MedMira Inc.

Consolidated Financial Statements

July 31, 2016 and 2015

November 28, 2016

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 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. (MedMira or the Company), which comprise the consolidated statements of financial position as at July 31, 2016 and July 31, 2015, 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, 2016 and July 31, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note 2 in the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Without qualifying our opinion, we draw attention to Note 21 in the consolidated financial statements, which explains that certain comparative information as at July 31, 2015 have been restated.

/s/ Deloitte LLP

Chartered Professional Accountants
November 28, 2016
Halifax, Nova Scotia, Canada

Consolidated statements of financial position
As at July 31, 2016 and July 31, 2015

In Canadian dollars

	Notes	31-Jul-16	Restated (Note 21) 31-Jul-15
		$	$
Assets			
Current assets			
Cash		46,120	262,392
Trade and other receivables		186,394	769,698
Prepaid expenses		52,470	38,627
Current tax receivable		100,000	149,000
Inventories	5	293,456	299,928
Total current assets		678,440	1,519,645
Non-current assets			
Property, plant and equipment	6	191,463	264,005
Intangible assets	7	2	2
Total non-current assets		191,465	264,007
Total assets		869,905	1,783,652
Liabilities			
Current liabilities			
Current portion of debt	10	5,994,445	4,720,878
Accounts payable and accrued liabilities		2,241,257	2,265,005
Deferred revenue		41,297	7,311
Total current liabilities		8,276,999	6,993,194
Non-current liabilities			
Provision for royalty	12	-	260,000
Long term portion of debt	10	255,065	2,234,825
Total non-current liabilities		255,065	2,494,825
Total liabilities		8,532,064	9,488,019
Equity			
Share capital	8	63,421,802	60,211,178
Warrant reserve	8	9,966,770	8,202,394
Stock based compensation reserve	8	1,337,206	1,311,597
Equity reserve	12	1,065,770	865,770
Accumulated deficit		(83,453,707)	(78,295,306)
Total shareholders' deficiency		(7,662,159)	(7,704,367)
Total liabilities and equity		869,905	1,783,652

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) *Romano Robusto*, Director

Consolidated statements of operations and comprehensive loss
For the years ended July 31, 2016 and July 31, 2015

In Canadian dollars

	Notes	31-Jul-16	Restated (Note 21) 31-Jul-15
		$	$
Product			
Product sales	4	962,140	1,130,419
Royalties	4	-	753
Product cost of sales	5	(284,904)	(443,002)
Gross margin on product		677,236	688,170
Services			
Service sales	4	1,294,692	2,921,169
Service cost of sales	14	(952,633)	(2,428,973)
Gross margin on services		342,059	492,196
Operating expenses			
Research and development	14	(2,518,546)	(874,143)
Sales and marketing		(792,456)	(503,535)
Other direct costs		(714,515)	(623,742)
General and administrative		(1,472,640)	(1,920,421)
Total operating expenses		(5,498,157)	(3,921,841)
Operating loss		(4,478,862)	(2,741,475)
Non-operating expense			
Financing expense	19	(679,539)	(758,090)
Net and comprehensive loss		(5,158,401)	(3,499,565)
Basic loss per share	9	(0.008)	(0.006)
Diluted loss per share	9	(0.008)	(0.006)

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

Consolidated statements of changes in equity

For the years ended July 31, 2016 and July 31, 2015

In Canadian dollars

		Share capital					Restated (Note 21)	Restated (Note 21)
	Notes	Common shares	Preferred shares	Warrant reserve	Stock based compensation reserve	Equity reserve	Accumulated deficit	Shareholders' deficiency
Balance at July 31, 2014		**59,015,925**	**2,500**	**7,207,647**	**1,283,832**	**595,770**	**(74,795,741)**	**(6,690,067)**
Net and comprehensive loss		-	-	-	-	-	(3,499,565)	**(3,499,565)**
Issuance of common shares for cash		1,205,253	-	994,747	-	-	-	**2,200,000**
Share issuance costs		(12,500)	-	-	-	-	-	**(12,500)**
Issuance of stock options		-	-	-	27,765	-	-	**27,765**
Funding under royalty agreement		-	-	-	-	270,000	-	**270,000**
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		3,235,624	-	1,764,376	-	-	-	**5,000,000**
Share issuance costs		(25,000)	-	-	-	-	-	**(25,000)**
Issuance of stock options		-	-	-	25,609	-	-	**25,609**
Funding under royalty agreement	12	-	-	-	-	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)**

