

2007

ANNUAL REPORT



 *miraculins*

**SAVING LIVES THROUGH
EARLY CANCER DIAGNOSIS**

Saving Lives through **EARLY CANCER DIAGNOSIS**



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P R E S I D E N T ' S M E S S A G E



Christopher J. Moreau
— President & CEO

Miraculins' primary focus during the previous fiscal year was the continuing advancement of our P2V™ prostate cancer diagnostic. The final results of our major 200 patient pre-biopsy study were presented at the AACR-NCI-EORTC International Conference: "Molecular Targets and Cancer Therapeutics" held on October 22 - 26, 2007, in San Francisco. The results showed that when combined with PSA, our test successfully selected approximately 25% of those patients that did not need to have a biopsy, while correctly identifying 93% of the men that were confirmed by biopsy as having cancer.

In addition, we were pleased to discover that our panel test was able to distinguish aggressive prostate cancer from non-aggressive prostate cancer with a sensitivity and specificity of 92% and 55% respectively. Additional research to validate this discovery is being planned.

The success of our study resulted in the Company filing a pre-IDE application with the FDA in order to seek guidance on the size and scope of the final study that would allow the test to be cleared for sale in the United States.

Research efforts over the past year also led to the identification of the two proteins that comprise our P2V™ diagnostic panel, namely, PSP94 and a fragment of the protein vitronectin. In addition, discussions continue to advance with potential distribution partners for the test.

The coming year is expected to be an exciting one for the Company as we finalize our plans regarding the prostate cancer test and begin to advance additional research with our colorectal cancer diagnostic. Efforts are also being made to identify additional diagnostic tests that could be acquired by Miraculins in an effort to build upon our pipeline of potential products.

Despite unfavourable market conditions, Miraculins successfully completed a financing in August 2007. We are currently engaged in securing another round of financing in order to ensure that funds are available to continue to drive our very important research programs.

I personally want to thank all of our valued shareholders for their continuing support. The entire Miraculins team remains committed to excellence and dedicated to building shareholder value.

Yours Sincerely,

A handwritten signature in blue ink, appearing to read 'CJM', with a long horizontal flourish extending to the right.

Christopher J. Moreau
President & CEO

MANAGEMENT'S DISCUSSION & ANALYSIS

The following management's discussion and analysis ("MD&A") is current to March 20, 2008 and should be read in conjunction with the audited financial statements for year ended November 30, 2007, and related notes, which are prepared in accordance with Canadian generally accepted accounting principles. Annual references are to the company's fiscal years, which end on November 30. All amounts are expressed in Canadian Dollars unless otherwise noted. Additional information regarding the Company is available on SEDAR at www.sedar.com and on the Company's website at www.miraculins.com.

OVERVIEW

Miraculins Inc. (the "Company") is dedicated to the discovery and validation of cancer biomarkers, for use in developing diagnostic tools and therapeutic products. Miraculins' products and technology are currently in the research stage. The Company does not, and may never have, a commercially viable product approved for marketing. To date, the Company has not generated any revenue from sales.

Experts agree that the treatment of many types of cancer would benefit from improved tools in the areas of early detection, disease staging and monitoring. The medical community is in need of minimally invasive diagnostics that offer a quick and accurate window into a patient's health. The standard of care for several types of cancer could be dramatically improved by reducing the prevalence of invasive diagnostic procedures such as biopsies and their associated risks and costs.

Corporate Update

On February 1, 2007, Mr. Christopher J. Moreau was appointed President and Chief Executive Officer. Previous to his appointment as President, Mr. Moreau served as Miraculins' vice president of business development since joining the Company in March, 2006. Mr. Moreau brings over 20 years experience in the areas of business development, sales, marketing and operations management. Dr. Jim Charlton, who was appointed president of Miraculins in June 2004, stepped down as President but continues to provide guidance and leadership to the Company as a member of its board of directors.

On May 28, 2007, the Company announced the reelection of Dr. Albert Friesen, Dr. Phiet Bui, Dr. Jim Charlton, Mr. Peter de Visser and Mr. Ted Paetkau to the Company's Board of Directors at its Annual General and Special Meeting of Shareholders.

On September 5, 2007, the Company closed an announced private placement with aggregate gross proceeds of \$428,000 from

the sale of 1,222,858 units (the "Units") at a price of \$0.35 per Unit. Each Unit was comprised of one common share (a "Share") and one half of one Share purchase warrant (a "Warrant"). Each whole Warrant entitles the holder to purchase one Share at a price of \$0.65 for a period of twelve months from the date of issuance of the Warrant.

On October 17, 2007, Mr. Eric Johnstone, CA was appointed Chief Financial Officer. Mr. Johnstone is a Chartered Accountant who most recently was the Company's Controller. He provides services to Miraculins through a management contract with Genesys Venture Inc. (GVI). GVI provides management services to Miraculins and other emerging health care and biotechnology ventures through an enhanced business incubator model. Mr. Johnstone succeeded Mrs. April Manness, who is on maternity leave.

RESEARCH PROGRAMS

The Company is using its proprietary B.E.S.T. Platform™ to discover and identify biomarkers (proteins and peptides) in body fluids that are expressed abnormally in patients who have certain diseases. Analysis of the relative levels of these markers provides a window of opportunity for the development of useful diagnostics and therapeutics for target disorders.

The Company is actively developing diagnostic products in the areas of prostate and colorectal cancer. These research programs include diagnostic patents and related data that were acquired from Europroteome AG. The Company is also working to maximize the value of certain therapeutic assets, including those acquired from Europroteome AG. Furthermore, the Company has been evaluating several other technologies over the past several months as part of the Company's commitment to enhancing shareholder value.

On December 4, 2007, the Company announced it has reached an agreement with Diagnos Inc. (TSXV:ADK), a leader in the use of artificial intelligence and advanced knowledge extraction techniques, to provide services towards the development of Miraculins' cancer diagnostic discovery programs. Diagnos adds to Miraculins' in house expertise in interpreting the data that is generated during the biomarker discovery and validation process. Diagnos will leverage its proprietary technology to develop and test multiple algorithms with the objective of producing a diagnostic test with the highest possible sensitivity and specificity, resulting in fewer false positives and false negatives.

Prostate Cancer Program

There are greater than 240,000 new diagnoses of prostate cancer in North America each year. The current screening standard for prostate cancer, the Prostate Specific Antigen ("PSA") test, is ineffective at reliably distinguishing between non-life threatening prostate conditions and critical prostate cancer. In spite of this fact, there are greater than 25 million PSA tests performed annually in the United States alone, resulting in approximately one million prostate biopsy procedures. According to information published by the National Cancer Institute, an estimated 75% of these procedures are unnecessary and could be avoided if a superior alternative to the PSA test was available.

In May of 2007, the Company announced the results of a 200 patient, 15 site study with CMX Research Inc. CMX Research Inc. is a site management organization

(SMO) conducting pharmaceutical, biotech, and medical device research at 32 locations across Canada. The data analyzed showed that Miraculins' urine based test performed with a specificity that would have eliminated approximately 23% of the biopsies for patients who did not have prostate cancer. The test performed with a sensitivity that correctly identified 93% of patients who were true positives for prostate cancer and needed to be scheduled for a biopsy.

