medmira

Annual Report

2012

www.medmira.com

Contents

Vision

To deliver immediate and simple diagnostic results

Mission

Our mission is to be the leader in premium quality testing solutions built on our unique value-add rapid flow-through diagnostic technology

Core Values

Our Company 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.

Innovation – the lifeblood of MedMira and at the heart of everything we do

Excellence – in the disciplines of quality science, manufacturing and business

Collaboration – with like-minded partners, alliances and team members, to foster new opportunities and continued innovation

Integrity – doing the right thing is a standard principle by which the entire team operates

Passion – for science, diagnostics and technology which shines through in the quality healthcare solutions we deliver

Our New Brand Identity

We apply the same innovative spirit that guides us in the development of our technology and products to building our brand.

In 2012, we evolved our brand and developed a new identity to reflect our innovative mindset and core focus on technology and high quality testing solutions.

The MedMira icon identifies with the Company name and the unique vertical flow-through technology that sets us apart from other rapid diagnostics companies. The icon also illustrates the advanced multiplex capabilities of MedMira's rapid testing solutions that deliver multiple test results on a single device.

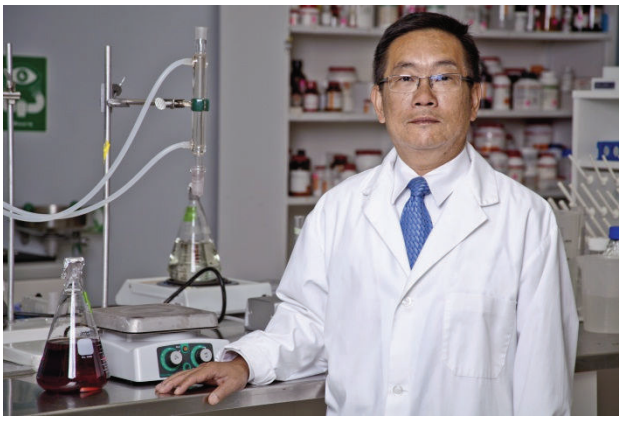
Message from Hermes Chan, Co-Founder & CEO

Dear Shareholders, Partners and Customers:

After an intense year that saw both successes and challenges in our business, I am pleased to report that MedMira is well positioned to achieve its goals in 2013 and beyond. In many respects, fiscal year 2012 focused on solidifying a strong foundation upon which to increase sales revenues, expand our worldwide customer base, develop new products, and deliver additional shareholder value.

Our Company is operating on a strengthened financial platform, supporting the advancement of business development initiatives on all fronts, as well as the achievement of key milestones in our customer contracts, scientific collaborations, and product commercializations. Buoyed by continuing investment support from OnSite Lab Holding AG ([OnSite] formerly Andurja Beteiligungen AG), MedMira began to fully restructure its debt position in 2012, ensuring a clear pathway for long-term growth and profitability strategies. The debt restructuring activities concluded subsequent to the close of the 2012 year end and in total, the Company eliminated close to $13 million in debt through debt holder settlement plans. These plans included one-time cash payments of under $2.5 million, interest rates at or below 3%, and interest only payments for through fiscal 2013. With a reduction of nearly 60% in current liabilities associated with promissory notes, long-term debt, and convertible debentures, our financial health is much improved and now a solid basis upon which to grow our Company.

Our partner network and customer opportunities continue to grow. Business development activities during the year ranged from initial market development activities with strategic partners, to contract negotiations on large volume deals, to bid preparation and submission for public tender opportunities.



Undoubtedly, one of MedMira's most significant customers is the United States Army. This year, the US Army awarded MedMira a $4.2 million contract to develop and commercialize a rapid test for the simultaneous detection of antibodies specific to Hepatitis B and C and HIV. In November, the contract was further expanded to include the development and commercialization of a rapid test for Hepatitis B surface antigen. These two rapid tests are the first and only rapid tests of this kind to be approved by United States Food & Drug Administration (FDA) and will provide the US Army, with a powerful and comprehensive diagnostics suite for three viruses that most often threaten the blood supplies and are among the world's greatest public health epidemics.

The two products being commercialized under our US Army contract, as well as the other products in our development pipeline, will be game changers in the broader healthcare market. Screening for Hepatitis and HIV, as well as other infectious and sexually transmitted diseases such as Syphilis, are quickly becoming part of routine medical care. In the US, recently released guidelines put forth by the U.S. Preventive Services Task Force will see every person aged 15 to 65 undergo routine screening for HIV. Initiatives to combat the Hepatitis epidemic, known as the silent killer because symptoms lay dormant for years with

individuals unaware of their infection, are also on the rise with organizations like the Centers for Disease Control and Prevention.

On the international scene, the World Health Organization along with organizations like the Bill and Melinda Gates Foundation and PATH are calling for the development of multiplexed rapid tests for high throughput testing in developing regions of the world. (WHO Expert Meeting Report – Geneva, Switzerland, 6–7 June 2012). With a solid, proven technology underpinning our growth strategy, we are well on our way to commercializing products that will answer these growing demands.

In addition to the US military work, a number of other initiatives to further bolster our US growth strategy in 2013 and beyond are also in the works. We are bringing a whole blood rapid HIV test to the market in the US to meet the expected increase in demand for an efficient, reliable diagnostic tool at the point-of-care. MedMira's technology will provide a significant advantage for healthcare providers, including convenience care clinics and public health sectors, over competitive tests that take an average of five times longer to deliver results. In the highly competitive and resource-constrained healthcare industry, minutes can make a difference on the bottom line.

Positive momentum continues to build for the MedMira brand in China, through our strategic partner Triplex International Biosciences Co. Ltd. The Chinese government is supporting various healthcare initiatives, including mother-to-child transmission and blood donor screening programs which will increase the demand for high quality rapid diagnostics. We have made plans to expand our product offering in China, including taking our partnership with Triplex to the next level in developing and commercializing new tests on our technology platform.

Interest continues to grow for MedMira's various product lines in the Middle East region. Our partner, MultiMED Holdings Inc. (MultiMED) is working closely with various ministries of health and government agencies in the region to move deals forward. Additional global markets, including Africa and Latin America, continue to present market penetration challenges for MedMira. However, our partners are steadfast in their dedication to developing business in these areas and we fully support their efforts.

Participation in the World Health Organization (WHO) Prequalification of Diagnostics Programme continues and our rapid HIV test is in the final stages leading to approval and listing. Achieving this status with the WHO creates a number of opportunities for MedMira in developing regions of the world through various United Nations agencies and other non-governmental organizations running testing and prevention programs. Additionally, the WHO is learning more about our underlying technology and the other valuable rapid testing applications, including our multiple tests, which we are providing to customers around the world.

As you can see, 2012 has been a year of positive momentum building for MedMira. Thanks to our significantly improved financial platform and the exciting growth opportunities before us, our team looks forward to 2013 with passion and energy. We appreciate your ongoing support.

Hermes Chan
Co-Founder & CEO

MedMira Inc.

Management's Discussion & Analysis
For the year ended July 31, 2012

Forward looking statements

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

The preparation of Management's Discussion and Analysis (MD&A) may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Management bases estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. Management believes the accounting policies, outlined in the Significant Accounting Policies section of its consolidated financial statements, describe its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Introduction

The following MD&A for the three months and year ended July 31, 2012 has been prepared to help investors understand the financial performance of MedMira in the broader context of the Company's strategic direction, the risk and opportunities as understood by management, and the key metrics that are relevant to the Company's performance. The Audit Committee of the Board of Directors has reviewed this document and all other publicly reported financial information for integrity, usefulness, reliability, and consistency.

Annual references are to the Company's fiscal years, which end on July 31. All amounts are expressed in Canadian dollars (CAD) unless otherwise noted.

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

About MedMira

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

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

MedMira's technology and growing portfolio of diagnostics demonstrate excellence in performance and quality in the highly competitive diagnostics industry. More than $20 million has been invested in perfecting MedMira's core technology, which has proven itself time and time again with its excellent clinical performance and its success in rigorous evaluations and inspections, leading to regulatory approvals in the United States, Canada, European Union, and China, as well as ISO 9001:2008 and ISO 13485:2003 certifications. MedMira's rapid HIV test is the only rapid flow-through HIV test in the world to be approved by all of these major health regulators.

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

Intellectual property

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

Patent #	*Title*	*Jurisdiction*
8,025,850	Rapid Diagnostic Device, Assay and Multifunctional Buffer	United States
7,531,362	Rapid Diagnostic Device, Assay and Multifunctional Buffer	United States
EP1417489	Rapid Diagnostic Device and Assay	Europe
EP1328811	HCV Mosaic Antigen Composition	Europe
ZL02819646.5	Rapid Diagnostic Device and Assay	China

The Company has 3 pending patents in the United States.

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

Corporate update

During Fiscal Year 2012, MedMira improved its overall operating position with greater financial stability, ongoing sales and business development initiatives within its global partner network, and major research, development and commercialization efforts focused on fulfilling key customer contracts and collaborative agreements.

From August 2011 through December 2011, activities at MedMira were focused on ramping up project plans for work on the Company's first US Army contract to develop and commercialize a multi-marker rapid test for the detection of the Hepatitis B Core IgG and IgM antibodies, which was awarded in July 2011. While internal efforts were primarily focused on this project, external initiatives in generating sales and business development opportunities were ongoing through the Company's global partner network.

MedMira held its Annual General Meeting in January 2012, where Mr. Hermes Chan, Mr. Markus Meile, Mr. Romano Robusto, and Dr. Shou-Ching Tang were re-elected as Directors of the Company. Shareholders approved all other matters considered at the meeting including the appointment of Deloitte & Touche LLP as the Company's auditors and ratification of the stock option plan.

In February 2012, MedMira received further equity investment of $1 million from OnSite Lab Holdings AG (Onsite), formerly Andurja Beteiligungen AG, for operations and to begin the early stages of the Company's debt reduction strategy. OnSite had made previous investments in MedMira in 2009, 2010, and 2011. This investment signalled OnSite's ongoing confidence in the potential of MedMira and its technology and products.

