MIRENCO INC
Form 10KSB
May 09, 2006

U.S. Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-KSB

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2005

Commission File No. 333-41092

MIRENCO, INC.

(Name of small business issuer in its charter)

IOWA	39-1878581
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

206 MAY STREET, RADCLIFFE, IOWA	50230
(Address of principal executive offices)	(Zip Code)

Issuer's telephone number (515) 899-2164

Securities registered under Section 12(b) of the Exchange Act:

Title of each class	Name of each exchange on which registered
Common Stock, no par value	NONE

Securities registered under Section 12(g) of the Exchange Act:

NONE

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES_X_NO __ .

Check if no disclosure of delinquent filers in response to Item 405 of Regulation S-B is contained in this Form 10-KSB, and no disclosure will be contained, to the best of Registrant's knowledge, in definitive proxy statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. X

The issuer's revenues for the most recent fiscal year were $720,122

The aggregate market value of the voting stock held by nonaffiliates, based on the closing sale price of the over-the-counter market on May 4, 2006 was 1,472,618. As of May 4, 2006, there were 20,305,554 shares of Common Stock, no par value, outstanding.

MIRENCO, INC.

FORM 10-KSB

Fiscal Year Ended December 31, 2005

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Cautionary Statement on Forward-Looking Statements.

The discussion in this Report on Form 10-KSB, including the discussion in Item 1 and Item 6, contain forward-looking statements that have been made pursuant to the provisions of the Private Securities Litigation Reform Act of 1995.

Such forward-looking statements are based on current expectations, estimates and projections about the Company's business, based on management's current beliefs and assumptions made by management. Words such as "expects", "anticipates", "intends", believes", "plans", "seeks", "estimates", and similar expressions or variations of these words are intended to identify such forward-looking statements. Additionally, statements that refer to the Company's estimated or anticipated future results, sales or marketing strategies, new product development or performance or other non-historical facts are forward-looking and reflect the Company's current perspective based on existing information. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results and outcomes may differ materially from what is expressed or forecasted in any such forward-looking statements. Such risks and uncertainties include those set forth below in Item 1 as well as previous public filings with the Securities and Exchange Commission. The discussion of the Company's financial condition and results of operations included in Item 6 should also be read in conjunction with the financial statements and related notes included in Item 7 of this annual report. The Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

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PART I

ITEM 1. Description of Business

(a) Development

Mirenco, Inc. was organized and incorporated in the State of Iowa on February 21, 1997. We develop and market technologically advanced products for throttle control of internal combustion vehicles to improve fuel efficiency, reduce vehicle maintenance costs, and reduce environmental emissions. Mirenco also offers consultative services in evaluating diesel engines through its Combustion Management Program which consists of testing procedures, comparison to other engines on its proprietary data base and making recommendations for maintenance activities and/or application of Mirenco s patented technology.

From July 30, 1999 to July 30, 2000, we raised $7,806,240 in the sale of 1,561,248 shares of common stock at $5.00 per share to Iowa-only residents in a self underwritten, intrastate direct public offering. We claimed the exemption from registration in this intrastate offering provided by Section 3(a)(11) of the Securities Act of 1933. We noted that the shares were part of an issue registered, offered and sold only to residents of Iowa; we are incorporated in Iowa; and we do business within Iowa. Nonetheless, certain of our "Iowa-Only Offering Shares" were resold by Iowa residents to non-Iowa residents before "coming to rest" under § 3(a)(11) and/or Rule 147's nine-month standard. As a result, we voluntarily elected to rescind the Iowa-Only Offering, which resulted in the refund of $261,700 for 52,340 shares returned and cancelled, incurring total interest expense of $14,990. The rescission offer was available only to the Iowa-Only Offering Stockholders. As of February 26, 2001, the termination date of the rescission offer, the Iowa-Only Offering net investment was $7,544,540, or 1,508,908 shares. On February 26, 2004, the statute of limitations on this rescission offering expired and $7,544,540 was reclassified to equity.

(b) Business

Our primary products are derived from technology patented in the United States, Mexico and Canada. These products are DriverMax®, DriverMax- CX® DriverMax® Software, HydroFire®Injection, HydroFire®Fluid, HydroFire®Lubricant and EconoCruise®.

In addition to products, Mirenco, Inc. offers consultative services with its Combustion Management Program.