Subsequently, Miraculins successfully purified and identified the protein biomarkers from its diagnostic panel test. The primary marker in the test, previously named MIR0750, was identified as Prostate Secretory Protein (PSP94). The second marker, named MIR005, was identified as a fragment of Vitronectin. PSP94 is a well known protein that has previously been associated with prostate cancer. This is a validation of the Company's B.E.S.T. Platform™ and its ability to discover

biomarkers of significance related to disease. The Company's diagnostic test, now being referred to as P2V™, measures levels of the two markers in urine and makes a diagnosis based on an algorithm.

As part of the AACRNCIEORTC International Conference: "Molecular Targets and Cancer Therapeutics" held from October 22nd to 26th, 2007, in San Francisco, California, the Company presented the positive final results from its PCSC04 pre-biopsy prostate cancer study which was originally announced in May 2007. The conference provided the opportunity to disseminate the Company's research results to the academic community and reach a targeted research audience.

Miraculins has been engaged in discussions with a number of diagnostic developers and laboratory service providers in order to develop a market network and obtain product feedback as part of the ongoing development of the P2V™ test. Based on this feedback, Miraculins has done a broad search for partners to develop clinical grade ELISA kits for the two markers and will begin development of the kits in the near term. The Company has yet to enter into an agreement with a potential partner. It is expected that a clinical grade ELISA test platform will improve both the sensitivity and specificity of the diagnostic test.

With its protein biomarkers markers now identified, the Company will be pursuing further opportunities for peer reviewed presentations and publications of its prostate cancer research and clinical studies.

The validated performance of the P2V™ test, positions the test as being able to help eliminate a significant percentage of prostate biopsies, targeting an estimated market size of approximately \$500 million. The Company is also pursuing initiatives to further improve the detection accuracy for its next generation P2V™ test, including discussions with potential collaborators who specialize in novel immunoassay methods, signal amplification techniques and complex algorithm development. In November 2007, the Company filed a pre-IDE (Investigational Device Exemption) submission with the U.S. Food and Drug Administration, in preparation for its planned clinical study for its P2V™ prostate cancer diagnostic test.

In addition to the final results of the CMX pre-biopsy study, the Miraculins panel test was also shown to distinguish aggressive prostate cancer (cancers with a Gleason grade of 7 or higher) from non-aggressive prostate cancer with a sensitivity and specificity of 92% and 55% respectively. The evidence suggests the test could be used as an additional tool for disease management and could help pathologists diagnose the cancer grade in combination with the Gleason score grading. This new discovery requires further study and validation. These additional results could provide a new utility for the test as well as additional market opportunities.

Colorectal Cancer Program

There are over 150,000 new diagnoses of colorectal cancer in North America each year. Although regular screening is strongly advised, the diagnostic tools for colorectal cancer are invasive and costly, and thus underused. Miraculins has acquired intellectual property related to several biomarkers indicated for colorectal cancer and is presently executing a research program to validate the ability of these markers to diagnose this disease.

Utilizing patient samples obtained from the European Tumor Sample Institute gGmbH, Miraculins was able to verify the utility of its colorectal biomarkers for diagnosing colorectal cancer. By using these biomarkers with Miraculins' B.E.S.T. Platform™, the Company was able to correctly identify cancer positives and those without cancer with a sensitivity and specificity of greater than 80% and 80%, respectively.

Based on the success of the verification process, Miraculins entered into a collaboration agreement with the Fox Chase Cancer Center for the validation phase of its research work. Results of the validation study were announced on February 5th, 2007. Using a panel of its markers the Company was able to correctly distinguish samples that were positive for cancer, from those without cancer with a sensitivity and specificity of 90% and 40% respectively.

The results of this study are considered significant because in its present format the test is 100% more sensitive than the fecal occult blood test (FOBT), the current preliminary screening standard for colorectal cancer, according to numbers available in the literature. Efforts are underway to identify the proteins that form the panel through a number of complimentary protein purification methods.

Pancreatic, Gastric, and Breast Cancer Programs

There are over 33,000 new cases of pancreatic cancer diagnosed each year in the United States with over 32,000 deaths resulting. Current diagnostic methods are limited to MRI, CT or CAT scan, ultrasound, barium

x-ray or biopsy. There is an unmet need for a simple assay that would help to diagnose this disease in its earliest and most treatable stages.

There are over 22,000 new cases of gastric cancer diagnosed each year in the United States. Current diagnostic methods include gastroscope, barium x-rays, endoscopic ultrasound, and endoscopic biopsy; all of which are invasive and therefore suffer from low compliance. The market for a diagnostic in this cancer area is predominantly based on providing a general screen for the disease targeted at patients who have either a predisposition to this cancer or are in a high risk group. Miraculins has recently announced that it will be conducting a validation study on its gastric cancer diagnostic technology.

There are more than 250,000 new breast cancer diagnoses in North America each year, making it the most prevalent non-skin cancer among women. Women in the United States have an estimated 1 in 7 chance of developing invasive breast cancer during their lifetime. A breast cancer tumour can exist for six to ten years before being detected by mammography, the current standard for diagnosing breast cancer. Of further concern, mammography is less effective in younger women, the group in which breast cancer survival rates are the lowest. However, when breast cancer is detected early, the five-year survival rate exceeds 95%.

Miraculins has intellectual property related to pancreatic, gastric, and breast cancers that requires further research. In order to effectively manage current resources, the Company is currently focused on its prostate and colorectal cancer programs, while evaluating the next steps for these cancer programs.

Other Opportunities

The Company continues to evaluate opportunities to expand its focus and initiate studies in other disease conditions. In addition to its active research programs, Miraculins has a number of complimentary patents in additional cancer areas and is considering specific research programs that will verify and maximize the utility of this intellectual property. Additionally, the

Company is evaluating technologies complimentary to its business model on an ongoing basis.

OUTLOOK

The strategic direction of the Company is centered on discovering and validating cancer biomarkers for use in developing diagnostic tools and therapeutic products. In order to advance these research programs, Miraculins expects to continue incurring operating losses. Based on current projections and strategic plans, it is conceivable that total expenses could increase in fiscal 2008, as compared to fiscal 2007. Any increase in expenditures would result from the continued development of our current assets and the potential addition of complementary assets.

The Company's financial statements have been prepared using Canadian generally accepted accounting principles ("Canadian GAAP") that are applicable to a going concern, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The use of these principles may not be appropriate because at November 30, 2007 there was substantial doubt that the Company would be able to continue as a going concern without raising additional financial resources.

The Company's ability to continue as a going concern is dependent on its ability to obtain sufficient funds to conduct its research and development, and to successfully commercialize its products. The outcome of these matters cannot be predicted at this time. These financial statements do not reflect adjustments in the carrying values of the Company's assets and liabilities, expenses, and the balance sheet classification used, that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

The Company's management is considering all financing alternatives and is immediately seeking to raise additional funds for operations from current stockholders and other potential investors. This disclosure is not an offer to sell, nor a solicitation of an offer to buy the Company's securities. While the Company is striving to achieve the above plans, there is no assurance that such funding will be available or obtained on favourable terms.

The Company's management believes sufficient financial resources exist to fund operations into the second quarter of 2008.

