medmira

# MedMira Inc.

Management's Discussion & Analysis

For the three and nine months ended April 30, 2014 and April 30, 2013

## Forward looking statements

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

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

## Introduction

The following MD&A for the three and nine months ended April 30, 2014 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.

This document should be read in conjunction with the audited consolidated financial statements for the year ended July 31, 2013. Annual references are to the Company's fiscal years, which end on July 31. All amounts are expressed in Canadian dollars (CAD) unless otherwise noted.

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

## About MedMira

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

MedMira's patented Rapid Vertical Flow Technology™ platform is the basis for the Company's current line of rapid diagnostics. 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 complemented 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 needs to provide swift answers without increasing costs.

MedMira's technology and growing portfolio of diagnostics 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 (FDA), Canada (Health Canada), European Union (CE), China (CFDA) and in a number of countries in Latin America, Africa and Asia. In addition, the Company is ISO 9001:2008 and ISO 13485:2003 certified.

MedMira sells its rapid tests through a worldwide network of distributors and strategic business development partners with customers in all sectors of the healthcare industry, including laboratories, hospitals, point-of-care testing providers, governments, and public health agencies. Furthermore, the Company launched its Miriad product line in early 2014 to create new opportunities in the high value technology licensing sector. This business line 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 Rapid Vertical Flow 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 award winning platform. Infiltrating new and different 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 alternative 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 platform and the methodology behind its rapid diagnostics includes the following:

| *Patent #* | *Title* | *Jurisdiction* |
|---|---|---|
| 8,025,850 | Rapid Diagnostic Device, Assay and Multifunctional Buffer | United States |
| 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 |
| 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 four pending patents in eight markets.

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

## Corporate update

In the third quarter, MedMira made strong progress in sales, marketing, and business development initiatives in international markets with a particular focus on Latin America, North America and China.

Significant progress was made in Latin America where the Company earned a number of key product approvals, established new distribution agreements, and completed product shipments. During the third quarter, the Company signed a distribution deal in Venezuela and made an initial shipment to its strategic partner, who will distribute the Reveal® Rapid HIV Antibody Test to the private healthcare sector, which serves over half of all patients in that country. MedMira also received approval to market the Reveal HIV test in Costa Rica and has numerous other product registrations for both the Reveal and Multiplo product ranges underway in Panama, Ecuador, Brazil, and Argentina.

MedMira's most noteworthy advancement in Latin America during the quarter was the approval to market and sell Reveal HIV rapid test in Mexico through its distribution partner, Diagno Medical. The first shipment to Diagno Medical was delivered in April. Reveal HIV is the first all-inclusive, point-of-care, rapid HIV test to be approved and available in Mexico, where more than 30 per cent of Mexico's population lives in suburban or rural areas where HIV testing is not readily available or easily accessible. Reveal HIV in POC format provides more options for screening in physician offices, community clinics, and mobile outreach centers that serve the population outside urban centers.

Also during the quarter, MedMira received approval to market an enriched version of its Reveal HIV product in Europe. Building on what was already the fastest rapid HIV screening available in Europe, MedMira has advanced its product even further with the direct application of whole blood, which makes the test even faster in point-of-care use. Health agencies in Europe have called for HIV testing initiatives to screen at least 250,000 people annually in order to drive down infection rates and help people know their status. Reveal HIV, specifically the latest point-of-care format, is well positioned to be a key tool in these efforts.

Building on the product advancements made in Europe and soon the U.S., the Company announced that it would submit a new application for its most advanced Reveal HIV test to the World Health Organization (WHO) Prequalification of Diagnostics Programme. The Company is committed to bringing state-of-the-art technology and testing solutions to every market that it serves. As advanced versions of products roll-out in markets around the world, MedMira will no longer support or sell legacy products, including the format of Reveal HIV previously submitted to the WHO. Multiplo™ Rapid TP/HIV Antibody Test continues to move through the WHO prequalification process.

During the quarter commercialization activities and clinical trials for Multiplo HBc/HIV/HCV, Reveal HBsAg, and Reveal G4 continued to move through the phases required for FDA approval as planned. It is anticipated that these products will be launched in the U.S. market in early 2015.

