

## **MedMira Inc.**

Management's Discussion & Analysis

For the nine month period ended April 30, 2012

## 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, 2012 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, 2011, as well as the condensed interim consolidated financial statements and MD&A for the three month period ended October 31, 2011. Annual references are the to Company's fiscal years, which end on July 31. All amounts are expressed in Canadian dollars (CAD) unless otherwise noted.

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

## About MedMira

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

MedMira's patented rapid flow-through technology platform is the basis for the Company's current line of rapid diagnostics for infectious diseases. Diagnostic applications based on this technology platform are highly accurate, easy-to-use, and produce instant results – a strong advantage over most other rapid diagnostics on the market today.

MedMira's technology and growing portfolio of diagnostics demonstrate excellence in performance and quality in the highly competitive diagnostics industry. More than \$20 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, Canada, European Union, and China, as well as ISO 9001:2008 and ISO 13485:2003 certifications. MedMira's rapid HIV test is the only rapid flow-through HIV test in the world to be approved by all of these major health regulators.

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

## 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 flow-through platform and the methodology behind its rapid diagnostics includes the following:

<i>Patent #</i>	<i>Title</i>	<i>Jurisdiction</i>
8,025,850	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

The Company has three pending patents.

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

## Corporate update

### Sales and business development

MedMira's sales and business development initiatives span the globe. Together with its strategic partners, the Company is engaged in a broad range of sales, marketing, and business development activities including market entry and development, public tender bidding, distribution channel development, and contract discussions. Regional sales and business development highlights for the quarter ended April 30, 2012 are provided below.

#### *Asia Pacific*

MedMira's strategic partner for China, Triplex International Biosciences Co., Ltd. (Triplex), continues to make progress in this growing market. The Company's rapid HIV test, which is assembled and packaged by Triplex with key biologics and components manufactured in Canada, is now firmly established in the public health market in China. Triplex is in the early phases of market development to introduce additional tests, based on MedMira's patented rapid flow-through diagnostic technology platform, to the market in the near future.

Elsewhere in Asia Pacific, business development initiatives are ongoing with key elements of the market expansion plans at various stages of development.

#### *Europe*

During the quarter, MedMira's CEO, Hermes Chan, delivered a key note address at the Royal Society of Medicine's (RSM) Winter Innovations Summit. This proved to be an excellent opportunity to illustrate the features and benefits of MedMira's technology platform and associated diagnostic applications to executives and members of the RSM.

Company representatives will attend an exclusive conference on civilian and military pre-hospital trauma management. The Remote Damage Control Resuscitation (RDCR) Conference, taking place in June 2012, is organized by The Norwegian Naval Special Operation Commando and the Norwegian Air Ambulance Foundation. This three day symposium brings together leading military and civilian medical professionals and researchers in the field to share best practices on pre-hospital trauma and life-threatening haemorrhage management. This event will serve to further MedMira's relationship building initiatives in the European community as well as the defence sector.

*Latin America & the Caribbean*

Work in the Latin America market continues with strategic partners in Panama and Colombia with a particular focus on the Multiplo product line. Business development and sales initiatives in other regions of Latin America are moving at a slower pace, with timelines on closing deals uncertain.

*Middle East*

Company co-founder and CEO, Hermes Chan, spoke at the Innovation and Technology Day (ITD) in Doha, Qatar on April 24, 2012. ITD, an open forum for technology pioneers, entrepreneurs, policy makers, and experts, designed to facilitate the dialogue and action on key issues related to innovation, technology and development, is a joint initiative of the United Nations Conference on Trade and Development and the Qatar Foundation.

MedMira's strategic partner in the Middle East, MultiMED, continues to pursue the closure of a significant deal in a key Middle Eastern market and market development work continues in other sectors. Timelines remain unpredictable due to the political and economic instability in certain areas of the Middle East.

*North America*

MedMira's CE-marked Reveal HIV, the Company's most advanced rapid HIV test, has been approved by the United States Agency for International Development (USAID) for inclusion on its list of approved rapid HIV tests. Since its inception in 1986, the USAID HIV/AIDS program has invested over \$7 billion to fight this global crisis. USAID is a key partner in the U.S. President's Emergency Plan for AIDS Relief (PEPFAR), the largest and most diverse HIV/AIDS prevention, care, and treatment initiative in the world. With this approval and listing, MedMira's CE-marked rapid HIV tests, in addition to the previously listed FDA-approved rapid HIV test, are eligible for procurement with funds provided by USAID. This new approval further strengthens the Company's global rapid HIV test product line and serves as a strong foundation for MedMira to bring forward its other rapid diagnostic product lines, including Multiplo, for similar programs and approvals.