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

Consolidated statements of cash flows
For the years ended July 31, 2016 and July 31, 2015

In Canadian dollars

	Notes	31-Jul-16 $	Restated (Note 21) 31-Jul-15 $
Cash from operating activities			
Loss for the year ending July 31		(5,158,401)	(3,499,565)
Adjustments for:			
Depreciation	6	99,791	94,078
Share based payments reserve		25,609	27,765
Provision for royalty		(260,000)	-
Accretion expense		565,274	475,994
Net cash from operating activities		(4,727,727)	(2,901,728)
Movements in working capital:			
(Increase)/decrease in trade and other receivables		583,304	8,647
(Increase)/decrease in inventories		6,472	1,842
(Increase)/decrease in prepaids		(13,843)	9,644
(Increase)/decrease in current tax assets		49,000	44,000
(Increase)/decrease in trade and other payables		(23,748)	417,057
(Increase)/decrease in deferred revenue		33,986	(195,789)
Net cash used operating activities		(4,092,556)	(2,616,327)
Cash flow from investing activities			
Payments to acquire capital assets		(27,249)	-
Net cash used in investing activities		(27,249)	-
Cash flow from financing activities			
Proceeds from the issuance of common shares and warrants	8	5,000,000	2,200,000
Payment for share issue costs	8	(25,000)	(12,500)
Funding under royalty agreements	12	200,000	270,000
Proceeds from borrowings		963,414	1,073,805
Repayment of borrowing		(2,234,881)	(815,044)
Net cash from financing activities		3,903,533	2,716,261
Net increase (decrease) in cash		(216,272)	99,934
Cash at the beginning of the year		262,392	162,458
Cash at the end of the year		46,120	262,392

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, 2016 and 2015, 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, 2016.

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, 2016, the Company realized a net loss of $5.2 million (July 31, 2015 - $3.5 million), consisting of a net loss from operations of $4.5 million (July 31, 2015 - $2.7 million), and other non-operating losses of $0.7 million (July 31, 2015 - $0.8 million). Negative cash flows from operations were $4.7 million (July 31, 2015 - $2.9 million). As at July 31, 2016, the Company had an accumulated deficit of $83.5 million (July 31, 2015 - $78.3 million) and a negative working capital position of $7.6 million (July 31, 2015 - $5.5 million). In addition to its on-going working capital requirements, the Company must secure sufficient funding for its research and development programs for existing commitments, including its current portion of loans of approximately $6.0 million. These circumstances cast significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going-concern.

Management is pursuing other financing alternatives to fund the Company's operations so it can continue as a going-concern. Management plans to secure the necessary financing through new equity and debt arrangements with its majority shareholder. 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 product, the likelihood of obtaining regulatory approval, the demand for the product at the time of completion, and the price the Company will be able to sell the product for.
- Amounts recorded for depreciation, impairment and reversals of impairment of property, 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;
- The royalty provision, which includes judgements about the expectation and timing of future sales, and estimates of discount rate, price and cost of production;
- 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.

In Canadian dollars

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-16	**31-Jul-15**
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

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 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 and 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 and 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

Accounts payable and accrued liabilities and long-term debt 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 and loss and stated at fair value with any gains or losses arising from remeasurement 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 share 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.

Stock 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 reserve. When warrants are exercised, the corresponding residual value is transferred from reserves to share capital. All such warrants are classified in a warrant reserve within equity.

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 net within other income 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 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 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 in 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 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 is on or after August 1, 2010. Any other development expenditure is recognized in 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 and 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 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.

j. Revenue

Goods sold

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.

Services

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.

