medmira

Annual Report
2011

Table of Contents

Our Mission & Core Values	1
Letter to Shareholders	2
Management's Discussion and Analysis	4
Consolidated Financial Statements	24
Investor and Corporate Information	50
Board of Directors and Senior Management	50

medmira

Mission & Core Values

MedMira's focus is helping people know…

Modern medical science has made tremendous strides in the treatment of disease, but since many serious diseases start with vague symptoms, or even no symptoms at all, accurate and rapid diagnosis of disease is the first and most important step in treating disease and controlling its spread. MedMira is dedicated to bringing the worldwide medical community rapid diagnostics that meet the highest international standards.

Core Values

MedMira is built on a set of core shared values that form a consistent base for how we operate and interact with our customers, employees, shareholders, and partners around the world.

Innovation

It is the life-blood of our Company and at the heart of everything we do at MedMira.

Quality

We consistently embrace the disciplines of quality science, business, and manufacturing, with rigorous compliance practices and systems that guarantee each and every product we make is consistently of the highest quality.

Cooperation

We build relationships with like-minded partners, alliances and team members to foster new opportunities and continued innovation.

Letter to Shareholders

Dear Shareholders,

Thank you for your continued support of MedMira.

While the Company continues to be challenged in achieving its revenue objectives, fiscal year 2011 brought forward a broad range of opportunities which MedMira and its strategic partners are pursuing in markets around the world.

The Company's most significant advancement this year was the USD$2,278,192 contract awarded by the US Army for the development and commercialization of a multi-marker Hepatitis B Core Total Antibody Rapid Test.

MedMira began its business development focus on military organizations nearly two years ago. Today, the Company is moving its first US Army contract forward according to the project plan and is also working with the Canadian Armed Forces. In April 2011, the Canadian Forces Health Services Group, which delivers healthcare services at Canadian military installations across Canada and overseas, began using MedMira's Multiplo rapid test for HIV, Hepatitis B and C.

MedMira will continue to focus on military organizations as a key market vertical, pursuing further opportunities with both the US and Canadian militaries as well as others around the world. The US Army contract is solid foundation upon which the Company can build a reputation as a leading provider of key diagnostic tools for frontline healthcare. Once approved, the product being developed under the US Army contract will also be sold to non-military customers in the US and other markets. Additionally, MedMira plans on pursuing commercialization activities around new rapid diagnostics in the US, Canadian and European markets.

After a long and challenging market entry into China, the Company is beginning to see positive results in this market. Working closely with Triplex International Biosciences Co. Ltd. (Triplex), our strategic partner for both business development and outsourced manufacturing in the region, resulted in an initial order for 400,000 rapid HIV tests. Additionally, a number of public tenders have been awarded to Triplex and orders are scheduled for delivery in the first quarter of 2012. Triplex's business development team is progressively building business by capitalizing on MedMira's top ranking in an evaluation by the China Centre for Disease Control and the advancements in the country's healthcare system after many years of reformation.

In the latter half of fiscal year 2011 MedMira began to re-focus on the

Letter to Shareholders

European market. Regulators in this market have approved a rapid HIV product suite that further aligns it with the product offering in international markets. The Company is also exploring several vertical markets within Europe, including armed forces organizations, non-government agencies working in international markets, and the life sciences research sector.

Following the close of the fiscal year end, MedMira received notification from the World Health Organization (WHO) that the Company's application for the Prequalification of Diagnostics Programme has been selected to move through the next stages of the process. It is anticipated that MedMira will complete major milestones and make significant progress in the Prequalification of Diagnostics Programme in 2012.

Participation in the WHO's Prequalification of Diagnostics Programme enables MedMira to bring the rapid HIV test assessed in this technical evaluation in line with the product formats currently available in international markets. This further streamlines the product range MedMira offers globally and enables MedMira and its partners to capitalize on opportunities with a number of United Nations agencies and other non-government aid agencies using the WHO listing as part of their decision criteria.

This progress with the WHO will be helpful to MedMira's partners working in Africa, Latin America, the Middle East and other developing regions of the world. In Africa, MedMira's strategic partners, Vitest AG and Advance Aid, continue to work on market development strategies with both the public and private sector. They have made some great progress in establishing an excellent reputation for MedMira in this market and we anticipate that this work will translate to sales. However the market remains a highly challenging environment with unpredictable timelines.

MedMira is moving forward, formulating plans to commercialize new products, developing market opportunities through our strategic partnership network with the support of committed investors. We look forward to a successful year for MedMira and we appreciate your continued support.

Hermes Chan
Chief Executive Officer
MedMira Inc.

medmira

Management's Discussion & Analysis

For the Year Ended July 31, 2011

November 28, 2011

Management's Discussion & Analysis
For the Year Ended July 31, 2011

Company Overview	**5**
Fourth Quarter Analysis	**8**
Year to Date Analysis	**9**
Segmented Information	**10**
Quarterly Financial Data	**11**
Liquidity and Capital Resources	**12**
Financial Instruments	**14**
Related Party Transactions	**15**
Intellectual Property Rights	**16**
Key Accounting Policies	**16**
Internal Control Systems and Disclosure Controls	**18**
Risk and Uncertainties	**19**

medmira

This Management's Discussion and Analysis (MD&A) for the year ended July 31, 2011 has been prepared to help investors understand the financial performance of MedMira Inc. (MedMira or the Company) in the broader context of the Company's strategic direction, the risk and opportunities as understood by management, and the key metrics that are relevant to the Company's performance. The Audit Committee of the Board of Directors has reviewed this document and all other publicly reported financial information for integrity, usefulness, reliability and consistency.

The following discussion should be read in conjunction with the consolidated financial statements for the year ended July 31, 2011. The preparation of these financial statements may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Management bases estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the foundation for making judgments about the carrying value of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. Management believes that the accounting policies, outlined in the Summary of Significant Accounting Policies section of its consolidated financial statements, affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

This document contains forward looking statements, such as statements regarding future sales opportunities in various global regions and financing initiatives that are based on current expectations of management. These statements involve uncertainties and risks, including the Company's ability to obtain and/or access additional financing with acceptable terms as well as delays in anticipated product sales. Such forward-looking statements should be given careful consideration and undue reliance should not be placed on these statements.

This document and the related financial statements can also be viewed on the Company's website at www.medmira.com and at www.sedar.com.

Company Overview

Based in Halifax, Nova Scotia, MedMira is a publicly traded, Canadian life sciences company focused on the development of rapid diagnostics and technology.

MedMira's patented rapid flow-through technology platform is the basis for the Company's line of rapid diagnostics, which are highly accurate, easy-to-use, and produce immediate results – a strong advantage over most rapid diagnostics on the market today. MedMira's technology and diagnostics are becoming well known for excellence in performance and quality.

All of MedMira's rapid tests utilize a distinctive flow-through testing platform. More than CDN$20 million has been invested over the past 12 years in perfecting this core technology, which has proven itself time and time again with its excellent clinical performance and its success in rigorous evaluations and inspections, leading to regulatory approvals in the United States (FDA), Canada (Health Canada), European Union (CE Mark) and China (SFDA), as well as ISO 9001:2008 and ISO 13485:2003 certifications. One of MedMira's key products, its rapid HIV test, is the only rapid HIV test in the world to be approved by all of these major health and medical regulators.

MedMira has been granted patents encompassing this test system, which serve to protect the test components and testing procedure that comprise its technology.

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

Business Development Activities

MedMira made progress in the development of several key market segments and sales channels during this fiscal year. The Company continued with cost containment strategies, process-oriented operational improvements, and product and technology platform research and development. Together these advancements position MedMira well to capitalize on future opportunities for growth. The Company continued to refine and build its global strategic partner network in order to further its reach into geographical and niche market segments where opportunities for its products and technology platform exist.

Africa

Early in fiscal year 2010, MedMira's strategic partner working in East Africa, Advance Aid, undertook and completed an in-market pilot study in Kenya to position the Company's Reveal HIV rapid test with key customers in voluntary testing and counselling centers. This initiative produced very positive results which clearly demonstrated the value of Reveal HIV rapid test in the massive screening programs that Kenya and other African countries plan to undertake in the near future. Upon completion, the study report was submitted to Kenya's health regulators for further evaluation. MedMira's test has been approved by the Ministry of Health and as of year end, the Kenyan health authorities were formulating their testing and procurement strategy. The Company's East Africa partner is active and involved in this process.

Elsewhere in Africa, the Company's strategic partner Vitest AG (Vitest) continued to pursue both private and public healthcare market advancements, evaluate local agent candidates, and prepare for tender and proposal opportunities. MedMira continues to identify Africa as a market with significant potential; however, it remains a challenging market with unpredictable timelines.

