



**Management's Discussion & Analysis**  
For the Nine Months Ended April 30, 2010

# Management's Discussion & Analysis

## For the Nine Months Ended April 30, 2010

This Management's Discussion and Analysis (MD&A) for the nine months ended April 30, 2010 has been prepared to help investors understand the financial performance of the Company 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 Director's has reviewed this document and all other publicly reported financial information for integrity, usefulness, reliability and consistency.

*The following discussion should be read in conjunction with the consolidated financial statements for the year ended July 31, 2009. The preparation of these financial statements 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 Summary of 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.*

*This document contains forward looking statements based on current expectations of management that involve certain uncertainties and risks, including those discussed herein. Such forward-looking statements should be given careful consideration and undue reliance should not be placed on these statements.*

*This document and the related financial statements, and the quarterly MD&As and financial statements, can also be viewed on the Company's website at [www.medmira.com](http://www.medmira.com) and at [www.sedar.com](http://www.sedar.com). The Company's Annual Information Form is also available on these websites.*

### **ABOUT OUR BUSINESS**

Based in Halifax, Nova Scotia, MedMira is a publicly traded, Canadian life sciences company focused on the development of rapid diagnostics and technology.

MedMira's patented rapid flow-through technology platform is the basis for the Company's current line of diagnostics, which are highly accurate, easy-to-use, and produce immediate results – a strong advantage over most rapid diagnostics on the market today. With these characteristics, MedMira's technology and diagnostics are becoming well known for excellence in performance and quality.



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All of MedMira's rapid tests utilize a distinctive flow-through testing platform. More than CDN\$20 million has been invested over the past 12 years in perfecting this 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 Mark) and China (SFDA), as well as ISO 9001:2008 and ISO 13485:2003 certifications. MedMira's flagship product, its rapid HIV test, is the only test in the world today to be approved by all of these major health and medical regulators.

MedMira has been granted patents encompassing this test system, which serve to protect the test components and testing procedure that comprise its technology. This allows us to produce and market tests without worrying about potential infringement of other international patents.

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

### THIRD QUARTER HIGHLIGHTS

- Significant progress in African market by MedMira strategic business development partner, Vitest AG, leading to single largest order in company history
- MedMira partners with UK-based NGO, Advance Aid, for Kenyan market development and potential outsourced packaging and assembly
- Progress in Europe with Reveal HIV listed on National Health Services Supply Chain in the UK
- Product development underway on new multiplex platform with promising results that will establish a new category within the rapid test sector
- Operational delivery plan for large scale product fulfilment now underway
- Product sales in the third quarter increased by 82% to \$601 thousand, compared to \$329 thousand in the same quarter last year.

### CORPORATE DEVELOPMENT

The Company's key strategic marketing and business development partner, Vitest AG made considerable headway in Africa during the third quarter. Most notably their efforts led to the single largest order of rapid HIV tests in the history of our Company subsequent to the close of the third



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quarter. Nigeria was selected as Vitest's first focus market in Africa and their work has resulted in an exclusive partnership with the Nigerian Red Cross and initial contract for two million MedMira rapid HIV tests to be sold under the Vitest private label brand. Vitest is working closely with the Nigerian Red Cross to forge a long-term relationship focusing on HIV awareness and testing programs. Building on what is sure to be a very positive experience with our rapid HIV test, Vitest plans on introducing other MedMira rapid tests to the Nigerian market in the near future.

Elsewhere in Africa, Vitest continues to work diligently on many business development initiatives including product evaluations, registrations, and market building in South Africa, Kenya, Ghana, Zimbabwe, Congo and many other African nations.

In South Africa, Vitest is targeting the corporate market, developing key relationships with large organizations that sponsor testing programs for their employees and communities in which they operate. Vitest's Director of International Business Development and Sales has also been instrumental in establishing a key relationship with the Perinatal HIV Research Unit in Soweto, a township outside of Johannesburg where the HIV prevalence rate is 11%. The PHRU are global leaders in HIV research and prevention programs, including mobile testing clinics and male circumcision programs. Subsequent to the close of the third quarter the PHRU placed its initial order for Reveal HIV.

In Kenya, Vitest is working closely with another MedMira strategic partner, UK-based NGO, Advance Aid. Advance Aid takes a new and unique approach to supplying needed health and aid resources to Africa by setting up manufacturing supply chains within African countries, enabling job creation and self-sustaining economic growth. The NGO's vision is trade, not just aid, for Africa. Advance Aid were key in facilitating the necessary study evaluating the performance of Reveal HIV and comparing its sensitivity, specificity, and clinical utility side-by-side with the current reference rapid tests approved for Kenya's national HIV testing algorithm, Reveal HIV achieved 100%. This study is now in the hands of Kenya's National AIDS and Sexually Transmitted Infections Control Programme, the next step in the approval process in Kenya.