*Africa*

The latest public tender for rapid HIV tests in South Africa was announced in April 2012 and MedMira was not successful in securing a position on the tender. Despite this setback, MedMira and its local African partners are moving forward on new market development and sales opportunities in this ever-challenging market.

**Research and product development**

The Company's primary development platform for diagnostics is its rapid flow-through technology. Rapid diagnostics represent one of the most lucrative segments in the global healthcare industry. In the US, Frost & Sullivan predicts that revenues from the infectious disease diagnostics market will reach \$6.4 billion in 2012. As this market segment continues to mature, quality and performance are critical for success.

MedMira's major development project continues to be the US Army contract. As the team closes in on the completion of the first year of the project, all milestones are being met and development is moving forward on schedule.

During the quarter, the Company announced that it has entered into a funding agreement with the National Research Council of Canada for the development of a new rapid HIV test platform that will capture both antigens and antibodies

and provide an earlier diagnosis for patients exposed to HIV. This early detection reduces the risk of missing infected individuals that are in an early stage of the disease that is not yet detectable by other common testing methods.

The funding for the 16-month project comes from the National Research Council of Canada Industrial Research Assistance Program (NRC-IRAP) under the Canadian HIV Technology Development (CHTD) Program, which aims to encourage and support the participation of small and medium-sized enterprises in the development of an HIV vaccine and other technologies related to the prevention, treatment and diagnosis of HIV. The program is part of the Canadian HIV Vaccine Initiative (CHVI), a collaborative effort between the Government of Canada and the Bill & Melinda Gates Foundation.

The Company continues to conduct in-house research and development and collaborates with researchers at universities and institutions to explore, evaluate, and commercialize applications for infectious diseases, human health markers, food safety, and animal health. Additionally, the Company is evolving its line of tools for the life sciences research market based on the Company's patented technology.

## 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 April 30, 2012 condensed interim consolidated financial statements.

### Selected quarterly information

(all values expressed in thousands of dollars except per share amounts)

	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010*
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	189	274	235	249	296	189	177	30
Cost of sales	58	63	88	155	147	101	91	(90)
<b>Gross profit</b>	<b>131</b>	<b>211</b>	<b>147</b>	<b>94</b>	<b>149</b>	<b>88</b>	<b>86</b>	<b>120</b>
Operating expenses	679	685	683	492	535	711	536	781
Other expenses	1,062	864	1,310	1,234	495	681	662	723
<b>Net earnings (loss) before tax</b>	<b>(1,610)</b>	<b>(1,338)</b>	<b>(1,846)</b>	<b>(1,632)</b>	<b>(881)</b>	<b>(1,304)</b>	<b>(1,111)</b>	<b>(1,384)</b>
<b>Net earnings (loss) per share</b>	<b>(0.006)</b>	<b>(0.005)</b>	<b>(0.007)</b>	<b>(0.007)</b>	<b>(0.004)</b>	<b>(0.006)</b>	<b>(0.005)</b>	<b>(0.01)</b>

\* Reported under GAAP, not reviewed for IFRS conformance

### Third quarter analysis

#### *Operating revenue and gross profit*

The Company recorded revenue from product sales in the quarter ended April 30, 2012 of \$189,398 as compared to \$295,534 for the same period last year. Gross profit for the quarter was \$131,393 compared to \$148,651 in the same period in 2011. The decrease in sales was due to a one-time sale in the Africa market increasing sales recorded in Q3 2011, along with weaker North American sales in Q3 2012.

*Operating expenses*

Total operating expenses increased to \$679,300 in the quarter ended April 30, 2012, compared to \$534,810 during the same period in 2011.

- Wages and benefits for the quarter ended April 30, 2012 was \$403,145, compared to \$262,277 for the same period in 2011. The increase was due to lower levels of sales resulting in reduced allocation of expense to cost of sales and inventory.
- Research and development expense for the quarter ended April 30, 2012 was \$71,178, compared to \$75,172 for the same period last year. Actual research expenses for the period were \$125,081, offset by reimbursements of research costs of \$53,903. The comparative increase in research expenses is attributable to the US Military and other research projects.
- General and administrative (G&A) expenses were \$199,293 for the quarter ended April 30, 2012, compared to \$187,845 for the same period in 2011. The increase was the result of higher professional fees.

*Other expenses*

Other expenses, including interest and exchange loss, increased to \$1,061,933 in the quarter ended April 30, 2012, compared to \$495,165 during the same period in 2011.

- Financing expenses including interest expense increased to \$1,217,758 in the quarter ended April 30, 2012, compared to \$926,760 for the same period last year. This increase was the result of capitalization of accrued interest resulting in a higher interest expense.
- Exchange rate gain in the quarter ended April 30, 2012 was \$155,825 versus a gain of \$431,595 in the same period in 2011. Both quarters saw a strengthening of the Canadian dollar versus the prior quarter related to the Company's debt balances in US dollars.

