

MedMira Inc.

Management's Discussion & Analysis

For the six months ended January 31, 2020



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.

This MD&A contains statements that may constitute forward-looking statements about the Company's objectives, strategies, financial condition, results of operations, cash flows and businesses. These statements are "forward-looking" because they are based on current expectations, estimates, assumptions, risks and uncertainties. These forward-looking statements are typically identified by future or conditional verbs such as "outlook", "believe", "anticipate", "estimate", "project", "expect", "intend", "plan", and terms and expressions of similar import. Such forward-looking statements are subject to a number of risks and uncertainties that include, but are not limited to: cyclical downturn; competitive pressures; dealing with business and political systems in a variety of jurisdictions; repatriation of funds or property in other jurisdictions; payment of taxes in various jurisdictions; exposure to currency movements; inadequate or failed internal processes, people or systems or from external events; dependence on key customers; safety performance; expansion and acquisition strategy; regulatory and legal risk; corruption, bribery or fraud by employees or agents; extreme weather conditions and the impact of natural or other disasters; shortage of specialized skills and cost of labour increases; equipment and parts availability, reputational risk; cybersecurity risk; market price and dilution of common shares and environmental regulation risk. Actual results could be materially different from expectations if known or unknown risks affect the business, or if estimates or assumptions turn out to be inaccurate. The Company does not guarantee that any forward-looking statement will materialize and, accordingly, the reader is cautioned not to place reliance on these forward-looking statements. The Company disclaims any intention and assumes no obligation to update any forward-looking statement, even if new information becomes available, as a result of future events or for any other reasons, except in accordance with applicable securities laws.

Introduction

The Management's Discussion and Analysis (MD&A) was issued and approved by the Board of Directors on March 31, 2020. The following MD&A for the six months ended January 31, 2020 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.

This document should be read in conjunction with the audited consolidated financial statements for the year ended July 31, 2019. Annual references are to the Company's fiscal years, which end on July 31. All amounts are expressed in Canadian dollars (CAD) unless otherwise noted.

Additional information about MedMira, this document, and the related quarterly financial statements ended January 31, 2020 can be viewed on the Company's website at www.medmira.com and are available on SEDAR at www.sedar.com.

The preparation of the 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 January 31, 2020 consolidated financial statements, affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

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 (U.S. Food and Drug Administration), Canada (Health Canada), the notified body in the European Union (CE Mark), and China (CFDA) 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 clinics, governments, aid organizations, 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:

<i>Patent #</i>	<i>Title</i>	<i>Jurisdiction</i>
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
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 U.S. 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 U.S. and Canada.

The Company has recorded an impairment charge in previous fiscal years to write-down its intangible assets to a nominal value. There is no indication at the end of January 31, 2019 that this impairment has been reversed and thus the value of intangible assets on the balance sheet on January 31, 2019 is \$2 (July 31, 2018 - \$2).

Corporate update

In Q2 FY2020, the Company's primary focus was maintaining the Reveal G4 and Miriad product lines customer base in the U.S., one of its key strategic focus markets. Working closely with its distribution network and key customers, MedMira served both the healthcare and rapid HIV testing segment as well as the tissue and eye bank vertical with its products. MedMira continues its work with international partners to explore global opportunities for the Company's rapid testing solutions and technology platform.

The Company's R&D team continued to build out development and commercialization pathways for new rapid testing solutions and RVF platform advancements to meet the healthcare challenges of today and future collaboration opportunities with innovation and research partners.

Throughout Q2 FY2020, MedMira's Finance and Operations teams managed ongoing cost containment initiatives to preserve the Company's cash flow.

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 condensed interim consolidated financial statements for the six months ended January 31, 2020.

