

Interim Financial Statements  
(Expressed in Canadian Dollars)

## **MIRACULINS INC.**

Three and nine months ended August 31, 2011 and 2010  
(Unaudited)

In accordance with National Instruments 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed these unaudited financial statements for the three and nine months ended August 31, 2011.

# MIRACULINS INC.



## Balance Sheets

(Unaudited - prepared by management)

	August 31, 2011	November 30, 2010
<b>Assets</b>		
Current assets:		
Cash	\$ 244,803	\$ 126,825
Accounts receivable	52,124	14,874
Prepaid expenses	14,479	9,108
Inventory (Note 7)	178,750	178,750
	490,156	329,557
Property and equipment (Note 5)	49,647	61,610
Intangible assets (Note 6)	984,005	942,108
	<b>\$ 1,523,808</b>	<b>\$ 1,333,275</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities (Note 13)	\$ 126,943	\$ 210,500
Due to related party (Note 13)	185,305	255,125
Current portion of obligation under capital lease (Note 8)	9,582	9,233
Obligation under project funding agreement (Note 9)	-	7,987
Deferred collaborative research and option fees (Note 10)	34,817	54,164
	356,647	537,009
Obligation under capital lease (Note 8)	9,478	16,711
Royalty obligation (Note 7)	547,000	547,000
Shareholders' equity:		
Capital stock (Note 11(b))	8,830,378	7,482,590
Contributed surplus (Note 11(e))	2,065,511	1,865,824
Warrants (Note 11(d))	214,131	394,764
Deficit	(10,499,337)	(9,510,623)
	610,683	232,555
Nature and continuation of operations - going concern (Note 1)		
Commitments and contingencies (Notes 11 and 12)		
Subsequent events (Note 17)		
	<b>\$ 1,523,808</b>	<b>\$ 1,333,275</b>

The accompanying notes are an integral part of these financial statements

# MIRACULINS INC.



## Statements of Operations and Deficit (Unaudited - prepared by management)

	Three months ended August 31, 2011	Three months ended August 31, 2010	Nine months ended August 31, 2011	Nine months ended August 31, 2010
<b>Expenses</b>				
General and administration (Note 13)	\$ 255,649	\$ 264,474	\$ 661,080	\$ 611,748
Research and development (Notes 9 and 13)	90,456	49,559	323,571	166,386
Amortization	4,586	5,151	14,377	24,558
Write-down of intellectual property	-	-	24,479	5,002
Stock-based compensation				
General and administration	3,477	270,176	44,109	271,786
Research	-	414	190	6,049
Loss before the undernoted	(354,168)	(589,774)	(1,067,806)	(1,085,529)
<b>Other</b>				
Collaborative research and option fees (Note 10)	21,350	23,213	67,777	61,902
Investment and other income	6,169	847	11,315	1,741
Loss and comprehensive loss for the period	(326,649)	(565,714)	(988,714)	(1,021,886)
Deficit, beginning of period	(10,172,688)	(8,537,984)	(9,510,623)	(8,081,812)
Deficit, end of period	\$(10,499,337)	\$(9,103,698)	\$(10,499,337)	\$(9,103,698)
Basic and diluted loss per share (Note 11(f))	\$ -	\$ (0.01)	\$ (0.02)	\$ (0.03)

The accompanying notes are an integral part of these financial statements

# MIRACULINS INC.



## Statements of Cash Flows

(Unaudited - prepared by management)