**Year to date analysis**

*Operating revenue and gross profit*

The Company recorded revenue from product sales in the nine months ended April 30, 2012 of \$698,359 as compared to \$661,188 for the same period last year. Gross profit for the nine months was \$488,828 compared to \$322,234 in the same period in 2011. Increases in revenue and gross profit are attributed to royalties and product sales in Asia Pacific.

*Operating expenses*

Total operating expenses increased to \$2,047,628 in the nine months ended April 30, 2012, compared to \$1,781,314 during the same period in 2011.

- Wages and benefits for the nine months ended April 30, 2012 increased to \$1,185,476, compared to \$964,064 for the same period in 2011. The increase was due to higher labor costs and the issuance of share options to employees during the first quarter.
- Research and development expense for the nine months ended April 30, 2012 was \$193,336, compared to \$251,407 for the same period last year. Actual research expenses for the period were \$371,869, offset by reimbursements of research costs of \$178,533. The comparative increase in research expenses is directly attributable to a US military research contract.

- General and administrative (G&A) expenses were \$622,086 for the nine months ended April 30, 2012, compared to \$544,031 for the same period in 2011. The increase was the result of higher regulatory and professional fees during the period.

#### *Other expenses*

Other expenses, including interest and exchange loss, increased to \$3,236,276 in the nine months ended April 30, 2012, compared to \$1,838,184 during the same period in 2011.

- Financing expenses including interest expense increased slightly to \$2,965,816 in the nine months ended April 30, 2012, compared to \$2,450,232 for the same period last year. This was the result of increased interest on the Company's debt in the second quarter of fiscal year 2012.
- Exchange rate loss in the nine months ended April 30, 2012 was \$270,460 versus a gain of \$609,500 in the same period in 2011. This change was due primarily to the weaker Canadian dollar related to the Company's debt balances in US dollars during the nine months ended April 30, 2012.

#### **Segmented 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 geographic breakdown of revenue.

	For three months ended		For nine months ended	
	30-Apr-12	30-Apr-11	30-Apr-12	30-Apr-11
	\$	\$	\$	\$
North America	119,344	212,859	436,529	472,186
Latin America/Caribbean	4,734	4,938	79,717	6,760
Europe	2,190	3,044	2,570	106,115
Asia Pacific	63,130	—	179,543	221
Other	—	74,693	—	75,906
<b>Total revenue</b>	<b>189,398</b>	<b>295,534</b>	<b>698,359</b>	<b>661,188</b>

#### **Liquidity and capital resources**

##### *Cash and working capital*

The Company had a bank indebtedness of \$21,742 on April 30, 2012, as compared to a cash reserve of \$1,026,763 on July 31, 2011. The Company's net working capital position as of April 30, 2012 was a deficit of \$22.6 million compared to the July 31, 2011 working capital deficit of \$19.1 million. The Company has incurred losses and negative cash flows on a cumulative basis since inception. For the three months ended April 30, 2012, the Company incurred a net loss of approximately \$1.6 million and negative cash flows from operations of \$106,037, compared to a net loss of \$0.9 million and negative cash flows from operations of \$449,481 for the same period in 2011. Management is pursuing other financing alternatives to fund the Company's operations so it can continue as a going concern. Nevertheless, there is no assurance that this initiative will be successful.

*Operating activities*

MedMira generated negative cash flows from operations of \$106,037 for the three months ended April 30, 2012, compared to negative cash flows of \$449,481 for the three months ended April 30, 2011. The change in cash flow from operations was caused by an increase in trade accounts payable in the current period.

*Financing activities*

Cash outflow from financing activities was \$7,107 for the three months ended April 30, 2012, compared to cash inflows of \$438,711 for the three months ended April 30, 2011. The low cash flow from financing was due to an inactive period of financing activity.

*Investing activities*

Cash outflow from investments remained relatively unchanged at \$2,119 during the three months ended April 30, 2012, compared to nil for the three months ended April 30, 2011.

**Debt**

As at April 30, 2012, the Company had promissory notes of \$9.9 million, convertible debentures of \$1.4 million and long-term debt of \$5.7 million, compared to \$7.5 million, \$1.4 million, and \$5.7 million respectively at July 31, 2011. These promissory notes, convertible debentures, and long-term debts are all classified as current liabilities as all are in default or are payable within one year. The interest on some of these debts is above market and the Company is unable to settle the debts given its current financial resources.

Further discussions on liquidity and capital resources can be found in the Liquidity Risk section of this document, under Need for Additional Capital in the Risk and Uncertainties section in this document and in Notes 1 and 14 of the Company's April 30, 2012 condensed interim consolidated financial statements.