The Company may decide to accelerate, terminate or reduce its focus in certain research areas, or commence research in new areas as a result of the Company's research progress and the availability of financial resources. These decisions are made with the goals of managing the Company's cash resources and optimizing the Company's opportunities. The availability of funding may change Management's strategy over the coming year.

RISKS AND UNCERTAINTY

The Company operates in a highly competitive environment that involves significant risks and uncertainties, some of which are outside of the Company's control. The Company is subject to risks inherent in the biotechnology industry, including:

Risks Related to the Company's Financial Condition

- The need to raise capital from investors to continue planned activities. If the Company is unable to fund operations, the Company may cease operations.
- The Company has not derived any revenue to date from the commercial sale of its diagnostic products; the Company has relied on equity and debt financing to support operations.
- The operating losses are expected to continue. If the Company is unable to achieve significant revenues in the future or secure alternative sources of capital or financing, the Company may cease operations.
- The Company will continue to need significant amounts of additional capital that may not be available to the Company on favourable terms, and may be dilutive.
- The Company may fail to obtain additional financing and be unable to fund operations and commercialize its product candidates.

Risks Related to the Company's Business and Operations

- The Company is in various stages of development of diagnostic products and unless it is able to generate sufficient product revenue from these candidates, the Company will continue to incur losses from operations and may not achieve or maintain profitability and may have to cease operations.
- Failure to protect intellectual property, or infringement on the intellectual property rights of others, may impede the Company's ability to operate freely.
- The Company's business is subject to significant government regulation and failure to achieve regulatory approval of diagnostic products would negatively affect its business.
- The Company is dependent on the successful outcome of pre-clinical testing and clinical trials.

MANAGEMENT'S DISCUSSION & ANALYSIS

- Delays in clinical trials will cause the Company to incur additional costs which could jeopardize the trials and adversely affect the Company's liquidity and financial results.
- The Company is dependent on strategic partners, including clinical investigators and contract research organizations, as part of its diagnostic product development strategy, and it would be negatively affected if it is not able to initiate or maintain these relationships.
- Even if product candidates receive all of the required regulatory approvals, there is no guarantee of market acceptance or commercialization of the resulting product candidates, which will be determined by the Company's sales, marketing and distribution capabilities and the positioning and competitiveness of its diagnostic product compared with any alternatives.
- Competitive products and technologies may reduce demand for the Company's product candidates and technologies.
- The Company's industry is characterized by rapid change and a failure by the Company to react to these changes could have a material adverse effect on its business.
- If the Company fails to hire or retain needed personnel, the implementation of its business plan could slow and future growth could suffer.
- The Company has not paid, and does not intend to pay any cash dividends on its common shares and therefore its shareholders may not be able to receive a return on their shares unless they sell them.
- The market price and trading volume of the Company's common shares may be volatile.
- The significant costs that the Company will incur as a result of being a public company in Canada could adversely affect its business.

SELECTED ANNUAL FINANCIAL INFORMATION

The following is selected financial information about the Company, for its 2007, 2006, and 2005 fiscal years:

	2007	2006	2005
Revenue	\$ 22,539	\$ 84,034	\$ 99,605
Research expenses	(692,665)	(940,556)	(700,563)
General and administrative expenditures	(695,035)	(625,193)	(958,401)
Loss for the year	(1,439,770)	(1,773,115)	(1,586,342)
Loss per share	(0.09)	(0.12)	(0.11)
Total assets	510,452	1,526,628	3,040,490
Total liabilities	53,307	118,541	108,853
Deficit	(6,145,003)	(4,705,233)	(2,932,118)
Total capital stock and contributed surplus	6,602,148	6,113,320	5,863,755

ELECTED QUARTERLY FINANCIAL INFORMATION

The selected financial information provided below is derived from our unaudited quarterly financial statements for each of the last eight quarters:

	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006
Revenue	\$ 3,209	\$ 3,046	\$ 6,373	\$ 9,911	\$ 14,014	\$ 18,340	\$ 22,038	\$ 29,642
Loss for the period	(260,646)	(276,217)	(459,167)	(443,740)	(661,120)	(282,420)	(417,849)	(411,726)
Loss per share	(0.02)	(0.02)	(0.03)	(0.03)	(0.04)	(0.02)	(0.03)	(0.03)

The Company's cumulative quarterly loss over the past two years relates primarily to the expansion of the Company's research programs. The decreased loss for the quarter ended November 30, 2007, as compared to the seven preceding quarters, is due to management's decision to focus on priority programs to effectively manage available resources. Specifically, expenses decreased as compared to prior periods due to fewer resources allocated to contract research, consumables, laboratory rent and recording stock-based compensation related to options granted to investor relations firms, consultants, employees and directors.

RESULTS OF OPERATIONS

Research

Research expenditures include costs associated with the Company's research programs, the major portion of which are salaries paid to research staff, equipment rental, consumables, and consulting. The Company is in the development stage and devotes a significant portion of its financial resources to research activities.

The changes in research expenditures for the years ended November 30, 2007 and 2006 are reflected in the following table:

Year ended November 30,	2007	2006	Increase (decrease)
Compensation related costs	\$ 262,755	\$ 416,261	\$ (153,506)
Consumables	140,819	203,561	(62,742)
Contract research and scientific consulting	134,853	178,855	(44,002)
Scientific equipment	103,659	100,333	3,326
Laboratory rent and occupancy costs	54,080	63,469	(9,389)
Other research costs	20,249	3,399	16,850
less: Government assistance	(23,750)	(25,322)	1,572
Research	\$ 692,665	\$ 940,556	\$ (247,891)

As expected, research expenditures for the year ended November 30, 2007 were lower as compared to 2006. This decrease can be attributed to the following factors:

- A decrease in research staff related costs, which is primarily due to staff reductions resulting from Management's decision to outsource certain processes in order to increase flexibility and obtain cost efficiencies.
- The reduction in purchases of consumables is directly related to staff reductions and focus on prostate and colorectal cancer programs. Specifically, fewer consumables were required as research efforts have been targeted on analyzing existing data.
- In the prior year, fees paid to the former President were allocated to research programs. Fees paid to the current President and CEO are now allocated to the general and administration expenses, and as such, scientific consulting was lower than in prior years.
- The decrease in laboratory rent and occupancy costs is primarily due to a reduction in square footage on lease, as compared to the prior year.
- The increase in other research costs is primarily due to advisory costs incurred as part of the evaluation of additional technology opportunities.

General and Administrative

General and administrative expenses include those costs not directly related to research activities. This includes expenses associated with management services, and professional fees such as legal, audit and investor and public relations activities.

The changes in general and administrative expenditures for the years ended November 30, 2007 and 2006 are reflected in the following table:

Year ended November 30,	2007	2006	Increase (decrease)
Compensation related costs	\$ 275,648	\$ 168,838	\$ 106,810
Business development costs	279,190	329,796	(50,606)
Other administration costs	140,197	126,559	13,638
General and administrative	\$ 695,035	\$ 625,193	\$ 69,842

The increase in costs for the year ended November 30, 2007 as compared to 2006 can be attributed to the following factors:

- In the prior year, fees paid to the former President were allocated to research programs. Fees paid to the current President and CEO are now allocated the general and administration expenses, and as such, compensation related costs are higher than in prior years.
- During the year, efforts continued on business development, including the pursuit of potential partnerships and financing arrangements. The decrease in business development costs is primarily due to cost savings arising from Management's decision to combine investor relations services with an existing management services agreement.
- The increase in other administration costs is due, in combination, to increased printing and reproduction costs, insurance, and business taxes, offset by a reduction in legal fees.
- The Company expects similar levels of general and administrative expenditures for the coming fiscal year.

