

MedMira Inc.

Consolidated Financial Statements

July 31, 2020 and 2019

November 30, 2020

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

Member of The AC Group of Independent Accounting Firms

November 30, 2020

Independent Auditor's Report

**To the shareholders of
MedMira Inc.**

Opinion

We have audited the accompanying consolidated financial statements of MedMira Inc., which comprise the consolidated statements of financial position as at July 31, 2020 and July 31, 2019, and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years ended July 31, 2020 and July 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of MedMira Inc. as at July 31, 2020 and July 31, 2019, and the results of its consolidated financial performance and its consolidated cash flows for the years ended July 31, 2020 and July 31, 2019 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of MedMira Inc. in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

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 \$2,045,386 for the year ended July 31, 2020, and the Company had an accumulated deficit of \$92,776,072. The Company's current liabilities exceeded its current assets by \$14,895,344 and \$8,621,084 of long-term debt was in default as of July 31, 2020. The conditions, along with other matters as set out in Note 2, indicate the existence of material uncertainties that cast significant doubt about the Company's ability to continue as a going concern.

Other Information

Management is responsible for the other information. The other information comprises management's discussion and analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtain Management's Discussion and Analysis prior to the date of this audit's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.



Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing MedMira Inc.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate MedMira Inc. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing MedMira Inc.'s financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 MedMira Inc.'s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on MedMira Inc.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause MedMira Inc. to cease to continue as a going concern.



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- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

We have served as the company's auditors since 2018.

ArsenaultBestCameronEllis

Chartered Professional Accountants

Consolidated statements of financial position
As at July 31, 2020 and July 31, 2019

In Canadian dollars

	<i>Notes</i>	31-Jul-20	31-Jul-19
		\$	\$
Assets			
<i>Current assets</i>			
Cash		401,861	88,897
Trade and other receivables		207,801	39,130
Prepaid expenses		78,846	11,502
Inventories	5	<u>222,585</u>	<u>106,251</u>
Total current assets		<u>911,093</u>	<u>245,780</u>
<i>Non-current assets</i>			
Property, plant and equipment	6	2,484,980	6,736
Intangible assets	7	<u>2</u>	<u>2</u>
Total non-current assets		<u>2,484,982</u>	<u>6,738</u>
Total assets		<u><u>3,396,075</u></u>	<u><u>252,518</u></u>
Liabilities			
<i>Current liabilities</i>			
Current portion of debt	11, 14	8,621,084	8,610,234
Trade accounts payable and accrued liabilities	14	2,314,338	2,479,797
Salaries and benefits payable	14	1,524,958	76,815
Interest payable		1,809,734	1,182,329
Deferred rent		56,391	1,325,747
Deferred revenue		1,240,890	12,560
Lease liability		137,439	-
Provision for royalty	13, 14	<u>10,1603</u>	<u>82,000</u>
Total current liabilities		<u>15,806,437</u>	<u>13,769,482</u>
<i>Non-current liabilities</i>			
Lease Liability	10	2,303,653	-
Long term portion of debt	11	<u>848,335</u>	<u>-</u>
Total non-current liabilities		<u>3,151,988</u>	<u>-</u>
Total liabilities		<u><u>18,958,425</u></u>	<u><u>13,769,482</u></u>
Equity			
Share capital	8	63,421,802	63,421,802
Warrant reserve	8	-	2,726,487
Stock based compensation reserve	8	10,252	19,835
Equity reserve	8	13,781,668	11,045,598
Accumulated deficit		<u>(92,776,072)</u>	<u>(90,730,686)</u>
Total shareholders' deficiency		<u><u>(15,562,350)</u></u>	<u><u>(13,516,964)</u></u>
Total liabilities and equity		<u><u>3,396,075</u></u>	<u><u>252,518</u></u>

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

Approved on behalf of the Board of Directors

(signed) *Hermes Chan*, Director

(signed) *Steven Cummings*, Director

Consolidated statements of operations and comprehensive loss
For the years ended July 31, 2020 and July 31, 2019