During April 2012, the Company made some significant moves forward in both business development initiatives and research funding efforts. On April 4, 2012 MedMira's rapid HIV test received approval from the United States Agency for

International Aid (USAID). Since its inception in 1986, the USAID HIV/AIDS program has invested over $7 billion to fight this global crisis. USAID is a key partner in the U.S. President's Emergency Plan for AIDS Relief (PEPFAR), the largest and most diverse HIV/AIDS prevention, care, and treatment initiative in the world. This validation by USAID as well as a speaking engagement with the United Nations further bolstered MedMira's promotion of its rapid HIV test and diagnostics technology platform in international markets.

On April 12, 2012, MedMira entered into a funding agreement with the National Research Council of Canada for the development of a new rapid HIV test platform that will capture both antigens and antibodies and provide an earlier diagnosis for patients exposed to HIV. This early detection reduces the risk of missing infected individuals that are in an early stage of the disease that is not yet detectable by other common testing methods. The funding for the 16-month project comes from the National Research Council of Canada Industrial Research Assistance Program (NRC-IRAP) under the Canadian HIV Technology Development (CHTD) Program, which aims to encourage and support the participation of small and medium-sized enterprises in the development of an HIV vaccine and other technologies related to the prevention, treatment and diagnosis of HIV. The program is part of the Canadian HIV Vaccine Initiative (CHVI), a collaborative effort between the Government of Canada and the Bill & Melinda Gates Foundation.

In June 2012, MedMira received a CAD$6.0 million equity investment to advance ongoing business development, operational, and debt reduction activities. In the same month the Company paid $1.8 million to eliminate $11.8 million in debt through debt compromise agreements. These activities improved MedMira's overall position with the operating fundamentals of the Company shifting due to cash injections, debt settlements, new contracts, and a growing portfolio of products.

MedMira continued to build on its portfolio of business with the United States Army during 2012. In July the Company was awarded its second U.S. Army Medical Research Acquisition Activity (USAMRAA) contract to develop and commercialize a rapid test capable of simultaneous detection of HIV and Hepatitis B and C. The contract, awarded through a competitive bid process, involves a two-year base period and a 10-month option with a value of USD$4,266,144. MedMira continues to devote significant effort to building solid, long-term relationships with military organizations through focused events and initiatives within the military sector, including the Military Health System Research Symposium and the Remote Damage Control Resuscitation Conference.

The Company continues to focus on advancing its primary development platform for diagnostics, its patented rapid flow-through technology. Rapid diagnostics or point-of-care tests represent one of the most lucrative segments in the global healthcare industry. The global point-of-care testing marketing is expected to experience a compound annual growth rate (CAGR) of 3.7%, to increase its value to $16.5 billion by 2016. The market is predicted to reach a value of $34.6 million by 2021 according to BCC Research. As this market segment continues to grow, quality and performance are critical for success.

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

MedMira's global sales and business development initiatives continue through its strategic partner network which enables the Company day-to-day, on-the-ground access to markets without employing a direct sales force. With a premium technology and testing solutions, developed regions of the world continue to be MedMira's primary target markets. Activities are ongoing in other markets where challenging business environments with unpredictable timelines make market penetration and sales difficult. The Company's partners continue to pursue all lines of business, in both the private and public sectors.

Financial results

Basis of preparation and significant accounting policies

The basis of financial statement preparation and the significant accounting policies of MedMira are described in Notes 2 and 3 of the Company's July 31, 2012 consolidated financial statements.

Selected quarterly information

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

	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
	$	$	$	$	$	$	$	$
Revenue	272	189	274	235	249	296	189	177
Cost of sales	167	58	63	88	155	147	101	91
Gross profit	105	131	211	147	94	149	88	86
Operating expenses	707	679	685	684	492	535	711	536
Other expenses (gains)	(8,769)	1,062	864	1,310	1,234	495	681	662
Net earnings (loss) before tax	8,167	(1,610)	(1,338)	(1,847)	(1,632)	(881)	(1,304)	(1,112)
Net earnings (loss) per share	0.024	(0.006)	(0.005)	(0.007)	(0.007)	(0.004)	(0.006)	(0.005)

Selected annual information

(values expressed in dollars except per share amounts)

	For the year ended		
	31-Jul-12	31-Jul-11	31-Jul-10
	$	$	$
Total assets	**2,970,239**	**1,492,123**	**568,178**
Current liabilities	11,049,292	20,345,822	17,232,196
Long-term liabilities	629,246	260,000	-
Shareholders' deficiency	(8,708,299)	(19,113,699)	(16,664,018)
Total liabilities and shareholders' deficiency	**2,970,239**	**1,492,123**	**568,178**
Revenue	970,631	909,869	1,073,175*
Cost of sales	(376,395)	(493,914)	(338,152)*
Gross profit	594,236	415,955	735,023*
Operating and other income (expenses)	2,778,066	(5,345,138)	(5,153,685)*
Net gain (loss) before tax	**3,372,302**	**(4,929,183)**	**(4,418,662)***
Net gain (loss) per share	0.012	(0.023)	(0.023)

* Reported under GAAP, not reviewed for IFRS conformance

Fourth quarter analysis

The following table compares the results of operations for the three months ended July 31, 2012 to the three months ended July 31, 2011.

	For three months ended		Better (worse)
	31-Jul-12	31-Jul-11	
	$	$	$
Operations			
Revenue	272,272	248,681	23,591
Cost of sales	(166,864)	(154,960)	(11,904)
Gross profit	105,408	93,721	11,687
Operating expenses			
Depreciation	(5,003)	(4,479)	(524)
Administrative expenses	(357,628)	(117,503)	(240,125)
Marketing expenses	(919)	(6,027)	5,108
Wages and salaries	(337,835)	(339,871)	2,036
Research and development expenses	(5,686)	(23,865)	18,179
Total operating expenses	(707,071)	(491,745)	(215,326)
Results from operations	**(601,663)**	**(398,024)**	**(203,639)**
Non-operating income (expenses)			
Net finance costs	(824,090)	(1,153,381)	329,291
Exchange rate gains (losses)	(449,695)	(80,514)	(369,181)
Other income	-	-	-
Gain on settlement of debt	10,042,826	-	10,042,826
Total non-operating income (expenses)	**8,769,041**	**(1,233,895)**	**10,002,936**
Net and comprehensive income (loss) before tax	**8,167,378**	**(1,631,919)**	**9,799,297**

Operating revenue and gross profit

The Company recorded increased revenue from product sales of $23,591, from $248,681 for the quarter ended July 31, 2011 to $272,272 for the quarter ended July 31, 2012, and increased gross profit of $11,687, from $93,721 for the quarter ended July 31, 2011 to $105,408 for the quarter ended July 31, 2012. Increases in revenue and gross profit were attributed to increased sales in Latin America. Current year gross profit was in line with management expectations.

Operating expenses

Total operating expenses increased by $215,326 in the quarter ended July 31, 2012, compared to the same period in 2011.

- Wages and salaries for the quarter ended July 31, 2012 remained relatively constant compared to the same period in 2011. During previous quarters, average wages had increased, however, a reduction in the number of employees reduced wages back in line with the previous year.
- Research and development expenses for the quarter ended July 31, 2012 were $5,686, compared to $23,865 for the same period last year. Actual research expenses in July 31, 2012 for the period were $158,245 which was offset by reimbursements of research costs of $152,559. The comparative increase in research costs was directly attributable to greater activity related the US military research contracts.
- Administrative expenses were $357,628 for the quarter ended July 31, 2012, compared to $117,503 for the same

period in 2011. The increase in expenses was attributable to additional spending on regulatory and professional fees.

Other expenses

Total other gains were $8,769,041 in the quarter ended July 31, 2012, compared to a loss of $1,233,895 during the same period in 2011.

- A one-time gain of $10,042,826 on the settlement of debt occurred in the quarter ended July 31, 2012 as the result of debt compromise agreements negotiated during the quarter.
- Financing expenses including interest expense decreased to $824,090 in the quarter ended July 31, 2012, compared to $1,153,381 for the same period last year. This decrease is directly attributable to the reduction in MedMira's debt balance as a result of debt compromise agreements.
- Exchange rate loss in the quarter ended July 31, 2012 was $449,695 versus a loss of $80,514 in the same period in 2011. This increased loss was due primarily to the volatility of the Canadian dollar during the year. At the time of settlement of the largest US dollar debt balance ($11 million), the Canadian dollar was relatively weak compared to the end of the previous period.

Year to date analysis

The following table compares the results of operations for the year ended July 31, 2012 to the year ended July 31, 2011.

	For the year ended		Better (worse)
	31-Jul-12	31-Jul-11	
	$	$	$
Continuing operations			
Revenue	970,631	909,869	60,762
Cost of sales	(376,395)	(493,914)	117,519
Gross profit	594,236	415,955	178,281
Operating expenses			
Depreciation	(19,329)	(30,106)	10,777
Administrative expenses	(979,714)	(636,533)	(343,181)
Marketing expenses	(33,323)	(2,213)	(31,110)
Wages and salaries	(1,523,311)	(1,328,935)	(194,376)
Research and development expenses	(199,022)	(275,272)	76,250
Total operating expenses	(2,754,699)	(2,273,059)	(481,640)
Results from operations	**(2,160,463)**	**(1,857,104)**	**(303,359)**
Non-operating income (expenses)			
Net finance costs	(3,789,906)	(3,603,613)	(186,293)
Exchange rate gains (losses)	(720,155)	528,986	(1,249,141)
Other income	-	2,548	(2,548)
Gain on settlement of debt	10,042,826	-	10,042,826
Total non-operating income (expenses)	**5,532,765**	**(3,072,079)**	**8,604,844**
Net income (loss) before tax	**3,372,302**	**(4,929,183)**	**8,301,485**

Operating revenue and gross profit

The Company recorded revenue from product sales in the year ended July 31, 2012 of $970,631 as compared to $909,869 for the same period last year. Gross profit for the year was $594,241 compared to $415,955 in the same period in 2011. Increases in revenue and gross profit were attributed to increased sales in Asia Pacific and Latin America. Current year gross profit was in line with management expectations.

Operating expenses

Total operating expenses increased by $481,640, from $2,273,059 for the year ended July 31, 2011 to $2,754,699 for the year ended July 31, 2012, compared to the same period in 2011.

