Financial Statements
(Expressed in Canadian Dollars)

MIRACULINS INC.

Years ended November 30, 2011 and 2010

MANAGEMENT REPORT

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

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

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

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

"Christopher Moreau"

Mr. Christopher J. Moreau
President & CEO

"James Kinley"

Mr. James Kinley CA
Chief Financial Officer

March 9, 2012

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Miraculins Inc.

We have audited the accompanying financial statements of Miraculins Inc., which comprise the balance sheets as at November 30, 2011 and November 30, 2010, the statements of operations and deficit and cash flows for the years ended November 30, 2011 and November 30, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Miraculins Inc. as at November 30, 2011 and November 30, 2010, and its results of operations and its cash flows for the years ended November 30, 2011 and November 30, 2010 in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the financial statements which indicates that Miraculins Inc. has experienced operating losses and cash outflows since incorporation and has not reached successful commercialization of its products. These conditions, along with other matters as set forth in Note 1 in the financial statements, indicate the existence of a material uncertainty that may cast significant doubt about Miraculins Inc.'s ability to continue as a going concern.

KPMG LLP

Chartered Accountants

March 9, 2012

Winnipeg, Canada

MIRACULINS INC.

Balance Sheets
November 30, 2011 and 2010

		2011		2010
Assets				
Current assets:				
Cash	$	683,169	$	126,825
Accounts receivable		62,707		14,874
Prepaid expenses		8,581		9,108
Inventory (Note 7)		179,829		178,750
		934,286		329,557
Property and equipment (Note 5)		38,970		61,610
Intangible assets (Note 6)		980,348		942,108
	$	**1,953,604**	**$**	**1,333,275**
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities (Note 15)	$	234,522	$	210,500
Accrued interest on long-term debt (Note 11)		16,154		-
Due to related party (Note 15)		-		255,125
Current portion of obligation under capital lease (Note 8)		9,704		9,233
Current portion of royalty obligation (Note 7)		37,000		-
Obligation under project funding agreement (Note 9)		-		7,987
Deferred collaborative research and option fees (Note 10)		10,995		54,164
		308,375		537,009
Long-term debt (Note 11)		884,118		-
Obligation under capital lease (Note 8)		7,007		16,711
Royalty obligation (Note 7)		691,000		547,000
Shareholders' equity:				
Capital stock (Note 12(b))		8,900,757		7,482,590
Contributed surplus (Note 12(e))		2,076,021		1,865,824
Warrants (Note 12(d))		214,131		394,764
Deficit		(11,127,805)		(9,510,623)
		63,104		232,555
Nature and continuation of operations - going concern (Note 1)				
Commitments and contingencies (Notes 12 and 14)				
Subsequent events (Notes 10, 12, 14 and 15)				
	$	**1,953,604**	**$**	**1,333,275**

On behalf of the Board:

"David Howard" — **Director**

"Michael Stasiuk" — **Director**

The accompanying notes are an integral part of these financial statements

MIRACULINS INC.

Statements of Operations and Deficit
Years ended November 30, 2011 and 2010

	2011	2010
Expenses		
General and administration (Note 15)	$ 927,086	$ 812,633
Research and development (Notes 9 and 15)	416,225	266,372
Amortization	40,136	29,588
Write-down of property and equipment and intellectual property (Notes 5 and 6)	58,551	5,002
Stock-based compensation		
General and administration	54,619	344,304
Research	190	2,858
Total operating expenses	(1,496,807)	(1,460,757)
Interest expense	(224,865)	(57,095)
Other income		
Collaborative research and option fees (Note 10)	91,599	85,115
Investment and other income	12,891	3,926
Loss and comprehensive loss for the year	(1,617,182)	(1,428,811)
Deficit, beginning of year	(9,510,623)	(8,081,812)
Deficit, end of year	$ (11,127,805)	$ (9,510,623)
Basic and diluted loss per share (Note 12(f))	$ (0.02)	$ (0.03)

The accompanying notes are an integral part of these financial statements

MIRACULINS INC.