In building brand awareness of the Company, its technology and products, MedMira continued with several marketing initiatives aimed at key audiences. During the quarter, product promotion in the U.S. market included advertising in *Lab Vitals*, a VWR publication distributed to over 20,000 customers in medical research, reference labs, teaching hospitals, public health labs, and physician offices in North America. The Company continued to build its presence on social media channels and launched a new blog at medmira.com/blog to provide further commentary on Company activities and industry issues. Further supporting brand building in the U.S., ahead of upcoming product launches, the ongoing MedMira public relations program capitalized on media opportunities in industry publications such as *Clinical Lab Products* and *Drug Discovery News*. The Company formally launched its Miriad RVF Toolkit in China during the 2014 China Medical Equipment Fair. MedMira participated in the Canadian Pavilion, where it showcased its Rapid Vertical Flow Technology and Miriad™ RVF Toolkit and had the opportunity to connect with research institutes and biotech companies as well as strategic distribution partners for the Company's rapid HIV test. The quarter ended on a high note for MedMira with the Company taking home the Hong Kong-Canada Business Achievement Award for Outstanding Business Innovation on April 29, 2014.

MedMira worked on the final phase of implementation of a company-wide enterprise resource planning (ERP) system from SAP during the third quarter. Once in place, the system will transform the finance function and add financial transparency in every aspect of the Company's activities.

Subsequent to the close of the third quarter, the Company announced changes to its Board of Directors and received a short-term loan from its controlling shareholder for CHF 400,000. Marvyn Robar and Colin MacGillivray were appointed as Directors to serve until the next annual shareholder meeting. Dr. Shou-Ching Tang retired from the Board after 12 years of service. The Board elected Mr. Robar as the Company's first non-executive Chairman, supporting the Board's commitment to the advancement of MedMira's corporate governance practices and policies and industry best practices within the Company. The Company's election of a non-executive chairman together its appointment of three non-executive audit committee members demonstrates its further push to adhere to Corporate Governance best practices providing its stakeholders the highest degree assurance.

## 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 condensed interim consolidated financial statements for the three and nine months ended April 30, 2014 and its audited consolidated financial statements as at and for the year-ended July 31, 2013.

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

| **Income statement** | **Q3 2014** | **Q2 2014** | **Q1 2014** | **Q4 2013** | **Q3 2013** | **Q2 2013** | **Q1 2013** | **Q4 2012** |
|---|---|---|---|---|---|---|---|---|
| | **$** | **$** | **$** | **$** | **$** | **$** | **$** | **$** |
| Revenue | 639 | 519 | 473 | 595 | 327 | 534 | 545 | 272 |
| Cost of sales | 428 | 316 | 332 | 343 | 277 | 374 | 377 | 167 |
| **Gross profit** | **211** | **203** | **141** | **252** | **50** | **160** | **168** | **105** |
| Operating expenses | 1,213 | 1,358 | 727 | 659 | 781 | 715 | 641 | 707 |
| Other expenses (gains) | 216 | 261 | 252 | 353 | 128 | (1,629) | (616) | (8,769) |
| **Net earnings (loss) before tax** | **(1,218)** | **(1,417)** | **(838)** | **(760)** | **(859)** | **1,074** | **143** | **8,167** |
| | | | | | | | | |
| **Balance sheet** | **Q3 2014** | **Q2 2014** | **Q1 2014** | **Q4 2013** | **Q3 2013** | **Q2 2013** | **Q1 2013** | **Q4 2012** |
| | **$** | **$** | **$** | **$** | **$** | **$** | **$** | **$** |
| Current assets | 1,411 | 3,216 | 5,392 | 822 | 597 | 1,172 | 2,169 | 2,951 |
| Non-current assets | 373 | 378 | 336 | 345 | 262 | 102 | 30 | 19 |
| **Total assets** | **1,784** | **3,594** | **5,728** | **1,167** | **858** | **1,273** | **2,199** | **2,970** |
| Current liabilities | 3,456 | 3,792 | 4,354 | 4,854 | 3,694 | 3,040 | 2,967 | 11,049 |
| Non-current liabilities | 4,842 | 5,097 | 5,253 | 5,423 | 5,516 | 5,726 | 7,798 | 629 |
| **Total liabilities** | **8,298** | **8,890** | **9,607** | **10,277** | **9,210** | **8,765** | **10,765** | **11,679** |
| Total shareholders deficiency | (6,514) | (5,296) | (3,879) | (9,111) | (8,352) | (7,492) | (8,566) | (8,708) |
| **Total liabilities and equity** | **1,784** | **3,594** | **5,728** | **1,167** | **858** | **1,273** | **2,199** | **2,970** |
| | | | | | | | | |
| Net earnings (loss) per share | (0.007) | (0.005) | (0.001) | (0.002) | (0.002) | 0.003 | 0.001 | 0.024 |