- Wages and salaries for the year ended July 31, 2012 increased by $194,376 compared to the same period in 2011. The increase was primarily the result of increased labour costs throughout the year.
- Research and development expenses for the year ended July 31, 2012 were $199,022, compared to $275,272 for the same period last year. Actual research expenses in July 31, 2012 for the period were $530,114 which was offset by reimbursements of research costs of $331,092. The comparative increase in research costs was directly attributable to greater activity related to the US military research contracts.
- Administrative expenses were $979,714 for the year ended July 31, 2012, compared to $636,533 for the same period in 2011. The increase in expenses was attributable to additional spending on a number of initiatives that include increased spending on regulatory, professional fees, travel and training.

Other expenses

Total other gains were $5,532,765 in the year ended July 31, 2012, compared to a loss of $3,072,079 during the same period in 2011.

- A one-time gain of $10,042,826 on the settlement of debt occurred in the year ended July 31, 2012 as the result of debt compromise agreements negotiated during the year.
- Financing expenses including interest expense increased to $3,789,906 in the year ended July 31, 2012, compared to $3,603,613 for the same period last year. This increase was the result of interest on an increasing debt balance throughout the year.
- Exchange rate loss in the year ended July 31, 2012 was $720,155 versus a gain of $528,986 in the same period in 2011. The change from a gain to a loss was due primarily to the volatility of the Canadian dollar and timing of receipts and payments. At the time of settlement of the largest US dollar debt balance ($11 million) the Canadian dollar was relatively weak compared to the end of the previous year.

Segmented information

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

	For three months ended		For the year ended	
	31-Jul-12	31-Jul-11	31-Jul-12	31-Jul-11
	$	$	$	$
North America	151,888	68,154	588,417	540,340
Latin America/Caribbean	53,113	2,345	132,830	9,105
Europe	5,528	0	8,098	106,115
Asia Pacific	59,703	178,182	239,246	178,403
Other	2,040	0	2,040	75,906
Total revenue	272,272	248,681	970,631	909,869

Liquidity and capital resources

Cash and working capital

The Company had a cash reserve of $2.4 million on July 31, 2012, as compared to $1.0 million on July 31, 2011. The Company's net working capital position as of July 31, 2012 was a deficit of $8.1 million compared to the July 31, 2011 working capital deficit of $18.9 million. The Company has incurred operational losses and negative cash flows on a cumulative basis since inception. For the year ended July 31, 2012, the Company incurred a net loss from operating activities of approximately $2.2 million and negative cash flows from operations of $2.2 million, compared to a net loss from operations of $1.9 million and negative cash flows from operations of $1.9 million for the same period in 2011.

Operating activities

MedMira generated negative cash flows from operations of $2.2 million for the year ended July 31, 2012, compared to negative cash flows of $1.9 million for the year ended July 31, 2011. The decrease in cash flow from operations was caused by an increase in accounts receivable and a decrease in accounts payable.

Financing activities

Cash flows from financing activities were $3.6 million for the year ended July 31, 2012, compared to $3.0 million for the same period in 2011. Cash flow from financing increased significantly as a result of equity investments during the year which exceeded payments involved in the restructuring of MedMira's debt.

Investing activities

Cash flow from investments included purchase of equipment for the three months ended July 31, 2012 of $5,708, compared to $6,823 for the same period in 2011.

Debt

As at July 31, 2012, the Company had outstanding loan principal of $7.4 million compared to $14.7 million at July 31, 2011. A significant portion of the debt outstanding is in default on principal and interest payments and classified as a current liability. The Company is unable to settle the debts given its current financial resources.

Further discussions on liquidity and capital resources can be found in the Liquidity Risk section of this document, under Need for Additional Capital in the Risk and Uncertainties section in this document and in the Notes for the Company's July

31, 2012 audited consolidated financial statements.

Equity/Shares

The Company is authorized to issue an unlimited number of common shares without par value. The number of issued and outstanding common shares on July 31, 2012 was 392,264,320. 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, 2012.

The Company had 5,840,000 outstanding stock options on July 31, 2012. The outstanding stock options have a weighted average exercise price of $0.12 per share and a weighted average remaining term of 1.66 years. The number of outstanding warrants on July 31, 2012 was 236,119,500. The outstanding warrants have a weighted average exercise price of $0.10 per share and a weighted average remaining term of 2.92 years.

Off balance sheet arrangements

The Company was not party to any off balance sheet arrangements as of July 31, 2012.

Financial instruments – fair value

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

Financial assets

- Cash and bank balances: Classified as available for sale and recorded at fair market value. Changes in fair value for the year are recorded in net loss.
- Trade and other receivables: After initial fair value measurement, trade and other receivables are measured at amortized cost using the effective interest method.

Financial liabilities

- Total bank indebtedness and current portion of debt, deferred income, trade and other payables, provision for royalty: After initial fair value measurement, these financial liabilities are measured at amortized cost using the effective interest method.

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

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

Financial instruments – risk factors

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

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 from operations on a cumulative basis since inception. For the year ended July 31, 2012, the Company realized a net income of approximately $3.4 million (July 31, 2011 – net loss $4.9 million), consisting of a net loss from operations of $2.2 million (July 31, 2011 - $1.9 million), a gain on forgiveness of debt of $10.1 million (July 31, 2011 – $nil), and other non-operating losses of $4.5 million (July 31, 2011 - $3.1 million). Negative cash flows from operations were approximately $2.2 million (July 31, 2011 - $1.9 million). As at July 31, 2012, the Company had an accumulated deficit of approximately $70.5 million (July 31, 2011 - $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 current portion of loans of approximately $7.2 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.

To date the Company has relied on temporary funding advanced by key investors and allocation of limited resources through the management of payables. Management is pursuing other financing alternatives to fund the Company's operations, so it can continue as a going-concern. Management plans to secure the necessary financing through new equity and debt arrangements and is pursuing dramatic increases in sales revenue. Nevertheless, there is no assurance that this initiative will prove successful.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company mitigates this risk by requiring a 50% down payment on most orders at the time of purchase, and the remaining 50% prior to shipment. The Company derives approximately 82% (July 31, 2011—86%) of its revenue from two (July 31, 2011—two) main customers and, for these customers, assesses the recoverability of each account on a regular basis. As of July 31, 2012, 78% of the accounts receivable balance is due from three customers (July 31, 2011—66% due from three customers) and no other customers account for more than 10% of the accounts receivable balances as at July 31, 2012.

Currency risk

MedMira receives most of its revenues in foreign currencies and incurs expenses in US and Canadian currencies. As a result, the Company is subject to uncertainty as foreign exchange rates fluctuate. The Company's US dollar (USD) denoted debt is approximately US $75,000 plus accrued interest payable of approximately US $22,084 at July 31, 2012. The exchange fluctuations from year to year have accounted for a significant portion of the company's exchange gain and loss. Sales are, for the most part, in USD, 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 USD currency 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 revenue of $8,700.

Interest rate risk

The Company is exposed to interest rate risk because it borrows funds at both fixed and floating interest rates. The Company presently holds a single floating interest rate loan with the Province of Nova Scotia's Department of Economic and Rural Development and Tourism (the Province) with interest bearing at the Province's five year cost of funds plus 2%. As a result, the Company is exposed to fluctuations in the Province's cost of funds. A 1% increase in the Province's cost of funds rate would result in approximately $34,800 in additional interest per year.

Related party transactions

The following transactions occurred with related parties during the year ended July 31, 2012:

- An interest expense of $3.2 million was recorded on a loan from a director (July 31, 2011 - $2.6 million).
- $7.0 million was invested in the course of the year by a significant shareholder (July 31, 2011 - $2.5 million).

The following balances with related parties were outstanding at July 31, 2012:

- A receivable balance of $8,630 is owed to MedMira by a company which is presided over by a director (July 31, 2011 – $10,521, August 1, 2010 - $nil).
- An accounts payable balance of $22,083 is owed to a director of MedMira (July 31, 2011 - $1.7 million, August 1, 2010 - $1.6 million).
- A royalty liability to a significant shareholder of $401,443 has been recorded (July 31, 2011 – $260,000, August 1, 2010 - $nil).

Changes in accounting standards

Transition to International Financial Reporting Standards (IFRS)

The Company's consolidated financial statements for the year ending July 31, 2012 are the Company's first set of annual financial statements that comply with IFRS as issued by the IASB including application of IFRS 1. IFRS 1 requires that comparative financial information be provided, therefore the Company has applied IFRS as of August 1, 2010.

IFRS requires first-time adopters to retrospectively apply all IFRS that will be in effect at its July 31, 2012 reporting date. However, it also provides for certain optional exemptions and certain mandatory exemptions for first-time adopters. The Company has applied certain of these exemptions to its opening Statement of Financial Position dated August 1, 2010 as described below.

a. Elected exemptions for full retrospective application

Business combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 - Business Combinations (IFRS 3) retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has elected to use this exemption and has only applied IFRS 3 to business combinations that occurred on or after August 1, 2010.

Borrowing costs

The Company has elected the transition date, August 1, 2010, as the date to apply the transitional provisions set out in IAS - 23 Borrowing Costs (IAS 23). The Company will capitalize borrowing costs in accordance with IAS 23 for qualifying assets which commenced construction after August 1, 2010.

Arrangements containing a lease

The Company has elected to apply transitional provisions under IFRIC - 4 Determining Whether an Arrangement Contains a Lease (IFRIC 4). The Company has not reassessed arrangements containing leases as of August 1, 2010.

Share-based payment transactions

IFRS 1 permits first-time adopters to not apply IFRS 2 to equity instruments that were granted on or before November 7, 2002 or equity instruments that were granted subsequent to November 7, 2002 and vested before the date of transition to IFRS. The Company has elected to take this exemption and not apply IFRS 2 to awards that vested prior to August 1, 2010.

b. Mandatory exceptions to retrospective application

Estimates

In accordance with IFRS 1, an entity's estimates at the date of transition to IFRS must be consistent with estimates made for the same date under previous Canadian GAAP (GAAP), unless there is objective evidence that those estimates were made in error. Hindsight was not used to create or revise estimates and accordingly the estimates made by the Company under GAAP are consistent with their application under IFRS.

c. Reconciliation from GAAP to IFRS

The accounting policies set out in Note 3 have been applied in preparing the consolidated financial statements for the year ended July 31, 2012, the comparative information presented in these financial statements for the year ended July 31, 2011 and in the preparation of an opening IFRS statement of financial position at August 1, 2010 (the Company's date of transition).