Asia Pacific

MedMira, together with its strategic partner Triplex International Biosciences Co. Limited (Triplex), has made significant progress in the China market this year. Triplex and MedMira's partnership has two parallel streams – sales and outsourced manufacturing. The Triplex sales team has been successful in advancing MedMira's rapid HIV test in China's public healthcare market through tender processes. Key to winning business in this market sector was an in-depth evaluation conducted by China's Center for Disease Control and Prevention (CDC). The results of this study placed MedMira's rapid HIV test first among 12 key competitors in this market. Shortly following the release of the study, Triplex placed an order for 400,000 tests, its first significant order for the China market. Shipment of this order was immediately followed by a second order.

Europe

During this fiscal year, MedMira began activities to re-launch the Company's products in the European market. As part of this process, the Company prepared and submitted a dossier to European regulators that will further align the product offering in this market with those that MedMira

offers in other markets. Approval by the Notified Body for a revamped product suite was received subsequent to the close of the fiscal year end. Planning for a full-scale market launch and expansion of the Company's presence in the European market is ongoing.

Latin America

The Company continued to push forward in the Latin American markets during this fiscal year with market development in both private and public healthcare sectors. MedMira also began R&D collaboration in the region with the introduction of the Miriad research product line. The creation of a manufacturing hub to perform assembly and final packaging in this region is also being explored through a strategic partnership channel. Manufacturing operations located in strategic geographic locations throughout the world will bring further customer service efficiencies to MedMira.

Middle East

MedMira began work in the Middle East market this year, partnering with multiMed Holdings Inc. (multiMed), a US-based sales and marketing entity with a strong distribution platform in the region. While initial success was seen with the approval of five MedMira rapid tests in Jordan, progress has slowed due to ongoing political instability. Despite these roadblocks, MedMira and multiMed continue to initiate product evaluations, registrations, and pursue sales opportunities in the Middle East, with a focus on the private and the public healthcare markets within the region's most stable nations.

North America

In this fiscal year MedMira made its most significant market progress in the North American market since achieving FDA approval on its rapid HIV test. In July 2011, the Company was awarded a U.S. Army Medical Research Acquisition Activity (USAMRAA) contract, valued at USD$2,278,192, to develop and commercialize a multi-marker rapid test for the detection of the Hepatitis B Core IgG and IgM antibodies. The U.S. Army will fund all development costs and associated fees in obtaining a U.S. Food and Drug Administration (FDA) premarket approval (PMA) for this new rapid test. Once approved, the product will be supplied by MedMira directly to the U.S. Army and to other customers through typical distribution sales channels.

Sales for the Reveal G3 Rapid HIV-1 Antibody Test in the US declined during 2011 due to increased use of automated diagnostic solutions in hospital and laboratory settings. The Company will continue to focus on point-of-care diagnostics solutions, a high growth segment of the diagnostics industry.

Research and Development (R&D)

During fiscal year 2011, MedMira's R&D team carried out experimental development on projects to advance various applications on its patented flow-through diagnostic technology platform. Some of the projects included development of tests for sexually transmitted diseases (STDs), breast cancer, and transfusion transmitted diseases such as Hepatitis B. Some of this project work was conducted completely by the MedMira team, while other projects have been done in collaboration with strategic partners.

MedMira's R&D team dedicated a significant effort to completing activities leading to the issuance of a contract to MedMira from USAMRAA for the development of a rapid test to aid in the diagnosis of

Hepatitis B. The team has also worked to establish new links within armed services organizations around the world.

Additionally, MedMira's R&D team has continued to advance its patented technology platform by improving ease of use for end-users and worked collaboratively with the operations and production teams to achieve efficiencies in manufacturing.

Operations

During this fiscal year, MedMira's operations team focused on fulfilling product orders, further development of relationships with key suppliers and outsourced manufacturers, and expanding the Company's manufacturing capabilities and capacity. The team explored several different scenarios for expanding the Company's manufacturing scope, including automation and the possibility of additional manufacturing hubs to be located in strategic markets, thus streamlining the delivery timelines for customers around the world.

The Company engaged with external experts to develop a comprehensive plan for full automation of the production process. This long-term project is in the initial planning stages and expected implementation timelines are yet to be determined. Production automation will be important to the future profitability plans of the Company.

Fourth Quarter Analysis

Operating Revenue and Gross Profit

The Company recorded revenue from product sales in the quarter ended July 31, 2011 of $248,681 as compared to $30,273 for the same period last year. Gross profit for the quarter was $93,721 compared to $120,759 in the same period in 2010. Current year gross profit is in line with management expectations. 2010 gross profit included a one time adjustment to cost of sales resulting in higher than normal gross profit.

Operating Expenses

Total operating expenses decreased to $491,745 in the quarter ended July 31, 2011, compared to $781,129 during the same period in 2010.

- Wages and benefits for the quarter ended July 31, 2011 remained constant at $339,871, compared to $335,446 for the same period in 2010.
- Research and development expense for the quarter ended July 31, 2011 was $23,865, compared to $77,209 for the same period last year. This decrease was the result of the realization of tax credits and grants related to research which were accounted for as a credit to the R&D expense.
- General and administrative (G&A) expenses were $117,502 for the quarter ended July 31, 2011, compared to $366,826 for the same period in 2010. The decrease in expenses was a result of decreases in accounts payable and improved administrative efficiencies as a result

of the consolidation of facilities.

- Other operating expenses increased to $10,507 for the quarter ended July 31, 2011, compared to $1,648 in the same period last year.

Non-operating Expenses

Non-operating expenses increased to $1,233,896 in the quarter ended July 31, 2011, compared to $722,726 for the same period last year. This increase in expense is due primarily to an increase in interest expense from $707,655 in the quarter ended July 31, 2010 to $1,153,381 in the same period in 2011. Additionally, exchange loss in the quarter ended July 31, 2011 increased to $80,514 from $49,768 in the same period in 2010.

Year to Date Analysis

Selected Annual Balance Sheet Information			For the year ended
	July 31, 2011	July 31, 2010	July 31, 2009
Total assets	1,492,123	568,178	523,414
Current liabilities	20,605,822	16,801,868	15,583,695
Long-term liabilities	-	430,328	936,563
Shareholders' deficiency	(19,113,699)	(16,664,018)	(15,996,844)
Total liabilities and shareholders' deficiency	1,492,123	568,178	523,414

The accrual of a interest related to promissory notes for the year ended July 31, 2011 was $3.6 million, compared with $2.4 million for the same period in 2010. The issuance of new promissory notes required to cover operating expenses increased current liabilities approximately $0.8 million, while the issuance of new equity reduced the shareholders deficiency by $2.5 million. Net loss for the year increased shareholders deficiency by a further $4.9 million.

Selected Annual Statement of Loss Information			For the year ended
	July 31, 2011	July 31, 2010	July 31, 2009
Sales	909,869	1,073,175	1,137,645
Cost of sales	493,914	338,152	580,236
Gross profit	415,955	735,023	557,409
Operating and other expenses	5,345,138	5,153,685	5,820,580
Net loss before tax	(4,929,183)	(4,418,662)	(5,263,171)
Net loss per share	0.02	0.02	0.05

Operating Revenue and Gross Profit

The Company recorded revenue from product sales of $909,869 as compared to $1,073,175 for the same period last year, a decrease of approximately 15%. The revenue decrease was primarily attributable to the Company's decreased sales in North America which was minimized by sales growth in Asia Pacific.

Gross profit for the year was $415,955 or 45.7% compared to $735,023 or 68.5% in the prior year. Prior year gross profit was higher than expected due to a reduction in accrued expenses.

Operating Expenses

Operating expenses decreased to $2,273,059 in 2011 from $3,072,343 in 2010.

- Wages and benefits for the year ended July 31, 2011 remained constant at $1,303,935 versus $1,357,468 in 2010.
- R&D expense decreased to $275,272 compared to $332,364 for the same period last year. The decrease in R&D expense is the result of tax incentives and funding for research performed during the period.
- G&A expenses were $661,533 for the year ended July 31, 2011, down from $1,308,504 for the same period last year. Continued efficiencies in G&A expenses are being realized from the consolidation of facilities and tighter fiscal controls. These savings are expected to persist in future periods.
- Other operating expenses decreased to $32,319 compared to $74,007 in the same period last year. The change in expense versus last period was driven by reductions in amortization as a result of assets fully depreciating and reductions in marketing expenditures.

Non-operating Expenses

Non-operating expenses increased to $3,072,079 from $2,081,342 due primarily to an increase in interest expense to $3,603,613 from $2,395,246. This was partially offset by a foreign exchange rate gain of $528,986, compared to a gain of $267,991 in 2010, due to a strengthening of the Canadian dollar.

