

MedMira Inc.

Condensed Interim Consolidated Financial Statements
For the three months ended October 31, 2018 and October 31, 2017
(Unaudited – Prepared by Management)

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the period ending October 31, 2018

December 28, 2018

Management's responsibility for financial reporting

The accompanying consolidated financial statements of MedMira Inc. (MedMira or the Company) are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements includes amounts and assumptions based on management's best estimates which have been derived with careful judgement.

In fulfilling its responsibilities, management has developed and maintains a system of internal accounting controls. These controls are designed to ensure that the financial records are reliable for preparation of the consolidated financial statements.

The Board of Directors of the Company is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the condensed interim consolidated financial statements and the accompanying management's discussion and analysis. The Board of Directors carries out this responsibility principally through its Audit Committee.

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

(signed) *Hermes Chan*
Chief Executive Officer

(signed) *Markus Meile*
Chief Financial Officer

Notice to Reader

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Halifax, Canada

December 28, 2018

Unaudited consolidated statements of financial position
As at October 31, 2018 and July 31, 2018

In Canadian dollars

	<i>Notes</i>	31-Oct-18	31-Jul-18
		\$	\$
Assets			
<i>Current assets</i>			
Trade and other receivables		43,288	48,253
Prepaid expenses		11,924	16,530
Current tax receivable		33,000	33,000
Inventories	5	182,417	182,191
Total current assets		<u>270,629</u>	<u>279,974</u>
<i>Non-current assets</i>			
Property, plant and equipment		18,774	28,936
Intangible assets		2	2
Total non-current assets		<u>18,776</u>	<u>28,938</u>
Total assets		<u>289,405</u>	<u>308,912</u>
Liabilities			
<i>Current liabilities</i>			
Bank indebtedness		16,112	13,940
Current portion of debt	8	7,963,111	7,569,607
Trade accounts payable and accrued liabilities		2,298,801	2,339,110
Salaries and benefits payable		758,452	652,486
Interest payable		980,065	892,164
Deferred rent		92,133	97,239
Deferred revenue		12,568	26,164
Provision for royalty	10	82,000	82,000
Total current liabilities		<u>12,203,242</u>	<u>11,672,710</u>
Total liabilities		<u>12,203,242</u>	<u>11,672,710</u>
Equity			
Share capital	6	63,421,802	63,421,802
Warrant reserve	6	9,966,770	9,966,770
Stock based compensation reserve	6	1,367,821	1,367,821
Equity reserve	6	2,469,829	2,469,829
Accumulated deficit		(89,140,059)	(88,590,020)
Total shareholders' deficiency		<u>(11,913,837)</u>	<u>(11,363,798)</u>
Total liabilities and equity		<u>289,405</u>	<u>308,912</u>

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

Approved on behalf of the Board of Directors

(signed) *Hermes Chan*, Director

(signed) *Dr. Shou Ching-Tang*, director

Unaudited consolidated statements of operations and comprehensive loss
For the three months ended October 31, 2018 and October 31, 2017

In Canadian dollars

	<i>Notes</i>	31-Oct-18 \$	31-Oct-17 \$
Product			
Product sales	4	155,065	143,042
Product cost of sales	5	<u>(40,083)</u>	<u>(30,438)</u>
Gross margin on product		<u>114,982</u>	<u>112,604</u>
Operating expenses			
Research and development	12	(74,923)	(115,604)
Sales and marketing		(33,360)	(53,151)
Other direct costs		(80,669)	(115,289)
General and administrative		<u>(232,759)</u>	<u>(295,816)</u>
Total operating expenses		<u>(421,711)</u>	<u>(579,860)</u>
Operating loss		<u>(306,729)</u>	<u>(467,256)</u>
Non-operating expense			
Financing expense	14	<u>(243,310)</u>	<u>(168,918)</u>
Net and comprehensive loss		<u>(550,039)</u>	<u>(636,174)</u>
Basic loss per share	7	(0.001)	(0.001)
Diluted loss per share	7	(0.001)	(0.001)