Statements of Cash Flows
Years ended November 30, 2011 and 2010

	2011	2010
Cash provided by (used in):		
Operating activities:		
Loss and comprehensive loss for the year	$ (1,617,182)	$ (1,428,811)
Adjustments for:		
Loss on disposal of property and equipment	483	-
Amortization	40,136	29,588
Write-down of property and equipment and intellectual property (Notes 5 and 6)	58,551	5,002
Stock-based compensation	54,809	347,162
Accretion of royalty obligation	181,000	-
Non-cash interest expense	5,547	-
Change in the following:		
Accounts receivable	(47,833)	(6,639)
Prepaid expenses	527	(1,366)
Inventory	(1,079)	-
Accounts payable and accrued liabilities	24,022	109,566
Accrued interest on long-term debt	16,154	-
Due to related party (Note 15)	(255,125)	(108,914)
Obligation under project funding agreement	(7,987)	(73,991)
Deferred collaborative research and option fee	(43,169)	54,164
	(1,591,146)	(1,074,239)
Financing activities:		
Issuance of common shares and warrants, net of share issue costs	1,321,493	1,348,732
Repayment of obligation under capital lease	(9,233)	(8,784)
Proceeds from long-term debt (Note 11)	950,000	-
	2,262,260	1,339,948
Investing activities:		
Purchase of property and equipment	(2,621)	(4,147)
Patent and trademark costs	(112,149)	(37,668)
Acquisition of PreVu assets (Note 7)	-	(250,000)
	(114,770)	(291,815)
Increase (decrease) in cash	556,344	(26,106)
Cash, beginning of year	126,825	152,931
Cash, end of year	$ 683,169	$ 126,825
Supplemental cash flow information:		
Non-cash financing activities:		
Warrants issued as share issue costs (Note 12(b))	$ 24,701	$ 1,542
Shares issued in connection with long-term debt (Note 11)	$ 70,378	$ -
Non-cash investing activities:		
Shares issued as consideration for asset acquisition (Note 7)	$ -	$ 200,437

The accompanying notes are an integral part of these financial statements

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 November 30, 2011, the Company has expended $4,230,436, net of government assistance, for research and development.

These financial statements have been prepared using Canadian generally accepted accounting principles ("Canadian GAAP") that are applicable to a going concern, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is substantial doubt about the Company's ability to continue as a going concern. 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:

(a) Cash and cash equivalents:

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

(b) Inventory

Inventory consists of parts to be used in the manufacture of finished medical devices that are intended to be held for resale and are valued at the lower of cost and net realizable value (Note 7).

2. Significant accounting policies (continued):

(c) 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%

As at November 30, 2011, the Company's scientific equipment and equipment under capital lease were no longer in use and were being held for resale. Equipment held for resale is stated at the lower of cost, net of previously recorded amortization, and fair value less costs to sell.

(d) Intangible assets:

Intangible assets comprise intellectual property including patents, trademarks, technology licenses and other intangible rights. Costs incurred for patents and trademarks are capitalized and amortized from the date of issuance on a straight-line basis over their respective legal lives or economic life, if shorter. The cost of servicing patents and trademarks is expensed as incurred. Costs incurred for acquired intellectual property will be amortized over the estimated period that it is available for use in the manner intended by management, which is estimated to be three to five years.

Technology licenses are recorded at cost. The cost of technology licenses are amortized over their expected useful life of three years.

(e) Impairment of long-lived assets:

The carrying amount of long-lived assets, which includes property and equipment to be held and used and intangible assets, 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 further impairment exists at the balance sheet date.

(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.

(g) Financial instruments:

Financial assets and financial liabilities, including derivatives are initially recognized at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. The fair value of financial assets designated as held-for-trading is determined based on quoted prices in active markets for identical assets, per Level I of the fair value hierarchy. When the carrying value of a financial asset exceeds its fair value on a basis that is other than temporary, the carrying value is reduced to the fair value. The Company has designated its financial instruments as follows:

2. Significant accounting policies (continued):

(g) Financial instruments (continued):

- Cash and cash equivalents are classified as held-for-trading. They are measured at fair value and the gains or losses resulting from re-measurement at the end of each period are recognized in net loss for the period. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.
- Accounts receivable are classified as loans and receivables. They are measured at amortized cost using the effective interest rate method. Transaction costs related to instruments classified as loans and receivables are expensed as incurred.
- Accounts payable and accrued liabilities, accrued interest on long-term debt, due to related party, obligation under project funding agreement, long-term debt and royalty obligation are classified as other financial liabilities. They are measured at amortized cost using the effective interest rate method. Transaction costs related to instruments classified as 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 years ended November 30, 2011 or 2010 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.