### Third quarter analysis

The following table compares the results of operations for the three months ended April 30, 2014 to the three months ended April 30, 2013.

| | For the three months ended | | |
|---|---|---|---|
| | 30-Apr-14 | 30-Apr-13 | Better(worse) |
| | $ | $ | $ |
| ***Product*** | | | |
| Product sales | 251,375 | 163,036 | 88,339 |
| Royalties | - | - | - |
| Product cost of sales | (161,614) | (106,361) | (55,253) |
| **Gross margin on product** | 89,761 | 56,675 | 33,086 |
| ***Services*** | | | |
| Service sales | 387,264 | 164,221 | 223,043 |
| Service cost of sales | (266,536) | (164,412) | (102,124) |
| **Gross margin on services** | 120,728 | (191) | 120,919 |
| ***Operating expenses*** | | | |
| Research and development | (177,839) | (150,303) | (27,536) |
| Sales and marketing | (409,363) | (92,484) | (316,879) |
| Other direct costs | (129,436) | (77,126) | (52,310) |
| General and administrative | (496,301) | (403,067) | (93,234) |
| **Total operating expenses** | (1,212,939) | (722,980) | (489,959) |
| **Operating loss** | **(1,002,450)** | **(666,496)** | **(335,954)** |
| ***Non-operating income (expenses)*** | | | |
| Financing | (215,519) | (193,183) | (22,336) |
| **Net (loss) income** | **(1,217,969)** | **(859,679)** | **(358,290)** |

*Product revenue and gross margin*

The Company recorded revenue from product sales in the three months ended April 30, 2014 of $251,375 as compared to $163,036 for the same period last year. Gross profit on product sales for the three months ended April 30, 2014 was $89,761 compared to $56,675 for the same period in 2013. The Company received product approvals in Venezuela and Mexico. Initial shipments to these new markets, along with a stable sales performance in the North American market account for the improved sales performance.

*Service revenue and gross margin*

The Company recorded revenue from service sales of $387,264 in the three months ended April 30, 2014 (April 30, 2013 – $164,221) with a related gross margin of $120,728 (April 30, 2013 – $(191)). The Company earned revenue and gross margin on a research contract with the U.S. Army. The higher service sales in the third quarter of 2014 is attributed to an increase in activities for clinical trials, which, when billed to the U.S. Army resulted in higher revenue. Gross margin on services was in line with management's expectations.

*Operating expenses*

Total operating expenses increased by $489,959 from $722,980 for the three months ended April 30, 2013 to $1,212,939 for the three months ended April 30, 2014.

- Research and development expenses for the three months ended April 30, 2014 were $177,839 compared to $150,303 for the same period in 2013. The Company continued its work on product enhancements and new product development.
- Sales and marketing expenses for the three months ended April 30, 2014 were $409,363 compared to $92,484 for the same period in 2013. The increase in sales and marketing expenditures during the third quarter was in line with the Company's strategic goals and related to: the ongoing engagement of an integrated marketing communications agency; continued focus on build brand awareness and presence in focus markets; acquiring and training new distributors; and new product launches (e.g. Miriad product launch).
- Other direct costs for the three months ended April 30, 2014 were $129,436, compared to $77,126 for the same period in 2013. Additional costs were incurred due to regulatory expenses, an increase in use of temporary labour and the automation project.
- General and administrative expenses were $496,301 for the three months ended April 30, 2014, compared to $403,067 for the same period in 2013. The 2014 costs include the operating expenses for the international setup, filing, renewing and maintaining of patents, charges for the ERP system implementation as well as professional service fees for second quarter financial reviews and advice on international sales and tax matters.