A reconciliation of the impact of the transition from GAAP to IFRS on the Company's financial position, financial performance and cash flows is set out in the following tables and notes that accompany the tables.

Reconciliation of consolidated statement of financial position

	July 31, 2011			August 1, 2010		
	Previous Canadian GAAP $	Effect of transition to IFRS $	IFRS $	Previous Canadian GAAP $	Effect of translation to IFRS $	IFRS $
Total assets	**1,492,123**	**-**	**1,492,123**	**568,178**	**-**	**568,178**
Current liabilities						
Bank indebtedness	-	-	-	62,745	-	62,745
Accounts payable and accrued liabilities	5,048,216	-	5,048,216	3,887,097	-	3,887,097
Unearned revenue	643,976	-	643,976	591,108	-	591,108
Current portion of debt	14,653,630	-	14,653,630	12,260,918	430,328	12,691,246
Total current liabilities	20,345,822	-	20,345,822	16,801,868	430,328	17,232,196
Non-current liabilities						
Provision for royalty	260,000	-	260,000	-	-	-
Long-term debt	-	-	-	430,328	(430,328)	-
Total non-current liabilities	260,000	-	260,000	430,328	(430,328)	-
Total liabilities	**20,605,822**	**-**	**20,605,822**	**17,232,196**	**-**	**17,232,196**
Total equity	**(19,113,699)**	**-**	**(19,113,699)**	**(16,664,018)**	**-**	**(16,664,018)**
Total liabilities and equity	**1,492,123**	**-**	**1,492,123**	**568,178**	**-**	**568,178**

Reclassification of long-term debt to current

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

Reconciliation of consolidated statement of changes in equity

There was no impact on the consolidated statement of changes in equity as at August 1, 2010 and July 31, 2011 as a result of the transition to IFRS.

Reconciliation of consolidated statement of comprehensive income

There was no impact on the consolidated statement of comprehensive income for the year ended July 31, 2011 as a result of the transition to IFRS. A reclassification of $37,000 in recovery from income tax was recorded to warrant reserve resulting in a decrease in net income after tax of $37,000.

Reconciliation of consolidated statement of cash flows

There was no significant impact on the statement of cash flows as the result of the transition to IFRS. Under IFRS, bank indebtedness has been included as a part of cash and cash equivalents. This has resulted in a decrease in opening cash and cash equivalents of $62,745. In addition, IFRS allows payments of interest on debt to be treated as a finance cash flow resulting in a decrease in cash from financing and increase in operating cash flows of $27,990.

Subsequent events

Following the year ended July 31, 2012, the Company paid $312,992 to settle $1,021,503 in debt. This renegotiation was the final stage of MedMira's debt restructuring plan and results in no debt in default. Interest rates on all remaining debt are at or below 3% with interest only payments for the remainder of the fiscal year ended July 31, 2013.

Internal control systems and disclosure controls

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

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

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

Management, under the supervision of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's internal control over financial reporting and based on this evaluation, has concluded that internal control over financial reporting was effective as of July 31, 2012.

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

The Audit Committee of the Board of Directors of MedMira reviewed this MD&A, and the consolidated financial statements of MedMira for July 31, 2012 and MedMira's Board of Directors approved these documents prior to release.

Risk and uncertainties

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

Risks and uncertainties related to the Company's financial condition

Need for additional capital

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

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

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

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

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

Fluctuations in revenue

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

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

Effects of inflation and foreign currency fluctuations

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

Possible volatility of share price

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

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

Lack of market acceptance

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

Competition

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

Significant development effort required

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

Uncertainties in sales cycles in target markets

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

High degree of regulation

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

Ability to retain and attract key management and other experienced personnel

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

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

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

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

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

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

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

If any of the Company's distribution agreements are terminated and the Company is unable to enter into alternative agreements, or if the Company elects to distribute new products directly, additional investment in sales and marketing resources would be required which would increase future selling, general and administrative expenses. The Company has

limited experience in direct sales, marketing and distribution of its products. A failure of the Company to successfully market its products would have a material and adverse effect on the Company.

Manufacturing capabilities and scale-up

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

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

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

Rapidly changing technology

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

Uncertainties regarding healthcare reimbursement and reform

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

Product liability

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

Risks and uncertainties related to the Company's intellectual property

No assurance of patent protection

MedMira has filed patent applications in the US, Canada, China, and other foreign countries relating to various aspects of its rapid diagnostic platform, processes, reagents, and equipment. Although MedMira's management believes that the patents for which the Company applied may be issued, there can be no such assurance, nor can MedMira assure that competitors will not develop functionally similar or superior diagnostic testing devices. Moreover, there is a question as to

the extent to which biotechnology discoveries and related products and processes can effectively be protected by patents. The law regarding the breadth or scope of biotechnology patents is new and evolving. No assurance can be given that, if a patent issued to MedMira is challenged, it will be held valid and enforceable or will be found to have a scope sufficiently broad to cover competitors' products or processes. The cost of enforcing MedMira's patent right, if any, in lawsuits that it may bring against infringers may be significant and could limit MedMira's operations.

Possible patent infringement

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

MedMira Inc.

Consolidated Financial Statements
July 31, 2012 and 2011

November 15, 2012

Management's responsibility for financial reporting

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

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

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

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

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

(signed) *Hermes Chan*

Chief Executive Officer

(signed) *Daniel Frid*

Chief Financial Officer

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Independent Auditor's Report

To the Shareholders of MedMira Inc.

We have audited the accompanying consolidated financial statements of MedMira Inc., which comprise the consolidated statements of financial position as at July 31, 2012, July 31, 2011 and August 1, 2010, and the consolidated statements of operations and comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended July 31, 2012 and July 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of MedMira Inc. as at July 31, 2012, July 31, 2011 and August 1, 2010, and its financial performance and its cash flows for the years ended July 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 in the consolidated financial statements which indicates that for the year ended July 31, 2012, the Company incurred a net income of approximately $3.4 million, consisting of a net loss from operations of $2.2 million, a gain on forgiveness of debt of $10.1 million, and other non-operating losses of $4.5 million, and negative cash flows from operations of approximately $2.2 million and as at July 31, 2012, the Company has an accumulated deficit of approximately $70.5 million. These conditions, along with other matters as set forth in Note 2, indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Chartered Accountants
Halifax, Nova Scotia
November 15, 2012

Consolidated statement of financial position

	Notes	31-Jul-12 $	31-Jul-11 $	1-Aug-10 $
Assets				
Current assets				
Cash		2,416,809	1,026,763	-
Trade and other receivables		164,292	82,942	40,289
Prepaid expenses		98,097	109,009	59,366
Current tax assets		46,307	26,307	53,098
Inventories	5	225,854	214,601	359,641
Total current assets		2,951,359	1,459,622	512,394
Non-current assets				
Property, plant and equipment	6	18,878	32,499	55,782
Intangible assets	7	2	2	2
Total non-current assets		18,880	32,501	55,784
Total assets		**2,970,239**	**1,492,123**	**568,178**
Liabilities				
Current liabilities				
Bank overdraft		-	-	62,745
Current portion of debt	10	7,184,916	14,653,630	12,691,246
Accounts payable and accrued liabilities		3,290,151	5,048,216	3,887,097
Deferred revenue		574,225	643,976	591,108
Total current liabilities		11,049,292	20,345,822	17,232,196
Non-current liabilities				
Provision for royalty	12	401,443	260,000	-
Long term portion of debt	10	227,803	-	-
Total non-current liabilities		629,246	260,000	-
Total liabilities		**11,678,538**	**20,605,822**	**17,232,196**
Equity				
Share capital	8	55,661,183	50,985,250	49,499,606
Warrant reserve	8	4,493,647	2,205,330	1,211,472
Stock based compensation reserve	8	1,099,202	1,030,354	1,030,354
Equity reserve	8	595,770	595,770	595,770
Accumulated deficit		(70,558,101)	(73,930,403)	(69,001,220)
Total shareholders deficiency		**(8,708,299)**	**(19,113,699)**	**(16,664,018)**
Total liabilities and equity		**2,970,239**	**1,492,123**	**568,178**

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

Approved on behalf of the Board of Directors

(signed) *Hermes Chan*, Director

(signed) *Romano Robusto*, Director

Consolidated statement of operations and comprehensive income
For the years ended July 31, 2012 and July 31, 2011

	Notes	31-Jul-12 $	31-Jul-11 $
Continuing operations			
Revenue	*4*	970,631	909,869
Cost of sales		(376,395)	(493,914)
Gross profit		594,236	415,955
Operating expenses			
Depreciation	*6*	(19,329)	(30,106)
Administrative expenses		(979,714)	(636,533)
Marketing expenses		(33,323)	(2,213)
Wages and salaries		(1,523,311)	(1,328,935)
Research and development expenses	*14*	(199,022)	(275,272)
Total operating expenses		(2,754,699)	(2,273,059)
Results from operations		**(2,160,463)**	**(1,857,104)**
Non-operating income (expenses)			
Finance costs		(3,789,906)	(3,603,613)
Exchange rate gains (losses)		(720,155)	528,986
Other income		-	2,548
Gain on forgiveness of debt	*10*	10,042,826	-
Total non-operating income (expenses)		**5,532,765**	**(3,072,079)**
Net and comprehensive income (loss)		**3,372,302**	**(4,929,183)**
Earnings per share			
Basic earnings (loss) per share	*9*	0.012	(0.023)
Diluted earnings (loss) per share	*9*	0.008	(0.023)

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

Consolidated statement of changes in equity
Attributable to equity holders of the Company

	Notes	Share capital						
		Common shares	Preferred shares	Warrant reserve	Option reserve	Equity reserve	Accumulated deficit	Total equity
		$	$	$	$	$	$	$
Balance at August 1, 2010		**49,497,106**	**2,500**	**1,211,472**	**1,030,354**	**595,770**	**(69,001,220)**	**(16,664,018)**
Net and comprehensive income (loss)		-	-	-	-	-	(4,929,183)	(4,929,183)
Issuance of common shares and warrants for cash		869,554	-	630,446	-	-	-	1,500,000
Issuance of common shares and warrants for debt		636,588	-	363,412	-	-	-	1,000,000
Share issuance costs		(20,498)	-	-	-	-	-	(20,498)
Balance at July 31, 2011		**50,982,750**	**2,500**	**2,205,330**	**1,030,354**	**595,770**	**(73,930,403)**	**(19,113,699)**
Net and comprehensive income (loss)		-	-	-	-	-	3,372,302	3,372,302
Issuance of common shares and warrants for cash		4,320,752	-	2,110,313	-	-	-	6,431,065
Issuance of common shares and warrants for debt		390,931	-	178,004	-	-	-	568,935
Share issuance costs		(35,750)	-	-	-	-	-	(35,750)
Issuance of stock options		-	-	-	68,848	-	-	68,848
Balance at July 31, 2012		**55,658,683**	**2,500**	**4,493,647**	**1,099,202**	**595,770**	**(70,558,101)**	**(8,708,299)**

