



**MIRACULINS INC.
FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED AUGUST 31, 2009**

PREPARED BY MANAGEMENT WITHOUT REVIEW BY THE COMPANY'S AUDITOR

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MIRACULINS INC.



Balance Sheet

(Unaudited - prepared by management)

	August 31, 2009	November 30, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 349,613	\$ 5,717
Restricted cash (Note 5)	-	20,000
Accounts receivable	7,444	34,134
Prepaid expenses	11,202	23,010
	368,259	82,861
Property and equipment (Note 6)	98,711	134,100
Intangible assets (Note 7)	69,744	72,906
	\$ 536,714	\$ 289,867
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 133,420	\$ 156,140
Due to related parties (Note 11)	294,261	84,487
Unearned grant contribution	113,645	-
Current portion of obligation under capital lease (Note 8)	8,674	8,356
	550,000	248,983
Obligation under capital lease (Note 8)	28,178	34,728
Shareholders' equity:		
Capital stock (Note 9(b))	6,012,480	5,813,086
Contributed surplus (Note 9(e))	1,451,359	1,194,593
Warrants (Note 9(d))	378,707	236,398
Deficit	(7,884,010)	(7,237,921)
	(41,464)	6,156
Nature and continuation of operations (Note 1)		
Commitments (Note 10)		
Subsequent events (Note 15)		
	\$ 536,714	\$ 289,867

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

MIRACULINS INC.



Statement of Operations and Deficit (Unaudited - prepared by management)

	Three months ended August 31, 2009	Three months ended August 31, 2008	Nine months ended August 31, 2009	Nine months ended August 31, 2008
Expenses				
Amortization	\$ 11,666	\$ 10,008	\$ 35,388	\$ 29,669
General & administration	114,340	156,320	365,548	422,099
Research	51,671	96,488	206,407	293,106
Stock-based compensation				
General & administration	8,649	-	8,649	72
Research	9,541	5,372	11,719	6,141
Write-down of patents	21,245	6,121	21,245	6,236
	(217,112)	(274,309)	(648,956)	(757,323)
Other				
Investment income	1,339	2,158	1,855	5,501
Foreign exchange gain (loss)	2,276	(728)	1,012	(1,198)
Loss for the period	(213,497)	(272,879)	(646,089)	(753,020)
Deficit, beginning of period	(7,670,513)	(6,625,144)	(7,237,921)	(6,145,003)
Deficit, end of period	\$ (7,884,010)	\$ (6,898,023)	\$ (7,884,010)	\$ (6,898,023)
Basic and diluted loss per share	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.04)

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

MIRACULINS INC.



Statement of Cash Flows

(Unaudited - prepared by management)

	Three months ended August 31, 2009	Three months ended August 31, 2008	Nine months ended August 31, 2009	Nine months ended August 31, 2008
Cash provided by (used in):				
Operating activities:				
Loss for the period	\$ (213,497)	\$ (272,879)	\$ (646,089)	\$ (753,020)
Adjustments for:				
Amortization of property and equipment	11,666	10,008	35,388	29,669
Write-down of patents	21,245	6,122	21,245	6,236
Stock-based compensation	18,190	5,372	20,367	6,213
Change in the following:				
Accounts receivable	(1,970)	(9,365)	26,690	35,278
Prepaid expenses	(9,511)	(15,806)	11,809	(7,917)
Accounts payable and accrued liabilities	(78,000)	(58,058)	(22,719)	44,793
Due to related party	69,238	1,280	209,774	1,280
Unearned grant contribution	113,645	-	113,645	-
	(68,994)	(333,326)	(229,890)	(637,468)
Financing activities:				
Issuance of common shares, net of share issue costs	360,140	(539)	578,101	580,005
Capital lease repayment	(2,098)	-	(6,232)	-
Change in restricted cash	-	-	20,000	-
	358,042	(539)	591,869	580,005
Investing activities:				
Purchase of property and equipment	-	(1,788)	-	(4,883)
Patent costs	(7,078)	(3,558)	(18,083)	(21,260)
	(7,078)	(5,346)	(18,083)	(26,143)
Increase (decrease) in cash	281,970	(339,211)	343,896	(83,606)
Cash, beginning of period	67,643	524,020	5,717	268,415
Cash, end of period	\$ 349,613	\$ 184,809	\$ 349,613	\$ 184,809

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

Notes to the Financial Statements

Nine months ended August 31, 2009 and 2008

(Unaudited - prepared by management)

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 August 31, 2009, the Company has expended \$3,688,798, net of government assistance, for research.