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

Unaudited consolidated statements of changes in equity
In Canadian dollars

	Notes	Share capital				Equity reserve	Accumulated deficit	Shareholders' deficiency
		Common shares	Preferred shares	Warrant reserve	Option reserve			
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)
Net and comprehensive income		-	-	-	-	-	(636,174)	(636,174)
Fair value of long term debt	6	-	-	-	-	81,459	-	81,459
Balance at October 31, 2017		63,419,302	2,500	9,966,770	1,353,291	2,469,829	(86,750,948)	(9,539,256)
Net and comprehensive loss		-	-	-	-	-	(1,839,072)	(1,839,072)
Issuance of stock options	6	-	-	-	14,530	-	-	14,530
Balance at July 31, 2018		63,419,302	2,500	9,966,770	1,367,821	2,469,829	(88,590,020)	(11,363,798)
Net and comprehensive loss		-	-	-	-	-	(550,039)	(550,039)
Balance at October 31, 2018		63,419,302	2,500	9,966,770	1,367,821	2,469,829	(89,140,059)	(11,913,837)

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

Unaudited consolidated statements of cash flows
For the three months ended October 31, 2018 and October 31, 2017

In Canadian dollars

	<i>Notes</i>	31-Oct-18	31-Oct-17
		\$	\$
Cash from operating activities			
Net loss		(550,039)	(636,174)
Adjustments for:			
Depreciation		10,162	24,232
Accretion expense		-	70,204
Movements in working capital:			
(Increase)/decrease in trade and other receivables		4,965	(14,493)
(Increase)/decrease in inventories		(226)	15,757
(Increase)/decrease in prepaid expenses		4,606	(8,115)
(Increase)/decrease in trade accounts payable and accrued liabilities		(40,308)	42,091
(Increase)/decrease in salary and benefits payable		105,966	(7,936)
(Increase)/decrease in deferred rent		(5,106)	(5,106)
(Increase)/decrease in interest payable		87,901	91,167
(Increase)/decrease in deferred revenue		(13,596)	-
Net cash used in operating activities		<u>(395,675)</u>	<u>(428,373)</u>
Cash flow from investing activities			
Net cash used in investing activities		<u>-</u>	<u>-</u>
Cash flow from financing activities			
Increase in bank indebtedness		2,171	-
Proceeds from borrowings	7	469,346	405,129
Repayment of borrowings	7	(75,842)	(13,866)
Net cash from financing activities		<u>395,675</u>	<u>391,263</u>
Net increase (decrease) in cash		-	(37,110)
Cash at the beginning of the year		-	155,915
Cash at the end of the year		<u>-</u>	<u>118,805</u>

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

MedMira Inc.

Notes to the Consolidated Financial Statements

For the three months ended October 31, 2018 and October 31, 2017

In Canadian dollars

1. Reporting entity

Nature of operations

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

2. Basis of preparation

a. Statement of compliance

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

The consolidated financial statements were authorized for issue by the Board of Directors on December 28, 2018.

b. Going-concern

The accompanying consolidated financial statements have been prepared on the basis of IFRS applicable to a going-concern, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations. However, certain adverse conditions and events cast significant doubt upon the validity of this assumption.

The Company has incurred losses and negative cash flows from operations on a cumulative basis since inception. For the three months ended October 31, 2018, the Company realized a net loss of \$0.6 million (October 31, 2017 - \$0.6 million), consisting of a net loss from operations of \$0.3 million (October 31, 2017 - \$0.5 million), and other non-operating losses of \$0.3 million (October 31, 2017 - \$0.2 million). Negative cash flows from operations were \$0.4 million (October 31, 2017 - 0.4 million). As at October 31, 2018, the Company had an accumulated deficit of \$89.1 million (July 31, 2018 - \$88.6 million) and a negative working capital position of \$12.0 million (July 31, 2018 - \$11.4 million). In addition, as at October 31, 2018, \$8.0 million of debt was in default. The Company currently has insufficient cash to fund its operations for the next 12 months. In addition to its ongoing working capital requirements, the Company must secure sufficient funding for its research and development programs for existing commitments, including its current portion of debt of approximately \$8.0 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 \$8.0 million, as well as growth opportunities.

