medmira

Annual Report 2017

www.medmira.com

Contents

Our Rapid Test Product Lines

reveal

multiplo

miriad

Our Vision

To transform the rapid diagnostics industry by becoming the leading brand known for fast, accurate, value-add testing products that enhance human health and wellness and continually generate long term value for our stakeholders.

Our Mission

To employ our one-of-a-kind, patented technology platform to develop, market and sell high quality, easy-to-use, time and cost-saving products that improve global healthcare and save lives.

Our 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 – It is the lifeblood of our Company and at the heart of everything we do.

Excellence – We consistently embrace excellence in the disciplines of quality science, business, and manufacturing.

Collaboration – We build relationships 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 our entire team operates.

Passion – Our team has an intense passion for science, diagnostics, and technology, which shines through in the quality healthcare solutions we deliver.

Results-oriented – We are focused on delivering high quality on-time results to drive growth and profitability.

A Message from MedMira's Chairman

Dear Shareholders,

In 2017, MedMira faced extraordinary fiscal challenges, however, the leadership team and the Board remain committed to our vision of helping people know and improving the Company's performance. Backed by the vast potential of the patented Rapid Vertical Flow Technolog platform, the dedication and perserverance of our team has never waivered in the face of these challenging times.

MedMira continued the pursuit of growth and advancement opportunities for the Company, as well as its products and technology platform. MedMira continues to focus on market segments in the U.S., Europe, and China that present the best prospects for our rapid testing solutions and technology platform.

This year in the U.S. the Company continued to serve its Reveal G4 customer base in hospitals and laboratories while pursuing new segments for the product's whole blood and point-of-care applications. These efforts were supported by MedMira's sales and distribution network. Additionally in the U.S. MedMira continued with product advancements and expansion of the Miriad product range for the tissue and eye banking market.

In the European Union, MedMira achieved CE Mark on its Multiplo rapid test for the siumultaneous detection of syphilis and HIV. The Company is now well positioned to promote this product within the European Union and in international markets where CE Mark is required.

Rapid diagnostics continues to be a challenging business sector in China, but one ripe with opportunity for high quality products like MedMira's. Working closely with key local partners in China, MedMira continued the promotion of its rapid HIV test while seeking new opportunities for collaborations on future products for this market.

Thank you for your continued support of MedMira.

Marvyn Robar
Chairman

A Message from Our Co-Founder & CEO

Dear Shareholders,

2017 has been a challenging year for MedMira. Financial hurdles held the Company back from making major strides in achieving positive results and shareholder value this year. In 2018, the Company will continue to move forward on a strategic and fiscally responsible path to capitalize on the growth opportunities ahead of us in the short term, and in the long term reach key success milestones to deliver results for our steadfast shareholders.

We remain dedicated to "helping people know". These, three simple, yet powerful, words are at the core of MedMira. Treatment cannot happen without knowing what to treat, which remains true despite cutting edge care and treatment practices. What has shifted is the delivery point of diagnostics, which sees diagnostics moving from the traditional laboratory, where results take hours, days, and sometimes weeks to produce, to point-of-care (POC) screening which produces real-time results that are immediately delivered to patients and treatments are started.

Since its original FDA approval in 2003, the Reveal HIV test has been preferred choice in the U.S. clinical laboratory market due to its inherent features; speed; simplicity of testing procedure, as well as its longevity and reliability of test results. To date, the product is primarily used in hospitals and laboratories. As we move into 2018, MedMira is focused on advancing its products in the U.S. market, and elsewhere, to achieve the potential we know exists in growing market segments like physician office laboratories, retail health clinics and community based.

Here's a brief snapshot of these market segments.

- Today, there are approximately 120,000 physician office laboratories (POLs) in the U.S. Many of these POLs support multi-speciality practices, some of which run over one million rapid tests per year.
- Convenience Care Clinics (CCC), spurred by the success of clinics in retail settings such as Walmart, now number more than 2,000 and represent the fastest growing sector of healthcare in the U.S. Lean staffing and a small physical footprint, mean that CCCs need diagnostics that are simple and rapid.
- In public healthcare initiatives, the CDC is ramping up its HIV prevention, testing, and treatment, committing USD $640 million in the 2018 budget to take on intiatives through community health centers which provide healthcare to over 25 million people in the most at-risk populations in the U.S.

In parallel with expanding our products to meet the demand of growing POC markets, MedMira is continuously seeking avenues for ongoing platform exploration and innovation. The next generation of Rapid Vertical Flow Technology must answer the demands created by big picture health trends and a shifting healthcare delivery model revolving around money, technology, and consumer empowerment.

Empowered health consumers, driven by technology and access to information, are becoming more informed about their own health. Diagnostics are now being pushed to deliver information faster than before but within the scope of an easily accessible and interpreted electronic health record. Added to this is an aging global

population, the increasing prevalence of chronic and infectious diseases, and depleting resources, both financial and human. The over 65s will number close to 580 million by 2018 and the chronic diseases and conditions – cancer, dementia, obesity, heart conditions, and diabetes – that an increasing aging population bring will further stress healthcare systems. According to the latest industry reports on emerging healthcare trends chronic diseases are on the rise worldwide and expected to increase 57% by 2020 and advancements in precise detection and diagnoses of disease will go far to minimize the cost of treating chronic conditions. Increasing shortages of skilled healthcare workers will drive the need for easy-to-use, intuitive tools that can be operated by less skilled providers and patients. According to the World Health Organization, the world will be short 12.9 million healthcare workers by 2035.

Healthcare systems around the world need new strategies to improve patient outcomes while holding the line on costs and diagnostis solutions, like the next generation of Rapid Vertical Flow Technology, will play a major role in controlling healthcare spending.

On behalf of management and the entire MedMira team, thank you for your continued support.

Hermes Chan
Co-Founder & CEO

In Memoriam

Sing Chan
Former Chief Operating Officer

We honor the achievements and contributions of our colleague and former Chief Operating Officer, Sing Chan, who passed away this year.

In his 17 years with MedMira, Sing held progressively senior management roles focusing on the day-to-day operations, in-country manufacturing and production as well as end-to-end supply chain management with outsourced service providers. Sing was a graduate of Computer Science at Acadia University.

Sing was a respected leader in the organization and his legacy will endure in the divisions of MedMira and the people that he led. We will miss him.

MedMira Inc.

Management's Discussion & Analysis

For the year ended July 31, 2017

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 July 31, 2017 consolidated financial statements, affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Introduction

The MD&A was issued and approved by the Board of Directors on the 28th of November 2017. The following MD&A for the three months and year ended July 31, 2017 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 consolidated financial statements for the year ended July 31, 2017 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 ("TSX-V") under the symbol MIR.

The patented MedMira Rapid Vertical Flow (RVF) Technology™ platform is the basis for the Company's line of rapid tests. Diagnostic applications based on this technology are highly accurate, easy-to-use, and produce instant results – a strong advantage over most other rapid diagnostics on the market today. These features are enhanced further with ability to deliver multiplex results on one test device with just one drop of specimen. The Company has created a new generation of rapid tests that are based on the need to provide immediate answers without increasing costs.

MedMira's technology platform and growing portfolio of diagnostic tools demonstrate excellence in performance and quality in the highly competitive diagnostics industry. More than $30 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 for rapid diagnostic solutions in the United States (US Food and Drug Administration ("FDA")), Canada (Health Canada), the notified body in the European Union (CE Mark), and China (CFDA – formerly known as SFDA) and in a number of countries in Latin America, Africa, and Asia. The Company's quality system is ISO 9001 and ISO 13485 certified.

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

In addition to clinical diagnostics, the Company offers the Miriad™ product line to create new opportunities in the high value technology licensing sector. This business line allows the Company to monetize its award-winning technology and core capabilities, including R&D, product development, and regulatory proficiency. Miriad provides access to MedMira's RVF Technology for researchers, developers, and biotech companies on a license basis to facilitate the creation of new rapid tests or the transition of existing tests to this unique platform. Infiltrating new and different sectors of the diagnostic industry, such as veterinary and environmental, with the Company's technology, enables MedMira to build a higher degree of global awareness, generate new revenue streams, and provide a superior diagnostic platform to the market.

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 Vertical Flow Technology and the methodology behind its rapid diagnostics includes the following:

Patent #	*Title*	*Jurisdiction*
9,164,087	Rapid Diagnostic Device, assay and multifunctional Buffer	United States
9,086,410	Downward or vertical flow diagnostic device and assay	United States
8,025,850	Rapid Diagnostic Device, Assay and Multifunctional Buffer	United States
8,287,817	Rapid Diagnostic Device, Assay and Multifunctional Buffer	United States
8,586,375	Rapid Diagnostic Device, Assay and Multifunctional Buffer	United States
7,531,362	Rapid Diagnostic Device, Assay and Multifunctional Buffer	United States
D706945	Diagnostic Device	United States
D706466	Diagnostic Device	United States
EP1417489	Rapid Diagnostic Device and Assay	Europe
EP1328811	HCV Mosaic Antigen Composition	Europe
ZL02819646.5	Rapid Diagnostic Device and Assay	China
2,493,616	Rapid Diagnostic Device, Assay and Multifunctional Buffer	Canada

The Company has other patents pending patents in the US as well as two design patents in force or pending in eight markets.

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

Corporate update

In FY2017, MedMira maintained its market presence in the US tissue and eye bank vertical as well as the rapid HIV testing sector, expanded its product line in European Union, and continued to build on its development and commercialization pipeline.

