MedMira Inc.

Consolidated Financial Statements
July 31, 2014 and 2013

November 28, 2014

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

Deloitte.

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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, 2014 and July 31, 2013, 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, 2014 and July 31, 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 in the consolidated financial statements which indicates that the Company incurred a net loss of $3,835,339, during the year ended July 31, 2014, and as of that date, the Company's current liabilities exceeded its current assets by $2,802,073 with an accumulated deficit of $74,795,741. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Deloitte LLP

Chartered Accountants
November 28, 2014
Halifax, Nova Scotia, Canada

Consolidated statements of financial position
As at July 31, 2014 and July 31, 2013

In Canadian dollars

	Notes	31-Jul-14 $	31-Jul-13 $
Assets			
Current assets			
Cash		162,458	20,942
Trade and other receivables		778,345	320,253
Prepaid expenses		48,270	70,103
Current tax assets		193,000	205,489
Inventories	5	301,770	205,000
Total current assets		1,483,843	821,787
Non-current assets			
Property, plant and equipment	6	358,082	345,056
Intangible assets	7	2	2
Total non-current assets		358,084	345,058
Total assets		1,841,927	1,166,845
Liabilities			
Current liabilities			
Current portion of debt	10	2,234,870	2,190,635
Accounts payable and accrued liabilities		1,847,946	2,560,003
Deferred revenue		203,100	103,322
Total current liabilities		4,285,916	4,853,960
Non-current liabilities			
Provision for royalty	12	260,000	739,817
Long term portion of debt	10	3,986,078	4,683,668
Total non-current liabilities		4,246,078	5,423,485
Total liabilities		8,531,994	10,277,445
Equity			
Share capital	8	59,018,425	55,661,183
Warrant reserve	8	7,207,647	4,493,647
Stock based compensation reserve	8	1,283,832	1,099,202
Equity reserve		595,770	595,770
Accumulated deficit		(74,795,741)	(70,960,402)
Total shareholders' deficiency		(6,690,067)	(9,110,600)
Total liabilities and equity		1,841,927	1,166,845

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, 2014 and July 31, 2013

In Canadian dollars

	Notes	31-Jul-14	31-Jul-13
		$	$
Product			
Product sales	4	843,568	829,438
Royalties	4	10,900	35,360
Product cost of sales	5	(436,406)	(435,409)
Gross margin on product		418,062	429,389
Services			
Service sales	4	1,673,711	1,136,666
Service cost of sales	14	(1,316,978)	(935,280)
Gross margin on services		356,733	201,386
Operating expenses			
Research and development	14	(294,425)	(133,304)
Sales and marketing		(1,086,328)	(262,271)
Other direct costs		(609,513)	(299,209)
General and administrative		(2,353,152)	(2,101,361)
Total operating expenses		(4,343,418)	(2,796,145)
Operating loss		(3,568,623)	(2,165,370)
Non-operating income (expenses)			
Financing (expense) income	19	(266,716)	1,763,069
Net and comprehensive loss		(3,835,339)	(402,301)
Basic loss per share	9	(0.007)	(0.001)
Diluted loss per share	9	(0.007)	(0.001)

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

Consolidated statements of changes in equity

In Canadian dollars

	Share capital						
	Common shares	Preferred shares	Warrant reserve	Stock based compensation reserve	Equity reserve	Accumulated deficit	Shareholders' deficiency
Balance at July 31, 2012	**55,658,683**	**2,500**	**4,493,647**	**1,099,202**	**595,770**	**(70,558,101)**	**(8,708,299)**
Net and comprehensive loss	-	-	-	-	-	(402,301)	(402,301)
Balance at July 31, 2013	**55,658,683**	**2,500**	**4,493,647**	**1,099,202**	**595,770**	**(70,960,402)**	**(9,110,600)**
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
Balance at July 31, 2014	**59,015,925**	**2,500**	**7,207,647**	**1,283,832**	**595,770**	**(74,795,741)**	**(6,690,067)**

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

Consolidated statements of cash flows
For the years ended July 31, 2014 and July 31, 2013