(i) Stock-based compensation:

The Company has a stock option plan (note 12(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. 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.

(j) Government assistance and investment tax credits:

Government assistance toward current expense is recorded as a reduction against the related expenses in the period they are incurred and is recognized when there is reasonable assurance that the Company has met the requirements of the approved grant program. Government assistance towards capital assets is deducted from the cost of the related asset. 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 credits are recorded in the period that the credits have 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.

2. Significant accounting policies (continued):

(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) Foreign currency translation:

Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing rates of exchange at the balance sheet dates. Expenses are translated at the exchange rates prevailing on the transaction date. Realized and unrealized exchange gains and losses are included in income.

(n) 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 other income during the year. Significant estimates are used in determining, but are not limited to, valuation of stock-based compensation, and valuation of intangible assets. Actual results could differ from those estimates.

(o) Prior period reclassifications:

Certain of the prior year figures have been reclassified to be comparable to the current year.

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.

4. Financial instruments:

The Company has classified its financial instruments as follows:

	November 30, 2011	November 30, 2010
Financial assets:		
Cash (Held-for-trading)	$ 683,169	$ 126,825
Accounts receivable (Loans and receivables)	62,707	14,874
	$ 745,876	$ 141,699
Financial liabilities:		
Accounts payable and accrued liabilities (Other financial liabilities)	$ 234,522	$ 210,500
Accrued interest on debt (Other financial liabilities)	16,154	-
Due to related party (Other financial liabilities)	-	255,125
Obligation under project funding agreement (Other financial liabilities)	-	7,987
Long-term debt (Other financial liabilities)	884,118	-
Royalty obligation (Other financial liabilities)	728,000	547,000
	$ 1,862,794	$ 1,020,612

The Company had neither available-for-sale, nor held-to-maturity financial instruments during the years ended November 30, 2011 or 2010. Cash, accounts receivable, accounts payable and accrued liabilities, accrued interest on long-term debt 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, long-term debt and royalty obligation are not readily determinable given their underlying terms and conditions.

5. Property and equipment:

November 30, 2011	Cost	Accumulated amortization	Net book value
Computer and office equipment	$ 12,620	$ 8,816	$ 3,804
Equipment held for resale	35,166	-	35,166
Leasehold improvements	125,644	125,644	-
	$ 173,430	$ 134,460	$ 38,970

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

Included in general and administration expenses is a loss on sale of property and equipment of $483 (2010 - nil) and the Company also recorded a write-down of property and equipment of $6,210 (2010 - nil)

6. Intangible assets:

November 30, 2011		Cost, net of impairments		Accumulated amortization		Net book value
Patents	$	136,845	$	798	$	136,047
Trademarks		15,614		-		15,614
Technology license		30,770		20,770		10,000
Acquired intellectual property (Note 7)		818,687		-		818,687
	$	1,001,916	$	21,568	$	980,348

November 30, 2010		Cost, net of impairments		Accumulated amortization		Net book value
Patents	$	90,769	$	-	$	90,769
Trademarks		11,882		-		11,882
Technology license		20,770		-		20,770
Acquired intellectual property (Note 7)		818,687		-		818,687
	$	942,108	$	-	$	942,108

As part of its ongoing review of all intellectual property, the Company recorded an impairment write-down for the year ended November 30, 2011 of $52,341 (2010 - $5,002). The Company also reviewed the remaining intangible assets for impairment as at November 30, 2011 and has determined no further write-downs were necessary.

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 pays an annual license maintenance fee beginning on October 15, 2011, 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 licensed products, if any, along with other milestone payments. If the Company sub-licenses any rights under the agreement to a third party, the Company shall pay MSH a stipulated percentage of sub-license fee and sub-license royalty fee (Note 14(c)). The royalty, sub-license, and sub-license 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 12(b)). There were no sales of licensed products to November 30, 2011.

7. Asset acquisition:

On September 3, 2010, the Company completed the 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 12(b)).