In Europe, Vitest focuses much of their efforts on priming the market, ensuring key agents and registrations are in place to capitalize on upcoming tenders and sales opportunities. Our recent CE approval for an advanced format of the Reveal rapid HIV test positions us more competitively in the marketplace and enables our distribution partners to enter into high margin tenders in various markets, including the lucrative United Kingdom.

Subsequent to the close of the quarter Vitest achieved the listing of MedMira's Reveal HIV test on the National Health Services Supply Chain in the United Kingdom. Due to Vitest's efforts Reveal HIV is now one of three rapid HIV tests listed with this national organization which manages the



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procurement and delivery of healthcare products for over 600 hospitals and healthcare organizations in the UK. Setting Reveal HIV apart from the two competitors in this program is its flexibility in serving both the laboratory and point of care markets as well as being the fastest rapid HIV test available in the UK.

During the last quarter MedMira introduced its newest line of rapid diagnostics products, Miriad – a line of rapid diagnostics and tools for medical and academic life sciences researchers. This product line includes a number of fully commercialized multiple tests for researchers to use in various kinds of work including vaccine development, tissue bank screening, and clinical trial screening. Since launching the product, MedMira has received inquiries from a number of major players in the global diagnostic market interested in utilizing our technology platform to develop new rapid tests. This potential collaboration is an excellent business opportunity for MedMira to partner with leaders in the diagnostics marketplace.

MedMira's research team continues to innovate and is now exploring a new multiplexed testing platform that will establish a new category of testing within the rapid diagnostics sector. We are creating new research positions and also are investigating new collaboration opportunities within global scientific community to facilitate this product development and other ongoing R&D initiatives.

MedMira continues to seek strategic investments to fuel the growth and development of sustainable long term business channels for the Company. MedMira is committed to achieving success for our partners, shareholders and investment.

## OPERATIONS

MedMira's operations team spent much of the third quarter delivering on standing product orders and preparing for anticipated contracts from Vitest. Product fulfillment plans, incorporating our outsourced services partners in Asia, are now moving swiftly ahead with the production of the largest single order in MedMira's history.

## FINANCIAL RESULTS

### Revenue

The Company recorded revenue from product sales for the nine months ended, April 30, 2010 of \$1,480,689 compared to \$905,047 same period last year.



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	For the nine months ended	
	April 30, 2010	April 30, 2009
Commercial Diagnostic Tests	1,476,350	905,047
Miriad Research Tests/Kits	4,339	—
	<u>1,480,689</u>	<u>905,047</u>

\*Miriad Research Tests/Kits built on the MedMira rapid flow-through technology platform, are quality, reliable and easy-to-use diagnostics designed for the academic, medical, clinical, and life sciences research sectors. MedMira's clinical rapid tests have demonstrated usefulness, flexibility, and success as critical diagnostic tools in a broad range of real world circumstances, environments, and conditions. Miriad now brings these same advantages to the research market.

- This represents an approximate increase of 66% between the two periods.
- Q3 - 2010 compared to Q2 - 2010 an increase of approximately 19 %
- Q3 - 2010 compared to Q3 - 2009 an increase of approximately 82%

### GROSS MARGIN

- For the nine month period, Ended April 30, 2010 - \$996,256 (67%)
- For the nine month period, Ended April 30, 2009 - \$548,940 (61%)

The overall high margin in both periods is a result of the geographic sales mix. As sales outside of North America become a larger percentage of total sales, management expects a decline in Gross Margin.

### EXPENSES

#### General and Administrative

This expense category decreased \$92,060 (29%) during the quarter, when compared to last year. Year to date shows a decrease of \$58,652 (6% over last year). The consolidation of the manufacturing reduced expenses such as rent during 2010. The full impact of "Fusion'09" savings should be realized before the end of this fiscal year.



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#### Research and Development (R&D)

This expense category almost tripled in the three month period to \$65,816 when compared to 2009. Year to date shows an increase of \$101,938 (67%) to \$255,155. The Miriad product line for research and academic market was introduced during the second quarter of this year. The R&D group continues to work on a number of new products for emerging market need in Africa and other developing countries such as combination tests for Malaria, HIV, Syphilis and Tuberculosis. In addition, our development has also been focusing on further development of new technology platform to best fit into these markets where we will realize a significant revenue growth in the coming months.