In Canadian dollars

	<i>Notes</i>	31-Jul-20 \$	31-Jul-19 \$
Product			
Product sales	4	588,836	527,445
Product cost of sales	5	<u>(217,616)</u>	<u>(104,094)</u>
Gross margin on product		<u>371,220</u>	<u>423,351</u>
Services			
Service sales		196,196	-
Service cost of sales		<u>(129,176)</u>	<u>-</u>
Gross margin on services		<u>67,020</u>	<u>-</u>
License Fee			
		<u>134,040</u>	<u>-</u>
Operating expenses			
Research and development	15	(199,269)	(317,349)
Sales and marketing		(40,327)	(131,217)
Other direct costs		(461,327)	(364,917)
General and administrative		<u>(1,171,514)</u>	<u>(905,901)</u>
Total operating expenses		<u>(1,872,437)</u>	<u>(1,719,384)</u>
Operating loss		<u>(1,300,157)</u>	<u>(1,296,033)</u>
Non-operating expense			
Financing expense	19	<u>(745,229)</u>	<u>(810,415)</u>
Net and comprehensive loss		<u>(2,045,386)</u>	<u>(2,106,448)</u>
Basic loss per share	9	(0.003)	(0.003)
Diluted loss per share	9	(0.003)	(0.003)

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

Consolidated statements of changes in equity
For the years ended July 31, 2020 and July 31, 2019
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, 2018		63,419,302	2,500	4,305,928	40,134	9,458,358	(88,624,238)	(11,398,016)
Net and comprehensive loss							(2,106,448)	(2,106,448)
Expiration of options	8				(20,299)	20,299		-
Expiration of warrants	8			(1,579,441)		1,579,441		-
Equity contribution by a shareholder	8					(12,500)		(12,500)
Balance at July 31, 2019		63,419,302	2,500	2,726,487	19,835	11,045,598	(90,730,686)	(13,516,964)
Net and comprehensive loss		-	-	-	-	-	(2,045,386)	(2,045,386)
Expiration of stock options	8	-	-	-	(9,583)	9,583	-	-
Expiration of warrants	8	-	-	(2,726,487)	-	2,726,487	-	-
Equity contribution by a shareholder	8	-	-	-	-	-	-	-
Balance at July 31, 2020		63,419,302	2,500	-	10,252	13,781,668	(92,776,072)	(15,562,350)

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

Consolidated statements of cash flows
For the years ended July 31, 2020 and July 31, 2019

In Canadian dollars

	<i>Notes</i>	31-Jul-20 \$	31-Jul-19 \$
Cash from operating activities			
Net and comprehensive loss		(2,045,386)	(2,106,448)
Adjustments for:			
Depreciation	6	193,173	18,858
Equity contribution by shareholder		-	(12,500)
Movements in working capital:			
(Increase)/decrease in trade and other receivables		(168,673)	9,123
(Increase)/decrease in inventories		(116,334)	75,940
Decrease in current tax assets		-	25,000
(Increase)/decrease in prepaid expenses		(67,344)	5,028
Decrease/increase in accounts payable and accrued liabilities		(165,457)	140,688
Increase/(decrease) in other current liabilities		825,795	916,784
Increase/(decrease) in deferred revenue		1,228,330	(13,604)
Net cash used in operating activities		<u>(315,896)</u>	<u>(941,131)</u>
Cash flow from investing activities			
Purchase of assets		(101,882)	-
Disposal of assets		-	3,342
Net cash used in investing activities		<u>(101,882)</u>	<u>3,342</u>
Cash flow from financing activities			
Decrease in bank indebtedness		-	(13,940)
Decrease in lease obligation		(128,443)	-
Proceeds from borrowings		1,305,477	1,164,343
Repayment of borrowing		(446,292)	(123,717)
Net cash from financing activities		<u>730,742</u>	<u>1,026,686</u>
Net increase in cash		312,964	88,897
Cash at the beginning of the year		88,897	-
Cash at the end of the year		<u><u>401,861</u></u>	<u><u>88,897</u></u>

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

MedMira Inc.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2020 and July 31, 2019

In Canadian dollars

1. Reporting entity

Nature of operations

MedMira Inc. (“MedMira” or “the Company”) is a biotechnology company headquartered in Canada. The address of the Company’s registered office is 155 Chain Lake Drive, Suite 1, Halifax, Nova Scotia, B3S 1B3. MedMira Holding AG owns the majority of MedMira’s shares and is the controlling shareholder. The consolidated financial statements of the Company for the years ended July 31, 2020 and 2019, 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 30, 2020.