Miriad is now part of the routine tissue procurement donor suitability process in many tissue and eye banks across the US. In the first quarter of the year, MedMira participated in the American Association of Tissue Banks Annual Meeting, promoting the Miriad product range to over 700 attendees from the US and international markets. In conjunction with this promotional campaign, MedMira rolled out product advancements to further refine the product for tissue and eye bank users and their unique testing needs, positioning the Company as an industry partner.

Reveal G4 rapid HIV test continued to be a focus product in the US market during FY2017. The Company maintained and supported its long-time customer base in hospitals and laboratories while building new opportunities for the whole blood applications of Reveal G4. MedMira's sales and marketing efforts in the US were further bolstered by the activation of a new sales and distribution channel, Medline Industries Inc., and the ongoing partnerships with Cardinal Health and VWR International.

In the fourth quarter of FY2017, MedMira received CE Mark on the Multiplo TP/HIV rapid test for simultaneous detection of syphilis and HIV, allowing the Company to promote the test throughout the European Union and in international markets where CE Mark is accepted. Syphilis and HIV infection rates are on the rise in European Union and internationally. According to the European Center for Disease Prevention and Control (ECDC) in its latest Annual Epidemiological report, syphilis rates have been increasing across Europe since 2010 with many countries in Western Europe seeing a sharp rise in syphilis infections, with some countries' rates growing by over 50%. In 2014, Europe recorded the highest number of newly diagnosed HIV infections since the start of reporting in the 1980s and rates of HIV diagnoses have more than doubled in countries in Eastern Europe.

Over the course of the year, MedMira's R&D team focused on forging solid product development pathway, expansion and refinement of existing product lines, and continued advancement on the Rapid Vertical Flow Technology platform.

The Company's Finance and Operations groups preserved fiscal constraints to support the sales, marketing, and product development efforts of the Company, through a balanced mix of investment in short, medium, and long term projects and initiatives.

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, 2017 consolidated financial statements.

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

Income statement	**Q4 2017**	**Q3 2017**	**Q2 2017**	**Q1 2017**	**Q4 2016**	**Q3 2016**	**Q2 2016**	**Q1 2016**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Product sales	149	192	194	212	(957)	230	1,370	1,614
Product cost of sales	(40)	(76)	(60)	(92)	(991)	(66)	(1,134)	(1,028)
Gross margin on product	109	116	134	120	34	164	236	586
Operating expenses	(480)	(742)	(563)	(827)	(1,946)	(1,205)	(1,051)	(1,296)
Financing expense	(186)	(126)	(121)	(94)	(378)	(173)	(167)	(190)
Net loss before tax	(557)	(752)	(550)	(801)	(2,290)	(1,214)	(982)	(900)

Balance sheet								
	Q4 2017	**Q3 2017**	**Q2 2017**	**Q1 2017**	**Q4 2016**	**Q3 2016**	**Q2 2016**	**Q1 2016**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Current assets	581	582	674	695	678	1,930	3,648	4,465
Non-current assets	93	117	142	168	191	217	242	256
Total assets	674	699	816	863	869	2,147	3,890	4,721
Current liabilities	9,421	8,401	8,218	8,538	8,277	5,746	4,723	3,939
Non-current liabilities	237	737	286	-	255	2,201	3,753	4,412
Total liabilities	9,658	9,138	8,504	8,538	8,532	7,947	8,476	8,351
Total shareholders' deficiency	(8,984)	(8,439)	(7,688)	(7,675)	(7,662)	(5,800)	(4,586)	(3,630)
Total liabilities and equity	674	699	816	863	870	2,147	3,890	4,721
Net loss per share	(0.001)	(0.001)	(0.001)	(0.001)	(0.004)	(0.002)	(0.001)	(0.001)

Fourth quarter analysis

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, 2017 consolidated financial statements.

	For the three months ended		
	31-Jul-17	31-Jul-16	Better(worse)
	$	$	$
Product			
Product sales	148,933	222,751	(73,818)
Product cost of sales	(40,271)	(72,685)	32,414
Gross margin on product	108,662	150,066	(41,404)
Services			
Service sales	-	(1,180,037)	1,180,037
Service cost of sales	-	1,063,632	(1,063,632)
Gross margin on services	-	(116,405)	116,405
Operating expenses			
Research and development	(29,479)	(1,284,564)	1,255,085
Sales and marketing	(102,573)	(249,100)	146,527
Other direct costs	(141,009)	(157,001)	15,992
General and administrative	(207,190)	(255,538)	48,348
Total operating expenses	(480,251)	(1,946,203)	1,465,952
Operating loss	(371,589)	(1,912,542)	1,540,953
Non-operating expense			
Financing expense	(186,297)	(149,457)	(36,840)
Net loss	(557,886)	(2,061,999)	1,504,113

Product revenue and gross margin

The Company recorded revenue from product sales in the quarter ended July 31, 2017 of $148,933 as compared to $222,751 for the same period last year. The decrease in revenue was due to a change in ordering patterns with of one of the Company's US distributors. This pattern changed from just-in-time ordering to semi-annual bulk ordering.

Gross profit for the quarter was $108,662 (72.9%) compared to $150,066 (67.3%) in the same period in 2016. The cost of product sales was $40,271 during the three months ended July 31, 2017 (July 31, 2016 – $72,685).

Service revenue and gross margin

The Company recorded revenue from service sales of $0 in the three months ended July 31, 2017 (July 31, 2016 – a negative $1,180,037). The service sales revenue and the gross margin on services for the three months ended July 31, 2017 was in line with management's expectations as service sales revenue was driven by a product development contract with the US military that ended in Q3 of FY2016. The decrease in service sales revenue during the fourth quarter of FY2016 was related to the Company derecognizing service revenue recorded in the second quarter FY2016 for service sales revenue from the contract with the US military. This derecognition was necessary due to continuing reimbursement activities associated with the US military contract.

Operating expenses

Total operating expenses decreased by $1,465,952 to $480,251 in the quarter ended July 31, 2017, compared to $1,946,203 during the same period in 2016.

- Research and development expenses for the quarter ended July 31, 2017 were $29,479, compared to $1,284,564 for the same period last year. The significant decrease in expenses is due the completion of the US. military project in Q3 of FY2016
- Sales and marketing expenses for the quarter ended July 31, 2017 were $102,573 compared to $249,100 for the same period last year. During FY2016, the Company had additional sales and marketing costs for the launch of Reveal G4 in the US market. This year, with no additional launch activities, the sales and marketing expenses decreased to levels required to maintain ongoing sales and marketing activities for Reveal G4 as well as the Miriad product line.
- Other direct costs for the three months ended July 31, 2017 were $141,009 compared to $157,001 for the same period last year. This was due to the decrease in the Company's overall sales.
- Administrative expenses were $207,190 for the quarter ended July 31, 2017, compared with $255,538 for the same period in 2016. The decrease was in line with management's cost saving program in order to adjust the decrease of gross profit from sales and with it the lower contribution amount to the Company's operating result.

Non-operating expenses

The Company had financing expenses of $186,297 in comparison to $149,457 in FY2016. The decrease in financing expenses was due to the difference in the accretion expenses the Company had to recognise in FY2016 when its long-term debts were placed in default.

Year to date analysis

The following table compares the results of operations for the last three years of operations.

	For the year ended		
	31-Jul-17	**31-Jul-16**	**31-Jul-15**
	$	**$**	**$**
Product			
Product sales	747,344	962,140	1,130,419
Royalties	-	-	753
Product cost of sales	(269,047)	(284,904)	(443,002)
Gross margin on product	478,297	677,236	688,170
Services			
Service sales	-	1,294,692	2,921,169
Service cost of sales	-	(952,633)	(2,428,973)
Gross margin on services	-	342,059	492,196
Operating expenses			
Research and development	(292,299)	(2,518,546)	(874,143)
Sales and marketing	(500,841)	(792,456)	(503,535)
Other direct costs	(615,400)	(714,515)	(623,742)
General and administrative	(1,202,927)	(1,472,640)	(1,920,421)
Total operating expenses	(2,611,467)	(5,498,157)	(3,921,841)
Operating loss	(2,133,170)	(4,478,862)	(2,741,475)
Non-operating expenses			
Financing expense	(527,897)	(679,539)	(758,090)
Net loss	(2,661,067)	(5,158,401)	(3,499,565)

Product revenue and gross margin

The Company recorded revenue from product sales in the year ended July 31, 2017 of $747,344 as compared to $962,140 for the same period last year. The decrease in revenue was due to a change in ordering patterns with of one of the Company's US. distributors. This pattern changed from just-in-time ordering to semi-annual bulk order which created a shift in receiving orders and recognizing revenue.

Gross profit on product sales for the year was $478,297 compared to $677,236 in the same period last year. The profit margin decreased slightly to 68.0% from 70.4% due to the weaker US dollar during this period.

Service revenue and gross margin

The Company recorded revenue from service sales in the year ended July 31, 2017 of $0 as compared to $1,294,692 for the same period last year. During fiscal 2016, the Company earned revenue and gross margin on a research contract with the US Military and private customers. The service sales revenue and the gross margin on services was in line with management's expectations. This contract concluded in Q3 FY2016.

Operating expenses

Total operating expenses decreased significantly by $2,886,690 from $5,498,157 for the year ended July 31, 2016 to $2,611,467 for the year ended July 31, 2017.