Royalties and licence fees

Revenue from royalties and licences is recognized when the terms of the royalty or licence agreement are met, payment is reasonably assured, and payment can be reliably measured. Licences subject to attaining milestones are recognized as milestones are reached. Non-refundable up-front license fees are recognized when no uncertainty about collection exists. It is recognized on a basis that reflects the timing, nature and value of the benefits provided.

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. Government grants

Government grants are recognized initially as deferred revenue at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant. Grants that compensate the Company for expenses incurred are recognized in profit or loss as a reduction in expense on a systematic basis in the same periods in which the expenses are recognized.

The Company also receives government loans with below-market interest rates. The benefit from the government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan. The benefit is recognized a reduction of the related expenditures on a systematic basis in the same periods in which the expenses are recognized. In subsequent periods, imputed interest on the loan is recognized as financing expense in the statement of loss and comprehensive loss.

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

m. New standards issued by not yet effective

The following new standards and amendment have been issued but are not effective for the fiscal year ended July 31, 2016, 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. The standard contains requirements in the following areas: classification and measurement, impairment, hedge accounting and derecognition. This new standard supersedes all prior versions of IFRS 9.

IFRS 15 - Revenue from Contracts with Customers. This standard is effective from fiscal years beginning on or after January 1, 2018 and provides a single, principles based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

IFRS 16 – Leases. This standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating leases and finance leases being retained. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted if IFRS 15 has also been applied.

In Canadian dollars

IFRS 2 – Share-based payments. The amendment clarifies 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.

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

4. Revenue

	31-Jul-16	31-Jul-15
	$	$
Product sales	962,140	1,130,419
Royalties	-	753
Service revenue	1,294,692	2,921,169
Total revenue	2,256,832	4,052,341

Service revenue is generated from research work on a contract with the US Military. The costs associated with research conducted to earn this revenue have been recognized as a service cost of sales (see note 14).

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

	31-Jul-16	31-Jul-15
	$	$
North America	1,974,349	3,591,649
Latin America and the Caribbean	187,523	111,721
Europe	33,765	27,130
Asia Pacific	61,195	82,138
West Asia	-	238,663
Middle East	-	791
Other	-	249
Total revenue	2,256,832	4,052,341

In Canadian dollars

5. Inventories

As at July 31, 2016, there were no valuation allowances against inventory (July 31, 2015 - $nil).

During the year ended July 31, 2016, inventory valued at $225,425 was expensed as a cost of goods sold (July 31, 2015 - $383,132).

	31-Jul-16	31-Jul-15
	$	$
Raw materials and consumables	235,934	227,723
Work in process	47,479	58,895
Finished goods	10,043	13,310
Total inventories	293,456	299,928

6. Property, plant and equipment

The table below summarizes changes in property, plant and equipment.

	Leasehold improvements	Laboratory equipment	Manufacturing equipment	Office equipment and furniture	Total
	$	$	$	$	$
Cost					
Balance at July 31, 2014	**814,134**	**50,961**	**208,579**	**333,900**	**1,407,574**
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
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**
Accumulated depreciation and impairment losses					
Balance at July 31, 2014	**634,725**	**29,238**	**177,039**	**208,489**	**1,049,491**
Depreciation expense for the year	50,613	5,405	7,399	30,661	94,078
Disposals	-	-	-	-	-
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**
Carrying amounts					
At July 31, 2014	179,409	21,723	31,540	125,411	358,083
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

In Canadian dollars

7. Intangible assets

	Intellectual properties $	Product technology $	Total $
Cost or deemed cost			
Balance at July 31, 2014	2,584,899	258,137	2,843,036
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
Accumulated amortization and accumulated impairment losses			
Balance at July 31, 2014	2,584,898	258,136	2,843,034
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
Carrying amounts			
At July 31, 2014	1	1	2
At July 31, 2015	1	1	2
At July 31, 2016	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 with a value of $2,102,569 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. Accumulated impairment charges at July 31, 2016 total $1,693,046 (July 31, 2015 - $1,693,046). 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, 2014	**514,364,320**	**5,000,000**	**59,015,925**	**2,500**	**59,018,425**
Issued for cash	44,000,000	-	1,205,253	-	**1,205,253**
Share issuance costs	-	-	(12,500)	-	**(12,500)**
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**

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. During the year, the Company closed a $5.0 million equity investment with its controlling shareholder MedMira Holding AG. Under the terms of the deal, MedMira Holding AG acquired 100,000,000 equity units, consisting of one common share and one common share purchase warrant, at $0.05 per unit that were issued for cash. Each share purchase warrant entitles MedMira Holding AG to purchase one common share of MedMira at $0.10 per share exercisable over four years.