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, 2020, the Company realized a net loss of \$2.0 million (July 31, 2019 - \$2.1 million), consisting of a net loss from operations of \$1.3 million (July 31, 2019 - \$1.3 million), and other non-operating losses of \$0.8 million (July 31, 2019 - \$0.8 million). Negative cash flows from operations were \$0.3 million (July 31, 2019 - \$0.9 million). As at July 31, 2020, the Company had an accumulated deficit of \$92.8 million (July 31, 2019 - \$90.8 million) and a negative working capital position of \$15.7 million (July 31, 2019 - \$13.5 million). In addition, as at July 31, 2020, \$8.6 million of debt was in default. The Company currently has insufficient cash to fund its operations for the next 12 months. In addition to its 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 \$8.6 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 \$9.4 million, as well as growth opportunities.

Management dedicates significant time to pursuing additional revenue generating alternatives that will fund the Company’s operations and growth opportunities so it can continue as a going concern. Debt arrangements were also ongoing with the Company’s major shareholder and other debt holders. Subsequent to the close of fiscal year 2020,

the Company, has generated additional revenues from product sales, product development and license fees which support the Company's on-going operating costs and provide funding for its product development activities. Management continues to work closely with its main investor to support any additional cash requirements if needed, 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;
- 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;

MedMira Inc.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2020 and July 31, 2019

In Canadian dollars

- 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;
- Extension options for leases.- When the company has the option to extend a lease, management uses its judgment to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term and;
- COVID-19. Since January 31, 2020, the outbreak of COVID-19 (coronavirus) has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures have caused material disruption to businesses globally resulting in an economic slowdown, and global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the outcome of government and central bank interventions. In management's estimation, these events have not had a material unrecorded impact on the carrying value of assets and liabilities reported in these financial statements as at July 31, 2020. The duration and impact of the COVID-19 pandemic remains unclear at this time. Therefore, it is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the company for future periods.

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-20	31-Jul-19
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

A financial asset is classified as one of the following measurement categories: amortized cost; fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. The Company's financial assets consist of cash classified at FVTPL, and accounts receivable classified at amortized cost. The Company's financial liabilities consist of trade accounts payable and accrued liabilities, salaries and benefits payable, interest payable, lease liability and long-term debt are classified at amortized cost while provision for royalty is classified as FVTPL .

Impairment of financial assets.

An expected credit loss ("ECL") model applies to financial assets measured at amortized cost including trade and other receivables. The Company's financial assets measured at amortized cost and subject to the ECL model consist of trade and other receivables which has a significant low credit risk due to the nature of the counterparties involved and historical default experienced. The Company applied the practical expedient and used the simplified approach in calculating ECL for trade and other receivables. The impact was negligible on the carrying amounts of the Company's financial assets on the transition date given the receivables are substantially all current and the minimal historical level of customer default.

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.

Warrant reserve

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. The value of expired warrants and share options are recorded here as well.

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
–	right of use asset	14 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 of 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

Revenue is recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

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

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

k. Deferred revenue

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

l. 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.

m. Leases

On August 1, 2019, the Company adopted IFRS 16 Leases, which introduces a new approach to lease accounting. The Company adopted the standard using the modified retrospective approach, which does not require restatement of prior period financial information, as it recognizes the cumulative impact on the opening balance sheet and applies the standard prospectively. Accordingly, the comparative information in these unaudited interim consolidated financial statements is not restated. At the inception of a contract, the Company assesses whether the contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This policy is applied to contracts entered into, or modified, on or after August 1, 2019. Effective August 1, 2019, the IFRS 16 transition date, the Company elected to use the following practical expedients under the modified retrospective transition approach:

- Leases with lease terms of less than twelve months (short-term leases) and leases of low-value assets (less than \$5,000 CAD dollars) (low-value leases) that have been identified at transition, were not recognized in the consolidated balance sheet;
- Right-of-use assets on transition were measured at the amount equal to the lease liabilities at transition, adjusted by the amount of any prepaid or accrued lease payments;
- For certain leases having associated initial direct costs, the Company, at initial measurement on transition, excluded these direct costs from the measurement of the right-of-use assets; and
- Any provision for onerous lease contracts previously recognized at the date of adoption of IFRS 16, has been applied to the associated right-of-use asset recognized upon transition.