- Research and development expenses for the year ended July 31, 2017 were $292,299 compared to $2,518,546 for the year ended July 31, 2016. The comparative decrease in research costs was directly attributable to the conclusion of the US military contract in Q3 FY2016.
- Sales and marketing expenses for the year ended July 31, 2017 were $500,841 compared to $792,456 for the same period last year. The decrease in sales and marketing costs was due to completion of the launch activities for the Company's FDA approved Reveal G4 rapid test.
- Other direct costs for the year ended July 31, 2017 were $615,400, compared to $714,515, for the same period last year.
- General and administrative expenses were $1,202,927 for the year ended July 31, 2017, compared to $1,472,640 for the same period in 2016. The decrease of 18.3% in administrative expenses resulted from the continued cost saving measures implemented by management.

Non-operating expenses

Total financing expenses were $527,897 in the year ended July 31, 2017, compared to financing expenses of $679,539 during the same period in FY2016. The decrease in financing expenses was due to the difference in the accretion expenses the Company had to recognise in FY2016 when its long-term debts were placed in default. In addition, the Company had an offset by the write-off of the royalty agreement with MedMira Holding AG formerly known as OnSite Lab Holding AG of $260,000.

Geographic information

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

	Product and service revenue		Product and service revenue	
	For the three months ended		For the year ended	
	31-Jul-17	31-Jul-16	31-Jul-17	31-Jul-16
	$	$	$	$
North America	124,135	131,684	495,248	1,974,349
Latin America and the Caribbean	9,402	59,398	138,741	187,523
Europe	15,397	2,161	56,603	33,765
Asia Pacific	-	29,509	56,752	61,195
Total revenue	**148,934**	**222,752**	**747,344**	**2,256,832**

Liquidity and capital resources

Cash and working capital

The Company had a cash reserve of $155,915 on July 31, 2017, as compared to $46,120 on July 31, 2016. The Company's net working capital position as of July 31, 2017 was a deficit of $8.7 million compared to the July 31, 2016 working capital deficit of $7.6 million. The Company has incurred losses and negative cash flows on a cumulative basis since inception. For the year ended July 31, 2017, the Company incurred a net loss from operating activities of approximately $2.1 million and negative cash flow of $1.9 million, compared to a net loss from operations of $5.2 million and negative cash flow from operations of $4.1 million for the same period in 2016. The following table is a list of commitments the Company has:

	Total $	Less than 1 year $	1 to 3 years $	4 to 5 years $	After 5 years $
Debt	6,939,164	6,701,668	237,496	-	-
Accounts payable and accrued liabilities	2,609,082	2,609,082	-	-	-
Royalty provision	110,000	110,000		-	-
Operating leases	1,607,780	256,335	523,764	536,874	290,807
Total debt	**11,266,026**	**9,677,085**	**761,260**	**536,874**	**290,807**

Operating activities

MedMira generated negative cash flows from operations of $1.9 million for the year ended July 31, 2017, compared to negative cash flows of $4.1 million for the year ended July 31, 2016. The reason for this variance was mainly due to an 88% decrease in R&D expenses from $2.5 million in FY2016 to $0.3 million in FY2017.

Financing activities

Net cash inflow from financing activities was $2.0 million for the year ended July 31, 2017, compared to $3.9 million for the same period in 2016. In FY2016, the Company raised $5 million through the issuance of new equity, whereas in FY2017 no large fund raising activities were completed.

Investing activities

Cash outflow from investing activities was $0 during the year ended July 31, 2017, compared to $27,249 for the same period in 2016.

Debt

As at July 31, 2017, the Company had loans payable with a carrying value of $6.9 million compared to $6.2 million at July 31, 2016. The increase in the carrying value of loans payable from July 31, 2016 to July 31, 2017 is due to an increase in short term loans. The Company's loans have an average payment term of two years. During FY2017, the Company was in negotiations with all of its debt holders to ensure realistic debt repayment plans, which shall enable the Company to use its working capital for its growth and ensure its future stability. As these negotiations are ongoing, the Company must record these as in default until final agreements have been signed. The amount of loans in default was $6.7 million.

Further discussions on liquidity and capital resources can be found in the Liquidity Risk section of this document, under Need for Additional Capital in the Risk and Uncertainties section in this document and in Notes 2 and 11 of the Company's July 31, 2017 consolidated financial statements.

Equity/Shares

The Company is authorized to issue an unlimited number of common shares without nominal par value. During fiscal year 2017 the company issued no common shares. The number of issued and outstanding common shares on July 31, 2017 was 658,364,320. The number of issued and outstanding shares on November 28, 2017 was the same as recorded at July 31, 2017. The Company is also authorized to issue an unlimited number of Series A preferred shares redeemable at $0.001 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, 2017.

The Company had 2,094,792 outstanding stock options on July 31, 2017. The outstanding stock options have a weighted average exercise price of $0.10 per share and a weighted average remaining term of 1.9 years. The number of outstanding warrants on July 31, 2017 was 266,100,000. The outstanding warrants have a weighted average exercise price of $0.11 per share.

Off balance sheet arrangements

The Company was not party to any off balance sheet arrangements as of July 31, 2017.

Financial instruments – fair value

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

Financial assets

- Cash: Classified as loans and receivables and recorded at amortized cost using the effective interest method.
- Trade and other receivables: Classified as loans and receivables and recorded at amortized cost using the effective interest method.

Financial liabilities

- Total long term debt, accounts payable and accrued liabilities: After initial fair value measurement, these financial liabilities are measured at amortized cost using the effective interest method.
- Royalty agreements: The Company records its provision for royalty at fair value. Fair value is determined using the discounted cash flow method using the Company's best estimate for future cash flows discounted at a rate that considers the credit risk of the Company.
- Management believes the carrying value of cash, trade and other receivables, long term debt, and accounts payable and accrued liabilities approximate fair value at 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. 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 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, 2017, the Company realized a net loss of $2.7 million (July 31, 2016 - $5.2 million), consisting of a net loss from operations of $2.1 million (July 31, 2016 - $4.5 million), and other non-operating losses of $0.5 million (July 31, 2016 - $0.7 million). Negative cash flows from operations were $1.9 million (July 31, 2016 - $4.1 million). As at July 31, 2017, the Company had an accumulated deficit of $86.1 million (July 31, 2016 - $83.5 million) and a negative working capital position of $8.8 million (July 31, 2016 - $7.6 million). In addition, as at July 31, 2017, $6.0 million of debt was in default, and $0.4 million of long-term debt became in default subsequent to July 31, 2017 but prior to the issuance of these consolidated financial statements. The Company currently has insufficient cash to fund its operations for the next 12 months. In addition to its ongoing working capital requirements, the Company must secure sufficient funding for its research and development programs for existing commitments, including its current portion of debt of approximately $6.7 million. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

The Company's objectives in managing capital are to ensure it can meet its ongoing working capital requirements. The Company must secure sufficient capital to support its capital requirements for research and development programs, existing commitments, including its current portion of debt of approximately $6.7 million, as well as growth opportunities.

Management dedicates significant time to pursuing investment alternatives that will fund the Company's operations and growth opportunities so it can continue as a going concern. As of July 31, 2017, potential investors were identified and negotiations were initiated to secure the necessary financing through the issuance of new equity. Debt arrangements were also ongoing with the Company's major shareholder and other debt holders. Subsequent to the close of fiscal year 2017, management continues investor negotiations with the identified parties, nevertheless, there is no assurance that this initiative will be successful.

Credit risk

The Company exposed to credit risk in relation to its trade accounts receivable. To mitigate such risk, the Company continuously monitors the financial condition of its customers and reviews the credit history or worthiness of each new customer. The Company mitigates this risk by requiring a 50% down payment on most orders at the time of purchase, and the remaining 50% prior to shipment. The Company establishes an allowance for doubtful accounts based on specific credit risk of its customers by examining such factors as the number of overdue days of the customers' balance outstanding as well as the customers' collection history. Since 56.1% of the Company's sales are with two large international companies there is no significant concentration of credit risk. The Company also has a receivable of $112,000 outstanding from the Government of Canada and as a result, there is no significant credit risk on this amount.

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 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 promissory notes.

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

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, 2017:

- Director fees totalling $10,000 were incurred (2016 - $14,166).
- Short term loans totalling $78,946 were received from officers (2016 - $0)
- A short term loan totalling $31,978 was repaid to an officer (2016 - $0)
- Two short terms loan totalling $645,300 were received from Ritec AG (2016 - $276,100)
- A long term loan totalling $3,494 was repaid to an employee (2016 – $74,796)
- Short term loans totalling $42,500 were received from employees (2016 - $0)
- A long term loan totalling $387,180 was received from Ritec AG (2016 - $0)
- Royalty payments of $21,475 were incurred and owed to MedMira Holding AG (2016 - $33,991)
- A cash payment of $1,310,000 was received from Ritec AG in regards to a royalty agreement (2016 - $0)
- A equity contribution of $12,500 was made by a shareholder to pay an operating expense of the Company (2016 - $0)

The following balances with related parties were outstanding at July 31, 2017:

- Accounts payable totalling $10,000 was due to directors (2016 - $10,000).
- Accounts payable totalling $129,037 was due to officers (2016 - $26,901).
- A loan term loan totalling $237,496 was due to the Chief Financial Officer (2016 - $241,565).
- A royalty provision was owed to MedMira Holding AG of $50,775 (2016 - $31,991).
- A long term loan totalling $13,500 was owed to an employee (2016 - $13,500)
- Short term loans totalling $42,500 were owed to employees (2016 - $0)
- Two short term loans totalling $645,300 are owed to Ritec AG (2016 - $0)
- Short term loans totalling $46,968 were owed to officers (2016 - $0)

Summary Compensation Table – Officers

Name and Principal Position	Paid Compensation ($)	Accrued Compensation Current year ($)	Share- and Option-based Awards* ($)	All other compensation[1] ($)	Total Compensation for FY 2017 ($)	Paid Compensation related to previous fiscal periods ($)	Accrued Compensation related to previous fiscal periods ($)
Hermes Chan *CEO*	188,000	-	-	-	188,000	-	-
Sing Chan *COO*	60,923	-	-	-	60,923	-	-
Robyn Cook *CCO*	105,000	-	-	-	105,000	10,000	-
Markus Meile *CFO*	33,538	116,172	-	-	149,710	17,333	-

[1] All other compensation includes pension fund contributions and/or bonuses paid out.

