

## **MedMira Inc.**

Condensed Interim Consolidated Financial Statements  
For the three months ended October 31, 2017 and October 31, 2016  
(Unaudited – Prepared by Management)

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the period ending October 31, 2017

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December 22, 2017

**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 condensed interim 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.

(signed) *Hermes Chan*  
Chief Executive Officer

(signed) *Markus Meile*  
Chief Financial Officer

**Unaudited consolidated statements of financial position**  
**As at October 31, 2017 and July 31, 2017**

*In Canadian dollars*

	<i>Notes</i>	<b>31-Oct-17</b>	<b>31-Jul-17</b>
		\$	\$
<b>Assets</b>			
<i>Current assets</i>			
Cash		118,805	155,915
Trade and other receivables		74,911	60,415
Prepaid expenses		34,119	26,004
Current tax receivable		112,000	112,000
Inventories	5	<u>211,245</u>	<u>227,002</u>
Total current assets		<u>551,080</u>	<u>581,336</u>
<i>Non-current assets</i>			
Property, plant and equipment		68,135	92,367
Intangible assets		<u>2</u>	<u>2</u>
Total non-current assets		<u>68,137</u>	<u>92,369</u>
<b>Total assets</b>		<u><u>619,217</u></u>	<u><u>673,705</u></u>
<b>Liabilities</b>			
<i>Current liabilities</i>			
Current portion of debt	8	7,319,175	6,701,668
Trade accounts payable and accrued liabilities		1,783,264	1,741,173
Salaries and benefits payable		232,735	240,671
Interest payable		600,742	509,575
Deferred rent		112,557	117,663
Provision for royalty	10	<u>110,000</u>	<u>110,000</u>
Total current liabilities		<u>10,158,473</u>	<u>9,420,750</u>
<i>Non-current liabilities</i>			
Long term portion of debt	8	<u>-</u>	<u>237,496</u>
Total non-current liabilities		<u>-</u>	<u>237,496</u>
<b>Total liabilities</b>		<u>10,158,473</u>	<u>9,658,246</u>
<b>Equity</b>			
Share capital	6	63,421,802	63,421,802
Warrant reserve	6	9,966,770	9,966,770
Stock based compensation reserve	6	1,353,291	1,353,291
Equity reserve	6	2,469,829	2,388,370
Accumulated deficit		<u>(86,750,948)</u>	<u>(86,114,774)</u>
<b>Total shareholders' deficiency</b>		<u>(9,539,256)</u>	<u>(8,984,541)</u>
<b>Total liabilities and equity</b>		<u><u>619,217</u></u>	<u><u>673,705</u></u>

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

Approved on behalf of the Board of Directors

(signed) *Hermes Chan*, Director

(signed) *Marvyn Robar*, Chairman and Director

**Unaudited consolidated statements of operations and comprehensive loss**  
**For the three months ended October 31, 2017 and October 31, 2016**

*In Canadian dollars*

	<i>Notes</i>	<b>31-Oct-17</b> \$	<b>31-Oct-16</b> \$
<b>Product</b>			
Product sales	4	143,042	212,245
Product cost of sales	5	<u>(30,438)</u>	<u>(92,643)</u>
<b>Gross margin on product</b>		<u>112,604</u>	<u>119,602</u>
<b>Operating expenses</b>			
Research and development	12	(115,604)	(166,684)
Sales and marketing		(53,151)	(157,082)
Other direct costs		(115,289)	(169,971)
General and administrative		<u>(295,816)</u>	<u>(333,344)</u>
<b>Total operating expenses</b>		<u>(579,860)</u>	<u>(827,081)</u>
<b>Operating loss</b>		<u>(467,256)</u>	<u>(707,479)</u>
<b>Non-operating expense</b>			
Financing expense	14	<u>(168,918)</u>	<u>(94,330)</u>
<b>Net and comprehensive loss</b>		<u>(636,174)</u>	<u>(801,809)</u>
Basic loss per share	7	(0.001)	(0.001)
Diluted loss per share	7	(0.001)	(0.001)