**Equity/Shares**

The Company is authorized to issue an unlimited number of common shares without nominal par value. During the nine months ended April 30, 2012, 20,000,000 common shares were issued for cash and debt repayment. The number of issued and outstanding common shares on April 30, 2012 was 272,264,320. 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, 2012.

The Company had 6,690,000 outstanding stock options on April 30, 2012. The outstanding stock options have a weighted average exercise price of \$0.12 per share and a weighted average remaining term of 1.68 years. During the nine months ended April 30, 2012, 20,000,000 stock purchase warrants were issued in conjunction with shares issued for cash and debt repayment. The number of outstanding warrants on April 30, 2012 was 116,119,500. The outstanding warrants have a weighted average exercise price of \$0.10 per share and a weighted average remaining term of 2.18 years.

**Subsequent Financial Transactions**

In June 2012, the company completed a \$6 million equity investment from Andurja AG. Under the terms of the deal Andurja acquired 120 million equity units at \$0.05 per unit. Each equity unit consists of one common share and one common share purchase warrant. Each full warrant entitles Andurja to purchase one common share of MedMira at \$0.10 per share for a four year period. The common shares and the warrants are subject to a four month hold period that expires four months from the day of share issuance. With the completion of this transaction, Andurja now owns 58.6% of undiluted common shares in MedMira.

On June 12, 2012, MedMira announced that it had paid CAD\$1,806,481 to reduce the Company's debt position by CAD\$11,834,592. The debt reduction occurred through various compromise and negotiated debt holder settlements.

### **Off balance sheet arrangements**

The Company was not party to any off balance sheet arrangements as of April 30, 2012.

### **Financial instruments**

The Company recognizes financial instruments based on classification. Depending on the financial instruments' classification, changes in subsequent measurements are recognized in net loss or other comprehensive loss. The Company has implemented the following classifications:

- Cash and cash equivalents including bank indebtedness are classified as Held-for-Trading and recorded at fair market value. Changes in fair value for the year are recorded in net loss;
- Accounts receivable are classified as Loans and Receivables. After initial fair value measurement, accounts receivable are measured at amortized cost using the effective interest method; and
- Accounts payable and accrued liabilities, promissory notes payable, convertible debt and long-term debt are classified as Financial Liabilities. After initial fair value measurement, these are measured at amortized cost using the effective interest method.

### **Risk management**

MedMira has exposure to the following risks from its financial instruments: credit risk, liquidity risk and currency risk. Senior management monitors risk levels and reviews risk management activities as necessary.

#### *Credit risk*

The Company derives approximately 84% (July 31, 2011 – 86%) of its revenue from two (July 31, 2011—two) main customers and, for these customers, assesses the recoverability of each account on a regular basis. As of April 30, 2012, 64% of the accounts receivable balance is due from three customers (July 31, 2011—66% due from three customers) and no other customers account for more than 10% of the accounts receivable balances.

#### *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 on a cumulative basis since inception. For the three months ended April 30, 2012, the Company incurred a net loss of approximately \$1.6 million (April 30, 2011—\$0.9 million) and negative cash flows from operations of approximately \$0.1 million (April 30, 2011—\$0.4 million). As at April 30, 2012, the Company had an accumulated deficit of approximately \$78.7 million (July 31, 2011—\$73.9 million). In addition to its ongoing working capital requirements, the Company must secure sufficient funding for its R&D programs and for existing commitments, including its promissory notes payable of approximately \$9.9 million, long-term debt repayments of approximately \$5.7 million, and redemption of convertible debentures of approximately \$1.4 million, all due in fiscal 2012. 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.

To date, the Company has relied on temporary funding advanced by key investors and allocation of limited resources through the management of payables. 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 and is pursuing increases in sales revenue. Nevertheless, there is no assurance that these initiatives will prove successful.

#### *Currency risk*

MedMira receives revenues and incurs expenses in US and Canadian currencies, and as a result, is subject to uncertainty as foreign exchange rates fluctuate. The Company's US dollar (USD) denoted debt is approximately US \$9.1 million plus accounts payable and accrued liabilities of approximately US \$1.7 million at April 30, 2012. The exchange fluctuations from quarter to quarter account for a significant portion of the Company's exchange gain and loss. Sales are primarily in USD, however, the transactions are recorded at the exchange rate prevailing on or near the transaction date and collections are made in a timely manner.

The Company also experiences currency exposure resulting from balance sheet fluctuations of USD denominated cash, accounts receivable, accounts payable, and USD denominated promissory notes.

MedMira mitigates this currency risk by maintaining a balance of USD currency which is used to pay down USD denominated liabilities and replenishes the balance through USD denominated revenues.

A one cent change in the USD/CAD exchange rate would have an estimated impact on revenue of \$10,000. For the USD denominated promissory notes, a fluctuation of one cent in the USD/CAD exchange rate would have an impact on net income of approximately \$100,000.

