



**MIRACULINS INC.  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED NOVEMBER 30, 2008 AND 2007**

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## AUDITORS' REPORT

To the Shareholders of Miraculins Inc.

We have audited the balance sheets of Miraculins Inc. as at November 30, 2008 and 2007 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, 2008 and 2007 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 26, 2009

# MIRACULINS INC.



## Balance Sheets

November 30, 2008 and 2007

	2008	2007
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 5,717	\$ 248,415
Restricted cash (Note 6)	20,000	20,000
Accounts receivable	34,134	61,277
Prepaid expenses (Note 13)	23,010	26,904
	82,861	356,596
Property and equipment (Note 7)	134,100	120,877
Intangible assets (Note 8)	72,906	32,979
	\$ 289,867	\$ 510,452
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 156,140	\$ 49,519
Due to related party (Note 13)	84,487	3,788
Current portion of obligation under capital lease (Note 9)	8,356	-
	248,983	53,307
Obligation under capital lease (Note 9)	34,728	-
Shareholders' equity:		
Capital stock (Note 10(b))	5,813,086	5,448,775
Contributed surplus (Note 10(e))	1,194,593	1,121,871
Warrants (Note 10(d))	236,398	31,502
Deficit	(7,237,921)	(6,145,003)
	6,156	457,145
Nature and continuation of operations - going concern (Note 1)		
Commitments (Note 12)		
Subsequent event (Note 17)		
	\$ 289,867	\$ 510,452

On behalf of the Board:

Handwritten signature of Albert O. Frisen in black ink.

Director

Handwritten signature of Peter A. Vrain in black ink.

Director

The accompanying notes are an integral part of these financial statements

# MIRACULINS INC.



## Statements of Operations and Deficit Years ended November 30, 2008 and 2007

	2008	2007
<b>Expenses</b>		
General and administration	\$ 583,595	\$ 612,603
Research	423,170	680,318
Amortization	44,568	38,336
Write-down of patents and trademarks	6,236	36,273
Stock based compensation		
General and administration	37,154	82,432
Research	4,066	12,347
Loss before the undernoted	(1,098,789)	(1,462,309)
<b>Other</b>		
Investment income	5,871	22,539
Loss and comprehensive loss for the year	(1,092,918)	(1,439,770)
Deficit, beginning of year	(6,145,003)	(4,705,233)
Deficit, end of year	\$ (7,237,921)	\$ (6,145,003)
Basic and diluted loss per share (Note 10(g))	\$ (0.06)	\$ (0.09)

The accompanying notes are an integral part of these financial statements

# MIRACULINS INC.



## Statements of Cash Flows

Years ended November 30, 2008 and 2007

	2008	2007
<b>Cash provided by (used in):</b>		
<b>Operating activities:</b>		
Loss and comprehensive loss for the year	\$ (1,092,918)	\$ (1,439,770)
Adjustments for:		
Loss on disposal of property and equipment	273	-
Amortization	44,568	38,336
Write-down of patents	6,236	36,273
Stock based compensation	41,220	94,779
Change in the following:		
Accounts receivable	27,143	71,267
Prepaid expenses	3,894	7,369
Accounts payable and accrued liabilities	106,621	(53,054)
Due to related party	80,699	(12,180)
	(782,264)	(1,256,980)
<b>Financing activities:</b>		
Issuance of common shares and warrants, net of share issue costs	579,939	394,049
Capital lease repayment	(10,951)	-
Change in restricted cash	-	(20,000)
	568,988	374,049
<b>Investing activities:</b>		
Purchase of property and equipment	(4,029)	(9,085)
Patent and trademark costs	(25,393)	(35,907)
	(29,422)	(44,992)
Decrease in cash	(242,698)	(927,923)
Cash and cash equivalents, beginning of year	248,415	1,176,338
Cash and cash equivalents, end of year	\$ 5,717	\$ 248,415
<b>Supplemental cash flow information:</b>		
Non-cash financing activities:		
Warrants issued as share issue costs (Note 10(b))	\$ 15,265	\$ 3,615
Non-cash investing activities:		
Shares issued in exchange for technology licence (Note 8)	\$ 20,770	\$ -

The portion of the purchase price of equipment under capital lease satisfied by the assumption of the obligation under capital lease of \$54,035 (2007 - nil) have been excluded from financing and investing activities on the statement of cash flows.