Interest Income

The changes in interest income for the year ended November 30, 2007 and 2006 are reflected in the following table:

Year ended November 30,	2007	2006	Increase (decrease)
Interest Income	\$ 22,539	\$ 84,034	\$ (61,495)

The decrease in interest income for the current quarter is the result of a lower average cash balance as compared to the same period of the prior fiscal year. The Company anticipates that investment income will increase in the coming quarters due to additional cash and short term investments if funds are received from a proposed private placement in the coming year.

Results

The loss for the years ended November 30, 2007 and 2006 is reflected in the following table:

Year ended November 30,	2007	2006	Increase (decrease)
Results	\$ (1,439,770)	\$ (1,773,115)	\$ (333,345)
Loss per share	(0.09)	(0.12)	(0.03)

As discussed above, the decrease in quarterly loss resulted mainly from the management's focus on priority research programs to effectively manage available resources. The Company expects to incur a loss next year as it continues its research programs.

LIQUIDITY AND CAPITAL RESOURCES

Since inception, the Company has financed its operations from public and private sales of equity, the exercise of warrants and stock options, interest income on funds available for investment and government grants and tax credits. As at November 30, 2007, the Company had cash and cash equivalents totaling \$268,415 compared with \$1,176,338 at the previous year-end.

Cash used in operating activities

Cash used in operating activities totaled \$1,256,980 for the year ended November 30, 2007, compared to \$1,284,911 for the same period in fiscal 2006 as a result of a decrease in actual cash outflows from ongoing research programs as well as general and administrative activities.

Cash used in investing activities

Cash used in investing activities totaled \$44,992 for the year ended November 30, 2007. Of this amount, \$35,907 was from patent costs and \$9,085 was from the acquisition of property and equipment. In the previous fiscal year, cash used in investing activities, from patent costs and the acquisition of property and equipment, totaled \$160,904.

Cash from financing activities

For the year ended November 30, 2007, cash provided from financing activities totaled \$394,049 (2006 – \$51,260). On September 5, 2007, the Company closed a non-brokered private placement offering of 1,222,858 units (“Units”) at a price of \$0.35 per Unit for gross proceeds of \$480,000.

The total number of common shares issued and outstanding at November 30, 2007 was 16,396,358 as compared to 15,173,500 at November 30, 2006. For the periods ending November 30, 2007 and November 30, 2006, the Company had 942,500 and 905,000 stock options outstanding respectively.

The Company believes it has sufficient resources available to satisfy operating requirements into the second quarter of 2008. The Company’s management is considering all financing alternatives and is currently seeking to raise additional funds for operations from current stockholders and other potential investors. This disclosure is not an offer to sell, nor a solicitation of an offer to buy the Company’s securities. While the Company pursues such financing, there is no assurance that funding will be available or obtained on favourable terms.

The audited financial statements do not reflect adjustments in the carrying values of the Company’s assets and liabilities, expenses, and the balance sheet classification used, that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

CONTRACTUAL OBLIGATIONS

The Company periodically enters into longterm contractual agreements for the lease of laboratory facilities and equipment, management services, and certain purchased services. The following table presents commitments arising from agreements currently in force over the next five years.

Payments due by Period

	Within 1 year	2 - 3 years	4 - 5 years	After 5 years	Total Commitments
Management services agreement	\$ 166,667	\$ –	\$ –	\$ –	\$ 166,667
Operating leases	98,750	61,667	–	–	160,417
Purchase services agreement	30,000	–	–	–	30,000
	\$ 295,417	\$ 61,667	\$ –	\$ –	\$ 357,084

A summary of the Company’s contractual obligations may be found in the Note 8 of the audited financial statements.

RELATED PARTY TRANSACTIONS

During the year ended November 30, 2007, the Company paid a company controlled by a director, a total of \$300,333 (2006 – \$349,358) for laboratory lease, equipment rental and consulting fees. The Chief Financial Officer's services are provided through the consulting agreement with Genesys Venture Inc. In addition, public relations, business development, accounting, payroll, human resources, and information technology services are provided to the Company through the agreement. As of November 30, 2007, included in accounts payable and accrued liabilities is \$3,788 (2006 – \$15,968) owed to Genesys Venture Inc. The Company has provided a non-interest bearing advance of \$13,400 to Genesys Venture Inc. used for payroll processing.

These transactions are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

CONTROLS

Effectiveness of disclosure controls and procedures

Management has established and maintained disclosure controls and procedures for the Company in order to provide reasonable assurance that material information relating to the Company is made known to management in a timely manner and that information required to be disclosed by the Company is reported within time periods prescribed by applicable securities legislation.

A control system can only provide reasonable, not absolute, assurance that the objectives of the control system are met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

As a result of the Company's limited administrative staffing levels, internal controls which rely on segregation of duties in many cases are not appropriate or possible. Due to resources constraints and the present stage of the Company's development, the Company does not have sufficient size and scale to warrant the hiring of additional staff to correct this potential weakness at this time. To help mitigate the impact of this potential weakness and to ensure quality financial reporting, the Company is highly reliant on the performance of compensating procedures and senior management's review and approval to ensure that the controls are as effective as possible.

During the year ended November 30, 2007, the Company made changes to its systems of internal controls that did not materially affect internal control over financial reporting.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles ("Canadian GAAP") requires the Company to select from possible alternative accounting principles and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date, and reported costs and expenditures during the reporting period. Management believes that the estimates and assumptions upon which the Company relies are reasonable based upon information available at the time these estimates and assumptions are made. Estimates and assumptions may be revised as new information is acquired, and are subject to change.

Management believes that its most critical accounting policies and estimates relate to the following areas, with reference to notes contained in the audited financial statements:

Research costs	Note 2(e)
Patents and trademarks	Note 2(c) and 2(d)
Stockbased compensation	Note 2(f), 6(c) and 6(d)

A summary of all of the Company's significant accounting policies and estimates may be found in the Note 2 to the audited financial statements.

CHANGES IN ACCOUNTING POLICIES

1. New Accounting Standards adopted during the year:

The Company adopted the following CICA Handbook standards: Section 1530 "Comprehensive Income", Section 3251 "Equity", Section 3855 "Financial Instruments – Recognition and Measurement" and Section 3861 "Financial Instruments – Disclosure and Presentation.", on December 1, 2006.

Financial Instruments – Recognition and Measurement

According to this standard, all financial instruments are classified into one the following five categories: available for sale, loans and receivables, other financial liabilities, held-for-trading or held to maturity. Initial measurement of financial instruments is at fair value. Subsequent measurement and recognition of changes in fair value of financial instruments depends on their initial classification.

The Company utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency, or credit risks arising from these financial instruments and the carrying amounts approximate fair values. All transactions related to financial instruments are recorded on a trade date basis. All derivatives, including embedded derivatives, that must be separately accounted for, are valued at fair value in the balance sheet.

