>
Issued for cash	111,532,973	-	3,097,536	-	3,097,536
Issue to repay debt	10,567,027	-	293,464	-	293,464
Share issuance costs	-	-	(33,758)	-	(33,758)
<b>Balance at July 31, 2014</b>	<b>514,364,320</b>	<b>5,000,000</b>	<b>59,015,925</b>	<b>2,500</b>	<b>59,018,425</b>
Issued for cash	44,000,000	-	1,205,253	-	1,205,253
Share issuance costs	-	-	(12,500)	-	(12,500)
<b>Balance at July 31, 2015</b>	<b>558,364,320</b>	<b>5,000,000</b>	<b>60,208,678</b>	<b>2,500</b>	<b>60,211,178</b>

The total common shares issued and outstanding includes 4,064,464 common shares held in escrow scheduled to be released when the Company obtains positive operating cash flow. The Company closed a CAD \$1.1 million equity investment with an arm's length investor from Asia in October 2014. Under the terms of the deal, the investor acquired 22,000,000 equity units at \$0.05 per unit that were issued for cash. The Company also closed a CAD \$1.1 million equity investment with OnSite Lab. Under the terms of the deal, OnSite Lab acquired 22,000,000 equity units at \$0.05 per unit that were issued for cash.

The Series A preferred shares had a stated capital of \$2,500 at July 31, 2015 (July 31, 2014 – \$2,500).

c. Warrants

	Number of warrants	Warrant reserve \$
<b>Balance at July 31, 2013</b>	<b>196,119,500</b>	<b>4,493,647</b>
Issued for cash	111,532,973	2,479,113
Issued to repay debt	10,567,027	234,887
Expired warrants	(6,119,500)	-
<b>Balance at July 31, 2014</b>	<b>312,100,000</b>	<b>7,207,647</b>
Issued for cash	44,000,000	994,747
Expired warrants	(50,000,000)	-
<b>Balance at July 31, 2015</b>	<b>306,100,000</b>	<b>8,202,394</b>

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The total warrants outstanding at July 31, 2015 are shown below.

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<b>Issued</b>	<b>Number</b>	<b>Exercise price</b>	<b>Expiry date</b>
January 31, 2012	20,000,000	0.10	January 31, 2016
June 11, 2012	120,000,000	0.10	June 11, 2016
September 30, 2013	122,100,000	0.10	September 30, 2017
October 2, 2014	22,000,000	0.10	October 2, 2018
March 27, 2015	<u>22,000,000</u>	0.10	March 27, 2019
	306,100,000		

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d. Stock based compensation

The Company has established a stock option plan for its employees, officers, and directors. All options vest immediately upon issue and the Company is authorized to issue a maximum of 13,000,000 options annually upon approval by shareholders. Options that have been issued and remain outstanding are exercisable into an equivalent of 2,921,875 common shares (July 31, 2014 – 5,990,000) at an exercise price of \$0.10. The options expire between March 2, 2016 and April 12, 2018. During the year ended July 31, 2015, 1,021,875 options were issued (July 31, 2014 – 2,850,000). All options outstanding at July 31, 2015 were exercisable.

The total options outstanding from July 31, 2013 to July 31, 2015 are shown below.

	Number	Weighted average exercise price \$	Equity reserve \$
Options outstanding July 31, 2013	4,530,000	0.10	1,099,202
Options issued	2,850,000	0.10	184,630
Options expired/forfeited	(1,390,000)	0.10	-
Options outstanding July 31, 2014	5,990,000	0.100	1,283,832
Options issued	1,021,875	0.100	27,765
Options expired/forfeited	(4,090,000)	0.100	-
Options outstanding July 31, 2015	2,921,875	0.100	1,311,597

Options were priced using the Black Scholes option pricing model using the following assumptions:

Grant date share price	\$0.095
Exercise price	\$0.10
Expected volatility (based on historical volatility over the past three years)	124%
Option life	3 years
Dividend yield	\$0.00
Risk-free interest rate	2%

The weighted average fair value of the options granted during the year ended July 31, 2015 was \$0.10 (2014 – \$0.07) and the weighted average remained contractual life is 1.58 years (2014 – 0.99 years). The amount of compensation cost recognized in the consolidated statement of operations and comprehensive loss was \$5,240 (2014 - \$35,982).