The current period's financial statements include the operations of the Company for the nine month period ended August 31, 2009. These financial statements have not been reviewed by the Company's auditor and should be read in conjunction with the November 30, 2008 audited financial statements.

The accompanying unaudited interim financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") and on a basis consistent with the Company's annual audited financial statements for the year ended November 30, 2008 and 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 August 31, 2009 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 \$181,741 at August 31, 2009.

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 tangible and 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:

These interim financial statements should be read in conjunction with the Company's audited annual financial statements as at November 30, 2008. All accounting policies are the same as described in note 2 of the Company's audited financial statements for the year ended November 30, 2008, with the exception of the following changes adopted by the Company:

Notes to the Financial Statements

Nine months ended August 31, 2009 and 2008

(Unaudited - prepared by management)

2. Significant accounting policies (continued):

(a) Goodwill and intangible assets:

On December 1, 2008 the Company adopted CICA Handbook 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 IAS 38, Intangible Assets. There was no impact on the Company's financial position and results of operations on adoption of this standard.

3. Recent accounting pronouncements:

(a) 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 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.

4. Financial instruments:

The Company has classified its financial instruments as follows:

	August 31, 2009	November 30, 2008
Financial assets:		
Cash, cash equivalents and restricted cash (Held-for-trading)	\$ 349,613	\$ 25,717
Accounts receivable - trade (Loans and receivables)	7,444	34,134
	\$ 357,057	\$ 59,851
Financial liabilities:		
Accounts payable and accrued liabilities (Other financial liabilities)	\$ 133,420	\$ 156,140
Due to related party (Other financial liabilities)	294,261	84,487
	\$ 427,681	\$ 240,627

MIRACULINS INC.



Notes to the Financial Statements

Nine months ended August 31, 2009 and 2008

(Unaudited - prepared by management)

4. Financial instruments (continued):

The Company had neither available-for-sale, nor held-to-maturity financial instruments during the nine months ended August 31, 2009 or 2008. 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.

5. Restricted cash:

As at August 31, 2009, the Company had nil (November 30, 2008 - \$20,000) in restricted cash, which had been cash on deposit to secure a letter of credit held by the Steinbach Credit Union. The letter of credit expired and was released during the second quarter of 2009.

6. Property and equipment:

August 31, 2009	Cost	Accumulated amortization	Net book value
Computer and office equipment	\$ 19,538	\$ 14,765	\$ 4,773
Scientific equipment	85,386	48,793	36,593
Equipment under capital lease	54,035	13,509	40,526
Leasehold improvements	125,644	108,825	16,819
	\$ 284,603	\$ 185,892	\$ 98,711

November 30, 2008	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
	\$ 284,603	\$ 150,503	\$ 134,100

7. Intangible assets:

	August 31, 2009	November 30, 2008
	Cost, net of impairments	Cost, net of impairments
Patents ⁽¹⁾	\$ 37,944	\$ 45,113
Trademarks	11,030	7,023
Technology licence ⁽²⁾	20,770	20,770
	\$ 69,744	\$ 72,906

MIRACULINS INC.



Notes to the Financial Statements

Nine months ended August 31, 2009 and 2008

(Unaudited - prepared by management)

7. Intangible assets (continued):

- (1) During the nine months ended August 31, 2009, the Company recorded a write-down of patents determined to have no future value equal to \$21,245 (2008 - nil). No amortization has been recorded to date as no patents have yet been issued.
- (2) 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 any sub-licence fees and sub-licence royalty fees. 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 licensed products to August 31, 2009.