	Three months ended August 31, 2011	Three months ended August 31, 2010	Nine months ended August 31, 2011	Nine months ended August 31, 2010
<b>Cash provided by (used in):</b>				
<b>Operating activities:</b>				
Loss and comprehensive loss for the year	\$ (326,649)	\$ (565,714)	\$ (988,714)	\$ (1,021,886)
Adjustments for:				
Loss on disposal of property and equipment	-	-	483	-
Amortization	4,586	5,151	14,377	24,558
Write-down of intellectual property	-	-	24,479	5,002
Stock-based compensation	3,477	270,590	44,299	277,835
Change in the following:				
Accounts receivable	(30,032)	(4,530)	(37,250)	(4,454)
Prepaid expenses	(6,157)	(8,982)	(5,371)	(6,396)
Accounts payable and accrued liabilities	4,229	74,881	(83,557)	58,723
Due to related party	5,987	15,540	(69,820)	134,835
Obligation under project funding agreement	-	(14,351)	(7,987)	(57,178)
Deferred collaborative research and option fee	27,079	(23,213)	(19,347)	77,377
	(317,480)	(250,628)	(1,128,408)	(511,584)
<b>Financing activities:</b>				
Issuance of common shares and warrants, net of share issue costs	28,500	84,740	1,322,543	550,590
Repayment of obligation under capital lease	(2,319)	(2,206)	(6,884)	(6,550)
	26,181	82,534	1,315,659	544,040
<b>Investing activities:</b>				
Purchase of property and equipment	(772)	-	(2,620)	(4,147)
Patent and trademark costs	(19,846)	(2,319)	(66,653)	(17,474)
	(20,618)	(2,319)	(69,273)	(21,621)
Increase (decrease) in cash	(311,917)	(170,413)	117,978	10,835
Cash, beginning of period	556,720	334,179	126,825	152,931
Cash, end of period	\$ 244,803	\$ 163,766	\$ 244,803	\$ 163,766

The accompanying notes are an integral part of these financial statements

## Notes to the Financial Statements

Three and nine months ended August 31, 2011 and 2010  
(Unaudited - prepared by management)

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

Miraculins Inc. (the "Company") has as its main focus the acquisition and/or 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, 2011, the Company has expended \$4,161,921, net of government assistance, for research and development.

The current period's financial statements include the operations of the Company for the three and nine months ended August 31, 2011. These financial statements have not been reviewed by the Company's auditor and should be read in conjunction with the Company's November 30, 2010 annual financial statements.

These unaudited interim financial statements have been prepared using Canadian generally accepted accounting principles ("Canadian GAAP") and on a basis consistent with the Company's annual audited financial statements for the year ended November 30, 2010 and are applicable to a going concern, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is substantial doubt about the appropriateness of the use of the going concern assumption because the Company has experienced operating losses and cash outflows from operations since incorporation and has not reached successful commercialization of its products.

The Company's future operations are dependent upon its ability to generate product sales, negotiate collaboration or license agreements with upfront payments, obtain research grant funding, and secure additional funds. While the Company is striving to achieve these plans, there is no assurance that these and other strategies will be achieved or such sources of funds will be available or obtained on favourable terms or obtained at all. If the Company cannot generate product sales, negotiate collaboration or license 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 and/or divest assets.

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 unaudited interim statements should be read in conjunction with the Company's audited annual financial statements for the year ended November 30, 2010. All accounting policies are the same as described in Note 2 of the Company's audited financial statements for the year ended November 30, 2010.

### 3. Convergence to International Financial Reporting Standards ("IFRS"):

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed 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, 2010 and will require the restatement for comparative purposes of amounts reported by the Company for the year ended November 30, 2011. The Company is in the process of determining the impact of adoption of IFRS on its financial statements.

# MIRACULINS INC.



## Notes to the Financial Statements

Three and nine months ended August 31, 2011 and 2010  
(Unaudited - prepared by management)

### 4. Financial instruments:

The Company has classified its financial instruments as follows:

	August 31, 2011	November 30, 2010
Financial assets:		
Cash (Held-for-trading)	\$ 244,803	\$ 126,825
Accounts receivable (Loans and receivables)	52,124	14,874
	\$ 296,927	\$ 141,699
Financial liabilities:		
Accounts payable and accrued liabilities (Other financial liabilities)	\$ 126,943	\$ 210,500
Due to related party (Other financial liabilities)	185,305	255,125
Obligation under project funding agreement (Other financial liabilities)	-	7,987
Royalty obligation (Other financial liabilities)	547,000	547,000
	\$ 859,248	\$ 473,612

The Company had neither available-for-sale, nor held-to-maturity financial instruments during the three and nine months ended August 31, 2011 or 2010. Cash, accounts receivable, accounts payable and accrued liabilities, and obligation under project funding agreement are financial instruments whose fair value approximates their carrying value due to their short-term maturity.

The fair values of due to related party and royalty obligation are not readily determinable given their underlying terms and conditions.

