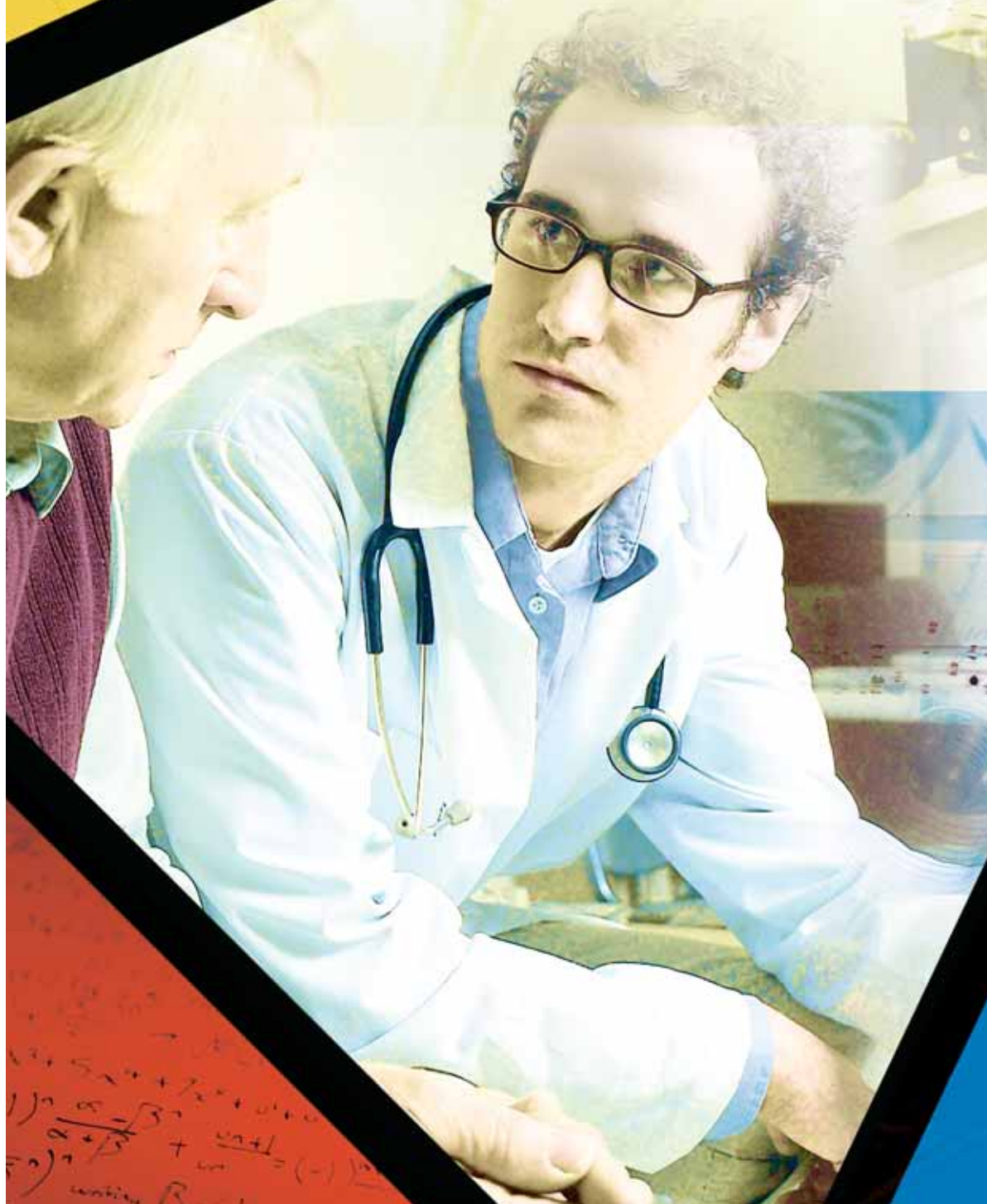


 *miraculins*



ANNUAL REPORT 2005

Miraculins is dedicated to the discovery and validation of cancer biomarkers, for use in developing diagnostic tools and therapeutic products.

CONTENTS

Corporate Profile	1
President's Message	3
Technology Update	5
Management's Discussion and Analysis	10
Financial Statements	15

CORPORATE PROFILE

Miraculins is discovering, validating and developing biological markers (biomarkers) with clinical relevance as diagnostic tools and therapeutic targets for cancers with critical unmet needs.

Cancer biomarkers (tumour markers) are generally products of cancer cells, or the body's response to cancer, that can be detected and then used as a window into a patient's condition. The importance of tumour markers for "common" cancers has been widely recognized and acknowledged by cancer experts and leading groups such as the National Cancer Institute and the American Cancer Society.

The medical community is in need of markers that reliably show the presence of cancer. These markers can also provide clinicians with insight into the aggressiveness of the cancer, how well it responds to various treatment options and the possibility of recurrence. While biopsy remains the ultimate diagnostic tool for cancer, the prevalence of false positives in current diagnostic tools preceding biopsy result in numerous patients being referred for biopsy who do not have cancer. The standard of care for several types of cancer could be dramatically improved by

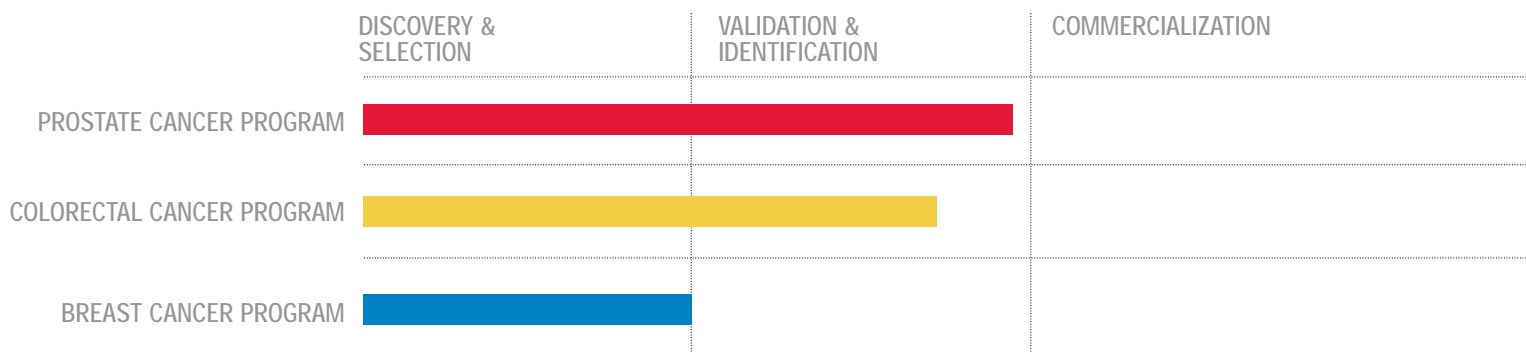
reducing the prevalence of unnecessary biopsies and their associated risks and costs.