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

Income statement	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	95	89	99	143	130	155	172	76
Product Royalties	-	-	-	-	-	-	14	-
Cost of sales	(16)	(17)	(15)	(24)	(26)	(40)	(40)	(16)
Gross profit	79	72	84	119	104	115	146	60
Operating expenses	(511)	(355)	(391)	(429)	(477)	(422)	(468)	(572)
Other expenses (gains)	(182)	(185)	(141)	(203)	(222)	(243)	(181)	(145)
Net earnings (loss) before tax	(614)	(468)	(448)	(513)	(595)	(550)	(503)	(657)
Balance sheet								
	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
	\$	\$	\$	\$	\$	\$	\$	\$
Current assets	344	130	246	266	310	270	272	245
Non-current assets	2,488	2,535	7	9	13	19	29	33
Total assets	2,832	2,665	253	275	323	289	301	278
Current liabilities	15,053	14,233	13,769	13,331	12,867	12,203	11,699	11,173
Non-current liabilities	2,379	2,417	-	-	-	-	-	-
Total liabilities	17,432	16,650	13,769	13,331	12,867	12,203	11,699	11,173
Total shareholders deficiency	(14,600)	(13,985)	(13,516)	(13,056)	(12,543)	(11,914)	(11,398)	(10,896)
Total liabilities and equity	2,832	2,665	253	275	324	289	301	277
Net earnings (loss) per share	(0.0009)	(0.0010)	(0.0008)	(0.0008)	(0.0010)	(0.0025)	(0.0010)	(0.0010)

This quarterly information is unaudited but has been prepared on the same basis as any other annual consolidated financial statements. The Company discusses the factors that caused its results to vary over the past eight quarters throughout this MD&A. The main highlights are:

- The decrease in revenue for fiscal 2020 compared to fiscal 2019 is the direct result of the Company's decision to focus on higher profit margin markets.
- The decrease in operating expenses is a direct result of the decrease in sales coupled with the Company's continued efforts to reduce general and administrative costs.
- The increase in other expenses over the last several quarters is in direct relation to the increased amount of accounts payable and loans payable that the Company is carrying.

Second quarter analysis

	For the three months ended		Better(worse)
	31-Jan-20	31-Jan-19	
	\$	\$	\$
Product			
Product sales	95,012	129,990	(34,978)
Product cost of sales	<u>(15,799)</u>	<u>(25,579)</u>	<u>9,780</u>
Gross margin on product	<u>79,213</u>	<u>104,411</u>	<u>(25,198)</u>
Operating expenses			
Research and development	(50,326)	(62,771)	12,445
Sales and marketing	(12,174)	(38,205)	26,031
Other direct costs	(115,887)	(119,852)	3,965
General and administrative	<u>(333,374)</u>	<u>(256,887)</u>	<u>(76,487)</u>
Total operating expenses	<u>(511,761)</u>	<u>(477,715)</u>	<u>(34,046)</u>
Operating loss	<u>(432,548)</u>	<u>(373,304)</u>	<u>(59,244)</u>
Non-operating income (expenses)			
Financing	<u>(181,758)</u>	<u>(222,016)</u>	<u>40,258</u>
Net (loss) income	<u>(614,306)</u>	<u>(595,320)</u>	<u>(18,986)</u>

Product revenue and gross margin

The Company recorded revenue from product sales in the three months ended January 31, 2020 of \$95,012 as compared to \$129,990 for the same period last year. The 27% decrease in revenue compared to Q2 FY2020 was due to a change of ordering patterns by the Company's main customer. This has caused a decrease of revenue for Q2 FY2020 that will be balanced out in Q3 FY2020.

Gross profit on product sales for the three months ended January 31, 2020 was \$79,213 compared to \$104,411 for the same period in FY2019. The Company's gross profit decreased by 24% in comparison to Q2 FY2019. The Company's gross profit margin in Q2 FY2020 was 83% compared to a gross margin of 80% in the same quarter last financial year. This slight increase was due to a strong USD, which positively impacted the overall gross margin for the Company.

Operating expenses

Total operating expenses increased \$34,046 from \$477,715 for the three months ended January 31, 2019 to \$511,761 the three months ended January 31, 2020.

