MedMira Inc.

Consolidated Financial Statements
July 31, 2017 and 2016

November 28, 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 consolidated financial statements and the accompanying management's discussion and analysis. The Board of Directors carries out this responsibility principally through its Audit Committee.

The Audit Committee is a subcommittee of the Board of Directors. It is responsible for oversight of the internal control and financial matters assisting the Company's management and independent auditors to ensure that the integrity of the financial reporting process is maintained.

The Company's independent auditors are appointed by the shareholders to conduct an audit in accordance with Canadian generally accepted auditing standards and their report follows.

(signed) *Hermes Chan*

Chief Executive Officer

(signed) Markus Meile

Chief Financial Officer

Deloitte.

Deloitte LLP
1969 Upper Water Street
Suite 1500
Purdy's Wharf Tower II
Halifax NS B3J 3R7
Canada

Tel: (902) 422-8541
Fax: (902) 423-5820
www.deloitte.ca

Independent Auditor's Report

To the Shareholders of
MedMira Inc.

We have audited the accompanying consolidated financial statements of MedMira Inc. (the "Company"), which comprise the consolidated statements of financial position as at July 31, 2017 and July 31, 2016, and the consolidated statements of operations and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of MedMira Inc. as at July 31, 2017 and July 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements, which indicates that the Company incurred a net and comprehensive loss of $2,661,067 for the year ended July 31, 2017, and the Company had an accumulated deficit of $86,114,774 and its current liabilities exceeded its current assets by $8,839,414 as of July 31, 2017. In addition, $5,953,400 of long-term debt was in default as of July 31, 2017. The ability of the Company to continue as a going concern is dependent upon the Company's ability to maintain the continuing support of its creditors and lenders, raise additional financing and achieve a profitable level of operations. These conditions, along with other matters as set forth in Note 2, indicate the existence of material uncertainties that cast significant doubt about the Company's ability to continue as a going concern.

/s/ Deloitte LLP

Chartered Professional Accountants
November 28, 2017
Halifax, Nova Scotia

Consolidated statements of financial position
As at July 31, 2017 and July 31, 2016

In Canadian dollars

	Notes	31-Jul-17	31-Jul-16
		$	$
Assets			
Current assets			
Cash		155,915	46,120
Trade and other receivables		60,415	186,394
Prepaid expenses		26,004	52,470
Current tax receivable		112,000	100,000
Inventories	5	227,002	293,456
Total current assets		581,336	678,440
Non-current assets			
Property, plant and equipment	6	92,367	191,463
Intangible assets	7	2	2
Total non-current assets		92,369	191,465
Total assets		673,705	869,905
Liabilities			
Current liabilities			
Current portion of debt	10	6,701,668	5,994,445
Trade accounts payable and accrued liabilities		1,741,173	1,725,899
Salaries and benefits payable		240,671	165,094
Interest payable		509,575	180,186
Deferred rent		117,663	138,087
Deferred revenue		-	41,297
Provision for royalty	12	110,000	31,991
Total current liabilities		9,420,750	8,276,999
Non-current liabilities			
Long term portion of debt	10	237,496	255,065
Total non-current liabilities		237,496	255,065
Total liabilities		9,658,246	8,532,064
Equity			
Share capital	8	63,421,802	63,421,802
Warrant reserve	8	9,966,770	9,966,770
Stock based compensation reserve	8	1,353,291	1,337,206
Equity reserve	8	2,388,370	1,065,770
Accumulated deficit		(86,114,774)	(83,453,707)
Total shareholders' deficiency		(8,984,541)	(7,662,159)
Total liabilities and equity		673,705	869,905

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

Consolidated statements of operations and comprehensive loss
For the years ended July 31, 2017 and July 31, 2016