The Company classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Held-for-trading

This category is comprised of cash and investments in term deposits. They are carried in the balance sheet at fair value with changes in fair value recognized in the statement of operations and deficit. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

Loans and receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through grants (accounts receivable), but also incorporate other types of contractual monetary assets. They are initially recognized at fair value (which approximates cost) and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. Transaction costs related to loans and receivables are expensed as incurred.

Other financial liabilities

Other financial liabilities comprise accounts payables and accrued liabilities. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to other financial liabilities are expensed as incurred.

The Company has not classified any assets or liabilities as held-to-maturity or as available-for-sale. There were no transitional adjustments required as a result of adoption of these policies. The Company had no "other comprehensive income or loss" transactions during the year ended November 30, 2007 and no opening or closing balances for accumulated other comprehensive income or loss.

In July 2006, the Accounting Standards Board ("AcSB") issued a replacement of CICA Handbook Section 1506, Accounting Changes ("Section 1506"). The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retroactively unless doing so is impracticable, requires prior period errors to be corrected retroactively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The adoption of Section 1506, effective December 1, 2006, has no impact on these financial statements.

2. Recent accounting pronouncements issued and not yet applied:**(a) Financial instruments and capital disclosure:**

In October 2006, the AcSB approved disclosure and presentation requirements for financial instruments that revise and enhance the disclosure requirements of Section 3861. These requirements are included in Section 3862, Financial Instruments Disclosure ("Section 3862"), which replaces Section 3861. The AcSB also released Section 1535, Capital Disclosures ("Section 1535"), which establishes standards for disclosing information about an entity's capital and how it is managed.

Section 1535 requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any regulatory capital requirements and, if it has not complied, the consequences of such non-compliance. This standard is effective for the Company for interim and annual financial statements beginning on December 1, 2007.

Section 3862 requires disclosure, by class of financial instrument, that enables users to evaluate the significance of financial instruments to an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The quantitative disclosures must also include a sensitivity analysis for each type of market risk to which an entity is exposed, showing how net income and other comprehensive income would have been affected by reasonably possible changes in the relevant risk variable. This standard is effective for the Company for interim and annual financial statements beginning on December 1, 2007.

The Company is currently assessing the impact that Section 3862 and Section 1535 will have on the financial statements.

(b) Financial instruments presentation:

In October 2006, the AcSB approved Section 3863, Financial Instruments – Presentation ("Section 3863"), which replaces the presentation standards of Section 3861. The existing requirements on presentation of financial instruments have been carried forward unchanged to Section 3863. This standard is effective for interim and annual financial statements beginning on December 1, 2007 and is not expected to impact the Company's financial statements.

2. **Recent accounting pronouncements issued and not yet applied:** *(continued...)*

(c) **General standards of financial statement presentation:**

In June 2007, the AcSB amended Section 1400, General Standards of Financial Statement Presentation, to incorporate guidance related to management's responsibility to assess the ability of the entity to continue as a going concern. Under the new standards, management is required to make an assessment of an entity's ability to continue as a going concern and should take into account all available information about the future, which is at least, but is not limited to, 12 months from the balance sheet date. Disclosure is required of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. These amendments are effective for interim and annual periods beginning on December 1, 2007.

FORWARD-LOOKING STATEMENTS

This "Management's Discussion and Analysis of Financial Condition and Operations" contains forward-looking statements which may not be based on historical fact, including without limitation statements containing the words "believes," "may," "plan," "will," "estimate," "continue," "anticipates," "intends," "expects," and similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward-looking statements. Such factors include, among others, the Company's stage of development, lack of product revenues, additional capital requirements, risks associated with the completion of clinical trials and obtaining regulatory approval to market the Company's products, the ability to protect its intellectual property and dependence upon collaborative partners. These factors should be considered carefully and readers are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements are made as of the date hereof, and the Company disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments.

MANAGEMENT REPORT

The accompanying financial statements have been prepared by management and approved by the board of directors of Miraculins Inc. (the "Company"). Management is responsible for the information and representations contained in these financial statements and in other sections of this report.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies, which management believes are appropriate for the Company, are described in note 2 to the financial statements. The Company maintains a system of internal control and appropriate processes to provide reasonable assurance that assets are safeguarded and to ensure that relevant and reliable financial information is produced.

The board of directors is responsible for reviewing and approving the financial statements and overseeing management's performance of its financial reporting responsibilities. An audit committee of three non-management directors is appointed by the board. The audit committee reviews the financial statements, audit process and financial reporting with management and with the external auditors and reports to the board of directors prior to the approval of the audited financial statements for publication.

KPMG LLP, the Company's external auditors, who are appointed by the shareholders, audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the financial statements. Their report follows.



Mr. Christopher J. Moreau
President and CEO



Mr. Eric R. Johnstone, CA
Chief Financial Officer

March 20, 2008

AUDITORS' REPORT

To the Shareholders of Miraculins Inc.

We have audited the balance sheets of Miraculins Inc. as at November 30, 2007 and 2006 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at November 30, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Signed "KPMG LLP"

Chartered Accountants

Winnipeg, Canada

March 20, 2008

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. KPMG Canada provides services to KPMG LLP.

FINANCIAL STATEMENTS

Balance Sheets – Years Ended November 30, 2007 and 2006

	2007	2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 268,415	\$ 1,176,338
Accounts receivable	61,277	132,544
Prepaid expenses (Note 9)	26,904	34,273
	356,596	1,343,155
Property and equipment (Note 5)	120,877	150,128
Patents and trademarks	32,979	33,345
	\$ 510,452	\$ 1,526,628
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (Note 9)	\$ 53,307	\$ 118,541
Shareholders' equity:		
Capital stock (Note 6)	5,448,775	5,086,228
Contributed surplus (Note 6)	1,121,871	1,027,092
Warrants (Note 6)	31,502	-
Deficit	(6,145,003)	(4,705,233)
	457,145	1,408,087
Nature and continuation of operations (Note 1)		
Commitments (Note 8)		
	\$ 510,452	\$ 1,526,628

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

On behalf of the Board:

Director



Director



STATEMENTS OF OPERATIONS AND DEFICIT

Years ended November 30, 2007 and 2006

	2007	2006
Revenue:		
Interest	\$ 22,539	\$ 84,034
Expenses:		
General and administration	612,603	456,355
Research	680,318	911,089
Amortization	38,336	37,522
Write-down of patents and trademarks	36,273	253,878
Stock-based compensation		
General and administration	82,432	168,838
Research	12,347	29,467
	1,462,309	1,857,149
Loss and comprehensive loss for the year	(1,439,770)	(1,773,115)
Deficit, beginning of year	(4,705,233)	(2,932,118)
Deficit, end of year	\$ (6,145,003)	\$ (4,705,233)
Basic and diluted loss per share (Note 6(g))	\$ (0.09)	\$ (0.12)