Management dedicates significant time to pursuing investment alternatives that will fund the Company’s operations and growth opportunities so it can continue as a going concern. As of October 31, 2018, potential investors were identified and negotiations were initiated to secure the necessary financing through the issuance of new equity. Debt

arrangements were also ongoing with the Company's major shareholder and other debt holders. Subsequent to the close of the first quarter of FY2019, 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 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.

d. New accounting standards adopted during the period

The following IASB standards, adopted as of August 1, 2018, have had no significant impact on the Company's Consolidated Financial Statements:

i.) IFRS 9 Financial Instruments

IFRS 9 Financial Instruments ("IFRS 9"), replacing IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"), includes finalized guidance on the classification and measurement of financial assets and liabilities, impairment, and hedge accounting. The Company adopted the new requirements on May 1, 2018 by applying the requirements for classification and measurement, including impairment, retrospectively with no restatement of comparative periods.

Financial instruments

Under IFRS 9, financial assets are classified and measured at amortized cost, fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL") and financial liabilities are classified and measured as amortized cost or FVTPL, depending on the business model in which they are held and the characteristics of their contractual cash flows. All of the Company's financial assets and liabilities are measured at amortized cost.

Impairment

IFRS 9 replaces the incurred loss model in IAS 39 with a forward-looking expected credit loss ("ECL") model. Since the Company's trade receivables have a maturity of less than one year, the Company utilized a practical expedient available

MedMira Inc.

Notes to the Consolidated Financial Statements

For the three months ended October 31, 2018 and October 31, 2017

In Canadian dollars

under the standard and estimated lifetime ECL using historical credit loss experiences, resulting in a minimal impact on the Company's financial statements.

ii.) IFRS 15 Revenue from Contracts with Customers

On August 1, 2018, the Company adopted the new accounting standard IFRS 15 to all revenue contracts using the modified retrospective approach, and this adoption did not have a material impact on our timing of revenue recognition policies previously disclosed in the prior year consolidated financial statements.

IFRS 15 supersedes previous accounting standards and interpretations for revenue and introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles).

e. Future changes in accounting policies

The following new standards and amendment have been issued but are not effective for the three months ended October 31, 2018, and, accordingly, have not been applied in preparing these consolidated financial statements.

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.

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

3. Revenue

The Company derives approximately 80% (October 31, 2017 – 94%) of its revenue from three (October 31, 2017 – four) main customers and, for these customers, assesses the recoverability of each account on a regular basis. During the three months ended October 31, 2018, customer 1 accounted for 48% of the Company's revenue, customer 2 accounted for 21% of the revenue, and customer 3 accounted for 11%.

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

	31-Oct-18	31-Oct-17
	\$	\$
North America*	126,700	116,943
Latin America and the Caribbean	3,150	2,940
Europe	11,643	4,566
Asia Pacific	<u>13,572</u>	<u>18,593</u>
Total revenue	<u>155,065</u>	<u>143,042</u>

*For the three months ended October 31, 2018, revenue in North America included sales made in Canada (the Company's country of domicile) of nil (October 31, 2017 - \$1,202).

4. Inventories

As at October 31, 2018, there were no valuation allowances against inventory (July 31, 2018 - \$nil).

During the three months ended October 31, 2018, inventory valued at \$33,016 was expensed as product cost of sales (October 31, 2017 - \$23,440), which included write-downs of inventory as a result of net realizable value being lower than cost of \$707 (October 31, 2017 – \$3,263). No inventory write-downs recognized in previous years were reversed during the current year.

	31-Oct-18	31-Jul-18
	\$	\$
Raw materials and consumables	161,059	163,272
Work in process	18,765	18,701
Finished goods	<u>2,593</u>	<u>218</u>
Total inventories	<u>182,417</u>	<u>182,191</u>

MedMira Inc.