8. Obligation under capital lease:

Capital lease outstanding is as follows:

	August 31, 2009	November 30, 2008
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 11).	\$ 36,852	\$ 43,084
	36,852	43,084
Current portion of obligation under capital lease	(8,674)	(8,356)
	\$ 28,178	\$ 34,728

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

2010	\$ 2,580
2011	10,320
2012	10,320
2013	10,320
2014	7,740
Total minimum lease payments	41,280
Amount representing interest	(4,428)
Balance of the obligation	\$ 36,852

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Notes to the Financial Statements

Nine months ended August 31, 2009 and 2008

(Unaudited - prepared by management)

8. Obligation under capital lease:

Interest expense incurred on this lease for the nine months ended August 31, 2009 amounts to \$1,508 (2008 - nil).

9. Capital stock:

(a) Authorized:

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

(b) Shares issued and outstanding:

Shares issued and outstanding are as follows:

	Number of Common Shares	Amount
Balance, November 30, 2007	16,396,358	\$ 5,448,775
Issued for cash, net of issue costs of \$59,787 ⁽¹⁾	4,167,098	344,145
Shares issued to MSH, net of issue costs of \$604 ⁽²⁾	310,000	20,166
Balance, November 30, 2008	20,873,456	5,813,086
Issued for cash, net of issue costs of \$15,989 ⁽³⁾	4,650,000	90,119
Issued for cash, net of issue costs of \$49,653 ⁽⁴⁾	8,000,000	109,275
Balance, August 31, 2009	33,523,456	\$ 6,012,480

⁽¹⁾ 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 entitled 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 expired on May 8, 2009. The fair value assigned to the warrants upon issuance was \$221,133.

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 entitled 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 expired 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.

⁽²⁾ 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 7).

Notes to the Financial Statements

Nine months ended August 31, 2009 and 2008

(Unaudited - prepared by management)

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

- (3) On December 31, 2008, the Company closed a private placement offering (the "Q1 2009 Offering") of 4,650,000 units (the "Units") at a price of \$0.05 per Unit, for aggregate gross proceeds to the Company of \$232,500. Each Unit is comprised of one common share (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 at any time within twenty-four months from the date of issuance of the Warrant. These warrants will expire on December 31, 2010. The fair value assigned to the warrants upon issuance is \$126,392.

Certain individuals and companies assisted the Company by introducing potential subscribers for the Q1 2009 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, certain of these individuals and companies were issued 46,000 compensation warrants ("Compensation Warrant"), up 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 \$0.05 within one year of the closing date of the Q1 2009 Offering. The Compensation Warrants will expire on December 31, 2009.

Included in share issue costs is \$1,450 of non-cash compensation recognized from warrants issued related to the Q1 2009 Offering.

- (4) On June 17, 2009, the Company closed a private placement offering (the "Q3 2009 Offering") of 8,000,000 units (the "Units") at a price of \$0.05 per Unit, for aggregate gross proceeds to the Company of \$400,000. Each Unit is comprised of one common share (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 at any time within twenty-four months from the date of issuance of the Warrant. These warrants will expire on June 17, 2011. The fair value assigned to the warrants upon issuance is \$241,072.

Certain individuals and companies assisted the Company by introducing potential subscribers for the Q3 2009 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, certain of these individuals and companies were issued 297,600 compensation warrants ("Compensation Warrant"), up 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 \$0.05 within one year of the closing date of the Q3 2009 Offering. The Compensation Warrants will expire on June 17, 2010.

Included in share issue costs is \$9,793 of non-cash compensation recognized from warrants issued related to the Q3 2009 Offering.

(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. Prior to the Company's 2009 annual and special meeting of shareholders, the number of common shares reserved for issuance of stock options was limited to a maximum of 10% of the issued and outstanding shares of the Company at any one time. Effective May 26, 2009, the plan was revised such that the number of common shares reserved for issuance of stock options is limited to a maximum of 20% of the issued and outstanding shares of the Company as at May 26, 2009.

MIRACULINS INC.