#### **Fair value**

Management believes the carrying value of accounts receivable, bank indebtedness, and accounts payable and accrued liabilities approximate fair value at period-end due to their short-term nature.

Fair value estimates are made at a specific point in time based on relevant market information. These estimates involve uncertainties and matters of significant judgement and cannot be determined with precision. Change in assumptions and estimates could significantly affect fair values.

#### **Related party transactions**

The Company received a \$1 million equity investment from a significant shareholder during the nine month period ended April 30, 2012. The Company retained a balance in accounts receivable at April 30, 2012 of \$10,521 (April 30, 2011 - \$10,286) with a company presided over by a director of MedMira Inc. The Company also recorded interest of \$2,742,987 (April 30, 2011 - \$1,762,289) and retained a balance in accounts payable at April 30, 2012 of \$1,703,188 (April 30, 2011 - \$1,189,718) related to debt held by a director and significant shareholders. The Company has a royalty provision at April 30, 2012 of \$381,095 (April 30, 2011 - nil) associated with a royalty obligation to a significant shareholder.

## **Changes in accounting standards**

### **Transition to International Financial Reporting Standards (IFRS)**

#### *Explanation of transition to IFRS*

In 2008, the Canadian Accounting Standards Board announced that accounting standards in Canada are to converge with IFRS and companies will begin reporting, with comparative data, under IFRS for fiscal years beginning on or after January 1, 2011. The Company adopted IFRS effective August 1, 2011 and has prepared its opening balance sheet at that date. Prior to the adoption of IFRS, the Company prepared its financial statements in accordance with previous Canadian generally accepted accounting principles (GAAP). The Company's consolidated financial statements for the year ended

July 31, 2012 will be the first annual financial statements that comply with IFRS. The Company's third quarter 2012 unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS, as well as all comparative financial information presented in this MD&A, consistent with retrospective application.

While IFRS is based on a conceptual framework similar to GAAP, there are significant differences with respect to recognition, measurement and disclosure. The adoption of IFRS had a material impact on the Company's consolidated balance sheets, which is now referred to as the statements of financial position under IFRS, and statements of loss and comprehensive loss. The Company prepared an opening statement of financial position, along with the accounting policies under IFRS, and presented them to the Audit Committee for review. The Company's external auditor reviewed the accounting policies under IFRS, the opening statement of financial position and the disclosures under IFRS; however, all amounts are considered unaudited, as the Company has not yet prepared a complete audited set of financial statements and notes disclosures under IFRS.

The following sections, describe the key differences between GAAP and IFRS that have affected the Company.

#### *Statement of financial position impact*

The following table provides the GAAP consolidated statement of financial position as at August 1, 2010 and July 31, 2011 and including adjustments required for IFRS.

	01-Aug-10			31-Jul-11		
	Previous GAAP \$	Effect of transition to IFRS \$	IFRS \$	Previous GAAP \$	Effect of transition to IFRS \$	IFRS \$
<b>Assets</b>						
<b>Total assets</b>	568,178	—	568,178	1,492,123	—	1,492,123
<b>Liabilities</b>						
<i>Current liabilities</i>						
Bank indebtedness	62,745	—	62,745	—	—	—
Current portion of debt	12,260,918	430,328	12,691,246	14,653,630	—	14,653,630
Trade and other payables	3,887,097	—	3,887,097	5,048,216	—	5,048,216
Deferred income	591,108	—	591,108	643,976	—	643,976
<b>Total current liabilities</b>	16,801,868	430,328	17,232,196	20,345,822	—	20,345,822
<i>Non-current liabilities</i>						
Provision for royalty payable	—	—	—	260,000	—	260,000
Long-term debt	430,328	(430,328)	—	—	—	—
<b>Total non-current liabilities</b>	430,328	(430,328)	—	—	—	—
<b>Total liabilities</b>	17,232,196	—	17,232,196	20,605,822	—	20,605,822
<b>Equity</b>						
Share capital	50,681,078	—	50,681,078	52,934,661	—	52,934,661
Contributed surplus	1,656,124	—	1,656,124	1,845,043	—	1,845,043
Retained deficit	(69,001,220)	—	(69,001,220)	(73,893,403)	—	(73,893,403)
<b>Total shareholders' deficiency</b>	(16,664,018)	—	(16,664,018)	(19,113,699)	—	(19,113,699)
<b>Total liabilities and equity</b>	568,178	—	568,178	1,492,123	—	1,492,123

The long-term debt recognized under Canadian GAAP was booked as non-current as renegotiated terms had been approved before August 23, 2010. Under IFRS, renegotiated terms must be approved prior to the balance sheet date, July 31, 2010 in this case. As a result, the Company has reclassified the long-term debt of \$430,328 from long-term debt to current portion of long-term debt.