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

Consolidated statement of cash flows
For the years ended July 31, 2012 and July 31, 2011

	31-Jul-12 $	31-Jul-11 $
Cash from operating activities		
Cash receipts from customers	820,553	921,157
Cash paid to suppliers and employees	(2,988,753)	(2,789,063)
Net cash from operating activities	**(2,168,200)**	**(1,867,906)**
Cash from investing activities		
Payments to acquire property, plant and equipment	(5,708)	(6,823)
Net cash from investing activities	**(5,708)**	**(6,823)**
Cash from financing activities		
Cash proceeds from share issuance	6,431,065	1,500,000
Share issuance costs	(35,750)	(20,498)
Cash proceeds from debt issuance	139,007	1,645,976
Cash payments on existing debt	(2,447,848)	(107,011)
Cash payments of interest	(523,220)	(52,699)
Net cash from financing activities	**3,563,254**	**2,965,768**
Net increase in cash	1,389,346	1,091,038
Cash at the beginning of the period	1,026,763	(62,745)
Effects of exchange rate changes on the balance of cash held in foreign currencies	700	(1,530)
Cash at the end of the period	**2,416,809**	**1,026,763**

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

2. Reporting entity

Nature of operations

MedMira Inc. (MedMira or the Company) is a biotechnology company headquartered in Canada. The address of the Company's registered office is 155 Chain Lake Drive, Suite 1, Halifax, Nova Scotia, B3S 1B3. OnSite Lab Holdings AG owns the majority of MedMira's shares and is the controlling shareholder. The consolidated financial statements of the Company as at and for the years ended July 31, 2012 and 2011, comprise the Company and its subsidiaries. MedMira, through its subsidiaries, is engaged in the business of research, development and manufacturing of rapid diagnostics and technologies. The Company invests in research in order to maintain and expand its position in the global diagnostics market. MedMira's research is focused on specific areas of the broader diagnostics market, namely the rapid, point-of-care, and *in vitro* sectors.

3. Basis of preparation

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations of the IFRS Interpretations Committee.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 18.

The consolidated financial statements were authorized for issue by the Board of Directors on November 15, 2012.

b. Going-concern

The accompanying consolidated financial statements have been prepared on the basis of IFRS applicable to a going-concern, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations. However, certain adverse conditions and events cast significant doubt upon the validity of this assumption. The Company has incurred losses and negative cash flows from operations on a cumulative basis since inception. For the year ended July 31, 2012, the Company realized a net income of approximately $3.4 million (July 31, 2011 – net loss $4.9 million), consisting of a net loss from operations of $2.2 million (July 31, 2011 - $1.9 million), a gain on forgiveness of debt of $10.1 million (July 31, 2011 – $nil), and other non-operating losses of $4.5 million (July 31, 2011 - $3.1 million). Negative cash flows from operations were approximately $2.2 million (July 31, 2011 - $1.9 million). As at July 31, 2012, the Company had an accumulated deficit of approximately $70.5 million (July 31, 2011 - $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 current portion of loans of approximately $7.2 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.

c. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis with the exception of certain financial instruments, which are measured in accordance with the policy described in Note 3, and inventory, which is measured at the lower of cost and net realisable value.

d. Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries. All financial information is presented in Canadian dollars and no rounding is used unless explicitly stated.

e. Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. These include but are not limited to:

- Amounts recorded for depreciation, impairment and reversals of impairment of property, equipment and intangibles 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 consolidated 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 judgements as to the probability of future events occurring;
- The allocation of proceeds between common shares and warrants, determined by valuation of warrants which includes assumptions regarding the volatility and risk free rate;
- The fair value calculation of promissory notes, convertible debt, and long-term debt, which includes assumptions of the market rate and expected cash flows;
- The fair calculation of royalty liabilities, which includes determination of an appropriate discount rate, estimation of future sales, and estimation on price and cost of production;
- The fair value calculation of stock-based compensation, including determination of appropriate volatility and risk free rate;
- The fair value allocation of consideration for multiple element revenue arrangements, including timing of revenue recognition and allocation of cost; and

- Determination of operating segments.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

4. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS statement of financial position at August 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

The accounting policies have been applied consistently to the Company's subsidiaries.

The Company and its significant subsidiaries include:

	Country of incorporation	Ownership interest		
		%	%	%
		31-Jul-12	31-Jul-11	01-Aug-10
MedMira Inc.	Canada	100	100	100
MedMira Laboratories Inc.	Canada	100	100	100
Maple Biosciences Inc.	Canada	100	100	100

a. Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align with the policies adopted by the Company.

Transactions eliminated on consolidation

Intra-company balances and transactions, and any unrealized income and expenses arising from intra-company transactions, are eliminated in preparing the consolidated financial statements.

Jointly controlled operations

The Company is engages in jointly controlled operations to market and sell MedMira's products. A jointly controlled operation is an agreement where both parties uses its own property, plant and equipment and carries its own inventories. It incurs its own expenses and liabilities and raises its own finance, which represent its own obligations. Both parties have equal say in business decisions related to the jointly controlled operations and profit from sales are split equally between parties for any sales generated. The Company recognizes its share of revenue from sales generated by the jointly controlled operations when the final product is delivered to the end customer and payment can be reasonably assured. Costs associated with the sales are recognized at the same time as revenue.

b. Foreign currency transactions

Transactions in foreign currencies are translated to Canadian dollars, the functional currency of the Company and its subsidiaries, at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in the foreign currency translated at the exchange rate at the end of the reporting period.

c. Financial instruments

Non-derivative financial assets

The Company initially recognizes loans, receivables, and deposits on the date of origination. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies loans and receivables as non-derivative financial assets. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

The Company also classifies cash as non-derivative financial assets. Cash comprise cash balances and bank overdrafts that are repayable on demand and form an integral part of the Company's cash management for the purpose of the statement of cash flows. Cash is classified as available for sale.

Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date of origination. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Share capital

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Preferred shares

Preferred share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity.

Preferred share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in profit or loss as accrued.

Stock purchase warrants

The fair value of these warrants is determined at the time the services are received by the Company and the expense is recognized in the statement of operations and comprehensive income. The fair value of the warrants is the fair value of the services received where this can be estimated reliably by comparable services by independent parties. In such circumstances where the fair value of the services received cannot be estimated reliably, the fair value is measured indirectly by reference to the fair value of the equity instrument granted, measured at the date the entity receives the relevant services. All such warrants are classified in a warrant reserve within equity.

Compound financial instruments

Compound financial instruments issued by the Company comprise convertible debentures that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest, dividends, losses and gains relating to the financial liability are recognized in profit or loss. Distributions to the equity holders are recognized in equity, net of any tax benefit.

d. Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes any expenditure that is directly attributable to the acquisition of the asset. Gains and losses on the disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

- office furniture and equipment — 5 years
- leasehold improvements — lower of 7 years and length of lease
- manufacturing equipment — 5 years
- laboratory equipment — 5 years

Depreciation methods, useful lives, and residual values are reviewed at each financial year end and adjusted if appropriate.

e. Intangible assets

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. A development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and borrowing costs on qualifying assets for which the commencement date for capitalization is on or after August 1, 2010. Any other development expenditure is recognized in profit or loss as incurred.

A capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

Other intangible assets

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditure

A subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. Any other expenditure, including an expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

Amortization

Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Patents and trademarks	10-20 years

f. Leased assets

Leases with terms in which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized in the Company's statement of financial position.

g. Inventories

Raw materials inventory consists of chemicals, plastic components and packaging materials. Work in process inventory (WIP) includes partially assembled tests, and any materials that have been modified, but not yet converted to finished products. Finished product inventory includes completed diagnostics tests in a state ready for sale. The Company does not carry inventory that would be considered long-term.

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overhead based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

h. Impairment

Financial assets (including receivables)

Financial assets, other than those at fair value through profit and loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Long-lived assets

The carrying amounts of the Company's long-lived assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the CGU).

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

i. Employee benefits

Short-term employee benefits

Short-term employee benefit obligations such as vacation and healthcare benefits are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. Under the Company's current option plan, options vest at the date of issuance; therefore, the full value of options is recorded as an increase in equity at the date of issuance.

j. Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

k. Revenue

Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Down payments are recognized as deferred revenue until such time as the revenue associated with the sales order meets the criteria for revenue recognition. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the contract of sale. For sales of rapid diagnostics, transfer typically occurs when the product is shipped from the Company's warehouse; however, for some international shipments, transfer may only occur when goods are received.

When two or more revenue generating activities or deliverables are sold under a single arrangement, each deliverable that is considered to be a separate unit of account is accounted for separately. The allocation of consideration from a revenue arrangement to its separate units of account is based on the relative fair values of each unit. If the fair value of the delivered item is not reliably measurable, then revenue is allocated based on the difference between the total arrangement consideration and the fair value of the undelivered item.

Services

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

Royalties and licence fees

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

Deferred revenue

All deferred revenue is classified as current and consists of customer advances for product that has not yet been shipped or the conditions required to account for payments as revenue have not yet been met.

l. Government grants

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

The company also receives government loans with below market interest rates. These loans are classified as government grants. The benefit from the grant is determined based on the difference between the amount received and the fair value of the loan and is recognized in profit or loss as a reduction in expense on a systematic basis in the same periods in which the expenses are recognized.

m. Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as a part of the total lease expense, over the term of the lease.

n. Finance income and finance costs

Finance costs comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

o. Future income taxes

The Company uses the liability method of accounting for income taxes. Under this method, current income taxes are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. 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.

p. Earnings and loss per share

Basic earnings/loss per share (EPS) amounts are calculated by dividing net profit/loss for the year attributable to common equity holders of the parent by the weighted average number of common shares outstanding during the year.