Notes to the Financial Statements

Nine months ended August 31, 2009 and 2008

(Unaudited - prepared by management)

9. Capital stock (continued):

(c) Options (continued):

Changes in the number of options outstanding during the nine months ended August 31, 2009 and 2008 are as follows:

	2009		2008	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Balance, beginning of period	1,415,000	\$ 0.62	942,500	\$ 1.01
Granted	355,000	0.10	150,000	0.13
Forfeited, cancelled or expired	(165,000)	1.15	(145,000)	0.93
Balance, end of period	1,605,000	0.45	947,500	0.88
Options exercisable, end of period		1,530,000		847,500
Weighted average fair value per unit of option granted during the period		\$ 0.05		\$ 0.10

During the nine months ended August 31, 2009, 355,000 stock options with a strike price of \$0.10 were granted to Certain officers, management company employees and consultants of the Company. During the same period, no options were exercised, 150,000 previously granted options expired and 15,000 were forfeited.

Options outstanding at August 31, 2009 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	1,310,000	3.85 years	\$0.25	1,235,000
\$1.11 - \$2.20	295,000	1.02 years	\$1.40	295,000
\$0.10 - \$2.20	1,605,000	3.33 years	\$0.45	1,530,000

For the nine months ended August 31, 2009, compensation expense of \$20,368 (2008 - \$6,213) was recorded to recognize options granted and change in fair value of unvested options.

Notes to the Financial Statements

Nine months ended August 31, 2009 and 2008

(Unaudited - prepared by management)

9. Capital stock (continued):

(d) Warrants:

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:

	August 31, 2009	August 31, 2008
Expected option life	5.0 years	5.0 years
Risk free interest rate	2.56%	3.02%
Dividend yield	nil	nil
Expected volatility	137.25%	96.70%

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.

Changes in the number of warrants outstanding during the nine months ended August 31, 2009 are as follows:

	2009			2008		
	Shares	Amount	Weighted average exercise price	Shares	Amount	Weighted average exercise price
Balance, beginning of period	2,196,215	\$ 236,398	0.25	690,682	\$ 31,502	0.65
Granted, pursuant to private placement (Note 9(b))	12,650,000	367,464	0.10	2,083,548	163,348	0.25
Granted (Note 9(b))	343,600	11,243	0.05	112,667	11,609	0.16
Expired (Note 9(e))	(2,196,215)	(236,398)	0.25	-	-	-
Balance, end of period	12,993,600	\$ 378,707	0.10	2,886,897	\$ 206,459	0.34
Weighted average remaining contractual life (years)			1.60 years			0.52 years

On May 8, 2008, the Company granted 2,083,548 Warrants together with common shares under the 2008 Offering (Note 9(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 expired 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 9(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 expired on May 8, 2009.

Notes to the Financial Statements

Nine months ended August 31, 2009 and 2008

(Unaudited - prepared by management)

9. Capital stock (continued):

(d) Warrants (continued):

On December 31, 2008, the Company granted 4,650,000 Warrants together with common shares under the Q1 2009 Offering (Note 9(b)), entitling the holders to purchase one common share at a price of \$0.10 for a period of two years commencing from the closing of the Q1 2009 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 December 31, 2010.

Certain individuals and companies who assisted the Company by introducing potential subscribers to the Q1 2009 Offering were granted 46,000 Compensation Warrants relating to the Q1 2009 Offering (Note 9(b)), entitling the holders to purchase one common share at a price of \$0.05 for a period of one year commencing from the closing of the Q1 2009 Offering. Non-cash share issue costs of \$1,450 were recorded in the nine month period ended August 31, 2009 to reflect the value of these warrants. These warrants will expire on December 31, 2009.

On June 17, 2009, the Company granted 8,000,000 Warrants together with common shares under the Q3 2009 Offering (Note 9(b)), entitling the holders to purchase one common share at a price of \$0.10 for a period of two years commencing from the closing of the Q3 2009 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 June 17, 2011.

Certain individuals and companies who assisted the Company by introducing potential subscribers to the Q3 2009 Offering were granted 297,600 Compensation Warrants relating to the Q3 2009 Offering (Note 9(b)), entitling the holders to purchase one common share at a price of \$0.05 for a period of one year commencing from the closing of the Q3 2009 Offering. Non-cash share issue costs of \$9,793 were recorded in the nine month period ended August 31, 2009 to reflect the value of these warrants. These warrants will expire on June 17, 2010.