In Canadian dollars

	Notes	31-Jul-17	31-Jul-16
		$	$
Product			
Product sales	4	747,344	962,140
Product cost of sales	5	(269,047)	(284,904)
Gross margin on product		478,297	677,236
Services			
Service sales	4	-	1,294,692
Service cost of sales	14	-	(952,633)
Gross margin on services		-	342,059
Operating expenses			
Research and development	14	(292,299)	(2,518,546)
Sales and marketing		(500,841)	(792,456)
Other direct costs		(615,400)	(714,515)
General and administrative		(1,202,927)	(1,472,640)
Total operating expenses		(2,611,467)	(5,498,157)
Operating loss		(2,133,170)	(4,478,862)
Non-operating expense			
Financing expense	19	(527,897)	(679,539)
Net and comprehensive loss		(2,661,067)	(5,158,401)
Basic loss per share	9	(0.004)	(0.008)
Diluted loss per share	9	(0.004)	(0.008)

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

Consolidated statements of changes in equity

For the years ended July 31, 2017 and July 31, 2016

In Canadian dollars

	Notes	Share capital: Common shares	Share capital: Preferred shares	Warrant reserve	Stock based compensation reserve	Equity reserve	Accumulated deficit	Shareholders' deficiency
Balance at July 31, 2015		**60,208,678**	**2,500**	**8,202,394**	**1,311,597**	**865,770**	**(78,295,306)**	**(7,704,367)**
Net and comprehensive loss		-	-	-	-	-	(5,158,401)	**(5,158,401)**
Issuance of common shares for cash	8	3,235,624	-	1,764,376	-	-	-	**5,000,000**
Share issuance costs	8	(25,000)	-	-	-	-	-	**(25,000)**
Issuance of stock options	8	-	-	-	25,609	-	-	**25,609**
Funding under royalty agreement	8	-	-	-	-	200,000	-	**200,000**
Balance at July 31, 2016		**63,419,302**	**2,500**	**9,966,770**	**1,337,206**	**1,065,770**	**(83,453,707)**	**(7,662,159)**
Net and comprehensive loss		-	-	-	-	-	(2,661,067)	**(2,661,067)**
Issuance of common shares for cash	8	-	-	-	-	-	-	**-**
Share issuance costs	8	-	-	-	-	-	-	**-**
Issuance of stock options	8	-	-	-	16,085	-	-	**16,085**
Funding under royalty agreement	8	-	-	-	-	1,310,100	-	**1,310,100**
Equity contribution by shareholder	8	-	-	-	-	12,500	-	**12,500**
Balance at July 31, 2017		**63,419,302**	**2,500**	**9,966,770**	**1,353,291**	**2,388,370**	**(86,114,774)**	**(8,984,541)**

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

Consolidated statements of cash flows
For the years ended July 31, 2017 and July 31, 2016

In Canadian dollars

	Notes	31-Jul-17 $	31-Jul-16 $
Cash from operating activities			
Net loss		(2,661,067)	(5,158,401)
Adjustments for:			
Depreciation	6	98,788	99,791
Provision for royalty		78,009	(260,000)
Share based payments reserve		16,085	25,609
Equity contribution by shareholder		12,500	-
Accretion expense		-	565,274
Movements in working capital:			
(Increase)/decrease in trade and other receivables		125,979	583,304
(Increase)/decrease in inventories		66,454	6,472
(Increase)/decrease in prepaid expenses		26,466	(13,843)
(Increase)/decrease in current tax receivable		(12,000)	49,000
(Increase)/decrease in accounts payable and accrued liabilities		399,816	(23,748)
(Increase)/decrease in deferred revenue		(41,297)	33,986
Net cash used in operating activities		(1,890,267)	(4,092,556)
Cash flow from investing activities			
Payments to acquire property, plant and equipment		-	(27,249)
Disposal of assets		307	-
Net cash used in investing activities		307	(27,249)
Cash flow from financing activities			
Proceeds from the issuance of common shares and warrants	8	-	5,000,000
Payment for share issue costs	8	-	(25,000)
Funding under royalty agreements	12	1,310,100	200,000
Proceeds from borrowings		762,677	963,414
Repayment of borrowing		(73,022)	(2,234,881)
Net cash from financing activities		1,999,755	3,903,533
Net increase (decrease) in cash		109,795	(216,272)
Cash at the beginning of the year		46,120	262,392
Cash at the end of the year		155,915	46,120