Miraculins is obligated to pay a 10 percent ongoing royalty on gross revenue associated with PreVu to PreMD (Note 14(c)). The Company retains the right to buy-out the royalty at anytime for a one-time payment of $1,000,000. The initial value assigned to the royalty obligation, based on an expected value approach, was estimated at $547,000. The royalty obligation is revalued each period and its value at November 30, 2011 was $728,000. The accretion of the royalty obligation of $181,000 (2010 - nil) is recorded within interest expense on the statement of operations.

7. Asset Acquisition (continued):

		Amount
Identifiable assets acquired and liabilities assumed as at September 30, 2010:		
Inventory, at net realizable value	$	178,750
Patents, trademarks, licenses and approvals		818,687
Royalty obligation		(547,000)
	$	450,437

		Amount
Consideration:		
Cash	$	250,000
Equity securities		200,437
	$	450,437

8. Obligation under capital lease:

Capital lease outstanding is as follows:

		2011		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 15).	$	16,711	$	25,944
Current portion of obligation under capital lease		(9,704)		(9,233)
	$	7,007	$	16,711

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

2012	$	10,320
2013		7,141
Total minimum lease payments		17,461
Amount representing interest		(750)
Balance of the obligation	$	16,711

Interest expense incurred on this lease for the year ended November 30, 2011 amounts to $1,087 (2010 - $1,536).

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 14(c)). Interest is charged on overdue payments owing, if any, at a rate of bank prime plus 1%. At November 30, 2011, the Company is unable to determine if any revenue will be generated by the technology.

During the year ended November 30, 2011, the Company received $17,265 (2010 - nil) 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*, $25,252 (2010 - $73,991) has been recorded as a reduction of the related research expenses during the year ended November 30, 2011 and no obligation remains under the project funding agreement as at November 30, 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 year ended November 30, 2011, the Company recognized collaborative research and option fees in the amount of $91,599 (2010 - $85,115). As at November 30, 2011, deferred collaborative research and option fees amounted to $10,995 (November 30, 2010 - $54,164).

Subsequent to year end, on January 12, 2012, an option was exercised and the Company received an option fee of USD $75,000 for maintenance of the exclusive option over certain technology.

11. Long-term debt

On October 12, 2011, the Company entered into a non-convertible secured loan agreement with a private lender (the "Lender") for $1,000,000. The Promissory note evidencing the loan was issued at a discount for a purchase price of $950,000 and in addition the Lender received 1,428,571 common shares of the Company with a fair value of $71,428, net of issue costs of $1,050.

The effective interest rate on the long-term debt is 18.15%. Interest expense for the year ended November 30, 2011 was $21,701 (2010 - nil). The initial value assigned to the long-term debt, based on a fair value approach, was $878,571. As at November 30, 2011, the amortized cost of the long-term debt was $884,118 (2010 - nil).

The loan matures on April 12, 2014 and bears interest at 12% per annum, payable interest only on a quarterly basis, except in the case of the first interest payment, which is payable on April 12, 2012. Any overdue payments will bear additional interest at a rate of 6%, for a combined interest rate of 18% on any overdue payment. The Company has the option to satisfy its obligations with respect to any interest payable on the loan by issuing common shares at a discounted price. Interest payable at November 30, 2011 is $16,154 (November 30, 2010 - nil).

The loan is secured by a general security interest in favour of the Lender over all tangible and intangible assets of the Company.

12. 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 (1)	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 (2)	1,822,158		198,844
Balance, November 30, 2010	54,634,826		7,482,590
Exercise of warrants	1,736,000		221,237
Issued for cash, net of issue costs of $105,262 (3)	6,083,331		488,210
Early exercise warrant incentive program, net of issue costs of $52,275 (4)	5,540,000		638,342
Shares issued as consideration for loan, net of issue costs of $1,050 (Note 11)	1,428,571		70,378
Balance, November 30, 2011	69,422,728	$	8,900,757

12. 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 $25,246 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 12(d)).

12. 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 license 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.