Where the Company is a lessee, a right-of-use asset representing the right to use the underlying asset with a corresponding lease liability is recognized when the leased asset becomes available for use by the Company. The right-of-use asset is recognized at cost and is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset and the lease term on a straight-line basis. The cost of the right-of-use asset is based on the following:

- the amount of initial recognition of related lease liability;
- adjusted by any lease payments made on or before inception of the lease;
- increased by any initial direct costs incurred; and – decreased by lease incentives received and any costs to dismantle the leased asset.

The lease term includes consideration of an option to extend or to terminate if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Lease liabilities are initially recognized at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. In the situation where the implicit interest rate in the lease is not readily determined, the Company uses judgment to estimate the incremental borrowing rate for discounting the lease payments. The Company's incremental borrowing rate generally reflects the interest rate that the Company would have to pay to borrow a similar amount at a similar term and with a similar security. The Company estimates the lease term by considering the facts and circumstances that create an economic incentive to exercise an extension or termination option. Certain qualitative and quantitative assumptions are used when evaluating these incentives.

Subsequent to recognition, lease liabilities are measured at amortized cost using the effective interest rate method. Lease liabilities are re-measured when there is a change in future lease payments arising mainly from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, renewal or termination option. The payments related to short-term leases and low-value leases are recognized and included within selling, general and administrative costs over the lease term in the unaudited interim consolidated statements of income.

The Company's unaudited interim consolidated financial statements were not impacted by the adoption of IFRS 16 Leases in relation to lessor accounting. Lessors will continue with the dual classification model for recognized leases with the resultant accounting remaining unchanged from IAS 17 Leases. On August 1, 2019 upon adoption of IFRS 16, the Company recognized \$2.57 million of right-of-use assets and \$2.57 million of lease liabilities that were previously accounted for as operating leases. The Company applied its estimated weighted average incremental borrowing rate at August 1, 2019 of 5.0% to determine the amount of lease liabilities.

4. Revenue

The Company derives approximately 88% (July 31, 2019 – 79%) of its revenue from four (July 31, 2019 – three) main customers and, for these customers, assesses the recoverability of each account on a regular basis. During the year ended July 31, 2020, customer 1 accounted for 45% of the Company's revenue, customer 2 accounted for 23% of the revenue, customer 3 accounted for 14% of the revenue and customer 4 accounted for 6% of the revenue.

	31-Jul-20	31-Jul-19
	\$	\$
Product sales	588,836	527,448
Service sales	196,196	-
Licensing fee	134,040	-
Total revenue	<u>919,072</u>	<u>527,448</u>

Service sales are generated from research work on a contract for a distributor and a Ritec AG.. Licensing fees are generated for the right to distribute Reveal COVID-19 in the United States of America.

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

	31-Jul-20	31-Jul-19
	\$	\$
North America*	850,104	418,006
Latin America and the Caribbean	6,515	3,150
Europe	62,453	92,720
Asia Pacific	-	13,572
Total revenue	<u>919,072</u>	<u>527,448</u>

For the year ended July 31, 2020, revenue in North America include sales made in Canada (the Company's country of domicile) of \$23,464 (2019 – \$4,400).

5. Inventories

As at July 31, 2020, there were no valuation allowances against inventory (July 31, 2019 - \$nil).

During the year ended July 31, 2020, inventory valued at \$148,358 was expensed as product cost of sales (July 31, 2019 - \$84,529), which included write-downs of inventory as a result of net realizable value being lower than cost of \$15,491 (2019 – \$5,813). No inventory write-downs recognized in previous years were reversed during the current year.

	31-Jul-20	31-Jul-19
	\$	\$
Raw materials and consumables	195,146	89,204
Work in process	26,940	15,054
Finished goods	499	1,993
Total inventories	<u>222,585</u>	<u>106,251</u>

MedMira Inc.