Segmented Information

The Company has determined that it has a single reportable segment and has two product lines—commercial products and research products, which are broken down as follows:

	For the three months ended		For the year ended	
	July 31, 2011	July 31, 2010	July 31, 2011	July 31, 2010
Commercial diagnostic tests	247,456	29,981	904,654	1,068,544
Miriad research test kits	1,225	292	5,215	4,631
Total sales	248,681	30,273	909,869	1,073,175

Miriad Research Tests Kits are diagnostics designed for the academic, medical, clinical, and life sciences research sectors and are built on the patented MedMira rapid flow-through technology platform.

The geographic breakdown of sales is shown below:

	For the three months ended July 31, 2011	July 31, 2010	July 31, 2011	For the year ended July 31, 2010
North America	68,154	8,246	540,340	876,478
Latin America/Caribbean	2,345	5,077	9,105	49,575
Europe	-	8,747	106,115	79,620
Asia Pacific	178,182	-	178,403	41,529
Other	-	8,203	75,906	25,973
Total sales	248,681	30,273	909,869	1,073,175

Quarterly Financial Data

The following consolidated data was drawn from the financial statements for the current and previous fiscal year:

Selected Quarterly Information

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

	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010*	Q2 2010	Q1 2010
Sales	249	296	189	177	30	163	504	376
Cost of sales	155	147	101	91	(90)	98	172	158
Gross profit	94	149	88	86	120	65	332	218
Operating & other expenses	1,726	1,030	1,392	1,197	1,504	1,071	1,288	1,290
Net loss before tax	(1,632)	(881)	(1,304)	(1,111)	(1,384)	(1,006)	(956)	(1,072)
Net loss per share	(0.007)	(0.004)	(0.01)	(0.01)	(0.01)	(0.01)	(0.004)	(0.01)

*In the MD&A for the year ended 2010, the Company reported an adjustment to the third quarter results. The third quarter amounts reflect a reduction in revenue of $437,787 for product in which title had not passed to the final customer. The revenue originally had been recognized on passing of title to the Company's distribution partner, however, it was subsequently determined that collection would not be reasonably assured until product was sold to an end user. The resulting adjustment is shown below.

	Reported	**Adjusted**	**Variance**
Revenue	$601,109	$163,322	$437,787
Cost of sales	153,858	98,063	55,795
Gross profit	447,251	65,259	381,992

Liquidity and Capital Resources

Cash and Working Capital

The Company had a cash reserve of $1,026,763 on July 31, 2011, as compared to bank indebtedness of $62,745 on July 31, 2010. The Company's net working capital position as of July 31, 2011 was a deficit of $19.1 million compared to the July 31, 2010 working capital deficit of $16.2 million. The Company has incurred losses and negative cash flows on a cumulative basis since inception. For the year ended July 31, 2011, the Company incurred a net loss of approximately $4.9 million and negative cash flows from operations of approximately $3.9 million, compared to a net loss of $4.4 million and negative cash flows of $2.6 million for the same period in 2010.

Summary of Cash Flows

	For the year ended	
	July 31, 2011	July 31, 2010
Cash provided by (used in)		
Net cash flows from operating activities	(1,692,981)	(2,637,317)
Net cash flows from financing activities	2,726,568	2,692,820
Net cash flows from investing activities	(6,823)	(55,503)
Net change in cash	1,026,763	-
Cash and cash equivalents - Beginning	-	-
Cash and cash equivalents – End	1,026,763	-

Operating Activities

MedMira generated negative cash flows from operations of $1.7 million for the year ended July 31, 2011, compared to negative cash flows of $2.6 million for the same period in 2010. The decrease in cash flow from operations was caused by a greater increase in accounts payable in 2010 than in 2011.

Financing Activities

Cash flows from financing activities were positive $2.7 million for the year ended July 31, 2011, compared to positive $2.7 million for the year ended July 31, 2010. The financing cash flow included $2.5 million in share issuances of which $1.5 million occurred in the quarter ended July 31, 2011.

Investing Activities

Cash flow from investments included purchase of equipment for the year ending July 31, 2011 of $6,823, compared to $55,503 for the same period in 2010.

Debt

As at July 31, 2011, the Company had promissory notes of $7.5 million, convertible debentures of $1.4 million and long-term debt of $5.7 million, compared to $5.5 million, $1.4 million, and $5.7 million respectively for the same periods in 2010. These promissory notes, convertible debentures, and long-term debt are all classified as current liabilities as all are in default or are payable within one year. On July 18, 2011 the Company announced CAD $1.5 million equity investment to begin a strategic refinancing plan that will use compromise debt arrangements intended to reduce the Company's overall debt.

Further discussions on liquidity and capital resources can be found in the "Liquidity Risk" section of this document, under "Need for Additional Capital" in the "Risk and Uncertainties" section in this document and in Note 1 of the July 31, 2011 consolidated financial statements of MedMira Inc.

Equity/Shares

The Company is authorized to issue an unlimited number of common shares without nominal par value. The number of issued and outstanding common shares on July 31, 2011 was 252,264,320. The Company is also authorized to issue an unlimited number of Series A preferred shares redeemable at $0.01 per share after March 31, 2010, convertible into an equal number of common shares upon the Company meeting certain milestones. There were 5,000,000 Series A preferred shares issued and outstanding on July 31, 2011.

During the year ended July 31, 2011, the Company completed the following significant financing transactions through the issuance of common shares:

- Completed the placement of 20,000,000 equity units at $0.05 per unit for proceeds of $1 million with Andurja AG of Switzerland. Each equity unit consists of one common share and one common share purchase warrant.
- Completed the placement of 30,000,000 equity units at $0.05 per unit for proceeds of $1.5 million with Andurja Beteiligungen AG of Switzerland. Each equity unit consists of one common share and one common share purchase warrant.

The Company had 3,845,000 outstanding stock options on July 31, 2011. The outstanding stock options have a weighted average exercise price of $0.13 per share and a weighted average remaining term of 1.7 years. The number of outstanding warrants on July 31, 2011 was 96,119,500. The outstanding warrants have a weighted average exercise price of $0.10 per share and a weighted average remaining term of 2.6 years.

Subsequent Event

On October 14, 2011 the Company granted 3,290,000 stock options to employees and directors under its stock option plan that was approved by shareholders at the Company's Annual General Meeting on January 27, 2011. The options are exercisable at $0.10 over a three year period.

Off Balance Sheet Arrangements

The Company was not party to any off balance sheet arrangements as of July 31, 2011.

Financial Instruments

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

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

Risk Management

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

Credit Risk

The Company derives approximately 86% (2010—87%) of its revenue from two (2010—two) main customers and, for these customers, assesses the recoverability of each account on a regular basis. There was $382 in bad debts during the year (2010—$8,810). As of July 31, 2011, 66% of the accounts receivable balance is due from three customers (2010—76% due from three customers) and no other customers account for more than 10% of the accounts receivable balances as at July 31, 2011.

Liquidity Risk

The Company manages liquidity by forecasting and monitoring operating cash flows and through the use of revolving credit facilities and share issuances.

The Company has incurred losses and negative cash flows on a cumulative basis since inception. For the year ended July 31, 2011, the Company incurred a net loss of approximately $4.9 million (2010—$4.4 million) and negative cash flows from operations of approximately $1.7 million (2010—$2.6 million). As at July 31, 2011, the Company had an accumulated deficit of approximately $73.9 million (2010—$69.0 million). In addition to its ongoing working capital requirements, the Company must secure sufficient funding for its R&D programs and for existing commitments, including its promissory notes payable of approximately $7.5 million, long-term debt repayments of approximately $5.7 million, and redemption of convertible debentures of approximately $1.4 million, all due in fiscal 2012. These circumstances lend significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going-concern.

Management is pursuing other financing alternatives to fund the Company's operations, so it can continue as a going-concern. Management plans to secure the necessary financing through new equity and debt arrangements and is pursuing dramatic increases in sales revenue. Nevertheless, there is no assurance that this initiative will prove successful.

Currency Risk

MedMira receives revenues and incurs expenses in US and Canadian currencies, and as a result, is subject to uncertainty as foreign exchange rates fluctuate. The Company's US dollar denoted debt is approximately US $6.6 million plus accrued interest payable of approximately US $2.1 million at July 31, 2011. The exchange fluctuations from quarter to quarter account for a significant portion of the company's exchange gain and loss. Sales are for the most part in US dollars, however, they are recorded at the exchange rate prevailing on or near the transaction date and collected in a timely manner.