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

STATEMENTS OF CASH FLOWS

Years ended November 30, 2007 and 2006

	2007	2006
Cash provided by (used in):		
Operating activities:		
Loss for the year	\$ (1,439,770)	\$ (1,773,115)
Adjustments for:		
Amortization	38,336	37,522
Write-down of patents	36,273	253,878
Stock-based compensation	94,779	198,305
Change in the following:		
Accounts receivable	71,267	3,299
Prepaid expenses	7,369	(14,488)
Accounts payable and accrued liabilities	(65,234)	9,688
	(1,256,980)	(1,284,911)
Financing activities:		
Issuance of common shares, net of share issue costs	394,049	51,260
Investing activities:		
Purchase of property and equipment	(9,085)	(42,181)
Patent and trademark costs	(35,907)	(118,723)
	(44,992)	(160,904)
Decrease in cash	(907,923)	(1,394,555)
Cash and cash equivalents, beginning of year	1,176,338	2,570,893
Cash and cash equivalents, end of year	\$ 268,415	\$ 1,176,338
Supplemental cash flow information:		
Non-cash financing activities:		
Warrants issued as share issue costs	\$ 3,615	\$ -

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

NOTES TO FINANCIAL STATEMENTS

Years ended November 30, 2007 and 2006

1. Nature and continuation of operation

Miraculins Inc. (the "Company") has as its sole activity the discovery and development of therapeutics and diagnostics for human disorders. To date, the Company has no products in commercial production or use. Accordingly, the Company is considered to be a development stage enterprise for accounting purposes. Since its date of incorporation on June 27, 1998, through to November 30, 2007, the Company has expended \$3,038,129, net of government assistance, for research.

These financial statements have been prepared using Canadian generally accepted accounting principles ("Canadian GAAP") that are applicable to a going concern, which contemplates that Miraculins Inc. will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The use of these principles may not be appropriate because at November 30, 2007 there was substantial doubt that the Company will be able to continue as a going concern without raising additional financial resources.

The Company's ability to continue as a going concern is dependent on its ability to obtain sufficient funds to conduct its research and development, and to successfully commercialize its products. The outcome of these matters cannot be predicted at this time. These financial statements do not reflect adjustments in the carrying values of the Company's assets and liabilities, expenses, and the balance sheet classification used, that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

The Company's management is considering all financing alternatives and is immediately seeking to raise additional funds for operations from current stockholders and other potential investors. This disclosure is not an offer to sell, nor a solicitation of an offer to buy the Company's securities. While the Company is striving to achieve the above plans, there is no assurance that such funding will be available or obtained on favourable terms.

The Company's management believes sufficient financial resources exist to fund operations into the second quarter of 2008.

2. Significant accounting policies:

(a) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and balances with banks as well as highly liquid short-term investments. The Company considers all highly liquid short-term investments with terms to maturity when acquired of three months or less to be cash equivalents.

(b) Property and equipment:

Property and equipment are stated at cost. Amortization is recorded over the estimated useful lives of the assets at the following rates:

Asset	Basis	Rate
Computer equipment	Straight-line	30%
Scientific equipment	Diminishing balance	20%
Office equipment	Diminishing balance	20%
Leasehold improvements	Straight-line	20%

2. Significant accounting policies (continued):

- (c) **Patents and trademarks:**
Costs incurred in obtaining a patent or trademark are capitalized and amortized on a straight-line basis over the legal life of the respective patent or trademark, being approximately twenty years, or its economic life, if shorter. The cost of servicing the Company's patents and trademarks is expensed as incurred. No amortization has been recorded to date as no patents have yet been issued.
- (d) **Impairment of long-lived assets:**
On a regular basis, management reviews the valuation of long-lived assets, which include property and equipment and patent and trademark costs, taking into consideration any events and circumstances which may impact recoverable value. Section 3063 of the CICA Handbook, Impairment of Long-Lived Assets prescribes revised and more rigorous principles for the recognition, measurement and disclosure of any impairment of long-lived assets. Management has reviewed the carrying value of the long-lived assets using this amended guidance and determined no impairment currently exists.
- (e) **Research and development:**
All costs of research activities are expensed in the period in which they are incurred. Development costs are charged as an expense in the period incurred unless the Company believes a development project meets stringent criteria for deferral and amortization. No development costs have been deferred to date.
- (f) **Stock-based compensation:**
The Company has a stock option plan [note 6(c)] for its directors, management, employees, management company employees and consultants. The Company uses the fair value based method to account for all stock-based compensation and other stock-based payments. The fair value is estimated at measurement date using the Black-Scholes option pricing model. For all options granted to directors, management, employees, management company employees and consultants under the Company's stock option plan, compensation expense is recognized over the period(s) in which the related services were rendered.
- (g) **Investment tax credits:**
Investment tax credits relating to scientific research and experimental development are recorded as either a reduction of the applicable capital assets or credited in the statement of operations depending on the nature of the expenditures which gave rise to the credits. The investment tax credit is recorded in the period that the credit has been approved by Canada Revenue Agency.
- (h) **Income taxes:**
The Company uses the asset and liability method to provide for income taxes in the financial statements. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. When realization of future income tax assets does not meet the more likely than not criterion then a valuation allowance is provided for the difference.

NOTES TO FINANCIAL STATEMENTS

Years ended November 30, 2007 and 2006

2. Significant accounting policies (continued):

(i) Per share amounts:

Per share amounts are computed using the weighted average number of shares outstanding during the period including contingently issuable shares where the contingency has been resolved. The diluted per share amounts are calculated based on the weighted average number of common shares outstanding during the period, plus the effect of dilutive common share equivalents such as options and warrants. This method requires that diluted per share amounts be calculated using the treasury stock method, as if all the common share equivalents where the average market price for the period exceeds the exercise price had been exercised at the beginning of the reporting period, or at the date of issue, if later, as the case may be, and that the funds obtained thereby were used to purchase common shares of the Company at the average trading price of the common shares during the period.

(j) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant estimates are used in determining, but are not limited to, research costs, stock based compensation, and valuation of patents and trademarks. Actual results could differ from those estimates.

3. New Accounting Standards adopted during the year:

The Company adopted the following CICA Handbook standards: Section 1530 "Comprehensive Income", Section 3251 "Equity", Section 3855 "Financial Instruments – Recognition and Measurement" and Section 3861 "Financial Instruments – Disclosure and Presentation", on December 1, 2006.

Financial Instruments – Recognition and Measurement

According to this standard, all financial instruments are classified into one of the following five categories: available for sale, loans and receivables, other financial liabilities, held-for-trading or held to maturity. Initial measurement of financial instruments is at fair value. Subsequent measurement and recognition of changes in fair value of financial instruments depends on their initial classification.

The Company utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency, or credit risks arising from these financial instruments and the carrying amounts approximate fair values. All transactions related to financial instruments are recorded on a trade date basis. All derivatives, including embedded derivatives, that must be separately accounted for, are valued at fair value in the balance sheet.

The Company classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Held-for-trading

This category is comprised of cash and investments in term deposits. They are carried in the balance sheet at fair value with changes in fair value recognized in the statement of operations and deficit. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

3. New Accounting Standards adopted during the year: (continued):**Loans and receivables**

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through grants (accounts receivable), but also incorporate other types of contractual monetary assets. They are initially recognized at fair value (which approximates cost) and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. Transaction costs related to loans and receivables are expensed as incurred.

Other financial liabilities

Other financial liabilities comprise accounts payables and accrued liabilities. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to other financial liabilities are expensed as incurred.

The Company has not classified any assets or liabilities as held-to-maturity or as available-for-sale. There were no transitional adjustments required as a result of adoption of these policies. The Company had no "other comprehensive income or loss" transactions during the year ended November 30, 2007 and no opening or closing balances for accumulated other comprehensive income or loss.