(1) Products and services

DriverMax® and DriverMax-CX® are devices that improve engine exhaust emissions and fuel mileage while reduceing vehicle maintenance costs using precise programmable computer management of the vehicle's throttle position. The device controls the fuel flow directly proportional to the engine s combustion capability and desired rate of acceleration. This product is designed for diesel powered vehicles, with a high frequency of starting and stopping such as buses, over-the-road trucks, delivery vehicles and construction vehicles.

The DriverMax-CX® product is primarily the same as the DriverMax® except it operates on electronically digitally controlled engines, thus opening up a completely new market relative to the extra heavy-duty diesel engine. We are working in conjunction with the United States Department of Energy to develop a prototype of this technology, perform appropriate testing and launch production of this product. The application for this technology is the same as the DriverMax®. It has been particularly effective in the reduction of black smoke (opacity) in off-road construction equipment as well as heavy-duty underground equipment used in mining, gravel, and sandpit operations.

The HydroFire® System is a sophisticated superset of the DriverMax® technology, providing all the benefits of the DriverMax® plus the additional benefit of cutting oxides of nitrogen (NOx) emissions under performance conditions where NOx is produced. Specifically, NOx is produced under heavy loads and high engine temperatures. When these conditions occur, HydroFire ®Injection injects a patented fluid, HydroFire®Fluid, into the engine to reduce the NOx production by approximately 50%. The HydroFire®Fluid is a patented water-alcohol-lubricant mixture for which we have patented the blending process. Specifically, water cuts the NOx production, alcohol serves as antifreeze for the water, and HydroFire®Lubricant serves to thwart the potentially solvent and/or corrosive characteristics of the alcohol in the engine and/or storage containers. HydroFire® Systems are designed primarily for heavy transport vehicles such as buses and over-the-road trucks.

EconoCruise®, currently in development, is a highly sophisticated throttle control system which provides advanced levels of "intelligence" to common cruise control technology. EconoCruise® utilizes Global Positioning System signals to "know" the topography of the road ahead, thereby allowing the vehicle to best manage throttle and emissions. We anticipate that this product will be marketable to the population of existing vehicles as an "add-on" and that the rights to the patented technology and proprietary design work will be marketable to automakers.

Mirenco, Inc. also offers its Combustion Management Program.

This program consists of an evaluation of the diesel engine based on test results and comparisons with other like engines. Mirenco has developed an extensive database of evaluation results from prior testing of thousands of diesel engines. The evaluation consists of performing the SAE-J1667 test using smoke meters and the results of emissions tests evaluating the level of the five gases emitted from the combustion process of a diesel engine.

The SAE-J1667 test consists of measuring the opacity of the smoke emitted from the exhaust of the diesel engine. Technicians also observe other pertinent items such as the temperature at time of test, the type of fuel being used and the color of the smoke being emitted from the exhaust pipe. This test is run six times to insure a representative sample of the opacity is valid. The results of these tests allow Mirenco to evaluate the condition of the engine, determine commonalities among engine types, evaluate the entire fleet and recommend appropriate maintenance procedures for each specific vehicle. From these results, we can also make recommendations for the appropriate application and programmable setting of DriverMax® to best suit the engine.

Mirenco s Combustion management program has been successfully applied to the underground mining industry to reduce diesel particulate matter. This industry is under strict regulation from the Mining Safety and Health Administration (MSHA) to reduce particulate emissions for the safety of its workers. During 2005, Mirenco s technicians applied the combustion management program, DriverMax® and DriverMax-CX®products in approximately 20 mines throughout the United States.

The applications have resulted in a dramatic reduction in the emissions of diesel particulate matter resulting in achieving or approaching MSHA s requirements.

(2) Marketing methods

Mirenco s marketing strategy is primarily the direct sale by Mirenco s sales force of our methodology, the Combustion Management Program and our technologies, DriverMax® and the DriverMax-CX®. These products can demonstrate an economic benefit to our customers and potential customers, particularly those whose fleets have a high degree of stops and accelerations in their duty cycle. The methodology promotes the use of the technology and the technology promotes the use of the methodology or each product or service can be marketed independently.