- Research and development expenses for the three months ended January 31, 2020 were \$50,326 compared to \$62,771 for the same period in fiscal 2019. The decrease of 20% in research and development expenses are in line with the management's expectations as R&D projects and products in the pipeline move through various stages of discovery, development, and commercialization.
- Sales and marketing expenses for the three months ended January 31, 2020 were \$12,174 compared to \$38,205 for the same period in fiscal 2019. The decrease of approximately 68% was due to the Company's cost restructuring strategy.
- Other direct costs for the three months ended January 31, 2020 were \$115,887, compared to \$119,852 for the same period in fiscal 2019. This decrease of approximately 3% was due to the lower sales generated and the management's

strategy to streamline costs.

- General and administrative expenses were \$333,374 for the three months ended January 31, 2020 compared to \$256,887 for the same period in fiscal 2019. This 23% increase is due to additional regulatory costs associated with new regulations implemented by the US market (MDSAP) and preparation work for clinical trials.

Non-operating expenses

- Total non-operating expenses were \$181,758 in the three months ended January 31, 2020 compared to \$222,016 during the same period in fiscal year 2019.

Year to date Analysis

	For the six months ended		Better(worse)
	31-Jan-20	31-Jan-19	
	\$	\$	\$
Product			
Product sales	184,144	285,055	(100,911)
Product cost of sales	(33,243)	(65,662)	32,419
Gross margin on product	<u>150,901</u>	<u>219,393</u>	<u>(68,492)</u>
Operating expenses			
Research and development	(86,050)	(137,694)	51,644
Sales and marketing	(26,827)	(71,565)	44,738
Other direct costs	(214,752)	(200,521)	(14,231)
General and administrative	(539,129)	(489,646)	(49,483)
Total operating expenses	<u>(866,758)</u>	<u>(899,426)</u>	<u>32,668</u>
Operating loss	<u>(715,857)</u>	<u>(680,033)</u>	<u>(35,824)</u>
Non-operating income (expenses)			
Financing	(367,122)	(465,326)	98,204
Net (loss) income	<u>(1,082,979)</u>	<u>(1,145,359)</u>	<u>62,380</u>

Product revenue and gross margin

The Company recorded revenue from product sales in the six months ended January 31, 2020 of \$184,144 as compared to \$285,055 for the same period last year. Gross profit on product sales for the six months ended January 31, 2020 was \$150,901 compared to \$219,393 for the same period in 2019. The Company's decreased revenue is directly related to its strategy to focus on high profit margin markets implemented in FY2017. In addition, changes to ordering patterns by two of the Company's largest clients resulted a shift of recognisable revenues for Q2 FY2020.

Operating expenses

Total operating expenses decreased by \$32,668 from \$899,426 for the six months ended January 31, 2019 to \$866,758 for the six months ended January 31, 2020.

- Research and development expenses for the six months ended January 31, 2020 were \$86,050 compared to \$137,694 for the same period in 2019. The decrease of approximately 38% in research and development expenses are in line with the management's expectations as R&D projects and products in the pipeline move through various stages of

discovery, development, and commercialization.

- Sales and marketing expenses for the six months ended January 31, 2020 were \$26,827 compared to \$71,565 for the same period in 2019. The decrease of approximately 63% in sales and marketing expenses was in line with the management's strategic plan for highly focused sales and marketing efforts.
- Other direct costs for the six months ended January 31, 2020 were \$214,752, compared to \$200,521 for the same period in 2019. This increase of approximately 7% was due higher logistic costs associated with sales and purchasing.
- General and administrative expenses were \$539,129 for the six months ended January 31, 2020, compared to \$489,646 for the same period in 2019. This 10% increase is due to additional regulatory costs associated with new regulations implemented by the US market (MDSAP) and preparation work for clinical trials.