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

1. Reporting entity

Nature of operations

MedMira Inc. ("MedMira" or "the Company") is a biotechnology company headquartered in Canada. The address of the Company's registered office is 155 Chain Lake Drive, Suite 1, Halifax, Nova Scotia, B3S 1B3. MedMira Holding AG owns the majority of MedMira's shares and is the controlling shareholder. The consolidated financial statements of the Company for the years ended July 31, 2017 and 2016, comprise the Company and its subsidiaries. MedMira, through its subsidiaries, is engaged in the business of research, development and manufacturing of rapid diagnostics and technologies. The Company invests in research in order to maintain and expand its position in the global diagnostics market. MedMira's research is focused on specific areas of the broader diagnostics market, namely the rapid, point-of-care, and *in vitro* sectors.

2. Basis of preparation

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements were authorized for issue by the Board of Directors on November 28, 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 year ended July 31, 2017, the Company realized a net loss of $2.7 million (July 31, 2016 - $5.2 million), consisting of a net loss from operations of $2.1 million (July 31, 2016 - $4.5 million), and other non-operating losses of $0.5 million (July 31, 2016 - $0.7 million). Negative cash flows from operations were $1.9 million (July 31, 2016 - $4.1 million). As at July 31, 2017, the Company had an accumulated deficit of $86.1 million (July 31, 2016 - $83.5 million) and a negative working capital position of $8.8 million (July 31, 2016 - $7.6 million). In addition, as at July 31, 2017, $6.0 million of debt was in default, and $0.4 million of long-term debt became in default subsequent to July 31, 2017 but prior to the issuance of these consolidated financial statements. The Company currently has insufficient cash to fund its operations for the next 12 months. In addition to its on-going working capital requirements, the Company must secure sufficient funding for its research and development programs for existing commitments, including its current portion of debt of approximately $6.7 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 $6.7 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 July 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 fiscal year 2017, 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;

In Canadian dollars

- Determination of operating segments; and
- 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-Jul-17	**31-Jul-16**
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

– 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:

IFRS 10 (amended) Consolidated Financial Statements
IAS 1 (amended) Presentation of Financial Statements
IAS 16 (amended) Property, Plant and Equipment
IAS 38 (amended) Intangible Assets

The following new standards and amendment have been issued but are not effective for the fiscal year ended July 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.

In Canadian dollars

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 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.

IAS 7 - Statement of Cash Flows. IAS 7 was amended to improve information provided to users of financial statements about an entity's financing activities. The amendment is effective for annual periods beginning on or after January 1, 2017, and therefore, will be effective August 1, 2017 for the Company.

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

4. Revenue

	31-Jul-17	**31-Jul-16**
	$	**$**
Product sales	747,344	962,140
Service revenue	-	1,294,692
Total revenue	747,344	2,256,832

Service revenue is generated from research work on a contract with the US Military. The contract ended in fiscal 2016 and thus no service revenue was recognized in fiscal 2017. The costs associated with research conducted to earn this revenue have been recognized as a service cost of sales (see note 14).

The Company derives approximately 56.1% (July 31, 2016 – 84%) of its revenue from two (July 31, 2016 — four) main customers and, for these customers, assesses the recoverability of each account on a regular basis. During the year ended July 31, 2017, customer 1 accounted for 31.2% of the Company’s revenue and customer 2 accounted for 24.9% 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.

	$	**$**
North America*	495,248	1,974,349
Latin America and the Caribbean	138,741	187,523
Europe	56,603	33,765
Asia Pacific	56,742	61,195
Total revenue	747,334	2,256,832

In Canadian dollars

For the year ended July 31, 2017, revenue in North America include sales made in Canada (the Company's country of domicile) of $14,292 (2016 – $16,067).