The Series A preferred shares had a stated capital of $2,500 at July 31, 2016 (July 31, 2015 - $2,500).

In Canadian dollars

c. Warrants

	Number of warrants	Warrant reserve $
Balance at July 31, 2014	**312,100,000**	**7,207,647**
Issued for cash	44,000,000	994,747
Expired warrants	(50,000,000)	-
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**

As part of the equity investment by MedMira Holding AG, 100,000,000 warrants were issued in exchange for cash. Each share purchase warrant entitles MedMira Holding AG to purchase one common share of MedMira at $0.10 per share exercisable over four years.

The total warrants outstanding at July 31, 2016 are shown below.

Issued	Number	Exercise price $	Expiry date
September 30, 2013	122,100,000	0.10	September 30, 2017
October 2, 2014	22,000,000	0.10	October 2, 2018
March 27, 2015	22,000,000	0.10	March 27, 2019
September 8, 2015	100,000,000	0.10	September 8, 2019
	266,100,000		

In Canadian dollars

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 a maximum of 13,000,000 options annually upon approval by shareholders. Options that have been issued and remain outstanding are exercisable into an equivalent of 2,094,792 common shares (July 31, 2015 - 2,921,875) at an exercise price of $0.10. The options expire between March 2, 2017 and January 7, 2019. During the year ended July 31, 2016, 779,167 options were issued (July 31, 2015 - 1,021,875). All options outstanding at July 31, 2016 were exercisable.

The total options outstanding from July 31, 2014 to July 31, 2016 are shown below.

	Number	Weighted average exercise price $	Share-based payment reserve $
Options outstanding July 31, 2014	5,990,000	0.10	1,283,832
Options issued	1,021,875	0.10	27,765
Options expired/forfeited	(4,090,000)	0.10	-
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 were priced using the Black Scholes option pricing model using the following assumptions:

Grant date share price	$0.045
Exercise price	$0.10
Expected volatility (based on historical volatility over the past three years)	151%
Option life	3 years
Dividend yield	$0.00
Risk-free interest rate	2%

The weighted average fair value of the options granted during the year ended July 31, 2016 was $0.10 (2015 - $0.10) and the weighted average remaining contractual life is 1.62 years (2015 - 1.58 years). The amount of compensation cost recognized in the consolidated statement of operations and comprehensive loss was $25,609 (2015 - $27,765).

In Canadian dollars

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 $
Granted on March 2, 2014	675,000	2-Mar-14	2-Mar-17	0.10	0.95
Granted on April 13, 2015	640,625	13-Apr-15	12-Apr-18	0.10	0.45
Granted on January 8, 2016	779,167	8-Jan-16	9-Jan-19	0.10	0.45

9. Loss per share

	31-Jul-16	Restated (Note 21) 31-Jul-15
	$	$
Net loss attributable to common shareholders	(5,158,401)	(3,499,565)
Diluted loss	**(5,158,401)**	**(3,499,565)**
Issued common shares	658,364,320	558,364,320
Weighted average number of common shares	658,364,320	558,364,320
Weighted average number of warrants	-	-
Weighted average number of options	-	-
Weighted average number of diluted shares	**658,364,320**	**558,364,320**
Basic loss per share	(0.008)	(0.006)
Diluted loss per share	(0.008)	(0.006)

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, 2016, as the exercise of warrants and options would be anti-dilutive.

