medmira

Annual Report

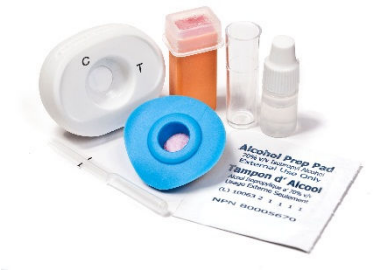
2013

www.medmira.com

Contents

Vision

To deliver leading edge diagnostic products.



The Reveal Rapid HIV Antibody Test for point-of-care testing

Mission

To deliver accurate, efficient diagnostic products by advancing our unique, value-add technology platform through expansion of product development, partnerships and licensing.

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

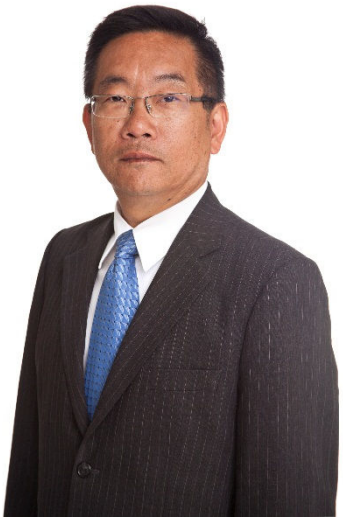
Integrity – doing the right thing is a standard principle by which the entire team operates

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

Results-oriented – delivering high quality results on time to drive growth and profitability

Dear Shareholders,

For MedMira, 2013 was a year of strategic building. Our team worked vigorously to set the stage and generate momentum for positive and significant growth across key areas of our business in the coming year. During much of 2013 the focus was on ensuring that we strengthened our financial position; evolved our brand to a position of leadership in key global markets; aligned internal and external resources for success; and moved new products forward in the commercialization pipeline for launches beginning in 2014. Despite challenges along the way, I am pleased to report that, with many of our initiatives implemented and a solid partner network in place, we are well positioned to capitalize on the opportunities before us.



Hermes Chan
Co-Founder & CEO
MedMira Inc.

Critical to the Company's strategic programs, particularly business development and product commercialization, was continued improvement of the Company's overall operating position and financial stability. Early in the year we concluded our debt restructuring program which in total eliminated nearly $13 million in debt. At year end our revenues had increased by over $1 million compared to 2012. Building on this stability, MedMira received $6.105 million in new equity financing from its largest and majority shareholder, OnSite Lab Holding AG, subsequent to the year end, further demonstration of their belief in the global market opportunities for our patented rapid flow-through technology and testing products.

In December 2013, Jelle Kuypers joined MedMira as Chief Financial Officer, bringing to MedMira international experience in finance, strategic and operational planning, from previous senior financial roles in Canada, Switzerland and the Middle East. Jelle's expertise in developing and implementing strong financial and organizational platforms and information systems is fully aligned with our strategy for streamlining processes for increased efficiency across our organization.

As our financial position continued to stabilize, it enabled the advancement of our sales, marketing and business development programs on a global basis. Expansion in this area of our business began with the launch of an evolved brand for MedMira early in the year. MedMira's new brand clearly illustrates what is at the core of our Company, our patented rapid flow-through technology. Our technology is what truly sets our rapid testing solutions apart from the competition and uniquely positions us to offer our customers something very different and advantageous to their testing programs.

We are primed for a major sales and marketing push into the United States. In September, Kevin Jones joined the Company as Senior Director, Global Sales & Marketing. With over 20 years of significant industry experience, Kevin is leading our rapid expansion in the U.S. market as we boost our sales and distribution channels with a new strategic partner in preparation for product launches in 2014. We will introduce new products for the research and education market under the Miriad product range as well as a new rapid HIV test to answer the demand for increased routine HIV screening for all people aged 15-65. Also joining the sales, marketing, and business development team is Markus Meile in the role of Senior Director, International Markets. In this capacity, Markus focuses on the continual development of our strategic relationships with global health organizations such as the World Health Organization, the United Nations, and other NGOs, aid agencies, and government agencies working to bring quality diagnostics to every region of the world.

The Multiplo Rapid HBc/HIV/HCV Antibody Test reactive for Hepatitis B, HIV and Hepatitis C

Our ongoing global sales initiatives will come to the forefront in 2014. In significant emerging markets such as China and India, we have solidified key distribution channels, collaborations, and a strategic partner network that will enable us to push product into these markets and expand our market presence in 2014. In the Middle East/North Africa region, our strategic partners are making significant progress in acquiring new business in several different countries and have secured many in-country registrations in preparation for full-scale launches in 2014. Key Middle East target markets will be the public health sector where governments are ramping up spending on infrastructure and programs, as well as the enormous expatriate population coming to the region for work, as they must first undergo screening tests as part of their visa processing.

Our product commercialization team is on track to turn out new products in 2014, further enhancing our diagnostics portfolio. The Company's major thrust in product commercialization is focused on bringing three new products to the U.S. market, two of which are being developed under contract with the U.S. Army. The Multiplo HBc/HIV/HCV and Reveal HBsAg projects are moving along on pace, meeting all major milestones. Subsequent to the year end, our contract with the U.S. Army expanded by

USD$1.917 million. This funding facilitates parallel clinical trial testing which will enable complementary label claims and further expand the utility of the product in additional settings. The third major product we are bringing to the U.S. market is an advanced Reveal rapid HIV test, which includes whole blood applications and CLIA-waived status. While the U.S. is the initial target with these products we anticipate quickly rolling them out in other major global markets such as Europe, Asia, and the Middle East.

Driving our product commercialization activities is the core engine of our business, our rapid flow-through technology. As our product portfolio continues to expand based on this platform, so does the interest in the technology itself. Its unique advantages of speed and multiplexing, which deliver superior benefits to the user and are unmet by alternative technologies, have captured the attention of a broad spectrum of audiences worldwide. Organizations such as the United States Food and Drug Administration now see multiplex rapid testing as a critical sub-sector in diagnostics, realizing the exponential benefits multiplexing can bring to both patient care and the providers bottom line. The World Health Organization, a leader in global health matters, understands that multiplex rapid tests present a "golden opportunity" to screen for multiple diseases under an integrated testing program model. Earlier this year, at their invitation, we submitted our Multiplo TP/HIV rapid test for WHO evaluation and the process is moving along on track. This year our technology was recognized by the Canadian Manufacturers and Exporters as Innovative New Technology and we continue to work with world class collaborators and organizations like the National Research Council of Canada to further expand our technology platform.

The ongoing transformation of our Company will continue to generate positive momentum, increase our productivity and efficiency across all areas of the business, contribute to the successful launch of new products in global markets, and deliver substantial growth and shareholder value in 2014. With this in mind, I hope that you share in our excitement about the future of MedMira. Thank you to all of our stakeholders, customers, partners, employees, and shareholders, for your continued support.

The Multiplo Rapid Syphilis/HIV Antibody Test a key tool in combatting the mother-to-child transmission of syphilis and HIV through preventative screening programs

Hermes Chan
Co-Founder & CEO

MedMira Inc.

Management's Discussion & Analysis
For the year ended July 31, 2013

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, 2013 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.

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

Corporate update

During Fiscal Year 2013, MedMira improved its overall operating position by establishing greater financial stability early in the year which enabled many of its planned business development and product commercialization activities to advance on schedule throughout the remaining quarters.

In the first quarter, MedMira completed the final phase of its debt restructuring initiative which began in 2012, making debt settlement arrangements with the Company's debt holders and moving to a position where it was no longer in default on any of its loans. In total this program eliminated $12,856,095 in debt and created a stable financial platform on which the Company continued to operate on for the remainder of 2013.