(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 years ended November 30, 2011 and 2010 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	3,115,000	0.14
Forfeited, cancelled or expired	(1,405,000)	0.32	(375,000)	0.47
Balance, end of period	4,205,000	0.15	4,270,000	0.21
Options exercisable, end of period	3,380,000	$ 0.16	3,670,000	$ 0.22
Weighted average fair value per unit of option granted during the period		$ 0.08		$ 0.12

Options outstanding at November 30, 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	4,015,000	3.10 years	$0.13	3,190,000
$0.26 - $0.50	60,000	0.49 years	$0.50	60,000
$0.51 - $0.95	130,000	0.17 years	$0.53	130,000
$0.10 - $0.95	4,205,000	2.97 years	$0.15	3,380,000

For the year ended November 30, 2011, compensation expense of $54,809 (2010 - $347,162) was recorded to recognize options granted.

12. 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:

	November 30, 2011	November 30, 2010
Expected option life	3.8 years	4.6 years
Risk free interest rate	2.12%	2.26%
Dividend yield	nil	nil
Expected volatility	134.13%	138.20%

Subsequent to year-end, the Company granted 2,680,000 options to purchase common shares to certain directors, officers, employees and advisors of the Company, all with an exercise price of $0.10. Additionally, 130,000 options expired subsequent to year-end.

(d) Warrants:

Changes in the number of warrants outstanding during the years ended November 30, 2011 and 2010 are as follows:

			2011			2010
	Warrants	Amount	Weighted average exercise price	Warrants	Amount	Weighted average exercise price
Balance, beginning of period	12,486,000	$ 394,764	$ 0.10	12,993,600	$ 412,599	$ 0.10
Granted, pursuant to private placement (Note 12(b))	6,248,332	214,131	0.18	10,200,000	393,873	0.10
Granted (Note 12(b))	-	-	-	36,000	1,542	0.08
Exercised (Note 12(b))	(7,276,000)	(239,376)	0.10	(8,994,800)	(346,050)	0.10
Expired (Note 12(e))	(5,210,000)	(155,388)	0.10	(1,748,800)	(67,200)	0.10
Balance, end of period	6,248,332	$ 214,131	$ 0.18	12,486,000	$ 394,764	$ 0.10
Weighted average remaining contractual life (years)			0.03 years			0.37 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:

	November 30, 2011	November 30, 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%

The outstanding warrants at November 30, 2011 expired subsequent to year end, on December 15, 2011.

12. Capital stock (continued):

(e) Contributed surplus:

Changes in contributed are as follows:

	November 30, 2011	November 30, 2010
Balance, beginning of period	$ 1,865,824	$ 1,451,462
Options granted as stock-based compensation, net of forfeitures	54,809	347,162
Fair value of expired warrants (Note 12(d))	155,388	67,200
Balance, end of period	$ 2,076,021	$ 1,865,824

(f) Per share amounts:

The weighted average number of common shares outstanding for the years ended November 30, 2011 and 2010 was 66,356,535 and 42,871,404, respectively. The dilution created by options and warrants has not been reflected in the per share amounts as the effect would be anti-dilutive.

13. Income taxes:

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

	2011	2010
Future tax assets:		
Non-capital loss carry-forwards	$ 1,729,310	$ 1,381,067
Scientific research and experimental development	536,464	522,004
Royalty obligation	196,560	147,690
Share issue costs	60,170	25,738
Property and equipment	29,894	23,074
Other	27,797	14,370
Future tax liability:		
Intangible assets	(19,269)	(39,224)
	2,560,926	2,074,719
less: Valuation allowance	(2,560,926)	(2,074,719)
	$ -	$ -

13. Income taxes (continued):

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

		2011		2010
Canadian federal and provincial income taxes at 28.63% (2010 - 30.08%)	$	(462,999)	$	(429,786)
Stock-based compensation		15,692		104,426
Scientific research and experimental development		3,615		71,091
Rate difference between current and future taxes		22,308		33,100
Change in rates		-		(68,180)
Permanent differences and other items		(64,823)		(12,695)
Change in valuation allowance		486,207		302,044
	$	-	$	-

At November 30, 2011, the Company has the following available for application in future years:

- Unutilized Canadian non-capital loss carried forward balances for income tax purposes of $6,405,000 (2010 - $5,115,000), with expiry dates ranging from 2014 to 2031;
- Unutilized scientific research and development expenditures for $1,987,000 (2010 - $1,933,000), with no expiry;
- Scientific research and development tax credits of $792,000 (2010 - $790,000), which can be applied against income taxes otherwise payable, with expiry by 2029.