In Canadian dollars

10. Loans and borrowings

a. Loans

	31-Jul-16		31-Jul-15	
	Carrying value	Contract value	Carrying value	Contract value
	$	$	$	$
Short term loans	-		1,045,111	1,045,111
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	12,398	13,000
Loan 4	3,495	3,495	78,291	78,291
Loan 5	13,500	13,500	-	-
Loan 6	241,565	241,565	-	-
ACOA loans	520,393	520,393	748,105	917,019
Nova Scotia government loan 1	3,016,000	3,016,000	2,649,096	3,016,000
Nova Scotia government loan 2	97,390	97,390	68,535	97,390
Total loan principal	**6,249,510**	**6,249,510**	**6,955,703**	**7,520,978**
Long term portion of principal	255,065		2,234,825	
Current portion payable of principal	5,994,445		4,720,878	

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

2017	5,994,445
2018	255,065
Carrying value	6,249,510

Trade invoice financing facility

During the 2015 fiscal year, the Company entered into a trade invoice financing facility whereby the Company may offer insured accounts receivable having payment terms not longer than 60 days in an aggregate amount not greater than USD$1,000,000 to the bank for purchase at a discount. As the Company had not transferred the significant risks and rewards relating to the receivables, it had not derecognized the accounts receivable and had recorded the facility in short term loans. During the fiscal year 2016, the factoring facility has been closed and no amounts remain outstanding.

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, 2016 and thus has been classified as a current liability.

Loan 2

Loan established July 31, 2012, bearing 5% interest with monthly interest only payments until July 31, 2013, followed by equal monthly principal payments for five additional years ending July 31, 2018. During the year, the loan was renegotiated. Monthly interest payments are 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 non payment of interest and principal payments as of July 31, 2016 and thus has been classified as a current liability.

Loan 3

Loan established July 31, 2012, bearing 5% interest with monthly principal payments of $1,000, in addition to accrued monthly interest ending September 30, 2016. The loan was in default due to non payment of interest and principal payments at July 31, 2016 and thus has been classified as current liability

Loan 4

Loan established February 11, 2015, bearing 5% interest. The loan is fully payable on or before December 1, 2016. The loan was not in default at July 31, 2016.

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, 2016.

Loan 6

Loan established July 31, 2016, bearing 5% interest. The loan is fully payable on or before August 10, 2017. The loan was not in default at July 31, 2016.

Atlantic Canada Opportunities Agency (ACOA) loans

Loans were negotiated 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 after acquired personal property, excepting consumer goods. The loan was in default due to non payment of interest and principal payments at July 31, 2016 and thus has been classified as a current liability.

Nova Scotia government loan 1

The loan was negotiated 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

In Canadian dollars

$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 non payment of interest and principal payments at July 31, 2016 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 non payment of interest and principal payments at July 31, 2016 and thus has been classified as a current liability.

11. Capital management and financial risks

a. Capital management

The Company's objectives when managing capital are to provide an adequate return to shareholders, safeguard its assets, maintain a competitive cost structure and continue as a going-concern in order to pursue the development and sale of its products.

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

		Restated (Note 21
	31-Jul-16	**31-Jul-15**
	$	**$**
Total debt	6,249,510	6,955,703
Less: Cash	(46,120)	(262,392)
Net debt	**6,203,390**	**6,693,311**
Shareholders' deficiency	(7,662,159)	(7,704,367)
Total capital	**(1,458,769)**	**(1,011,056)**

To facilitate the management of its capital structure, the Company prepares annual expenditure operating budgets that are updated as the input parameters change. Cash flow is monitored and updated daily.

In Canadian dollars

b. Foreign currency risk

Most of the Company's sales are made 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-16 US$	31-Jul-15 US$
Cash	24,148	126,380
Trade and other receivables	128,424	511,960
Prepaid expense	5,949	2,756
Accounts payable and accrued liabilities	943,411	848,602
Debt	-	196,458

A one cent change in the US dollar exchange rate would result in approximately a $11,020 (2015 - $16,862) 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

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. 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. Historically, there have been few collection issues and the Company does not believe it is subject to any significant concentration of credit risk.