(3) Competition

The market for our products and services is characterized by rapid technological developments, frequent new product introductions and evolving, varying industry and regulatory standards. We believe there is no known automotive retrofit device that can compete with our current or contemplated spectrum of products. Mirenco Inc.'s technologies and solutions are aimed at reducing wasted fuel and excess emissions. Mirenco, Inc. s Combustion Management Program also includes a financing option for its products and services. Our greatest advantage over other competing products is that Mirenco s overall program keeps engines burning fuel efficiently thereby extending the vehicle s useful life. This is the Mirenco advantage over other environmental solutions which either filter engine exhaust emissions (with the risk of clogging) or exhaust catalysts that burn fuel with no useful application of the energy produced.

Other products Mirenco must consider as competitive include: catalytic converters, exhaust traps, fuel additives and other specialized products such as alternative fuels.

(4) Production suppliers

We currently outsource the production of DriverMax® according to our specifications to ICE Corporation, an FAA certified electronic manufacturing company located in Manhattan, Kansas. Generally all materials required to manufacture and assemble our product line are readily available shelf items. Orders are typically manufactured and delivered within, at most, a ten week time frame. Payment terms are standard for the industry. We are not required to order or accept delivery of any product based on a predetermined time schedule, and production unit costs decrease with increasing quantities.

At the present time, we intend to continue outsourcing production to companies that can meet our specifications for high quality and reliability. Management has contacted other companies capable of producing our products at the desired levels should the need arise.

(5) Patents and trademarks

Mirenco, Inc. owns the following patents. Patents number 1 through 5 were purchased from American Technologies on April 30, 1999:

1. United States Patent Number 4,958,598, issued September 25, 1990, entitled "Engine Emissions Control Apparatus Method."

2. United States Patent Number 5,315,977, "Fuel Limiting Method and Apparatus for an Internal Combustion Vehicle" issued May 31, 1994.

3. Canadian Patent Number 1,289,430, issued September 24, 1991, entitled "Engine Modification Apparatus Fuel."

4. Mexican Patent Number 180,658, "Fuel Limiting Method and Apparatus (Staged Fueling). Registration date January 17, 1996.

5. Canadian Patent Number 2,065,912, issued June 1, 1999, entitled "Fuel Limiting Method and Apparatus for an Internal Combustion Vehicle." Application date April 13, 1992.

6. United States Patent Number 6,370,472 B1 issued April 9, 2002 entitled Method and Apparatus for Reducing Unwanted Vehicle Emissions Using Satellite Navigation.

7. United States Patent Number 6,845,314 B2 issued January 18, 2005 Method and apparatus for remote communication of vehicle combustion performance parameters.

As part of the purchase agreement for the patents listed in paragraphs 1-5, Mirenco, Inc. agreed to pay American Technologies a 3% royalty of annual gross sales for a period of twenty years, which began November 1, 1999.

In addition to the above described patents, we have filed for and obtained the following Registered Trademarks:

1. HydroFire®Fluid 5. EconoCruise®

2. HydroFire®Injection 6. "SmartFoot™

3. HydroFire®Lubricant 7. "Satellite-to-Throttle™

4. DriverMax®

(6) Government regulation

Currently, all conventional vehicles, as well as most alternate fuel vehicles and certain retrofit technologies legally sold in the United States, must be "verified" by the Environmental Protection Agency (EPA) to qualify for the "Low Emission Vehicle" ("LEV") classification necessary to meet federal fleet vehicle conversion requirements. Our products have not been verified by the EPA, however, our marketing efforts to federal fleets is non-existent.

In addition, The Mine Safety and Health Administration (MSHA) has been performing extensive air quality testing in underground mines. This activity has produced a new emphasis on the underground mining industry to consider new methods to improve the air quality for its employees. We have made significant inroads in marketing both our methodology and technology in the underground mining markets.

We believe our products to be "retrofit devices" as defined under EPA regulations. We are, however, subject to the regulatory risk that the EPA may construe distribution of the products to be also governed by "fuel additive" regulations. These more stringent regulations sometimes require scientific testing for both acute and chronic toxicity, which is not required for approval of pollution control products deemed as "retrofit devices". Such additional compliance procedures could substantially delay the wide commercialization of HydroFire® products. We believe the EPA "fuel additive" regulations do not apply to our DriverMax® products, since our product does not involve the introduction of additives into the engine air intake system, as those terms are defined in EPA regulations and generally understood in the automotive engineering community.