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

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

A one cent change in the USD/CAD exchange rate would have an estimated impact on net income of $9,000. For the US-denominated promissory notes, a fluctuation of one cent in the USD/CAD exchange rate would have an impact on net income of approximately $90,000.

Fair Value

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

As of July 31, 2011, the fair value of the promissory notes payable, convertible debentures and long-term debt in default was not reasonably determinable as these were due on demand.

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

Related Party Transactions

During the year ended July 31, 2011 the company recorded sales of $80,718 and retained a balance in accounts receivable at July 31, 2011 of $10,521 with a company presided over by a director of MedMira Inc. The company also recorded interest of $2,579,278 and retained a balance in accounts payable at July 31, 2011 of $1,690,803 related to debt held by a director and significant shareholders.

Intellectual Property Rights

The Company strives to protect its intellectual property in established and emerging markets around the world as warranted. MedMira's intellectual property portfolio for its rapid flow-through (RFT) platform and the methodology behind its rapid diagnostics includes the following:

- United States: Patent No. 10/163,675
- European Union: European Patent Application No. EP1417489
- China: Chinese Patent No. 02819646.5

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

Key Accounting Policies

The significant accounting policies of MedMira are described in Note 2 of the July 31, 2011 consolidated financial statements of MedMira Inc.

Management Estimates

The preparation of financial statements in accordance with Canadian Generally Accepted Accounting Principles (GAAP) requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from management's best estimates as additional information becomes available in the future. The main critical accounting estimates requiring key assumptions and judgment are the impairment of assets, accrued liabilities and capital and warrant valuation.

Revenue Recognition

Revenue from sales of products is recognized when title passes to end-users customers, which is generally at the time the products are shipped, and ultimate collection is reasonably assured. Revenue from license fees is recognized based on the terms of the license agreement and when ultimate collection is reasonably assured. Licenses subject to attaining milestones are recognized as milestones are reached. Non-refundable up-front fees are recognized as revenue over the term of the license.

Future Accounting Standard Changes

Convergence with International Financial Reporting Standards (IFRS)

The Company will no longer prepare its financial statements in accordance with GAAP as set out in Part V of the Canadian Institute of Chartered Accountants (CICA) Handbook – Accounting, for the periods beginning on or after August 1, 2011, when it will start to apply as its primary basis of accounting IFRS as published by the International Accounting Standards Board and set out in Part I of the CICA Handbook. Accounting changes to GAAP effective on or after August 1, 2011 are not discussed in these financial statements and will not be applied by the Company.

MedMira's transition to IFRS in 2011 is expected to have an impact on the opening balance sheet as at August 1, 2010. The full effects are still being determined, however MedMira has identified certain significant standards likely to impact the consolidated financial statements. These assessments are based on available information and expectations as of the date of this MD&A and thus, are subject to change based on new facts and circumstances.

In order to prepare for the transition to IFRS effective on January 1, 2011, the Company is following a three-phase transition plan: initial review and assessment; in-depth analysis; and implementation. The Company has performed an initial review of the expected impact of IFRS and is in the process of completing the in-depth analysis. The Company has trained finance personnel on the application of IFRS accounting policies and the potential impact on the consolidated financial statements. The Company is currently preparing a draft opening balance sheet, along with the accounting policies under IFRS, and will present them to the Audit Committee for review. All amounts will be considered unaudited, as the Company has not yet prepared a full set of financial statements under IFRS.

During the implementation phase, the Company will introduce accounting policy changes and make required modifications to internal control procedures and accounting systems prior to the first required IFRS reporting period.

Below is a summary of key differences between GAAP and IFRS that will affect the Company. This list is not intended to be comprehensive, it highlights differences that the Company believes will have the most potential to impact significant change to its financial statements.

First-time adoption of International Financial Reporting Standard (IFRS 1)

IFRS 1 sets out the procedures that an entity must follow when it adopts IFRS for the first time as the basis for preparing its general purpose financial statements. IFRS 1 is mandatory guidance for entities preparing and applying IFRS consolidated financial statements for the first time. The transition guidance in IFRS 1 takes precedence over specific transition provisions in individual IFRS standards and contains specific optional exemptions and mandatory exceptions from the general requirement for retrospective application.

The following are IFRS 1 exemptions that the Company will elect on transition date:

- Fixed assets: An entity may elect to revalue property and equipment at fair value at the transition date and use this fair value as the deemed transition cost. The Company will not utilize this election.
- Share-based payments: The exemption allows first-time adopters to exempt from applying IFRS 2 to the following: equity instruments that were granted prior to November 7, 2002; equity instruments that were granted after November 7, 2002 but vested before transition to IFRS; and to liabilities settled before the transition date. The Company is utilizing this election.
- Financial instruments: Any entity may elect to change the designation of previously recognized financial instruments if certain conditions are met. The Company will keep the same classification of its financial instruments.

IAS 16 – Property, plant and equipment (PP&E)

IFRS requires that separate significant components of an item of PP&E be recorded and depreciated separately. The Company does not have any compound assets that consist of significant parts in relation to the total cost of the item, where each significant part may be depreciated with different useful lives.

IFRS permits revaluation accounting to be applied to an entire class of PP&E. The revalued amount of an asset is the fair value at the revaluation date less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The Company will be electing to measure its PP&E using the cost method.

IAS 39 – Financial instruments: recognition and measurement

IAS39 requires that notes and loans be measured at the amortized cost using the effective interest method. The current nature of MedMira's financial liabilities will result in little impact to the valuation of debt during the transition to IFRS. However, the renegotiation of the terms of debt obligations could result in reclassification to long-term liabilities and could result in significant measurement differences from GAAP.

Other GAAP vs. IFRS differences

The Company has completed a review of the differences between GAAP and IFRS and believe the following standards will not have a material impact on the Company's financial statements, other than enhanced disclosures:

- Intangible assets
- Leases
- Income taxes
- Revenue recognition
- Related party transactions

Internal Control Systems and Disclosure Controls

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

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

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

Management, under the supervision of the CEO and CFO, has evaluated the effectiveness of our internal control over financial reporting and based on this evaluation, the CEO and CFO have concluded that internal control over financial reporting was effective as of July 31, 2011.

Because of inherent limitations, internal control over financial reporting and disclosure controls can provide only reasonable assurances and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Audit Committee of the Board of Directors of MedMira reviewed this MD&A, and the consolidated financial statements of MedMira for July 31, 2011 and MedMira's Board of Directors approved these documents prior to their release.

Risk and Uncertainties

The Company's base of activity has expanded to manufacturing products for distribution in international markets. As a result, the Company's operations are exposed to a variety of risk factors. The Company's operations and markets have been evolving, making it difficult to accurately predict future operating results. Actual future results may differ significantly in any forward-looking statements. Factors that may cause such differences include, but are not limited to, the following:

Need for Additional Capital

Cash generated from operations is insufficient to satisfy working capital and capital expenditure requirements, and the Company may be required to sell additional equity or debt securities or obtain additional credit facilities. In recent quarters the Company has relied on temporary funding advanced from key investors. There can be no assurance that this source of funding will continue to be available on acceptable terms or at all. Additional capital may not be available on satisfactory terms, or at all. Management is pursuing other financing alternatives to fund the Company's operations so it can continue as a going-concern.

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

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

- the extent to which new products and products under development are successfully developed, gain market acceptance and become and remain competitive;
- the costs and timing of further expansion of sales, marketing and manufacturing activities and facilities needs;

- the timing and results of clinical studies and regulatory actions regarding potential products; and
- the costs and timing associated with business development activities, including potential licensing of technologies patented by others.

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

Competition

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

Significant Development and Marketing Effort Required

Products currently under development by MedMira require additional development, testing and investment prior to any final commercialization. There can be no assurance that these products or any future products will be successfully developed, prove to be safe and effective in clinical trials, receive applicable regulatory approvals, be capable of being produced in commercial quantities at reasonable costs or be successfully marketed. The long-term success of MedMira must be considered in light of the expenses, difficulties and delays frequently encountered in connection with the development of new technology and the competitive and highly regulated environment in which MedMira operates.

High Degree of Regulation

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

No Assurance of Patent Protection

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

Possible Patent Infringement

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

Ability to Retain and Attract Key Management and Other Experienced Personnel

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

Limited Sales and Marketing Resources and Reliance on Key Distributors to Market and Sell the Company's Product

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

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

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

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

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

Manufacturing, Capability, Scale-Up, Manufacturing for New Products, Capacity, Inefficiencies and Constraints

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

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

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

Rapidly Changing Technology

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

Fluctuations in Revenue

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

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

Market Acceptance of Current and New Products

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

Uncertainties Regarding Health Care Reimbursement and Reform

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

Effects of Inflation and Foreign Currency Fluctuations

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

Product Liability

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

Possible Volatility of Share Price

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

MedMira Inc.