The Company presently has active research programs in the areas of prostate cancer, colorectal cancer and breast cancer and holds intellectual property in several additional cancer areas. These programs have produced a series of markers that have demonstrated statistical relevance in detecting cancer, and Miraculins is working to see this promising research commercialized through a combination of further internal development and alliances with value-added partners.

Miraculins is continuing to grow into a well rounded biomarker company built on solid business fundamentals, concrete intellectual property, strong management, and a commitment to maximizing business opportunities while continuing to develop our core competencies in biomarker discovery and validation.

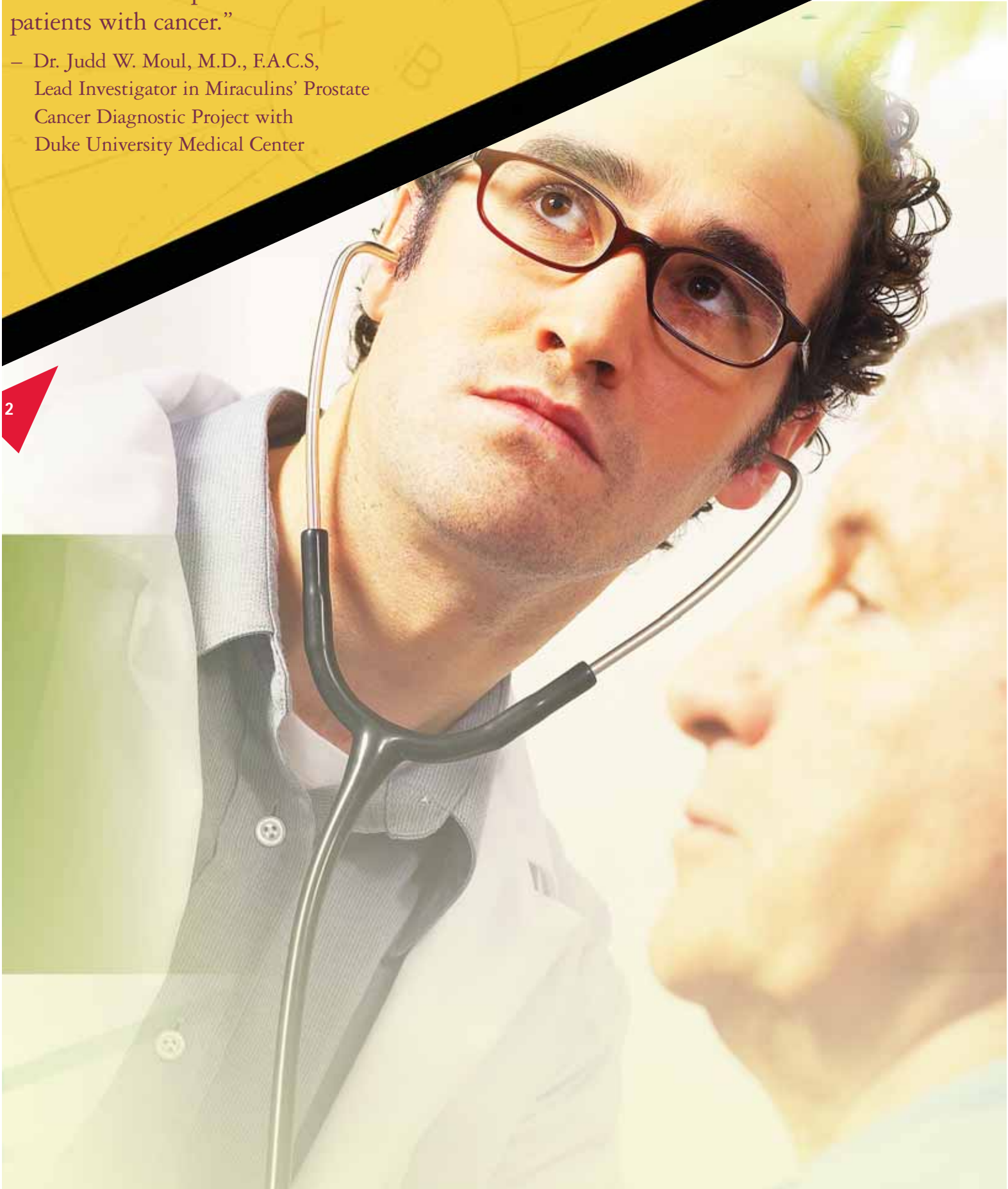


BIOMARKERS CURRENTLY IN DEVELOPMENT



“There is a critical need for new molecular biomarkers to help us better care for our patients with cancer.”

– Dr. Judd W. Moul, M.D., F.A.C.S,
Lead Investigator in Miraculin’s Prostate
Cancer Diagnostic Project with
Duke University Medical Center



PRESIDENT'S MESSAGE

The year began with the announcement of results from the discovery phase of our Prostate Cancer Program, a clear sign that Miraculins had moved into a new stage of corporate development and scientific consequence. Ultimately 2005 was a year of enhancement, maturation and expansion for Miraculins.

Over the past year, Miraculins has matured technologically by building upon our prior positive accomplishments. We are nearing the completion of our most significant milestone of the past year with the impending validation and identification of a number of biomarkers that were found in our discovery set to be discriminatory for prostate cancer. These markers have shown the potential to diagnose prostate cancer better than any of the diagnostic methods currently in use.

Furthermore, we grew our scientific resources and technical capabilities by developing research programs complimentary to our Prostate Cancer Program through the acquisition of an intellectual property estate from a company that had invested several millions of dollars in research and development. The estate contained numerous complimentary patents and biomarkers for several cancers. The acquisition saw us gain a considerable foothold in areas such as colorectal, gastric and pancreatic cancers, and we have worked diligently to advance those projects in parallel to our prostate work.

Miraculins has remained focused on expanding our network of collaborating medical institutions. Our new agreements with Duke University Medical Center, the European Tumour Sample Institute, Victoria General Hospital and the Alberta Cancer Board, provides us with greater ability to access clinical patient samples to fuel our BEST™ Platform for biomarker discovery and validation. The collaborations also provide us with guidance and feedback from the opinion

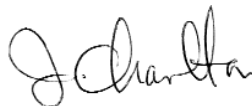
leaders and technical experts that will be the eventual end users of our work.