In Canadian dollars

	Notes	31-Jul-14 $	31-Jul-13 $
Cash from operating activities			
Cash receipts from customers		2,169,862	1,876,677
Cash paid to suppliers and employees		(6,707,398)	(3,964,514)
Net cash from operating activities		(4,537,536)	(2,087,837)
Cash from investing activities			
Payment to acquire property, plant and equipment	6	(96,288)	(366,986)
Net cash from investing activities		(96,288)	(366,986)
Cash from financing activities			
Cash proceeds from share issuance		5,542,891	-
Cash proceeds from interest		14,175	4,991
Cash proceeds from new debt		878,467	1,182,330
Cash payment on existing debt		(1,569,623)	(721,009)
Cash payment of interest		(44,416)	(407,819)
Net cash from financing activities		4,821,494	58,493
Net increase (decrease) in cash		187,671	(2,396,330)
Cash at the beginning of the year		20,942	2,416,809
Effects of exchange on the foreign currency cash balances		(46,155)	463
Cash at the end of the year		162,458	20,942

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

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 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, 2014 and 2013, 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 28, 2014.

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, 2014, the Company realized a net loss of approximately $3.8 million (July 31, 2013 – $0.4 million), consisting of a net loss from operations of approximately $3.6 million (July 31, 2013 – $2.2 million), and other non-operating losses of approximately $0.3 million (July 31, 2013 – profit of approximately $1.8 million). Negative cash flows from operations were approximately $4.5 million (July 31, 2013 – $2.1 million). As at July 31, 2014, the Company had an accumulated deficit of approximately $75 million (July 31, 2013 – $71.0 million) and a negative working capital position of $2.8 million (July 31, 2013 – $4.0 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 $2.2 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, 2014 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;
- The fair value calculation of stock-based compensation, including assumptions regarding the volatility and risk free rate;
– Determination of operating segments.

In Canadian dollars

– The Company makes certain estimates and assumptions when calculating the fair values 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. Changes in these assumptions may result in a material change to the expense recorded for the issuance of stock options and warrants.

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-14	**31-Jul-13**
MedMira Inc.	Canada	100	100
MedMira Laboratories Inc.	Canada	100	100
Maple Biosciences Inc.	Canada	100	100
MedMira International AG	Switzerland	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.

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 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

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 (WIP) 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. The Company does not carry inventory that would be considered long-term.

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.

When two or more revenue generating activities or deliverables are sold under a single arrangement, each deliverable that is considered to be a separate unit of account is accounted for separately. The allocation of consideration from a revenue arrangement to its separate units of account is based on the relative fair values of each unit. If the fair value of the delivered item is not reliably measurable, then revenue is allocated based on the difference between the total arrangement consideration and the fair value of the undelivered item.

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. Application of new and revised standards

The following standards are effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has adopted these standards as of August 1, 2013 and has determined that they do not have a material impact on the Company's financial results.

IFRS 10, "Consolidated Financial Statements": The IASB issued IFRS 10, "Consolidated Financial Statements", effective for annual periods beginning on or after January 1, 2013. IFRS 10 replaces portions of IAS 27, "Consolidated and Separate Financial Statements", that addresses consolidation, and supersedes Standing Interpretations Committee

(SIC) SIC-12 in its entirety. The objective of IFRS 10 is to define the principles of control and establish the basis of determining when and how an entity should be included within a set of consolidated financial statements. IAS 27 has been amended to reflect the issuance of IFRS 10 and retains guidance only for separate financial statements.

IFRS 11, "Joint Arrangements", effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interest in Joint Ventures and SIC-13, Jointly Controlled Entities - Non-monetary Contributions by Venturers.

IFRS 12, "Disclosure of Interests in Other Entities": The IASB issued IFRS 12, "Disclosure of Interests in Other Entities", effective for annual periods beginning on or after January 1, 2013. IFRS 12 requires extensive disclosures relating to a company's interests in subsidiaries, joint arrangements, associates, and unconsolidated structured entities. IFRS 12 enables users of the financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial position and performance.

IFRS 13, "Fair Value Measurement", effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, defines fair value, set out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value.

IAS 19, "Employee Benefits", has been amended effective for annual periods beginning on or after January 1, 2013. The revised standard requires immediate recognition of actuarial gains and losses in other comprehensive income, eliminating the previous options that were available. A number of other amendments have been made to recognition, measurement and classification.

IAS 1, "Presentation of Financial Statements", has been amended effective for annual period beginning on or after July 1, 2012. The revised standards requires an entity to group items presented in the Statement of Comprehensive Income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, the amendments to IAS 1 also require that the taxes related to the two separate groups be presented separately.

p. New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, were not yet effective for the year ended July 31, 2014, and have not been applied in preparing these consolidated financial statements. None of these new standards or amendments is expected to have a significant effect on the financial results of the Company.