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For the years ended July 31, 2020 and July 31, 2019

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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 \$	Right of use asset \$	Total \$
Cost						
Balance at July 31, 2018	814,134	54,303	221,177	347,051	-	1,436,665
Disposals	-	(3,342)	-	-	-	(3,342)
Balance at July 31, 2019	814,134	50,961	221,177	347,051	-	1,433,323
Additions	-	6,931	53,491	41,460	2,569,535	2,671,417
Balance at July 31, 2020	814,134	57,892	274,668	388,511	2,569,535	4,104,740
Accumulated depreciation and impairment losses						
Balance at July 31, 2018	814,134	49,288	211,639	332,668	-	1,407,729
Depreciation expense for the year	-	1,673	6,145	11,040	-	18,858
Balance at July 31, 2019	814,134	50,961	217,784	343,708	-	1,426,587
Depreciation expense for the year	-	1,188	4,252	4,200	183,533	193,173
Balance at July 31, 2020	814,134	52,149	222,036	347,908	183,533	1,619,760
Carrying amounts						
At July 31, 2018	-	5,015	9,538	14,383	-	28,936
At July 31, 2019	-	-	3,393	3,343	-	6,736
At July 31, 2020	-	5,743	52,632	40,603	2,386,002	2,484,980

7. Intangible assets

	Intellectual properties \$	Product technology \$	Total \$
Cost or deemed cost			
Balance at July 31, 2018	2,584,899	258,137	2,843,036
Balance at July 31, 2019	2,584,899	258,137	2,843,036
Balance at July 31, 2020	2,584,899	258,137	2,843,036
Accumulated amortization and accumulated impairment losses			
Balance at July 31, 2018	2,584,898	258,136	2,843,034
Balance at July 31, 2019	2,584,898	258,136	2,843,034
Balance at July 31, 2020	2,584,898	258,136	2,843,034
Carrying amounts			
At July 31, 2018	1	1	2
At July 31, 2019	1	1	2
At July 31, 2020	1	1	2

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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.

b. Share capital issued

	Number of		Value of		
	Common shares	Preferred shares	Common shares	Preferred shares	Total share capital
			\$	\$	\$
Balance at July 31, 2018	658,364,320	5,000,000	63,419,302	2,500	63,421,802
Issued for cash	-	-	-	-	-
Share issuance costs	-	-	-	-	-
Balance at July 31, 2019	658,364,320	5,000,000	63,419,302	2,500	63,421,802
Issued for cash	-	-	-	-	-
Share issuance costs	-	-	-	-	-
Balance at July 31, 2020	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, 2020 (July 31, 2019 - \$2,500).

c. Warrants

	Number of warrants	Warrant reserve \$
Balance at July 31, 2018	144,000,000	4,305,928
Expired warrants	(44,000,000)	(1,579,441)
Balance at July 31, 2019	100,000,000	2,726,487
Expired warrants	(100,000,000)	(2,726,487)
Balance at July 31, 2020	-	-

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 600,000 common shares (July 31, 2019 – 1,300,000) at an exercise price of \$0.05. The options expire on January 31, 2021. During the year ended July 31, 2020, there were no options issued (July 31, 2019 – nil). All options outstanding at July 31, 2020 were exercisable.

The total options outstanding from July 31, 2018 to July 31, 2020 are shown below.

	Number	Weighted average exercise price \$	Share-based payment reserve \$
Options outstanding July 31, 2018	2,287,500	0.08	40,134
Options expired/forfeited	(987,500)	0.10	(20,299)
Options outstanding July 31, 2019	1,300,000	0.08	19,835
Options expired/forfeited	(700,000)	0.10	(9,583)
Options outstanding July 31, 2020	600,000	0.05	10,252

The weighted average exercise price of the options outstanding during the year ended July 31, 2020 was \$0.05 (2019 - \$0.08) and the weighted average remaining contractual life is 0.5 years (2019 - 1.22 years). The amount of compensation cost that is recognized in general and administrative expenses in the consolidated statement of operations and comprehensive loss was nil (2019 - nil).