**9. Loss per share**

	31-Jul-15	31-Jul-14
	\$	\$
Net loss attributable to common shareholders	<u>(3,229,565)</u>	<u>(3,835,339)</u>
<b>Diluted loss</b>	<b><u>(3,229,565)</u></b>	<b><u>(3,835,339)</u></b>
<b>Issued common shares</b>	<b><u>558,364,320</u></b>	<b><u>514,364,320</u></b>
Weighted average number of common shares	558,364,320	514,364,320
Weighted average number of warrants	-	-
Weighted average number of options	-	-
<b>Weighted average number of diluted shares</b>	<b><u>558,364,320</u></b>	<b><u>514,364,320</u></b>
Basic loss per share	(0.006)	(0.007)
Diluted loss per share	(0.006)	(0.007)

The diluted weighted average number of common shares outstanding is the same as the basic weighted average number of common shares outstanding for the year ended July 31, 2015, as the Company had a net loss and the exercise of potentially dilutive instruments would be anti-dilutive.

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## 10. Loans and borrowings

### a. Loans

	31-Jul-15		31-Jul-14	
	Carrying value	Contract value	Carrying value	Contract value
	\$	\$	\$	\$
Short term loans	1,045,111	1,045,111	605,469	605,470
Loan 1	1,054,167	1,054,167	1,054,167	1,054,167
Loan 2	1,300,000	1,300,000	1,110,034	1,300,000
Loan 3	12,398	13,000	23,660	26,000
Loan 4	78,291	78,291	-	-
ACOA loans	748,105	917,019	924,712	1,163,191
Nova Scotia government loan 1	2,649,096	3,016,000	2,441,946	3,016,000
Nova Scotia government loan 2	68,535	97,390	60,960	97,390
<b>Total loan principal</b>	<b>6,955,703</b>	<b>7,520,978</b>	<b>6,220,948</b>	<b>7,262,218</b>
Long term portion of principal	2,234,825		4,030,313	
Current portion payable of principal	4,720,878		2,190,635	

The required annual principal repayments on loans and borrowings are as follows:

2016	\$4,720,878
2017	1,432,891
2018	1,349,333
Less: unamortized imputed interest	(547,399)
Carrying value	<u>\$6,955,703</u>

#### *Short term loans*

The Company has a five short terms loans with related parties. These loans are utilised by the Company for short term working capital requirements. Loans are payable on demand with interest rates ranging from 3% to 5%. The loans were not in default at July 31, 2015.

#### *Trade invoice financing facility*

During the year, the Company entered into a trade invoice financing facility whereby the Company may offer insured accounts receivable having payment terms not longer than 60 days in an aggregate amount not greater than USD\$1,000,000 to the bank for purchase at a discount. As the Company has not transferred the significant risks and rewards relating to the receivables, it has not derecognized the accounts receivable and has recorded the facility in short term loans. At July 31, 2015, the carrying amount of accounts receivable that have been transferred but not derecognized amounted to \$287,543 and the carrying amount of the associated short term loan is \$254,983.

*Loan 1*

Loan established October 31, 2012, bearing 5% interest with monthly interest only payments until November 30, 2013, followed by monthly principal payments and accrued interest for five additional years ending November 30, 2018. The loan is secured by interest on intellectual property and on the step-up technology. The loan was in default as of July 31, 2015 and thus has been classified as a current liability.

*Loan 2*

Loan established July 31, 2012, bearing 5% interest with monthly interest only payments until July 31, 2013, followed by equal monthly principal payments for five additional years ending July 31, 2018. The loan was in default as of July 31, 2015 and thus has been classified as a current liability.

*Loan 3*

Loan established July 31, 2012, bearing 5% interest with monthly principal payments of \$1,000, in addition to accrued monthly interest ending September 30, 2016. The loan was not in default at July 31, 2015.