### 5. Property and equipment:

August 31, 2011	Cost	Accumulated amortization	Net book value
Computer and office equipment	\$ 12,620	\$ 8,624	\$ 3,996
Scientific equipment	89,533	62,794	26,739
Equipment under capital lease	54,035	35,123	18,912
Leasehold improvements	125,644	125,644	-
	\$ 281,832	\$ 232,185	\$ 49,647
November 30, 2010	Cost	Accumulated amortization	Net book value
Computer and office equipment	\$ 19,538	\$ 17,053	\$ 2,485
Scientific equipment	89,533	58,075	31,458
Equipment under capital lease	54,035	27,018	27,017
Leasehold improvements	125,644	124,994	650
	\$ 288,750	\$ 227,140	\$ 61,610

# MIRACULINS INC.



## Notes to the Financial Statements

Three and nine months ended August 31, 2011 and 2010  
(Unaudited - prepared by management)

### 6. Intangible assets:

	August 31, 2011	November 30, 2010
	Cost, net of impairments	Cost, net of impairments
Patents <sup>(1)</sup>	\$ 129,862	\$ 90,769
Trademarks	14,686	11,882
Technology licence <sup>(2)</sup>	20,770	20,770
Acquired intellectual property (Note 7)	818,687	818,687
	\$ 984,005	\$ 942,108

(1) As part of its ongoing review of all intellectual property, the Company recorded an impairment write-down for the three and nine months ended August 31, 2011 of nil and \$24,479 respectively (2010 - nil and \$5,002). The Company also reviewed the remaining intangible assets for impairment as at August 31, 2011 and has determined no further write-downs were necessary.

(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. The Company will pay an annual licence maintenance fee beginning on the third anniversary date of the agreement. The Company will also pay a royalty to MSH, subject to minimum annual royalties, of a stipulated percentage of the net sales of licenced products, if any, 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 (Note 12(c)). 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. On January 8, 2010, the Company and MSH amended the royalty and fee structure of the agreement (Note 11(b)). There were no sales of licensed products to August 31, 2011.

### 7. Asset acquisition:

On September 3, 2010, the Company completed its acquisition of all relevant assets, including intellectual property, licenses and regulatory approvals, inventories, data and marketing materials required to commercialize the PreVu Skin Cholesterol Test (PreVu) from PreMD Inc. (PreMD).

In consideration for the assets, Miraculins paid \$250,000 in cash and issued 1,822,158 common shares from treasury to PreMD. The common shares issued had a fair value equal to \$200,437 or \$0.11 per common share (Note 11(b)).

After closing, Miraculins is obligated to pay a 10 percent ongoing royalty on gross revenue associated with PreVu to PreMD (Note 12(c)). The Company retains the right to buy-out the royalty at anytime for a one-time payment of \$1,000,000. The value assigned to the royalty obligation, based on an expected value approach, has been estimated at \$547,000.

	Amount
<b>Identifiable assets acquired and liabilities assumed:</b>	
Inventory, at net realizable value	\$ 178,750
Patents, trademarks, licences and approvals	818,687
Royalty obligation	(547,000)
	\$ 450,437

# MIRACULINS INC.



## Notes to the Financial Statements

Three and nine months ended August 31, 2011 and 2010  
(Unaudited - prepared by management)

### 7. Asset Acquisition (continued):

	Amount
<b>Consideration:</b>	
Cash	\$ 250,000
Equity securities	200,437
	\$ 450,437

### 8. Obligation under capital lease:

Capital lease outstanding is as follows:

	August 31, 2011	November 30, 2010
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).	\$ 19,060	\$ 25,944
	19,060	25,944
Current portion of obligation under capital lease	(9,582)	(9,233)
	\$ 9,478	\$ 16,711

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

2011 - remaining	\$ 2,580
2012	10,320
2013	7,141
Total minimum lease payments	20,041
Amount representing interest	(981)
Balance of the obligation	\$ 19,060

Interest expense incurred on this lease for the three and nine months ended August 31, 2011 amounts to \$259 and \$856 respectively (2010 - \$373 and \$1,190).

### 9. Obligation under project funding agreement:

On May 27, 2009, the Company entered into a cooperation and project funding agreement with the Canada-Israel Industrial Research and Development Foundation ("CIIRDF"). CIIRDF will provide grants equal to the lesser of \$467,352 or 50% of actual expenditures on a specified project over a two year period. Under the terms of the agreement, the Company will be obligated to make payments to CIIRDF at a rate of 2.5% of all product revenues, if any, from the exploitation of the technology contemplated in the agreement, to a maximum of the amounts funded under the agreement (Note 12(c)). Interest is charged on overdue payments owing, if any, at a rate of bank prime plus 1%. At August 31, 2011, the Company is unable to determine if any revenue will be generated by the technology.