MedMira continued the expansion of its sales, marketing and business development activities around the globe, taking up initiatives focused in various major, emerging and development markets. These activities were supported by the launch of an evolved brand identity and redesigned corporate website during the second quarter. The Company undertook a re-branding initiative to clearly illustrate its innovative mindset and its core focus on technology and high quality testing solutions. MedMira's new icon identifies with the Company name, the unique vertical flow-through technology that sets it apart, and the advanced multiplex capabilities of its testing solutions that deliver three results on a single platform. Brand building continued during the remainder of the year with full integration into all marketing communications vehicles and the launch of an extranet tool to support the Company's international strategic partner network of collaborators, agents, and distributors.

The Company's major market focus was the United States and the expansion of its product lines and related sales, marketing and business development activities in this market. During the second quarter, MedMira's development and

commercialization work with the US military expanded with the addition of a second rapid test for transfusion transmitted diseases under a consolidated contract. MedMira was awarded a United States Army Medical Research Acquisition Activity (USAMRAA) contract in July 2011 and a second contract in July 2012. To create greater operational efficiencies as the projects move forward in parallel, the work is now combined under a single concerted effort which involves the development and commercialization of two rapid tests – Multiplo Rapid HBc/HIV/HCV Antibody Test (Multiplo HBc/HIV/HCV) and Reveal Rapid Hepatitis B Surface Antigen Test (Reveal HBsAg). The Company continues to build on its portfolio of business within the military sector through sales and marketing initiatives like the Military Health System Research Symposium, which draws an international audience of military healthcare experts and decision makers focused on the unique needs of the military combatant.

Beyond the military sector, market research indicates that there are significant applications for the Multiplo HBc/HIV/HCV and Reveal HBsAg testing solutions as HIV and hepatitis infection rates continue to rise in the US and globally. Multiplo and Reveal will be the first FDA-approved rapid tests for Hepatitis B and all three diseases in combination. These testing solutions will have a major impact on public health initiatives like the CDC's education campaign "Know More Hepatitis" aimed at the 3 million Americans infected with Hepatitis C and 1.4 million infected with Hepatitis B. Rapid testing solutions like Multiplo and Reveal enable an increased number of people to be tested, know their status, access treatment, and prevent the further spread of these diseases.

In addition to Multiplo HBc/HIV/HCV and Reveal HBsAg, the Company moved its whole blood rapid HIV test for the for US market toward FDA submission and approval. The addition of MedMira's whole blood rapid HIV test in the US market will enable the Company to meet the growing demand for point-of-care rapid HIV tests spurred by the US Preventative Services Task Force new guidelines calling for the routine HIV screening for everyone aged 15 to 65 years old and all pregnant women. MedMira's whole blood rapid HIV test can be used in physician offices, convenience care clinics, mobile testing vehicles, and large scale public health programs where the vast majority of this screening will take place.

The Company's product lines continue to expand as does the interest in its patented rapid flow-through technology platform. The unique advantages, including multiplex testing capabilities, which this technology brings to clinical users and researchers is unmet by other rapid diagnostic platforms. During the third quarter, Company representatives attended a US FDA public workshop on the advances in multiplex rapid testing. The purpose of this workshop, organized by the American Association of Blood Bankers (AABB), Advanced Medical Technology Association (AdvaMed), America's Blood Centers, Department of Health and Human Services Offices of the Assistant Secretary of Health and the National Heart, Lung and Blood Institute (NIH), was to discuss the research and development as it relates to multiplex tests and the use of these tests in blood donor screening and blood cell antigen typing.

In emerging markets, predominantly China and India, the Company continued to advance various business development initiatives towards continued product sales, collaborations, and distribution partnerships. In India, work continues to establish solid distribution channels to the private healthcare market. During the third quarter, the Company participated in the Hong Kong International Medical Devices and Supplies Fair, which drew over 7,000 visitors from 64 different countries and regions. MedMira's participation in this event was supported by the Canadian Trade Commissioner Service which organized various business development meetings and an event for selected companies, which included MedMira, to meet with members of the media from around the world.

Sales, marketing and business development activities continued in developing markets, particularly Latin America and the Caribbean, where distribution partners in Panama and Colombia continued to gain market traction. Sales of Reveal HIV in Belize increased with further orders through Pan American Health Organization (PAHO) while the Company's distributor in Panama was successful in winning a tender for Multiplo HBV/HIV/HCV. MedMira and its strategic partners continue to pursue business in other developing markets including the Middle East and Africa, however, timelines on the successful conclusion of these activities remain uncertain due to various economic and political influences in these regions.

Business development initiatives with a global focus continued with procurement and industry stakeholder organizations such as the CDC and the World Health Organization (WHO). The Company's Reveal HIV is in the final stages of the WHO prequalification process. During the third quarter, the WHO presented MedMira with a letter of invitation to submit the Multiplo Syphilis/HIV rapid test for prequalification. The WHO, a leader in global health matters, includes the elimination of mother-to-child transmission of both Syphilis and HIV as one of its key focus areas and it recommends that all pregnant women be screened for these diseases. Rapid tests are a key part of this equation and includes the Multiplo Syphilis/HIV dossier was submitted to the WHO during the fourth quarter. Relationships with procurement agencies and NGOs is key to generating product sales in developing markets where healthcare infrastructure is limited or not yet mature enough to conduct thorough evaluations of diagnostic tools for large scale testing needs.

MedMira remains focused on the advancement of its patented rapid flow-through technology. Rapid diagnostics continue to grow as a mainstream healthcare solution for both developed and developing regions of the world. During 2013, the Company conducted in-house research and development work and undertook collaborative research opportunities with various researchers and organizations to further explore the potential applications of its technology and testing solutions. During the second quarter, MedMira was honored with the Canadian Manufacturers and Exporters award for Innovative New Technology (Atlantic Canada/Nunavut) for its development and commercialization work on the new test platform that will capture both antigens and antibodies and provide an earlier HIV diagnosis.

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, 2013 consolidated financial statements.

Selected quarterly information (in thousands of dollars except per share amounts)

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
	$	$	$	$	$	$	$	$
Revenue	595	327	534	545	272	187	274	235
Cost of sales	343	277	374	377	167	58	63	88
Gross profit	252	50	160	168	105	129	211	147
Operating expenses	659	781	715	641	707	679	685	684
Other expenses (gains)	353	128	(1,629)	(616)	(8,769)	1,062	864	1,310
Net earnings (loss) before tax	(760)	(859)	1,074	143	8,167	(1,612)	(1,338)	(1,847)
Net earnings (loss) per share	(0.001)	(0.002)	0.003	0.001	0.024	(0.006)	(0.006)	(0.007)

Selected annual information

	For the year ended		
	31-Jul-13	31-Jul-12	31-Jul-11
	$	$	$
Total assets	**1,166,845**	**2,970,239**	**1,492,123**
Current liabilities	4,853,959	11,049,292	20,345,822
Non-current liabilities	5,423,485	629,246	260,000
Shareholders' deficiency	(9,110,600)	(8,708,299)	(19,113,699)
Total liabilities and shareholders' deficiency	**1,166,844**	**2,970,239**	**1,492,123**
Revenue	2,001,464	970,631	909,869
Cost of sales	(1,370,689)	(376,395)	(493,914)
Gross profit	630,775	594,236	415,955
Operating and other income (expenses)	(1,033,076)	2,778,066	(5,345,138)
Net gain (loss) before tax	**(402,301)**	**3,372,304**	**(4,929,183)**
Net gain (loss) per share	(0.001)	0.012	(0.023)

Fourth quarter analysis

The following table compares the results of operations for the three months ended July 31, 2013 to the three months ended July 31, 2012.