In addition to the many physicians and clinicians Miraculins accesses through our network, we further enhanced our knowledge base through the introduction of additional leadership and growth of our scientific and business development staff.

We have matured as a public entity, presenting our Company and science at various high profile meetings, and we proudly received recognition by the TSX Venture Exchange as one of Canada's Top Emerging Public Companies.

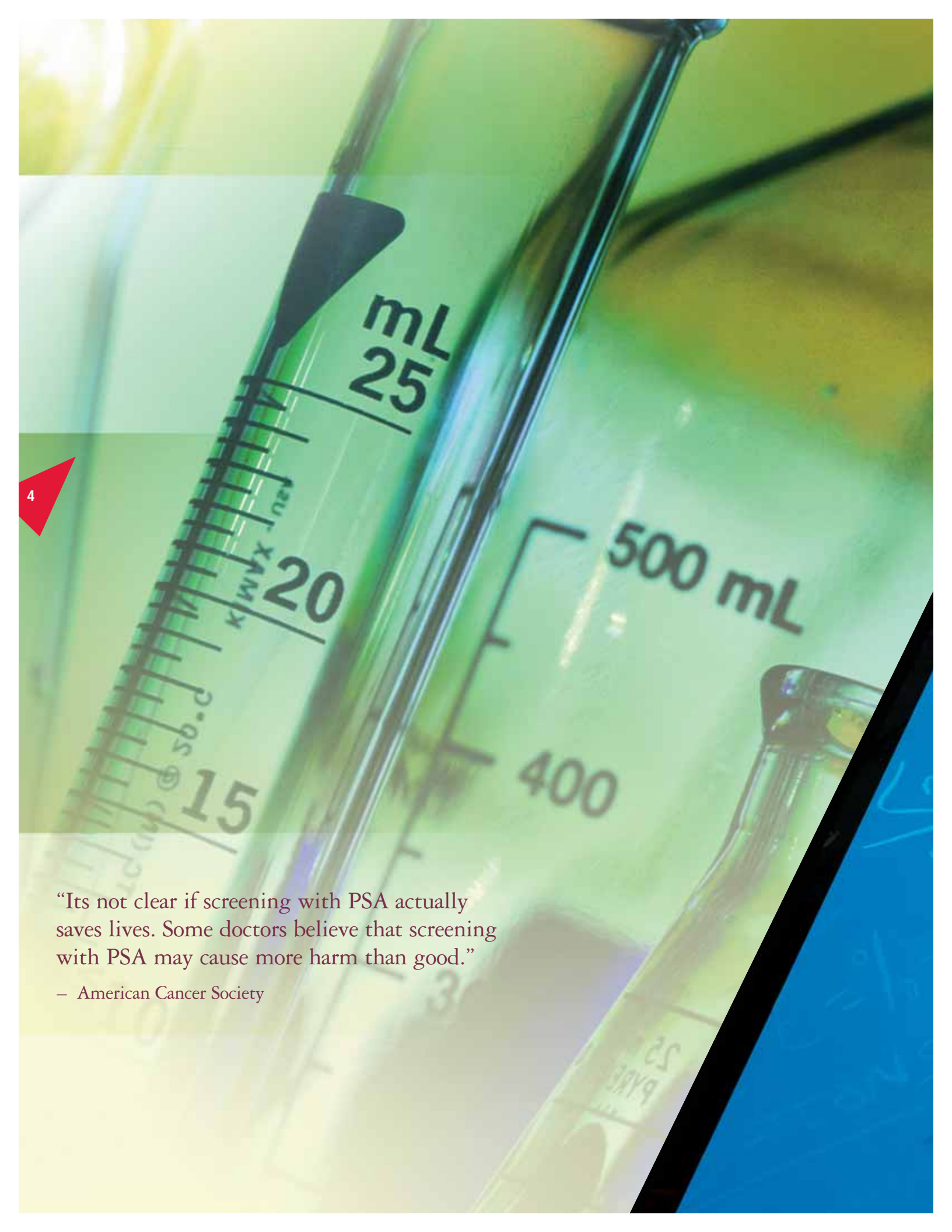
Miraculins is striving to meet and exceed our goals as we advance and execute our business strategy. In the coming year, we expect to be in a position to attract collaborations and commercialization arrangements with value-added strategic partners for both our prostate markers and colorectal markers, entering the next phase of corporate development with momentum.

On behalf of the staff, management and board of directors of Miraculins, we thank our investors for their continued support and look forward to fulfilling the promise that 2006 holds.



Dr. Jim Charlton





“Its not clear if screening with PSA actually saves lives. Some doctors believe that screening with PSA may cause more harm than good.”

– American Cancer Society

TECHNOLOGY UPDATE

Miraculins is applying its expertise through research programs in cancer areas where existing diagnostic methods have significant short-comings, where there is considerable market need, and where the Company believes it can leverage its abilities for the greatest overall benefit.

PROSTATE CANCER PROGRAM

CURRENT DIAGNOSTIC METHODS: prostate specific antigen (PSA) testing, digital rectal exam, prostate biopsy

DRAWBACKS: high number of false positives, over-diagnosis, invasiveness, post-procedural complications

MARKET STATISTICS: Prostate cancer is the most prevalent non-skin cancer in males, responsible for greater than 240,000 new diagnoses in North America each year. The current screening standard for prostate cancer, PSA, 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