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

**Unaudited consolidated statements of changes in equity**
*In Canadian dollars*

	Notes	Share capital				Equity reserve	Accumulated deficit	Shareholders' deficiency
		Common shares	Preferred shares	Warrant reserve	Option reserve			
<b>Balance at July 31, 2016</b>		<b>63,419,302</b>	<b>2,500</b>	<b>9,966,770</b>	<b>1,337,206</b>	<b>1,065,770</b>	<b>(83,453,707)</b>	<b>(7,662,159)</b>
Net and comprehensive income		-	-	-	-	-	(801,809)	(801,809)
Funding under royalty agreement	10	-	-	-	-	789,300	-	789,300
<b>Balance at October 31, 2016</b>		<b>63,419,302</b>	<b>2,500</b>	<b>9,966,770</b>	<b>1,337,206</b>	<b>1,855,070</b>	<b>(84,255,516)</b>	<b>(7,674,668)</b>
Net and comprehensive loss		-	-	-	-	-	(1,859,258)	(1,859,258)
Issuance of stock options	6	-	-	-	16,085	-	-	16,085
Funding under royalty agreement	10	-	-	-	-	520,800	-	520,800
Equity contribution by shareholder	6	-	-	-	-	12,500	-	12,500
<b>Balance at July 31, 2017</b>		<b>63,419,302</b>	<b>2,500</b>	<b>9,966,770</b>	<b>1,353,291</b>	<b>2,388,370</b>	<b>(86,114,774)</b>	<b>(8,984,541)</b>
Net and comprehensive loss		-	-	-	-	-	(636,174)	(636,174)
Fair value of long term debt	6	-	-	-	-	81,459	-	81,459
<b>Balance at October 31, 2017</b>		<b>63,419,302</b>	<b>2,500</b>	<b>9,966,770</b>	<b>1,353,291</b>	<b>2,469,829</b>	<b>(86,750,948)</b>	<b>(9,539,256)</b>

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

**Unaudited consolidated statements of cash flows**  
**For three months ended October 31, 2017 and October 31, 2016**

*In Canadian dollars*

	<i>Notes</i>	<b>31-Oct-17</b>	<b>31-Oct-16</b>
		\$	\$
<b>Cash from operating activities</b>			
Net loss		(636,174)	(801,809)
Adjustments for:			
Depreciation		24,232	23,033
Provision for royalty		-	2,908
Accretion expense		70,204	-
<b>Movements in working capital:</b>			
(Increase)/decrease in trade and other receivables		(14,493)	72,230
(Increase)/decrease in inventories		15,757	8,487
(Increase)/decrease in prepaid expenses		(8,115)	22,633
(Increase)/decrease in trade accounts payable and accrued liabilities		42,091	(48,232)
(Increase)/decrease in salary and benefits payable		(7,936)	1,747
(Increase)/decrease in deferred rent		(5,106)	(5,106)
(Increase)/decrease in interest payable		91,167	82,746
(Increase)/decrease in deferred revenue		-	(41,297)
<b>Net cash used in operating activities</b>		<u>(428,373)</u>	<u>(682,660)</u>
<b>Cash flow from investing activities</b>			
<b>Net cash used in investing activities</b>		<u>-</u>	<u>-</u>
<b>Cash flow from financing activities</b>			
Funding under royalty agreements	10	-	789,300
Proceeds from borrowings		405,129	31,704
Repayment of borrowing		(13,866)	(18,617)
<b>Net cash from financing activities</b>		<u>391,263</u>	<u>802,387</u>
Net increase (decrease) in cash		(37,110)	119,727
Cash at the beginning of the year		155,915	46,120
<b>Cash at the end of the year</b>		<u>118,805</u>	<u>165,847</u>

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

MedMira Inc.

Notes to the Consolidated Financial Statements

For the three months ended October 31, 2017 and October 31, 2016

In Canadian dollars

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## 1. Reporting entity

### Nature of operations

MedMira Inc. (“MedMira” or “the Company”) is a biotechnology company headquartered in Canada. The address of the Company’s registered office is 155 Chain Lake Drive, Suite 1, Halifax, Nova Scotia, B3S 1B3. MedMira Holding AG owns the majority of MedMira’s shares and is the controlling shareholder. 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 December 29, 2017.