	For the three months ended		
	31-Jul-13	31-Jul-12	Better(worse)
	$	$	$
Product			
Product sales	244,289	257,644	(13,354)
Royalties	-	14,995	(14,995)
Product cost of sales	(59,439)	(167,232)	107,793
Gross margin on product	184,850	105,407	79,443
Services			
Service sales	351,826	-	351,826
Service cost of sales	(289,237)	-	(289,237)
Gross margin on services	62,589	-	62,589
Operating expenses			
Research and development	138,295	(5,686)	143,981
Sales and marketing	(88,257)	(109,643)	21,387
Other direct costs	(96,345)	(80,754)	(15,591)
General and administrative	(621,068)	(683,137)	62,068
Total operating expenses	(667,373)	(879,220)	211,847
Operating (expense) income	**(419,936)**	**(773,813)**	**353,877**
Non-operating expenses			
Financing	(338,770)	8,941,193	(9,279,963)
Net loss	**(758,706)**	**8,167,380**	**(8,926,086)**

Product revenue and gross margin

The Company recorded revenue from product sales in the three months ended July 31, 2013 of $244,289 as compared to $257,277 for the same period last year. Gross profit on product sales for the year was $184,850 compared to $105,407 for the same period in 2012. Gross profit increased as a greater portion of product sales were made in North America where the margins are typically higher than in other regions of the world.

Services revenue and gross margin

The Company recorded revenue from service sales of $351,826 in the three months ended July 31, 2013 (July 31, 2012 – $nil) with a related gross margin of $62,589 (July 31, 2012 – $nil). The Company earned revenue and gross margin on a research contract with the US Army. The current year gross margin on services was in line with management's expectations.

Operating expenses

Total operating expenses decreased by $211,847, from $879,220 for the three months ended July 31, 2012 to $667,373 for the year ended July 31, 2013.

- Research and development expenses for the three months ended July 31, 2013 was a gain of $138,295 compared to an expense of $5,686 for the same period in 2012. The gain was the result of provisioning for tax credits associated with research work.
- Sales and marketing expenses for the three months ended July 31, 2013 was $88,257 compared to $109,643 for the

same period in 2012.

- Other direct costs for the three months ended July 31, 2013 were $96,345, compared to $80,754 for the same period in 2012. Fewer labour costs were allocated to cost of sales in the current quarter.
- General and administrative expenses were $621,068 for the three months ended July 31, 2013, compared to $683,137 for the same period in 2012. The three month ended July 31, 2012 had an increase in regulatory and professional fees.

Non-operating expenses

- Total other losses were $338,770 in the three months ended July 31, 2013, compared to a gain of $8,941,193 during the same period in 2012. The majority of the gain in the three months ended July 31, 2012 was due to a gain on the forgiveness of debt of $10,042,826.

Year to date analysis

The following table compares the results of operations for the year ended July 31, 2013 to the year ended July 31, 2012.

	For the year ended		
	31-Jul-13	**31-Jul-12**	**Better(worse)**
	$	**$**	**$**
Product			
Product sales	829,438	938,356	(108,918)
Royalties	35,360	32,275	3,085
Product cost of sales	(435,409)	(376,395)	(59,014)
Gross margin on product	429,389	594,236	(164,847)
Services			
Service sales	1,136,666	-	1,136,666
Service cost of sales	(935,280)	-	(935,280)
Gross margin on services	201,386	-	201,386
Operating expenses			
Research and development	(133,304)	(199,022)	65,718
Sales and marketing	(262,271)	(223,632)	(38,639)
Other direct costs	(299,209)	(329,142)	29,933
General and administrative	(2,101,361)	(2,207,080)	105,719
Total operating expenses	(2,796,145)	(2,958,876)	162,731
Operating (expense) income	**(2,165,370)**	**(2,364,640)**	**199,270**
Non-operating expenses			
Financing	1,763,069	5,736,944	(3,973,875)
Net (loss) income	**(402,301)**	**3,372,304**	**(3,774,605)**

Product revenue and gross margin

The Company recorded revenue from product sales in the year ended July 31, 2013 of $829,438 as compared to $938,355 for the same period last year. Gross profit on product sales for the year was $429,389 compared to $594,235 in the same period in 2012. Decreases in product revenue and gross profit were attributed to decreased sales in Asia Pacific and Latin America. Current year gross profit was in line with management expectations.

Services revenue and gross margin

The Company recorded revenue from services sales for the first time in the year ended July 31, 2013 of $1,136,666 with a related gross margin of $201,386. The Company earned revenue and gross margin on a research contract with the US Army. The current year gross margin on services was in line with management expectations.

Operating expenses

Total operating expenses decreased by $162,731, from $2,958,876 for the year ended July 31, 2012 to $2,796,145 for the year ended July 31, 2013.

- Research and development expenses for the year ended July 31, 2013 were $133,304 compared to $199,022 for the year ended July 31, 2012. Actual research expenses in July 31, 2013 for the year were $1,211,546 (July 31, 2012 – $530,114) which was offset by reimbursements of research costs of $142,962 (July 31, 2012 – $331,092) and allocation of $935,280 to cost of sales (July 31, 2012 – $nil). The comparative increase in research costs was directly attributable to greater activity related to the US military research contracts.
- Sales and marketing expenses for the year ended July 31, 2013 were $262,271 compared to $223,632 for the same period last year as the Company began to expand its sales and marketing efforts in the United States.
- Other direct costs for the year ended July 31, 2013 were $299,209, compared to $329,142 for the same period last year. The decrease was due to increased allocation of labour costs to inventory produced during the year, along with an increased allocation of labour costs to product and services cost of sales.
- General and administrative expenses were $2,101,362 for the year ended July 31, 2013, compared to $2,207,080 for the same period in 2012.

Non-operating expenses

Total other gains were $1,763,069 in the year ended July 31, 2013, compared to a gain of $5,736,944 during the same period in 2012.

- Financing costs including interest expense decreased to $734,604 in the year ended July 31, 2013, compared to $4,239,863 for the same period last year. The decrease was the result of successful renegotiations of the company's debt to lower interest rates in the quarters ended October 31, 2012 and July 31, 2012.
- During the year ended July 31, 2013, management renegotiated some of the outstanding loans which resulted in substantially different terms from the original agreements. These were treated as an extinguishment of the original liability and the recognition of a new liability. These debt arrangements were valued using a rate of approximately 11.8%, representing a reasonable exit price for the liabilities. This resulted in a gain of $2,027,442.
- In the year ended July 31, 2013, the Company completed its debt settlement negotiations. As a result, the company had a one-time gain on the forgiveness of debt of $715,689 (July 31, 2012 – $10,042,826).

Geographic 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 three month geographic breakdown of revenue.

	Product revenue		Service revenue	
	For the three months ended		For the three months ended	
	31-Jul-13	31-Jul-12	31-Jul-13	31-Jul-12
	$	$	$	$
North America	223,563	151,888	351,826	-
Latin America and the Caribbean	19,243	53,113	-	-
Europe	1,483	5,528	-	-
Asia Pacific	-	59,703	-	-
Middle East	-	2,040	-	-
Total revenue	**244,289**	**272,272**	**351,826**	**-**

The table below provides the annual geographic breakdown of revenue.