*Statement of loss and comprehensive loss impact*

There was no material impact on the Statement of Loss and Comprehensive Loss for the nine months ended April 30, 2012.

*Statement of Cash Flows*

There was little impact on the Statement of Cash Flows as the result of the transition to IFRS. Under IFRS bank indebtedness has been included as part of cash and cash equivalents. This has resulted in a decrease in opening cash and cash equivalents of \$62,745. In addition, IFRS allows payments of interest on debt to be treated as a finance cash flow with a resulting decrease in cash from financing and increase in operating cash flows of \$27,990.

**Statement of cash flow presentation**

The Company has begun to use the direct method of presentation of cash flow. Previously the Company used the indirect approach which begins with net income and adjusts for non-cash items, then adjusts for changes in balance sheet items. Under the direct approach, cash flows are isolated directly by the type of cash flow. The result is a more concise cash flow that provides relevant information to investors.

**Internal control systems and disclosure controls**

To ensure the integrity and objectivity of the data, management maintains a system of internal controls comprising of written policies, procedures and a program of internal reviews which provides reasonable assurance that transactions are recorded and executed in accordance with its authorization, that assets are properly safeguarded, and that reliable financial records are maintained.

Management is currently updating existing standardized processes to improve internal controls and reduce compliance costs. The updated controls will help improve timeliness and accuracy of financial records as well as continue to ensure that the Company's assets are properly safeguarded.

Disclosure controls and procedures within MedMira have been designed to provide reasonable assurance that all relevant information is identified to the Disclosure Committee to ensure appropriate and timely decisions are made regarding public disclosure.

Management, under the supervision of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's internal control over financial reporting and based on this evaluation, has concluded that internal control over financial reporting was effective as of April 30, 2012.

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, 2012 and MedMira's Board of Directors approved these documents prior to release.

**Risk and uncertainties**

The Company's base of activity has expanded to manufacturing products for distribution in international markets, making it difficult to accurately predict future operating results. Actual future results may differ significantly in any forward-looking statements. Currently, the Company is not making sufficient sales to be self-sustaining. As a result, the Company's financial condition, business and operations, and intellectual property are exposed to a variety of risk factors. These risks include, but are not limited to, the following:

**Risks and uncertainties related to the Company's financial condition***Need for additional capital*

Cash generated from operations is insufficient to satisfy working capital and capital expenditure requirements, and the Company is operating with a substantial working capital deficit. The Company will need to secure additional financing in the near term in order to continue as a going concern which may include the sale of additional equity or debt securities or obtaining additional credit facilities. In recent quarters, the Company has relied on temporary funding advanced from key investors. There can be no assurance that this source of funding will continue to be available on acceptable terms, and additional capital may not be available on satisfactory terms, or at all. Management is pursuing other financing alternatives to fund the Company's operations so it can continue as a going-concern.

The Company intends to continue to explore opportunities to enter into supply agreements, joint venture relationships, and other special purpose vehicles with third parties from time to time in order to continue to commercialize its patent pending technology and other intellectual property. Such arrangements may include the issuance of equity or debt securities of the Company, subject to compliance with the applicable requirements of the Canadian securities regulatory authorities and the TSX-V.

Any additional equity financing may result in the dilution of shareholders, and debt financing, if available, may include restrictive covenants. MedMira's future liquidity and capital funding requirements will depend on numerous factors including:

- the extent to which new products and products under development are successfully developed, gain market acceptance and become and remain competitive;
- the costs and timing of further expansion of sales, marketing and manufacturing activities and facilities needs;
- the timing and results of clinical studies and regulatory actions regarding potential products; and
- the costs and timing associated with business development activities, including potential licensing of technologies patented by others.

Continued operations will be contingent on generating sufficient revenues or raising additional capital or debt financing. There is no assurance that these initiatives will be successful.

*Fluctuations in revenue*

The Company's quarterly and annual revenues may fluctuate due to several factors, including seasonal variations in demand, competitive pressure on average selling prices, customer order patterns, the rate of acceptance of the Company's products, product delays or production inefficiencies, regulatory uncertainties or delays, costs and timing associated with business development activities, including potential licensing of technologies, international market conditions and variations in the timing and volume of distributor purchases. The healthcare industry traditionally is not impacted by seasonal demand. The impact of one or a combination of several of these factors could have a significant adverse effect on the operations of the Company. In addition, changes in existing collaborative relationships, as well as

the establishment of new relationships, product licensing and other financing relationships, could materially impact the Company's financial position and results from operations.