The accompanying notes are an integral part of these financial statements

## Notes to the Financial Statements

Years ended November 30, 2008 and 2007

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### 1. Nature and continuation of operations - going concern:

Miraculins Inc. (the "Company") has as its main focus the acquisition and development of diagnostic opportunities in areas where there are unmet clinical needs. 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, 2008, the Company has expended \$3,465,092, 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 and commitments in the normal course of business. The use of these principles may not be appropriate because at November 30, 2008 there was substantial doubt that the Company will be able to continue as a going concern as a result of the Company's operating losses and its working capital deficiency of \$166,122 at November 30, 2008.

The Company's future operations are completely dependent upon its ability to generate product sales, negotiate collaboration or licence agreements with upfront payments, obtain research grant funding, or other strategic alternatives, and/or secure additional funds. While the Company is striving to achieve the above plans, there is no assurance that such sources of funds will be available or obtained on favourable terms. If the Company cannot generate product sales, negotiate collaboration or licence agreements with upfront payments, obtain research grant funding, or if it cannot secure additional financing on terms that would be acceptable to it, the Company will have to consider additional strategic alternatives which may include, among other strategies, exploring the monetization of certain intangible assets as well as seeking to outlicense assets, potential asset divestitures, winding up, dissolution or liquidation of the Company.

The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities and commitments when due is dependent on the successful completion of the actions taken or planned, some of which are described above, which management believes will mitigate the adverse conditions and events which raise doubt about the validity of the going concern assumption used in preparing these financial statements. There is no certainty that these and other strategies will be sufficient to permit the Company to continue as a going concern.

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.

### 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.

**2. Significant accounting policies (continued):**

**(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%
Equipment under capital lease	Straight-line	20%
Office equipment	Diminishing balance	20%
Leasehold improvements	Straight-line	20%

**(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.

**(d) Technology licenses:**

Technology licenses are recorded at cost. The license acquired from Mount Sinai Hospital consists of the value assigned to shares issued as consideration for acquisition of the technology license (Note 8). The cost of technology licenses will be amortized over a three year period commencing in the period in which sales of the licensed product are first earned.

**(e) Impairment of long-lived assets:**

The carrying amount of long-lived assets which includes property and equipment and intangible assets to be held and used is reviewed for impairment on an ongoing basis whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognized when the carrying amount of an asset to be held and used exceeds the projected undiscounted future net cash flows expected from its use and disposal, and is measured as the amount by which the carrying amount of the asset exceeds its fair value. Management has reviewed the carrying value of long-lived assets and determined no impairment currently exists.

**(f) Leases:**

Leases are classified as either capital or operating. Those leases which transfer substantially all the benefits and risks of ownership of property to the Company are accounted for as capital leases. The obligation under capital lease reflects the present value of future lease payments, discounted at the appropriate interest rate, and is reduced by rental payments net of imputed interest. Assets under capital leases are amortized based on the useful life of the asset. All other leases are classified as operating leases and leasing costs are expensed in the period in which they are incurred.

**2. Significant accounting policies (continued):****(g) Financial instruments:**

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 recorded 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 and obligations under capital lease. 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. The Company had no "other comprehensive income or loss" transactions during the year ended November 30, 2008 and no opening or closing balances for accumulated other comprehensive income or loss.

**(h) 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.

**2. Significant accounting policies (continued):****(i) Stock-based compensation:**

The Company has a stock option plan [note 10(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.

**(j) 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.

**(k) 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.

**(l) 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.

**(m) 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 expenses and investment income 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.

**Notes to the Financial Statements**Years ended November 30, 2008 and 2007

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**3. New Accounting Standards adopted during the year:**

The Company adopted the following CICA Handbook standards: Section 1400 "General Standards of Financial Statement Presentation", Section 1535 "Capital Disclosures", Section 3862, "Financial Instruments - Disclosure", and Section 3863, "Financial Instruments – Presentation", on December 1, 2007.