Aging of receivable that are past due but not impaired:

60-90 days	79,735
91-120 days	36,286
Total	116,021

Trade and other receivables include amounts that are past due as at July 31, 216 for which the Company has not recognized an allowance for doubtful accounts because there has not been a significant change in credit quality 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, 2016, the Company does not have sufficient cash to meet all of its continuing 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.

In Canadian dollars

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

	$	$	$	$	$
Loans	6,249,510	5,994,445	255,065	-	-
Accounts payable and accrued liabilities and current royalties payable	2,241,257	2,241,257	-	-	-
Total debt	**8,490,767**	**8,235,702**	**255,065**	**-**	**-**

For the year ended July 31, 2015

	Total	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
	$	$	$	$	$
Loans	6,955,703	4,720,878	2,234,825	-	-
Accounts payable and accrued liabilities	2,265,005	2,265,005	-	-	-
Total debt	**9,220,708**	**6,985,883**	**2,234,825**	**-**	**-**

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 of paid to transfer a liability in an 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.

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, and accounts payable and accrued liabilities is classified as a level 2 measurement and the fair value of long-term debt is classified as a level 3 measurement.

12. Royalty provision

The Company entered into a promissory note with MedMira Holdings 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 2013, the Company estimated the fair value of the provision to be $739,817 based on a five year projected cash flow of future sales for the period 2014 to 2018 which assumed that there would be a viable working product in late 2013. Due to delays in the registration and trial processes experienced in fiscal 2014, the sales did not materialize as expected, impacting the Company's investment in the project and timeline. Given the uncertainties surrounding the future cash flows associated with Hepatitis B- Anti-Core test, Management had adjusted their best estimate of the fair value of the provision to the original contractual value of the promissory note of $260,000 for the year ended July 31, 2014. In 2016, Management advised MedMira Holding AG that they would not be continuing with the development of the Hepatitis B-Anti-Core test product and thus the royalty agreement was terminated and the provision written down to zero. The change in the provision has been recorded in finance costs.

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 of the first full payment 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 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 fair value of the provision was zero and as MedMira Holding AG is the controlling shareholder of the Company, the $270,000 was recorded in equity (Note 21). As at July 31, 2016, the Company's best estimate of the fair value of the provision was $31,991 (2015 - $0), which is recorded in accounts payable and accrued liabilities as it is currently payable and the change in fair value of the provision recorded in finance cost.

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 HCV portion of the approved Multiplo HIV/HCV 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. As at July 31, 2016, the Company's best estimate of the fair value of the provision was zero.

13. Related parties

The following transactions occurred with related parties during the year ended July 31, 2016:

- A short term loan totalling $180,000 was to repaid MedMira Holding AG (2015 - $0).
- A short term loan totalling $350,000 was repaid to Andurja (2015 - $0)
- Director fees totalling $14,166 were incurred (2015 - $13,750).
- A short term loan totalling $276,100 was received and repaid to Ritec (2015 - $0)
- A long term loan totalling $74,796 was repaid to an employee (2015 – $5,872.39)

In Canadian dollars

The following balances with related parties were outstanding at July 31, 2016:

- Accounts payable totalling $10,000 was due to directors (2015 - $10,543).
- Accounts payable totalling $26,901 was due to officers (2015 - $193,629).
- A long term loan totalling $241,565 was due to the Chief Financial Officer (2015 - $229,585).
- A royalty payment was estimated/owing to MedMira Holding AG of $31,991 (2015 - $260,000).
- A long term loan totalling $3,495 was owed to an employee (2015 - $78,291)

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

	31-Jul-16	31-Jul-15
	$	$
Short-term benefits including salary	358,280	347,330
Share-based payments	25,609	27,086
Total remuneration	**383,889**	**374,416**

14. Research and development

The Company receives 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, 2016, $952,633 of the research costs incurred were recognized in service cost of sales (July 31, 2015 - $2,428,973).

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

		Restated (Note 21)
	31-Jul-16	31-Jul-15
	$	$
Research and development expenses	3,471,179	3,303,116
Less: research and development expenses allocated to cost of sales	952,633	2,428,973
Net research and development expense	**2,518,546**	**874,143**

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.