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:

	August 31, 2009	August 31, 2008
Expected life	2.0 years	1.0 years
Risk free interest rate	1.22%	2.80%
Dividend yield	nil	nil
Expected volatility	173.36%	118.32%

(e) Contributed surplus:

Changes in contributed surplus during the nine months ended August 31, 2009 are as follows:

	August 31, 2009	August 31, 2008
Balance, beginning of period	\$ 1,194,593	\$ 1,121,870
Options granted, net of forfeitures	20,368	6,213
Fair Value of expired warrants (Note 9(d))	236,398	-
Balance, end of period	\$ 1,451,359	\$ 1,128,083

Notes to the Financial Statements

Nine months ended August 31, 2009 and 2008

(Unaudited - prepared by management)

(f) Escrowed shares:

The Company's issued share capital includes no shares which are currently remaining in escrow (August 31, 2008 - 420,000). The initial release of shares from escrow was September 10, 2002 and the final installment was released for trading on September 10, 2008.

(g) Per share amounts:

The weighted average number of common shares outstanding for the nine months ended August 31, 2009 and 2008 was 27,157,945 and 18,004,466, respectively. The dilution created by options and warrants has not been reflected in the per share amounts as the effect would be anti-dilutive.

10. Commitments:**(a) Commitments:**

As at August 31, 2009 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 - remaining	\$	11,563
2010		15,417
2011		10,000
2012		15,000
2013		20,000
	\$	71,980

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.

In addition, 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

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(Unaudited - prepared by management)

10. Commitments (continued):**(b) Guarantees:**

The Company periodically enters into research and license agreements with third parties that include indemnification provisions customary in the industry. These guarantees generally require the Company to compensate the other party for certain damages and costs incurred as a result of claims arising from research and development activities undertaken on behalf of the Company. In some cases, the maximum potential amount of future payments that could be required under these indemnification provisions could be unlimited. These indemnification provisions generally survive termination of the underlying agreement. The nature of the indemnification obligations prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay. Historically, the Company has not made any indemnification payments under such agreements and no amount has been accrued in the accompanying financial statements with respect to these indemnification obligations.

11. Related party transactions:

Related parties consist of certain officers and shareholders, and companies with significant influence. 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.

During the nine months ended August 31, 2009, the Company incurred expenses payable to Genesys Venture Inc., a company controlled by a director, a total of \$189,605 (2008 - \$214,655) respectively, for laboratory lease, equipment rental, and consulting fees in accordance with the above noted contractual obligations. Of this amount, \$151,508 (2008 - \$150,000) is included in general and administration expenses and \$38,097 (2008 - \$64,655) is included in research expenses.

As of August 31, 2009, \$294,261 (November 30, 2008 - \$84,487) is owed to Genesys Venture Inc. These amounts are non-interest bearing and have no specific terms of repayment.

12. Research grant contributions:

During the nine months ended August 31, 2009, the Company received \$42,139 (2008 - nil) in grants for the purpose of research. The funding has been recorded against the related research expenditures.

13. 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.

Notes to the Financial Statements

Nine months ended August 31, 2009 and 2008

(Unaudited - prepared by management)

13. Capital risk management (continued):

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, 2008.

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.

14. 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 of Directors is responsible to review the Company's risk management policies.

(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 August 31, 2009, the Company had financial assets held for trading of \$349,613 (November 30, 2008 - \$25,717), loans and receivables of \$7,444 (November 30, 2008 - \$34,134) and financial liabilities of \$427,681 (November 30, 2008 - \$240,627). 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 \$30,960 from 1 to 5 years (Note 8).

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 13).

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Nine months ended August 31, 2009 and 2008

(Unaudited - prepared by management)

14. Financial risk management (continued):

(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 August 31, 2009, the Company is exposed to currency risk through its cash and cash equivalents and accounts payable denominated in US dollars and as follows:

	August 31, 2009	November 30, 2008
Cash and cash equivalents	\$ 605	\$ 4,836
Accounts payable	(15,406)	(10,617)
Net	\$ (14,801)	\$ (5,781)

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 August 31, 2009 would not have been significant.

15. Subsequent event:

Subsequent to the quarter, the Company issued 94,412 common shares to Diagnos Inc. at a price of \$0.05 per common share (net cash value of \$4,721) as part of the compensation owing for services rendered in accordance with the terms of an agreement between the parties announced December 4, 2007.