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

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Option Series	Number	Grant Date	Expiry Date	Exercise Price	Fair Value at Grant
(4) Granted on February 1, 2018	600,000	1-Feb-18	31-Jan-21	\$ 0.05	\$ 0.0392

e. Equity Reserve

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

	Equity Reserve
	\$
Balance at July 31, 2018	9,458,358
Repayment of equity contribution by a shareholder	(12,500)
Expired stock options (see Note 8d)	20,299
Expired warrants (see Note 8c)	<u>1,579,441</u>
Balance at July 31, 2019	11,045,598
Expired stock options (see Note 8d)	9,583
Expired warrants (see Note 8c)	<u>2,726,487</u>
Balance at July 31, 2020	13,781,668

9. Loss per share

	31-Jul-20	31-Jul-19
	\$	\$
Net loss attributable to common shareholders	<u>(2,045,386)</u>	<u>(2,106,448)</u>
Diluted loss	<u>(2,045,386)</u>	<u>(2,106,448)</u>
Issued common shares	<u>658,364,320</u>	<u>658,364,320</u>
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	<u>658,364,320</u>	<u>658,364,320</u>
Basic loss per share	(0.003)	(0.003)
Diluted loss per share	(0.003)	(0.003)

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, 2020, as the exercise of warrants and options would be anti-dilutive.

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10. Lease Liability

	Building
	\$
at August 1, 2019	2,569,535
Interest expense	128,476
Less: Lease payments	<u>(256,919)</u>
at July 31, 2020	2,441,092
Less: Current portion	<u>(137,439)</u>
	2,303,653

The lease liability is based on one lease the company has for the building it is using for operations. The remaining lease term is three years with an option to renew for an two additional terms of five years each. The imputed finance costs of the liability was determined based on an incremental borrowing rate of 5%. The minimum lease payments for the next five years is as follows:

	Lease Liability	Finance Charge	Total
	\$	\$	\$
Year ending July 31, 2021	137,439	122,055	259,494
2022	144,311	115,183	259,493
2023	151,526	107,967	259,493
2024	169,187	100,391	269,578
2025	178,656	91,931	270,587

11. Loans and borrowings

a. Loans

	31-Jul-20		31-Jul-19	
	Carrying value	Contract value	Carrying value	Contract value
	\$	\$	\$	\$
Short term loans	2,457,831	2,462,945	2,462,945	2,462,945
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	222,086	200,539	200,539	200,539
Loan 4	587,880	587,880	-	-
Loan 5	220,455	220,455	-	-
Canada emergency business account loan	40,000	40,000	-	-
ACOA loans	473,610	479,193	479,193	479,193
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	9,469,419	9,458,569	8,610,234	8,610,234
Long term portion of principal	848,335		-	
Current portion payable of principal	8,621,084		8,610,234	

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

2021	8,621,084
2022	808,335
2023	-
2024	40,000
Carrying value	<u>9,469,419</u>

Short term loans

The Company has various short term loans with four related parties. These loans are utilized by the Company for short term working capital requirements. Loans are all due upon demand with an interest rate of 5%. The loans were all in default at July 31, 2020.

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, 2020 due to nonpayment of interest and principal payments 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, 2020 and thus has been classified as a current liability.

Loan 3

Loan was established on July 31, 2016, bearing 5% interest with the Company's Chief Financial Officer. The loan was renegotiated on January 21, 2017 and is now fully payable on or before October 1, 2018. The loan was in default due to nonpayment of interest and principal payments as of July 31, 2020 and thus has been classified as a current liability.

Loan 4

Loan was established on November 6, 2019 with MedMira Holding AG. The loan bears 5% interest and is due on December 1, 2021.

Loan 5

Loan was established on May 15, 2020 with MedMira Holding AG. The loan bears 5% interest and is due on May 31, 2022.

Canada Emergency Business Account (CEBA)

The Company received a loan of CAD\$40,000 from Bank of Montreal which is fully secured by the Government of Canada. This Relief Line of Credit was the governments direct response to support Canadian companies during the COVID-19 situation. This loan carries an interest rate of 0% per annum to be repaid in full by the 31st of December 2022. This loan may be extended from January 1, 2023 to December 31, 2025 in which case this loan carries an interest of 5%. If this loan is repaid before December 31, 2022 the Company is entitled to a credit in the amount of 25% equal to CAD\$10,000.

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, 2020 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, 2020 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, 2020 and thus has been classified as a current liability.