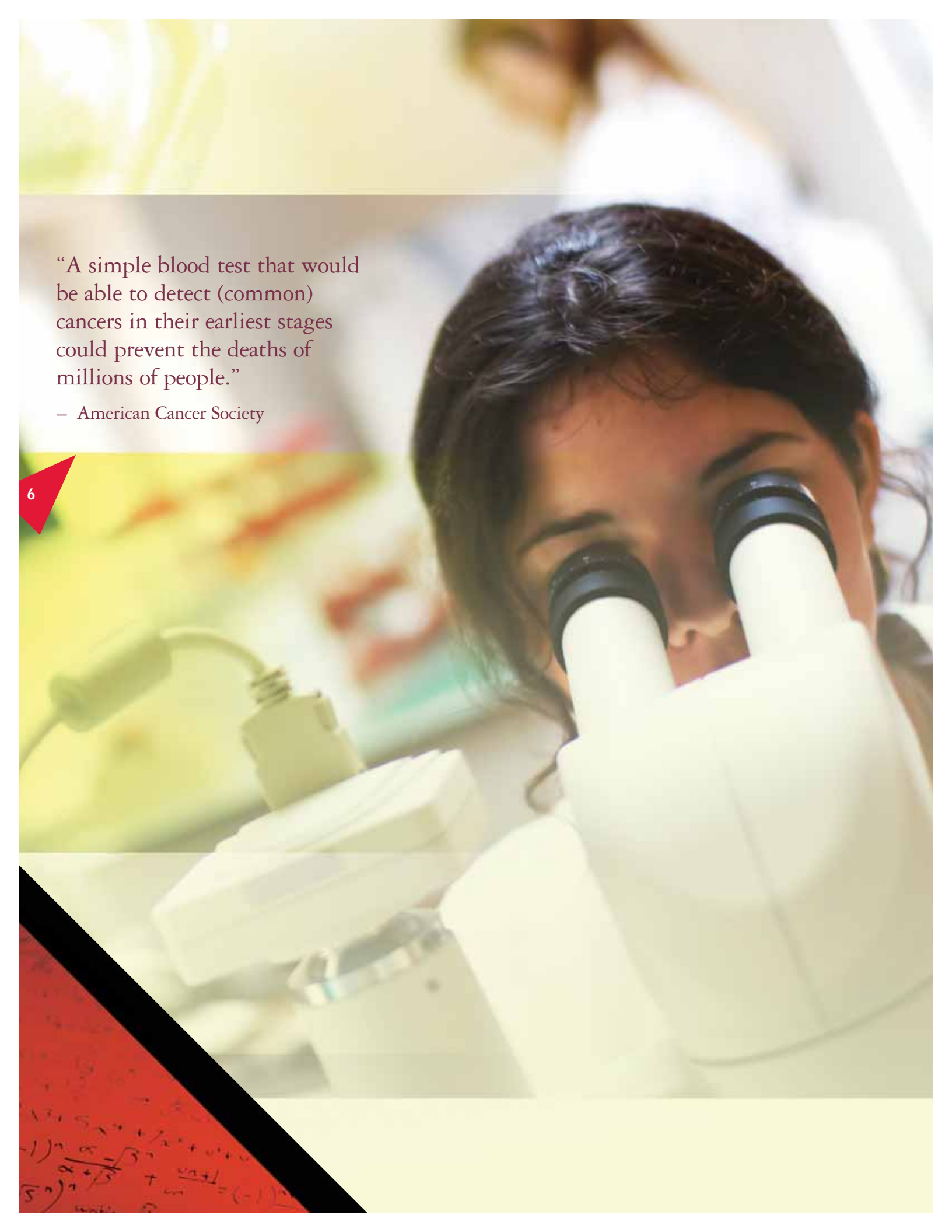
performed annually in the United States alone, resulting in one million prostate biopsy procedures. An estimated 75% of these procedures are unnecessary and could be avoided if a superior prostate cancer diagnostic were available.

RESEARCH UPDATE: Miraculins recently presented results from its Prostate Cancer Study. In the Company's discovery work conducted on urine samples from 184 male volunteers, Miraculins was able to discover several markers that alone, and as part of various diagnostic algorithms, were highly capable in their ability to identify prostate cancer. Miraculins is currently validating the markers and classification algorithms in larger sets of samples.

5

“Our study raises a very serious question of whether a man should even use the PSA test for prostate cancer anymore.”

- Dr. Thomas Stamey, publisher of the original research showing PSA could be used to detect prostate cancer in 1987 in the New England Journal of Medicine, in response to his 2004 publication in the Journal of Urology which provides evidence to question the utility of PSA testing.



“A simple blood test that would be able to detect (common) cancers in their earliest stages could prevent the deaths of millions of people.”

– American Cancer Society



COLORECTAL CANCER PROGRAM

CURRENT DIAGNOSTIC METHODS: fecal occult blood test, flexible sigmoidoscopy, double-contrast barium enema, colonoscopy.

DRAWBACKS: invasiveness, cost

MARKET STATISTICS: There are over 150,000 diagnoses of colorectal cancer in North America each year. Although regular screening is strongly advised, the diagnostic tools for colorectal cancer are underused due to their deficiencies, particularly invasiveness.

RESEARCH UPDATE: Miraculins has intellectual property related to several biomarkers indicated for colorectal cancer and is presently executing a program to validate the ability of these markers to diagnose this serious disease.

BREAST CANCER PROGRAM

CURRENT DIAGNOSTIC METHODS: self exam, clinical exam, mammography, breast biopsy

DRAWBACKS: high number of false positives, invasiveness, cost

MARKET STATISTICS: There is expected to be more than 250,000 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 8 chance of developing invasive breast cancer in their lifetime. A breast cancer tumour can exist for six to ten years before it can be detected by mammography, the current standard for diagnosing breast cancer. In addition, mammography also has a high probability of false positives. Of even further concern, mammography is less effective in younger women, the group in which the breast cancer survival rate is the lowest. However, when breast cancer is detected early, the five-year survival rate exceeds 95%.

RESEARCH UPDATE: Miraculins is actively engaged in research to develop markers with diagnostic, and potential therapeutic, utility for breast cancer.

OTHER OPPORTUNITIES

The Company continues to evaluate opportunities to expand its focus and initiate studies in additional disease conditions. This includes the ongoing verification of the research results which were part of the Europroteome intellectual property acquisition. In addition to its active research programs, Miraculins has a number of complimentary patents in numerous additional cancer areas.



MANAGEMENT'S
DISCUSSION
AND ANALYSIS &
FINANCIAL STATEMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") should be read in conjunction with the audited financial statements and related notes included therein that are prepared in accordance with Canadian generally accepted accounting principles taking into account material events up to March 28, 2006. All amounts are expressed in Canadian Dollars unless otherwise noted. Annual references are to the Company's fiscal years, which end on November 30.

OVERVIEW

Miraculins Inc. ("Miraculins" or the "Company") is dedicated to the discovery and development of diagnostic and therapeutic targets for select cancers. The Company is focused on cancers of the digestive, genital and urinary systems. 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 screening, 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.

The Company is using its proprietary BEST™ Platform to discover and identify biomarkers (proteins and peptides) in body fluids that are expressed abnormally in victims of 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.

CRITICAL ACCOUNTING ESTIMATES AND CHANGES IN ACCOUNTING POLICIES

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. Areas of significant estimates include research costs and stock-based compensation.