Consolidated Financial Statements
July 31, 2011 and 2010

Management's Responsibility for Financial Reporting

November 28, 2011

The accompanying consolidated financial statements of **MedMira Inc.** (the "Company") have been prepared by the Company's management. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and contain estimates based on management's judgment. Internal control systems are maintained by management to provide reasonable assurances that assets are safeguarded and financial information is reliable.

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, PricewaterhouseCoopers LLP, are appointed by the shareholders to conduct an audit in accordance with Canadian generally accepted auditing standards and their report follows.

Hermes Chan
President & Chief Executive Officer

Daniel Frid
Chief Financial Officer

Halifax, Nova Scotia

Independent Auditor's Report

November 28, 2011

Independent Auditor's Report

To the Shareholders
of MedMira Inc.

We have audited the accompanying consolidated financial statements of **MedMira Inc.** and its subsidiaries, which comprise the consolidated balance sheets as at July 31, 2011 and 2010 and the consolidated statements of loss, comprehensive loss and deficit and cash flows for the years then ended, and the related notes, which comprise 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 Canadian generally accepted accounting principles, 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.

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of MedMira Inc. and its subsidiaries as at July 31, 2011 and 2010 and the results of their operations and their cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 in the financial statements which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about MedMira Inc.'s ability to continue as a going concern.

(signed) "*PricewaterhouseCoopers LLP*"

Chartered Accountants
Halifax, Nova Scotia

PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

MedMira Inc.
Balance Sheet
As at July 31, 2011 and 2010

	2011 $	2010 $
Assets		
Current assets		
Cash	1,026,763	–
Accounts receivable	82,942	40,289
Inventory (note 4)	214,601	359,641
Prepaid expenses	109,009	59,366
Investment tax credits recoverable (note 5)	26,307	53,098
	1,459,622	512,394
Property and equipment (note 6)	32,499	55,782
Intangible assets (note 7)	2	2
	1,492,123	568,178
Liabilities		
Current liabilities		
Bank indebtedness (note 3)	–	62,745
Accounts payable and accrued liabilities	5,308,216	3,887,097
Unearned revenue	643,976	591,108
Promissory notes payable to related parties (note 8)	6,554,465	5,045,272
Promissory notes payable to non-related parties (note 8)	970,731	501,790
Convertible debentures payable to related parties (note 9)	650,000	650,000
Convertible debentures payable to non-related parties (note 9)	791,667	791,667
Current portion of long-term debt (note 10)	5,686,767	5,272,189
	20,605,822	16,801,868
Long-term debt (note 10)	–	430,328
	20,605,822	17,232,196
Shareholders' Deficiency		
Share capital and warrants (note 11)	52,934,661	50,681,078
Contributed surplus (note 11)	1,845,043	1,656,124
Deficit	(73,930,403)	(69,001,220)
	(19,113,699)	(16,664,018)
	1,492,123	568,178

Going-concern (note 1)

Commitments (note 14)

Approved on behalf of the Board of Directors

(signed) "*Hermes Chan*", Director

(signed) "*Romano Robusto*", Director

MedMira Inc.

Consolidated Statements of Loss, Comprehensive Loss and Deficit

For the years ended July 31, 2011 and 2010

	2011 $	2010 $
Sales	909,869	1,073,175
Cost of sales	493,914	338,152
Gross profit	415,955	735,023
Expenses		
Amortization	30,106	33,548
General and administrative	661,533	1,308,504
Research and development	275,272	332,364
Sales and marketing	2,213	40,459
Wages and benefits	1,303,935	1,357,468
	2,273,059	3,072,343
Net loss before the following	(1,857,104)	(2,337,320)
Other income (expenses)		
Interest expense	(3,603,613)	(2,395,246)
Other income	2,548	45,913
Foreign exchange gain	528,986	267,991
Loss before income taxes	(4,929,183)	(4,418,662)
Recovery of future income taxes (note 12)	37,000	—
Net loss and comprehensive loss for the years	(4,892,183)	(4,418,662)
Deficit – Beginning of years	(69,001,220)	(64,582,558)
Deficit – End of years	(73,893,403)	(69,001,220)
Basic and diluted loss per share (note 18)	(0.02)	(0.02)

MedMira Inc.
Consolidated Statements of Cash Flows
For the years ended July 31, 2011 and 2010

	2011 $	2010 $
Cash provided by (used in)		
Operating activities		
Net loss for the years	(4,892,183)	(4,418,662)
Charges (credits) to income not involving cash		
Amortization	30,106	33,548
Foreign exchange gain	(528,986)	(267,991)
Non-cash interest expense	1,992,232	1,306,767
Recovery of future income taxes	(37,000)	—
	(3,435,831)	(3,346,338)
Net change in non-cash working capital balances related to operations		
Decrease (increase) in accounts receivable	(42,653)	4,448
Decrease (increase) in inventory	145,040	(48,022)
Decrease (increase) in prepaid expenses	(49,643)	14,889
Decrease in investment tax credits recoverable	26,791	5,876
Increase in accounts payable and accrued liabilities	1,610,446	804,009
Increase (decrease) in unearned revenue	52,868	(72,179)
	(1,692,982)	(2,637,317)
Financing activities		
Net change in bank indebtedness	(62,745)	(3,405,964)
Proceeds from issuance of share capital and warrants (net of share issuance costs)	1,479,502	2,265,970
Proceeds from issuance of long-term debt	–	3,553,796
Repayment of long-term debt	(15,750)	(48,132)
Proceeds from issuance of promissory notes	1,336,136	514,150
Repayment of promissory notes	(10,575)	(187,000)
	2,726,568	2,692,820
Investing activities		
Purchase of property and equipment	(6,823)	(55,503)
Net change in cash during the years and Cash – End of years	1,026,763	–

Supplemental cash flow information (note 17)

1 Nature of operations and going-concern

Nature of operations

MedMira Inc. (the "Company"), through its subsidiaries, is engaged in the business of research and development and manufacturing of medical diagnostic testing kits and other medical devices. The Company invests in research in order to maintain its position in the world-wide market place in the current areas of expertise.

Going-concern

The accompanying financial statements have been prepared on the basis of Canadian generally accepted accounting principles ("GAAP") 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 on a cumulative basis since inception. For the year ended July 31, 2011, the Company incurred a net loss of approximately $4.9 million (2010 - $4.4 million) and negative cash flows from operations of approximately $1.7 million (2010 - $2.6 million). As at July 31, 2011, the Company has an accumulated deficit of approximately $73.9 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 promissory notes payable of approximately $7.5 million, long-term debt repayments of approximately $5.7 million, all due in fiscal 2012, and redemption of convertible debentures of approximately $1.4 million. These circumstances lend significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going-concern.

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. 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. These financial statements do not reflect the adjustments to carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going-concern assumption inappropriate and these adjustments could be material.

2 Significant accounting policies

Financial statement presentation

These financial statements have been prepared in accordance with GAAP. All amounts are expressed in Canadian dollars unless otherwise stated.

2 Significant accounting policies (continued)

Changes in accounting policies and future accounting standard changes

Convergence with International Financial Reporting Standards ("IFRS")

The Company will cease to prepare its financial statements in accordance with GAAP as set out in Part V of the Canadian Institute of Chartered Accountants ("CICA") Handbook – Accounting, for the periods beginning on or after August 1, 2011, when it will start to apply as its primary basis of accounting IFRS as published by the International Accounting Standards Board and set out in Part I of the CICA Handbook – Accounting. Consequently, future accounting changes to GAAP that are effective on or after August 1, 2011, are not discussed in these financial statements as they will not be applied by the Company.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries:

MedMira Laboratories Inc.

Precious Life Saving Products Inc.

Maple Biosciences Inc.

1091089 Alberta Ltd.

Cash

Cash consists of cash on hand and bank balances.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates of exchange in effect at the date of the balance sheet. Non-monetary assets, liabilities and other items recorded in net loss are translated at rates of exchange in effect at the date of the transaction. The resulting foreign exchange gains and losses are included in the determination of net loss for the current year.

Inventory

Raw materials are valued at the lower of cost and net realizable value, determined using the first-in, first-out method, and replacement cost. Work-in-process and inventory of finished goods are valued at the lower of cost, determined on a specific item basis, and net realizable value.

Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization is provided for on a straight-line basis as follows:

2 Significant accounting policies (continued)

Manufacturing equipment	5 years
Laboratory equipment	5 years
Office equipment and furniture	5 years
Leasehold improvements	over term of the lease

Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be used is measured by comparing the net book value of the asset to the undiscounted future cash flows expected to be generated by the asset. An impairment is recognized to the extent that the carrying amount exceeds the fair value of the asset.