5. Inventories

As at July 31, 2017, there were no valuation allowances against inventory (July 31, 2016 - $nil).

During the year ended July 31, 2017, inventory valued at $200,844 was expensed as product cost of sales (July 31, 2016 - $225,425), which included write-downs of inventory as a result of net realizable value being lower than cost of $20,052 (2016 – $15,757). No inventory write-downs recognized in previous years were reversed during the current year.

	31-Jul-17	31-Jul-16
	$	$
Raw materials and consumables	188,279	235,934
Work in process	22,500	47,479
Finished goods	16,223	10,043
Total inventories	227,002	293,456

In Canadian dollars

6. Property, plant and equipment

The table below summarizes changes in property, plant and equipment, which is all located in Canada, the Company's country of domicile.

	Leasehold improvements $	Laboratory equipment $	Manufacturing equipment $	Office equipment and furniture $	Total $
Cost					
Balance at July 31, 2015	**814,134**	**50,961**	**208,579**	**333,900**	**1,407,574**
Additions	-	-	12,598	14,651	27,249
Disposals	-	-	-	-	-
Balance at July 31, 2016	**814,134**	**50,961**	**221,177**	**348,551**	**1,434,823**
Additions	-	-	-	-	-
Disposals	-	-	-	**(1,500)**	(1,500)
Balance at July 31, 2017	**814,134**	**50,961**	**221,177**	**347,051**	**1,433,323**
Accumulated depreciation and impairment losses					
Balance at July 31, 2015	**685,338**	**34,643**	**184,438**	**239,150**	**1,143,569**
Depreciation expense for the year	50,616	5,406	8,483	35,286	99,791
Disposals	-	-	-	-	-
Balance at July 31, 2016	**735,954**	**40,049**	**192,921**	**274,436**	**1,243,360**
Depreciation expense for the year	50,616	5,403	9,358	33,412	98,789
Disposals	-	-	-	(1,193)	(1,193)
Balance at July 31, 2017	**786,570**	**45,452**	**202,279**	**306,655**	**1,340,956**
Carrying amounts					
At July 31, 2015	128,796	16,318	24,141	94,750	264,005
At July 31, 2016	78,180	10,912	28,256	74,115	191,463
At July 31, 2017	27,564	5,509	18,898	40,396	92,367

In Canadian dollars

7. Intangible assets

	Intellectual properties $	Product technology $	Total $
Cost or deemed cost			
Balance at July 31, 2015	2,584,899	258,137	2,843,036
Balance at July 31, 2016	2,584,899	258,137	2,843,036
Balance at July 31, 2017	2,584,899	258,137	2,843,036
Accumulated amortization and accumulated impairment losses			
Balance at July 31, 2015	2,584,898	258,136	2,843,034
Balance at July 31, 2016	2,584,898	258,136	2,843,034
Balance at July 31, 2017	2,584,898	258,136	2,843,034
Carrying amounts			
At July 31, 2015	1	1	2
At July 31, 2016	1	1	2
At July 31, 2017	1	1	2

The Company acquired product technology and intellectual properties in 2000 through the acquisition of Precious Life Savings Products Inc. and MedMira Laboratories Inc. In 2001, the Company recorded an impairment charge to write-down these assets to a nominal value. There is no indication that this impairment has reversed.

During 2006, the Company acquired intellectual properties, in the form of patents and technology related to the acquisition of Maple Biosciences Inc. and the BAG-1 technology. During 2008, management reduced its research and development efforts related to these intangible assets and recorded an impairment charge to write-down these assets to a nominal value. There is no indication that this impairment has reversed.