RESEARCH COSTS

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 a development project meets stringent criteria for cost deferral and amortization. The Company assesses whether these costs have met the relevant criteria for deferral and amortization at each reporting date. No development costs have been deferred to date.

STOCK-BASED COMPENSATION

The Company follows accounting guidelines in determining the value of stock-based compensation, as disclosed in Note 2(e) of the Financial Statements. This calculated amount is not based on historical cost, but is based on subjective assumptions which are inputted into an option pricing model. The model requires that management make several assumptions as to future events including: 1) estimating the average future hold period of issued stock options before exercise, expiry or cancellation; 2) estimating future volatility of the Company's share price in the expected hold period (using historical volatility as a reference); 3) and calculating an appropriate risk free rate of interest. The resulting value is not necessarily the value which the holder of the option could receive in an arm's length transaction, given that there is no market for the options and they are not transferable. It is management's view that the value derived is highly subjective and dependent entirely on the input assumptions made. The Company recorded stock-based compensation expense in fiscal 2005 of \$581,318 (2004 - \$212,146).

CHANGES IN ACCOUNTING POLICIES

There were no changes in Accounting Policies during the period.

SELECTED ANNUAL INFORMATION

The following is selected financial information about the Company, for its 2005, 2004 and 2003 fiscal years:

	2005	2004	2003
Revenue	\$ 99,605	\$ 41,197	\$ 11,732
Research expenses	(652,327)	(326,213)	(251,860)
General and administrative expenses	(1,006,637)	(460,336)	(168,982)
Loss for the year	(1,586,342)	(749,864)	(421,947)
Loss per share	(0.11)	(0.07)	(0.05)
Total assets	3,040,490	3,441,778	228,432
Total liabilities	108,853	41,517	29,062
Deficit	(2,932,118)	(1,345,776)	(595,912)
Total capital stock and contributed surplus	5,863,755	4,746,037	759,282

QUARTERLY FINANCIAL INFORMATION FOR 2005 AND 2004

The following quarterly financial information about the Company, for its years ended November 30, 2005 and November 30, 2004:

	Q4 2005	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004
Revenue	\$ 26,273	\$ 20,783	\$ 23,288	\$ 29,261	\$ 22,040	\$ 9,848	\$ 7,293	\$ 2,016
Loss for the period	(585,435)	(430,263)	(315,292)	(255,352)	(291,430)	(194,156)	(163,713)	(100,565)
Loss per share	(0.04)	(0.03)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.01)

The Company's increasing quarterly loss over the past two years relates primarily to the expansion of the Company's research programs. Specifically, expenses increased as compared to prior periods due to an increase in payroll, contract research, consumables, rent and recording stock-based compensation related to options granted to investor relations firms, consultants, employees and directors.

FOURTH QUARTER

The increased loss in the fourth quarter of fiscal 2005 as compared to the third quarter of fiscal 2005 and to the fourth quarter of fiscal 2004 is mainly driven by the recognition of stock-based compensation and an increase in research salaries.

RESULTS OF OPERATIONS

Year Ended November 30, 2005 as Compared to Year Ended November 30, 2004

The Company has been a research company since inception. Due to expenditures related to its research, the Company anticipates that losses will continue at least until market approval of the Company's first product, which may never occur. During the year ended November 30, 2005, the Company had a loss of \$1,586,342 compared to \$749,864 for the year ended November 30, 2004.

INTEREST INCOME

The changes in interest income for the fiscal year ended November 30, 2005 and November 30, 2004 are reflected in the following table:

YEAR ENDED	2005	2004	INCREASE (DECREASE)
Interest income	\$99,605	\$41,197	\$58,408

Interest income in fiscal 2005 was significantly higher than fiscal 2004, primarily due to higher average cash balances throughout the year as compared to the prior year. The Company anticipates that investment income will continue to fluctuate in relation to cash and short term investment balances and interest yields.

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 fiscal years ended November 30, 2005 and November 30, 2004 are reflected in the following table:

YEAR ENDED	2005	2004	INCREASE (DECREASE)
Research	\$652,327	\$326,213	\$326,114

As expected, research expenditures were higher in fiscal 2005 as compared to the same period in fiscal 2004. This increase in spending was the result of higher research salaries, consumables, contract research and equipment rent. In addition, the Company relocated to larger facilities in fiscal 2005.

The Company presently has active research programs in the areas of prostate cancer, colorectal cancer and breast cancer.

PROSTATE CANCER PROGRAM

Prostate cancer is responsible for greater than 240,000 new diagnoses in North America each year. The current screening standard for prostate cancer, PSA, 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 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 PSA were available.

Miraculins recently presented results from its Prostate Cancer Study. In the Company's discovery work conducted on urine samples from 184 human volunteers, Miraculins was able to attain sensitivity and specificity results of greater than 90% respectively using various diagnostic algorithms. Miraculins is currently validating the markers and classification algorithms in larger sets of samples and final results will be contingent on these studies.

COLORECTAL CANCER PROGRAM

There are over 150,000 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 secured intellectual property related to several biomarkers indicated for colorectal cancer and is presently executing a program to validate the ability of these markers to diagnose this disease.

BREAST CANCER PROGRAM

There are more than 250,000 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 8 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 is actively engaged in research to develop markers with diagnostic, and potential therapeutic, utility for breast cancer.

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.

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 fiscal years ended November 30, 2005 and November 30, 2004 are reflected in the following table:

YEAR ENDED	2005	2004	INCREASE (DECREASE)
General and administrative	\$1,006,637	\$460,336	\$546,301

The overall increase in costs during the fiscal year ended November 30, 2005 compared to the similar period in fiscal 2004 is primarily attributable to the recognition of stock-based compensation, an increase in administrative and consulting fees, investor relations activities, and professional fees. The Company expects similar levels of general and administrative expenditures in the fiscal year ending November 30, 2006 as compared to fiscal 2005.

RESULTS

The loss for fiscal years ended November 30, 2005 and November 30, 2004 is reflected in the following table:

YEAR ENDED	2005	2004	INCREASE (DECREASE)
Loss	\$1,586,342	\$749,864	\$836,748
Loss per share	0.11	0.07	0.04

As discussed above, the loss resulted mainly from the recognition of stock-based compensation, an increase in administrative and consulting fees, investor relations activities, professional fees and from the expansion of the Company's research programs. 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, 2005, the Company had cash and cash equivalents totaling \$2,570,893 compared with \$3,294,222 at the previous year-end.