14. Commitments and contingencies:

(a) Commitments:

As at November 30, 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:

2012	$	58,333
2013		37,500
2014		20,000
2015		20,000
2016		20,000
	$	155,833

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 now former director. Subsequent to year end, on January 16, 2012, the Company and GVI mutually agreed to terminate the remainder of the laboratory lease for a one-time payment of $17,500 and there is no further obligation under this lease.

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. Subsequent to year end, as at January 1, 2012 this agreement was renegotiated at $7,083 per month or $85,000 per annum for a period of one year.

14. 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 licensed 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-licenses any rights under the agreement to a third party, the Company shall pay MSH a stipulated percentage of sub-license fee and sub-license royalty fee (Note 6).

15. 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.

GVI and GVI Clinical Development Solutions ("GVI CDS") were related parties of the Company until November 1, 2011, when a director who controlled GVI and GVI CDS resigned from the Board of Directors. Transactions incurred during the years ended November 30, 2011 and 2010 are as follows:

	November 30, 2011	November 30, 2010
General and administration		
Business and administrative services	160,000	195,000
Interest on amounts due to related party	21,077	55,559
Research and development		
Rent	30,000	39,479
Clinical research services	154,531	39,120
Scientific equipment lease	10,320	10,320

15. Related party transactions (continued):

The Chief Financial Officer's services are provided through the business and administrative services agreement with GVI (the "GVI Agreement") as described in Note 14. In addition, intellectual property, accounting, payroll, human resources and information technology services were provided to the Company through the GVI agreement. Subsequent to year end, as at January 1, 2012 terms of the GVI agreement were renegotiated.

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. CanAm ceased to be a related party on November 1, 2011 when a now former director who controlled GVI resigned from the Board of Directors. Regulatory support, quality control and clinical support are provided to the Company through a consulting agreement with GVI CDS.

As of November 30, 2011, $68,712 (November 30, 2010 - $255,125) is owed to GVI which bore interest at 12% per annum, calculated and compounded on a monthly basis until September 30, 2011. At November 30, 2011, the $68,712 owing to GVI was recorded within accounts payable and accrued liabilities as GVI was no longer a related party. Subsequent to year end, on January 20, 2012, the payable to GVI was settled in a shares for debt transaction with 952,533 Common Shares being issued to GVI for payment for services rendered in accordance with the terms of an agreement between the two parties.

Included in accounts payable and accrued liabilities as of November 30, 2011 is $12,748 (November 30, 2010 - $12,494) owed to CDS and $5,513 (November 30, 2010 - $12,915) owed to CanAm, neither of which were interest bearing or had any specific terms of repayment.

16. Government assistance:

During the year ended November 30, 2011, the Company recorded $80,057 (2010 - nil) in government assistance to support the commercialization of the PreVu technology. The funding has been recorded against the related research expenditures. As at November 30, 2011, $39,620 of government assistance is recorded in accounts receivable (November 30, 2010 - nil).

17. 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 cash, long-term debt and equity comprising, issued capital, contributed surplus, warrants, and stock options.

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 issuance 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.

18. 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. The Company believes there is no credit risk associated with its accounts receivable.

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 November 30, 2011, the Company had financial assets held for trading of $683,169 (November 30, 2010 - $126,825), loans and receivables of $62,707 (November 30, 2010 - $14,874) and financial liabilities of $1,862,794 (November 30, 2010 - $1,020,612). The Company's accounts payable and accrued liabilities have contractual maturities of less than one year. The Company's long-term debt is due on April 12, 2014 (Note 11).

The timing of payments related to the obligation under capital lease is approximately $10,320 within one year, and $7,141 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 November 30, 2011, the Company is exposed to currency risk through its cash and accounts payable denominated in US dollars as follows:

	November 30, 2011	November 30, 2010
Cash	$ 11,182	$ 3,952
Accounts payable	(16,624)	(18,119)
Net	$ (5,442)	$ (14,167)

18. Financial risk management (continued):

(c) Market Risk (continued):

Based on the above net exposures as at November 30, 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.

The Company is subject to interest rate risk on its cash and cash equivalents and term debt. 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. The long-term debt is at a fixed interest rate. A change of 1% in interest rates over the year ended November 30, 2011 would not have had a significant effect on loss for the period.