Notes to the Consolidated Financial Statements

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In Canadian dollars

5. Capital and other components of equity

a. Authorized

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

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

b. Share capital issued

	Number of		Value of		Total share capital
	Common shares	Preferred shares	Common shares	Preferred shares	
			\$	\$	\$
Balance at July 31, 2018	658,364,320	5,000,000	63,419,302	2,500	63,421,802
Issued for cash	-	-	-	-	-
Share issuance costs	-	-	-	-	-
Balance at October 31, 2018	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 October 31, 2018 (July 31, 2018 - \$2,500).

c. Warrants

	Number of warrants	Warrant reserve
		\$
Balance at July 31, 2018	144,000,000	9,966,770
Expired warrants	(22,000,000)	-
Balance at October 31, 2018	122,000,000	9,966,770

The total warrants outstanding at October 31, 2018 are shown below.

Issued	Number	Exercise price	Expiry date
		\$	
March 27, 2015	22,000,000	0.100	March 27, 2019
September 8, 2015	<u>100,000,000</u>	0.100	September 8, 2019
	122,000,000		

MedMira Inc.

Notes to the Consolidated Financial Statements

For the three months ended October 31, 2018 and October 31, 2017

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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 2,287,500 common shares (July 31, 2018 – 2,287,500) at an exercise price of between \$0.05 to \$0.10. The options expire between January 7, 2019 and January 29, 2021. All options outstanding at October 31, 2018 were exercisable.

The total options outstanding are shown below.

	Number	Weighted average exercise price \$	Share-based payment reserve \$
Options outstanding July 31, 2018	2,287,500	0.10	1,367,821
Options outstanding October 31, 2018	2,287,500		1,367,821

The following table summarized information about the options outstanding and exercisable at October 31, 2018:

Exercise prices \$	Number outstanding and exercisable	Weighted average exercise price per share \$	Weighted average remaining contractual life (years)
0.10	1,187,500	0.10	0.42
0.05	1,100,000	0.05	0.65

e. Equity Reserve

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

	Equity Reserve \$
Balance at July 31, 2018	2,469,829
Balance at October 31, 2018	2,469,829

6. Loss per share

	for the three months ended	
	31-Oct-18	31-Oct-17
	\$	\$
Net income (loss) attributable to common shareholders	(550,039)	(636,174)
Issued common shares	658,364,320	658,364,320
Weighted average number of common shares	658,364,320	658,364,320
Basic earnings (loss) per share	(0.001)	(0.001)
Diluted earnings (loss) per share	(0.001)	(0.001)

The diluted weighted average number of common shares outstanding is the same as the basic weighted average number of common shares outstanding for the three months ended October 31, 2018, as the exercise of warrants and options would be anti-dilutive.

7. Loans and borrowings

a. Loans

	31-Oct-18		31-Jul-18	
	Carrying value	Contract value	Carrying value	Contract value
	\$	\$	\$	\$
Short term loans	1,805,334	1,805,334	1,409,396	1,409,396
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	-	-	8,010	8,010
Loan 4	204,377	204,377	198,801	198,801
ACOA loans	485,843	485,843	485,843	485,843
Nova Scotia government loan 1	3,016,000	3,016,000	3,016,000	3,016,000
Nova Scotia government loan 2	97,390	97,390	97,390	97,390
Total loan principal	7,963,111	7,963,111	7,569,607	7,569,607
Long term portion of principal	-	-	-	-
Current portion payable of principal	7,963,111		7,569,607	

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For the three months ended October 31, 2018 and October 31, 2017

In Canadian dollars

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

	Repayment required
	\$
Fiscal year 2019	7,963,111
Total	7,963,111

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. The loans have an interest rate of 5% per year. As of October 31, 2018 the loans are all in default due to non-payment.

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 on October 31, 2018 due to non-payment of principal and interest 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 on October 31, 2018 due to non-payment of principal and interest and thus has been classified as a current liability.