**General standards of financial statement presentation:**

On a regular basis, management assesses the ability of the entity to continue as a going concern. Management is required to make an assessment of an entity's ability to continue as a going concern and takes into account all available information about the future, which is at least, but is not limited to, twelve months from the balance sheet date. Disclosure is required of any material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. These disclosures are included in Note 1.

**Capital disclosures:**

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. These new disclosures are included in Note 15.

**Financial instruments:**

Section 3862, Financial Instruments - Disclosure replaces the disclosure standards of Section 3861. The section 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.

Section 3863, Financial Instruments - Presentation replaces the presentation standards of Section 3861. The existing requirements on presentation of financial instruments have been carried forward unchanged to Section 3863.

These new disclosures are included in Notes 5 and 16.

**4. Recent accounting pronouncements:****(a) Goodwill and intangible assets:**

In February 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets effective for interim and annual periods on or after October 1, 2008. Section 3064, which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research & Development Costs, establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The provisions relating to the definition and initial recognition of intangible assets, including internally generated intangible assets, are equivalent to the corresponding provisions of IFRS IAS 38, Intangible Assets. This new standard is effective for the Company's interim and annual financial statements commencing on December 1, 2008. The Company is assessing the impact of the new standard on its financial statements.

## Notes to the Financial Statements

Years ended November 30, 2008 and 2007

**4. Recent accounting pronouncements:****(b) Convergence to International Financial Reporting Standards (“IFRS”)**

In 2006, the Canadian Accounting Standards Board (AcSB) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB’s strategic plan outlines the convergence of Canadian GAAP with IFRS over a five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company’s first year end under IFRS will be November 30, 2012. The transition date for the Company will be December 1, 2011 and will require the restatement for comparative purposes of amounts reported by the Company for the year ended November 30, 2011. While the Company has begun assessing the adoption of IFRS for fiscal 2012, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

**5. Financial instruments:**

The Company has classified its financial instruments as follows:

	November 30, 2008	November 30, 2007
<b>Financial assets:</b>		
Cash, cash equivalents and restricted cash (Held-for-trading)	\$ 25,717	\$ 268,415
Accounts receivable - trade (Loans and receivables)	34,134	61,277
	\$ 59,851	\$ 329,692
<b>Financial liabilities:</b>		
Accounts payable and accrued liabilities (Other financial liabilities)	\$ 156,140	\$ 49,519
Due to related party (Other financial liabilities)	84,487	3,788
	\$ 240,627	\$ 53,307

The Company had neither available-for-sale, nor held-to-maturity financial instruments during the years ended November 30, 2008 or 2007. Cash and cash equivalents, restricted cash, accounts receivable, and accounts payable and accrued liabilities are financial instruments whose fair value approximates their carrying value due to their short-term maturity.

**6. Restricted cash:**

As at November 30, 2008, the Company had \$20,000 (2007 - \$20,000) in restricted cash, which is cash on deposit to secure a letter of credit held by the Steinbach Credit Union.

**Notes to the Financial Statements**

Years ended November 30, 2008 and 2007

**7. Property and equipment:**

<b>November 30, 2008</b>	Cost	Accumulated amortization	Net book value
Computer and office equipment	\$ 19,538	\$ 12,786	\$ 6,752
Scientific equipment	85,386	42,335	43,051
Equipment under capital lease	54,035	5,404	48,631
Leasehold improvements	125,644	89,978	35,666
	<b>\$ 284,603</b>	<b>\$ 150,503</b>	<b>\$ 134,100</b>

  

<b>November 30, 2007</b>	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
	<b>\$ 227,824</b>	<b>\$ 106,947</b>	<b>\$ 120,877</b>

**8. Intangible assets:**

	<b>November 30, 2008</b>	<b>November 30, 2007</b>
	Cost, net of impairments	Cost, net of impairments
Patents <sup>(1)</sup>	\$ 45,113	\$ 30,553
Trademarks	7,023	2,426
Technology licence <sup>(2)</sup>	20,770	-
	<b>\$ 72,906</b>	<b>\$ 32,979</b>

<sup>(1)</sup> The Company recorded a write-down of patents determined to have no future value equal to \$6,236 (2007 - \$36,273) during the year. No amortization has been recorded to date as no patents have yet been issued.