Accounting standards issued but not yet applied:

IFRS 9, "Financial Instruments": IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. The IASB has issued an amendment to IFRS 9 Financial Instruments ("IFRS 9"), which changes the effective date of IFRS 9 (2009) and IFRS 9 (2011), so that IFRS 9 is required to be applied for annual periods beginning on or after

In Canadian dollars

January 1, 2018, with early application permitted. This amendment was released in connection with IFRS 7 Financial Instruments: Disclosures – Transition Disclosures ("IFRS 7") which outlines that, with the amendments to IFRS 9, entities applying IFRS 9 do not need to restate prior periods but are required to apply modified disclosures. The Company continues to assess the impact of IFRS 9 on its consolidated financial statements.

In July 2014, the IASB issued a complete and final version of IFRS 9, which replaces the current standard on financial instruments. IFRS 9 sets out requirements for the classification and measurement of financial assets and financial liabilities, for the impairment of financial assets, and for general hedge accounting. IFRS 9 also introduces a new impairment model for financial assets not measured at fair value through profit or loss that requires recognition of expected credit losses rather than incurred losses as applied under the current standard. The effective date for this standard is for annual periods beginning on or after January 1, 2018. The Company has not yet assessed the impact of IFRS 9 on its consolidated financial statements.

In May 2014, the IASB issued a new standard, IFRS 15, which replaces the current revenue recognition standards and interpretations. IFRS 15 provides a single comprehensive model to use when accounting for revenue arising from contracts with customers. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The new model applies to all contracts with customers except those that are within the scope of other IFRS standards such as leases, insurance contracts and financial instruments. IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with earlier adoption permitted. The Company has not yet assessed the impact of the adoption of this standard on its consolidated financial statements

IFRIC 21 was issued by the IASB in May 2013 and provides guidance on accounting for levies in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets. IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014.The Company has not yet evaluated the impact of adoption of this standard on its consolidated financial statements.

4. Revenue

	31-Jul-14	31-Jul-13
	$	$
Product sales	843,568	829,438
Royalties	10,900	35,360
Service revenue	1,673,711	1,136,666
Total revenue	2,528,179	2,001,464

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).

In Canadian dollars

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-14	31-Jul-13
	$	$
North America	2,206,708	1,655,557
Latin America and the Caribbean	142,225	92,274
Europe	19,045	10,039
Asia Pacific	160,201	240,617
Middle East	-	2,977
Total revenue	2,528,179	2,001,464

5. Inventories

As at July 31, 2014, there were no valuation allowances against inventory (July 31, 2013 – $nil).

During the year ended July 31, 2014, inventory valued at $328,003 was expensed as a cost of goods sold (July 31, 2013 – $338,594).

	31-Jul-14	31-Jul-13
	$	$
Raw materials and consumables	248,584	133,034
Work in process	45,908	65,975
Finished goods	7,278	5,991
Total inventories	301,770	205,000

In Canadian dollars

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, 2014 (July 31, 2013 – $nil).

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

	Leasehold improvements	Laboratory equipment	Manufacturing equipment	Office equipment and furniture	Total
	$	$	$	$	$
Cost					
Balance at July 31, 2012	**561,076**	**23,931**	**174,394**	**186,402**	**945,803**
Additions	259,195	15,755	-	92,040	366,990
Balance at July 31, 2013	**820,271**	**39,686**	**174,394**	**278,442**	**1,312,793**
Additions	-	11,275	34,185	63,673	109,133
Disposals	(6,137)	-	-	**(8,215)**	(14,352)
Balance at July 31, 2014	**814,134**	**50,961**	**208,579**	**333,900**	**1,407,574**
Accumulated depreciation and impairment losses					
Balance at July 31, 2012	**558,275**	**23,931**	**170,529**	**174,190**	**926,925**
Depreciation expense for the year	26,862	1,572	1,651	10,727	40,812
Balance at July 31, 2013	**585,137**	**25,503**	**172,180**	**184,917**	**967,737**
Depreciation expense for the year	52,657	3,735	4,859	25,078	86,329
Disposals	(3,069)	-	-	(1,506)	(4,575)
Balance at July 31, 2014	**634,724**	**29,238**	**177,039**	**208,489**	**1,049,491**
Carrying amounts					
At July 31, 2012	2,801	-	3,865	12,212	18,878
At July 31, 2013	235,134	14,182	2,214	93,525	345,056
At July 31, 2014	179,409	21,722	31,540	125,411	358,083

In Canadian dollars

7. Intangible assets

	Intellectual properties $	Product technology $	Total $
Cost or deemed cost			
Balance at July 31, 2012	2,584,899	258,137	2,843,036
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
Accumulated amortization and accumulated impairment losses			
Balance at July 31, 2012	2,584,898	258,136	2,843,034
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
Carrying amounts			
At July 31, 2012	1	1	2
At July 31, 2013	1	1	2
At July 31, 2014	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, 2014 total $1,693,046 (July 31, 2013 – $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.