We are not aware of any proposed regulatory changes that could have a material adverse effect on our operations and/or sales efforts. Further, we have not been required to pay any fines for, and are not aware of any issues of, noncompliance with environmental laws.

(8) Research and development

The Company expenses research and development costs as incurred, classifying them as operating expenses. Such costs include certain prototype products, test parts, consulting fees, and costs incurred with third parties to determine feasibility of products. Costs incurred for research and development were $60,898 and $8,772 for 2005 and 2004, respectively.

(9) Employees

As of December 31, 2005 and March 31, 2006, we had 18 and 15 full-time employees, respectively. There have been no management-labor disputes, and we are not a party to any collective bargaining agreement.

ITEM 2. Properties

Mirenco, Inc. owns a 21,600 square foot office, warehouse and distribution facility located in Radcliffe, Iowa. The building is located on 1.2 acres of land.

In addition, Mirenco, Inc. rents an adjacent shop building from an officer and stockholder.

ITEM 3. Legal Proceedings

None.

ITEM 4. Submission of Matters to a Vote of Security Holders

None

ITEM 5. Market for Common Equity and Related Stockholder Matters

(a) Market Information

Effective June 15, 2001, Mirenco, Inc. common stock began initial trading on the over-the-counter "bulletin board" market under the symbol "MREO.OB".

Price Range of Common Stock

The following table sets forth the high and low sales prices of the Company's common stock as obtained from the Quotes tab at the Internet site www.nasdaq.com. These prices reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions. The stock did not begin trading until the second quarter of 2001.

Fiscal Period	2005	2004

	High	Low	High	Low
	----	---	----	---
First Quarter	.29	.17	.55	.35
Second Quarter	.30	.15	.55	.35
Third Quarter	.39	.20	.47	.20
Fourth Quarter	.37	.20	.45	.16

During 2005, the Company issued non registered securities to accredited investors only as follows:

(2) Common stock	3,885,872 shares	$519,080

(b) Approximate Number of Equity Security Holders

Title of Class	Approximate Number of Record Holders as of December 31, 2005
----------------------	--------------------------
Common Stock, no par value	3,600(1)

(1) Included in the number of stockholders of record are shares held in "nominee"or "street" name.

(c) Dividend History and Restrictions

The Company has never paid a cash dividend on its common stock and has no present intention of paying cash dividends in the foreseeable future. Future dividends, if any, will be determined by the Board of Directors in light of the circumstances then existing, including the Company's earnings, financial requirements, general business conditions and any future possible credit agreement restrictions.

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(d) Securities Authorized for Issuance Under Equity Compensation Plans

All of the above Stock Compensation Plans were approved by the Company s shareholders.

There were no individual stock compensation arrangements outside of the formal plans indicated in the table above.

Name of Plan	Number of securities Authorized for issuance Under the plan	Number of securities awarded plus number of securities to be issued Upon exercise of options, Warrants or rights granted During last fiscal Year	Number of securities to be issued upon exercise of outstanding options, warrants or rights	Number of securities remaining available for future issuance
1998 Common Stock Compensation Plan	1,200,000 shares	367,400 shares	299,400 shares	832,600 shares
1999 Common Stock Compensation Plan	750,000 shares	450,000 shares	450,000 shares	300,000 shares
2001 Common Stock Compensation Plan	250,000 shares	23,060 shares	18,560 shares	222,940 shares
2004 Common Stock Compensation Plan	1,000,000 shares	293,750 shares	290,750 shares	706,250 shares

ITEM 6. Management's Discussion and Analysis or Plan of Operation

General and Background

We have incurred annual losses since inception while developing and introducing our original products and focusing management and other resources on capitalizing the Company to support future growth. The losses incurred to date are considered normal for a development stage company. Relatively high management, personnel, consulting and marketing expenditures were incurred in prior years in preparation for the commercialization of our products. We expect distribution, selling, general and administrative expenses to increase directly with sales increases, however, as a percentage of sales, these expenses should decline.