	Product revenue		Service revenue	
	For the year ended		For the year ended	
	31-Jul-13	31-Jul-12	31-Jul-13	31-Jul-12
	$	$	$	$
North America	518,891	588,417	1,136,666	-
Latin America and the Caribbean	92,274	132,830	-	-
Europe	10,039	8,098	-	-
Asia Pacific	240,617	239,246	-	-
Middle East	2,977	2,040	-	-
Total revenue	**864,798**	**970,631**	**1,136,666**	**-**

Liquidity and capital resources

Cash and working capital

The Company had a cash reserve of $20,942 on July 31, 2013, as compared to $2.4 million on July 31, 2012. The Company's net working capital position as of July 31, 2013 was a deficit of $4.0 million compared to the July 31, 2012 working capital deficit of $8.1 million. The Company has incurred operational losses and negative cash flows on a cumulative basis since inception. For the year ended July 31, 2013, the Company incurred a net loss from operating activities of approximately $2.2 million and negative cash flows from operations of $2.1 million, compared to a net loss from operations of $2.4 million and negative cash flows from operations of $2.2 million for the same period in 2012.

Operating activities

MedMira generated negative cash flows from operations of $2.1 million for the year ended July 31, 2013, compared to negative cash flows of $2.2 million for the year ended July 31, 2012. Higher payments to suppliers and employees were offset by higher receipts from customers.

Financing activities

Cash flows from financing activities were $58,493 for the year ended July 31, 2013, compared to $3.6 million for the same period in 2012. The higher cash flow in 2012 was due primarily to cash proceeds from share issuance activity.

Investing activities

Cash outflow from investments increased to $366,986 during the year the ended July 31, 2013, compared to $5,708 for the same period in 2012. The increase in investing cash outflow was the result of investments in facility upgrades.

Debt

As at July 31, 2013, the Company had loans payable with a carrying value of $6.9 million compared to $7.4 million at July 31, 2012. The decrease in the carrying value of loans payable from July 31, 2012 to July 31, 2013 is due to a fair value adjustment to the carrying amount of the loans. The Company's loans have an average payment term of 6 years. As at July 31, 2013, none of the Company's loans were in default.

Further discussion on liquidity and capital resources can be found in this document in the Liquidity Risk section, Risk and Uncertainties section, as well as in the notes for the Company's July 31, 2013 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, 2013 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, 2013.

The Company had 4,530,000 outstanding stock options on July 31, 2013. The outstanding stock options have a weighted average exercise price of $0.10 per share and a weighted average remaining term of 1 year. The number of outstanding warrants on July 31, 2013 was 196,119,500. The outstanding warrants have a weighted average exercise price of $0.10 per share and a weighted average remaining term of 2.45 years.

Off balance sheet arrangements

The Company was not party to any off balance sheet arrangements as of July 31, 2013.

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 classifications listed below.

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 income or 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, 2013, the Company realized a net loss of approximately $0.4 million (July 31, 2012 – net income $3.4 million), consisting of a net loss from operations of $2.2 million (July 31, 2012 – net loss $2.4 million), a gain on forgiveness of debt of $0.7 million (July 31, 2012 – $10.1 million), a valuation gain on renegotiation of debt of $2.0 million (July 31, 2012 – $nil) and other non-operating losses of $1.0 (July 31, 2012 – $4.5 million). Negative cash flows from operations were approximately $2.1 million (July 31, 2012 – $2.2 million). As at July 31, 2013, the Company had an accumulated deficit of approximately $71.0 million (July 31, 2012 – $70.6 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 $2.2 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.

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 62% (July 31, 2012—82%) of its revenue from two (July 31, 2012—two) main customers and, for these customers, assesses the recoverability of each account on a regular basis. As of July 31, 2013, 85% of the accounts receivable balance is due from two customers (July 31, 2012—78% due from three customers) and no other customers account for more than 10% of the accounts receivable balances as at July 31, 2013.

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$5,000 plus accrued interest payable of approximately US$255,604 at July 31, 2013. The exchange fluctuations from year to year have accounted for a significant portion of the company's exchange gain and loss. Most sales are 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 liabilities.

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 $500.

Interest rate risk

The Company is not exposed to interest rate risk as it borrows funds at fixed rates.

Related party transactions

The following transactions occurred with related parties during the year ended July 31, 2013:

- A short term loan totalling $523,000 bearing 3% interest was received from Onsite Lab Holding AG. During the year $3,460 in interest was accrued against this loan.
- Short term loans totalling $106,973 bearing 3% interest were received from a director. During the year, $805 in interest was accrued against these loans.
- Director fees totalling $16,250 were incurred.
- Consulting fees totalling $82,233 were incurred.

The following balances with related parties were outstanding at July 31, 2013:

- A receivable balance of $8,630 was owed to MedMira by a company which is presided over by a director (July 31, 2012 – $8,630).
- Accounts payable totalling $37,244 was due to directors (July 31, 2012 – $24,181).
- A short term loan totalling $526,460 was due to OnSite Lab Holding AG (July 31, 2012 – $nil).
- A short term loan totalling $107,778 was due to a director (July 31, 2012 – $nil).
- A royalty provision was owed to OnSite Lab Holding AG of $739,817 (July 31, 2012 – $401,443).

Subsequent events

In September 2013, the Company completed a $6.105 million equity investment from OnSite Lab Holding AG (OnSite Lab). Under the terms of the deal, Onsite Lab acquired 122,100,000 equity units at $0.05 per unit. Each equity unit consists of one common share and one common share purchase warrant. Each full warrant entitles Onsite Lab to purchase one common share of MedMira at $0.10 per share for a four year period. The common shares and the warrants are subject to a four month hold period that expires four months from the day of share issuance. With the completion of this transaction, Onsite Lab now owns 68.5% of the undiluted common shares in Medmira.

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, 2013.

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, 2013 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, those listed below.

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 facility 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 United States 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 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 affect 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 United States, a relationship has been established with My Care Solution to support the logistics and distribution of the Company's products. The Company

will rely on the joint efforts of My Care Solution and 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 United States, 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 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, 2013 and 2012

November 28, 2013

Management's responsibility for financial reporting

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

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

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

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

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

(signed) *Hermes Chan*

Chief Executive Officer

(signed) *Daniel Frid*

Chief Financial Officer

Consolidated statements of financial position
As at July 31, 2013 and July 31, 2012

In Canadian dollars

	Notes	31-Jul-13 $	31-Jul-12 $
Assets			
Current assets			
Cash		20,942	2,416,809
Trade and other receivables		320,253	164,292
Prepaid expenses		70,103	98,097
Current tax assets		205,489	46,307
Inventories	5	205,000	225,854
Total current assets		821,787	2,951,359
Non-current assets			
Property, plant and equipment	6	345,056	18,878
Intangible assets	7	2	2
Total non-current assets		345,058	18,880
Total assets		1,166,845	2,970,239
Liabilities			
Current Liabilities			
Current portion of debt	10	2,190,635	7,184,916
Accounts payable and accrued liabilities		2,560,003	3,290,151
Deferred revenue		103,322	574,225
Total current liabilities		4,853,960	11,049,292
Non-current liabilities			
Provision for royalty	12	739,817	401,443
Long term portion of debt	10	4,683,668	227,803
Total non-current liabilities		5,423,485	629,246
Total liabilities		10,277,445	11,678,538
Equity			
Share capital	8	55,661,183	55,661,183
Warrant reserve	8	4,493,647	4,493,647
Stock based compensation reserve	8	1,099,202	1,099,202
Equity reserve		595,770	595,770
Accumulated deficit		(70,960,402)	(70,558,101)
Total shareholders' deficiency		(9,110,600)	(8,708,299)
Total liabilities and equity		1,166,845	2,970,239