*Non-operating expenses*

- Total non-operating expenses were $215,519 in the three months ended April 30, 2014, compared to $193,183 during the same period in 2013. The year over year increase is attributable to the increase in debt interest from 3 to 5% as contractually agreed.

**Year to date analysis**

The following table compares the results of operations for the nine months ended April 30, 2014 to the nine months ended April 30, 2013.

| | For the nine months ended | | |
|---|---|---|---|
| | 30-Apr-14 | 30-Apr-13 | Better(worse) |
| | $ | $ | $ |
| ***Product*** | | | |
| Product sales | 529,743 | 585,149 | (55,406) |
| Royalties | - | 35,360 | (35,360) |
| Product cost of sales | (288,853) | (375,970) | 87,117 |
| **Gross margin on product** | 240,890 | 244,539 | (3,649) |
| ***Services*** | | | |
| Service sales | 1,100,456 | 784,840 | 315,616 |
| Service cost of sales | (787,863) | (646,043) | (141,820) |
| **Gross margin on services** | 312,593 | 138,797 | 173,796 |
| ***Operating expenses*** | | | |
| Research and development | (465,316) | (271,599) | (193,717) |
| Sales and marketing | (859,879) | (317,117) | (542,762) |
| Other direct costs | (421,274) | (228,344) | (192,930) |
| General and administrative | (1,552,351) | (1,311,711) | (240,640) |
| **Total operating expenses** | (3,298,820) | (2,128,771) | (1,170,049) |
| **Operating loss** | **(2,745,337)** | **(1,745,435)** | **(999,902)** |
| ***Non-operating income (expenses)*** | | | |
| Financing | (729,309) | 2,101,839 | (2,831,148) |
| **Net (loss) income** | **(3,474,646)** | **356,404** | **(3,831,050)** |

*Product revenue and gross margin*

The Company recorded revenue from product sales in the nine months ended April 30, 2014 of $529,743 as compared to $585,149 for the same period last year. Gross profit on product sales for the nine months ended April 30, 2014 was $240,890 compared to $244,539 for the same period in 2013. Sales increases in North and Latin America partially compensated for delays in tenders in Asia Pacific, however an improved product mix resulted in an increased gross margin on the sales that helped offset the effect on the Company's performance.

*Service revenue and gross margin*

The Company recorded revenue from service sales of $1,100,456 in the nine months ended April 30, 2014 (April 30, 2013 – $784,840) with a related gross margin of $312,593 (April 30, 2013 – $138,797). The Company earned revenue and gross margin on a research contract with the U.S. Army. The higher service sales in the third quarter of 2014 is attributed to an increase in activities for clinical trials, which, when billed to the U.S. Army resulted in higher revenue. Gross margin on services was in line with management's expectations.

*Operating expenses*

Total operating expenses increased by $1,170,049 from $2,128,771 for the nine months ended April 30, 2013 to $3,298,820 for the nine months ended April 30, 2014.

– Research and development expenses for the nine months ended April 30, 2014 were $465,316 compared to $271,599 for the same period in 2013. The Company continued its work on product enhancements and new product development.

– Sales and marketing expenses for the nine months ended April 30, 2014 was $859,879 compared to $317,117 for the same period in 2013. This was in line with strategic plan and was due to one off expenditures for product launches and market expansion as well as increased staffing to support the expansion into new markets.

– Other direct costs for the nine months ended April 31, 2014 were $421,274, compared to $228,344 for the same period in 2013. Additional costs were incurred due to regulatory expenses, an increase in use of temporary labour and the automation project.

– General and administrative expenses were $1,552,351 for the nine months ended April 30, 2014, compared to $1,311,711 for the same period in 2013. Part of the increase is attributed to one-off severance payments, additional professional fees covering the international organisational set-up, the ERP system implementation, fees for filing of new patents in key markets and supporting the ongoing protection of previously filed patents.