From July 30, 1999 through July 30, 2000, we raised $7,806,240 from our Iowa-Only Offering. On August 12, 2000, we determined that resales of Iowa-Only shares by Iowa residents to non-Iowa residents violated certain provisions of the Securities Act of 1933. In response, we undertook an offering to rescind the earlier Iowa-Only Offering in an offering effective January 26, 2001. The Rescission Offer terminated on February 26, 2001 with the result that we refunded 52,340 shares or $261,700, incurring interest expense of $14,990. As a result, at December 31, 2001, the 1,508,908 Iowa-Only Offering Shares, in the amount of $7,544,540, are classified as a liability . These shares will remain as a liability until such time as the violations under the securities laws have been cured. Subsequent to the close of the Rescission Offer, we believe that Iowa-Only Offering Stockholders are estopped from alleging injury. However, we will continue to be contingently liable to such stockholders during the statute of limitations, a period of three years from the date of the Rescission Offer

On February 26, 2004, the relevant statute of limitations expired and we have reclassified the temporary equity to permanent equity as of that date.

Plan of Operation

The Company is making the transition from research and development to sales and service. We believe this transition timing is appropriate for sales of our products and service. Due to increased regulation and economic issues, Mirenco recognizes the growing importance of tailpipe emissions control and the cost of vehicle operation. We believe that market attention to tailpipe emissions and demand for our DriverMax® technology and our Combustion Management Program methodology will increase as we make the market aware of our products and services.

From January 2003 until July 2003, the Company concentrated on verification by the EPA and the California Air Resources Board (CARB). The verification efforts were considered important to receive federal monies for the DriverMax® technology and to receive certification from CARB as an emissions control device.

In July 2003, the Company shifted its emphasis since its primary markets are outside the Federal Government and its technology had already been certified by CARB as a fuel saving device.

Approximately August 1, 2003, the Company began changing from a Research and Development Company to a Marketing Company. The Company began determining its markets, the effectiveness of its efforts in Mexico and Canada, the effectiveness of its international sales representative and the effectiveness of its other sales representative and distribution arrangements in relation to its markets.

Mirenco determined its markets to be segmented into eight groups:

1.

Metropolitan Transit Authorities

2.

Bus Manufacturers

3.

Mining Operations

4.

School Buses

5.

Government Entities

6.

Over-the Road Transportation Companies

7.

Company Owned Fleets

8.

Other (Construction, Agriculture, etc.)

Mirenco determined the most effective approach to each of these markets was the development of a long term strategy to develop its distribution and sales representative network in addition to its own internal sales staff. The sale of Mirenco s technology and methodology is an extensive process with an educational approach required. Before we can attract quality sales representatives and distributors, we have to develop an internal customer base in specific markets. We can then repeat our successes in the sales representative and distributor sales channel.

Mirenco had established several relationships with sales representatives and distributorships which did not meet the criteria necessary to promote a successful relationship for either Mirenco or the outside sales entity. These relationships were eliminated. Mirenco has established, or is in the process of establishing new industry specific relationships.

Mirenco continues to develop its data base as a significant component to its Combustion Management Program. With over 200,000 data points and a growing number of engines involved, the Program allows for a comparison of like engines to determine commonalities which are useful in recommended maintenance and technology application.

While the Company is expanding its marketing activities, certain research and development activities continue. These activities are concentrated in expanding current DriverMax® applications. In addition, the Company is researching other fuel saving products, both proprietary and other equipment manufacturing, to offer to its customers.

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Results of Operations

Sales increased $366,288 in the year ended December 31, 2005 compared to the same period for 2004. During 2005, we have continued to focus management and other resources on developing our products and markets.

During 2005, we continued developing the new sales strategy founded upon collecting emissions data before and after the use of our products and providing continuing emission testing services of our installed products. In addition, the Company believes the development of a data base cataloguing the results of testing without the use of Mirenco s products has provided a source of information for fleet operators for determining the need, and in some cases, the nature of maintenance needed. In 2003, the Company established its internal sales department to promote direct sales and develop relationships with professional distributors established in the industries identified. To date, the Company is in negotiations with two such distributors that meet the criteria to promote and install its products.

In July 2002, the company entered into an agreement with The Iowa Foundation for Educational Administration, Inc. to participate in the Bus Emissions Education Program (BEEP).

Under the terms of the contract, Mirenco agreed to perform semi-annual testing of tail pipe emissions on all participating diesel school buses in the State of Iowa. During 2002, Mirenco performed 2 rounds of the semiannual tests on approximately 5,000 buses. The test results were reported to each school district for evaluation and maintenance planning and performance.