*Loan 4*

Loan established February 11, 2015, bearing 5% interest. The loan is fully payable on or before December 1, 2016. The loan was not in default at July 31, 2015.

*Atlantic Canada Opportunities Agency (ACOA) loans*

Loans were renegotiated October 30, 2012, bearing no interest with monthly principal payments of \$3,747 until July 31, 2013, followed by equal monthly principal payments of \$24,234 for five additional years ending July 31, 2018. The loan was renegotiated in July 2014, bearing no interest with a monthly principal payment of \$24,234 in August 2014 followed by 40 monthly payments of \$27,800 starting on February 1, 2015 and one monthly payment of \$26,975 at the end of the loan. The loan is secured by all present and after acquired personal property, excepting consumer goods. The loan was not in default at July 31, 2015.

*Nova Scotia government loan 1*

The loan was renegotiated September 14, 2012, bearing 3% interest with monthly interest only payments until July 31, 2013, followed by equal monthly principal payments for five additional years ending July 31, 2018. The loan was renegotiated in July 2014 to be repaid in 1 monthly payment of \$41,000 on September 1, 2015 and 25 monthly payments of \$85,000 commencing on October 1, 2015. The loan is secured by first interest on intellectual property and on the Maple Bio sensor technology. The loan was not in default at July 31, 2015.

*Nova Scotia government loan 2*

Loan established September 14, 2012, bearing no interest with the balance due by August 31, 2018. The loan is secured by first interest on intellectual property and on the Maple Bio sensor technology. The loan was not in default at July 31, 2015.

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## 11. Capital management and financial risks

### a. Capital management

The Company's objectives when managing capital are to provide an adequate return to shareholders, safeguard its assets, maintain a competitive cost structure and continue as a going-concern in order to pursue the development and sale of its products. To maximize ongoing development and growth effort, the Company did not pay out dividends during the year ended July 31, 2015 (July 31, 2013 – \$nil). The Company is not anticipating paying out dividends during the year ended July 31, 2016.

The Company's capital is summarized in the table below.

	31-Jul-15	31-Jul-14
	\$	\$
Total debt	6,955,703	6,220,948
Less: Cash	<u>(262,392)</u>	<u>(162,458)</u>
<b>Net debt</b>	<b>6,693,311</b>	<b>6,058,490</b>
Shareholders' deficiency	<u>(7,704,367)</u>	<u>(6,690,067)</u>
<b>Total capital</b>	<b><u>(1,011,056)</u></b>	<b><u>(631,577)</u></b>

To facilitate the management of its capital structure, the Company prepares annual expenditure operating budgets that are updated as the input parameters change. Cash flow is monitored and updated daily.

### b. Categories of financial instruments and fair value

	31-Jul-15		31-Jul-14	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	\$	\$	\$	\$
<b>Financial assets</b>				
Amortized Cost				
Cash	262,392	262,392	162,458	162,458
Trade and other receivables	769,698	769,698	778,345	778,345
<b>Financial liabilities</b>				
Amortized cost				
Accounts payable and accrued liabilities	2,265,005	2,265,005	1,847,946	1,847,946
Current portion of long term debt	4,720,878	4,720,878	2,234,870	2,234,870
Long term portion of long term debt	2,234,825	2,234,825	3,986,078	3,986,078

c. Foreign currency risk

Most of the Company's sales are made in foreign currencies. The Company's US dollar foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are shown in the table below.

	31-Jul-15	31-Jul-14
	US\$	US\$
Cash	126,380	20,840
Trade and other receivables	511,960	462,009
Prepaid expense	2,756	3,450
Accounts payable and accrued liabilities	848,602	584,333
Debt	196,458	-

A one cent change in the US dollar exchange rate would result in approximately a \$16,862 (2014 – \$2,900 ) impact on the statement of financial position and consolidated statement of operations.

d. Interest rate risk

The Company is not exposed to interest rate risk as it borrows funds at fixed rates.

e. Credit risk

Credit risk refers to the risk that a 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 receivables balance of \$760,050 consists of trade receivables from sale of the Company's products and receivables on research initiatives. Historically, there have been few collection issues and the Company does not believe it is subject to any significant concentration of credit risk.

f. Liquidity risk

Liquidity risk represents the possibility that the Company may not be able to gather sufficient cash resources, when required and under reasonable conditions, to meet its financial obligations. As at July 31, 2015, the Company does not have sufficient cash to meet all of its continuing liabilities.