*The Company makes certain estimates and assumptions when calculating the fair value of option-based awards. The Company uses an option-pricing model which includes significant assumptions including estimates of the 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 amounts recorded for the issuance of stock options.

Summary Compensation Table – Directors

Name and Principal Position	Paid Compensation ($)	Accrued Compensation Current year ($)	Share- and Option-based Awards* ($)	Total Compensation current year ($)	Paid Compensation related to previous fiscal years ($)	Accrued Compensation related to previous fiscal years ($)
Hermes Chan Member of the Audit Committee	-	-	3,422	3,422	-	-
Romano Robusto[1] Director/Audit Committee Chair Member of Nomination & Compensation Committee	-	5,000	4,791	9,791	-	2,500
Philippe Dro[1] Director	-	-	1,711	1,711	-	-
Marvyn Robar Director/Chairman of the Board/Audit Committee Chair[2]/Member of Nomination & Compensation Committee	-	5,000	6,160	11,160	-	5,000
Dr. Shou-Ching Tang Director/Member of the Audit and Nomination & Compensation Committee	-	-	-	-	-	-

[1] Ceased to be a director and member of Board committees on January 30, 2017.

[2] Effective January 30, 2017

*The Company makes certain estimates and assumptions when calculating the fair value of option-based awards. The Company uses an option pricing model which includes significant assumptions including estimates of the 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 amount recorded for the issuance of stock options.

Subsequent events

During the first quarter of FY2018, the Company received a loan of $384,510 from Ritec AG, a related party, in order to support the Company's strategic goals. The loan is repayable on October 30, 2017 and carries an annual interest rate of 5% that is due upon repayment of the loan.

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, 2017.

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 and MedMira's Board of Directors approved these documents prior to release.

Risk and uncertainties

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

Risks and uncertainties related to the Company's financial condition

Need for additional capital

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

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

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

- the extent to which new products and products under development are successfully developed, gain market acceptance and become and remain competitive;
- the costs and timing of further expansion of sales, marketing and manufacturing activities and facility's 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 US 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 US and foreign countries, public concern as to the safety of biotechnology products and economic and other external factors, as well as period to period fluctuations in financial results may have a significant impact on the market price of the Company's common shares. It is likely that in some future quarter the Company's operating results will be below the expectations of the public market analysts and investors. In such event, the price of the Company's common shares would likely be materially adversely affected.

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

Lack of market acceptance

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

Competition

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

Significant development effort required

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

Uncertainties in sales cycles in target markets

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

High degree of regulation

MedMira operates in a highly regulated industry and is subject to the authority and approvals of certain regulatory agencies, including Health Canada, the FDA, the CFDA, CE Mark 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 CFDA 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, dependent 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 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.

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, CE, CFDA 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 attempts 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 United States, Canada, China, and other foreign countries relating to various aspects of its rapid diagnostic platform, processes, reagents, and equipment. Although it is management's belief 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, 2017 and 2016

November 28, 2017

Management's responsibility for financial reporting

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

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

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

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

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

(signed) *Hermes Chan*

Chief Executive Officer

(signed) Markus Meile

Chief Financial Officer

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Independent Auditor's Report

To the Shareholders of
MedMira Inc.

We have audited the accompanying consolidated financial statements of MedMira Inc. (the "Company"), which comprise the consolidated statements of financial position as at July 31, 2017 and July 31, 2016, and the consolidated statements of operations and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of MedMira Inc. as at July 31, 2017 and July 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements, which indicates that the Company incurred a net and comprehensive loss of $2,661,067 for the year ended July 31, 2017, and the Company had an accumulated deficit of $86,114,774 and its current liabilities exceeded its current assets by $8,839,414 as of July 31, 2017. In addition, $5,953,400 of long-term debt was in

default as of July 31, 2017. The ability of the Company to continue as a going concern is dependent upon the Company's ability to maintain the continuing support of its creditors and lenders, raise additional financing and achieve a profitable level of operations. These conditions, along with other matters as set forth in Note 2, indicate the existence of material uncertainties that cast significant doubt about the Company's ability to continue as a going concern.

/s/ Deloitte LLP

Chartered Professional Accountants
November 28, 2017
Halifax, Nova Scotia

Consolidated statements of financial position
As at July 31, 2017 and July 31, 2016

In Canadian dollars

	Notes	31-Jul-17	31-Jul-16
		$	$
Assets			
Current assets			
Cash		155,915	46,120
Trade and other receivables		60,415	186,394
Prepaid expenses		26,004	52,470
Current tax receivable		112,000	100,000
Inventories	5	227,002	293,456
Total current assets		581,336	678,440
Non-current assets			
Property, plant and equipment	6	92,367	191,463
Intangible assets	7	2	2
Total non-current assets		92,369	191,465
Total assets		673,705	869,905
Liabilities			
Current liabilities			
Current portion of debt	10	6,701,668	5,994,445
Trade accounts payable and accrued liabilities		1,741,173	1,725,899
Salaries and benefits payable		240,671	165,094
Interest payable		509,575	180,186
Deferred rent		117,663	138,087
Deferred revenue		-	41,297
Provision for royalty	12	110,000	31,991
Total current liabilities		9,420,750	8,276,999
Non-current liabilities			
Long term portion of debt	10	237,496	255,065
Total non-current liabilities		237,496	255,065
Total liabilities		9,658,246	8,532,064
Equity			
Share capital	8	63,421,802	63,421,802
Warrant reserve	8	9,966,770	9,966,770
Stock based compensation reserve	8	1,353,291	1,337,206
Equity reserve	8	2,388,370	1,065,770
Accumulated deficit		(86,114,774)	(83,453,707)
Total shareholders' deficiency		(8,984,541)	(7,662,159)
Total liabilities and equity		673,705	869,905

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) *Marvyn Robar*, Chairman and Director

Consolidated statements of operations and comprehensive loss
For the years ended July 31, 2017 and July 31, 2016

In Canadian dollars

	Notes	31-Jul-17 $	31-Jul-16 $
Product			
Product sales	4	747,344	962,140
Product cost of sales	5	(269,047)	(284,904)
Gross margin on product		478,297	677,236
Services			
Service sales	4	-	1,294,692
Service cost of sales	14	-	(952,633)
Gross margin on services		-	342,059
Operating expenses			
Research and development	14	(292,299)	(2,518,546)
Sales and marketing		(500,841)	(792,456)
Other direct costs		(615,400)	(714,515)
General and administrative		(1,202,927)	(1,472,640)
Total operating expenses		(2,611,467)	(5,498,157)
Operating loss		(2,133,170)	(4,478,862)
Non-operating expense			
Financing expense	19	(527,897)	(679,539)
Net and comprehensive loss		(2,661,067)	(5,158,401)
Basic loss per share	9	(0.004)	(0.008)
Diluted loss per share	9	(0.004)	(0.008)

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

Consolidated statements of changes in equity

For the years ended July 31, 2017 and July 31, 2016

In Canadian dollars

	Notes	Share capital		Warrant reserve	Stock based compensation reserve	Equity reserve	Accumulated deficit	Shareholders' deficiency
		Common shares	Preferred shares					
Balance at July 31, 2015		**60,208,678**	**2,500**	**8,202,394**	**1,311,597**	**865,770**	**(78,295,306)**	**(7,704,367)**
Net and comprehensive loss		-	-	-	-	-	(5,158,401)	**(5,158,401)**
Issuance of common shares for cash	8	3,235,624	-	1,764,376	-	-	-	**5,000,000**
Share issuance costs	8	(25,000)	-	-	-	-	-	**(25,000)**
Issuance of stock options	8	-	-	-	25,609	-	-	**25,609**
Funding under royalty agreement	8	-	-	-	-	200,000	-	**200,000**
Balance at July 31, 2016		**63,419,302**	**2,500**	**9,966,770**	**1,337,206**	**1,065,770**	**(83,453,707)**	**(7,662,159)**
Net and comprehensive loss		-	-	-	-	-	(2,661,067)	**(2,661,067)**
Issuance of common shares for cash	8	-	-	-	-	-	-	**-**
Share issuance costs	8	-	-	-	-	-	-	**-**
Issuance of stock options	8	-	-	-	16,085	-	-	**16,085**
Funding under royalty agreement	8	-	-	-	-	1,310,100	-	**1,310,100**
Equity contribution by shareholder	8	-	-	-	-	12,500	-	**12,500**
Balance at July 31, 2017		**63,419,302**	**2,500**	**9,966,770**	**1,353,291**	**2,388,370**	**(86,114,774)**	**(8,984,541)**

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

Consolidated statements of cash flows
For the years ended July 31, 2017 and July 31, 2016