		Restated (Note 21)
	31-Jul-16	**31-Jul-15**
	$	**$**
Loss before income tax	(5,158,401)	(3,499,565)
Income tax rate	31.0%	31.0%
Income tax recovery at the combined statutory income tax rate	(1,599,104)	(1,084,865)
Non-taxable portion of other losses	429,807	154,039
Non-deduction expense accretion	175,235	147,558
Non-deductible stock-based compensation	7,938	8,607
Expired losses	-	1,173,818
Change in unrecognized temporary differences	970,848	(367,415)
Financing fees recorded in equity	(7,750)	(3,875)
Other	23,026	(27,867)
Income tax recovery	-	-

b. Unrecognized deductible temporary differences, unused tax losses and unused tax credits

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

		Restated (Note 21
	31-Jul-16	**31-Jul-15**
	$	**$**
Non-capital losses	31,494,248	28,594,173
Scientific research and development costs	6,612,637	6,195,675
Share issuance costs	27,500	21,150
Variable liability	-	260,000
Cumulative eligible capital	281,465	281,465
Property and equipment	2,150,473	2,082,092
Total	40,566,323	37,434,555

The Company has available $31,494,248 in non-capital losses that can be used to reduce taxable income and that expire between the years ended July 31, 2016 and July 31, 2036. The Company also has available $1,909,893 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, 2036.

At July 31, 2016, the Company has a nil unrecognized deferred tax liability (July 31, 2015 - $nil) for taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries.

In Canadian dollars

16. Expenses by nature

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

	31-Jul-16	Restated (Note 21) 31-Jul-15
	$	$
Investment income	20	11,100
Change in inventory	(226,459)	(353,358)
Employee benefits	(2,286,176)	(2,252,588)
Depreciation	(99,791)	(94,078)
Distribution	(85,991)	(108,969)
Facility	(415,534)	(416,839)
Professional services	(2,667,295)	(2,140,628)
Lab supplies	(378,847)	(447,416)
Other expenses	(622,356)	(806,220)
Exchange gains	15,092	(173,720)
Finance costs	(647,898)	(769,190)
	(7,415,233)	**(7,551,906)**

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 decision maker.

18. Lease commitment

The Company has a ten year lease commitment for it 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, 2017	251,610
For the year ending July 31, 2018	252,618
For the year ending July 31, 2019	252,618
For the year ending July 31, 2020	263,712
For the year ending July 31, 2021	264,720
Thereafter	551,500

In Canadian dollars

19. Financing

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

	31-Jul-16	31-Jul-15
	$	$
Investment Income	20	11,100
Fair value change in provision for royalty	260,000	-
Finance costs	(939,559)	(769,190)
Total financing income (expense)	**(679,539)**	**(758,090)**

20. Subsequent events

During the first quarter of FY2017, the Company received a loan of $262,206 from its largest shareholder in order to support the Company's strategic goals. The loan is repayable in 2018 and carry and annual interest rate of 5% that is due upon repayment of the loan.

During the first quarter of FY2017, the Company received loans of $520,000 from its CFO, in order to support the Company's strategic goals. The loans are repayable in 2018 and carry an annual interest rate of 5% that is due upon repayment of the loan

21. Restatement

The Company has restated the 2015 comparatives to correct for an error relating to the accounting treatment of the royalty agreement with MedMira Holding AG entered into in March 2015. In 2015, the Company had incorrectly recorded the funding received under the royalty agreement as a credit against research and development expense when it should have been recorded as a contribution to equity from the Company's controlling shareholder (Note 12). The impact on the consolidated financial statements for each period reported on is as follows:

	$	$	$
For the year ended July 31, 2015	As previously reported	Adjustment	As restated
Research and development expense	(604,143)	(270,000)	(874,143)
Net loss and comprehensive loss	(3,229,565)	(270,000)	(3,499,565)

	$	$	$
As at July 31, 2015	As previously reported	Adjustment	As restated
Equity reserve	595,770	270,000	865,770
Accumulated deficit	(78,025,306)	(270,000)	(78,295,306)
Total shareholders' deficiency	(7,704,367)	-	(7,704,367)