Non-operating expenses

- Total non-operating expenses were \$367,122 in the six months ended January 31, 2020, compared to \$465,326 during the same period in 2019. This decrease of approximately 27% is due to an adjustment of the contract value of the Company's long-term loans and its interest components.

Geographic information

The Company organizes and records the sales and distribution of its products based on major geographical territories

	Product Revenue	
	Three months ending January 31, 2020	Three months ending January 31, 2019
	\$	\$
North America	90,602	126,996
Latin America and the Caribbean	-	-
Asia Pacific	-	-
Europe	4,410	2,994
Total revenue	95,012	129,990

	Product Revenue	
	Six months ending January 31, 2020	Six months ending January 31, 2019
	\$	\$
North America	159,978	253,695
Latin America and the Caribbean	6,515	3,150
Asia Pacific	-	14,638
Europe	17,650	13,572
Total revenue	184,143	285,055

Liquidity and capital resources

Cash and working capital

The Company had a cash balance of \$155,025 on January 31, 2020 as compared to a cash balance of \$88,897 on July 31, 2019. The Company's net working capital position as at January 31, 2020 was a deficit of \$14.8 million compared to the July 31, 2019 working capital deficit of \$13.5 million. The Company has incurred operational losses and negative cash flows on a cumulative basis since inception. For the six months ended January 31, 2020, the Company incurred a net loss from operating activities of approximately \$0.4 million and negative cash flows from operations of \$0.6 million, compared to a net loss from operations of \$0.7 million and negative cash flows from operations of \$0.6 million for the same period in fiscal 2019. The following table is a list of commitments the Company has:

For the six months ended January 31, 2020					
	Total	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
	\$	\$	\$	\$	\$
Debt	9,306,502	9,306,502	-	-	-
Accounts payable and accrued liabilities	5,530,046	5,530,046	-	-	-
Lease liabilities	2,854,494	134,228	552,321	340,834	1,486,277
Royalty provision	82,000	82,000	-	-	-
Total debt	17,773,042	15,052,776	552,321	340,834	1,486,277

Operating activities

MedMira incurred negative cash flows from operations of approximately \$0.6 million for the six months January 31, 2020 compared to negative cash flows of \$0.6 million for the same period in fiscal 2019.

Financing activities

Cash inflows from financing activities were \$0.6 million for the three months ended January 31, 2020, compared to cash inflows of \$0.6 million for the same period in fiscal 2019.

Debt

As at January 31, 2020, the Company had loans payable with a carrying value of \$9.3 million compared to \$8.6 million at July 31, 2019. The increase in the carrying value of loans payable from July 31, 2019 to January 31, 2020 is due to an increase in short term loans. During the past months, 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. All the loans are currently in default due to non-payment of principal and interest and therefore show as a current liability on the balance sheet.

Further discussion on liquidity and capital resources can be found in this document in the Liquidity Risk section, Risk and Uncertainties section of this document and in Notes 2 and 11 of the Company's consolidated financial statements for the six months ended January 31, 2020.

Equity/Shares

The Company is authorized to issue an unlimited number of common shares without par value. During the three months ended January 31, 2020, the Company has issued no common shares. The number of issued and outstanding common shares on January 31, 2020 was 658,364,320. The Company is also authorized to issue an unlimited number of Series A preferred shares redeemable at \$0.01 per share after March 31, 2010, convertible into an equal number of common

shares upon the Company meeting certain milestones. There were 5,000,000 Series A preferred shares issued and outstanding on January 31, 2020.

The Company had 600,000 outstanding stock options on January 31, 2020. The outstanding stock options have a weighted average exercise price of \$0.05 per share and a weighted average remaining term of 1 year

Off balance sheet arrangements

The Company was not party to any off balance sheet arrangements as of January 31, 2020.

Financial instruments – fair value

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The Company has adopted IFRS 9 on a modified retrospective basis and determined that there is no material impact to the Company's financial statements upon adoption. The details of the new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below. (i) Classification and measurement of financial assets and liabilities IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out as follows. A financial asset is classified as 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 and cash equivalents 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, and long-term debt are classified at amortized cost while provision for royalty is classified as FVTPL which is unchanged from IAS 39. 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.