### 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 three months ended October 31, 2017, the Company realized a net loss of \$0.6 million (October 31, 2016 - \$0.8 million), consisting of a net loss from operations of \$0.5 million (October 31, 2016 - \$0.7 million), and other non-operating losses of \$0.2 million (October 31, 2016 - \$0.1 million). Negative cash flows from operations were \$0.4 million (October 31, 2016 - \$0.7 million). As at October 31, 2017, the Company had an accumulated deficit of \$86.7 million (July 31, 2017 - \$86.1 million) and a negative working capital position of \$9.6 million (July 31, 2017 - \$8.8 million). In addition, as at October 31, 2017, \$6.8 million of debt was in default. The Company currently has insufficient cash to fund its operations for the next 12 months. In addition to its ongoing working capital requirements, the Company must secure sufficient funding for its research and development programs for existing commitments, including its current portion of debt of approximately \$7.3 million. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

The Company’s objectives in managing capital are to ensure it can meet its ongoing working capital requirements. The Company must secure sufficient capital to support its capital requirements for research and development programs, existing commitments, including its current portion of debt of approximately \$7.3 million, as well as growth opportunities.

Management dedicates significant time to pursuing investment alternatives that will fund the Company’s operations and growth opportunities so it can continue as a going concern. As of October 31, 2017, potential investors were

identified and negotiations were initiated to secure the necessary financing through the issuance of new equity. Debt arrangements were also ongoing with the Company's major shareholder and other debt holders. Subsequent to the close of the first quarter of FY2018, management continues investor negotiations with the identified parties, nevertheless, there is no assurance that this initiative will be successful.

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 and the continued support of its lenders and shareholders. 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, except for certain financial instruments that are measured at fair value at the end of each reporting period as explained in the accounting policies below.

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:

- The provision for royalty is determined using certain assumptions including: the likelihood and timing of completion of the research and development of the products associated with the royalty agreement, 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, estimates of discount rate and the cost of production
- Amounts recorded for depreciation and impairment of property, plant and 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 tax receivable 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;
- The allocation of proceeds between common shares and warrants, determined by valuation of warrants which includes assumptions regarding volatility and risk free rate;
- Determination of operating segments; and



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In Canadian dollars

- Determination of the fair value of stock options granted. The Company uses an option pricing model, which includes significant assumptions including estimate of expected volatility, expected life, expected dividend rate and expected risk-free rate of return.

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

### 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all years 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-Oct-17	31-Jul-17
MedMira Inc.	Canada	100	100
MedMira Laboratories Inc.	Canada	100	100
Maple Biosciences Inc.	Canada	100	100
MedMira International AG	Switzerland	100	100
MedMira (US) Inc.	United States	100	100
Precious Life Savings Products	Canada	100	100

#### a. Basis of consolidation

##### *Subsidiaries*

Subsidiaries are entities controlled by the Company. Control is achieved when the Company has the power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there changes to one or more of the three elements of control listed above. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. 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. Exchange differences on monetary items are recognized in the statement of operations and net comprehensive loss in the period in which they arise.

c. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, other than those at fair value through profit or loss, are added to or deducted from the fair value of the financial instrument as appropriate on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss, are recognized immediately in profit or loss.

*Financial assets*

The Company's financial assets consist of cash and trade and other receivables which are classified as loans and receivables. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

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's financial liabilities consist of trade accounts payable and accrued liabilities, salaries and benefits payable, interest payable, and long-term debt which are classified as other financial liabilities. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The Company's provision for royalty is classified as fair value through profit or loss and stated at fair value with any gains or losses arising from re-measurement recognized in profit or loss.

*Share capital*

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and stock 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.

*Share purchase warrants*

The Company bifurcates units consisting of common shares and share purchase warrants using the residual value approach whereby it measures the common share component of the unit at fair value using market prices. The difference between this value and the unit value is then allocated to the warrant with the value of the warrant component being credited to the warrant reserve. When warrants are exercised, the corresponding residual value is transferred from warrant reserve to share capital. All such warrants are classified in a warrant reserve within equity.