In Canadian dollars

b. Share capital issued

	Number of		Value of		
	Common shares	Preferred shares	Common shares $	Preferred shares $	Total share capital $
Balance at July 31, 2012	**392,264,320**	**5,000,000**	**55,658,683**	**2,500**	**55,661,183**
Balance at July 31, 2013	**392,264,320**	**5,000,000**	**55,658,683**	**2,500**	**55,661,183**
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)**
Balance at July 31, 2014	**514,364,320**	**5,000,000**	**59,015,925**	**2,500**	**59,018,425**

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 Series A preferred shares had a stated capital of $2,500 at July 31, 2014 (July 31, 2013 – $2,500).

In Canadian dollars

c. Warrants

	Number of warrants	Warrant reserve $
Balance at July 31, 2012	**236,119,500**	**4,493,647**
Expired warrants	(40,000,000)	-
Balance at July 31, 2013	**196,119,500**	**4,493,647**
Issued for cash	111,532,973	2,479,113
Issued to repay debt	10,567,027	234,887
Expired warrants	(6,119,500)	-
Balance at July 31, 2014	**312,100,000**	**7,207,647**

The total warrants outstanding at July 31, 2014 are shown below.

Issued	Number	Exercise price $	Expiry date
December 8, 2010	20,000,000	0.10	December 8, 2014
July 18, 2011	30,000,000	0.10	July 18, 2015
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
	312,100,000		

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 5,990,000 common shares (July 31, 2013 – 4,530,000) at an exercise price of $0.10. The options expire between October 13, 2014 and March 2, 2017. During the year ended July 31, 2014, 2,850,000 options were issued (July 31, 2013 – nil). All options outstanding at July 31, 2014 were exercisable.

The total options outstanding from July 31, 2012 to July 31, 2014 are shown below.

	Number	Weighted average exercise price $	Equity reserve $
Options outstanding July 31, 2012	5,840,000	0.12	1,099,202
Options expired/forfeited	(1,310,000)	0.34	-
Options outstanding July 31, 2013	4,530,000	0.100	1,099,202
Options issued	2,850,000	0.100	184,630
Options expired/forfeited	(1,390,000)	0.100	-
Options outstanding July 31, 2014	5,990,000	0.100	1,283,832

In Canadian dollars

Fair value of share options granted in the year

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

	Series 1	Series 2
Grant date share price	$0.095	$0.095
Exercise price	$0.10	$0.10
Expected volatility (based on historical volatility over the past three years)	127%	127%
Option life	2 years	3 years
Dividend yield	$0.00	$0.00
Risk-free interest rate	2%	2%

The weighted average fair value of the options granted during the year ended July 31, 2014 was $0.07 (2013 – nil). The amount of compensation cost recognized in the statement of operations and comprehensive loss was $35,982.

The following table summarizes information about options outstanding and exercisable at July 31, 2014.

Range of exercise prices	Number outstanding and exercisable	Weighted average exercise price per share	Weighted average remaining contractual life (years)
0.10	5,990,000	0.10	0.99

9. Loss per share

	31-Jul-14	31-Jul-13
	$	$
Net loss attributable to common shareholders	(3,835,339)	(402,301)
Diluted loss	**(3,835,339)**	**(402,301)**
Issued common shares	514,364,320	392,264,320
Weighted average number of common shares	514,364,320	392,264,320
Weighted average number of warrants	-	-
Weighted average number of options	-	-
Weighted average number of diluted shares	**514,364,320**	**392,264,320**
Basic loss per share	(0.007)	(0.001)
Diluted loss per share	(0.007)	(0.001)

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, 2014, as the Company had a net loss and the exercise of potentially dilutive instruments would be anti-dilutive.