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

Approved on behalf of the Board of Directors

(signed) *Hermes Chan*, Director

(signed) *Romano Robusto*, Director

Consolidated statements of operations and comprehensive (loss) income
For the years ended July 31, 2013 and July 31, 2012

In Canadian dollars

	Notes	31-Jul-13 $	31-Jul-12 $
Product			
Product sales	4	829,438	938,356
Royalties	4	35,360	32,275
Product cost of sales	5	(435,409)	(376,395)
Gross margin on product		429,389	594,236
Services			
Service sales	4	1,136,666	-
Service cost of sales	14	(935,280)	-
Gross margin on services		201,386	-
Operating expenses			
Research and development	14	(133,304)	(199,022)
Sales and marketing		(262,271)	(223,632)
Other direct costs		(299,209)	(329,142)
General and administrive		(2,101,361)	(2,207,082)
Total operating expenses		(2,796,145)	(2,958,878)
Operating loss		(2,165,370)	(2,364,642)
Non-operating income (expenses)			
Financing	19	1,763,069	5,736,944
Net (loss) income		(402,301)	3,372,302
Basic (loss) earnings per share	9	(0.001)	0.012
Diluted (loss) earnings per share	9	(0.001)	0.008

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

Consolidated statements of changes in equity attributable to equity holders of the Company

In Canadian dollars

	Share capital						
	Common shares	Preferred shares	Warrant reserve	Stock based compensation reserve	Equity reserve	Accumulated deficit	Shareholders' deficiency
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	-	-	-	-	-	3,372,302	3,372,302
Issuance of common shares for cash	4,320,752	-	2,110,313	-	-	-	6,431,065
Issuance of common shares 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)**
Net and comprehensive loss	-	-	-	-	-	(402,301)	(402,301)
Balance at July 31, 2013	**55,658,683**	**2,500**	**4,493,647**	**1,099,202**	**595,770**	**(70,960,402)**	**(9,110,600)**

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

Consolidated statements of cash flows
For the years ended July 31, 2013 and July 31, 2012

In Canadian dollars

	Notes	31-Jul-13 $	31-Jul-12 $
Cash from operating activities			
Cash receipts from customers		1,876,677	820,553
Cash paid to suppliers and employees		(3,964,514)	(2,988,753)
Net cash from operating activities		(2,087,837)	(2,168,200)
Cash from investing activities			
Payment to acquire property, plant and equipment	6	(366,986)	(5,708)
Net cash from investing activities		(366,986)	(5,708)
Cash from financing activities			
Cash proceeds from share issuance		-	6,431,065
Share issuance costs		-	(35,750)
Cash proceeds from interest		4,991	-
Cash proceeds from new debt		1,182,330	139,007
Cash payment on existing debt		(721,009)	(2,447,848)
Cash payment of interest		(407,819)	(523,220)
Net cash from financing activities		58,493	3,563,254
Net (decrease) increase in cash		(2,396,330)	1,389,346
Cash at the beginning of the period		2,416,809	1,026,763
Effects of exchange on the foreign currency cash balances		463	700
Cash at the end of the period		20,942	2,416,809

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

1. Reporting entity

Nature of operations

MedMira Inc. (MedMira or the Company) is a biotechnology company headquartered in Canada. The address of the Company's registered office is 155 Chain Lake Drive, Suite 1, Halifax, Nova Scotia, B3S 1B3. 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, 2013 and 2012, 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. These financial statements include the accounts of the Company's subsidiaries.

2. Basis of preparation

a. Statement of compliance

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

The consolidated financial statements were authorized for issue by the Board of Directors on November 28, 2013.

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, 2013, the Company realized a net loss of approximately $0.4 million (July 31, 2012 – net income $3.4 million), consisting of a net loss from operations of $2.2 million (July 31, 2012 – net loss $2.4 million), a gain on forgiveness of debt of $0.7 million (July 31, 2012 – $10.1 million), a valuation gain on renegotiation of debt of $2.0 million (July 31, 2012 – $nil) and other non-operating losses of $1.0 (July 31, 2012 – $4.5 million). Negative cash flows from operations were approximately $2.1 million (July 31, 2012 – $2.2 million). As at July 31, 2013, the Company had an accumulated deficit of approximately $71.0 million (July 31, 2012 – $70.6 million) and a negative working capital position of $4.0 million (July 31,2012 – $8.1 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 $2.2 million. These circumstances cast significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going-concern.

Management is pursuing other financing alternatives to fund the Company's operations so it can continue as a going-concern. Management plans to secure the necessary financing through new equity and debt arrangements. Nevertheless, there is no assurance that this initiative will be successful (additional details on financing subsequent to July 31, 2013 are provided in note 21).

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 not appropriate. 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 realizable 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 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 intangible assets which depend on estimates of net recoverable amounts based on expected economic lives and future cash flows from related assets;
- Amounts recorded for 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 value calculation of royalty liabilities, which includes determination of an appropriate discount rate, estimation of future sales, and estimation on price and cost of production;

In Canadian dollars

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.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and to the Company's subsidiaries.

The Company and its significant subsidiaries are shown below.

	Country of incorporation	Ownership interest	
		%	%
		31-Jul-13	**31-Jul-12**
MedMira Inc.	Canada	100	100
MedMira Laboratories Inc.	Canada	100	100
Maple Biosciences Inc.	Canada	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.

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 is comprised of cash balances and bank overdrafts that are repayable on demand and form an integral part of the Company's cash management for the purpose of the statement of cash flows. Cash is classified as loans and receivables.

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, royalty provisions 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 (loss). 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 equipment and furniture — 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 future 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. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

During the year ended 2013, the Company transitioned from using the first-in first-out principle for inventory costing to using the weighted average costing method. The use of average costing immediately factors in changes in material cost into the cost of goods sold, providing more relevant costing information to management. The amount of the adjustment did not have a material impact on the financial statements for the years ended July 31, 2012 and July 31, 2013.

Inventory cost 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.

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 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

The Company's service revenue consists primarily of research and development contracts with the US Military. Revenue from services rendered is recognized in profit or loss 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. Deferred income taxes

The Company uses the liability method of accounting for income taxes. Under this method, current income taxes are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the substantively enacted tax rates that will be in effect when the differences are expected to reverse or when losses are expected to be utilized. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in operations in the year in which the change occurs.

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. Investment tax credits

The Company is eligible for investment tax credits on qualifying expenditures under the Federal Scientific Research and Experimental Development ("SR&ED) Tax Credit. The SR&ED refundable tax credits are recognized as receivables based on the provision for the tax credit in the year. The SR&ED refundable tax credits are treated as other income.

s. 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, 2013, and have not been applied in preparing these consolidated financial statements. None of these new standards or amendments is expected to have a significant effect on the financial results of the Company.

Accounting standards issued but not yet applied:

IFRS 9, "Financial Instruments": IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. The IASB has issued an amendment to IFRS 9 Financial Instruments ("IFRS 9"), which changes the effective date of IFRS 9 (2009) and IFRS 9 (2011), so that IFRS 9 is required to be applied for annual periods beginning on or after January 1, 2015, with early application permitted. This amendment was released in connection with IFRS 7 Financial Instruments: Disclosures – Transition Disclosures ("IFRS 7") which outlines that, with the amendments to IFRS 9, entities applying IFRS 9 do not need to restate prior periods but are required to apply modified disclosures. The Company continues to asses the impact of IFRS 9 on its consolidated financial statements.