Diluted EPS is determined by adjusting the net profit/loss attributable to common shareholders and the weighted average number of common shares outstanding. Diluted EPS is equal to the basic EPS in periods of a net loss as the exercise of options and warrants would be anti-dilutive. During profitable periods net income is adjusted by adding back the after-tax effect of any interest expense on dilutive convertible debentures, weighted average common shares outstanding is adjusted to include the effects of the additional shares that would be issued upon conversion of debentures, as well as the addition of shares that would be issued on exercise options or warrants.

q. Fair value of stock options and warrants

The Company makes certain estimates and assumptions when calculating the fair values of stock options and warrants granted. The company uses an option pricing model, which includes significant assumptions including estimate of expected volatility, expected life, expected dividend rate and expected risk-free rate of return. Changes in these assumptions may result in a material change to the expense recorded for the issuance of stock options and warrants.

r. New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, were not yet effective for the year ended July 31, 2012, and have not been applied in preparing these consolidated financial statements. None of these new standards or amendments are expected to have a significant effect on the financial results of the Company.

Accounting standards issued but not yet applied:

IFRS 9, "Financial Instruments": The International Accounting Standards Board ("IASB") has issued IFRS 9, "Financial Instruments", effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. IFRS 9 introduces net classification and measurement requirements for financial instruments.

IFRS 10, "Consolidated Financial Statements": The IASB issued IFRS 10, "Consolidated Financial Statements", effective for annual periods beginning on or after January 1, 2013. IFRS 10 replaces portions of IAS 27, "Consolidated and Separate Financial Statements", that addresses consolidation, and supersedes Standing Interpretations Committee (SIC) SIC-12 in its entirety. The objective of IFRS 10 is to define the principles of control and establish the basis of determining when and how an entity should be included within a set of consolidated financial statements. IAS 27 has been amended to reflect the issuance of IFRS 10 and retains guidance only for separate financial statements.

IFRS 11, "Joint Ventures": The IASB issued IFRS 11, "Joint Ventures", effective for annual periods beginning on or after January 1, 2013. IFRS 11 supersedes IAS 31, "Interest in Joint Ventures", and SIC-13, "Jointly Controlled Entities – Non Monetary Contributions by Venturers". Through an assessment of the rights and obligations in an arrangement, IFRS 11 establishes principles to determine the type of joint arrangement and guidance for financial reporting activities required by the entities that have an interest in arrangements which are controlled jointly. As a result of the issuance of IFRS 10 and IFRS 11, IAS 28 was amended to reflect the guidance provided in IFRS 10 and IFRS 11.

IFRS 12, "Disclosure of Interests in Other Entities": The IASB issued IFRS 12, "Disclosure of Interests in Other Entities", effective for annual periods beginning on or after January 1, 2013. IFRS 12 requires extensive disclosures relating to a company's interests in subsidiaries, joint arrangements, associates, and unconsolidated structured entities. IFRS 12 enables users of the financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial position and performance.

IFRS 13, "Fair Value measurement": The IASB issued IFRS 13, "Fair Value Measurement", effective for annual periods beginning on or after January 1, 2013. IFRS 13 defines fair value, provides guidance in a single framework for measuring fair value and identifies the required disclosures pertaining to fair value measurement.

Amendments to standards

IAS 19, "Employee Benefits", has been amended effective for annual periods beginning on or after January 1, 2013. The revised standard requires immediate recognition of actuarial gains and losses in other comprehensive income, eliminating the previous options that were available. A number of other amendments have been made to recognition, measurement and classification.

5. Revenue

	31-Jul-12	31-Jul-11
	$	$
Goods sold	938,356	909,869
Royalties and licence revenues	32,275	-
Total revenues	**970,631**	**909,869**

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

	31-Jul-12	31-Jul-11
	$	$
North America	588,417	540,340
Latin America and the Caribbean	132,830	9,105
Europe	8,098	106,115
Asia Pacific	239,246	178,403
Other	2,040	75,906
Total revenue	**970,631**	**909,869**

6. Inventories

As at July 31, 2012, there were no valuation allowances against inventory (July 31, 2011 - $nil, August 1, 2010 - $nil).

During the year ended July 31, 2012, inventory valued at $271,402 was expensed as a cost of goods sold (July 31, 2011 - $430,527).

	31-Jul-12	31-Jul-11	01-Aug-10
	$	$	$
Raw materials and consumables	95,476	83,677	147,592
Work in process	98,192	116,214	99,293
Finished goods	32,186	14,710	112,756
Total inventories	**225,854**	**214,601**	**359,641**

7. Property, plant and equipment

During the year ended July 31, 2012, the Company did not identify any indicators of impairment (July 31, 2011 – nil, August 1, 2010 – nil). The Company did not make any commitment to acquire property, plant and equipment during the year ended July 31, 2012 (July 31, 2011 – nil, August 1, 2010 – nil).

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

	Leasehold improvements $	Laboratory equipment $	Manufacturing equipment $	Office equipment and furniture $	Total $
Cost					
Balance at August 1, 2010	**561,076**	**467,028**	**702,478**	**508,665**	**2,239,247**
Additions	-	-	-	6,823	6,823
Disposals	-	(443,097)	(528,084)	(334,794)	(1,305,975)
Balance at July 31, 2011	**561,076**	**23,931**	**174,394**	**180,694**	**940,095**
Additions	-	-	-	5,708	5,708
Balance at July 31, 2012	**561,076**	**23,931**	**174,394**	**186,402**	**945,803**
Accumulated depreciation and impairment losses					
Balance at August 1, 2010	**528,806**	**465,090**	**694,288**	**495,281**	**2,183,465**
Depreciation expense for the year	14,735	1,938	2,674	10,759	30,106
Disposals	-	(443,097)	(528,084)	(334,794)	(1,305,975)
Balance at July 31, 2011	**543,541**	**23,931**	**168,878**	**171,246**	**907,596**
Depreciation expense for the year	14,734	-	1,651	2,944	19,329
Balance at July 31, 2012	**558,275**	**23,931**	**170,529**	**174,190**	**926,925**
Carrying amounts					
At August 1, 2010	32,270	1,938	8,190	13,384	55,782
At July 31, 2011	17,535	-	5,516	9,448	32,499
At July 31, 2012	2,801	-	3,865	12,212	18,878

8. Intangible assets

	Intellectual properties $	Product technology $	Total $
Cost or deemed cost			
Balance at August 1, 2010	2,584,899	258,137	2,843,036
Balance at July 31, 2011	2,584,899	258,137	2,843,036
Balance at July 31, 2012	2,584,899	258,137	2,843,036
Accumulated amortization and accumulated impairment losses			
Balance at August 1, 2010	2,584,898	258,136	2,843,034
Balance at July 31, 2011	2,584,898	258,136	2,843,034
Balance at July 31, 2012	2,584,898	258,136	2,843,034
Carrying amounts			
At August 1, 2010	1	1	2
At July 31, 2011	1	1	2
At July 31, 2012	1	1	2

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

During 2006, the Company acquired intellectual properties, in the form of patents and technology with a value of $2,102,569 related to the acquisition of Maple Biosciences Inc. and the BAG-1 technology. During 2008, management reduced its research and development efforts related to these intangible assets and recorded an impairment charge to write-down these assets to a nominal value. Impairment charges at July 31, 2012 total $1,693,046 (July 31, 2011 - $1,693,046, August 1, 2010 - $1,693,046). There is no indication that this impairment has reversed.

9. Capital and other components of equity

a. Authorized

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

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

b. Share capital issued

	Number of		Value of		
	Common shares	Preferred shares	Common shares $	Preferred shares $	Share capital $
Balance at August 1, 2010	**202,264,320**	**5,000,000**	**49,497,106**	**2,500**	**49,499,606**
Issued to repay debt	20,000,000	-	636,588	-	636,588
Issued for cash	30,000,000	-	869,554	-	869,554
Share issuance costs	-	-	(20,498)	-	(20,498)
Balance at July 31, 2011	**252,264,320**	**5,000,000**	**50,982,750**	**2,500**	**50,985,250**
Issued to repay debt	11,378,704	-	390,931	-	390,931
Issued for cash	128,621,296	-	4,320,752	-	4,320,752
Share issuance costs	-	-	(35,750)	-	(35,750)
Balance at July 31, 2012	**392,264,320**	**5,000,000**	**55,658,683**	**2,500**	**55,661,183**

The total common shares issued and outstanding includes 4,064,464 common shares held in escrow scheduled to be released when the company obtains positive operating cash flow.

The Series A preferred shares had a stated capital of $2,500 at July 31, 2012 (July 31, 2011 - $2,500, August 1, 2010 - $2,500).

c. Warrants

	Number of warrants	Warrant reserve $
Balance at August 1, 2010	**50,452,833**	**1,211,472**
Expired warrants	(4,333,333)	-
Issued to repay debt	20,000,000	363,412
Issued for cash	30,000,000	630,446
Balance at July 31, 2011	**96,119,500**	**2,205,330**
Issued to repay debt	11,378,704	178,004
Issued for cash	128,621,296	2,110,313
Balance at July 31, 2012	**236,119,500**	**4,493,647**

During the year ended July 31, 2012, 140,000,000 stock purchase warrants were issued in conjunction with shares issued. At July 31, 2012, the Company had the following warrants outstanding:

Issued	Number	Exercise price $	Expiry date
December 22, 2008	6,119,500	0.10	December 22, 2013
November 4, 2009	40,000,000	0.10	November 4, 2012
December 8, 2010	20,000,000	0.10	December 8, 2014
July 18, 2011	30,000,000	0.10	July 18, 2015
January 31, 2012	20,000,000	0.10	January 31, 2016
June 11, 2012	120,000,000	0.10	June 11, 2016
Total outstanding warrants	**236,119,500**		

d. Stock based compensation

The Company has established a stock option plan for its employees, officers, and directors. All options vest immediately upon issue and the Company is authorized to issue a maximum of 6,000,000 options annually upon approval by shareholders. The options are exercisable into an equivalent of 5,840,000 common shares (July 31, 2011 – 3,845,000) at exercise prices ranging between $0.10 and $0.34. The options expire between the dates of October 10, 2012 and October 13, 2014. During the year the company issued 3,290,000 options (July 31, 2011 – nil) with a fair value of $68,848 (July 31, 2011 – nil). All options outstanding at July 31, 2012 are exercisable.