In Canadian dollars

10. Loans and borrowings

a. Loans

	31-Jul-14		31-Jul-13	
	Carrying value	Contract value	Carrying value	Contract value
	$	$	$	$
Short term loans	605,469	605,470	714,191	714,191
Loan 1	1,054,167	1,054,167	919,380	1,150,000
Loan 2	1,110,034	1,300,000	1,223,342	1,500,000
Loan 3	23,660	26,000	33,201	39,000
Loan 4	-	-	5,758	5,136
ACOA loans	924,712	1,163,191	1,081,163	1,453,999
Nova Scotia government loan 1	2,441,946	3,016,000	2,843,099	3,480,000
Nova Scotia government loan 2	60,960	97,390	54,169	97,390
Total loan principal	**6,220,948**	**7,262,218**	**6,874,303**	**8,439,716**
Long term portion of principal	3,986,078		4,683,668	
Current portion payable of principal	2,234,870		2,190,635	

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

2015	$2,234,870
2016	1,621,600
2017	1,655,600
2018	1,750,147
Less: unamortized imputed interest	(1,041,269)
Carrying value	$6,220,948

Short term loans

The Company has a two 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, 2014.

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, 2014 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 not in default at July 31, 2014.

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, 2014.

Loan 4

Loan established August 24, 2011, bearing no interest payable in equal monthly payments of US$5,000. The loan was fully repaid in 2014.

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, 2014.

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, 2014.

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, 2014.

b. Renegotiation of debt

During the year ended July 31, 2013, management renegotiated some of the outstanding loans which resulted in substantially different terms from the original agreements. These were treated as an extinguishment of the original liability and the recognition of a new liability. These debt arrangements were valued using a rate of approximately 11.8%, representing a reasonable exit price for the liabilities. This resulted in a gain on renegotiated debt of $2,027,442.

In Canadian dollars

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, 2014 (July 31, 2013 – $nil). The Company is not anticipating paying out dividends during the year ended July 31, 2015.

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

	31-Jul-14	31-Jul-13
	$	$
Total debt	6,220,948	6,874,303
Less: Cash	(162,458)	(20,942)
Net debt	**6,058,490**	**6,853,361**
Shareholders' deficiency	(6,690,067)	(9,110,600)
Total capital	**(631,577)**	**(2,257,239)**

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-14		31-Jul-13	
	Carrying value	Fair value	Carrying value	Fair value
	$	$	$	$
Financial assets				
Amortized cost				
Cash	162,458	162,458	20,942	20,942
Trade and other receivables	778,345	778,345	320,253	320,253
Financial liabilities				
Amortized cost				
Accounts payable and accrued liabilities	1,847,946	1,847,946	2,560,003	2,560,003
Current portion of debt	2,234,870	2,234,870	2,190,635	2,190,635
Long term portion of debt	3,986,078	3,986,078	4,683,668	4,683,668

In Canadian dollars

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-14	**31-Jul-13**
	US$	**US$**
Cash	20,840	1,239
Trade and other receivables	462,009	315,347
Prepaid expense	3,450	22,257
Accounts payable and accrued liabilities	584,333	161,066
Debt	-	5,000

A one cent change in the US dollar exchange rate would result in approximately a $2,900 (2013 – $1,000) 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 $778,345 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, 2014, 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.

In Canadian dollars

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

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

For the year ended July 31, 2013	**Total**	**Less than 1 year**	**1 to 3 years**	**4 to 5 years**	**After 5 years**
	$	**$**	**$**	**$**	**$**
Loans	8,439,716	2,190,635	3,057,616	3,133,966	57,499
Accounts payable and accrued liabilities	2,560,003	2,560,003	-	-	-
Total debt	**10,999,719**	**4,750,638**	**3,057,616**	**3,133,966**	**57,499**

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 a significant shareholder 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.

In Canadian dollars

	Provision for Royalty
	$
Balance at July 31, 2012	**401,443**
Fair value remeasurment	245,458
Accretion	92,916
Balance at July 31, 2013	**739,817**
Adjustment	(479,817)
Balance at July 31, 2014	**260,000**

13. Related parties

The following transactions occurred with related parties during the year ended July 31, 2014:

- A short term loan totalling $478,920 bearing 5% interest was received from Onsite Lab Holding AG. During the year $1,998 in interest was accrued against this loan (2013 - $523,000 and $3,460 in interest).
- Short term loans totalling $119,730 bearing 5% interest were received from a director. During the year, $5,892 in interest was accrued against these loans (2013 - $106,973 and $805 in interest).
- Director fees totalling $24,367 were incurred (2013 - $16,250).
- Consulting fees totalling $26,138 were incurred (2013 - $82,233).