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. The Company continues to asses the impact of IFRS 10 on its consolidated financial statements.

IFRS 11, "Joint Arrangements", effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interest in Joint Ventures and SIC-13, Jointly Controlled Entities - Non-monetary Contributions by Venturers. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the period beginning August 1, 2013. The Company continues to assess the impact of IFRS 11 on the consolidated financials statements of the Company.

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. The Company continues to assess the impact of IFRS 12 on the consolidated financials statements of the Company.

IFRS 13, "Fair Value Measurement", effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, defines fair value, set out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the period beginning August 1, 2013. The Company does not expect that the new standard will have a material impact on the Company's financial statements.

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. Currently, this standard has no impact on the consolidated financial statements of the Company.

IAS 1, "Presentation of Financial Statements", has been amended effective for annual periods beginning on or after July 1, 2012. The revised standard requires an entity to group items presented in the Statement of Comprehensive Income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, the amendments to IAS 1 also require that the taxes related to the two separate groups be presented separately. Currently, this standard has no impact on the consolidated financial statements of the Company.

In Canadian dollars

4. Revenue

	31-Jul-13	31-Jul-12
	$	$
Product sales	829,438	938,356
Royalties	35,360	32,275
Service revenue	1,136,666	-
Total revenue	2,001,464	970,631

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

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

	31-Jul-13	31-Jul-12
	$	$
North America	1,655,557	588,417
Latin America and the Caribbean	92,274	132,830
Europe	10,039	8,098
Asia Pacific	240,617	239,246
Middle East	2,977	2,040
Total revenue	2,001,464	970,631

5. Inventories

As at July 31, 2013, there were no valuation allowances against inventory (July 31, 2012 – $nil).

During the year ended July 31, 2013, inventory valued at $338,594 was expensed as a cost of goods sold (July 31, 2012 – $271,402).

	31-Jul-13	31-Jul-12
	$	$
Raw materials and consumables	133,034	95,476
Work in process	65,975	98,192
Finished goods	5,991	32,186
Total inventories	205,000	225,854

During the year ended July 31, 2013 the Company transitioned inventory costing from first in first out (FIFO) to weighted average costing. Additional details on this accounting policy change are provided in note 3.g – “Inventories”.

In Canadian dollars

6. Property, plant and equipment

During the years ended July 31, 2013 and 2012, the Company did not identify any indicators of impairment. The Company did not make any commitment to acquire property, plant and equipment during the year ended July 31, 2013 (July 31, 2012 – $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 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**
Additions	259,195	15,754	-	92,040	366,989
Balance at July 31, 2013	**820,271**	**39,685**	**174,394**	**278,442**	**1,312,792**
Accumulated depreciation and impairment losses					
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**
Depreciation expense for the year	26,862	1,572	1,651	10,726	40,811
Balance at July 31, 2013	**585,137**	**25,503**	**172,180**	**184,916**	**967,736**
Carrying amounts					
At July 31, 2011	17,535	-	5,516	9,448	32,499
At July 31, 2012	2,801	-	3,865	12,212	18,878
At July 31, 2013	235,134	14,182	2,214	93,526	345,056

In Canadian dollars

7. Intangible assets

	Intellectual properties $	Product technology $	Total $
Cost or deemed cost			
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
Balance at July 31, 2013	2,584,899	258,137	2,843,036
Accumulated amortization and accumulated impairment losses			
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
Balance at July 31, 2013	2,584,898	258,136	2,843,034
Carrying amounts			
At July 31, 2011	1	1	2
At July 31, 2012	1	1	2
At July 31, 2013	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, 2013 total $1,693,046 (July 31, 2012 – $1,693,046). There is no indication that this impairment has reversed.

8. Capital and other components of equity

a. Authorized

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

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

In Canadian dollars

b. Share capital issued

	Number of		Value of		
	Common shares	Preferred shares	Common shares $	Preferred shares $	Total share capital $
Balance at July 31, 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**
Balance at July 31, 2013	**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, 2013 (July 31, 2012 – $2,500).

c. Warrants

	Number of warrants	Warrant reserve $
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**
Expired warrants	(40,000,000)	-
Balance at July 31, 2013	**196,119,500**	**4,493,647**

The total warrants outstanding at July 31, 2013 are shown below.

Issued	Number	Exercise price $	Expiry date
December 22, 2008	6,119,500	0.10	December 22, 2013
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
	196,119,500		

In Canadian dollars

d. Stock based compensation

The Company has established a stock option plan for its employees, officers, and directors. All options vest immediately upon issue and the Company is authorized to issue a maximum of 13,000,000 options annually upon approval by shareholders. Options that have been issued and remain outstanding are exercisable into an equivalent of 4,530,000 common shares (July 31, 2012 – 5,840,000) at an exercise price of $0.10. The options expire between January 5, 2014 and October 13, 2014. During the year ended July 31, 2013, no options were issued (July 31, 2012 – nil). All options outstanding at July 31, 2013 were exercisable.

The total options outstanding from July 31, 2011 to July 31, 2013 are shown below.

	Number	Weighted average exercise price $	Equity reserve $
Options outstanding Jul 31, 2011	3,845,000	0.13	1,030,354
Options granted	3,290,000	0.10	68,848
Options expired/forfeited	(1,295,000)	0.10	-
Options outstanding Jul 31, 2012	5,840,000	0.12	1,099,202
Options expired/forfeited	(1,310,000)	0.34	-
Options outstanding Jul 31, 2013	4,530,000	0.100	1,099,202

The following table summarizes information about options outstanding and exercisable at July 31, 2013.

Range of exercise prices	Number outstanding and exercisable	Weighted average exercise price per share	Weighted average remaining contractual life (years)
0.10	4,530,000	0.10	0.99

In Canadian dollars

9. Earnings (loss) per share

	31-Jul-13	31-Jul-12
	$	$
Net (loss) income attributable to common shareholders	(402,301)	3,372,302
Interest expense on convertible debenture	-	58,500
Diluted (loss) income	**(402,301)**	**3,430,802**
Issued common shares	392,264,320	392,264,320
Weighted average number of common shares	392,264,320	278,985,631
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	**392,264,320**	**411,704,143**
Basic (loss) earnings per share	(0.001)	0.012
Diluted (loss) earnings per share	(0.001)	0.008

The diluted weighted average number of common shares outstanding is the same as the basic weighted average number of common shares outstanding for the year ended July 31, 2013, as the Company had a net loss and the exercise of potentially dilutive instruments would be anti-dilutive.

10. Loans and borrowings

a. Loans

	31-Jul-13		31-Jul-12	
	Carrying value	Contract value	Carrying value	Contract value
	$	$	$	$
Short term loans	714,191	714,191	-	-
Loan 1	919,380	1,150,000	650,000	650,000
Loan 2	1,223,342	1,500,000	1,468,716	1,468,716
Loan 3	-	-	189,803	189,803
Loan 4	33,201	39,000	50,000	50,000
Loan 5	5,758	5,136	75,218	75,218
ACOA loans	1,081,163	1,453,999	1,498,982	1,498,982
Nova Scotia government loan 1	2,843,099	3,480,000	3,480,000	3,480,000
Nova Scotia government loan 2	54,169	97,390	-	-
Total loan principal	**6,874,303**	**8,439,716**	**7,412,719**	**7,412,719**
Long term portion of principal	4,683,668		227,803	
Current portion payable of principal	2,190,635		7,184,916	

During the year ended July 31, 2013, the Company renegotiated some of the outstanding debt (see note 10.b).