Mirenco was also responsible to perform fundraising for the non-profit program. The fundraising is ongoing and includes funding requests from both public and private sources. Mirenco s ability to collect for its services to the BEEP Program depend on its ability to successfully raise the required funds for payment under the terms of the contract. There were no revenues recorded on the Company s financial statements for the fiscal year ended December 31, 2002 with respect to this program. The tests did however demonstrate the value of the database and reports of the emissions information for maintenance planning and performance with respect to the BEEP Program. Sales of $882,900, originally included in revenues in 2003, from the Bus Emissions and Education Program were written off in 2003. This agreement was terminated in 2004.

Total cost of sales was approximately 60% of total revenue in 2005 compared to 68% of total revenue in 2004. This decrease is related to the continued focus during the year from research and development or information gathering mode to development of sales. Management believes cost of sales will range between 40% and 60% of sales as increased unit sales levels cover production overhead and unit costs.

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Operating expenses in 2005 decreased $347,917 from 2004. The decrease is attributable to efforts to hold down costs while devoting efforts to sales development.

Costs in 2004 that were classified as expenses were reclassifed in 2005 to cost of sales - overhead	(163,115)
Salaries	(2,275)
Travel	(11,879)
Facilities	(1,646)
Outside services	(160,163)
Total advertising	7,570
Depreciation and amortization	(14,342)
General administration	(2,067)
	(347,917)

Royalty expense for the years ended December 31, 2005 and 2004 was 3% of sales calculated per the patent purchase agreement with American Technologies.

Our net loss decreased from $1,229,182 in 2004 to $719,622 in 2005 as a result of increased sales and reduction in operating expenses.

Liquidity and Capital Resources

We have not yet commenced generating substantial revenue.

The Company expects to incur losses until we are able to generate sufficient income and cash flows to meet operating expenditures and other requirements.

Since our inception in 1997, we have primarily relied on the sources of funds discussed in "Cash Flows" below to finance our testing and operations. The proceeds raised from the Iowa-Only Offering, net of the Rescission Offer, will not be adequate to continue our operations, including the contemplated expansion of sales efforts, inventories, and accounts receivable through the next twelve months.

Since acceptance or the affirmative rejection or failure to respond to the Rescission Offer does not act as a release of claims, eligible Iowa-Only Offering Stockholders who have accepted, rejected, or failed to respond to the Rescission Offer would retain any rights of claim they may have under federal securities laws. Any subsequent claims by an Iowa-Only Offering Stockholder would be subject to any defenses we may have, including the running of the statute of limitations and/or estoppel. In general, to sustain a claim based on violations of the registration provisions of federal securities laws, the claim must be brought within one year after discovery of the violation upon which the claim is based, in this case, based on the date of the sale (or three years from the date of the original sale of Iowa only offering shares). Under the principle of estoppel, the person bringing a claim must carry the burden of proof of why he or she took no action under the Rescission Offer and/or how he or she may have been injured. Subsequent to year end, on February 26, 2004, the statute of limitations expired with respect to claims regarding the Iowa only offering and the liability was reclassified to equity on the balance sheet as of February 29, 2004.

The Company began an additional private offering, to accredited investors only, in February, 2004. The intent is to raise up to $1,250,000 from the issuance of notes with common stock and common stock warrants. In June 2004, the

Board of Directors authorized the sale of common stock with warrants and common stock without warrants to facilitate the addition of capital. As of May 4, 2006 the Company raised $1,245,605.

Cash Flows for the Years Ended December 31, 2005 and 2004

Since our inception, February 21, 1997, through December 31, 2001, our activities were organizational, devoted to developing a business plan and raising capital. Indirect and administrative costs, such as management salaries, have been expensed in the accompanying statements of operations during the period in which they were incurred. Capital fund raising costs, which are both directly attributable to our offerings and incremental, have been treated as offering costs in the accompanying balance sheets.

Subsequent to 2001, the Company has devoted its efforts to marketing, product identification and application of its Program model.

Net cash used in operating activities for the years ended December 31, 2005 and 2004 was $465,895 and $1,042,107, respectively. The use of cash in operating activities was primarily related to our net losses from operations net of depreciation and net of the loss on the write down of our building in 2002.