Loan 3

Loan established June 10, 2016, bearing 5% interest. The loan is fully payable on or before August 10, 2017. The loan was in on October 31, 2018 due to non-payment of principal and interest and thus has been classified as a current liability.

Loan 4

Loan was established on July 31, 2016, bearing 5% interest with the Company's Chief Financial Officer. The loan was renegotiated on January 21, 2017 and is now fully payable on or before October 1, 2018. The loan was in on October 31, 2018 due to non-payment of principal and interest and thus has been classified as a current liability.

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 on October 31, 2018 due to non-payment of principal and interest and thus has been classified as a current liability.

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For the three months ended October 31, 2018 and October 31, 2017

In Canadian dollars

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 on October 31, 2018 due to non-payment of principal and interest 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 on October 31, 2018 due to non-payment of principal and interest and thus has been classified as a current liability.

8. 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-Oct-18	31-Jul-18
	\$	\$
Total debt	7,963,111	7,569,607
Less: Cash	-	-
Net debt	7,963,111	7,569,607
Shareholders' deficiency	<u>(11,913,837)</u>	<u>(11,363,798)</u>
Total capital	<u>(3,950,726)</u>	<u>(3,794,191)</u>

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

b. Foreign currency risk

Most of the Company's sales are denominated in foreign currencies. The Company's US dollar foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are shown in the table below.

	31-Oct-18	31-Jul-18
	US\$	US\$
Cash	-	389
Trade and other receivables	29,180	25,366
Bank indebtedness	458	-
Accounts payable and accrued liabilities	880,929	752,984
Debt	188,694	143,581

A one percent change in the US dollar exchange rate would result in approximately a \$10,983 (July 31, 2018 - \$9,223) 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 90% of the Company's sales are with four large international companies there is no significant concentration of credit risk.

Age of receivable that are past due but not impaired

120 +	\$0
Total	\$0

Trade and other receivables include amounts that are past due as at October 31, 2018 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 October 31, 2018, 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

MedMira Inc.

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For the three months ended October 31, 2018 and October 31, 2017

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result, there can be no assurance that the Company will have sufficient capital to fund its ongoing operations, develop or commercialize its products without future financing.

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

For the three months ended October 31, 2018

	Total	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
	\$	\$	\$	\$	\$
Debt	7,963,111	7,963,111	-	-	-
Bank indebtedness	16,112	16,112	-	-	-
Accounts payable and accrued liabilities	4,129,451	4,129,451	-	-	-
Royalty provision	82,000	82,000	-	-	-
Total debt	12,190,674	12,190,674	-	-	-

For the year ended July 31, 2018

	Total	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
	\$	\$	\$	\$	\$
Debt	7,569,607	7,569,607	-	-	-
Bank indebtedness	13,940	13,940	-	-	-
Accounts payable and accrued liabilities	4,019,947	4,019,947	-	-	-
Royalty provision	82,000	82,000	-	-	-
Total debt	11,685,494	11,685,494	-	-	-

The payments noted above do not include interest payments.

9. Royalty provision

During March 2015, the Company entered into a royalty agreement with MedMira Holding AG whereby MedMira Holding AG would receive a 10% royalty on all future US sales of the Reveal G4 product for a five year period commencing on the day the first full payment and delivery of at least CAD \$100,000 worth of product. In exchange, MedMira Holding AG provided the Company with \$270,000 to fund costs required to complete the product development and obtain US Food and Drug Administration (FDA) pre-market approval. At the inception of the arrangement, the Company's best estimate of the value of the provision was zero and as MedMira Holding AG is the controlling shareholder of the Company, the \$270,000 was recorded in equity (Note 8). As at October 31, 2018, the Company's best estimate of the fair value of the provision was \$82,000 (July 31, 2018 - \$82,000), 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 October 31, 2018, the Company's best estimate of the fair value of the provision was zero. Management's fair value estimate was based on changes made during the FY2017 product commercialization prioritization process which placed the Multiplo HIV/HCV project on hold until further notice.