Intangible assets

Intangible assets represent intellectual properties and product technology which are recorded at cost and are being amortized on a straight-line basis over their useful life estimated at 11-15 years. The value of intellectual properties and product technology is regularly evaluated by reviewing the returns of the related business, taking into account the risks associated with the investment. Any impairment in the value of the intellectual properties and product technology is written off against earnings.

Research and development

All research costs are expensed in the period incurred. Development costs are capitalized if they meet the criteria for capitalization and amortized over the period of the expected life. Development costs are written off when there is no longer expectation of future benefits.

Investment tax credits

Investment tax credits arise as a result of the Company incurring eligible research and development expenses and are recorded as a reduction of the current year expense when it is determined with reasonable assurance that they will be realized.

Loss per share

Loss per share is computed based on the weighted average number of common shares outstanding during the years. Diluted loss per share is equal to the loss per share since the exercise of options and warrants is anti-dilutive.

Stock-based compensation

The Company has a stock option plan, which is described in note 11 (c). The CICA Handbook Section 3870, “stock-based compensation and other stock-based payments”, sets out a fair value based method for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services.

2 Significant accounting policies (continued)

The value of options is determined using the Black-Scholes option pricing model that takes into account, as of the grant date, the exercise price, the expected life of the option, the current price of the underlying stock, expected dividends on the stock, the risk-free interest rate over the expected life of the option, as well as the expected volatility of its stock over the expected life of the option. The resulting value of the options granted to employees is expensed on a straight-line basis over their vesting periods. Options granted to non-employees are measured at fair value initially when granted and re-measured at each reporting date until the measurement date is reached, which is the earliest of completion of performance, a performance commitment being achieved or when vesting occurs.

Future income taxes

The Company uses the liability method of accounting for income taxes. Under this method, current income taxes are recognized for estimated income taxes payable for the current year. Future tax assets and liabilities 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. Future 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 future income tax assets and liabilities of a change in tax rates is recognized in operations in the year in which the change occurs. Future income tax assets are evaluated and if realization is not considered more likely than not, a valuation allowance is provided.

Revenue recognition

Revenue from sales of products is recognized when title passes to customers, which is generally at the time the products are shipped and ultimate collection is reasonably assured.

Revenue from license fees is recognized based on the terms of the license agreement and when ultimate collection is reasonably assured. Licenses subject to attaining milestones are recognized as milestones are reached. Non-refundable up-front license fees are recognized as revenue over the term of the license.

Management estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of certain assets, liabilities, revenues, expenses and disclosure of contingent assets and liabilities at the date of the financial statements and for the year presented. Actual results could differ significantly from those estimates and assumptions. These include but are not limited to:

- Amounts recorded for amortization and impairment of property and equipment which depend on estimates of net recoverable amounts based on expected economic lives and future cash flows from related assets;
- Amounts recorded for investment tax credits recoverable which are calculated based on the expected eligibility and tax treatment of qualifying scientific research and experimental development expenditures recorded in the Company's financial statements;
- Contingencies that are accrued on an undiscounted basis when it is probable that a liability for past events exists and the liability can be reasonably estimated. In determining whether a liability exists, the Company is required to make judgments as to the probability of a future event occurring;

2 Significant accounting policies (continued)

- The allocation of proceeds between common shares and warrants;
- The fair value calculation of stock-based compensation; and
- The fair value allocation of consideration for multiple element revenue arrangements.

3 Bank indebtedness

During 2010, the Company had a bank line of credit of $3,500,000 that was repaid with funds from a loan acquired from the Province of Nova Scotia (note 10). As at July 31, 2011, the Company had a bank overdraft in the amount of $nil (2010 - $62,745).

4 Inventory

	2011 $	2010 $
Raw materials	83,677	147,592
Work in process	116,214	99,293
Finished goods	14,710	112,756
	214,601	359,641

At July 31, 2011 a portion of inventory owned by MedMira is being held at a third party location which consists of the following:

	2011 $	2010 $
Raw materials	–	16,297
Work in process	49,744	23,513
Finished goods	–	102,521
	49,744	142,331

As at July 31, 2011, there are no valuation allowances against inventory (2010 - $nil). Included in cost of sales is a write-off of inventory of $73,840 (2010 - $nil) to reduce inventory to the lower of cost or net realizable value.

5 Investment tax credits recoverable

The balance represents refundable investment tax credits for Scientific Research and Development claims. This amount is subject to assessments by Canada Revenue Agency. During the year, the Company recorded investment tax credits recoverable in the amount of $26,307 (2010 - $5,876), which has been applied against the research and development expenses.

6 Property and equipment

	2011		
	Cost $	Accumulated amortization $	Net $
Manufacturing equipment	174,394	168,878	5,516
Laboratory equipment	23,931	23,931	–
Office equipment and furniture	180,695	171,249	9,446
Leasehold improvements	561,077	543,540	17,537
	940,097	907,598	32,499

	2010		
	Cost $	Accumulated amortization $	Net $
Manufacturing equipment	702,478	694,311	8,167
Laboratory equipment	467,028	465,007	2,021
Office equipment and furniture	508,665	495,342	13,323
Leasehold improvements	561,076	528,805	32,271
	2,239,247	2,183,465	55,782

7 Intangible assets

	2011 $	2010 $
Intellectual properties	2,584,899	2,584,899
Product technology	258,137	258,137
Accumulated amortization and write-downs	(2,843,034)	(2,843,034)
	2	2

The Company acquired product technology and intellectual properties 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.

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.

8 Promissory notes payable

	2011 $	2010 $
Due to directors and officers on demand, interest at 3% - 25%.	6,554,465	5,045,272
Due on demand, interest at 12% - 15%, two at US $500 daily	779,631	501,790
Due on demand, interest payable at the daily rate of US $500 each for the two promissory notes	191,000	—
	7,525,196	5,547,062

The above promissory notes are repayable prior to certain other creditors. The promissory notes as at July 31, 2011 and 2010 include $6,333,675 and $5,045,272, respectively, denominated in US currency (US $6,628,650 and US $4,906,418, respectively). One promissory note in the amount of US $5,846,795 is accruing additional interest at the rate of 25% as the promissory note is in default. A director has provided a personal guarantee for one of the promissory notes in the amount of US $380,290.

The two promissory notes payable (the "Notes"), at July 31, 2011 or $191,100 are denominated in US currency (US $200,001). The terms of the two Notes are identical. Each note bears interest at a daily rate of US $500. As the Notes are in default, they are due on demand and include the following additional obligations and security. Each Note has a charge over inventory; each Note has the rights to a US $0.10 charge on all company product orders for a period of five years; each Note has a priority charge on all monies received from certain customers. The Notes, including unpaid interest and all other obligations, can be settled by the issuance of 6.5 million shares of the Company for each Note.

During the year, the Company received $1,336,136 (2010 - $514,150) in cash proceeds from promissory notes payable. The Company repaid in cash $10,575 (2010 - $187,000) during the year of which $nil (2010 - $nil) was to the directors.

9 Convertible debentures

		2011 $	2010 $
Convertible debenture with a coupon interest rate of 10% per annum, payable monthly, maturing two years from the date of close. The principal was repayable in full on February 29, 2010. The debenture was convertible to common shares at any time during the term at $0.33 per share at the option of the holder. The debenture is currently in default and is classified as a current liability.		791,667	791,667
Convertible debenture with a coupon interest rate of 9% per annum, payable monthly, maturing four years from the date of close. The principal is repayable in full on August 28, 2012. The debenture is convertible in whole or party into common shares of MedMira Inc. at $0.15 per share in years one and two, $0.165 in year three, and $0.1815 in year four. If the remaining balance of the debenture was converted to common shares, it would result in the issuance of an additional 4,333,333 common shares in years one and two, 3,939,394 in year three, and 3,581,267 in year four. The loan is secured by interest on intellectual property and on the step-up technology. The debenture is in default and is classified as a current liability.		650,000	650,000
		1,441,667	1,441,667
Less:	Current portion payable to related parties	650,000	650,000
	Current portion payable to non-related parties	791,667	791,667
		–	–

During the year ended July 31, 2011, $nil (2010 - $30,000) of debentures were converted to shares and $nil (2010 - $nil) were repaid in cash.