CASH USED IN OPERATING ACTIVITIES

Cash used in operating activities totaled \$938,351 in 2005, compared to \$624,056 in the previous year as the Company's research programs were expanded in 2005.

CASH USED IN INVESTING ACTIVITIES

Cash used in investing activities totaled \$321,378 in 2005, primarily due to the acquisition of property and equipment and from patent costs. In the previous year, cash received from investing activities totaled \$15,932, mainly due to the disposition of property and equipment.

CASH FROM FINANCING ACTIVITIES

In fiscal 2005, cash provided from financing activities totaled \$536,400. Of this amount, stock options were exercised for gross proceeds of \$3,150 and warrants were exercised for gross proceeds of \$533,250. In the previous year, the Company raised a total of \$3,738,609 from the issuance of common shares.

The total number of common shares issued and outstanding at November 30, 2005 was 14,921,500 as compared to 14,333,000 at November 30, 2004. As at March 28, 2006, the Company had 15,171,500 common shares outstanding and 1,114,000 stock options outstanding.

CONTRACTUAL OBLIGATIONS

The Company leases its premises and equipment under various operating leases. The Company has the following cash resource requirements:

	PAYMENTS DUE BY PERIOD				
	Total Commitments	Within 1 year	2-3 years	4-5 years	After 5 years
Operating leases	\$ 389,042	\$ 132,625	\$ 212,250	\$ 44,167	\$ -

OFF-BALANCE SHEET ARRANGEMENTS

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

FINANCIAL INSTRUMENTS

The fair values of cash and cash equivalents, accounts receivable, research advance and accounts payable and accrued liabilities approximate their carrying values due to their short term to maturity. The Company has not entered into any futures or forward contracts or other derivative instruments as at November 30, 2005.

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. Management has evaluated the effectiveness of the Company's disclosure controls and procedures, as at the date of this "MD&A", and as a result of that review, the Company's President and Chief Financial Officer believe them to be effective in providing such reasonable assurance.

RELATED PARTY TRANSACTIONS

During the year ended November 30, 2005, the Company paid a company controlled by a director, a total of \$312,208 (2004 - \$214,302) for office rent, equipment rental and consulting fees.

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

OUTLOOK

The strategic direction of the Company is centered on developing markers of clinical relevance for cancers of the digestive, genital, and urinary systems with a focus on advancing its three research programs. In order to advance these programs, Miraculins expects to continue incurring operating losses. Based on current projections and strategic plans, it is expected that total expenses will increase in fiscal 2006 compared to fiscal 2005. This increase in expenditures is expected to result from the continued growth of our present research activities and the corresponding growth of our work force and knowledge base.

The Company believes it has sufficient resources to fund operations into fiscal 2007. However, funding requirements may change as a result of numerous factors including progress of the Company's research, commercialization arrangements with partners, and changes or expansions to the Company's research programs. As such, the Company may consider raising additional capital during fiscal 2006 to fund operations over the long term. In addition, the Company will be approaching various potential partners to pursue alliances with regards to its prostate cancer program, which may provide additional funding for research.

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. Management is not presently aware of any factors that would change its strategy over the next year.

RISKS AND UNCERTAINTY

The Company's 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. The timing of revenue generation is uncertain. The Company's business, financial condition and results of operations will depend on its ability to obtain additional funding through the capital markets, which may not be available under favourable terms, if at all. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company.

Other potential risk factors facing the Company include: the performance of key personnel, competition from other companies, and the ability to obtain patent protection and regulatory approvals.

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.

AUDITORS' REPORT

To the Shareholders of Miraculins Inc.

We have audited the balance sheets of Miraculins Inc. as at November 30, 2005 and 2004 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, 2005 and 2004 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

January 27, 2006

BALANCE SHEETS

NOVEMBER 30, 2005 AND 2004

	2005	2004
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,570,893	\$ 3,294,222
Accounts receivable	135,843	88,270
Prepaid expenses	19,785	39,712
	<hr/>	<hr/>
	2,726,521	3,422,204
Property and equipment (note 3)	145,469	11,831
Patents	168,500	7,743
	<hr/>	<hr/>
	\$ 3,040,490	\$ 3,441,778

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable and accrued liabilities	\$ 108,853	\$ 41,517
Shareholders' equity:		
Capital stock (note 4)	5,034,134	4,246,402
Contributed surplus (note 4)	829,621	499,635
Deficit	(2,932,118)	(1,345,776)
	<hr/>	<hr/>
	2,931,637	3,400,261
Commitments (note 6)		
Subsequent events (notes 4 and 6)		
	<hr/>	<hr/>
	\$ 3,040,490	\$ 3,441,778

On behalf of the Board:

Director

Director

See accompanying notes to financial statements.

STATEMENTS OF OPERATIONS AND DEFICIT

YEARS ENDED NOVEMBER 30, 2005 AND 2004

	2005	2004
Revenue:		
Interest	\$ 99,605	\$ 41,197
Expenses:		
Amortization and write-down of patents	26,983	9,586
General and administration	1,006,637	460,336
Research	652,327	326,213
	1,685,947	796,135
Other:		
Gain on disposal of property and equipment	–	5,074
Loss for the year	(1,586,342)	(749,864)
Deficit, beginning of year	(1,345,776)	(595,912)
Deficit, end of year	\$ (2,932,118)	\$ (1,345,776)
Basic and diluted loss per share	\$ (0.11)	\$ (0.07)

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

YEARS ENDED NOVEMBER 30, 2005 AND 2004

	2005	2004
Cash provided by (used in):		
Operating activities:		
Loss for the year	\$ (1,586,342)	\$ (749,864)
Adjustments for:		
Amortization of property and equipment	22,879	–
Write-down of patents	4,104	–
Gain on disposal of property and equipment	–	(5,074)
Non-cash compensation recognized from stock options	581,318	212,146
Change in the following:		
Accounts receivable	(47,573)	(63,593)
Prepaid expenses	19,927	(39,712)
Accounts payable and accrued liabilities	67,336	12,455
	(938,351)	(624,056)
Financing activities:		
Issuance of common shares, net of share issue costs	536,400	3,489,363
Non-cash portion of share issue costs arising from issue of broker and corporate finance warrants	–	249,246
	536,400	3,738,609
Investing activities:		
Purchase of property and equipment	(156,517)	(3,916)
Proceeds on disposal of property and equipment	–	22,800
Patent costs	(164,861)	(2,952)
	(321,378)	15,932
Increase (decrease) in cash	(723,329)	3,130,485
Cash, beginning of year	3,294,222	163,737
Cash, end of year	\$ 2,570,893	\$3,294,222

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED NOVEMBER 30, 2005 AND 2004

1. NATURE OF OPERATIONS:

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 currently in commercial production or use. Accordingly, the company is considered to be a development stage enterprise for accounting purposes. Since June 27, 1998, the date of incorporation of Miraculins Inc., through to November 30, 2005, the company has expended \$1,322,987 for research.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The company has experienced operating losses and cash outflows from operations since incorporation.