In Canadian dollars

	Notes	31-Jul-17 $	31-Jul-16 $
Cash from operating activities			
Net loss		(2,661,067)	(5,158,401)
Adjustments for:			
Depreciation	6	98,788	99,791
Provision for royalty		78,009	(260,000)
Share based payments reserve		16,085	25,609
Equity contribution by shareholder		12,500	-
Accretion expense		-	565,274
Movements in working capital:			
(Increase)/decrease in trade and other receivables		125,979	583,304
(Increase)/decrease in inventories		66,454	6,472
(Increase)/decrease in prepaid expenses		26,466	(13,843)
(Increase)/decrease in current tax receivable		(12,000)	49,000
(Increase)/decrease in accounts payable and accrued liabilities		399,816	(23,748)
(Increase)/decrease in deferred revenue		(41,297)	33,986
Net cash used in operating activities		(1,890,267)	(4,092,556)
Cash flow from investing activities			
Payments to acquire property, plant and equipment		-	(27,249)
Disposal of assets		307	-
Net cash used in investing activities		307	(27,249)
Cash flow from financing activities			
Proceeds from the issuance of common shares and warrants	8	-	5,000,000
Payment for share issue costs	8	-	(25,000)
Funding under royalty agreements	12	1,310,100	200,000
Proceeds from borrowings		762,677	963,414
Repayment of borrowing		(73,022)	(2,234,881)
Net cash from financing activities		1,999,755	3,903,533
Net increase (decrease) in cash		109,795	(216,272)
Cash at the beginning of the year		46,120	262,392
Cash at the end of the year		155,915	46,120

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

1. Reporting entity

Nature of operations

MedMira Inc. ("MedMira" or "the Company") is a biotechnology company headquartered in Canada. The address of the Company's registered office is 155 Chain Lake Drive, Suite 1, Halifax, Nova Scotia, B3S 1B3. MedMira Holding AG owns the majority of MedMira's shares and is the controlling shareholder. The consolidated financial statements of the Company for the years ended July 31, 2017 and 2016, comprise the Company and its subsidiaries. MedMira, through its subsidiaries, is engaged in the business of research, development and manufacturing of rapid diagnostics and technologies. The Company invests in research in order to maintain and expand its position in the global diagnostics market. MedMira's research is focused on specific areas of the broader diagnostics market, namely the rapid, point-of-care, and *in vitro* sectors.

2. Basis of preparation

a. Statement of compliance

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

The consolidated financial statements were authorized for issue by the Board of Directors on November 28, 2017.

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, 2017, the Company realized a net loss of $2.7 million (July 31, 2016 - $5.2 million), consisting of a net loss from operations of $2.1 million (July 31, 2016 - $4.5 million), and other non-operating losses of $0.5 million (July 31, 2016 - $0.7 million). Negative cash flows from operations were $1.9 million (July 31, 2016 - $4.1 million). As at July 31, 2017, the Company had an accumulated deficit of $86.1 million (July 31, 2016 - $83.5 million) and a negative working capital position of $8.8 million (July 31, 2016 - $7.6 million). In addition, as at July 31, 2017, $6.0 million of debt was in default, and $0.4 million of long-term debt became in default subsequent to July 31, 2017 but prior to the issuance of these consolidated financial statements. The Company currently has insufficient cash to fund its operations for the next 12 months. 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 debt of approximately $6.7 million. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

The Company's objectives in managing capital are to ensure it can meet its ongoing working capital requirements. The Company must secure sufficient capital to support its capital requirements for research and development programs, existing commitments, including its current portion of debt of approximately $6.7 million, as well as growth opportunities.

Management dedicates significant time to pursuing investment alternatives that will fund the Company's operations and growth opportunities so it can continue as a going concern. As of July 31, 2017, potential investors were identified and negotiations were initiated to secure the necessary financing through the issuance of new equity. Debt arrangements were also ongoing with the Company's major shareholder and other debt holders. Subsequent to the close of fiscal year 2017, management continues investor negotiations with the identified parties, nevertheless, there is no assurance that this initiative will be successful.

The Company is subject to risks associated with early stage companies, including but not limited to, dependence on key individuals, competition from substitute services and larger companies, and the requirement for the continued successful development and marketing of its products and services. The Company's ability to continue as a going-concern is dependent upon its ability to generate positive cash flow from operations and secure additional financing and the continued support of its lenders and shareholders. These financial statements do not reflect the adjustments to carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going-concern assumption not appropriate. These adjustments could be material.

c. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value at the end of each reporting period as explained in the accounting policies below.

d. Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries. All financial information is presented in Canadian dollars unless explicitly stated.

e. Use of estimates and judgements

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

- The provision for royalty is determined using certain assumptions including: the likelihood and timing of completion of the research and development of the products associated with the royalty agreement, 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, estimates of discount rate and the cost of production
- Amounts recorded for depreciation and impairment of property, plant and equipment and intangible assets, which depend on estimates of net recoverable amounts based on expected economic lives and future cash flows from related assets;
- Amounts recorded for tax receivable which are calculated based on the expected eligibility and tax treatment of qualifying scientific research and experimental development expenditures recorded in the Company's consolidated financial statements;

In Canadian dollars

- The allocation of proceeds between common shares and warrants, determined by valuation of warrants which includes assumptions regarding volatility and risk free rate;
- Determination of operating segments; and
- Determination of the fair value of stock options granted. The Company uses an option pricing model, which includes significant assumptions including estimate of expected volatility, expected life, expected dividend rate and expected risk-free rate of return.

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

3. Significant accounting policies

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

The Company and its significant subsidiaries are shown below.

	Country of incorporation	Ownership interest	
		%	%
		31-Jul-17	**31-Jul-16**
MedMira Inc.	Canada	100	100
MedMira Laboratories Inc.	Canada	100	100
Maple Biosciences Inc.	Canada	100	100
MedMira International AG	Switzerland	100	100
MedMira (US) Inc.	United States	100	100
Precious Life Savings Products	Canada	100	100

a. Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control is achieved when the Company has the power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there changes to one or more of the three elements of control listed above. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date

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

b. Foreign currency transactions

Transactions in foreign currencies are translated to Canadian dollars, the functional currency of the Company and its subsidiaries, at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Exchange differences on monetary items are recognized in the statement of operations and net comprehensive loss in the period in which they arise.

c. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, other than those at fair value through profit or loss, are added to or deducted from the fair value of the financial instrument as appropriate on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss, are recognized immediately in profit or loss.

Financial assets

The Company's financial assets consist of cash and trade and other receivables which are classified as loans and receivables. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

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

Financial liabilities

The Company's financial liabilities consist of trade accounts payable and accrued liabilities, salaries and benefits payable, interest payable, and long-term debt which are classified as other financial liabilities. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The Company's provision for royalty is classified as fair value through profit or loss and stated at fair value with any gains or losses arising from re-measurement recognized in profit or loss.

Share capital

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and stock 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.

Share purchase warrants

The Company bifurcates units consisting of common shares and share purchase warrants using the residual value approach whereby it measures the common share component of the unit at fair value using market prices. The difference between this value and the unit value is then allocated to the warrant with the value of the warrant component being credited to the warrant reserve. When warrants are exercised, the corresponding residual value is transferred from warrant reserve to share capital. All such warrants are classified in a warrant reserve within equity.

Equity reserve

The company has royalty agreements with related parties. When royalty agreements are entered into with the related party the excess of the cash received over the fair value of the royalty agreement is classified as a contribution to equity within equity reserve.

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

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

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

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

e. Intangible assets

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized as research and development expense within 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 within intangible assets on the consolidated statements of financial position 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 was on or after August 1, 2010. Any other development expenditure is recognized as research and development expense within profit or loss as incurred.

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

Other intangible assets

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

Subsequent expenditure

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

Amortization

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

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

Intellectual properties/product technology	10 - 20 years

f. Inventories

Raw materials inventory consists of chemicals, plastic components and packaging materials. Work in process inventory includes partially assembled tests, and any materials that have been modified, but not yet converted to finished products. Finished product inventory includes completed diagnostics tests in a state ready for sale.

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Inventory cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in process, cost includes an appropriate share of production overhead based on normal operating capacity.

g. Impairment

Financial assets (including receivables)

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

Long-lived assets

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

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

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

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

h. Employee benefits

Short-term employee benefits

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

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

Share-based payment transactions

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

i. Provisions

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

j. Revenue

Product Sales

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.

Service Sales

The Company's service revenue consists primarily of research and development contracts with the US Military. Revenue from services rendered is recognized in profit or loss as allowable costs eligible for reimbursement have occurred, it is probable that the economic benefits associated with the transaction will flow to the Company and the cost incurred for the transaction can be measured reliably.

Deferred revenue

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

k. Deferred income taxes

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

l. New and amended standards and interpretations

The following standards were amended and adopted by the Company during the current year, and had no significant impact on the Company's consolidated financial statements:

IFRS 10 (amended) Consolidated Financial Statements
IAS 1 (amended) Presentation of Financial Statements
IAS 16 (amended) Property, Plant and Equipment
IAS 38 (amended) Intangible Assets

The following new standards and amendment have been issued but are not effective for the fiscal year ended July 31, 2017, and, accordingly, have not been applied in preparing these consolidated financial statements.

IFRS 9 - Financial Instruments. A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 - *Financial Instruments: Recognition and Measurement* has been issued and is effective for annual periods beginning on or after January 1, 2018 and therefore, will be effective August 1, 2018 for the Company. The standard contains requirements in the following areas: classification and measurement, impairment, hedge accounting and derecognition.