*Equity reserve*

The company has royalty agreements with related parties. When royalty agreements are entered into with the related party the excess of the cash received over the fair value of the royalty agreement is classified as a contribution to equity within equity reserve.

*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 on a net basis within financing expense 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 general and administrative expenses 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 general and administrative expenses 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:

–	leasehold improvements	lower of 7 years and length of lease
–	laboratory equipment	5 years
–	manufacturing equipment	5 years

MedMira Inc.

Notes to the Consolidated Financial Statements

For the three months ended October 31, 2017 and October 31, 2016

In Canadian dollars

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- office equipment and furniture 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 as research and development expense within 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 within intangible assets on the consolidated statements of financial position 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 was on or after August 1, 2010. Any other development expenditure is recognized as research and development expense within 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. Inventories

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

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

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

## g. Impairment

*Financial assets (including receivables)*

Financial assets, other than those at fair value through profit or 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.

## h. 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 stock based compensation reserve within 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.

i. 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 financing expense within profit or loss.

j. Revenue

*Product Sales*

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.

*Service Sales*

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 have occurred, it is probable that the economic benefits associated with the transaction will flow to the Company and the cost incurred for the transaction can be measured reliably.

*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.

k. 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 probable that future taxable profit will be available against which the unused tax losses can be utilized.

l. New and amended standards and interpretations

The following standards were amended and adopted by the Company during the current year, and had no significant impact on the Company's consolidated financial statements:

IAS 7 (amended) Statement of Cash Flows

The following new standards and amendment have been issued but are not effective for the three months ended October 31, 2017, and, accordingly, have not been applied in preparing these consolidated financial statements.

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

*IFRS 15 - Revenue from Contracts with Customers.* This standard is effective for annual periods beginning on or after January 1, 2018 and therefore, will be effective August 1, 2018 for the Company. IFRS 15 establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single, five-step model for an entity to recognize revenue in order 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 to exchange for these goods and services. IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs. In addition, IFRS 15 requires additional disclosure in the consolidated financial statements regarding the Company's revenue. IFRS 15 replaces IAS 18 *Revenue* and IAS 11 *Construction Contracts*, as well as related interpretations.

*IFRS 16 - Leases.* This standard replaces IAS 17 *Leases* and introduces a single accounting model for lessees and for all leases with more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognize a right-of-use-asset, representing its right to use the underlying asset, and a corresponding lease liability, representing its obligation to make lease payments. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 and therefore, will be effective August 1, 2019 for the Company. While early adoption is permitted if IFRS 15 has also been applied, the Company has chosen not to early adopt this standard.

*IFRS 2 - Share-based payments.* IFRS 2 was amended to clarify how to account for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions

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with a net settlement feature and a modification to the terms and conditions that changes the classification of the transactions. The amendment is effective for annual periods beginning on or after January 1, 2018 and therefore, will be effective August 1, 2018 for the Company.

*IFRIC 22- Foreign Currency Transactions and Advance Consideration.* IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. This interpretation is effective for annual periods beginning on or after January 1, 2018 and therefore, will be effective August 1, 2018 for the Company.

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

#### 4. Revenue

The Company derives approximately 94% (October 31, 2016 – 93%) of its revenue from four (October 31, 2016 – four) main customers and, for these customers, assesses the recoverability of each account on a regular basis. During the three months ended October 31, 2017, customer 1 accounted for 44% of the Company’s revenue, customer 2 accounted for 23% of the revenue, customer 3 accounted for 14% of the revenue and customer 4 accounted for 13% of the revenue

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

	<b>31-Oct-17</b>	<b>31-Oct-16</b>
	\$	\$
North America*	116,943	87,292
Latin America and the Caribbean	2,940	96,911
Europe	4,566	20,984
Asia Pacific	18,593	7,058
<b>Total revenue</b>	<u>143,042</u>	<u>212,245</u>

\*For the three months ended October 31, 2017, revenue in North America include sales made in Canada (the Company’s country of domicile) of \$1,202 (October 31, 2016 – \$2,562).

#### 5. Inventories

As at October 31, 2017, there were no valuation allowances against inventory (July 31, 2017 - \$nil).