10 Long-term debt

	2011 $	2010 $
Loan payable to Atlantic Canada Opportunities Agency, non-interest bearing, payable in six payments of $500 and 40 payments of $9,950 and one payment of $5,935 beginning November 2006. During 2010 payment terms changed to be six payments of $1,000 and 37 payments of $9,950 for the remainder of the balance. The loan is currently in default and classified as a current liability.	368,085	374,086
Loan payable to Atlantic Canada Opportunities Agency, non-interest bearing, payable in 48 equal monthly principal instalments beginning January 2008. During 2010 payment terms changed to be six payments of $500 and 41 payments of $4,117. The loan is currently in default and is classified as a current liability.	168,382	171,382
Loan payable to the Atlantic Canada Opportunities Agency, non-interest bearing, payable in five payments of $750 and 60 payments of $8,334 beginning July 2010. The loan is currently in default and is classified as a current liability.	496,250	500,000
Loan payable to the Atlantic Canada Opportunities Agency, non-interest bearing, payable in four payments of $750 and 60 payments of $8,334 beginning August 2010. The loan is currently in default and is classified as a current liability.	497,000	500,000
Loan payable, 10% per annum, payable in 33 monthly instalments interest and principal of $23,415 starting March 2009. The loan is currently in default and is classified as a current liability.	677,050	677,049
Loan payable to Nova Scotia Government Department of Economic and Rural Development with interest bearing at the Province's five year cost of funds plus 2%. The loan is payable in 54 monthly instalments beginning June 1, 2010. The loan is secured by first interest on intellectual property and on the Maple Bio sensor technology. The loan principle payments are in arrears and therefore the loan is classified as a current liability.	3,480,000	3,480,000
	5,687,767	5,702,517
Less: Current portion	5,687,767	5,272,189
	–	430,328

Interest on long-term debt in the amount of $46,588 (2010 - $97,707) was paid during the year.

During the year ended July 31, 2011, the Company received $nil (2010 - $53,796) in cash proceeds from the issuance of long-term debt and repaid $15,750 (2010 - $48,132) in cash and converted $nil (2010 - $758,182) to common shares.

All long-term debt is in default and therefore fully payable in fiscal 2012.

11 Share capital and warrants

a) Authorized

Unlimited number of Series A preferred shares, non-voting, non participating, redeemable at $.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.

Unlimited number of voting common shares without nominal or par value.

b) Issued

	Number of						
	Common shares	Preferred shares	Stock purchase warrants	Common shares $	Preferred shares $	Warrants $	
Balance, July 31, 2009	133,422,218	5,000,000	10,452,833	46,559,037	2,500	368,053	
Issued for cash in drawdown of equity line of credit	5,091,638	–	–	300,000	–	–	
Issued to repay promissory notes	418,417	–	–	25,105	–	–	
Issued to settle accounts payable	10,095,677	–	–	672,231	–	–	
Issued to repay long-term debt	12,636,370	–	–	758,182	–	–	
Issue for cash	40,000,000	–	40,000,000	1,186,581	–	813,419	
Issued to repay convertible debentures	600,000	–	–	30,000	–	–	
Share issuance costs	–	–	–	(34,030)	–	–	
Balance, July 31, 2010	202,264,320	5,000,000	50,452,833	49,497,106	2,500	1,181,472	
Total share capital and warrants							50,681,078

	Number of						
	Common shares	Preferred shares	Stock purchase warrants	Common shares $	Preferred shares $	Warrants $	
Balance, July 31, 2010	202,264,320	5,000,000	50,452,833	49,497,106	2,500	1,181,472	
Issued to repay promissory notes	20,000,000	–	20,000,000	636,588	–	363,412	
Issue for cash	30,000,000	–	30,000,000	869,554	–	630,446	
Expiration of warrants	–	–	(4,333,333)	–	–	(225,919)	
Share issuance costs	–	–	–	(20,498)	–	–	
Balance, July 31, 2011	252,264,320	5,000,000	96,119,500	50,982,750	2,500	1,949,411	
Total share capital and warrants							52,934,661

11 Share capital and warrants (continued)

b) Issued (continued)

(i) The total common shares issued and outstanding includes 4,064,464 common shares held in escrow, scheduled to be released in accordance with pre-determined dates and events.

(ii) The Series A preferred shares have a stated capital of $2,500 (2010 - $2,500).

c) Stock option plan

The Company has established a stock option plan for its shareholders, employees, officers, directors and consultants. All options vest immediately upon issue and the Company is authorized to issue a maximum of 6,000,000 options. The options are exercisable into an equivalent of 3,845,000 common shares (2010 – 4,713,225) at exercise prices ranging between $0.10 and $0.34. The options expire between the dates of October 19, 2012 and January 5, 2014. All options outstanding at July 31, 2011 and 2010 are exercisable.

There were no options issued during the year.

	2011			2010		
	Number (000's)	Weighted average exercise price $	Contributed surplus and other $	Number (000's)	Weighted average exercise price $	Contributed surplus and other $
Outstanding, Beginning of year	4,713	0.14	1,030,354	5,007	0.14	1,030,354
Expired/forfeited	(868)	0.21	–	(294)	0.11	–
Options at year-end	3,845	0.13	1,030,354	4,713	0.14	1,030,354
Equity component of convertible debenture			595,770			595,770
Cumulative ascribed value of expired warrants, net of tax effect			218,919			30,000
Contributed Surplus			1,845,043			1,656,124

11 Share capital and warrants (continued)

The following table summarizes information about options outstanding and exercisable at July 31, 2011:

Range of exercise prices $	Number outstanding and exercisable $	Weighted average exercise price per share $	Weighted average remaining contractual life (years) $
0.100	3,345,000	0.100	1.71
0.335	500,000	0.335	1.92
	3,845,000	0.131	1.74

d) Stock purchase warrants

During the year ended July 31, 2011, 50,000,000 (2010 - 40,000,000) stock purchase warrants were issued in conjunction with shares issued for cash. These warrants permit the purchase of one common share each at $0.10 per share and are exercisable over four years. At July 31, 2011 the Company had the following warrants outstanding:

Number	Exercise Price $	Expiry date
6,119,500	0.10	December 22, 2013
40,000,000	0.06 – 0.10	November 4, 2012
20,000,000	0.10	November 16, 2014
30,000,000	0.10	July 18, 2015
96,119,500		

The fair value of the warrants has been estimated by management using the Black-Scholes option pricing model. The weighted average assumptions used in the pricing model to value the warrants are as follows:

	2011	2010
Risk-free interest rate	2.6%	1.4%
Term	4.0 years	3.0 years
Expected volatility	151%	152%
Expected dividend yield	$nil	$nil

e) Equity line of credit

The Company entered into an agreement with Cornell Capital Partners, LP ("Cornell") in which the Company had the right, but not the obligation, to require Cornell to purchase up to $10 million of common shares over a 58-month period beginning on November 22, 2005 and ending on September 6, 2010. To exercise its draw down rights, the Company was required to deliver a draw down notice to Cornell specifying, among other things, the minimum price at which the Company was prepared to sell its shares, the dollar amount of common shares that the Company was willing to sell, to a maximum of $150,000, and the draw down pricing period start date. The purchase price of the common shares was calculated, at the time of issuance, using a formula based on a percentage of volume-weighted average market price

11 Share capital and warrants (continued)

e) Equity line of credit (continued)

("VWAP") over a 10-day pricing period. As of July 31, 2010, the Company had completed draw downs totalling $3,621,210 and issued 28,498,336 common shares to Cornell under the terms of the equity line. There were no further draw downs in 2011.

12 Income Taxes

a) Reconciliation between statutory and actual rate

	2011 $	2010 $
Loss for the years before income taxes	4,929,183	4,418,662
Combined basic federal and provincial income tax recovery at 33.1% (2010 – 34.4%)	1,632,000	1,520,000
Effect of income taxes of:		
Non-deductible stock-based compensation	(8,000)	–
Non-deductible interest	(27,000)	(6,000)
Non-recognition of operating losses	(1,683,000)	(1,541,000)
Excess amortization over capital cost allowance	(10,000)	(12,000)
Scientific research and development expenditures	(32,000)	(55,000)
Other	165,000	94,000
Recovery of income taxes	37,000	–

b) Non-capital losses

The Company has non-capital losses available for income tax purposes totalling approximately $40,455,000. This amount can be used to reduce taxable income of future years. The benefit of these losses has not been reflected in these financial statements as realization is not considered to be more likely than not. These losses expire as follows:

	$
Years ending July 31, 2014	3,893,000
2015	5,355,000
2026	6,428,000
2027	5,898,000
2028	4,778,000
2029	4,538,000
2030	4,482,000
2031	5,083,000
	40,455,000

During the year, no ($nil) non-capital losses expired.