*Effects of inflation and foreign currency fluctuations*

A significant portion of the Company's revenue and expenses are in U.S. dollars, and therefore subject to fluctuations in exchange rates. There is a risk that significant fluctuations in exchange rates may impact the Company's ability to sell its products and, thereby, have a material adverse impact on the Company's results of operations.

*Possible volatility of share price*

The stock market has from time to time experienced significant price and volume fluctuations that may be unrelated to the operating performance of the Company. In addition, the market price of the Company's common shares, like the share prices of many publicly traded biotechnology companies, has been highly volatile. Announcement of technology innovations or new commercial products by the Company or its competitors, developments or disputes concerning patent or proprietary rights, publicity regarding actual or potential medical results relating to products under development by the Company or its competitors, regulatory developments in both the U.S. and foreign countries, public concern as to the safety of biotechnology products and economic and other external factors, as well as period to period fluctuations in financial results may have a significant impact on the market price of the Company's common shares. It is likely that in some future quarter the Company's operating results will be below the expectations of the public market analysts and investors. In such event, the price of the Company's common shares would likely be materially adversely affected.

**Risks and uncertainties related to the Company's business and operations**

*Lack of market acceptance*

MedMira's ability to market its diagnostic products will, in part, depend on its or its partners' ability to convince users that these products represent viable and efficacious diagnostic tests. There can be no assurance that MedMira will be successful in this regard.

*Competition*

The *in vitro* diagnostics market in which the Company participates is highly complex and competitive. It is comprised of both large healthcare companies that have substantially greater financial, scientific, and other resources than MedMira and a variety of international companies producing diagnostic products of varying quality. In the developed regions of the world with strong healthcare infrastructures, the *in vitro* diagnostics market for serious and emerging infectious diseases such as HIV and Hepatitis C has been focused on diagnostic tests using instrument based platforms designed for clinical laboratories. Diagnostic products designed for use in non-laboratory settings at the point-of-care or for use in laboratories or public health clinics using non-instrument based platforms for the screening and diagnosis of infectious diseases are becoming more mainstream in both the developed and developing regions of the world. Competition in this sector of the market is intense and is expected to increase. Many of the companies have substantially greater resources available for development, marketing and distribution of these products than does MedMira.

*Significant development effort required*

Products currently under development by MedMira require additional development, testing and investment prior to any final commercialization. There can be no assurance that these products or any future products will be successfully developed, prove to be safe and effective in clinical trials, receive applicable regulatory approvals, be capable of being produced in commercial quantities at reasonable costs or be successfully marketed. The long-term success of MedMira

must be considered in light of the expenses, difficulties and delays frequently encountered in connection with the development of new technology and the competitive and highly regulated environment in which MedMira operates.

*Uncertainties in sales cycles in target markets*

MedMira markets and distributes its products to both developed and developing regions of the world. Sales cycles in developed regions of the world are somewhat conventional, however, timing of registrations and other activities surrounding the sale of product into a specific market are unpredictable and highly dependent on third party and government organizations to complete certain processes before a sales transaction can take place. In developing regions of the world where MedMira and its strategic partners are working to close deals, the sales cycle timing is highly uncertain given a number of factors including political and economic turmoil, as well as bureaucratic processes necessary to do business in these regions.

*High degree of regulation*

MedMira operates in a highly regulated industry and is subject to the authority and approvals of certain regulatory agencies, including Health Canada, the US Food and Drug Administration (FDA), the State Food and Drug Administration (SFDA) in China, the Notified Body in the European Union and applicable health authorities in other countries, with regard to the development, testing, manufacture, marketing and sale of its products. The process of obtaining such approvals can be costly and time consuming, and there can be no assurance that regulatory approvals will be obtained or maintained. Any failure to obtain (or significant delay in obtaining) or maintain Health Canada, FDA, Notified Body or SFDA approvals (or, to a lesser extent, approval of applicable health authorities in other countries) for MedMira's new or existing products could materially adversely effect MedMira's ability to market its products successfully and could therefore have a material adverse effect on the business of MedMira.

*Ability to retain and attract key management and other experienced personnel*

Since its inception, the Company has been, and continues to be, dependant in its ability to attract and maintain key scientific and commercial personnel upon whom the Company relies for its product innovations and commercialization programs. Loss of key personnel individually or as a group could have significant adverse impact on the Company's immediate and future achievement of operating results.

*Limited sales and marketing resources and reliance on key distributors to market and sell the Company's product*

Any revenues received by the Company will be dependent on the efforts of third parties and there can be no assurance that such efforts will be successful. Failure to establish sustainable and successful sales and marketing programs with effective distributor support programs may have a material adverse effect on the Company.

Commercialization of the Company's products is expensive and time consuming. In the USA, an exclusive distribution relationship has been established with American Health Diagnostics to market and sell the Company's products. The Company will rely on the joint sales efforts of its exclusive US distributor and their sub-distributors Cardinal Health, a Fortune 100 company, and VWR International to distribute MedMira's *Reveal™* G3 Rapid HIV-1 Antibody Test product line.