Net cash used in investing activities for the years ended December 31, 2005 and 2004 was $16,804 and $1,279, respectively. The use of cash in investing activities in 2005 was for the purchase of equipment.

Net cash provided by financing activities for the year ended December 31, 2005 was $454,556 compared to $656,111 provided by financing activities for the year ended December 31, 2004. Equity and borrowed funds from stockholders and others were obtained in the year ended December 31, 2005. Principal payments on long-term debt were made in both years.

Recent Accounting Pronouncements

We do not believe any recently issued accounting standards will have an impact on our financial statements.

Going Concern

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. However, the Company has incurred and may continue to incur net losses in the future. It has a stockholders equity of $116,942 as of December 31, 2005; and if revenues do not increase substantially in the near future, additional sources of funds will be needed to maintain operations. These matters give rise to substantial doubt about the Company s ability to continue as a going concern.

Management and other personnel have been focused on product and service development in lieu of product marketing. In an effort to make the transition from a development stage company to a viable business entity, the Company s management team has diligently explored several market segments relative to the Company s product and service lines over the past 3 years. From that exploration, the Company has decided it is in its best interests to explore the use of existing, well-established distribution channels for marketing and selling the DriverMax® product line. Management also believes a large market exists for the Company s testing services and the information provided by those services. A combination of the products and services has been developed as a long-term program for current and potential customers, particularly in regulated markets. The Company has designed such a program for the school bus fleet in the state of Iowa and is awaiting funding to complete a 5-year contract. Management will focus on the Company s efforts on the sales of products, services, and programs with sensible controls over expenses. Management believes these steps, if successful, will improve the Company s liquidity and operating results, allowing it to continue in existence.

The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the possible inability of the Company to continue as a going concern.

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ITEM 7. Financial Statements and Supplementary Data

Financial Statements and Report of Independent Registered Public Accounting Firm

Mirenco, Inc.

December 31, 2005 and 2004

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REPORT OF INDEPENDENT

REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders

MIRENCO, Inc.

We have audited the accompanying balance sheet of MIRENCO, Inc. as of December 31, 2005, and the related statements of operations, changes in stockholders' equity, and cash flows for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MIRENCO, Inc. as of December 31, 2005, and the results of its operations and its cash flows for the years ended December 31, 2005 and 2004, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note B, the Company incurred a net loss of $719,622 and $1,229,182 during the years ended

December 31, 2005 and 2004. This, among others factors, as discussed in Note B to the financial statements, raise substantial doubt about the Company s ability to continue as a going concern. Management s plans in regard to these matters are also described in Note B. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Stark Winter Schenkein & Co., LLP

Denver, Colorado

May 2, 2006

MIRENCO, INC.
BALANCE SHEET
December 31, 2005

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	4,984
Accounts receivable		37,871
Inventories		124,957
Prepaid expense		15,410
Total current assets		183,222
PROPERTY AND EQUIPMENT, net		536,100
PATENTS AND TRADEMARKS, net of accumulated amortization of $6,615		3,185
OTHER ASSETS		6,407
	$	728,914
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current portion of note payable	$	11,375
Accounts payable		179,201
Accrued expenses		29,310
Due to officers		149,014
Other current liabilities		30,101
Note payable to related parties		4,842
Total current liabilities		403,843
NOTE PAYABLE, less current portion		110,002
NOTES PAYABLE TO RELATED PARTIES, less current portion		98,127
STOCKHOLDERS' EQUITY		
Common stock, no par value: 100,000,000 shares authorized, 17,959,954 shares issued and outstanding		9,271,465
Preferred stock, no stated value: 50,000,000 shares authorized,		

none issued and outstanding		-
Additional paid-in capital		1,714,954
Deferred compensation		(2,182)
Accumulated (deficit)		(10,867,295)
		116,942
	$	728,914

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

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MIRENCO, INC.
STATEMENTS OF OPERATIONS
Year ended December 31,

	2005	2004
Sales	$ 720,122	$ 353,834
Cost of sales	434,127	239,094
Gross profit	285,995	114,740
Salaries and wages	614,270	762,358
Royalty expenses	21,604	10,113
Advertising	17,027	9,457
Other general and administrative expenses	332,198	551,088
	985,099	1,333,016
(Loss) from operations	(699,104)	(1,218,276)
Other income (expense)		
Interest income	3	