The total options outstanding from August 1, 2010 to July 31, 2012 are shown below.

	Number	Weighted average exercise price $	Stock based compensation reserve $
Options outstanding August 1, 2010	**4,713,000**	**0.14**	**1,030,354**
Options expired/forfeit	(868,000)	0.21	-
Options outstanding July 31, 2011	**3,845,000**	**0.13**	**1,030,354**
Options granted	3,290,000	0.10	68,848
Options expired/forfeit	(1,295,000)	0.10	-
Options outstanding July 31, 2012	**5,840,000**	**0.12**	**1,099,202**

The following table summarizes information about options outstanding and exercisable at July 31, 2012:

Range of exercise prices $	Number outstanding and exercisable	Weighted average exercise price per share $	Weighted average remaining contractual life (Years)
0.100	5,340,000	0.10	1.73
0.335	500,000	0.34	0.92
	5,840,000	**0.12**	**1.66**

10. Gain (loss) per share

	31-Jul-12 $	31-Jul-11 $
Net income (loss) attributable to common shareholders	3,372,302	(4,929,183)
Interest expense on convertible debenture	58,500	-
Diluted income (loss)	**3,430,802**	**(4,929,183)**
Issued common shares	392,264,320	252,264,320
Weighted average number of common shares	278,985,631	216,593,087
Weighted average number of debenture dilutive shares	3,581,267	-
Weighted average number of warrants	122,840,811	-
Weighted average number of options	6,296,434	-
Weighted average number of diluted shares	**411,704,143**	**216,593,087**
Basic earnings (loss) per share	0.012	(0.023)
Diluted earnings (loss) per share	0.008	(0.023)

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

11. Loans and borrowings

a. Loans

	31-Jul-12 $	31-Jul-11 $	01-Aug-10 $
Due to directors and officers on demand, interest at 3% - 25%	-	6,554,465	5,045,272
Due on demand, interest at 3% - 15%	1,783,738	2,439,448	1,970,507
9% convertible debenture	650,000	650,000	650,000
ACOA loan 1	358,135	368,085	374,085
ACOA loan 2	164,264	168,382	171,382
ACOA loan 3	487,916	496,250	500,000
ACOA loan 4	488,666	497,000	500,000
Nova Scotia Government loan	3,480,000	3,480,000	3,480,000
Total loan principal	**7,412,719**	**14,653,630**	**12,691,246**
Long term portion of principal	227,803	-	-
Current portion of principal	7,184,916	14,653,630	12,691,246

The loans as at July 31, 2012, July 31, 2011, and August 1, 2010 include $75,128, $6,333,675, and $5,045,270 respectively, denominated in US currency (US $75,000, US $6,628,650, and US $4,906,418 respectively).

Due to directors and officers on demand, interest at 3%-25%

As at July 31, 2012 there were no loans due to directors and officers (see Note 10.b). At July 31, 2011, the company had $6,554,465 (August 1, 2010 – $5,045,272) due to directors and officers with interest rates ranging from 3% to 25%. At July 31, 2011 and August 1, 2010 these loans were in default and classified as current liabilities. A director has provided a personal guarantee for one of the loans in the amount of US $380,290.

Loans, interest at 3% - 15%

Loans balance of $1,783,738 includes loans totalling $1,543,934 (July 31, 2011 - $2,439,448, August 1, 2010 – $1,970,507) with interest terms of 3%-15% which were in default as at July, 31, 2012. These loans have been classified as current liabilities. During July 31, 2012, a portion of the outstanding debt was settled (see Note 10.b).

The remaining balance totalling $239,803 consists of two loans bearing interest at 3% with payment terms over 5 years. The terms of these two loans were renegotiated prior to the July 31, 2012 year end. Of the payments due on these loans, $12,000 is due within 1 year and has been recognized as current, $227,803 has been recognized as long term and due in more than 1 year.

9% convertible debenture

Convertible debenture with a coupon interest rate of 9% per annum, payable monthly, maturing four years from the date of close. The principal was repayable in full on August 28, 2012. The debenture is convertible in whole or in part into common shares at $0.1815. If the remaining balance of the debenture was converted, it would result in the issuance of 3,581,267 common shares. 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.

ACOA loan 1

Loan payable to the 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 fiscal year ended July 31, 2010, payment terms changed to be six payments of $1,000 and 37 payments of $9,950. The loan is secured by all present and after acquired personal property, excepting consumer goods. The loan is currently in default and classified as a current liability.

ACOA loan 2

Loan payable to the Atlantic Canada Opportunities Agency, non-interest bearing, payable in 48 equal monthly principal instalments beginning January 2008. During fiscal year ended July 31, 2010, payment terms changed to be six payments of $500 and 41 payments of $4,117. The loan is secured by all present and after acquired personal property, excepting consumer goods. The loan is currently in default and is classified as a current liability.

ACOA loan 3

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 secured by all present and after acquired personal property, excepting consumer goods. The loan is currently in default and is classified as a current liability.

ACOA loan 4

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 secured by all present and after acquired personal property, excepting consumer goods. The loan is currently in default and is classified as a current liability.

Nova Scotia Government loan

Loan payable to the Nova Scotia Government Department of Economic and Rural Development and Tourism 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 principal and interest payments are in arrears and therefore the loan is classified as a current liability.

b. Significant refinancing

During the year ended July 31, 2012, the company negotiated the forgiveness and settlement of debt resulting in the payment of $1,806,481 to settle $11,849,307 in principal and accrued interest. The difference between the settled amount and the payment, $10,042,826, was booked as a gain on forgiveness of debt in the statement of operations and comprehensive income and includes a gain on forgiveness of principal of $8,114,161 and gain on forgiveness of accrued interest of $1,928,665.

12. Financial instruments

a. Capital management

The Company's objectives when managing capital are to provide an adequate return to shareholders, safeguard its assets, maintain a competitive cost structure and continue as a going-concern in order to pursue the development and sale of its products. To maximize ongoing development and growth effort, the Company did not pay out dividends during the period ended July 31, 2012 (July 31, 2011 - $nil). The Company is not anticipating paying out dividends during the year ended July 31, 2013.

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

	31-Jul-12	31-Jul-11	01-Aug-10
	$	$	$
Total debt	7,412,719	14,653,630	12,691,246
Cash and cash equivalents	(2,416,809)	(1,026,763)	62,745
Net debt	4,995,910	13,626,867	12,753,991
Total shareholders deficiency	(8,708,299)	(19,113,699)	(16,664,018)
Total capital	**(3,712,389)**	**(5,486,832)**	**(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. The Company is in default on many of its loans and convertible debentures. As a result, these amounts are classified as current liabilities.

b. Categories of financial instruments and fair value

	July 31, 2012		July 31, 2011		August 1, 2010	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$	$	$
Financial assets						
Available for sale						
Cash	2,416,809	2,416,809	1,026,763	1,026,763	(62,745)	(62,745)
Amortized cost						
Trade and accounts receivable	164,292	164,292	82,942	82,942	40,289	40,289
Financial liabilities						
Amortized cost						
Trade and other payables	3,290,152	3,290,152	5,048,216	5,048,216	3,887,097	3,887,097
Current portion of debt	7,184,916	7,184,916	14,653,630	14,653,630	12,691,246	12,691,246
Long term portion of debt	227,803	227,803	-	-	-	-

c. Foreign currency risk

Most of the Company's sales are made in foreign currencies. The carrying amounts of the Company's US dollar foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	31-Jul-12 US$	31-Jul-11 US$	1-Aug-10 US$
Cash and cash equivalents	25,930	352,986	-
Trade and other receivables	44,901	20,041	13,030
Accounts payable and accrued liabilities	165,422	2,206,328	1,147,148
Deferred income	523,541	637,337	574,840
Debt	75,000	6,628,650	4,906,418

A one cent change in the US dollar exchange rate would result in approximately a $7,000 (2011 - $9,500) impact on the balance sheet and consolidated statement of income. The Company's foreign exchange exposure to the US dollar has decreased in the year ended July 31, 2012 due mainly to the settlement of US dollar denominated loans.

d. Interest rate risk

The Company is exposed to interest rate risk because it borrows funds at both fixed and floating interest rates. The company presently holds a single floating interest rate loan with the Nova Scotia Government Department of Economic and Rural Development and Tourism with interest bearing at the Province's five year cost of funds plus 2%. As a result, the Company is exposed to fluctuations in the province of Nova Scotia's cost of funds. A 1% increase in the Nova Scotia cost of funds rate would result in approximately $34,800 in additional interest per year.

e. Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The company mitigates this risk by requiring a 50% down payment on most orders at the time of purchase, and the remaining 50% prior to shipment. The receivables balance of $164,292 represents primarily trade receivables from sale of the Company's products. Historically, there have been no collection issues and the Company does not believe it is subject to any significant concentration of credit risk.

f. Liquidity risk

Liquidity risk represents the possibility that the Company may not be able to gather sufficient cash resources, when required and under reasonable conditions, to meet its financial obligations. At present, the company does not have sufficient cash to meet all of its continual liabilities.

The Company also continues to have an ongoing need for substantial capital resources to research and develop, commercialize and manufacture its products and technologies. The Company is currently not yet receiving a significant ongoing revenue stream, nor can it be certain that it will receive significant revenue before additional cash is required. As a result, there can be no assurance that the Company will have sufficient capital to fund its ongoing operations, develop or commercialize its products without future financing.

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

For the year ended July 31, 2012

	Total	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
	$	$	$	$	$
Loans	6,762,719	6,534,916	99,922	89,921	37,960
Debentures	650,000	650,000	-	-	-
Total debt	**7,412,719**	**7,184,916**	**99,922**	**89,921**	**37,960**

For the year ended July 31, 2011

	Total	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
	$	$	$	$	$
Loans	14,003,630	14,003,630	-	-	-
Debentures	650,000	650,000	-	-	-
Total debt	**14,653,630**	**14,653,630**	**-**	**-**	**-**

Payments noted above do not include interest payments.

g. Fair value of financial instruments

Management has determined that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate fair value.

13. Fair value measurement of royalty liability

The Company adjusted a royalty contract valued at $260,000 to fair value of $326,020 during the year ended July 31, 2012 based on the projected cash flows on future sales. Management used an effective annual discount rate of 23.17% which it believes fairly represents the market rate for the time value of money and the risks specific to the liability. During the year ended July 31, 2012, $75,422 in interest was accrued on this liability (July 31, 2011 - $nil).