**Notes to the Financial Statements**

Three and nine months ended August 31, 2011 and 2010  
(Unaudited - prepared by management)

**9. Obligation under project funding agreement (continued):**

During the 2009 fiscal year, the Company received \$155,784 related to the CIIRDF project funding agreement for the purpose of research. Under the terms of the agreement, the Company can use the funding to offset \$1 for every \$2 spent on research on the project. In accordance with CICA Handbook Section 3800, *Government Assistance*, of this amount, \$25,252 (August 31, 2010 - \$130,984) has been recorded as a reduction of the related research expenses and no obligation remains under the project funding agreement as at August 31, 2011 (November 30, 2010 - \$7,987). The Company has recorded a reduction to the obligation under the project funding agreement as it incurred qualifying expenses related to the project. If and when royalties are due to CIIRDF on any future revenues, these amounts will be recorded as charges to income in the specific periods in which sales are recognized.

**10. Deferred collaborative research and option fees:**

The Company recognizes collaborative research and option fees income, if any, when underlying contractual services are performed or when milestones are achieved in accordance with the terms of the specific agreement. Up-front payments received for the use of technology where further services are to be provided or fees received on the signing of collaborative research agreements are recognized over the period of performance of the related activities. Amounts received in advance of recognition are included in deferred collaborative research and option fees. For the three and nine months ended August 31, 2011, the Company recognized collaborative research and option fees in the amount of \$21,350 and \$67,777 respectively (August 31, 2010 - \$23,213 and \$61,902). As at August 31, 2011, deferred collaborative research and option fees amounted to \$34,817 (November 30, 2010 - \$54,164).

**11. 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, 2009	33,617,868	\$ 5,982,786
Issued for cash, net of issue costs of \$45,192 <sup>(1)</sup>	10,200,000	70,935
Exercise of warrants, net of issue costs of \$765	8,994,800	1,230,025
Issued as consideration for asset acquisition, net of issue costs of \$1,593 <sup>(2)</sup>	1,822,158	198,844
Balance, November 30, 2010	54,634,826	7,482,590
Exercise of warrants	1,736,000	221,236
Issued for cash, net of issue costs of \$105,262 <sup>(3)</sup>	6,083,331	488,210
Early exercise warrant incentive program, net of issue costs of \$52,275 <sup>(4)</sup>	5,540,000	638,342
Balance, August 31, 2011	67,994,157	\$ 8,830,378

**Notes to the Financial Statements**

Three and nine months ended August 31, 2011 and 2010  
(Unaudited - prepared by management)

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

- (1) On April 1, 2010, the Company closed a private placement offering (the "Q2 2010 Offering") of 10,200,000 units (the "Units") at a price of \$0.05 per Unit, for aggregate gross proceeds to the Company of \$510,000. 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 and were callable, at the option of the Company, in the event that the Shares trade at or above \$0.14 per Share for any 20 out of 30 consecutive trading days. The Company called these Warrants on August 17, 2010. The fair value equal to \$393,873 was assigned to the warrants upon issuance.

Certain persons assisted the Company by introducing potential subscribers for the Q2 2010 Offering and were paid a finder's fee. The finder's fee was a combination of up to 10% of the total subscription proceeds received from subscribers introduced to the Company by each particular person and compensation warrants ("Compensation Warrants") equal to up to 10% of the total number of Units subscribed for by subscribers introduced to the Company by each particular person. Each Compensation Warrant entitles the holder thereof to purchase one Share at a price of \$0.08 per Share for a period of twelve months from the date of the Q2 2010 Offering. The Compensation Warrants expired on April 1, 2011.

Included in share issue costs of \$45,192 is \$1,542 of non-cash compensation recognized from warrants issued related to the Q2 2010 Offering.