Outside the US, the Company pursues collaborative arrangements with established pharmaceutical and distribution companies for marketing, distribution, and sale of its products.

In China, MedMira has formed a strategic partnership with Triplex to market and distribute the Company's rapid HIV test within the assigned territory. This strategic partnership also encompasses the assembly and packaging of final product components.

In Africa, MedMira works with a number of strategic partners, including Vitest AG, Advance Aid, and MultiMED, all covering various regions and sectors of Sub-Saharan Africa, North Africa, and the Middle East.

If any of the Company's distribution agreements are terminated and the Company is unable to enter into alternative agreements, or if the Company elects to distribute new products directly, additional investment in sales and marketing resources would be required which would increase future selling, general and administrative expenses. The Company has limited experience in direct sales, marketing and distribution of its products. A failure of the Company to successfully market its products would have a material and adverse effect on the Company.

#### *Manufacturing capabilities and scale-up*

The Company must manufacture its products in compliance with regulatory requirements, in sufficient quantities and on a timely basis, while maintaining product quality and acceptable manufacturing costs. If it is unable to manufacture or contract for such capabilities on acceptable terms for its products under development, MedMira's plans for commercialization could be materially adversely affected.

MedMira's manufacturing facilities are, or will be, subject to periodic regulatory inspections by the FDA, Notified Body, SFDA and other regulatory agencies and these facilities are subject to Quality System Regulations requirements of the FDA and other standards organizations. MedMira may not satisfy such regulatory or standards requirements, and any failure to do so would have a material adverse effect on the Company.

In addition, production and scale-up of manufacturing for new products may require the development and implementation of new manufacturing technologies and expertise. Manufacturing and quality control problems may arise as the Company attempt to scale-up manufacturing and such scale-up may not be achieved in a timely manner or at commercially reasonable cost, or at all.

#### *Rapidly changing technology*

The in vitro diagnostic testing field as a whole is characterized by rapidly advancing technology that could render MedMira's products obsolete at any time and thereby adversely affect the financial condition and future prospects of the Company.

#### *Uncertainties regarding healthcare reimbursement and reform*

The future revenues and profitability of diagnostic companies as well as the availability of capital may be affected by the continuing efforts of government and third party payers to contain or reduce costs of healthcare through various means. For example, in certain foreign markets, pricing or profitability is subject to government control. In the US, there has been, and the Company expects that there will continue to be, a number of federal and state proposals to implement similar government controls. While the Company cannot predict whether any such legislative or regulatory proposals will be adopted, the announcement or adoption of such proposals could have a material adverse effect on the Company's results of operations.

#### *Product liability*

MedMira may be subject to claims of personal injury and could become liable to clinical laboratories, hospitals and patients for injuries resulting from the use of its products. MedMira could suffer financial loss due to defects in its products and such financial loss together with litigation expenses could have a material adverse effect on its operations. MedMira has obtained product liability insurance to protect against possible losses of this nature. However, no assurance can be given that such insurance will be adequate to cover all claims or that MedMira will be able to maintain such insurance at a reasonable cost.

**Risks and uncertainties related to the Company's intellectual property***No assurance of patent protection*

MedMira has filed patent applications in the US, Canada, China, and other foreign countries relating to various aspects of its rapid diagnostic platform, processes, reagents, and equipment. Although MedMira's management believes that the patents for which the Company applied may be issued, there can be no such assurance, nor can MedMira assure that competitors will not develop functionally similar or superior diagnostic testing devices. Moreover, there is a question as to the extent to which biotechnology discoveries and related products and processes can effectively be protected by patents. The law regarding the breadth or scope of biotechnology patents is new and evolving. No assurance can be given that, if a patent issued to MedMira is challenged, it will be held valid and enforceable or will be found to have a scope sufficiently broad to cover competitors' products or processes. The cost of enforcing MedMira's patent right, if any, in lawsuits that it may bring against infringers may be significant and could limit MedMira's operations.

*Possible patent infringement*

The extent to which biotechnology discoveries and related products and processes can be effectively protected by patents and be enforceable is uncertain and subject to interpretation by the courts. The technologies, products, and processes of MedMira may be subject to claims of infringement on the patents of others and, if such claims are successful, could result in the requirement to access such technology by license agreement. There can be no assurance that such licenses would be available on commercially acceptable terms. If MedMira is required to acquire rights to valid and enforceable patents but cannot do so at reasonable cost, MedMira's ability to manufacture or market its products would be materially adversely affected. The cost of MedMira's defence against infringement charges by other patent holders may be significant and could limit MedMira's operations.