*Non-operating expenses*

– Total non-operating expenses were $729,309 in the nine months ended April 30, 2014, compared to a gain of $2,101,839 during the same period in 2013. The gain in the nine months ended April 30, 2013 was due to a gain on the forgiveness of debt of $715,689 and a fair value re-measurement of debt of $1,718,484 offset by interest payments.

**Geographic information**

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

| | **Product revenue** | | **Service revenue** | |
|---|---|---|---|---|
| | **For the three months ended** | | **For the three months ended** | |
| | **30-Apr-14** | **30-Apr-13** | **30-Apr-14** | **30-Apr-13** |
| | **$** | **$** | **$** | **$** |
| North America | 123,951 | 118,721 | 387,264 | 164,221 |
| Latin America and the Caribbean | 66,599 | - | - | - |
| Europe | 1,118 | 5,347 | - | - |
| Asia Pacific | 59,707 | 35,990 | - | - |
| Middle East | - | 2,977 | - | - |
| **Total revenue** | **251,375** | **163,035** | **387,264** | **164,221** |

The table below provides the nine month geographic breakdown of revenue.

| | Product revenue | | Service revenue | |
|---|---|---|---|---|
| | For the nine months ended | | For the nine months ended | |
| | 30-Apr-14 | 30-Apr-13 | 30-Apr-14 | 30-Apr-13 |
| | $ | $ | $ | $ |
| North America | 341,660 | 295,349 | 1,100,456 | 784,840 |
| Latin America and the Caribbean | 98,100 | 73,010 | - | - |
| Europe | 5,049 | 8,556 | - | - |
| Asia Pacific | 84,934 | 240,617 | - | - |
| Middle East | - | 2,977 | - | - |
| **Total revenue** | **529,743** | **620,509** | **1,100,456** | **784,840** |

## Liquidity and capital resources

*Cash and working capital*

The Company had a cash reserve of $283,988 on April 30, 2014, as compared to $20,942 on July 31, 2013. The Company's net working capital position as at April 30, 2014 was negative $2.0 million compared to the July 31, 2013 working capital deficit of $4.0 million. The Company has incurred operational losses and negative cash flows on a cumulative basis since inception. For the nine months ended April 30, 2014, the Company incurred a net loss from operating activities of approximately $2.7 million and negative cash flows from operations of $3.9 million, compared to a net loss from operations of $1.7 million and negative cash flows from operations of $1.8 million for the same period in 2013.

*Operating activities*

MedMira generated negative cash flows from operations of $3,948,667 for the nine months ended April 30, 2014, compared to negative cash flows of $1,773,548 for the nine months ended April 30, 2013.

*Financing activities*

Cash inflows from financing activities were $4,309,427 for the nine months ended April 30, 2014, compared to cash outflows of $381,667 for the same period in 2013.

*Investing activities*

Cash outflows from investments was $92,153 for the nine months ended April 30, 2014, compared to cash outflows of $263,850 for the same period in 2013.

## Debt

As at April 30, 2014, the Company had loans payable with a carrying value of $5.8 million compared to $6.9 million at July 31, 2013. The decrease in the carrying value of loans payable from July 31, 2013 to April 30, 2014 was due to settlement of short term loans with shares and repayment of related party loans. The Company's loans have an average remaining payment term of 4.3 years and interest rates varying between 3% and 5%. As at April 30, 2014, none of the Company's loans were in default.

Further discussion on liquidity and capital resources can be found in this document in the Liquidity Risk section, Risk and Uncertainties section, as well as in the notes for the condensed interim financial statements for the three and nine months ended April 30, 2014 and the audited consolidated financial statements as at and for the year ended July 31, 2013.

**Equity/Shares**

The Company is authorized to issue an unlimited number of common shares without par value. The number of issued and outstanding common shares on April 30, 2014 was 514,364,320. The Company is also authorized to issue an unlimited number of Series A preferred shares redeemable at $0.01 per share after March 31, 2010, convertible into an equal number of common shares upon the Company meeting certain milestones. There were 5,000,000 Series A preferred shares issued and outstanding on April 30, 2014.