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 to the carrying values of the assets and liabilities which may be required should the company be unable to continue as a going concern.

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	25%

(c) Patents:

Costs incurred in obtaining patents are capitalized and amortized on a straight-line basis over the legal life of the respective patents, being approximately twenty years, or its economic life, if shorter. The cost of servicing the company's patents is expensed as incurred. No amortization has been recorded to date.

(d) Impairment of long-lived assets:

On a regular basis, management reviews the valuation of long-lived assets, which includes property and equipment and patent costs, taking into consideration any events and circumstances which may impact recoverable value. Section 3063 of the CICA Handbook, *Impairment of Long-Lived Assets*, effective for fiscal 2004, 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) Stock-based compensation:

The company has a stock option plan [note 4 (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.

(f) **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.

(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.

(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. Actual results could differ from those estimates.

3. PROPERTY AND EQUIPMENT:

2005	Cost	Accumulated amortization	Net book value
Computer and office equipment	\$ 9,421	\$ 4,420	\$ 5,001
Scientific equipment	45,205	11,427	33,778
Leasehold improvements	121,932	15,242	106,690
	\$ 176,558	\$ 31,089	\$ 145,469

2004	Cost	Accumulated amortization	Net book value
Computer and office equipment	\$ 4,261	\$ 2,699	\$ 1,562
Scientific equipment	15,779	5,510	10,269
	\$ 20,040	\$ 8,209	\$ 11,831

4. 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 are as follows:

	Number of shares	Amount
Balance at November 30, 2003	7,850,000	\$ 757,039
Exercise of stock options	83,000	51,915
Private placement of shares for cash, net of share issue costs of \$412,131 ⁽¹⁾	4,000,000	1,587,869
Exercise of warrants	2,000,000	1,500,000
Private placement of shares for cash, net of share issue costs of \$50,421 ⁽²⁾	400,000	349,579
Balance at November 30, 2004	14,333,000	4,246,402
Exercise of warrants	583,500	782,496
Exercise of stock options	5,000	5,236
Balance at November 30, 2005	14,921,500	\$ 5,034,134

(1) On March 26, 2004, the company closed a private placement offering (the Offering) of 4,000,000 units at a price of \$0.50 per unit for gross proceeds of \$2,000,000. Each unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.75 at any time within six months of the closing date of the Offering. The Agent for the Offering received a corporate finance fee of \$10,000, and 10,000 corporate finance warrants, each such warrant entitling the Agent to purchase one common share at a price of \$0.60 per share within one year of the closing date of the Offering. The Agent and sub-agent also received a commission equal to 5 percent of the gross proceeds, plus 360,000 warrants (Broker Warrants), equivalent to 9 percent of the units sold under the Offering. Each Broker Warrant entitles the holder to purchase one common share at a price of \$0.60 per share within one year of the closing date of the Offering.

In concert with the private placement, certain insiders to the company arranged for the sale of an aggregate of 659,000 common shares at prices between \$0.50 and \$0.55 per share. The proceeds for this sale were used to purchase 659,000 units under the private placement.

(2) On July 27, 2004, the company closed a private placement offering (the Offering) of 400,000 units at a price of \$1.00 per unit for gross proceeds of \$400,000. Each unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$1.50 at any time within six months of the closing date of the Offering. The Agents for this Offering received a commission equal to 5 percent of the gross proceeds, plus an aggregate of 36,000 common share purchase warrants (Broker Warrants), equal to 9 percent of the number of units sold pursuant to the Offering, with each Broker Warrant entitling the holder to purchase one common share at a price of \$1.25 per share for a one year period from the date of closing.

(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 percent of the issued and outstanding shares of the company at any one time.

A summary of the company's stock option plan is as follows:

	2005		2004	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Balance, beginning of year	627,000	\$ 0.78	470,000	\$ 0.48
Granted	480,000	1.91	325,000	1.23
Exercised	(5,000)	0.63	(83,000)	0.63
Cancelled or expired	(3,000)	1.20	(85,000)	1.13
Balance, end of year	1,099,000	\$ 1.27	627,000	\$ 0.78
Options exercisable, end of year	949,000		452,000	
Weighted average fair value per unit of options granted during the year		\$ 1.19		\$ 0.92

During fiscal 2005, 215,000 stock options with a strike price ranging from \$1.70 to \$2.20 per common share were granted to certain officers, employees and management company employees and 75,000 stock options with a strike price of \$1.95 per common share were granted to a director. Additionally, 190,000 stock options were granted to consultants. Of these, 150,000 stock options have an exercise price of \$1.76 per common share and 40,000 stock options have an exercise price of \$1.70 per common share. In addition, a management company employee exercised 5,000 stock options at \$0.63 for proceeds of \$3,150.

Subsequent to November 30, 2005, certain directors exercised 250,000 stock options at \$0.20 per share for proceeds of \$50,000. In addition, on February 4, 2006, 40,000 stock options were granted to an officer of the company with a strike price of \$1.40.

Options outstanding at November 30, 2005 consist of the following:

Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Options outstanding weighted average exercise price	Number exercisable
\$ 0.20 - 2.20	1,099,000	3.21 years	\$ 1.27	949,000

The compensation expense related to stock options granted under the stock option plan during fiscal 2005 to employees, management company employees and consultants aggregated \$581,318 (2004 - \$212,146). 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:

	2005	2004
Expected option life	5 years	5 years
Risk-free interest rate	3.22%	2.75%
Dividend yield	—	—
Expected volatility	71.00%	70.00%

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 the vesting period, compensation cost is recognized on a straight-line basis over the period of service.

(d) Warrants:

	2005		2004	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Balance, beginning of year	606,000	\$ 0.94	—	\$ —
Granted	—	—	2,606,000	0.79
Exercised	(583,500)	0.91	(2,000,000)	0.75
Cancelled or expired	(22,500)	1.50	—	—
Balance, end of year	—	\$ —	606,000	\$ 0.94
Weighted average remaining contractual life (years)	—	—	—	0.29

In fiscal 2005, 370,000 warrants relating to the private placement offering of March 26, 2004 were exercised for proceeds of \$222,000, representing all of the remaining outstanding warrants related to this private placement.