8. Capital and other components of equity

a. Authorized

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

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

In Canadian dollars

b. Share capital issued

	Number of		Value of		
	Common shares	Preferred shares	Common shares $	Preferred shares $	Total share capital $
Balance at July 31, 2015	**558,364,320**	**5,000,000**	**60,208,678**	**2,500**	**60,211,178**
Issued for cash	100,000,000	-	3,235,624	-	**3,235,624**
Share issuance costs	-	-	(25,000)	-	**(25,000)**
Balance at July 31, 2016	**658,364,320**	**5,000,000**	**63,419,302**	**2,500**	**63,421,802**
Issued for cash	-	-	-	-	-
Share issuance costs	-	-	-	-	-
Balance at July 31, 2017	**658,364,320**	**5,000,000**	**63,419,302**	**2,500**	**63,421,802**

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 $
Balance at July 31, 2015	**306,100,000**	**8,202,394**
Issued for cash	100,000,000	1,764,376
Expired warrants	(140,000,000)	-
Balance at July 31, 2016	**266,100,000**	**9,966,770**
Issued for cash	-	-
Expired warrants	-	-
Balance at July 31, 2017	**266,100,000**	**9,966,770**

In Canadian dollars

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

Issued	Number	Exercise price	Expiry date
		$	
September 30, 2013	122,100,000	0.125	September 29, 2017
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	100,000,000	0.100	September 8, 2019
	266,100,000		

d. Stock based compensation

The Company has established a stock option plan for its employees, officers, and directors. All options vest immediately upon issue and the Company is authorized to issue 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. During the year ended July 31, 2017, 1,175,000 options were issued (July 31, 2016 – 779,167). All options outstanding at July 31, 2017 were exercisable.

The total options outstanding from July 31, 2015 to July 31, 2017 are shown below.

	Number	Weighted average exercise price	Share-based payment reserve
		$	$
Options outstanding July 31, 2015	2,921,875	0.10	1,311,597
Options issued	779,167	0.10	25,609
Options expired/forfeited	(1,606,250)	0.10	-
Options outstanding July 31, 2016	2,094,792	0.10	1,337,206
Options issued	1,175,000	0.10	16,085
Options expired/forfeited	(675,000)	0.10	-
Options outstanding July 31, 2017	2,594,792	0.10	1,353,291

In Canadian dollars

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

Grant date share price	$0.025
Exercise price	$0.10
Expected volatility	
(based on historical volatility over the past three years)	131%
Option life	3 years
Dividend yield	$0.00
Risk-free interest rate	2%

The weighted average exercise price of the options outstanding during the year ended July 31, 2017 was $0.10 (2016 - $0.10) and the weighted average remaining contractual life is 1.25 years (2016 - 1.62 years). The amount of compensation cost that is recognized in general and administrative expenses in the consolidated statement of operations and comprehensive loss was $16,085 (2016 - $25,609).

The following share-based payment arrangements were in existence during the current and prior years:

Option Series	Number	Grant Date	Expiry Date	Exercise Price	Fair Value at Grant
(1) Granted on April 13, 2015	640,625	13-Apr-15	12-Apr-18	$0.10	$0.027
(2) Granted on January 8, 2016	779,167	8-Jan-16	7-Jan-19	$0.10	$0.033
(3) Granted on January 30, 2017	1,175,000	30-Jan-17	29-Jan-20	$0.10	$0.014

e. Equity Reserve

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

	Equity Reserve
	$
Balance at July 31, 2015	865,770
Cash received for royalty agreement (see note 12)	200,000
Balance at July 31, 2016	1,065,770
Cash received for royalty agreement (see note 12)	1,310,100
Equity contribution from shareholder (see note 13)	12,500
Balance at July 31, 2017	**2,388,370**

In Canadian dollars

9. Loss per share

	31-Jul-17	31-Jul-16
	$	$
Net loss attributable to common shareholders	(2,661,067)	(5,158,401)
Diluted loss	**(2,661,067)**	**(5,158,401)**
Issued common shares	658,364,320	658,364,320
Weighted average number of common shares	658,364,320	658,364,320
Weighted average number of warrants	-	-
Weighted average number of options	-	-
Weighted average number of diluted shares	**658,364,320**	**658,364,320**
Basic loss per share	(0.004)	(0.008)
Diluted loss per share	(0.004)	(0.008)

The diluted weighted average number of common shares outstanding is the same as the basic weighted average number of common shares outstanding for the year ended July 31, 2017, as the exercise of warrants and options would be anti-dilutive.