Short term loans

The Company has a number of short terms loans with related and non-related parties. These loans are utilised by the Company for short term working capital requirements. Loans are payable on demand with interest rates ranging from 3% to 15%. The loans were not in default at July 31, 2013.

Loan 1

In the prior year, the $650,000 related to a 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 was convertible in whole or in part into common shares at $0.1815. As at July 31, 2012, the debenture was in default and was classified as a current liability. The loan was renegotiated October 31, 2012, bearing 3% interest with monthly interest only payments until November 30, 2013, followed by equal monthly principal payments for five additional years ending November 30, 2018. The loan interest will be set to 5% in the event the Company secures at least $1.5 million in additional equity financing. The loan is secured by interest on intellectual property and on the step-up technology. The loan was not in default at July 31, 2013.

Loan 2

Loan established July 31, 2012, bearing 3% interest with monthly interest only payments until July 31, 2013, followed by equal monthly principal payments for five additional years ending July 31, 2018. The loan interest will be set to 5% in the event the Company secures at least $1.5 million in additional equity financing. The loan was not in default at July 31, 2013.

Loan 3

During the year ended July 31, 2013, the Company entered into an agreement to settle the loan with a single payment of $156,790, resulting in the forgiveness of $33,621 of principal and accrued interest.

Loan 4

Loan established July 31, 2012, bearing 3% interest with monthly monthly principal payments of $1,000, in addition to accrued monthly interest ending September 30, 2016. The loan interest will be set to 5% in the event the Company secures at least $1.5 million in additional equity financing. The loan was not in default at July 31, 2013.

Loan 5

Loan established August 24, 2011, bearing no interest payable in equal monthly payments of US$5,000. The loan was not in default at July 31, 2013.

Atlantic Canada Opportunities Agency (ACOA) loan(s)

In the prior year, the ACOA loans consisted of four separate loans bearing no interest with varying payment terms. As at July 31, 2012, the loans were in default and classified as current liabilities. The loans were renegotiated October 30, 2012, bearing no interest with monthly principal payments of $3,747 until July 31, 2013, followed by equal monthly principal payments of $24,234 for five additional years ending July 31, 2018. The loan is secured by all present and after acquired personal property, excepting consumer goods. The loan was not in default at July 31, 2013.

Nova Scotia government loan 1

In the prior year this consisted of a 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 was payable in 54 monthly instalments beginning June 1, 2010. As at July 31, 2012, the loan was in default and classified as a current liability. The loan was renegotiated September 14, 2012, bearing 3% interest with monthly interest only payments until July 31, 2013, followed by equal monthly principal payments for five additional years ending July 31, 2018. The loan is secured by first interest on intellectual property and on the Maple Bio sensor technology. The loan was not in default at July 31, 2013.

Nova Scotia government loan 2

Loan established September 14, 2012, bearing no interest with the balance due by August 31, 2018. The loan is secured by first interest on intellectual property and on the Maple Bio sensor technology. The loan was not in default at July 31, 2013.

b. Renegotiation of debt

During the year ended July 31, 2013, management renegotiated some of the outstanding loans which resulted in substantially different terms from the original agreements. These were treated as an extinguishment of the original liability and the recognition of a new liability. These debt arrangements were valued using a rate of approximately 11.8%, representing a reasonable exit price for the liabilities. This resulted in a gain on renegotiated debt of $2,027,442.

c. 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.

11. 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 year ended July 31, 2013 (July 31, 2012 – $nil). The Company is not anticipating paying out dividends during the year ended July 31, 2014.

In Canadian dollars

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

	31-Jul-13	31-Jul-12
	$	$
Total debt	6,874,303	7,412,719
Less: Cash and cash equivalents	(20,942)	(2,416,809)
Net debt	**6,853,361**	**4,995,910**
Shareholders' deficiency	(9,110,600)	(8,708,299)
Total capital	**(2,257,239)**	**(3,712,389)**

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.

b. Categories of financial instruments and fair value

	31-Jul-13		31-Jul-12	
	Carrying value	Fair value	Carrying value	Fair value
	$	$	$	$
Financial assets				
Available for sale				
Cash	20,942	20,942	2,416,809	2,416,809
Amortized cost				
Trade and accounts receivable	320,253	320,253	164,292	164,292
Financial liabilities				
Amortized cost				
Accounts payable and accrued liabilities	2,560,003	2,560,003	3,290,151	3,290,151
Current portion of debt	2,190,635	2,190,635	7,184,916	7,184,916
Long term portion of debt	4,683,668	4,683,668	227,803	227,803

In Canadian dollars

c. Foreign currency risk

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

	31-Jul-13 US$	31-Jul-12 US$
Cash and cash equivalents	1,239	25,930
Trade and other receivables	315,347	44,901
Prepaid expense	22,257	-
Accounts payable and accrued liabilities	161,066	165,422
Deferred income	66,512	523,541
Debt	5,000	75,000

A one cent change in the US dollar exchange rate would result in approximately a $1,000 (2012 – $7,000) 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, 2013 due mainly to the settlement of US dollar denominated loans.

d. Interest rate risk

The Company is not exposed to interest rate risk as it borrows funds at fixed rates.

e. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company mitigates this risk by requiring a 50% down payment on most orders at the time of purchase, and the remaining 50% prior to shipment. The receivables balance of $320,253 consists of trade receivables from sale of the Company's products and receivables on research initiatives. Historically, there have been few 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. As at July 31, 2013, 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 not yet receiving a significant ongoing revenue stream, nor can it be certain that it will receive significant revenue before additional cash is required. As a result, there can be no assurance that the Company will have sufficient capital to fund its ongoing operations, develop or commercialize its products without future financing.

In Canadian dollars

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

For the year ended July 31, 2013	Total	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
	$	$	$	$	$
Loans	8,439,716	2,190,635	3,057,616	3,133,966	57,499
Total debt	**8,439,716**	**2,190,635**	**3,057,616**	**3,133,966**	**57,499**

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**

The 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.

12. Fair value measurement of royalty liability

The Company adjusted a royalty contract with a significant shareholder from $494,359 to fair value of $739,817 during the year ended July 31, 2013 based on the five year projected cash flow on future sales. The royalty liability represents the discounted amount likely to be paid based on future sales. Management used an effective annual discount rate of 12.7% 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, 2013, $92,916 in accretion was recorded on this liability (July 31, 2012 – $75,422).

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. The royalty liability is monitored and adjusted based on expected future sales.

	Provision for Royalty
	$
Balance at July 31, 2011	**260,000**
Fair value remeasurment	66,020
Accretion	75,423
Balance at July 31, 2012	**401,443**
Fair value remeasurment	245,458
Accretion	92,916
Balance at July 31, 2013	**739,817**

In Canadian dollars

13. Related parties

The following transactions occurred with related parties during the year ended July 31, 2013:

- A short term loan totalling $523,000 bearing 3% interest was received from Onsite Lab Holding AG. During the year $3,460 in interest was accrued against this loan.
- Short term loans totalling $106,973 bearing 3% interest were received from a director. During the year, $805 in interest was accrued against these loans.
- Director fees totalling $16,250 were incurred.
- Consulting fees totalling $82,233 were incurred.