The calculation of fair value was based on management estimates that include: the likelihood and timing of completion of the research and development of the product, the likelihood of obtaining regulatory approval, the demand for the product at the time of completion, the price the Company will be able to sell the product for, and the cost of manufacturing the product.

	31-Jul-12	31-Jul-11
	$	$
Provision for royalty	260,000	260,000
Increase in royalty	66,021	-
Accrued interest	75,422	-
Total provision for royalty	**401,443**	**260,000**

14. Related parties

The following transactions occurred with related parties during the year ended July 31, 2012:

- Interest of $3.2 million was capitalized on a loan from a director (July 31, 2011 - $2.6 million).
- $7.0 million was invested in 140 million common shares and warrants in the course of the year by OnSite Lab Holding AG (July 31, 2011 - $2.5 million).

The following balances with related parties were outstanding at July 31, 2012:

- A receivable balance of $8,630 is owed to MedMira by a company which is presided over by a director (July 31, 2011 – $10,521, August 1, 2010 - $nil).
- An accounts payable balance of $22,083 is owed to a director of MedMira (July 31, 2011 - $1.7 million, August 1, 2010 - $1.6 million).
- A royalty provision owed to OnSite Lab Holding AG of $401,443 has been recorded (July 31, 2011 – $260,000, August 1, 2010 - $nil).

The remuneration of directors and other members of key management personnel during the year were as follows:

	31-Jul-12	31-Jul-11
	$	$
Short-term benefits	328,947	330,900
Share-based payments	40,806	-
Total remuneration	**369,753**	**330,900**

15. Research and development

The Company receives government grants to offset the cost of developing certain products. These grants are recognized as a credit against the research expense in the period the expense is incurred. There are no unfulfilled conditions regarding the grants. The following table provides a summary of aggregate research costs and reimbursements:

	31-Jul-12	31-Jul-11
	$	$
Research and development expenses	530,114	345,540
Less: reimbursed research and development expenses	331,092	70,268
Net research and development expense	**199,022**	**275,272**

Included in the total for research and development expenses is $373,819 specifically related to the reimbursements received during the year ended July 31, 2012 (July 31, 2011 – $70,268).

16. Income taxes

a. Reconciliation of total tax expense

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

	31-Jul-12 $	31-Jul-11 $
Income (loss) before income tax	3,372,302	(4,892,184)
Income tax rate	31.6%	33.1%
Income tax expense (recovery) at the combined statutory income tax rate	1,066,491	(1,619,313)
	-	-
Non-taxable portion of capital (gains) and losses	-	25,156
Non-taxable portion of other (gains) and losses	(3,176,044)	-
Non-deductible stock-based compensation	37,992	8,275
Non-deductible interest	102,844	26,692
Non-recognition of deferred tax assets due to unused tax losses and deductible temporary differences	1,663,428	1,699,884
Excess amortization over capital cost allowance	6,113	9,965
Scientific research and development expenditures	66,297	28,769
Non-deductible exchange rate losses (gains)	260,380	(165,331)
Other	(27,501)	(14,097)
Income tax recovery	-	-

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

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognized are attributable to the following:

	31-Jul-12 $	31-Jul-11 $	1-Aug-10 $
Non-capital losses	30,506,035	39,783,796	35,147,680
Scientific research and development costs	3,986,048	3,866,897	3,793,018
Investment tax credits	1,287,974	1,250,824	1,230,826
Share issuance costs	80,791	57,377	82,075
Variable liability	141,443	-	-
Unrealized foreign exchange	98,274	-	-
Cumulative eligible capital	281,645	281,645	281,645
Property and equipment	1,860,876	1,841,548	1,808,000
Total	**38,243,086**	**47,082,087**	**42,343,244**

The right to claim the non-capital losses and investment tax credits expire as follows:

	Non-capital losses $	Investment tax credits $
Year ending July 31, 2013	2,976,766	-
Year ending July 31, 2014	3,786,509	-
Year ending July 31, 2018	-	22,331
Year ending July 31, 2019	-	109,128
Year ending July 31, 2020	-	287,891
Year ending July 31, 2021	-	118,020
Year ending July 31, 2022	-	88,957
Year ending July 31, 2023	-	99,010
Year ending July 31, 2024	-	127,554
Year ending July 31, 2025	4,027,473	128,373
Year ending July 31, 2026	2,832,002	87,870
Year ending July 31, 2027	1,863,697	106,661
Year ending July 31, 2028	1,814,749	28,763
Year ending July 31, 2029	1,716,876	26,268
Year ending July 31, 2030	1,768,554	19,998
Year ending July 31, 2031	9,719,409	37,150
	30,506,035	**1,287,974**

At July 31, 2012, the Company has no unrecognized deferred tax liability (July 31, 2011 - $nil, August 1, 2010 - $nil) for taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries.

17. Operating segments

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

18. Subsequent events

Following the year ended July 31, 2012, the Company paid $312,992 to settle $1,021,503 in debt. This renegotiation was the final stage of MedMira's debt restructuring plan and results in no debt in default. Interest rates on all remaining debt are at or below 3% with interest only payments for the remainder of the fiscal year ended July 31, 2013.

19. Explanation of transition to IFRS

The Company's consolidated financial statements for the year ending July 31, 2012 are the Company's first set of annual financial statements that comply with IFRS as issued by the IASB including application of IFRS 1. IFRS 1 requires that comparative financial information be provided, therefore the Company has applied IFRS as of August 1, 2010.

IFRS requires first-time adopters to retrospectively apply all IFRS that will be in effect at its July 31, 2012 reporting date. However, it also provides for certain optional exemptions and certain mandatory exemptions for first-time adopters. The Company has applied certain of these exemptions to its opening Statement of Financial Position dated August 1, 2010 as described below.

a. Elected exemptions for full retrospective application

Business combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 - Business Combinations (IFRS 3) retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has elected to use this exemption and has only applied IFRS 3 to business combinations that occurred on or after August 1, 2010.

Borrowing costs

The Company has elected the transition date, August 1, 2010, as the date to apply the transitional provisions set out in IAS - 23 Borrowing Costs (IAS 23). The Company will capitalize borrowing costs in accordance with IAS 23 for qualifying assets which commenced construction after August 1, 2010.

Arrangements containing a lease

The Company has elected to apply transitional provisions under IFRIC - 4 Determining Whether an Arrangement Contains a Lease (IFRIC 4). The Company has not reassessed arrangements containing leases as of August 1, 2010.

Share-based payment transactions

IFRS 1 permits first-time adopters to not apply IFRS 2 to equity instruments that were granted on or before November 7, 2002 or equity instruments that were granted subsequent to November 7, 2002 and vested before the date of transition to IFRS. The Company has elected to take this exemption and not apply IFRS 2 to awards that vested prior to August 1, 2010.

b. Mandatory exceptions to retrospective application

Estimates

In accordance with IFRS 1, an entity's estimates at the date of transition to IFRS must be consistent with estimates made for the same date under previous Canadian GAAP (GAAP), unless there is objective evidence that those estimates were made in error. Hindsight was not used to create or revise estimates and accordingly the estimates made by the Company under GAAP are consistent with their application under IFRS.

c. Reconciliation from GAAP to IFRS

The accounting policies set out in Note 3 have been applied in preparing the consolidated financial statements for the year ended July 31, 2012, the comparative information presented in these financial statements for the year ended July 31, 2011 and in the preparation of an opening IFRS statement of financial position at August 1, 2010 (the Company's date of transition).

A reconciliation of the impact of the transition from GAAP to IFRS on the Company's financial position, financial performance and cash flows is set out in the following tables and notes that accompany the tables.

Reconciliation of consolidated statement of financial position

	July 31, 2011			August 1, 2010		
	Previous Canadian GAAP $	Effect of transition to IFRS $	IFRS $	Previous Canadian GAAP $	Effect of translation to IFRS $	IFRS $
Total assets	**1,492,123**	**-**	**1,492,123**	**568,178**	**-**	**568,178**
Current liabilities						
Bank indebtedness	-	-	-	62,745	-	62,745
Accounts payable and accrued liabilities	5,048,216	-	5,048,216	3,887,097	-	3,887,097
Unearned revenue	643,976	-	643,976	591,108	-	591,108
Current portion of debt	14,653,630	-	14,653,630	12,260,918	430,328	12,691,246
Total current liabilities	20,345,822	-	20,345,822	16,801,868	430,328	17,232,196
Non-current liabilities						
Provision for royalty	260,000	-	260,000	-	-	-
Long-term debt	-	-	-	430,328	(430,328)	-
Total non-current liabilities	260,000	-	260,000	430,328	(430,328)	-
Total liabilities	**20,605,822**	**-**	**20,605,822**	**17,232,196**	**-**	**17,232,196**
Total equity	**(19,113,699)**	**-**	**(19,113,699)**	**(16,664,018)**	**-**	**(16,664,018)**
Total liabilities and equity	**1,492,123**	**-**	**1,492,123**	**568,178**	**-**	**568,178**

Reclassification of long-term debt to current

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

Reconciliation of consolidated statement of changes in equity

There was no impact on the consolidated statement of changes in equity as at August 1, 2010 and July 31, 2011 as a result of the transition to IFRS.

Reconciliation of consolidated statement of comprehensive income

There was no impact on the consolidated statement of comprehensive income for the year ended July 31, 2011 as a result of the transition to IFRS. A reclassification of $37,000 in recovery from income tax was recorded to warrant reserve resulting in a decrease in net income after tax of $37,000.

Reconciliation of consolidated statement of cash flows

There was no significant impact on the statement of cash flows as the result of the transition to IFRS. Under IFRS, bank indebtedness has been included as a part of cash and cash equivalents. This has resulted in a decrease in opening cash and cash equivalents of $62,745. In addition, IFRS allows payments of interest on debt to be treated as a finance cash flow resulting in a decrease in cash from financing and increase in operating cash flows of $27,990.

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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.

Annual General Meeting

Innovation Boardroom
Innovacorp Enterprise Centre
1344 Summer Street
Halifax, Nova Scotia B3H 0A8

10 am, Friday, January 25, 2013

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Dr. Shou-Ching Tang