In Canadian dollars

IFRS 15 - Revenue from Contracts with Customers. This standard is effective for annual periods beginning on or after January 1, 2018 and therefore, will be effective August 1, 2018 for the Company. IFRS 15 establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single, five-step model for an entity to recognize revenue in order to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to exchange for these goods and services. IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs, In addition, IFRS 15 requires additional disclosure in the consolidated financial statements regarding the Company's revenue. IFRS 15 replaces IAS 18 *Revenue* and IAS 11 *Construction Contracts*, as well as related interpretations.

IFRS 16 – Leases. This standard replaces IAS 17 *Leases* and introduces a single accounting model for lessees and for all leases with more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognize a right-of-use-asset, representing its right to use the underlying asset, and a corresponding lease liability, representing its obligation to make lease payments. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 and therefore, will be effective August 1, 2019 for the Company. While early adoption is permitted if IFRS 15 has also been applied, the Company has chosen not to early adopt this standard.

IFRS 2 – Share-based payments. IFRS 2 was amended to clarify how to account for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature and a modification to the terms and conditions that changes the classification of the transactions. The amendment is effective for annual periods beginning on or after January 1, 2018 and therefore, will be effective August 1, 2018 for the Company.

IFRIC 22- Foreign Currency Transactions and Advance Consideration. IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. This interpretation is effective for annual periods beginning on or after January 1, 2018 and therefore, will be effective August 1, 2018 for the Company.

IAS 7 - Statement of Cash Flows. IAS 7 was amended to improve information provided to users of financial statements about an entity's financing activities. The amendment is effective for annual periods beginning on or after January 1, 2017, and therefore, will be effective August 1, 2017 for the Company.

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

4. Revenue

	31-Jul-17 $	31-Jul-16 $
Product sales	747,344	962,140
Service revenue	-	1,294,692
Total revenue	747,344	2,256,832

In Canadian dollars

Service revenue is generated from research work on a contract with the US Military. The contract ended in fiscal 2016 and thus no service revenue was recognized in fiscal 2017. The costs associated with research conducted to earn this revenue have been recognized as a service cost of sales (see note 14).

The Company derives approximately 56.1% (July 31, 2016 – 84%) of its revenue from two (July 31, 2016 — four) main customers and, for these customers, assesses the recoverability of each account on a regular basis. During the year ended July 31, 2017, customer 1 accounted for 31.2% of the Company's revenue and customer 2 accounted for 24.9% of the revenue.

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

	$	$
North America*	495,248	1,974,349
Latin America and the Caribbean	138,741	187,523
Europe	56,603	33,765
Asia Pacific	56,742	61,195
Total revenue	747,334	2,256,832

For the year ended July 31, 2017, revenue in North America include sales made in Canada (the Company's country of domicile) of $14,292 (2016 – $16,067).

5. Inventories

As at July 31, 2017, there were no valuation allowances against inventory (July 31, 2016 - $nil).

During the year ended July 31, 2017, inventory valued at $200,844 was expensed as product cost of sales (July 31, 2016 - $225,425), which included write-downs of inventory as a result of net realizable value being lower than cost of $20,052 (2016 – $15,757). No inventory write-downs recognized in previous years were reversed during the current year.

	31-Jul-17	31-Jul-16
	$	$
Raw materials and consumables	188,279	235,934
Work in process	22,500	47,479
Finished goods	16,223	10,043
Total inventories	227,002	293,456

In Canadian dollars

6. Property, plant and equipment

The table below summarizes changes in property, plant and equipment, which is all located in Canada, the Company's country of domicile.

	Leasehold improvements $	Laboratory equipment $	Manufacturing equipment $	Office equipment and furniture $	Total $
Cost					
Balance at July 31, 2015	**814,134**	**50,961**	**208,579**	**333,900**	**1,407,574**
Additions	-	-	12,598	14,651	27,249
Disposals	-	-	-	-	-
Balance at July 31, 2016	**814,134**	**50,961**	**221,177**	**348,551**	**1,434,823**
Additions	-	-	-	-	-
Disposals	-	-	-	**(1,500)**	(1,500)
Balance at July 31, 2017	**814,134**	**50,961**	**221,177**	**347,051**	**1,433,323**
Accumulated depreciation and impairment losses					
Balance at July 31, 2015	**685,338**	**34,643**	**184,438**	**239,150**	**1,143,569**
Depreciation expense for the year	50,616	5,406	8,483	35,286	99,791
Disposals	-	-	-	-	-
Balance at July 31, 2016	**735,954**	**40,049**	**192,921**	**274,436**	**1,243,360**
Depreciation expense for the year	50,616	5,403	9,358	33,412	98,789
Disposals	-	-	-	(1,193)	(1,193)
Balance at July 31, 2017	**786,570**	**45,452**	**202,279**	**306,655**	**1,340,956**
Carrying amounts					
At July 31, 2015	128,796	16,318	24,141	94,750	264,005
At July 31, 2016	78,180	10,912	28,256	74,115	191,463
At July 31, 2017	27,564	5,509	18,898	40,396	92,367

In Canadian dollars

7. Intangible assets

	Intellectual properties $	Product technology $	Total $
Cost or deemed cost			
Balance at July 31, 2015	2,584,899	258,137	2,843,036
Balance at July 31, 2016	2,584,899	258,137	2,843,036
Balance at July 31, 2017	2,584,899	258,137	2,843,036
Accumulated amortization and accumulated impairment losses			
Balance at July 31, 2015	2,584,898	258,136	2,843,034
Balance at July 31, 2016	2,584,898	258,136	2,843,034
Balance at July 31, 2017	2,584,898	258,136	2,843,034
Carrying amounts			
At July 31, 2015	1	1	2
At July 31, 2016	1	1	2
At July 31, 2017	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 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. 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, 2015	**558,364,320**	**5,000,000**	**60,208,678**	**2,500**	**60,211,178**
Issued for cash	100,000,000	-	3,235,624	-	**3,235,624**
Share issuance costs	-	-	(25,000)	-	**(25,000)**
Balance at July 31, 2016	**658,364,320**	**5,000,000**	**63,419,302**	**2,500**	**63,421,802**
Issued for cash	-	-	-	-	-
Share issuance costs	-	-	-	-	-
Balance at July 31, 2017	**658,364,320**	**5,000,000**	**63,419,302**	**2,500**	**63,421,802**

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

The Series A preferred shares had a stated capital of $2,500 at July 31, 2017 (July 31, 2016 - $2,500).

c. Warrants

	Number of warrants	Warrant reserve $
Balance at July 31, 2015	**306,100,000**	**8,202,394**
Issued for cash	100,000,000	1,764,376
Expired warrants	(140,000,000)	-
Balance at July 31, 2016	**266,100,000**	**9,966,770**
Issued for cash	-	-
Expired warrants	-	-
Balance at July 31, 2017	**266,100,000**	**9,966,770**

In Canadian dollars

The total warrants outstanding at July 31, 2017 are shown below.

Issued	Number	Exercise price $	Expiry date
September 30, 2013	122,100,000	0.125	September 29, 2017
October 2, 2014	22,000,000	0.100	October 2, 2018
March 27, 2015	22,000,000	0.100	March 27, 2019
September 8, 2015	100,000,000	0.100	September 8, 2019
	266,100,000		

d. Stock based compensation

The Company has established a stock option plan for its employees, officers, and directors. All options vest immediately upon issue and the Company is authorized to issue up to a maximum of 13,000,000 options upon approval by shareholders. Options that have been issued and remain outstanding are exercisable into an equivalent of 2,594,792 common shares (July 31, 2016 – 2,094,792) at an exercise price of $0.10. The options expire between January 24, 2018 and January 29, 2020. During the year ended July 31, 2017, 1,175,000 options were issued (July 31, 2016 – 779,167). All options outstanding at July 31, 2017 were exercisable.

The total options outstanding from July 31, 2015 to July 31, 2017 are shown below.

	Number	Weighted average exercise price $	Share-based payment reserve $
Options outstanding July 31, 2015	2,921,875	0.10	1,311,597
Options issued	779,167	0.10	25,609
Options expired/forfeited	(1,606,250)	0.10	-
Options outstanding July 31, 2016	2,094,792	0.10	1,337,206
Options issued	1,175,000	0.10	16,085
Options expired/forfeited	(675,000)	0.10	-
Options outstanding July 31, 2017	2,594,792	0.10	1,353,291

In Canadian dollars

Options were priced using the Black Scholes option pricing model using the following assumptions:

Grant date share price	$0.025
Exercise price	$0.10
Expected volatility (based on historical volatility over the past three years)	131%
Option life	3 years
Dividend yield	$0.00
Risk-free interest rate	2%

The weighted average exercise price of the options outstanding during the year ended July 31, 2017 was $0.10 (2016 - $0.10) and the weighted average remaining contractual life is 1.25 years (2016 - 1.62 years). The amount of compensation cost that is recognized in general and administrative expenses in the consolidated statement of operations and comprehensive loss was $16,085 (2016 - $25,609).