In July 2006, the Accounting Standards Board ("AcSB") issued a replacement of CICA Handbook Section 1506, Accounting Changes ("Section 1506"). The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retroactively unless doing so is impracticable, requires prior period errors to be corrected retroactively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The adoption of Section 1506, effective December 1, 2006, has no impact on these financial statements.

4. Recent accounting pronouncements issued and not yet applied:**(a) Financial instruments and capital disclosure**

In October 2006, the AcSB approved disclosure requirements for financial instruments that revise and enhance the disclosure requirements of Section 3861. These requirements are included in Section 3862, Financial Instruments – Disclosure ("Section 3862"), which replaces Section 3861. The AcSB also released Section 1535, Capital Disclosures ("Section 1535"), which establishes standards for disclosing information about an entity's capital and how it is managed.

Section 1535 requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any regulatory capital requirements and, if it has not complied, the consequences of such non-compliance. This standard is effective for the Company for interim and annual financial statements beginning on December 1, 2007.

NOTES TO FINANCIAL STATEMENTS

Years ended November 30, 2007 and 2006

4. Recent accounting pronouncements issued and not yet applied: *(continued)*

(a) Financial instruments and capital disclosure *(continued)*:

Section 3862 requires disclosure, by class of financial instrument, that enables users to evaluate the significance of financial instruments to an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The quantitative disclosures must also include a sensitivity analysis for each type of market risk to which an entity is exposed, showing how net income and other comprehensive income would have been affected by reasonably possible changes in the relevant risk variable. This standard is effective for the Company for interim and annual financial statements beginning on December 1, 2007.

The Company is currently assessing the impact that Section 3862 and Section 1535 will have on the financial statements.

(b) Financial instruments presentation:

In October 2006, the AcSB approved Section 3863, Financial Instruments – Presentation ("Section 3863"), which replaces the presentation standards of Section 3861. The existing requirements on presentation of financial instruments have been carried forward unchanged to Section 3863. This standard is effective for interim and annual financial statements beginning on December 1, 2007 and is not expected to impact the Company's financial statements.

(c) General standards of financial statement presentation:

In June 2007, the AcSB amended Section 1400, General Standards of Financial Statement Presentation, to incorporate guidance related to management's responsibility to assess the ability of the entity to continue as a going concern. Under the new standards, management is required to make an assessment of an entity's ability to continue as a going concern and should take into account all available information about the future, which is at least, but is not limited to, 12 months from the balance sheet date. Disclosure is required of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. These amendments are effective for interim and annual periods beginning on December 1, 2007.

5. Property and equipment:

November 30, 2007	Cost	Accumulated amortization	Net book value
Computer and office equipment	\$ 18,568	\$ 10,081	\$ 8,487
Scientific equipment	83,612	32,016	51,596
Leasehold improvements	125,644	64,850	60,794
	\$ 227,824	\$ 106,947	\$ 120,877

NOTES TO FINANCIAL STATEMENTS

Years ended November 30, 2007 and 2006

5. Property and equipment: *(continued)*

November 30, 2006	Cost	Accumulated amortization	Net book value
Computer and office equipment	\$ 16,552	\$ 8,006	\$ 8,546
Scientific equipment	76,543	20,884	55,659
Leasehold improvements	125,644	39,721	85,923
	\$ 218,739	\$ 68,611	\$ 150,128

6. Capital stock:

(a) Authorized:

The Company has authorized share capital of an unlimited number of common voting shares and an unlimited number of class A common voting shares.

(b) Shares issued and outstanding

Shares issued and outstanding are as follows:

	Number of shares	Amount
Balance, November 30, 2005	14,921,500	\$ 5,034,134
Exercise of stock options	252,000	52,094
Balance, November 30, 2006	15,173,500	5,086,228
Issued for cash, net of issue costs of \$37,566 ⁽¹⁾	1,222,858	362,547
Balance, November 30, 2007	16,396,358	\$ 5,448,775

⁽¹⁾ On September 5, 2007, the Company closed a private placement offering (the "Offering") of 1,222,858 units (the "Units") at a price of \$0.35 per Unit, for aggregate gross proceeds to the Company of \$428,000. Each Unit is comprised of one common share (a "Share") and one half of one Share purchase warrant (a "Warrant"). Each whole Warrant entitles the holder to purchase one Share at a price of \$0.65 at any time within twelve months from the date of issuance of the Warrant. These warrants will expire on September 5, 2008. The fair value assigned to the warrants upon issuance is \$27,887.

Certain individuals and companies assisted the Company by introducing potential subscribers for the Offering and received a finder's fee of eight percent of the total subscription proceeds received from subscribers introduced to the Company by each particular individual and company. In addition, these individuals and companies were issued 79,253 compensation warrants ("Compensation Warrant"), equivalent to seven percent of the Units subscribed for by subscribers introduced to the Company by each particular individual and company. Each Compensation Warrant entitles the holder to purchase one Share at a price of \$0.65 within one year of the closing date of the Offering. The Compensation Warrants will expire on September 5, 2008.

Included in share issue costs is \$3,615 of non-cash compensation recognized from warrants issued related to the Offering.

NOTES TO FINANCIAL STATEMENTS

Years ended November 30, 2007 and 2006

6. Capital stock (continued):

(c) Options

The Company has a stock option plan which is administered by the Board of Directors of the Company with stock options granted to directors, management, employees, management company employees and consultants as a form of compensation. The number of common shares reserved for issuance of stock options is limited to a maximum of 10% of the issued and outstanding shares of the Company at any one time.

Changes in the number of options outstanding during the year ended November 30, 2007 are as follows:

	2007		2006	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Balance, beginning of period	905,000	\$ 1.33	1,099,000	\$ 1.27
Granted	285,000	0.50	360,000	1.26
Exercised	—	—	(252,000)	0.20
Forfeited, cancelled or expired	(247,500)	1.61	(302,000)	1.96
Balance, end of period	942,500	1.01	905,000	1.33
Options exercisable, end of period	937,500		835,000	
Weighted average fair value per unit of option granted during the year		\$ 0.31		\$ 0.77

During the year ended November 30, 2007, 285,000 stock options with strike prices ranging from \$0.30 to \$0.53 were granted to certain officers, employees and management company employees.

During the same period, no options were exercised and 247,500 stock options previously granted were terminated. Subsequent to November 30, 2007, 70,000 stock options were forfeited.

Options outstanding at November 30, 2007 consist of the following:

Range of exercise prices		Outstanding number	Weighted average remaining contractual life	Weighted average exercise price	Exercisable number
\$0.30	\$2.20	942,500	3.02 years	\$ 1.01	937,500

NOTES TO FINANCIAL STATEMENTS

Years ended November 30, 2007 and 2006

6. Capital stock (continued):

(c) Options (continued)

For the year ended November 30, 2007, compensation expense of \$94,779 (2006 – \$198,305) was recorded to recognize options granted. The compensation expense was determined based on the fair value of the options at the date of measurement using the Black-Scholes option pricing model with the following weighted average assumptions:

	November 30, 2007	November 30, 2006
Expected option life	5.0 years	5.0 years
Risk free interest rate	3.68%	3.79%
Dividend yield	nil	nil
Expected volatility	73.51%	71.00%

The cost of stock based payments to non-employees that are fully vested and non-forfeitable at the measurement date is measured and recognized at that date. For awards that vest at the end of a vesting period, compensation cost is recognized on a straight-line basis over the period of service. The Company recognizes the effect of forfeitures on unvested options as they occur.