<sup>(2)</sup> On October 15, 2008, the Company acquired worldwide rights to commercialize a portfolio of biomarkers for use in developing diagnostic assays for the early detection of preeclampsia from Mount Sinai Hospital (MSH) in Toronto, Canada. Under the terms of the agreement, the Company issued 310,000 common shares from treasury at deemed consideration of \$0.067 per share, which is equal to the weighted average of the trading price of the common shares of the Company for the five trading days prior to October 15, 2008, or \$20,770, as an upfront payment in consideration of the rights granted and MSH's investment in the technology to date. The Company will pay an annual licence maintenance fee beginning on the third anniversary date of the agreement. The Company will pay a royalty to MSH, subject to minimum annual royalties, of a stipulated percentage of the net sales of licenced products, along with other milestone payments. If the Company sub-licences any rights under the agreement to a third party, the Company shall pay MSH a stipulated percentage of sub-licence fee and sub-licence royalty fee. The royalty, sub-licence, and sub-licence royalty fees, if any, are to be paid either monthly or quarterly. The agreement terminates on the expiration or final determination of the invalidity of the last patent issued under the agreement. There were no sales of licenced products to November 30, 2008.

**9. Obligation under capital lease:**

Capital lease outstanding is as follows:

	2008	2007
Scientific equipment lease contract with a related party, repayable in monthly instalments of \$860 including interest, calculated at an imputed rate of 5%, maturing in July 2013 (Note 13).	\$ 43,084	\$ -
Current portion of obligation under capital lease	43,084 (8,356)	- -
	\$ 34,728	\$ -

Minimum lease payments over the term of the lease are as follows:

2009	\$ 10,320
2010	10,320
2011	10,320
2012	10,320
2013	7,740
Total minimum lease payments	49,020
Amount representing interest	(5,936)
Balance of the obligation	\$ 43,084

Interest expense incurred on this lease for the year amounts to \$664 (2007 - nil).

**10. 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.

## Notes to the Financial Statements

Years ended November 30, 2008 and 2007

**10. Capital stock (continued):****(b) Shares issued and outstanding:**

Shares issued and outstanding are as follows:

	Number of Common Shares	Amount
Balance, November 30, 2006	15,173,500	\$ 5,086,228
Issued for cash, net of issue costs of \$37,567 <sup>(1)</sup>	1,222,858	362,547
Balance, November 30, 2007	16,396,358	5,448,775
Shares issued to MSH, net of issue costs of \$604 <sup>(2)</sup>	310,000	20,166
Issued for cash, net of issue costs of \$59,787 <sup>(3)</sup>	4,167,098	344,145
Balance, November 30, 2008	20,873,456	\$ 5,813,086

<sup>(1)</sup> On September 5, 2007, the Company closed a private placement offering (the "2007 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 expired 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 2007 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 2007 Offering. The Compensation Warrants expired on September 5, 2008.

Included in share issue costs is \$3,615 of non-cash compensation recognized from warrants issued related to the 2007 Offering.

- <sup>(2)</sup> On October 22, 2008, the company issued 310,000 common shares to MSH at deemed consideration of \$0.067 per share for \$20,770 (Note 8).
- <sup>(3)</sup> On May 8, 2008, the Company closed a private placement offering (the "2008 Offering") of 4,167,098 units (the "Units") at a price of \$0.15 per Unit, for aggregate gross proceeds to the Company of \$625,065. 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 \$0.25 at any time within twelve months from the date of issuance of the Warrant. These warrants will expire on May 8, 2009. The fair value assigned to the warrants upon issuance is \$221,133.