10. Loans and borrowings

a. Loans

	31-Jul-17		31-Jul-16	
	Carrying value	Contract value	Carrying value	Contract value
	$	$	$	$
Short term loans	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	-	-	3,000	3,000
Loan 4	-	-	3,495	3,495
Loan 5	13,500	13,500	13,500	13,500
Loan 6	237,496	237,496	241,565	241,565
ACOA loans	485,843	485,843	520,393	520,393
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
Total loan principal	**6,939,164**	**6,939,164**	**6,249,510**	**6,249,510**
Long term portion of principal	237,496		255,065	
Current portion payable of principal	6,701,668		5,994,445	

In Canadian dollars

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

2018	6,701,668
2019	237,496
Carrying value	6,939,164

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%. The loans were not in default at July 31, 2017. Subsequent to July 31, 2017 but prior to the issuance of these financial statements, $363,993 of the short term loans became in default.

Loan 1

Loan established October 31, 2012, bearing 5% interest with monthly interest only payments until November 30, 2013, followed by monthly principal payments and accrued interest for five additional years ending November 30, 2018. The loan is secured by interest on intellectual property and on the step-up technology. The loan was in default as of July 31, 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 July 31, 2017 and thus has been classified as a current liability.

Loan 3

Loan was repaid during the year ended July 31, 2017.

Loan 4

Loan was repaid during the year ended July 31, 2017.

Loan 5

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. Subsequent to July 31, 2017 but prior to the issuance of these financial statements, this loan went into default.

Loan 6

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 July 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 July 31, 2017 and thus has been classified as a current liability.

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 July 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 July 31, 2017 and thus has been classified as a current liability.

In Canadian dollars

11. 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.

	31-Jul-17	31-Jul-16
	$	$
Total debt	6,939,164	6,249,510
Less: Cash	(155,915)	(46,120)
Net debt	**6,783,249**	**6,203,390**
Shareholders' deficiency	(8,984,541)	(7,662,159)
Total capital	**(2,201,292)**	**(1,458,769)**

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-Jul-17	31-Jul-16
	US$	US$
Cash	34,190	24,148
Trade and other receivables	58,725	128,424
Prepaid expense	-	5,949
Accounts payable and accrued liabilities	646,341	973,411
Royalty provision	88,106	-
Debt	36,000	-

In Canadian dollars

A one percent change in the US dollar exchange rate would result in approximately a $8,634 (2016 - $11,020) 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 56.1% of the Company's sales are with two 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 +	$22,960
Total	$22,960

Trade and other receivables include amounts that are past due as at July 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.

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 July 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.

In Canadian dollars

For the year ended July 31, 2017

	Total	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
	$	$	$	$	$
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	-	-	-
Total debt	**9,658,246**	**9,420,750**	**237,496**	**-**	**-**

For the year ended July 31, 2016

	Total	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
	$	$	$	$	$
Debt	6,249,510	5,994,445	255,065	-	-
Accounts payable and accrued liabilities	2,241,257	2,241,257	-	-	-
Royalty provision	31,991	31,991	-	-	-
Total debt	**8,522,758**	**8,267,693**	**255,065**	**-**	**-**

The payments noted above do not include interest payments.

f. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in orderly fashion between market participants. The Company records its provision for royalty at fair value. Fair value is determined using the discounted cash flow method using the Company's best estimate for future cash flows discounted at a rate that considers the credit risk of the Company. Management estimated the future cash flows for the each of the products associated with the royalty agreements, taking into consideration 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, and the cost of production. Future cash flows were estimated at an average of $0 - $24,000 per month. A significant increase in future cash flows used would result in a significant increase in fair value, and vice versa. Management estimated the discount rate, taking into account the credit risk of the Company and prevailing market rates, at 20%. A significant increase in discount rate used would result in a significant decrease in fair value, and vice versa.