(d) Warrants:

Changes in the number of warrants outstanding during the year ended November 30, 2007 are as follows:

	2007			2006		
	Shares	Amount	Weighted average exercise price	Shares	Amount	Weighted average exercise price
Balance, beginning of period	–	\$ –	\$ –	–	\$ –	\$ –
Granted, pursuant to private placement (Note 6(b))	611,429	27,887	0.65	–	–	–
Granted (Note 6(b))	79,253	3,615	0.65	–	–	–
Balance, end of period	690,682	\$ 31,502	0.65	–	\$ –	\$ –
Weighted average remaining contractual life (years)			0.77 years			– years

NOTES TO FINANCIAL STATEMENTS

Years ended November 30, 2007 and 2006

6. Capital stock (continued):

(d) Warrants (continued):

The Company granted 611,429 Warrants together with common shares under the Offering (Note 6(b)), entitling the holders to purchase one common share at a price of \$0.65 for a period of one year commencing from the closing of the Offering. Net proceeds were allocated to common shares and warrants based on their relative fair values using the Black-Scholes model. These warrants will expire on September 5, 2008.

The Company granted 79,253 Compensation Warrants relating to the Offering (Note 6(b)), entitling the holders to purchase one common share at a price of \$0.65 for a period of one year commencing from the closing of the Offering. Non-cash share issue costs of \$3,615 (2006 – nil) were recorded in the year ended November 30, 2007 to reflect the value of these warrants. These warrants will expire on September 5, 2008.

The fair value of warrants was determined at the date of measurement using the Black-Scholes option pricing model with the following weighted average assumptions:

	November 30, 2007
Expected life	1.0 years
Risk free interest rate	4.25%
Dividend yield	nil
Expected volatility	92.19%

(e) Contributed surplus:

Changes in contributed surplus are as follows:

	November 30, 2007	November 30, 2006
Balance, beginning of year	\$ 1,027,092	\$ 829,621
Options granted, net of forfeitures	94,779	198,305
Options exercised	–	(834)
Balance, end of period	1,121,871	\$ 1,027,092

(f) Escrowed shares:

The Company's issued share capital includes 840,000 (2006 – 1,680,000) shares which are currently remaining in escrow and will be released for trading in two installments of 420,000 each. The initial release of shares from escrow was September 10, 2002 and all shares will be released by September 10, 2008.

(g) Per share amounts:

The weighted average number of common shares outstanding for the year ended November 30, 2007 and 2006 was 15,461,625 and 15,143,615, respectively. The dilution created by options and warrants has not been reflected in the per share amounts as the effect would be anti-dilutive.

NOTES TO FINANCIAL STATEMENTS

Years ended November 30, 2007 and 2006

7. Income taxes:

Significant components of the Company's future tax assets are as follows:

	2007	2006
Future tax assets:		
Non-capital loss carry-forwards	\$ 1,233,418	\$ 1,055,238
Scientific research and experimental development	126,064	111,054
Share issue costs	20,360	32,998
Property and equipment	16,292	16,264
Patents	82,391	85,133
Other	1,352	1,713
	1,479,877	1,302,400
less: Valuation allowance	(1,479,877)	(1,302,400)
	\$ —	\$ —

The reconciliation of the Canadian statutory rate to the income tax provision is as follows:

	2007	2006
Canadian federal and provincial income taxes at 36.16% (2006 - 36.66%)	\$ (520,645)	\$ (650,024)
Change in rates	197,333	99,719
Rate difference between current and future taxes	109,578	57,549
Permanent differences and other items	36,257	92,688
Change in valuation allowance	177,477	400,068
	\$ —	\$ —

At November 30, 2007, the Company has the following available for application in future years:

- Unutilized Canadian non-capital loss carried forward balances for income tax purposes of \$4,405,000 (2006 – \$3,198,000), with expiry dates ranging from 2008 to 2027;
- Unutilized scientific research and development expenditures for \$450,000 (2006 – \$337,000), with no expiry;
- Scientific research and development tax credits of \$171,000 (2006 – \$122,000), which can be applied against income taxes otherwise payable, with expiry by 2015.

NOTES TO FINANCIAL STATEMENTS

Years ended November 30, 2007 and 2006

8. Commitments:

The Company leases its laboratory space and equipment under various operating leases. The minimum annual rental payments to the end of the lease term are as follows:

2008	\$	98,750
2009		46,250
2010		15,417
	\$	160,417

The annual lease payments are exclusive of maintenance, property taxes, insurance and other operating costs. The premises and equipment are leased from a company controlled by a director.

The Company has a business and administration services agreement with Genesys Venture Inc. The Company is committed to pay \$16,667 per month or \$200,000 per annum. The agreement shall be automatically renewed for succeeding terms of one year on terms to be mutually agreed upon by the parties.

On November 30, 2007, the Company entered into an agreement with Diagnos Inc. to provide services towards the development of the Company's cancer diagnostic discovery programs. The Company will pay Diagnos a consulting fee to a maximum of \$30,000, 50% of which will be paid in cash and 50% of which will be paid in common shares of the Company once the work is completed. Should Diagnos develop an algorithm for a diagnostic test that is used by Miraculins, Diagnos will receive a royalty of 5% of the actual gross commercial sales received by Miraculins per test, and in addition, Diagnos will also be granted 50,000 options, subject to regulatory approval. The exercise price of the options will be at the closing market price of Miraculins' shares on the date of grant. There were no services provided under this agreement in the current year.

In February 2006, the Company entered into a consulting services agreement with a, now former, officer of the Company. On January 31, 2007, the Company terminated this consulting services agreement and agreed to pay a severance charge of \$15,000 to be paid in twelve equal monthly installments. The final payment under this contract was made in January 2008.

9. Related party transactions:

During the year ended November 30, 2007, the Company paid Genesys Venture Inc., a company controlled by a director, a total of \$300,333 (2006 – \$349,358) respectively, for laboratory lease, equipment rental and consulting fees in accordance with the above noted contractual obligations. Of this amount, \$200,000 (2006 – \$249,025) is included in general and administration expenses and \$100,333 (2006 – \$100,333) is included in research expenses.

As of November 30, 2007, included in accounts payable and accrued liabilities is \$3,788 (2006 – \$15,968) owed to Genesys Venture Inc. The Company has provided a non-interest bearing advance of \$13,400 to Genesys Venture Inc. used for payroll processing, which is included in prepaid expenses.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

NOTES TO FINANCIAL STATEMENTS

Years ended November 30, 2007 and 2006

10. Government assistance:

During the year ended November 30, 2007, the Company received \$23,750 (2006 – \$25,322) in government assistance for the purpose of research. The funding has been recorded against the related research expenditures.

11. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.



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Eric R. Johnstone, CA
Chief Financial Officer

Marcus Enns
Vice President, Corporate Affairs

Stephen J. Frost, PhD
Director, Research and Development

L. Michael Coutts
Director, Business Development

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President and Chief Executive Officer, Medicare Inc.

Phiet Bui, PhD
Co-Founder and Chief Scientific Officer, Miraculins Inc.

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