During the three months ended October 31, 2017, inventory valued at \$23,440 was expensed as product cost of sales (October 31, 2016 - \$91,512), which included write-downs of inventory as a result of net realizable value being lower than cost of \$3,263 (October 31, 2016 – \$5,425). No inventory write-downs recognized in previous years were reversed during the current year.



	31-Oct-17	31-Jul-17
	\$	\$
Raw materials and consumables	177,554	188,279
Work in process	22,508	22,500
Finished goods	11,183	16,222
<b>Total inventories</b>	<u>211,245</u>	<u>227,002</u>

## 6. Capital and other components of equity

### a. Authorized

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

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

### b. Share capital issued

	Number of		Value of		Total share capital \$
	Common shares	Preferred shares	Common shares \$	Preferred shares \$	
<b>Balance at July 31, 2017</b>	<b>658,364,320</b>	<b>5,000,000</b>	<b>63,419,302</b>	<b>2,500</b>	<b>63,421,802</b>
Issued for cash	-	-	-	-	-
Share issuance costs	-	-	-	-	-
<b>Balance at October 31, 2017</b>	<b>658,364,320</b>	<b>5,000,000</b>	<b>63,419,302</b>	<b>2,500</b>	<b>63,421,802</b>

The total common shares issued and outstanding includes 4,064,464 common shares held in escrow scheduled to be released when the Company obtains positive operating cash flow.

The Series A preferred shares had a stated capital of \$2,500 at July 31, 2017 (July 31, 2016 - \$2,500).

### c. Warrants

	Number of warrants	Warrant reserve \$
<b>Balance at July 31, 2017</b>	<b>266,100,000</b>	<b>8,202,394</b>
Issued for cash	-	1,764,376
Expired warrants	(122,100,000)	-
<b>Balance at October 31, 2017</b>	<u><b>144,000,000</b></u>	<u><b>9,966,770</b></u>

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The total warrants outstanding at October 31, 2017 are shown below.

Issued	Number	Exercise price \$	Expiry date
October 2, 2014	22,000,000	0.100	October 2, 2018
March 27, 2015	22,000,000	0.100	March 27, 2019
September 8, 2015	<u>100,000,000</u>	0.100	September 8, 2019
	144,000,000		

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 up to a maximum of 13,000,000 options upon approval by shareholders. Options that have been issued and remain outstanding are exercisable into an equivalent of 2,594,792 common shares (July 31, 2016 – 2,094,792) at an exercise price of \$0.10. The options expire between January 24, 2018 and January 29, 2020. All options outstanding at October 31, 2017 were exercisable.

The total options outstanding are shown below.

	Number	Weighted average exercise price \$	Share-based payment reserve \$
<b>Options outstanding July 31, 2017</b>	2,594,792	0.10	1,353,291
Options issued	-	-	-
Options expired/forfeited	-	-	-
<b>Options outstanding October 31, 2017</b>	<u>2,594,792</u>	<u>0.10</u>	<u>1,353,291</u>

e. Equity Reserve

The change in equity reserve is outlined in the table below:

	Equity Reserve \$
<b>Balance at July 31, 2017</b>	2,388,370
Fair value of current and long term debt (see note 8)	<u>81,459</u>
<b>Balance at October 31, 2017</b>	<u>2,469,829</u>

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## 7. Loss per share

	for the three months ended	
	31-Oct-17	31-Oct-16
	\$	\$
Net income (loss) attributable to common shareholders	(636,174)	(801,809)
Issued common shares	658,364,320	658,364,320
Weighted average number of common shares	658,364,320	658,364,320
Basic earnings (loss) per share	(0.001)	(0.001)
Diluted earnings (loss) per share	(0.001)	(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 three months ended October 31, 2017, as the exercise of warrants and options would be anti-dilutive.