Financial instruments – risk factors

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Liquidity risk

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 six months ended January 31, 2020, the Company realized a net loss of \$1.1 million (January 31, 2019 - \$1.1 million), consisting of a net loss from operations of \$0.7 million (January 31, 2019 - \$0.7 million), and other non-operating losses of \$0.4 million (January 31, 2019 - \$0.5 million). Negative cash flows from operations were \$0.6 million (January 31, 2019 - \$0.6 million). As at January 31, 2020, the Company had an accumulated deficit of \$91.8 million (July 31, 2019 - \$90.7million) and a negative working capital position of \$14.7 (July 31, 2019 - \$13.5 million). In addition, as at January 31, 2020, \$9.3 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 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 \$9.3 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 \$9.3 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 January 31, 2020, 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 the second quarter of FY2020, 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 86% of the Company's sales are with three large international companies there is no significant concentration of credit risk.

Currency risk

MedMira receives most of its revenues in foreign currencies and incurs expenses in U.S. 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 U.S and CHF denominated cash, U.S. accounts receivable, US and CHF denominated accounts payable and U.S. and CHF denominated promissory notes.

MedMira mitigates this currency risk by maintaining a balance of USD currency which is used to pay down U.S.-denominated liabilities and replenishes the balance through U.S.-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 nine months ended October 31, 2019:

- Short term loans totalling \$4,625 were received from employees (July 31, 2019 - \$104,355)
- Short term loans totalling \$87,615 were repaid to employees (July 31, 2019 - \$94,557)
- A short term loan totalling \$15,888 was received from the Chief Financial Officer (July 31, 2019 - \$142,554)
- A short term loan totalling \$662,380 was received from MedMira Holding AG (2019 - \$0)

The following balances with related parties were outstanding at October 31, 2019:

- Accounts payable totalling \$931,182 was due to officers (July 31, 2019 - \$733,240).
- A long term loan totalling \$207,248 was due to the Chief Financial Officer (July 31, 2019 - \$204,377).
- A royalty provision was owed to MedMira Holding AG of \$82,000 (July 31, 2019 - \$82,000).
- Short term loans totalling \$99,648 were owed to employees (July 31, 2019 - \$182,544)
- Short term loans totalling \$1,508,650 are owed to Ritec AG (July 31, 2019 - \$1,459,810)
- Short term loans totalling \$316,713 were owed to the Chief Financial Officer (July 31, 2019 - \$296,387)
- Short term loans totalling \$1,028,625 was owed to MedMira Holding AG (July 31, 2019 - \$0)

The Company adopted IFRS 16 Leases on August 1, 2019, 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

Compensation summary

A) Officers for Q2 FY2020

Name and Principal Position	Paid Compensation (\$)	Accrued Compensation Current year (\$)	Share- and Option-based Awards* (\$)	All other compensation (\$)	Total Compensation current year (\$)	Paid Compensation related to previous fiscal years (\$)	Accrued Compensation related to previous fiscal years (\$)
Hermes Chan CEO	-	50,615	-	-	50,615	-	339,846
Markus Meile CFO	-	39,774	-	-	39,774	-	447,556

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.

B) Directors for Q2 FY2020

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	-	-	-	-	-	-
Steven Cummings, Director, Member of the Audit and Nomination and Compensation Committee	-	-	-	-	-	-
Jianhe Mao, Director, Member of the Audit and Nomination and Compensation Committee	-	-	-	-	-	-

*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.

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 at January 31, 2020.

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 condensed interim consolidated financial statements of MedMira for January 31, 2020 and MedMira's Board of Directors approved these documents prior to release.

Risk and uncertainties

For the six month period ended January 31, 2020, the Company has not identified any significant changes to the risks and uncertainties it is exposed to which were previously described in the previous issued MD&A's.