The following balances with related parties were outstanding at July 31, 2013:

- A receivable balance of $8,630 was owed to MedMira by a company which is presided over by a director (July 31, 2012 – $8,630).
- Accounts payable totalling $37,244 was due to directors (July 31, 2012 – $24,181).
- A short term loan totalling $526,460 was due to OnSite Lab Holding AG (July 31, 2012 – $nil).
- A short term loan totalling $107,778 was due to a director (July 31, 2012 – $nil).
- A royalty provision was owed to OnSite Lab Holding AG of $739,817 (July 31, 2012 – $401,443).

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

	31-Jul-13 $	31-Jul-12 $
Short-term benefits including salary	331,838	328,947
Share-based payments	-	40,806
Total remuneration	**331,838**	**369,753**

14. 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.

In addition to grants, the Company receives revenue related to a contract with the US Army. Research expenses related to the US Army contract are recognized in service cost of sales when the revenue is earned. During the year ended July 31, 2013, $935,280 of the research costs incurred were recognized in service cost of sales (July 31, 2012 – $nil).

In Canadian dollars

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

	31-Jul-13 $	31-Jul-12 $
Research and development expenses	1,211,546	530,114
Less: research and development expenses allocated to cost of sales	935,280	-
Less: reimbursed research and development expenses	142,962	331,092
Net research and development expense	**133,304**	**199,022**

15. Income taxes

a. Reconciliation of total tax expense

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

	31-Jul-13 $	31-Jul-12 $
Income (loss) before income tax	(402,301)	3,372,302
Income tax rate	31.0%	31.6%
Income tax expense (recovery) at the combined statutory income tax rate	(124,713)	1,066,491
Non-taxable portion of other (gains) and losses	(855,170)	(3,176,044)
Non-deductible stock-based compensation	13,132	37,992
Non-deductible interest	302,518	102,844
Non-recognition of deferred tax assets due to unused tax losses and deductible temporary differences	351,807	1,663,428
Excess amortization over capital cost allowance	12,651	6,113
Scientific research and development expenditures	266,224	66,297
Non-deductible exchange rate losses (gains)	-	260,380
Other	33,552	(27,501)
Income tax recovery	-	-

In Canadian dollars

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

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

	31-Jul-13 $	31-Jul-12 $
Non-capital losses	27,120,237	30,506,035
Scientific research and development costs	4,606,341	3,986,048
Investment tax credits	1,483,779	1,287,974
Share issuance costs	48,455	80,791
Variable liability	479,817	141,443
Unrealized foreign exchange	-	98,274
Cumulative eligible capital	281,645	281,645
Property and equipment	1,901,686	1,860,876
Total	**35,921,960**	**38,243,086**

The Company has available $27,120,237 in non-capital losses that can be used to reduce taxable income and that expire between the years ended July 31, 2014 and July 31, 2032. The Company also has available $1,483,779 in investment tax credits that can be used to reduce taxes payable and that expire between the years ended July 31, 2018 and July 31, 2032.

At July 31, 2013, the Company has no unrecognized deferred tax liability (July 31, 2012 – $nil) for taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries.

16. Expenses by nature

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

	31-Jul-13 $	31-Jul-12 $
Investment income	4,991	-
Change in inventory	(285,376)	(186,765)
Employee benefits	(1,802,091)	(1,770,047)
Depreciation	(40,809)	(19,329)
Distribution	(59,090)	(61,083)
Facility	(430,298)	(441,279)
Professional services	(327,930)	(344,879)
Lab supplies	(431,272)	(99,732)
Other expenses	(617,449)	(216,194)
Exchange gains (losses)	47,832	(720,155)
Finance costs	(959,945)	(3,781,691)
Gain on settlement of debt	715,689	10,042,826
Gain on fair value of debt	2,027,442	-
Loss on fair value of royalty	(245,458)	-
	(2,403,764)	**2,401,672**

In Canadian dollars

17. Operating segments

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

18. Lease commitment

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

	Lease commitment $
For the year ending July 31, 2014	268,477
For the year ending July 31, 2015	268,568
For the year ending July 31, 2016	268,568
For the year ending July 31, 2017	279,661
For the year ending July 31, 2018	280,670
Thereafter	1,475,145

19. Financing

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

	31-Jul-13 $	31-Jul-12 $
Finance costs	(734,604)	(4,239,863)
Gain on settlement of debt	715,689	10,042,826
Gain on fair value remeasurement of debt	2,027,442	-
Loss on fair value remeasurement of royalty	(245,458)	(66,020)
Total financing income	**1,763,069**	**5,736,944**

In Canadian dollars

20. Reconciliation of consolidated statement of operations and comprehensive income (loss) for July 31, 2012

The Consolidated Statement of Operations and Comprehensive Income (Loss) for July 31, 2012 has been presented in these Consolidated Financial Statements for the years ended July 31, 2013 and 2012 in a functional format. Expenses by nature have been presented in note 16. A reconciliation from the format used in the Consolidated Financial Statements for the year ended July 31, 2012 to the functional format is provided in the table below.

	Notes	Mixed 31-Jul-12	Adjustments	Functional 31-Jul-12
Product				
Product sales	21.a	970,631	(32,275)	938,356
Royalties	21.a	-	32,275	32,275
Product cost of sales		(376,395)	-	(376,395)
Gross margin on product		594,236	-	594,236
Operating expenses				
Research and development		(199,022)	-	(199,022)
Sales and marketing		(33,323)	(190,309)	(223,632)
Other direct costs		-	(329,142)	(329,142)
General and administrative		(979,714)	(1,227,368)	(2,207,082)
Depreciation	21.b	(19,329)	19,329	-
Wages and salaries	21.b	(1,523,311)	1,523,311	-
Total operating expenses	21.c	(2,754,699)	(204,179)	(2,958,878)
Operating loss	21.c	(2,160,463)	(204,179)	(2,364,642)
Non-operating income (expenses)				
Finance costs	21.d	(3,789,906)	3,789,906	-
Exchange rate losses	21.c	(720,155)	720,155	-
Gain on forgiveness of debt	21.d	10,042,826	(10,042,826)	-
Financing		-	5,736,944	5,736,944
Total non-operating income		5,532,765	204,179	5,736,944
Net income		3,372,302	-	3,372,302

a.) Revenue in the functional presentation has been split into product sales and royalties.

b.) Depreciation and wages and salaries have been allocated to functions including general and administrative, sales and marketing and other direct costs.

c.) $204,177 of exchange gains and losses was allocated to operational functions, the remaining $515,978 was allocated to the financing function.

d.) Finance costs and the gain on forgiveness of debt were both allocated to the financing function.

21. Subsequent events

In September 2013, the Company completed a $6.105 million equity investment from OnSite Lab Holding AG (OnSite Lab). Under the terms of the deal, Onsite Lab acquired 122,100,000 equity units at $0.05 per unit. Each equity unit consists of one common share and one common share purchase warrant. Each full warrant entitles Onsite Lab to purchase one common share of MedMira at $0.10 per share for a four year period. The common shares and the warrants are subject to a four month hold period that expires four months from the day of share issuance. With the completion of this transaction, Onsite Lab now owns 68.5% of the undiluted common shares in Medmira. Certain loans will now carry interest at 5% due to covenants regarding equity funding (see note 10).

Investor Information

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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

MedMira Global Headquarters
Suite 1, 155 Chain Lake Drive
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10 am, Friday, January 24, 2014

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Senior Management

Mr. Hermes Chan, Chief Executive Officer
Mr. Daniel Frid, Chief Financial Officer
Mr. Jelle Kuypers, Chief Financial Officer
(effective December 9, 2013)
Mr. Sing Chan, Chief Operating Officer

Board of Directors

Mr. Hermes Chan
Mr. Markus Meile
Mr. Romano Robusto
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