## Notes to the Financial Statements

Years ended November 30, 2008 and 2007

**10. Capital stock (continued):****(b) Shares issued and outstanding (continued):**

Certain individuals and companies assisted the Company by introducing potential subscribers to the 2008 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 112,667 compensation warrants ("Compensation Warrant"), equivalent to four 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 \$0.16 within one year of the closing date of the 2008 Offering. The Compensation Warrants will expire on May 8, 2009.

Included in share issue costs is \$15,265 of non-cash compensation recognized from warrants issued related to the 2008 Offering.

In 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 agreed to 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. In accordance with the agreement, the Company will issue 89,583 common shares, which will be recorded as a reduction of the outstanding balance included in accounts payable and accrued liabilities at November 30, 2008.

**(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, 2008 are as follows:

	2008		2007	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Balance, beginning of period	942,500	\$ 1.01	905,000	\$ 1.33
Granted	650,000	0.15	285,000	0.50
Forfeited, cancelled or expired	(177,500)	0.93	(247,500)	1.61
Balance, end of period	1,415,000	0.62	942,500	1.01
Options exercisable, end of period	1,315,000		937,500	
Weighted average fair value per unit of option granted during the year		\$ 0.06		\$ 0.31

During the year ended November 30, 2008, 650,000 stock options with strike prices ranging from \$0.10 to \$0.20 were granted to certain officers, employees and management company employees.

**10. Capital stock (continued):**

**(c) Options (continued):**

During the same period, no options were exercised and 177,500 stock options previously granted were terminated. Subsequent to November 30, 2008, 10,000 stock options were forfeited.

Options outstanding at November 30, 2008 consist of the following:

Range of exercise prices	Outstanding number	Weighted average remaining contractual life	Weighted average exercise price	Exercisable number
\$0.10 - \$1.10	970,000	4.25 years	\$0.30	870,000
\$1.11 - \$2.20	445,000	1.37 years	\$1.34	445,000
\$0.10 - \$2.20	1,415,000	3.34 years	\$0.62	1,315,000

For the year ended November 30, 2008, compensation expense of \$41,220 (2007 - \$94,779) 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, 2008	November 30, 2007
Expected option life	5.0 years	5.0 years
Risk free interest rate	3.03%	3.68%
Dividend yield	nil	nil
Expected volatility	94.53%	73.51%

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.

Notes to the Financial Statements

Years ended November 30, 2008 and 2007

10. Capital stock (continued):

(d) Warrants:

Changes in the number of warrants outstanding during the year ended November 30, 2008 are as follows:

	2008			2007		
	Shares	Amount	Weighted average exercise price	Shares	Amount	Weighted average exercise price
Balance, beginning of period	690,682	\$ 31,502	\$ 0.65	-	\$ -	\$ -
Granted, pursuant to private placement (Note 10(b))	2,083,548	221,133	0.25	611,429	27,887	0.65
Granted (Note 10(b))	112,667	15,265	0.16	79,253	3,615	0.65
Expired (Note 10(e))	(690,682)	(31,502)	0.65	-	-	-
Balance, end of period	2,196,215	\$ 236,398	0.25	690,682	\$ 31,502	0.65
Weighted average remaining contractual life (years)			0.44 years			0.77 years

The Company granted 611,429 Warrants together with common shares under the 2007 Offering (Note 10(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 2007 Offering. Net proceeds were allocated to common shares and warrants based on their relative fair values using the Black-Scholes model. These warrants expired on September 5, 2008.

The Company granted 79,253 Compensation Warrants relating to the 2007 Offering (Note 10(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 2007 Offering. Non-cash share issue costs of \$3,615 were recorded in the year ended November 30, 2007 to reflect the value of these warrants. These warrants expired on September 5, 2008.

On May 8, 2008, the Company granted 2,083,548 Warrants together with common shares under the 2008 Offering (Note 10(b)), entitling the holders to purchase one common share at a price of \$0.25 for a period of one year commencing from the closing of the 2008 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 May 8, 2009.