12. Capital management and financial risks

a. Capital management

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

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

	31-Jul-20	31-Jul-19
	\$	\$
Total loans and borrowings	9,469,419	8,610,234
Less: Cash	<u>(401,861)</u>	<u>(88,897)</u>
Net debt	9,067,558	8,521,337
Shareholders' deficiency	<u>(15,562,350)</u>	<u>(13,516,964)</u>
Total capital (deficiency)	(6,494,792)	(4,995,627)

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.

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In Canadian dollars

	31-Jul-20	31-Jul-19
	US\$	US\$
Cash	290,438	49,162
Trade and other receivables	115,723	18,161
Prepays	25,253	-
Accounts payable and accrued liabilities	1,803,226	1,043,258
Royalty	75,800	82,000
Debt	94,656	179,281

A one percent change in the US dollar exchange rate would result in approximately a \$24,051 (2019 - \$13,719) impact on the statement of financial position and consolidated statement of operations.

The Company's Swiss Franc foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are shown in the table below.

	31-Jul-20	31-Jul-19
	CHF	CHF
Cash	7,041	11,957
Trade and other receivables	3,329	-
Accounts payable and accrued liabilities	559,151	298,792
Debt	2,218,160	1,701,160

A one percent change in the CHF exchange rate would result in approximately a \$27,877 (2018 – \$17,869) 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 is 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 81% of the Company's sales are with three large international companies there is no significant concentration of credit risk.

Trade and other receivables include amounts that are past due as at July 31, 2020 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, 2020, 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, 2020

	Total \$	Less than 1 year \$	1 to 3 years \$	4 to 5 years \$	After 5 years \$
Debt	9,469,419	8,621,084	848,335	-	-
Accounts payable and accrued liabilities	6,946,311	6,946,311	-	-	-
Lease liabilities	2,441,092	137,439	465,025	366,244	1,472,384
Royalty provision	101,603	101,603	-	-	-
Total debt	18,958,425	15,806,437	1,313,360	-	-

For the year ended July 31, 2019

	Total \$	Less than 1 year \$	1 to 3 years \$	4 to 5 years \$	After 5 years \$
Debt	8,610,234	8,610,234	-	-	-
Accounts payable and accrued liabilities	5,077,248	5,077,248	-	-	-
Royalty provision	82,000	82,000	-	-	-
Total debt	13,769,482	13,769,482	-	-	-

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

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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 change between the levels during the year.

13. Royalty provision

During March 2015, the Company entered into a royalty agreement with MedMira Holding AG whereby MedMira Holding AG would receive a 10% royalty on all future U.S. 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 reserve. As at July 31, 2020, the Company's best estimate of the fair value of the provision was \$101,603 (2019 - \$82,000), which is recorded in royalty provision and the change in fair value of the provision recorded in financing expense in profit or loss.

During July 2016, the Company entered into a royalty agreement with MedMira Holding AG whereby MedMira Holding AG would receive a 10% royalty on all future sales of the hepatitis C (HCV) portion of the approved Multiplo HIV/HCV test commencing on the day of the first full delivery and payment of CAD \$10,000 worth of product. In exchange, MedMira Holding AG provided the Company with \$200,000 to fund costs required to complete product development and obtain FDA pre-market approval. At the inception of the arrangement, the Company's best estimate of the fair value of the provision was zero and as MedMira Holding AG is the controlling shareholder of the Company, the \$200,000 was recorded in equity reserve. As at July 31, 2020, the Company's best estimate of the fair value of the

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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, 2020, the Company's best estimate of the fair value of the provision was zero.

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

	Provision for royalty \$
Balance at July 31, 2018	82,000
Fair value measurement of Reveal G4 royalty	-
Balance at July 31, 2019	82,000
Fair value measurement of Reveal G4 royalty	19,603
Balance at July 31, 2020	101,603

14. Related parties

The following transactions occurred with related parties during the year ended July 31, 2020:

- Short term loans totalling \$55,888 was received from an officer (2019 - \$142,554).
- A short terms loan totalling \$132,780 was received from Ritec AG (2019 - \$393,720).
- Short term loans totalling \$4,625 were received from employees (2019 - \$104,355).
- Short term loans totalling \$125,939 were repaid to employees (2019 - \$94,557).
- Short term loans totalling \$104,954 were repaid to an officer (2019 - \$0).
- Long term loans totalling \$746,650 were received from MedMira Holding AG (2019 - 336,425)
- Royalty payments of \$22,837 were incurred and owed to MedMira Holding AG (2019 - \$23,732).
- A licensing agreement of \$420,990 was received from Ritec AG (2019 - \$0)