The Company also continues to have an ongoing need for substantial capital resources to research and develop, commercialize and manufacture its products and technologies. The Company is not yet receiving a significant ongoing revenue stream, nor can it be certain that it will receive significant revenue before additional cash is required. As a result, there can be no assurance that the Company will have sufficient capital to fund its ongoing operations, develop or commercialize its products without future financing.

The Company's contractual maturities for its financial liabilities are outlined in the table below.

<b>For the year ended July 31, 2015</b>					
	<b>Total</b>	<b>Less than 1 year</b>	<b>1 to 3 years</b>	<b>4 to 5 years</b>	<b>After 5 years</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Loans	6,955,703	4,720,878	2,234,825	-	-
Accounts payable and accrued liabilities	2,265,005	2,265,005	-	-	-
<b>Total debt</b>	<b>9,220,708</b>	<b>6,985,883</b>	<b>2,234,825</b>	<b>-</b>	<b>-</b>

<b>For the year ended July 31, 2014</b>					
	<b>Total</b>	<b>Less than 1 year</b>	<b>1 to 3 years</b>	<b>4 to 5 years</b>	<b>After 5 years</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Loans	7,262,218	2,234,870	5,027,348	-	-
Accounts payable and accrued liabilities	1,847,946	1,847,946	-	-	-
<b>Total debt</b>	<b>9,110,164</b>	<b>4,082,816</b>	<b>5,027,348</b>	<b>-</b>	<b>-</b>

The payments noted above do not include interest payments.

g. Fair value of financial instruments

Management has determined that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate fair value.

## 12. Royalty provision

The Company entered into a promissory note with OnSite Lab on January 10, 2011 in the amount of \$260,000, which stipulated that if the debt was not repaid by January 31, 2011, that the Company would be obligated to pay a 15% royalty on all future US sales of the Hepatitis B- Anti-Core test product (the "Royalty Provision"). Management's best estimate of the Royalty Provision was determined using certain assumptions including: the likelihood and timing of completion of the research and development of the product, the likelihood of obtaining regulatory approval, the demand for the product at the time of completion, the price the Company will be able to sell the product for, and the cost of manufacturing the product.

In 2013, Management estimated its Royalty Provision to be \$739,817 based on a five year projected cash flow of future sales for the period 2014 to 2018 which assumed that there would be a viable working product in late 2013. Due to delays in the registration and trial processes experienced in fiscal 2014 the sales did not materialize as expected, impacting the Company's investment in the project and timeline. Given the uncertainties surrounding the future cash flows associated with Hepatitis B- Anti-Core test, Management has adjusted their best estimate of the Royalty Provision to the original contractual value of the promissory note of \$260,000.

During March 2015, the Company entered into a royalty agreement with OnSite Lab whereby OnSite Lab would receive a 10% royalty on all future US sales of the Reveal G4 product for a five year period commencing on the day of the first full payment of at least CAD \$100,000 worth of product. In exchange, OnSite Lab provided MedMira with \$270,000 to fund costs required to complete product development and obtain US Food and Drug Administration (FDA) pre-market approval, which has been deducted from Research and development for the year ending July 31, 2015. As at July 30,

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2015, no provision has been recorded as MedMira does not have an obligation to OnSite Lab until G4 Reveal obtains FDA approval and is commercialized.