During October 2016, the Company entered into a royalty agreement with Ritec AG whereby Ritec AG would receive a 12.5% royalty on all future sales of the approved Reveal G4 CLIA-waived product commencing on the day of the first full delivery and payment of CAD \$10,000 worth of product. In exchange, Ritec AG provided the Company with \$1,310,100 to fund costs required to complete the product development, clinical trials and obtain FDA approval. At the inception of the arrangement, the Company's best estimate of the fair value of the provision was zero and as Ritec AG is owned by a shareholder of MedMira Holding AG who is the controlling shareholder of the Company, the \$1,310,100 was recorded in equity reserve. At October 31, 2018, the Company's best estimate of the fair value of the provision was zero.

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

	Provision for royalty
	\$
Balance at July 31, 2018	82,000
Fair value measurement of Reveal G4 royalty	-
Write off of royalty provision	-
Balance at October 31, 2018	<u>82,000</u>

10. Related parties

The following transactions occurred with related parties during the nine months ended October 31, 2018:

- Short term loans totalling \$7,404 was received from an officer (July 31, 2018 - \$126,059)
- A short terms loan totalling \$393,480 was received from Ritec AG (July 31, 2018 - \$387,630)
- Short term loans totalling \$78,955 were received from employees (July 31, 2018 - \$108,603)
- Short term loans totalling \$59,832 were repaid to employees (July 31, 2018 - \$21,983)
- A long term loan totalling \$8,010 was repaid to an employee (July 31, 2018 - \$5,490)
- Royalty payments of \$7,780 were incurred and owed to MedMira Holding AG (July 31, 2018 - \$22,886)

The following balances with related parties were outstanding at October 31, 2018:

- Accounts payable totalling \$431,825 was due to officers (July 31, 2018 - \$388,433).
- A loan term loan totalling \$204,377 was due to the Chief Financial Officer (July 31, 2018 - \$198,801).
- A royalty provision was owed to MedMira Holding AG of \$84,332 (July 31, 2018 - \$75,824).
- Short term loans totalling \$193,610 were owed to employees (July 31, 2018 - \$129,336)
- Four short term loans totalling \$1,435,500 are owed to Ritec AG (July 31, 2018 - \$1,052,480)
- Short term loans totalling \$176,224 were owed to one officer (July 31, 2018 - \$174,579)

11. Research and development

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

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Notes to the Consolidated Financial Statements

For the three months ended October 31, 2018 and October 31, 2017

In Canadian dollars

	31-Oct-18	31-Oct-17
	\$	\$
Research and development expenses	(74,923)	(115,604)
Less: research and development expenses allocated to cost of sales	-	-
Net research and development expense	(74,923)	(115,604)

12. Expenses by nature

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

	for the three months ended	
	31-Oct-18	31-Oct-17
	\$	\$
Change in inventory	(33,016)	(23,560)
Employee benefits	(309,746)	(375,266)
Depreciation	(6,820)	(24,231)
Distribution	(3,735)	(2,855)
Facility	(64,352)	(76,060)
Professional services	(16,520)	(42,542)
Lab supplies	(1,850)	(6,268)
Other expenses	(24,057)	(27,681)
Exchange gains (losses)	(1,698)	(31,832)
Finance costs	(243,310)	(98,717)
Accretion expense	-	(70,204)
	(705,104)	(779,216)

13. Financing expense

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

	31-Oct-18	31-Oct-17
	\$	\$
Fair value change in provision for royalty	-	(70,204)
Finance costs	(243,310)	(98,714)
Total financing expense	(243,310)	(168,918)

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Notes to the Consolidated Financial Statements

For the three months ended October 31, 2018 and October 31, 2017

In Canadian dollars

14. Subsequent events

Subsequent to the end of the quarter, the Company received a loan of \$190,000 from a non-related party. The loan is unsecured, bears an interest rate of 5% per annum and is payable on demand.