Certain individuals and companies who assisted the Company by introducing potential subscribers to the 2008 Offering were granted 112,667 Compensation Warrants relating to the 2008 Offering (Note 10(b)), entitling the holders to purchase one common share at a price of \$0.16 for a period of one year commencing from the closing of the 2008 Offering. Non-cash share issue costs of \$15,265 were recorded in the year ended November 30, 2008 to reflect the value of these warrants. These warrants will expire on May 8, 2009.

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, 2008	November 30, 2007
Expected life	1.0 years	1.0 years
Risk free interest rate	2.80%	4.25%
Dividend yield	nil	nil
Expected volatility	118.33%	92.19%

# MIRACULINS INC.



## Notes to the Financial Statements

Years ended November 30, 2008 and 2007

### 10. Capital stock (continued):

#### (e) Contributed surplus:

Changes in contributed surplus are as follows:

	November 30, 2008	November 30, 2007
Balance, beginning of year	\$ 1,121,871	\$ 1,027,092
Options granted, net of forfeitures	41,220	94,779
Fair value of expired warrants (Note 10(d))	31,502	-
Balance, end of period	\$ 1,194,593	\$ 1,121,871

#### (f) Escrowed shares:

The Company's issued share capital includes no shares which are currently remaining in escrow (2007 - 840,000). The initial release of shares from escrow was September 10, 2002 and the final installment were released for trading on September 10, 2008.

#### (g) Per share amounts:

The weighted average number of common shares outstanding for the year ended November 30, 2008 and 2007 was 18,774,807 and 15,461,625, respectively. The dilution created by options and warrants has not been reflected in the per share amounts as the effect would be anti-dilutive.

### 11. Income taxes:

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

	2008	2007
Future tax assets:		
Non-capital loss carry-forwards	\$ 1,169,827	\$ 1,233,418
Scientific research and experimental development	323,611	126,064
Share issue costs	15,247	20,360
Property and equipment	2,754	16,292
Patents	78,127	82,391
Other	1,168	1,352
	1,590,734	1,479,877
less: Valuation allowance	(1,590,734)	(1,479,877)
	\$ -	\$ -

**Notes to the Financial Statements**

Years ended November 30, 2008 and 2007

**11. Income taxes (continued):**

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

	2008	2007
Canadian federal and provincial income taxes at 33.22% (2007 - 36.16%)	\$ (363,049)	\$ (520,645)
Scientific research and experimental development	46,540	3,394
Change in rates	105,706	197,333
Rate difference between current and future taxes	75,669	109,578
Permanent differences and other items	24,277	32,863
Change in valuation allowance	110,857	177,477
	\$ -	\$ -

At November 30, 2008, the Company has the following available for application in future years:

- Unutilized Canadian non-capital loss carried forward balances for income tax purposes of \$4,500,000 (2007 - \$4,405,000), with expiry dates ranging from 2009 to 2028;
- Unutilized scientific research and development expenditures for \$1,245,000 (2007 - \$450,000), with no expiry;
- Scientific research and development tax credits of \$542,000 (2007 - \$171,000), which can be applied against income taxes otherwise payable, with expiry by 2027.

**12. Commitments:**

As at November 30, 2008 and in the normal course of business, the Company has obligations to make future payments, representing contracts and other commitments that are known and committed.

Contractual obligation payments due by fiscal period ending November 30:

2009	\$ 53,750
2010	15,417
2011	10,000
2012	15,000
2013	20,000
	\$ 114,167

The Company leases its laboratory space under an operating lease. 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. The Company may terminate this agreement at any time upon 90 days written notice.

**Notes to the Financial Statements**Years ended November 30, 2008 and 2007

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**13. Related party transactions:**

During the year ended November 30, 2008, the Company paid Genesys Venture Inc., a company controlled by a director, a total of \$302,808 (2007 - \$348,202) respectively, for laboratory lease, equipment rental, and consulting fees in accordance with the above noted contractual obligations. Of this amount, \$200,000 (2007 - \$200,000) is included in general and administration expenses and \$102,808 (2007 - \$148,202) is included in research expenses.