### 13. Related parties

The following transactions occurred with related parties during the year ended July 31, 2015:

- A short term loan totalling \$180,000 bearing 5% interest was received from OnSite Lab. During the year \$419 in interest was accrued against this loan (2014 - \$478,920 and \$1,998 in interest).
- Short term loans totalling \$78,952 bearing 5% interest were received from the Chief Financial Officer. During the year, \$2,356 in interest was accrued against these loans (2014 - \$119,730 and \$5,892 in interest).
- A royalty agreement was entered into with OnSite Lab (Note 12).
- Director fees totalling \$13,750 were incurred (2014 - \$24,367).
- Short term loans totalling \$350,000 bearing interest at 5% was received from Andurja ( 2014 -\$0).

The following balances with related parties were outstanding at July 31, 2015:

- Accounts payable totalling \$10,543 was due to directors (2014 – \$8,292).
- Accounts payable totalling \$193,629 was due to officers (2014 - \$0).
- A short term loan totalling \$180,419 was due to OnSite Lab (2014 – \$480,918).
- A short term loan totalling \$229,585 was due to the Chief Financial Officer (2014 – \$125,622).
- A short term loan totalling \$78,291 was due to an employee (2014 - \$0).
- A short term loan totalling \$354,123 was due to Andurja (2014 - \$0).
- A royalty provision was owed to OnSite Lab of \$260,000 (2014 – \$260,000).

The remuneration of directors and other members of key management personnel during the year is shown below.

	31-Jul-15	31-Jul-14
	\$	\$
Short-term benefits including salary	347,330	234,475
Share-based payments	27,086	36,892
<b>Total remuneration</b>	<b>374,416</b>	<b>271,367</b>

#### 14. Research and development

The Company receives revenue related to a contract with the US Army. Research expenses related to the US Army contract are recognized in service cost of sales when the revenue is earned. During the year ended July 31, 2015, \$2,428,973 of the research costs incurred were recognized in service cost of sales (July 31, 2014 – \$1,316,978).

The following table provides a summary of aggregate research costs and reimbursements.

	31-Jul-15	31-Jul-14
	\$	\$
Research and development expenses	3,033,116	1,910,445
Less: research and development expenses allocated to cost of sales	2,428,973	1,316,978
Less: reimbursed research and development expenses	-	299,042
<b>Net research and development expense</b>	<b>604,143</b>	<b>294,425</b>

#### 15. Income taxes

##### a. Reconciliation of total tax expense

The effective rate on the Company's loss before income tax differs from the expected amount that would arise using the combined statutory income tax rates. A reconciliation of the difference is shown below.

	31-Jul-15	31-Jul-14
	\$	\$
Loss before income tax	(3,229,565)	(3,835,339)
Income tax rate	31.0%	31.0%
Income tax recovery at the combined statutory income tax rate	(1,001,165)	(1,188,955)
Non-taxable portion of other (gains) and losses	154,039	-
Non-deduction expense accretion	147,558	97,789
Non-deductible stock-based compensation	8,607	11,154
Non-deductible interest	-	14,196
Expired losses	1,173,818	-
Change in unrecognized temporary differences	(451,115)	973,497
Financing fees recorded in equity	(3,875)	-
Other	(27,867)	92,319
<b>Income tax recovery</b>	<b>-</b>	<b>-</b>

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b. Unrecognized deductible temporary differences, unused tax losses and unused tax credits

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognized are listed below.

	31-Jul-15	31-Jul-14
	\$	\$
Non-capital losses	28,175,173	30,564,742
Scientific research and development costs	6,195,675	5,477,784
Share issuance costs	21,150	26,400
Variable liability	260,000	260,000
Unrealized foreign exchange	-	18,925
Cumulative eligible capital	281,465	281,645
Property and equipment	2,082,092	1,988,015
<b>Total</b>	<b>37,015,555</b>	<b>38,617,511</b>
Investment tax credits	1,819,957	1,687,524

The Company has available \$28,324,173 in non-capital losses that can be used to reduce taxable income and that expire between the years ended July 31, 2016 and July 31, 2035. The Company also has available \$1,819,957 in investment tax credits that can be used to reduce taxes payable and that expire between the years ended July 31, 2019 and July 31, 2035.