12 Income Taxes (continued)

c) Property and equipment

The Company has a tax asset arising from excess amortization over capital cost allowance of approximately of $1,842,000. The benefit of this asset has not been recorded in these consolidated financial statements as realization is not considered more likely than not.

d) Scientific research and development costs

As at July 31, 2011, the Company has non-deducted scientific research and development costs of approximately $3,976,000 (2010 - $3,517,000) with no expiry date. The benefit of this asset has not been recorded in these consolidated financial statements as realization is not considered more likely than not.

e) Investment tax credits

As at July 31, 2011, the Company has scientific research and development investment tax credits of approximately $1,267,000 (2010 - $1,250,000) that can be offset against future taxes payable. The benefit of this asset has not been recorded in these consolidated financial statements as realization is not considered more likely than not. The right to claim these credits expires as follows:

	$
Years ending July 31, 2019	17,000
2020	109,000
2021	290,000
2022	119,000
2023	89,000
2024	99,000
2025	109,000
2026	128,000
2027	88,000
2028	107,000
2029	49,000
2030	40,000
2031	23,000
	1,267,000

13 Related party transactions

a) The following transactions with shareholders and directors were in the normal course of operations and are measured at the exchange amount as agreed upon by the parties:

	2011 $	2010 $
Sales revenue	80,718	–
Interest expense	2,579,278	1,895,942

13 Related party transactions (continued)

b) As at July 31, 2011, the following balance sheet items were outstanding from related parties:

	2011 $	2010 $
Trade accounts receivable from a shareholder	10,521	–
Inventory held at a shareholder's site	–	39,810
Accounts payable to shareholders	1,690,803	1,578,601

14 Commitments

The Company has minimum operating lease commitments as follows:

	Premises $	Office equipment $	Total $
Years ending July 31, 2012	221,840	3,000	224,840
2013	224,845	1,250	226,095
2014	18,748	–	18,748
2015	–	–	–
	465,433	4,250	469,683

15 Financial Instruments

The Company has implemented the following classifications for financial assets and financial liabilities:

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

a) Fair value

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

The fair value of the promissory notes payable, convertible debentures and long-term debt in default is not reasonably determinable as these are in default and due on demand.

15 Financial Instruments (continued)

a) Fair value (continued)

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

Fair value hierarchy

Financial instruments recorded at fair value on the balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The value hierarchy has the following levels:

Level 1 - valuation based on quoted prices observed in active markets for identical assets and liabilities.

Level 2 - valuation techniques based on inputs that are quoted prices of similar instruments in the markets, quoted prices for identical or similar instruments in markets that are not active, inputs other than quoted prices used in a valuation model that are observable for that instrument, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - valuation techniques with significant unobservable market inputs.

A financial instrument is classified to the lowest of the hierarchy for which a significant input has been considered in measuring fair value.

The following table presents the financial instruments recorded at fair value in the consolidated balance sheets as at July 31, 2011, classified using the fair value hierarchy described above:

	Level 1 $	Level 2 $	Level 3 $
Cash	1,026,763	–	–

b) Currency risk

Most of the Company's sales are made in foreign currencies. A one cent change in the USD/CAD exchange rate would have an estimated impact on net income of $9,000. In addition, the Company has promissory notes denominated in USD, for which a fluctuation of one cent in the USD/CAD exchange rate would have an impact on net income of approximately $90,000.

c) Credit risk

The Company derives approximately 86% (2010 - 87%) of its revenue from two (2010 - two) main customers and, for these customers, assesses the recoverability of each account on a regular basis. There was $382 in bad debts during the year (2010 - $8,810). As of July 31, 2011, 66% of the accounts

15 Financial Instruments (continued)

c) Credit risk (continued)

receivable balance is due from three customers (2010 - 76% due from three customers) and no other customers account for more than 10% of the accounts receivable balances as at July 31, 2011.

d) Liquidity risk

The Company manages liquidity by forecasting and monitoring operating cash flows and through the use of revolving credit facilities and share issuances (see note 1).

e) Contractual maturity analysis for financial liabilities

	Total	Less than 1 year	2 to 3 years	4 to 5 years	After 5 years
Promissory notes	7,525,196	7,525,196	–	–	–
Long-term debt	5,686,767	5,686,767	–	–	–
Convertible debt	1,441,667	1,441,667	–	–	–
	14,653,630	14,653,630	–	–	–

Payments noted above do not include interest.

16 Segmented information

The Company has determined that it has a single reportable segment and has two product lines: commercial products and research products which are broken down as follows:

	2011 $	2010 $
Commercial	904,654	1,068,544
Research	5,215	4,631
	909,869	1,073,175

The Company has entered a new market sector with a research product line aimed at medical and life sciences researchers. The line consists of fully commercialized products designed for in vitro diagnostics (IVD) used by research specialists for a variety of uses as well as a unique Developer Toolkit.

16 Segmented information (continued)

The company's geographic information is as follows:

	2011 $	2010 $
Sales		
North America	540,340	876,478
Africa	–	2,046
Central and South America	9,105	49,575
Europe	106,115	79,620
Asia	178,403	41,529
Other	75,906	23,927
	909,869	1,073,175

17 Supplemental cash flow information

	2011 $	2010 $
Non-cash financing		
Shares issued to repay convertible debentures and related costs	–	30,000
Shares issued to repay promissory notes	970,000	25,105
Shares issued to repay long-term debt	–	758,182
Shares issued to repay accrued liabilities	30,000	672,231
Accrued liabilities converted to promissory notes	1,622,573	–
Interest paid	53,024	162,060

18 Basic and diluted loss per share

Loss per common share is calculated as follows:

	2011 $	2010 $
Net loss	(4,892,183)	(4,418,662)
Weighted average number of common shares – Basic and diluted	216,593,087	188,202,175
Loss per common share – Basic and diluted	(0.02)	(0.02)

For the years ended July 31, 2011 and 2010, the diluted weighted average number of common shares outstanding is the same as the basic weighted average number of common shares outstanding, as the Company had a net loss and the exercise of potentially dilutive instruments would be anti-dilutive.

19 Capital disclosures

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 pipeline products. To maximize ongoing development and growth effort, the Company did not pay out dividends during the year ended July 31, 2011 (2010 - $nil). The Company is not anticipating paying out dividends during the year ended July 31, 2012.

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

	2011 $	2010 $
Total bank indebtedness, long-term debt, promissory notes and convertible debentures	14,653,628	12,753,991
Less: Cash	(1,026,763)	–
Net debt	13,626,865	12,753,991
Total Shareholders' Deficiency	(19,113,699)	(16,664,018)
	(5,486,834)	(3,910,027)

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.

As disclosed in notes 8, 9 and 10, the Company is in default on its promissory notes payable, convertible debentures and certain long-term debt. As a result, these amounts are classified as current liabilities.

20 Subsequent events

On October 14, 2011 the Company granted 3,290,000 stock options to employees and directors under its stock option plan. The options are exercisable at $0.10 over a three-year period.

Investor and Corporate Information

Investor Information

Transfer Agent
Computershare Trust Company of Canada
Ste. 2008, Purdy's Wharf Tower 2
1969 Upper Water Street
Halifax, Nova Scotia B3J 3R7
Telephone: (902) 420-3553

Annual General Meeting
The AGM of MedMira Inc. will be held:
10 am, Monday, January 30, 2012
Halifax, Nova Scotia

Shares of MedMira Inc. trade on the TSX Venture Exchange
Stock Symbol: MIR

On NASDAQ, MedMira Inc. information can be found under the symbol:
MMIRF in the "Other OTC" category.

Corporate Information

Auditors
PricewaterhouseCoopers LLP
Chartered Accountants
1601 Lower Water Street, Suite 400
Halifax, NS, Canada B3J 3P6
Telephone: (902)491-7400

Transfer Agent
Computershare Trust Company of Canada
Ste. 2008, Purdy's Wharf Tower 2
1969 Upper Water Street
Halifax, NS, Canada B3J 3R7
Telephone: (902) 420-3553

Legal Counsel
Stewart McKelvey
Suite 900
1959 Upper Water Street
Halifax, NS, Canada B3J 3N2
Telephone: (902) 420-3200

Investor Relations
Andrea Young
Suite 1, 155 Chain Lake Drive
Halifax, NS, Canada B3S 1B3
Telephone: (902) 450-1588
Email: ir@medmira.com

Global Headquarters
MedMira Inc.
Suite 1, 155 Chain Lake Drive
Halifax, Nova Scotia, Canada, B3S 1B3
Telephone: (902) 450-1588
Facsimile: (902) 450-1580
Website: www.medmira.com
Email: info@medmira.com

Board of Directors
Hermes Chan
Markus Meile
Romano Robusto
Dr. Shou-Ching Tang

Senior Management
Hermes Chan – Chief Executive Officer
Daniel Frid – Chief Financial Officer
Sing Chan – Chief Operating Officer