The Company had 6,120,000 outstanding stock options on April 30, 2014. The outstanding stock options have a weighted average exercise price of $0.10 per share and a weighted average remaining term of 1.2 years. The number of outstanding warrants on April 30, 2014 was 312,100,000. The outstanding warrants have a weighted average exercise price of $0.10 per share and a weighted average remaining term of 2.7 years.

**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 nine months ended April 30, 2014, the Company realized a net loss of approximately $3.5 million (April 30, 2013 – net income $0.4 million), consisting of a net loss from operations of $2.8 million (April 30, 2013 – net loss $1.8 million), and other non-operating expenses of $0.7 million (April 30, 2013 – gain of $2.1 million). Negative cash flows from operations were approximately $3.9 million (April 30, 2013 – $1.8 million). As at April 30, 2014, the Company had an accumulated deficit of $74.4 million (July 31, 2013 – $71.0 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 $1.7 million. These circumstances lend significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going-concern.

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.

**Foreign currency risk**

MedMira receives most of its revenues in foreign currencies and incurs expenses in U.S. 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. USD sales 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 U.S.-denominated cash, accounts receivable, accounts payable and U.S.-denominated liabilities.

MedMira mitigates this currency risk by maintaining a balance of USD currency which is used to pay down U.S.-denominated liabilities and replenishes the balance through U.S.-denominated revenues. A one percent change in the USD/CAD exchange rate would have an estimated impact on revenue of $4,242.

**Related party transactions**

The following transactions were recorded with related parties during the three months ended April 30, 2014:

- Director fees totalling $6,532 were incurred (July 31, 2013 - $16,250).

The following balances with related parties were outstanding at April 30, 2014:

- Accounts payable totalling $18,769 was due to directors (July 31, 2013 – $37,244).
- Short term loans totalling $130,786 was due to a director (July 31, 2013 – $107,778).
- A royalty provision was owed to OnSite Lab of $763,306 (July 31, 2013 – $739,817).

**Compensation summary**

A) Officers

| Name and Principal Position | Period | Paid Compensation ($) | Accrued Compensation ($) | Share- and Option-based Awards* ($) | All other compensation ($) | Total Compensation ($) |
|---|---|---|---|---|---|---|
| Hermes Chan CEO | Q3 14 | 43,385 | | | | 43,385 |
| Jelle Kuypers CFO | Q3 14 | 57,998 | | 18,048 | | 76,046 |
| Sing Chan COO | Q3 14 | 30,462 | | | | 30,462 |

*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 amount recorded for the issuance of stock options.

B) Directors

| Name Designation Position(s) | Period | Paid Compensation ($) | Accrued Compensation ($) | Share- and Option-based Awards ($)* | All other compensation ($) | Total Compensation ($) |
|---|---|---|---|---|---|---|
| Hermes Chan Member of the Audit Committee | Q3 14 | | | 20,578 | | 20,578 |
| Shou-Ching Tang Member of the Audit Committee | Q3 14 | 1,563 | 1,406 | 14,157 | | 17,126 |
| Romano Robusto Audit Committee Chair | Q3 14 | 1,875 | 1,688 | 16,516 | | 20,079 |
| Markus Meile Director | Q3 14 | | | 15,059 | | 15,059 |

| Name Designation Position(s) | Period | Paid Compensation ($) | Accrued Compensation ($) | Share- and Option-based Awards ($)* | All other compensation ($) | Total Compensation ($) |
|---|---|---|---|---|---|---|
| Michael Sidler Director | Q3 14 | | | 6,317 | | 6,317 |

*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 amount recorded for the issuance of stock options.

**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 at April 30, 2014.

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 condensed interim consolidated financial statements of MedMira for April 30, 2014 and MedMira's Board of Directors approved these documents prior to release.

**Risk and uncertainties**

For the nine month period ended April 30, 2014, the Company has not identified any significant changes to the risks and uncertainties it is exposed to which were previously described in the annual MD&A for the year-ended July 31, 2013.

**Subsequent events**

On June 20, 2014, the Company obtained a short term loan of $484,026 (CHF 400,000) from its controlling shareholder: Onsite Lab Holding AG. The loan bears an interest rate of 5% per annum and is repayable six months from the date of the loan.