As of November 30, 2008, \$84,487 (2007 - \$3,788) is owed to Genesys Venture Inc. These amounts are non-interest bearing and have no specific terms of repayment. The Company has provided a non-interest bearing advance of \$13,400 (2007 - \$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.

**14. Government assistance:**

During the year ended November 30, 2008, the Company received \$1,085 (2007 - \$23,750) in government assistance for the purpose of research. The funding has been recorded against the related research expenditures.

**15. Capital risk management:**

The Company's objectives when managing capital are:

- To safeguard the Company's ability to continue as a going concern in order to pursue the development of its products and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable level; and
- To provide an adequate return to shareholders commensurate with the level of risk associated with a development stage biotechnology company.

The capital structure of the Company consists of equity comprising issued capital, contributed surplus, and warrants.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues, granting of stock options, the issue of debt or by undertaking other activities as deemed appropriate under the specific circumstances. The Company's overall strategy with respect to capital risk management remains unchanged from the year ended November 30, 2007.

The Company is not subject to externally imposed capital requirements. In order to maximize ongoing research and development of its products, the Company does not pay out dividends.

**16. Financial risk management:**

The Company has exposure to credit risk, liquidity and funding risk and market risk. The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The audit committee of the board is responsible to review the Company's risk management policies.

**16. Financial risk management (continued):**

**(a) Credit Risk:**

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts receivables. The carrying amount of financial assets represents the maximum credit exposure.

Financial instruments that potentially expose the Company to significant concentrations of credit risk consist principally of cash and cash equivalents. The Company has investment policies to mitigate against the deterioration of principal and to enhance the Company's ability to meet its liquidity needs. Cash and cash equivalents are on deposit with a credit union and guaranteed by the Credit Union Deposit Guarantee Corporation of Manitoba.

**(b) Liquidity and Funding Risk:**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due and to fund future operations. The Company manages its liquidity risk by forecasting its cash needs on a regular basis and seeking additional financing based on those forecasts.

As at November 30, 2008, the Company had financial assets held for trading of \$25,717 (November 30, 2007 - \$268,415), loans and receivables of \$34,134 (November 30, 2007 - \$61,277) and financial liabilities of \$240,627 (November 30, 2007 - \$53,307). The Company's financial liabilities have contracted maturities of less than one year. The timing of payments related to the obligation under capital lease is approximately \$10,320 within one year, and \$38,700 from 1 to 5 years (Note 9).

Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions.

Under current market conditions both liquidity and funding risk have been assessed as high (Note 1 and 15).

**(c) Market Risk:**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its financial instruments.

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates primarily within Canada although a portion of its expenses are incurred in United States dollars ("US dollar"). The Company has not entered into foreign exchange derivative contracts. A significant change in the currency exchange rates between the Canadian dollar relative to the US dollar would not have a significant effect on the Company's results of operations, financial position or cash flows.

As at November 30, 2008, the Company is exposed to currency risk through its cash and cash equivalents and accounts payable denominated in US dollars and as follows:

	November 30, 2008	November 30, 2007
Cash and cash equivalents	\$ 4,836	\$ -
Accounts payable	(10,617)	(11,728)
<b>Net</b>	<b>\$ (5,781)</b>	<b>\$ (11,728)</b>

**16. Financial risk management (continued):****(c) Market Risk (continued):**

The Company is subject to interest rate risk on its cash and cash equivalents. The Company believes that interest rate risk is low as the Company does not hold any term deposits and interest earned on cash equivalents is variable. A change of 1% in interest rates over the three months ended November 30, 2008 would not have been significant.

**17. Subsequent event:**

On December 31, 2008, the Company closed a non-brokered private placement offering (the "Offering") of 4,650,000 units ("Units") at a price of \$0.05 per Unit for gross proceeds of \$232,500. Each Unit is comprised of one common share of the Company (a "Share") and one Share purchase warrant (a "Warrant"). Each whole Warrant entitles the holder to purchase one Share at a price of \$0.10 per Share for a period of 24 months from the date of the closing of the Offering. Net proceeds of \$219,000 received from the Offering shall be used for research and development and working capital purposes.

**18. Comparative figures:**

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