## 8. Loans and borrowings

### a. Loans

	31-Oct-17		31-Jul-17	
	Carrying value	Contract value	Carrying value	Contract value
	\$	\$	\$	\$
Short term loans	1,130,365	1,125,754	734,768	734,768
Loan 1	1,054,167	1,054,167	1,054,167	1,054,167
Loan 2	1,300,000	1,300,000	1,300,000	1,300,000
Loan 3	13,500	13,500	13,500	13,500
Loan 4	221,910	237,772	237,496	237,496
ACOA loans	485,843	485,843	485,843	485,843
Nova Scotia government loan 1	3,016,000	3,016,000	3,016,000	3,016,000
Nova Scotia government loan 2	97,390	97,390	97,390	97,390
<b>Total loan principal</b>	<b>7,319,175</b>	<b>7,330,426</b>	<b>6,939,164</b>	<b>6,939,164</b>
Long term portion of principal	-		237,496	
Current portion payable of principal	7,319,175		6,701,668	

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

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	<b>Repayment required</b>
	\$
Fiscal year 2018	7,097,265
Fiscal year 2019	<u>221,910</u>
<b>Total</b>	<b>7,319,175</b>

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#### *Short term loans*

The Company has six short term loans with related parties. These loans are utilized by the Company for short term working capital requirements. Loans are due on various dates ranging from August 10, 2017 to December 31, 2017 with an interest rate of 5%. As of October 31, 2017, the loans in default equalled \$719,465.

#### *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 October 31, 2017 and thus has been classified as a current liability.

#### *Loan 2*

Loan established July 31, 2012, bearing 5% interest with monthly interest payments were due until April 30, 2016, followed by equal monthly principal payments and accrued interest for four additional years ending July 31, 2020. The loan was in default due to nonpayment of interest and principal payments as of October 31, 2017 and thus has been classified as a current liability.

#### *Loan 3*

Loan established June 10, 2016, bearing 5% interest. The loan is fully payable on or before August 10, 2017. The loan was not in default at July 31, 2017. The loan was in default due to nonpayment of interest and principal payments as of October 31, 2017 and thus has been classified as a current liability.

#### *Loan 4*

Loan was established on July 31, 2016, bearing 5% interest with the Company's Chief Financial Officer. The loan was renegotiated on January 21, 2017 and is now fully payable on or before October 1, 2018. The loan was not in default at October 31, 2017.

#### *Atlantic Canada Opportunities Agency (ACOA) loans*

Loans established on October 31, 2012, bearing no interest with monthly principal payments of \$3,747 until July 31, 2013, followed by 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 principal payments of \$27,800 starting on February 1, 2015 and one monthly principal payment of \$26,975 at the end of the loan. The loan is secured by all present and subsequently acquired personal property, excepting consumer goods. The loan was in default due to nonpayment of interest and principal payments at October 31, 2017 and thus has been classified as a current liability.

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*Nova Scotia government loan 1*

The loan was established in August 2015, bearing interest based on the Province of Nova Scotia's five year cost of funds, plus five hundred basis points. Monthly interest payments are due until August 31, 2018. Starting on September 1, 2016, thirteen monthly principal payments of \$120,000 are due followed by ten monthly principal payments of \$135,000 starting on October 1, 2017 and one monthly principal payment of \$106,000 on August 1, 2018. The loan is secured by first interest on intellectual property and on the Maple Bio sensor technology. The loan was in default due to nonpayment of interest and principal payments at October 31, 2017 and thus has been classified as a current liability.

*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 in default due to nonpayment of interest and principal payments at October 31, 2017 and thus has been classified as a current liability.

**9. Capital management and financial risks**

a. Capital management

The Company's objectives in managing capital are to ensure sufficient liquidity to support the capital requirements of its various businesses, including growth opportunities. The Company manages its capital structure and makes adjustments in light of general economic conditions, the risk characteristics of the underlying assets and the Company's working capital requirements. Management of the capital structure involves the issuance of new debt, the repayment of existing debt using cash generated by operations and issuance of additional financial structures such as product financing and royalty agreements. The capital structure of the Company is composed of shareholders' deficiency, cash, long-term and short-term debts. The provisions of certain financing agreements provide for restrictions on the activities of the Company in terms of their use of funds. Such restrictions are mainly applied in specific product development financing projects. The Company's objectives when managing capital are to provide competitive cost structures, safeguard its assets and daily cash flow management in order to maximize the Company's cash holding.