- (2) On September 3, 2010, the Company issued 1,822,158 common shares to PreMD Inc. for consideration of \$0.11 per common share for a total value of \$200,437 as part of the consideration for assets acquired (Note 7).
- (3) On December 15, 2010, the Company closed a private placement offering (the "Q1 2011 Offering") of 6,083,331 units (the "Units") at a price of \$0.12 per Unit, for aggregate gross proceeds to the Company of \$730,000. 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 \$0.18 at any time within twelve months from the date of issuance of the Warrant and were callable, at the option of the Company, at any time after six months following their issuance, in the event that the Shares trade at or above \$0.25 per Share for any five out of 10 consecutive trading days. The fair value equal to \$136,528 was assigned to the warrants upon issuance.

Certain persons assisted the Company by introducing potential subscribers for the Offering and were paid a finder's fee of up to 10% of the total subscription proceeds received from subscribers introduced to the Company by each particular person. Additionally, these persons were issued compensation warrants ("Compensation Warrants") equal to up to 10% of the total number of Units subscribed for by subscribers introduced to the Company by each particular person. Each Compensation Warrant entitles the holder thereof to purchase one Share at a price of \$0.12 per Share for a period of twelve months from the date of the Q1 2011 Offering. The Compensation Warrants will expire on December 15, 2011.

Included in share issue costs of \$105,262 is \$24,701 of non-cash compensation recognized from warrants issued related to the Q1 2011 Offering.

- (4) On March 11, 2011, the Company announced the receipt of gross proceeds equal to \$554,000 from the exercise of 5,540,000 warrants through the Company's warrant exercise incentive program (the "Exercise Program"). Under the terms of the Exercise Program, each exercised warrant entitled the holder thereof (the "Warrantholder") to receive one common share of the Company (a "Common Share") and one-half of one common share purchase warrant, with each whole additional common share purchase warrant (each an "Incentive Warrant") entitling the holder to purchase a Common Share. Each Incentive Warrant will be exercisable at a price of \$0.18 from the date of issue until December 15, 2011. The Company issued 5,540,000 common shares and 2,770,000 Incentive Warrants to Warrantholders in exchange for the warrants that were exercised under the Exercise Program. The fair value equal to \$52,901 was assigned to the Incentive Warrants upon issuance. Under the Exercise Program, warrants previously issued with a fair value of \$189,518 were exercised and accordingly were transferred from warrants to capital stock (Note 11(d)).

# MIRACULINS INC.



## Notes to the Financial Statements

Three and nine months ended August 31, 2011 and 2010  
(Unaudited - prepared by management)

### 11. Capital stock (continued):

#### (b) Shares issued and outstanding (continued):

On January 8, 2010, the Company announced that it had entered into a Collaborative Research and Option Agreement (the "Agreement") with Alere, Inc. (Alere) (formerly Inverness Medical Innovations) to advance and commercialize Miraculins' preeclampsia technology. In connection with the Agreement, the Company amended certain terms of its licence agreement with MSH (Note 6). In consideration for the amendments, Miraculins will issue 250,000 common shares from treasury to MSH if Alere exercises its option to license under the Agreement.

Subsequent to August 31, 2011, the Company issued 1,428,571 common shares from treasury to a lender in consideration for providing a loan as described in note 17.

#### (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 three and nine months ended August 31, 2011 are as follows:

	2011		2010	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Balance, beginning of period	4,270,000	\$ 0.21	1,530,000	\$ 0.41
Granted	1,340,000	0.12	2,765,000	0.14
Forfeited, cancelled or expired	(1,035,000)	0.38	(35,000)	2.06
Balance, end of period	4,575,000	0.15	4,260,000	0.23
Options exercisable, end of period	3,250,000	\$ 0.18	3,468,334	\$ 0.23
Weighted average fair value per unit of option granted during the period		\$ 0.09		\$ 0.14

Options outstanding at August 31, 2011 consist of the following:

Range of exercise prices	Outstanding number	Weighted average remaining contractual life	Weighted average exercise price	Exercisable number
\$0.10 - \$0.25	4,310,000	3.28 years	\$0.13	2,985,000
\$0.26 - \$0.50	75,000	0.82 years	\$0.46	75,000
\$0.51 - \$0.95	190,000	0.30 years	\$0.70	190,000
\$0.10 - \$0.95	4,575,000	3.11 years	\$0.15	3,250,000

For the three and nine months ended August 31, 2011, compensation expense of \$3,477 and \$44,299 (2010 - \$270,590 and \$277,835) was recorded to recognize options granted.