The following share-based payment arrangements were in existence during the current and prior years:

Option Series	Number	Grant Date	Expiry Date	Exercise Price	Fair Value at Grant
(1) Granted on April 13, 2015	640,625	13-Apr-15	12-Apr-18	$0.10	$0.027
(2) Granted on January 8, 2016	779,167	8-Jan-16	7-Jan-19	$0.10	$0.033
(3) Granted on January 30, 2017	1,175,000	30-Jan-17	29-Jan-20	$0.10	$0.014

e. Equity Reserve

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

	Equity Reserve $
Balance at July 31, 2015	865,770
Cash received for royalty agreement (see note 12)	200,000
Balance at July 31, 2016	1,065,770
Cash received for royalty agreement (see note 12)	1,310,100
Equity contribution from shareholder (see note 13)	12,500
Balance at July 31, 2017	**2,388,370**

In Canadian dollars

9. Loss per share

	31-Jul-17	31-Jul-16
	$	$
Net loss attributable to common shareholders	(2,661,067)	(5,158,401)
Diluted loss	**(2,661,067)**	**(5,158,401)**
Issued common shares	658,364,320	658,364,320
Weighted average number of common shares	658,364,320	658,364,320
Weighted average number of warrants	-	-
Weighted average number of options	-	-
Weighted average number of diluted shares	**658,364,320**	**658,364,320**
Basic loss per share	(0.004)	(0.008)
Diluted loss per share	(0.004)	(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, 2017, as the exercise of warrants and options would be anti-dilutive.

10. Loans and borrowings

a. Loans

	31-Jul-17		31-Jul-16	
	Carrying value	Contract value	Carrying value	Contract value
	$	$	$	$
Short term loans	734,768	734,768	-	-
Loan 1	1,054,167	1,054,167	1,054,167	1,054,167
Loan 2	1,300,000	1,300,000	1,300,000	1,300,000
Loan 3	-	-	3,000	3,000
Loan 4	-	-	3,495	3,495
Loan 5	13,500	13,500	13,500	13,500
Loan 6	237,496	237,496	241,565	241,565
ACOA loans	485,843	485,843	520,393	520,393
Nova Scotia government loan 1	3,016,000	3,016,000	3,016,000	3,016,000
Nova Scotia government loan 2	97,390	97,390	97,390	97,390
Total loan principal	**6,939,164**	**6,939,164**	**6,249,510**	**6,249,510**
Long term portion of principal	237,496		255,065	
Current portion payable of principal	6,701,668		5,994,445	

In Canadian dollars

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

2018	6,701,668
2019	237,496
Carrying value	6,939,164

Short term loans

The Company has six short term loans with related parties. These loans are utilized by the Company for short term working capital requirements. Loans are due on various dates ranging from August 10, 2017 to December 31, 2017 with an interest rate of 5%. The loans were not in default at July 31, 2017. Subsequent to July 31, 2017 but prior to the issuance of these financial statements, $363,993 of the short term loans became in default.

Loan 1

Loan established October 31, 2012, bearing 5% interest with monthly interest only payments until November 30, 2013, followed by monthly principal payments and accrued interest for five additional years ending November 30, 2018. The loan is secured by interest on intellectual property and on the step-up technology. The loan was in default as of July 31, 2017 and thus has been classified as a current liability.

Loan 2

Loan established July 31, 2012, bearing 5% interest with monthly interest payments were due until April 30, 2016, followed by equal monthly principal payments and accrued interest for four additional years ending July 31, 2020. The loan was in default due to nonpayment of interest and principal payments as of July 31, 2017 and thus has been classified as a current liability.

Loan 3

Loan was repaid during the year ended July 31, 2017.

Loan 4

Loan was repaid during the year ended July 31, 2017.

Loan 5

Loan established June 10, 2016, bearing 5% interest. The loan is fully payable on or before August 10, 2017. The loan was not in default at July 31, 2017. Subsequent to July 31, 2017 but prior to the issuance of these financial statements, this loan went into default.

Loan 6

Loan was established on July 31, 2016, bearing 5% interest with the Company's Chief Financial Officer. The loan was renegotiated on January 21, 2017 and is now fully payable on or before October 1, 2018. The loan was not in default at July 31, 2017.

Atlantic Canada Opportunities Agency (ACOA) loans

Loans established on October 31, 2012, bearing no interest with monthly principal payments of $3,747 until July 31, 2013, followed by monthly principal payments of $24,234 for five additional years ending July 31, 2018. The loan was renegotiated in July 2014, bearing no interest with a monthly principal payment of $24,234 in August 2014 followed by 40 monthly principal payments of $27,800 starting on February 1, 2015 and one monthly principal payment of $26,975 at the end of the loan. The loan is secured by all present and subsequently acquired personal property, excepting consumer goods. The loan was in default due to nonpayment of interest and principal payments at July 31, 2017 and thus has been classified as a current liability.

Nova Scotia government loan 1

The loan was established in August 2015, bearing interest based on the Province of Nova Scotia's five year cost of funds, plus five hundred basis points. Monthly interest payments are due until August 31, 2018. Starting on September 1, 2016, thirteen monthly principal payments of $120,000 are due followed by ten monthly principal payments of $135,000 starting on October 1, 2017 and one monthly principal payment of $106,000 on August 1, 2018. The loan is secured by first interest on intellectual property and on the Maple Bio sensor technology. The loan was in default due to nonpayment of interest and principal payments at July 31, 2017 and thus has been classified as a current liability.

Nova Scotia government loan 2

Loan established September 14, 2012, bearing no interest with the balance due by August 31, 2018. The loan is secured by first interest on intellectual property and on the Maple Bio sensor technology. The loan was in default due to nonpayment of interest and principal payments at July 31, 2017 and thus has been classified as a current liability.

11. Capital management and financial risks

a. Capital management

The Company's objectives in managing capital are to ensure sufficient liquidity to support the capital requirements of its various businesses, including growth opportunities. The Company manages its capital structure and makes adjustments in light of general economic conditions, the risk characteristics of the underlying assets and the Company's working capital requirements. Management of the capital structure involves the issuance of new debt, the repayment of existing debt using cash generated by operations and issuance of additional financial structures such as product financing and royalty agreements. The capital structure of the Company is composed of shareholders' deficiency, cash, long-term and short-term debts. The provisions of certain financing agreements provide for restrictions on the activities of the Company in terms of their use of funds. Such restrictions are mainly applied in specific product development financing projects. The Company's objectives when managing capital are to provide competitive cost structures, safeguard its assets and daily cash flow management in order to maximize the Company's cash holding.

In Canadian dollars

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

	31-Jul-17 $	31-Jul-16 $
Total debt	6,939,164	6,249,510
Less: Cash	(155,915)	(46,120)
Net debt	**6,783,249**	**6,203,390**
Shareholders' deficiency	(8,984,541)	(7,662,159)
Total capital	**(2,201,292)**	**(1,458,769)**

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

b. Foreign currency risk

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

	31-Jul-17 US$	31-Jul-16 US$
Cash	34,190	24,148
Trade and other receivables	58,725	128,424
Prepaid expense	-	5,949
Accounts payable and accrued liabilities	646,341	973,411
Royalty provision	88,106	-
Debt	36,000	-

A one percent change in the US dollar exchange rate would result in approximately a $8,634 (2016 - $11,020) impact on the statement of financial position and consolidated statement of operations.

c. Interest rate risk

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

d. Credit risk

The Company exposed to credit risk in relation to its trade accounts receivable. To mitigate such risk, the Corporation continuously monitors the financial condition of its customers and reviews the credit history or worthiness of each new customer. The Company mitigates this risk by requiring a 50% down payment on most orders at the time of purchase, and the remaining 50% prior to shipment. The Company establishes an allowance for doubtful accounts based on specific credit risk of its customers by examining such factors as the number of overdue days of the customers' balance outstanding as well as the customers' collection history. Since 56.1% of the Company's sales are with two large

In Canadian dollars

international companies there is no significant concentration of credit risk. The Company also has a receivable of $112,000 outstanding from the Government of Canada and as a result, there is no significant credit risk on this amount.

Age of receivable that are past due but not impaired

120 +	$22,960
Total	$22,960

Trade and other receivables include amounts that are past due as at July 31, 2017 for which the Company has not recognized an allowance for doubtful accounts because there has not been a significant change in credit quality of the customer and the amounts are still considered recoverable.

e. Liquidity risk

Liquidity risk represents the possibility that the Company may not be able to gather sufficient cash resources, when required and under reasonable conditions, to meet its financial obligations. As at July 31, 2017, the Company does not have sufficient cash to meet all of its current liabilities.

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

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

For the year ended July 31, 2017

	Total	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
	$	$	$	$	$
Debt	6,939,164	6,701,668	237,496	-	-
Accounts payable and accrued liabilities	2,609,082	2,609,082	-	-	-
Royalty provision	110,000	110,000	-	-	-
Total debt	**9,658,246**	**9,420,750**	**237,496**	**-**	**-**

For the year ended July 31, 2016

	Total	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
	$	$	$	$	$
Debt	6,249,510	5,994,445	255,065	-	-
Accounts payable and accrued liabilities	2,241,257	2,241,257	-	-	-
Royalty provision	31,991	31,991	-	-	-
Total debt	**8,522,758**	**8,267,693**	**255,065**	**-**	**-**

The payments noted above do not include interest payments.

f. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in orderly fashion between market participants. The Company records its provision for royalty at fair value. Fair value is determined using the discounted cash flow method using the Company's best estimate for future cash flows discounted at a rate that considers the credit risk of the Company. Management estimated the future cash flows for the each of the products associated with the royalty agreements, taking into consideration the likelihood and timing of completion of the research and development of the products associated with the royalty agreement, 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 production. Future cash flows were estimated at an average of $0 - $24,000 per month. A significant increase in future cash flows used would result in a significant increase in fair value, and vice versa. Management estimated the discount rate, taking into account the credit risk of the Company and prevailing market rates, at 20%. A significant increase in discount rate used would result in a significant decrease in fair value, and vice versa.