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

	<b>31-Oct-17</b>	<b>31-Jul-17</b>
	<b>\$</b>	<b>\$</b>
Total debt	7,319,175	6,939,164
Less: Cash	<u>(118,805)</u>	<u>(155,915)</u>
<b>Net debt</b>	<b>7,200,370</b>	<b>6,783,249</b>
Shareholders' deficiency	<u>(9,533,045)</u>	<u>(8,984,541)</u>
<b>Total capital</b>	<b><u>(2,332,675)</u></b>	<b><u>(2,201,292)</u></b>

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Refer to the note 2b for information on how the Company manages its plan and its ability to continue as a going concern.

b. Foreign currency risk

Most of the Company's sales are denominated 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-Oct-17	31-Jul-17
	US\$	US\$
Cash	24,870	34,190
Trade and other receivables	63,970	58,725
Prepaid expense	3,319	-
Accounts payable and accrued liabilities	624,997	646,341
Debt	36,000	36,000

A one percent change in the US dollar exchange rate would result in approximately a \$7,532 (2016 - \$9,858) impact on the statement of financial position and consolidated statement of operations.

c. Interest rate risk

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

d. Credit risk

The Company exposed to credit risk in relation to its trade accounts receivable. To mitigate such risk, the Corporation continuously monitors the financial condition of its customers and reviews the credit history or worthiness of each new customer. The Company mitigates this risk by requiring a 50% down payment on most orders at the time of purchase, and the remaining 50% prior to shipment. The Company establishes an allowance for doubtful accounts based on specific credit risk of its customers by examining such factors as the number of overdue days of the customers' balance outstanding as well as the customers' collection history. Since 81% of the Company's sales are with three large international companies there is no significant concentration of credit risk. The Company also has a receivable of \$112,000 outstanding from the Government of Canada and as a result, there is no significant credit risk on this amount.

Age of receivable that are past due but not impaired

120 +	\$23,710
Total	\$23,710

Trade and other receivables include amounts that are past due as at October 31, 2017 for which the Company has not recognized an allowance for doubtful accounts because there has not been a significant change in credit quality of the customer and the amounts are still considered recoverable.

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e. 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 October 31, 2017, the Company does not have sufficient cash to meet all of its current liabilities.

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

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

**For the three months ended October 31, 2017**

	<b>Total</b>	<b>Less than 1 year</b>	<b>1 to 3 years</b>	<b>4 to 5 years</b>	<b>After 5 years</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Debt	7,319,175	7,319,175	-	-	-
Accounts payable and accrued liabilities	2,729,298	2,729,298	-	-	-
Royalty provision	110,000	110,000	-	-	-
<b>Total debt</b>	<b>10,158,473</b>	<b>10,158,473</b>	<b>-</b>	<b>-</b>	<b>-</b>

**For the year ended July 31, 2017**

	<b>Total</b>	<b>Less than 1 year</b>	<b>1 to 3 years</b>	<b>4 to 5 years</b>	<b>After 5 years</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Debt	6,939,164	6,701,668	237,496	-	-
Accounts payable and accrued liabilities	2,609,082	2,609,082	-	-	-
Royalty provision	110,000	110,000	-	-	-
<b>Total debt</b>	<b>9,658,246</b>	<b>9,420,750</b>	<b>237,496</b>	<b>-</b>	<b>-</b>

The payments noted above do not include interest payments.

## 10. Royalty provision

During March 2015, the Company entered into a royalty agreement with MedMira Holding AG whereby MedMira Holding AG would receive a 10% royalty on all future US sales of the Reveal G4 product for a five year period commencing on the day the first full payment and delivery of at least CAD \$100,000 worth of product. In exchange, MedMira Holding AG provided the Company with \$270,000 to fund costs required to complete the product development and obtain US Food and Drug Administration (FDA) pre-market approval. At the inception of the arrangement, the Company's best estimate of the value of the provision was zero and as MedMira Holding AG is the controlling shareholder of the Company, the \$270,000 was recorded in equity (Note 8). As at October 31, 2017, the Company's best estimate of the fair value of the provision was \$110,000 (2016 - \$34,889), which is recorded in royalty provision and the change in fair value of the provision recorded in financing expense in profit or loss.