The following balances with related parties were outstanding at July 31, 2014:

- Accounts payable totalling $8,292 was due to directors (2013 – $37,244).
- A short term loan totalling $480,918 was due to OnSite Lab Holding AG (2013 – $526,460).
- A short term loan totalling $125,622 was due to a director (2013 – $107,778).
- A royalty provision was owed to OnSite Lab Holding AG of $260,000 (2013 – $739,817).

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

	31-Jul-14	31-Jul-13
	$	$
Short-term benefits including salary	234,475	331,838
Share-based payments	36,892	-
Total remuneration	**271,367**	**331,838**

14. Research and development

The Company receives government grants to offset the cost of developing certain products. These grants are recognized as a credit against the research expense in the period the expense is incurred. There are no unfulfilled conditions regarding the grants.

In addition to grants, 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, 2014, $1,316,978 of the research costs incurred were recognized in service cost of sales (July 31, 2013 – $935,280).

In Canadian dollars

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

	31-Jul-14	31-Jul-13
	$	$
Research and development expenses	1,910,445	1,211,546
Less: research and development expenses allocated to cost of sales	1,316,978	935,280
Less: reimbursed research and development expenses	299,042	142,962
Net research and development expense	**294,425**	**133,304**

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-14	31-Jul-13
	$	$
Loss before income tax	(3,835,339)	(402,301)
Income tax rate	31.0%	31.0%
Income tax recovery at the combined statutory income tax rate	(1,188,955)	(124,713)
Non-taxable portion of other (gains) and losses	-	(855,170)
Non-deduction expense accretion	97,789	-
Non-deductible stock-based compensation	11,154	13,132
Non-deductible interest	14,196	302,518
Non-recognition of deferred tax assets due to unused tax losses and deductible temporary differences	635,900	351,806
Excess amortization over capital cost allowance	26,762	12,651
Scientific research and development expenditures	310,835	266,224
Other	42,739	33,552
Income tax recovery	**(49,580)**	-

In Canadian dollars

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-14	31-Jul-13
	$	$
Non-capital losses	30,564,742	27,021,708
Scientific research and development costs	5,477,784	4,737,969
Investment tax credits	1,687,524	1,496,588
Share issuance costs	26,400	48,455
Variable liability	260,000	479,817
Unrealized foreign exchange	18,925	-
Cumulative eligible capital	281,645	281,645
Property and equipment	1,988,015	1,901,686
Total	**40,305,034**	**35,967,868**

The Company has available $30,564,742 in non-capital losses that can be used to reduce taxable income and that expire between the years ended July 31, 2015 and July 31, 2034. The Company also has available $1,687,524 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, 2034.

At July 31, 2014, the Company has no unrecognized deferred tax liability (July 31, 2013 – $nil) for taxes that would be payable on the unremitted earnings of certain of the Company’s subsidiaries.

In Canadian dollars

16. Expenses by nature

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

	31-Jul-14	31-Jul-13
	$	$
Investment income	14,175	4,991
Change in inventory	(211,054)	(285,376)
Employee benefits	(2,530,415)	(1,802,091)
Depreciation	(83,262)	(40,809)
Distribution	(98,688)	(59,090)
Facility	(464,893)	(430,298)
Professional services	(845,862)	(327,930)
Lab supplies	(250,391)	(431,272)
Other expenses	(1,529,546)	(617,449)
Exchange gains (losses)	(82,691)	47,832
Finance costs	(760,708)	(959,945)
Gain on settlement of debt	-	715,689
Gain on fair value of debt	-	2,027,442
Gain/loss of royalty provision	479,817	(245,458)
	(6,363,518)	**(2,403,764)**

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 it 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, 2015	236,422
For the year ending July 31, 2016	236,422
For the year ending July 31, 2017	247,516
For the year ending July 31, 2018	248,524
For the year ending July 31, 2019	248,524
Thereafter	1,063,216

In Canadian dollars

19. Financing

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

	31-Jul-14	31-Jul-13
	$	$
Investment Income	14,175	4,991
Finance costs	(760,708)	(739,595)
Gain on settlement of debt	-	715,689
Gain/(loss) on fair value remeasurement of debt	-	2,027,442
Gain/(loss) on remeasurement of royalty provision	479,817	(245,458)
Total financing income (expense)	**(266,716)**	**1,763,069**

20. Subsequent events

In September 2014, the Company completed a $1.1 million equity investment with a new arm's length investor. Under the terms of the deal, the new investor acquired 22,000,000 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.