In fiscal 2005, 177,500 warrants relating to the private placement offering of July 27, 2004 were exercised for proceeds of \$266,250. In July 2005, 36,000 broker warrants relating to the private placement offering of July 27, 2004 were exercised for proceeds of \$45,000.

- (e) Contributed surplus:
Changes in contributed surplus are as follows:

	Amount
Balance, November 30, 2003	\$ 38,243
Options granted	212,146
Warrants granted	249,246
Balance, November 30, 2004	499,635
Options granted	581,318
Options exercised	(2,086)
Warrants exercised	(249,246)
Balance, November 30, 2005	\$ 829,621

- (f) Escrowed shares:

The company's issued share capital includes 2,520,000 shares (2004 - 3,663,000) which are currently held in escrow and will be released for trading in twelve instalments, releasable every six months in amounts ranging from 361,500 to 571,500 shares. The initial release of shares 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 years ended November 30, 2005 and November 30, 2004 were 14,811,193 and 11,150,020, respectively. The dilution created by options has not been reflected in the per share amounts as the effect would be anti-dilutive.

5. INCOME TAXES:

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

	2005	2004
Future tax assets:		
Non-capital loss carry-forwards	\$ 519,692	\$ 289,079
Scientific research and experimental development	274,850	135,762
Share issue cost	59,747	83,507
Other	3,449	5,125
	857,738	513,473
Future tax liability:		
Property and equipment	7,441	-
	850,297	513,473
Less valuation allowance	850,297	513,473
	\$ -	\$ -

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

	2005	2004
Canadian federal and provincial income taxes at 37.1% (2004 - 37.6%)	\$ (588,533)	\$ (281,882)
Change in rates	9,700	23,575
Share issue costs	-	(53,742)
Add permanent differences	242,009	74,657
	336,824	237,392
Less valuation allowance	336,824	237,392
	\$ -	\$ -

At November 30, 2005, the company has the following available for application in future years:

- unutilized Canadian non-capital loss carried forward balances for income tax purposes of \$1,401,000 (2004 - \$768,000), with expiry dates ranging from 2005 to 2015
- unutilized scientific research and development expenditures of \$741,000 (2004 - \$361,000) with no expiry
- scientific research and development investment tax credits of \$333,000 (2004 - \$131,000) which can be applied against income taxes otherwise payable, with expiry by 2014.

6. COMMITMENTS:

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

2006	\$	132,625
2007		126,625
2008		85,625
2009		33,125
2010		11,042

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 research agreement with the University of Manitoba expiring in March 2006. This agreement allows the company to use certain equipment owned by the University of Manitoba based on usage with no minimum amount. There were no payments made regarding this agreement in fiscal 2005 (2004 - nil).

The company has two consulting services agreements. The company is committed to pay \$12,500 per annum to each consultant. In the year ending November 30, 2005, the company paid \$12,500 (2004 - \$12,500) to each of the consultants. The agreements shall be automatically renewed for succeeding terms of one year on terms to be mutually agreed upon by the parties.

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 10, 2005, the company entered into a consulting services agreement with an officer of the company. The company is committed to pay \$32,500 per annum, payable on a quarterly basis. In addition, the consultant was issued 40,000 share purchase options at an exercise price of \$1.70 per common share with all options vesting on the date of grant. The agreement shall be automatically renewed for succeeding terms of one year on terms to be mutually agreed upon by the parties.

On December 15, 2005, the company entered into an investor relations contract with CHF Investor Relations. Under the terms of the six month agreement, CHF will receive \$6,000 per month and 75,000 share purchase options at an exercise price of \$1.69 per common share. The options will vest over a period of one year with 18,750 options vesting each quarter. Following the initial six month period, the agreement shall be automatically renewed and may be cancelled by either party by providing two months notice in writing.

7. RELATED PARTY TRANSACTIONS:

During the year ended November 30, 2005, the company paid Genesys Venture Inc., a company controlled by a director, a total of \$312,208 (2004 - \$214,302) for office rent, equipment rental and consulting fees. Of this amount, \$235,402 (2004 - \$154,302) is included in general and administration expenses and \$76,806 (2004 - \$60,000) is included in research expenses.

Included in research expenses, and in accounts payable and accrued liabilities at November 30, 2004 is \$45,833 regarding consulting fees payable to a director.

8. GOVERNMENT ASSISTANCE:

During the year ended November 30, 2005, the company received \$12,146 (2004 - \$15,000) in government assistance for the purposes of research. The funding has been recorded against the related research expenditures.

9. FINANCIAL INSTRUMENTS:

The fair values of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate their carrying values due to their short-term to maturity.

MANAGEMENT TEAM

Dr. Jim Charlton
President

Dr. Phiet T. Bui
Chief Scientific Officer

Ms. April Manness, CGA
Chief Financial Officer

Mr. Christopher Moreau
Vice President, Business Development

Mr. Marcus Enns
Vice President, Corporate Affairs

BOARD OF DIRECTORS

Dr. Albert D. Friesen, Chairman
President & CEO, Medicare Inc.
Co-Founder, Miraculins Inc.

Dr. Phiet T. Bui
Co-Founder & Chief Scientific Officer, Miraculins Inc.

Mr. David Filmon
Partner, Aikins, MacAulay & Thorvaldson LLP

Mr. Ted Paetkau
President, Concord Projects Ltd.

Mr. Peter de Visser, CA
Founding Partner, De Visser Gray
Chartered Accountants

Dr. Vincent Lenaerts
Industry Consultant

AUDITOR

KPMG LLP
One Lombard Place, Suite 2000
Winnipeg, MB R3B 0X3

TRANSFER AGENT

CIBC Mellon Trust Company
600, 333-7th Avenue S.W.
Calgary, AB T2P 2Z1

CORPORATE COUNSEL

Aikins, MacAulay & Thorvaldson LLP
30th Floor, 360 Main Street
Winnipeg, MB R3C 4G1

PATENT COUNSEL

Ridout & Maybee LLP
1 Queen Street East, Suite 2400
Toronto, ON M5C 3B1

TRADING SYMBOL

TSX-V: MOM



6 - 1250 Waverley Street
Winnipeg, Manitoba, Canada R3T 6C6
Phone: 204.453.1408
Fax: 204.453.1546
info@miraculins.com

www.miraculins.com