During July 2016, the Company entered into a royalty agreement with MedMira Holding AG whereby MedMira Holding AG would receive a 10% royalty on all future sales of the hepatitis C (HCV) portion of the approved Multiplo

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HIV/HCV test commencing on the day of the first full delivery and payment of CAD \$10,000 worth of product. In exchange, MedMira Holding AG provided the Company with \$200,000 to fund costs required to complete product development and obtain FDA pre-market approval. At the inception of the arrangement, the Company's best estimate of the fair value of the provision was zero and as MedMira Holding AG is the controlling shareholder of the Company, the \$200,000 was recorded in equity reserve. As at October 31, 2017, the Company's best estimate of the fair value of the provision was zero. Management's fair value estimate was based on changes made during the FY2017 product commercialization prioritization process which placed the Multiplo HIV/HCV project on hold until further notice.

During October 2016, the Company entered into a royalty agreement with Ritec AG whereby Ritec AG would receive a 12.5% royalty on all future sales of the approved Reveal G4 CLIA-waived product commencing on the day of the first full delivery and payment of CAD \$10,000 worth of product. In exchange, Ritec AG provided the Company with \$1,310,100 to fund costs required to complete the product development, clinical trials and obtain FDA approval. At the inception of the arrangement, the Company's best estimate of the fair value of the provision was zero and as Ritec AG is owned by a shareholder of MedMira Holding AG who is the controlling shareholder of the Company, the \$1,310,100 was recorded in equity reserve. At October 31, 2017, the Company's best estimate of the fair value of the provision was zero. The change in royalty provision is outlined in the table below:

	<b>Provision for royalty</b>
	<b>\$</b>
<b>Balance at July 31, 2017</b>	110,000
Fair value measurement of Reveal G4 royalty	-
Write off of royalty provision	-
<b>Balance at October 31, 2017</b>	<u>110,000</u>

## 11. Related parties

The following transactions occurred with related parties during the three months ended October 31, 2017:

- A short term loan totalling \$387,630 was received from Ritec AG (2016 - \$645,300)
- Short term loans totalling \$15,000 were received from employees (2016 - \$42,500)
- Short term loans totalling \$13,863 were repaid to employees (2016 - \$0)

The following balances with related parties were outstanding at October 31, 2017:

- Accounts payable totalling \$10,000 were due to directors (2016 - \$10,000)
- Accounts payable totalling \$145,364 were due to officers (2016 - \$129,037)
- A long term loan totalling \$237,772 was due to the Chief Financial Officer (2016 - \$237,496)
- A royalty provision was owed to MedMira Holding AG of \$110,000 (2016 - \$110,000)
- A long term loan totalling \$13,500 was owed to an employee (2016 - \$13,500)
- Short term loans totalling \$45,659 were owed to employees (2016 - \$42,500)
- Three short term loans totalling \$1,033,680 are owed to Ritec AG (2016 - \$645,300)
- A short term loan totalling \$46,414 was owed to an officer (2016 - \$46,968)



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## 12. Research and development

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

	31-Oct-17	31-Oct-16
	\$	\$
Research and development expenses	(115,604)	(166,684)
Less: research and development expenses allocated to cost of sales	-	-
<b>Net research and development expense</b>	<b>(115,604)</b>	<b>(166,684)</b>

## 13. Expenses by nature

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

	for the three months ended	
	31-Oct-17	31-Oct-16
	\$	\$
Change in inventory	(23,560)	(82,573)
Employee benefits	(375,266)	(537,147)
Depreciation	(24,231)	(23,033)
Distribution	(2,855)	(13,997)
Facility	(76,060)	(79,410)
Professional services	(42,542)	(44,669)
Lab supplies	(6,268)	(18,102)
Other expenses	(27,681)	(78,462)
Exchange gains (losses)	(31,832)	(42,331)
Finance costs	(98,717)	(94,330)
Accretion expense	(70,204)	-
	<b>(779,216)</b>	<b>(1,014,054)</b>

## 14. Financing expense

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

	31-Oct-17	31-Oct-16
	\$	\$
Fair value change in provision for royalty	(70,204)	-
Finance costs	(98,714)	(94,330)
<b>Total financing expense</b>	<b>(168,918)</b>	<b>(94,330)</b>