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability

The Company uses both level 2 and level 3 inputs to determine the fair value of the royalty provision and is therefore classified as a level 3 measurement.

Management has determined that the carrying amounts of all other financial assets and financial liabilities recognized in the consolidated financial statements not recorded at fair value approximate fair value. The fair value of trade and other receivables, current debt, trade accounts payable and accrued liabilities, salaries and benefits payable, and interest payable is classified as level 2 measurement and the fair value of long-term debt is classified as a level 3 measurement. There has been no changed between the levels during the year.

12. Royalty provision

The Company entered into a promissory note with MedMira Holding AG on January 10, 2011 in the amount of $260,000 which stipulated that if the debt was not repaid by January 31, 2011, that the Company would be obligated to pay a 15% royalty on all future US sales of the hepatitis b anti-core test product. In 2016, MedMira Holding AG and management agreed to terminate the agreement as no further development will continue. With the termination any applicable provision was written down to zero. The change in the provision of $260,000 was recorded in financing expense in profit or loss for the year ended July 31, 2016.

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 controller shareholder of the Company, the $270,000 was recorded in equity (Note 8). As at July 31, 2017, the Company's best estimate of the fair value of the provision was $110,000 (2016 - $31,991), 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 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 July 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 July 31, 2017, the Company's best estimate of the fair value of the provision was zero.

In Canadian dollars

The change in royalty provision is outlined in the table below:

	Provision for royalty $
Balance at July 31, 2015	260,000
Fair value measurement of Reveal G4 royalty	31,991
Write off of royalty provision	(260,000)
Balance at July 31, 2016	31,991
Fair value measurement of Reveal G4 royalty	78,009
Balance at July 31, 2017	**110,000**

13. Related parties

The following transactions occurred with related parties during the year ended July 31, 2017:

- Director fees totalling $10,000 were incurred (2016 - $14,166).
- Short term loans totalling $78,946 were received from officers (2016 - $0)
- A short term loan totalling $31,978 was repaid to an officer (2016 - $0)
- Two short terms loan totalling $645,300 were received from Ritec AG (2016 - $276,100)
- A long term loan totalling $3,494 was repaid to an employee (2016 – $74,796)
- Short term loans totalling $42,500 were received from employees (2016 - $0)
- A long term loan totalling $387,180 was received from Ritec AG (2016 - $0)
- Royalty payments of $21,475 were incurred and owed to MedMira Holding AG (2016 - $33,991)
- A cash payment of $1,310,000 was received from Ritec AG in regards to a royalty agreement (2016 - $0)
- A equity contribution of $12,500 was made by a shareholder to pay an operating expense of the company (2016 - $0)

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

- Accounts payable totalling $10,000 was due to directors (2016 - $10,000).
- Accounts payable totalling $129,037 was due to officers (2016 - $26,901).
- A loan term loan totalling $237,496 was due to the Chief Financial Officer (2016 - $241,565).
- A royalty provision was owed to MedMira Holding AG of $50,775 (2016 - $31,991).
- A long term loan totalling $13,500 was owed to an employee (2016 - $13,500)
- Short term loans totalling $42,500 were owed to employees (2016 - $0)
- Two short term loans totalling $645,300 are owed to Ritec AG (2016 - $0)

In Canadian dollars

- Short term loans totalling $46,968 were owed to officers (2016 - $0)

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

	31-Jul-17	**31-Jul-16**
	$	**$**
Short-term benefits including salary paid	387,461	358,280
Short-term benefits including salary accrued	131,172	-
Share-based payments	9,582	25,609
Total remuneration	**528,215**	**383,889**

14. Research and development

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

	31-Jul-17	**31-Jul-17**
	$	**$**
Research and development expenses	(292,299)	(3,471,179)
Less: research and development expenses allocated to cost of sales	-	952,633
Net research and development expense	**(292,299)**	**(2,518,546)**

In 2016, the Company received revenue related to a contract with the US Military. Research expenses related to the US Army contract are recognized in service cost of sales when the revenue is earned. During the year ended July 31, 2017, $0 of the research costs incurred were recognized in service cost of sales (July 31, 2016 - $952,633) as the contract was concluded in fiscal 2016.