# MIRACULINS INC.



## Notes to the Financial Statements

Three and nine months ended August 31, 2011 and 2010  
(Unaudited - prepared by management)

### 11. Capital stock (continued):

#### (c) Options (continued):

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, 2011	August 31, 2010
Expected option life	3.7 years	4.6 years
Risk free interest rate	2.01%	2.26%
Dividend yield	nil	nil
Expected volatility	129.16%	146.79%

#### (d) Warrants:

Changes in the number of warrants outstanding during the nine months ended August 31, 2011 and 2010 are as follows:

	2011			2010		
	Shares	Amount	Weighted average exercise price	Shares	Amount	Weighted average exercise price
Balance, beginning of period	12,486,000	\$ 394,764	\$ 0.10	12,993,600	\$ 412,599	\$ 0.15
Granted, pursuant to private placement (Note 11(b))	6,248,332	214,131	0.18	10,200,000	393,873	0.10
Granted (Note 11(b))	-	-	-	36,000	1,542	0.10
Exercised (Note 11(b))	(7,276,000)	(239,376)	0.10	(994,000)	(37,130)	0.09
Expired (Note 11(e))	(5,210,000)	(155,388)	0.10	(48,800)	(1,555)	0.05
Balance, end of period	6,248,332	\$ 214,131	\$ 0.18	22,186,800	\$ 769,329	\$ 0.10
Weighted average remaining contractual life (years)			0.28 years			0.61 years

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, 2011	August 31, 2010
Expected life	0.9 years	1.0 years
Risk free interest rate	1.79%	1.72%
Dividend yield	nil	nil
Expected volatility	119.19%	144.92%

# MIRACULINS INC.



## Notes to the Financial Statements

Three and nine months ended August 31, 2011 and 2010  
(Unaudited - prepared by management)

### 11. Capital stock (continued):

#### (e) Contributed surplus:

Changes in contributed surplus during the nine months ended August 31, 2011 and 2010 are as follows:

	August 31, 2011	August 31, 2010
Balance, beginning of period	\$ 1,865,824	\$ 1,451,462
Options granted as stock-based compensation, net of forfeitures	44,299	277,835
Fair value of expired warrants (Note 11(d))	155,388	1,555
Balance, end of period	\$ 2,065,511	\$ 1,730,852

#### (f) Per share amounts:

The weighted average number of common shares outstanding for the nine months ended August 31, 2011 and 2010 was 65,551,965 and 39,411,532, respectively. The dilution created by options and warrants has not been reflected in the per share amounts as the effect would be anti-dilutive.

### 12. Commitments and contingencies:

#### (a) Commitments:

As at August 31, 2011 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.

Payments due by fiscal period ending November 30:

2011 - remaining	\$ 20,833
2012	45,000
2013	35,000
2014	20,000
2015	20,000
	\$ 140,833

The Company leases its laboratory space under an operating lease. In addition to the annual lease payments, the Company also pays maintenance, property taxes, insurance and other operating costs. The premises and equipment are leased from Genesys Venture Inc. (GVI), a company controlled by a director.

The Company has a business and administration services agreement with GVI. The Company is committed to pay \$13,333 per month or \$160,000 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.

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Three and nine months ended August 31, 2011 and 2010  
(Unaudited - prepared by management)

**12. Commitments and contingencies (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.

**(c) Royalties:**

The Company is obligated to pay royalties to PreMD based on any future commercial sales of PreVu Skin Cholesterol test (Note 7) equal to 10 percent of gross revenue associated with PreVu. The Company retains the right to buy-out the royalty at anytime for a one-time payment of \$1,000,000. To date, no revenue had been recorded related to PreVu.

The Company is obligated to pay royalties to CIIRDF based on any future product revenues, if any, from the exploitation of the technology contemplated in the project funding agreement (Note 9) equal to 2.5 percent up to a maximum of the amounts funded under the agreement. To date, no royalties are due and/or payable.

The Company will also pay a royalty to MSH, subject to minimum annual royalties, of a stipulated percentage of the net sales of licenced products related to the worldwide rights to commercialize a portfolio of biomarkers for use in developing diagnostic assays for the early detection of preeclampsia, if any, 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 (Note 6).

**13. Related party transactions:**

Related parties consist of companies with significant influence, and companies in which certain directors, officers, or shareholders have interests. 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 upon by the related parties.