At July 31, 2015, the Company has no unrecognized deferred tax liability (July 31, 2014 – \$nil) for taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries.

## 16. Expenses by nature

The following table provides the Company's expenses listed by the nature of the expense.

	31-Jul-15	31-Jul-14
	\$	\$
Investment income	11,100	14,175
Change in inventory	(353,358)	(211,054)
Employee benefits	(2,252,588)	(2,530,415)
Depreciation	(94,078)	(83,262)
Distribution	(108,969)	(98,688)
Facility	(416,839)	(464,893)
Professional services	(2,140,628)	(845,862)
Lab supplies	(177,416)	(250,391)
Other expenses	(806,220)	(1,529,546)
Exchange gains (losses)	(173,720)	(82,691)
Finance costs	(769,190)	(760,708)
Gain on settlement of debt	-	-
Gain on fair value of debt	-	-
Gain/loss of royalty provision	-	479,817
	<u>(7,281,906)</u>	<u>(6,363,518)</u>

## 17. Operating segments

Management has determined that the Company has one reportable operating segment, rapid diagnostic products and services. This segment accounts for all of the Company's revenue, cost of sales and operating expenses. Determination of the operating segment was based on the level of financial reporting to the Company's chief decision maker.

## 18. Lease commitment

The Company has a ten year lease commitment for its office location at 155 Chain Lake Drive in Halifax, Nova Scotia. The commitment for the next five years, including an estimate of operational costs based on current operational costs is provided in the table below.

	Lease commitment
	\$
For the year ending July 31, 2016	232,826
For the year ending July 31, 2017	243,920
For the year ending July 31, 2018	244,928
For the year ending July 31, 2019	244,928
For the year ending July 31, 2020	256,021
Thereafter	792,510

MedMira Inc.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2015 and July 31, 2014

In Canadian dollars

## 19. Financing

A breakdown of the income (expenses) allocated to the financing line on the consolidated statements of operations and comprehensive loss is provided in the table below.

	31-Jul-15	31-Jul-14
	\$	\$
Investment Income	11,100	14,175
Finance costs	(769,190)	(760,708)
Gain/(loss) on remeasurement of royalty provision	-	479,817
<b>Total financing income (expense)</b>	<b>(758,090)</b>	<b>(266,716)</b>

## 20. Subsequent events

In September 2015, the Company completed a \$5.0 million equity investment with OnSite Lab. Under the terms of the deal, OnSite Lab acquired 100,000,000 equity units at \$0.05 per unit. Each equity unit consists of one common share and one common share purchase warrant. Each full warrant entitles the investor to purchase one common share of MedMira at \$0.10 per share for a four year period. The common shares and the warrants are subject to a four month hold period that expires four months from the day of share issuance. As a result, OnSite Lab ownership of MedMira common shares increases to 72% with this transaction and could increase to 75.7% if all warrants related to this transaction are exercised.

## Investor Information

### *Transfer Agent*

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Shares of MedMira Inc. trade on the TSX Venture Exchange  
Stock Symbol: MIR  
On NASDAQ, MedMira Inc. information can be found under the symbol:  
MMIRF in the "Other OTC" category.

### *Annual General Meeting*

MedMira Global Headquarters  
Suite 1, 155 Chain Lake Drive  
Halifax, Nova Scotia, B3S 1B3

10 am, Friday, January 29, 2016

## Corporate Information

### *Auditors*

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### *Legal Counsel*

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### *Global Headquarters*

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### *Investor Relations*

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### *Senior Management*

Mr. Hermes Chan, Chief Executive Officer  
Mr. Markus Meile, Chief Financial Officer  
Mr. Sing Chan, Chief Operating Officer  
Ms. Robyn Cook, Chief Corporate Officer

### *Board of Directors*

Mr. Marvyn Robar, Chairman  
Mr. Hermes Chan  
Dr. Philippe Dro (*effective August 7, 2015*)  
Dr. Colin MacGillivray  
Mr. Romano Robusto  
Dr. Michael Sidler (*until August 7, 2015*)

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