In Canadian dollars

15. Income taxes

a. Reconciliation of total tax expense

The effective rate on the Company's loss before income tax differs from the expected amount that would arise using the combined statutory income tax rates. A reconciliation of the difference is shown below.

	31-Jul-17	31-Jul-16
	$	$
Loss before income tax	(2,661,067)	(5,158,401)
Income tax rate	31.0%	31.0%
Income tax recovery at the combined statutory income tax rate	(824,931)	(1,599,104)
Non-taxable portion of other losses	-	429,807
Non-deduction expense accretion	-	175,235
Non-deductible stock-based compensation	4,986	7,938
Other permanent differences	31,667	-
Change in unecorded temporary differences	522,886	970,848
Financing fees recorded in equity	-	(7,750)
Book to tax differences	230,652	
Other	34,740	23,026
Income tax recovery	-	-

b. Unrecognized deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognized are listed below.

	31-Jul-17	31-Jul-16
	$	$
Non-capital losses	32,807,122	31,494,248
Scientific research and development costs	6,895,371	6,612,637
Share issuance costs	20,000	27,500
Foreign exchange	19,239	
Cumulative eligible capital	261,750	281,465
Property and equipment	2,249,572	2,150,473
Total	42,253,054	40,566,323

The Company has available $32,807,122 in non-capital losses that can be used to reduce taxable income and that expire between the years ended July 31, 2026 and July 31, 2037. The Company also has available $2,005,145 in investment tax credits that can be used to reduce federal taxes payable and that expire between the years ended July 31, 2019 and July 31, 2037.

In Canadian dollars

At July 31, 2017, the Company has $nil unrecognized deferred tax liability (July 31, 2016 - $nil) for taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries.

16. Expenses by nature

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

	31-Jul-17	31-Jul-16
	$	$
Investment income	-	20
Change in inventory	(201,054)	(226,459)
Employee benefits	(1,949,666)	(2,286,176)
Depreciation	(98,788)	(99,791)
Distribution	(71,980)	(85,991)
Facility	(368,699)	(415,534)
Professional services	(201,877)	(2,667,295)
Lab supplies	(84,295)	(378,847)
Other expenses	61,790	(622,356)
Exchange gains	34,055	15,092
Fair value change in royalty provision	(78,009)	(31,991)
Finance costs	(449,888)	(615,907)
	(3,408,411)	**(7,415,235)**

17. Operating segments

Management has determined that the Company has one reportable operating segment, rapid diagnostic products and services. This segment accounts for all of the Company's revenue, cost of sales and operating expenses. Determination of the operating segment was based on the level of financial reporting to the Company's Chief Executive Officer.

18. Lease commitment

The Company has a ten year lease commitment for its office location at 155 Chain Lake Drive in Halifax, Nova Scotia. The commitment for the next five years, including an estimate of operational costs based on current operational costs is provided in the table below.

	Lease commitment
	$
For the year ending July 31, 2018	256,335
For the year ending July 31, 2019	256,335
For the year ending July 31, 2020	267,429
For the year ending July 31, 2021	268,437
For the year ending July 31, 2022	268,437
Thereafter	290,807

In Canadian dollars

19. 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-Jul-17	31-Jul-16
	$	$
Investment Income	-	20
Fair value change in provision for royalty	(78,009)	260,000
Finance costs	(449,888)	(939,559)
Total financing expense	**(527,897)**	**(679,539)**

20. Subsequent events

During the first quarter of FY2018, the Company received a loan of $384,510 from Ritec AG, a related party, in order to support the Company's strategic goals. The loan was repayable on October 30, 2017 and carries an annual interest rate of 5% that is due upon repayment of the loan. The loan is currently in default.