Related party transactions incurred during the nine month periods ended August 31, 2011 and 2010 are as follows:

	August 31, 2011	August 31, 2010
General and administration		
Business and administrative services	120,000	150,000
Interest on amounts due to related party	19,265	40,463
Research and development		
Rent	22,500	34,688
Clinical research services	128,039	7,684
Scientific equipment lease	7,740	7,740

Related party transactions for the three months ended August 31, 2011 totaled \$40,000 for business and administrative services (August 31, 2010 - \$50,000) and \$5,430 for interest on amount due to related party (August 31, 2010 - \$14,790). Research and development rent totaled \$7,500 (August 31, 2010 - 11,563), clinical research services totaled \$65,431 (August 31, 2010 - \$2,695) and scientific equipment lease totaled \$2,580 (August 31, 2010 - \$2,580).

**Notes to the Financial Statements**

Three and nine months ended August 31, 2011 and 2010  
(Unaudited - prepared by management)

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**13. Related party transactions (continued):**

The Chief Financial Officer's services are provided through the business and administrative services agreement with Genesys Venture Inc. (the "GVI Agreement") as described in Note 12. In addition, intellectual property, accounting, payroll, human resources and information technology services are provided to the Company through the GVI agreement. See Note 8 for details of capital lease payable to GVI.

Clinical research services are provided through a consulting agreement with CanAm Bioresearch Inc. (CanAm), a company related to GVI through common management. Regulatory support, quality control and clinical support are provided to the Company through a consulting agreement with GVI Clinical Development Solutions Inc. (CDS), a company owned by a director of the Company.

As of August 31, 2011, \$185,305 (November 30, 2010 - \$255,125) is owed to GVI which bears interest of 12% per annum, calculated and compounded on a monthly basis and has no specific terms of repayment. Subsequent to August 31, 2011, the Company repaid \$120,000 in regards to this balance.

Included in accounts payable and accrued liabilities as of August 31, 2011 is \$20,605 (November 30, 2010 - \$12,494) owed to CDS and 8,269 (November 30, 2010 - \$12,915) owed to CanAm, neither of which were interest bearing or had any specific terms of repayment.

**14. Government assistance:**

During the three and nine months ended August 31, 2011, the Company recorded \$29,697 (2010 - nil) in government assistance to support the commercialization of the PreVu technology. 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. Subsequent to August 31, 2011, the Company obtained debt financing as described in note 17.

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, 2010.

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.

**Notes to the Financial Statements**

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**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.

**(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 receivable. 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. 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 is held 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, 2011, the Company had financial assets held for trading of \$244,803 (November 30, 2010 - \$126,825), loans and receivables of \$52,124 (November 30, 2010 - \$14,874) and financial liabilities of \$859,248 (November 30, 2010 - \$473,612). The Company's accounts payable and accrued liabilities have contractual 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 \$9,721 from 1 to 3 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.

**(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, 2011, the Company is exposed to currency risk through its cash and accounts payable denominated in US dollars as follows:

	August 31, 2011	November 30, 2010
Cash	\$ 47,833	\$ 3,952
Accounts payable	(3,663)	(18,119)
Net	\$ 44,170	\$ (14,167)

Based on the above net exposures as at August 31, 2011, and assuming that all other variables remain constant, a 5% appreciation or deterioration of the Canadian dollar against the US dollar would not be significant.



**Notes to the Financial Statements**

Three and nine months ended August 31, 2011 and 2010  
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**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 nine month period ended August 31, 2011 would not have had a significant effect on loss for the period.

**17. Subsequent events:**

On October 12, 2011, the Company obtained debt financing in the amount \$1,000,000. The promissory note evidencing the loan was issued at a discount for a purchase price of \$950,000. The loan matures on April 12, 2014 and bears interest of 12% per annum, payable quarterly, except in the case of the first interest payment which is payable on April 12, 2012. In addition, any overdue payment will bear additional interest at a rate 6% per annum, for a combined interest rate of 18% per annum on any overdue payment. As consideration for providing the loan, the lender received 1,428,571 common shares of the Company, which will be subject to resale restrictions for a period of four months from the closing date under applicable securities legislation. The proceeds of the loan will be used for general operating, ongoing product development, inventory and sales and marketing related costs. Subject to regulatory approval, interest payable on the loan may be satisfied in shares of the Company in certain circumstances.

Additionally, the Company repaid \$120,000 in regards to the amount due to related party.