The following balances with related parties were outstanding at July 31, 2020:

- Accounts payable totalling \$1,024,970 was due to officers (2019 - \$733,240).
- A long term loan totalling \$222,087 and accrued interest of \$24,357 was due to the Chief Financial Officer (2019 - \$200,539).

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- A royalty provision was owed to MedMira Holding AG of \$126,186 (2019 - \$100,321).
- Short term loans totalling \$61,3464 and accrued interest of \$7,042 were owed to employees (2019 - \$182,544).
- Short term loans totalling \$1,763,640 and accrued interest of \$228,569 are owed to Ritec AG (2019 - \$1,459,810).
- Short term loans totalling \$265,420 and accrued interest of \$7,577 were owed to an officer (2019 - \$296,387).
- A short term loan totalling \$367,425 and accrued interest of \$20,707 was owed to MedMira Holding AG (2019 - \$331,775).
- Long term loans totalling \$808,335 and accrued interest of \$23,757 was owed to MedMira Holding AG (2019 - \$0)

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

	31-Jul-20	31-Jul-19
	\$	\$
Short-term benefits including salary paid	-	-
Short-term benefits including salary accrued	261,607	340,757
Share-based payments	-	-
Total remuneration	261,607	340,757

15. Research and development

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

	31-Jul-20	31-Jul-19
	\$	\$
Research and development expenses	(321,242)	(317,349)
Less: research and development expenses allocated to cost of sales	121,973	-
Net research and development expense	199,269	(317,349)

16. Income taxes

a. Reconciliation of total tax expense

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

	31-Jul-20	31-Jul-19
	\$	\$
Loss before income tax	(2,045,385)	(2,106,450)
Income tax rate	<u>31.0%</u>	<u>31.0%</u>
Income tax recovery at the combined statutory income tax rate	(634,069)	(653,000)
Non-deduction expense accretion	-	-
Non-deductible stock-based compensation	-	-
Other permanent differences	(4,983)	12,077
Change in unrecorded temporary differences	504,522	653,510
Book to tax differences	<u>134,530</u>	<u>(12,587)</u>
Income tax recovery	<u>-</u>	<u>-</u>

- 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-20	31-Jul-19
	\$	\$
Non-capital losses	38,561,363	37,015,679
Scientific research and development costs	7,103,766	7,103,766
Share issuance costs	-	5,000
Foreign exchange	31,139	10,268
Cumulative eligible capital	<u>1,421,304</u>	<u>1,355,367</u>
Total	<u>47,117,572</u>	<u>45,490,080</u>

The Company has available \$38,561,363 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, 2040. The Company also has available \$1,987,162 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, 2020, the Company has \$nil unrecognized deferred tax liability (July 31, 2018 - \$nil) for taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries.

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17. Expenses by nature

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

	31-Jul-20	31-Jul-19
	\$	\$
Change in inventory	(148,448)	(81,040)
Employee benefits	(921,907)	(1,144,519)
Depreciation	(193,173)	(18,858)
Distribution	(68,617)	(15,602)
Facility	(80,690)	(302,628)
Professional services	(130,144)	(2,920)
Lab supplies	(147,558)	(82,840)
Other expenses	(140,907)	(133,793)
Exchange gains	(387,785)	(41,278)
Fair value change in royalty provision	(19,603)	-
Finance costs	(725,626)	(810,415)
	<u>(2,964,458)</u>	<u>(2,633,893)</u>

18. 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.

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-20	31-Jul-19
	\$	\$
Fair value change in provision for royalty	(19,603)	-
Finance costs	(725,626)	(810,415)
Total financing expense	<u>(745,229)</u>	<u>(810,415)</u>

20. Subsequent events

Subsequent to the end of the fiscal year 2020, the Company has generated additional revenues from product sales and from a product development contract in the amount of CHF 500,000 equal to approximately CAD \$750,000.