#### Sales and Marketing

This category primarily consists of marketing materials and travel. The dollar expenditures are relatively low when compared to the other categories. Sales and marketing expenses increased slightly during the nine months ending April 30, 2010 (\$57,816) when compared to the same period in 2009 (\$51,034). The increased positive activity resulting from our Partnership Program" had a direct bearing on the increase in expenditures and it is expected to increase further as our partnerships grow.

#### Wages and Benefits

This category has undergone significant cuts, during the past several years because of lay-offs, attrition, salary freezes, and salary and benefit cuts. During the third quarter the Company made a change in the way it accounts for vacation payable and thus a onetime charge was recorded in wages and benefits. With the forthcoming anticipated increased sales activity there could be an increase in personnel this increasing wages and benefits in the upcoming months.

#### Interest Expense

Interest Expense was relatively stable for the three months ended, 2010 (\$667,606) compared to the three months ended, 2009 (\$620,235). Year to date showed an increase of 12% to \$1,687,591. This of course is a direct reflection of the level of debt and the interest rate. Management continues to place a high priority on the reduction of debt servicing costs through renegotiation of existing agreements.

#### Foreign Exchange Gain

The nine months ending shows a year to date gain of \$317,759 vs. a comparative loss of \$709,343. The Company has Unearned Revenue and US dollar denoted Debt of approximately \$4 million dollars. The wide fluctuations between the US and CDN dollars have a considerable impact on this category.

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### UNAUDITED QUARTERLY FINANCIAL DATA

The following consolidated quarterly data was drawn from the unaudited interim consolidated financial statements.

Three Months Ended April 30			
		Q3 2010	Q3 2009
Sales	\$	601.1	\$ 329.4
Cost of Goods Sold		153.9	131.9
Gross Margin		447.2	197.5
Gross Margin -%		74	60
Operating & Other Expenses		1,071.1	1,174.4
Loss per Quarter		(623.9)	(976.9)
Loss per Share		(\$0.003)	(0.01)

### LIQUIDITY AND CAPITAL RESOURCES

At April 30, 2010, the Company had Total Assets of \$1,032,328 compared to total assets of \$523,414 at July 31, 2009.

The Company has Current Liabilities of \$11,599,745 compared to \$15,583,695, July 31, 2009.

The Company's net working capital position as of April 30, 2010 was a deficit of \$10,641,910 compared to the July 31, 2009 working capital deficit of \$15,094,110

The Company has incurred losses on a cumulative basis since inception.

As April 30, 2010, the Company has an accumulated deficit of approximately \$67.2 million.

In addition to its on-going working capital requirements, the Company must secure sufficient funding for:

- its research and development programs;



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- promissory notes payable of approximately \$4.7 million;
- long-term debt repayments through 2015, including approximately \$1.3 million due in fiscal 2010; redemption of convertible debentures of approximately \$1.5 million.

These circumstances lend substantial doubt as to the ability of the Company to meet its obligations as they come due.

#### **INTERNAL CONTROL SYSTEMS**

To ensure the integrity and objectivity of our 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.

During the nine months ended April 30, 2010 there were no significant changes to the systems of internal control within the Company.

#### **RISKS AND UNCERTAINTIES**

The Company's base of activity has expanded to manufacturing products for distribution in several international markets. As a result, the Company's operations are exposed to a variety of risk factors. The Company's operations and markets have been evolving, making it difficult to accurately predict future operating results. Actual future results may differ significantly in any forward-looking statements. Factors that may cause such differences include, but are not limited to, the following:

- Market acceptance of current and follow on products;
- Reliance in key distributors to market and sell our products;
- Whether and when new products are successfully developed;
- Costs and timing associated with business development activities;
- Progress of research and development activities including clinical trials and regulatory delays;
- Competitive pressures on average selling price;
- Limited suppliers of key manufacturing components;
- The timing and the variability of significant orders;



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- Manufacturing capacity, capability, scale-up, inefficiencies and constraints;
- Ability to manage growth as new products are commercialized and manufacturing ramps up;
- Ability to generate positive cash flow from operations;
- Ability to retain and attract key management and other experienced personnel;
- Ability to raise sufficient cash to cover negative cash flows and meet financial commitments as they come due.

Substantially all of the Company's revenue is in US dollars or Euros, and therefore subject to fluctuations in exchange rates. There is a risk that significant fluctuations in exchange rates may impact on the Company's ability to sell its products and thereby, have a material adverse effect on the Company's results of operations. The Company does not use derivative financial instruments for speculative or trading purposes.