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability

The Company uses both level 2 and level 3 inputs to determine the fair value of the royalty provision and is therefore classified as a level 3 measurement.

Management has determined that the carrying amounts of all other financial assets and financial liabilities recognized in the consolidated financial statements not recorded at fair value approximate fair value. The fair value of trade and other receivables, current debt, trade accounts payable and accrued liabilities, salaries and benefits payable, and interest payable is classified as level 2 measurement and the fair value of long-term debt is classified as a level 3 measurement. There has been no changed between the levels during the year.

12. Royalty provision

The Company entered into a promissory note with MedMira Holding AG on January 10, 2011 in the amount of $260,000 which stipulated that if the debt was not repaid by January 31, 2011, that the Company would be obligated to pay a 15% royalty on all future US sales of the hepatitis b anti-core test product. In 2016, MedMira Holding AG and management agreed to terminate the agreement as no further development will continue. With the termination any applicable provision was written down to zero. The change in the provision of $260,000 was recorded in financing expense in profit or loss for the year ended July 31, 2016.

In Canadian dollars

During March 2015, the Company entered into a royalty agreement with MedMira Holding AG whereby MedMira Holding AG would receive a 10% royalty on all future US sales of the Reveal G4 product for a five year period commencing on the day the first full payment and delivery of at least CAD $100,000 worth of product. In exchange, MedMira Holding AG provided the Company with $270,000 to fund costs required to complete the product development and obtain US Food and Drug Administration (FDA) pre-market approval. At the inception of the arrangement, the Company's best estimate of the value of the provision was zero and as MedMira Holding AG is the controller shareholder of the Company, the $270,000 was recorded in equity (Note 8). As at July 31, 2017, the Company's best estimate of the fair value of the provision was $110,000 (2016 - $31,991), which is recorded in royalty provision and the change in fair value of the provision recorded in financing expense in profit or loss.

During July 2016, the Company entered into a royalty agreement with MedMira Holding AG whereby MedMira Holding AG would receive a 10% royalty on all future sales of the hepatitis C (HCV) portion of the approved Multiplo HIV/HCV test commencing on the day of the first full delivery and payment of CAD $10,000 worth of product. In exchange, MedMira Holding AG provided the Company with $200,000 to fund costs required to complete product development and obtain FDA pre-market approval. At the inception of the arrangement, the Company's best estimate of the fair value of the provision was zero and as MedMira Holding AG is the controlling shareholder of the Company, the $200,000 was recorded in equity reserve. As at July 31, 2017, the Company's best estimate of the fair value of the provision was zero. Management's fair value estimate was based on changes made during the FY2017 product commercialization prioritization process which placed the Multiplo HIV/HCV project on hold until further notice.

During October 2016, the Company entered into a royalty agreement with Ritec AG whereby Ritec AG would receive a 12.5% royalty on all future sales of the approved Reveal G4 CLIA-waived product commencing on the day of the first full delivery and payment of CAD $10,000 worth of product. In exchange, Ritec AG provided the Company with $1,310,100 to fund costs required to complete the product development, clinical trials and obtain FDA approval. At the inception of the arrangement, the Company's best estimate of the fair value of the provision was zero and as Ritec AG is owned by a shareholder of MedMira Holding AG who is the controlling shareholder of the Company, the $1,310,100 was recorded in equity reserve. At July 31, 2017, the Company's best estimate of the fair value of the provision was zero.

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

	Provision for royalty
	$
Balance at July 31, 2015	260,000
Fair value measurement of Reveal G4 royalty	31,991
Write off of royalty provision	(260,000)
Balance at July 31, 2016	31,991
Fair value measurement of Reveal G4 royalty	78,009
Balance at July 31, 2017	**110,000**

In Canadian dollars

13. Related parties

The following transactions occurred with related parties during the year ended July 31, 2017:

- Director fees totalling $10,000 were incurred (2016 - $14,166).
- Short term loans totalling $78,946 were received from officers (2016 - $0)
- A short term loan totalling $31,978 was repaid to an officer (2016 - $0)
- Two short terms loan totalling $645,300 were received from Ritec AG (2016 - $276,100)
- A long term loan totalling $3,494 was repaid to an employee (2016 – $74,796)
- Short term loans totalling $42,500 were received from employees (2016 - $0)
- A long term loan totalling $387,180 was received from Ritec AG (2016 - $0)
- Royalty payments of $21,475 were incurred and owed to MedMira Holding AG (2016 - $33,991)
- A cash payment of $1,310,000 was received from Ritec AG in regards to a royalty agreement (2016 - $0)
- A equity contribution of $12,500 was made by a shareholder to pay an operating expense of the company (2016 - $0)

The following balances with related parties were outstanding at July 31, 2017:

- Accounts payable totalling $10,000 was due to directors (2016 - $10,000).
- Accounts payable totalling $129,037 was due to officers (2016 - $26,901).
- A loan term loan totalling $237,496 was due to the Chief Financial Officer (2016 - $241,565).
- A royalty provision was owed to MedMira Holding AG of $50,775 (2016 - $31,991).
- A long term loan totalling $13,500 was owed to an employee (2016 - $13,500)
- Short term loans totalling $42,500 were owed to employees (2016 - $0)
- Two short term loans totalling $645,300 are owed to Ritec AG (2016 - $0)
- Short term loans totalling $46,968 were owed to officers (2016 - $0)

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

	31-Jul-17 $	31-Jul-16 $
Short-term benefits including salary paid	387,461	358,280
Short-term benefits including salary accrued	131,172	-
Share-based payments	9,582	25,609
Total remuneration	**528,215**	**383,889**

In Canadian dollars

14. Research and development

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

	31-Jul-17 $	31-Jul-17 $
Research and development expenses	(292,299)	(3,471,179)
Less: research and development expenses allocated to cost of sales	-	952,633
Net research and development expense	**(292,299)**	**(2,518,546)**

In 2016, the Company received revenue related to a contract with the US Military. Research expenses related to the US Army contract are recognized in service cost of sales when the revenue is earned. During the year ended July 31, 2017, $0 of the research costs incurred were recognized in service cost of sales (July 31, 2016 - $952,633) as the contract was concluded in fiscal 2016.

In Canadian dollars

15. Income taxes

a. Reconciliation of total tax expense

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

	31-Jul-17 $	31-Jul-16 $
Loss before income tax	(2,661,067)	(5,158,401)
Income tax rate	31.0%	31.0%
Income tax recovery at the combined statutory income tax rate	(824,931)	(1,599,104)
Non-taxable portion of other losses	-	429,807
Non-deduction expense accretion	-	175,235
Non-deductible stock-based compensation	4,986	7,938
Other permanent differences	31,667	-
Change in unecorded temporary differences	522,886	970,848
Financing fees recorded in equity	-	(7,750)
Book to tax differences	230,652	
Other	34,740	23,026
Income tax recovery	-	-

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

	31-Jul-17 $	31-Jul-16 $
Non-capital losses	32,807,122	31,494,248
Scientific research and development costs	6,895,371	6,612,637
Share issuance costs	20,000	27,500
Foreign exchange	19,239	
Cumulative eligible capital	261,750	281,465
Property and equipment	2,249,572	2,150,473
Total	42,253,054	40,566,323

In Canadian dollars

The Company has available $32,807,122 in non-capital losses that can be used to reduce taxable income and that expire between the years ended July 31, 2026 and July 31, 2037. The Company also has available $2,005,145 in investment tax credits that can be used to reduce federal taxes payable and that expire between the years ended July 31, 2019 and July 31, 2037.

At July 31, 2017, the Company has $nil unrecognized deferred tax liability (July 31, 2016 - $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-17 $	31-Jul-16 $
Investment income	-	20
Change in inventory	(201,054)	(226,459)
Employee benefits	(1,949,666)	(2,286,176)
Depreciation	(98,788)	(99,791)
Distribution	(71,980)	(85,991)
Facility	(368,699)	(415,534)
Professional services	(201,877)	(2,667,295)
Lab supplies	(84,295)	(378,847)
Other expenses	61,790	(622,356)
Exchange gains	34,055	15,092
Fair value change in royalty provision	(78,009)	(31,991)
Finance costs	(449,888)	(615,907)
	(3,408,411)	**(7,415,235)**

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 Executive Officer.

18. Lease commitment

The Company has a ten year lease commitment for its 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.

In Canadian dollars

	Lease commitment $
For the year ending July 31, 2018	256,335
For the year ending July 31, 2019	256,335
For the year ending July 31, 2020	267,429
For the year ending July 31, 2021	268,437
For the year ending July 31, 2022	268,437
Thereafter	290,807

19. Financing expense

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

	31-Jul-17 $	31-Jul-16 $
Investment Income	-	20
Fair value change in provision for royalty	(78,009)	260,000
Finance costs	(449,888)	(939,559)
Total financing expense	**(527,897)**	**(679,539)**

20. Subsequent events

During the first quarter of FY2018, the Company received a loan of $384,510 from Ritec AG, a related party, in order to support the Company's strategic goals. The loan was repayable on October 30, 2017 and carries an annual interest rate of 5% that is due upon repayment of the loan. The loan is currently in default.

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, Wednesday, January 31, 2018

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Mr. Markus Meile, Chief Financial Officer
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Board of Directors

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