

MEDICURE INC
Form 20-F
September 28, 2011

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES
EXCHANGE ACT OF 1934

or

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

For the fiscal year ended: **May 31, 2011**

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

or

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

Commission file number: **0-31092**

MEDICURE INC.

(Exact name of registrant as specified in its charter)

Canada

(Jurisdiction of incorporation or organization)

2 - 1250 Waverley Street, Winnipeg, Manitoba, Canada R3T 6C6

(Address of principal executive offices)

Dr. Albert D. Friesen, Tel: (204) 487-7412, Fax: (204) 488-9823

2 - 1250 Waverley Street, Winnipeg, Manitoba, Canada R3T 6C6

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act: **None**

Securities registered or to be registered pursuant to Section 12(g) of the Act:

Common Shares, without par value

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

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Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

At May 31, 2011 the registrant had 130,307,552 common shares issued and outstanding

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes [] No [X]

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes [] No [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 []

Indicate by check mark whether the registrant has submitted electronically and posted on its Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes [] No []

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer [] Accelerated Filer [] Non-Accelerated Filer [X]

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP [] International Financial Reporting Standards as issued by the International Accounting Standards Board [] Other [X]

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 [X] Item 18 []

If this is an annual report, indicate by check mark whether the registrant is a shell Company (as defined in Rule 12b-2 of the Exchange Act).

Yes [] No [X]

As of May 31, 2011, the rate for Canadian dollars was US \$0.9688 for CND \$1.00.

TABLE OF CONTENTS

<u>GLOSSARY OF TERMS</u>	<u>5</u>
<u>FORWARD LOOKING STATEMENTS</u>	<u>5</u>
<u>PART I</u>	<u>8</u>
<u>ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS</u>	<u>8</u>
<u>A. Directors and Senior Management</u>	<u>8</u>
<u>B. Advisers</u>	<u>8</u>
<u>C. Auditors</u>	<u>8</u>
<u>ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE</u>	<u>8</u>
<u>ITEM 3. KEY INFORMATION</u>	<u>8</u>
<u>A. Selected Financial Data</u>	<u>8</u>
<u>B. Capitalization and Indebtedness</u>	<u>11</u>
<u>C. Reasons for the Offer and Use of Proceeds</u>	<u>11</u>
<u>D. Risk Factors</u>	<u>11</u>
<u>ITEM 4. INFORMATION ON THE COMPANY</u>	<u>23</u>
<u>A. History and Development of the Company</u>	<u>23</u>
<u>B. Business Overview</u>	<u>24</u>
<u>C. Organizational Structure</u>	<u>29</u>
<u>D. Property, Plants and Equipment</u>	<u>29</u>
<u>ITEM 4A. UNRESOLVED STAFF COMMENTS</u>	<u>29</u>
<u>ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	<u>30</u>
<u>A. Operating Results</u>	<u>33</u>
<u>B. Liquidity and Capital Resources</u>	<u>37</u>
<u>C. Research and Development, Patents and Licenses, Etc.</u>	<u>37</u>
<u>D. Trend Information</u>	<u>41</u>
<u>E. Off-balance Sheet Arrangements</u>	<u>41</u>
<u>F. Contractual Obligations</u>	<u>42</u>
<u>ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>	<u>43</u>
<u>A. Directors and Senior Management</u>	<u>43</u>
<u>B. Compensation</u>	<u>46</u>
<u>C. Board Practices</u>	<u>46</u>
<u>D. Employees</u>	<u>53</u>
<u>E. Share Ownership</u>	<u>53</u>
<u>ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>	<u>55</u>
<u>A. Major Shareholders</u>	<u>55</u>
<u>B. Related Party Transactions</u>	<u>56</u>
<u>C. Interests of Experts and Counsel</u>	<u>57</u>

<u>ITEM 8. FINANCIAL INFORMATION</u>	<u>57</u>
<u>A. Consolidated Statements or Other Financial Information</u>	<u>57</u>
<u>ITEM 9. THE OFFERING AND LISTING</u>	<u>58</u>
<u>A. Listing Details</u>	<u>58</u>
<u>C. Markets</u>	<u>59</u>
<u>ITEM 10. ADDITIONAL INFORMATION</u>	<u>59</u>

<u>A. Share Capital</u>	59
<u>B. Memorandum and Articles of Association</u>	59
<u>C. Material Contracts</u>	63
<u>D. Exchange Controls</u>	63
<u>E. Taxation</u>	64
<u>F. Dividends and Paying Agents</u>	72
<u>G. Statement by Experts</u>	73
<u>H. Documents on Display</u>	73
<u>I. Subsidiary Information</u>	73
<u>ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	73
<u>ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	73
<u>ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	73
<u>ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	74
<u>ITEM 15. CONTROLS AND PROCEDURES</u>	74
<u>ITEM 16. RESERVED</u>	75
<u>ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT</u>	76
<u>ITEM 16B. CODE OF ETHICS</u>	76
<u>ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	76
<u>ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</u>	77
<u>ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</u>	77
<u>PART III</u>	78
<u>ITEM 17. FINANCIAL STATEMENTS</u>	78
<u>ITEM 18. FINANCIAL STATEMENTS</u>	79
<u>ITEM 19. EXHIBITS</u>	79
<u>Exhibit 12.1 Certification of CEO pursuant to Section 302</u>	
<u>Exhibit 12.2 Certification of CFO pursuant to Section 302</u>	
<u>Exhibit 13.1 Certification of CEO and CFO</u>	

Exhibit 23.1 Consent of Independent Registered Public Accounting Firm

GLOSSARY OF TERMS

The following words and phrases shall have the meanings set forth below:

"**angina**" means chest pain;

"**angioplasty**" means an operation to repair a damaged blood vessel or unblock an artery;

CABG means coronary artery bypass graft;

"**FDA**" means the United States Food and Drug Administration;

"**ischemia**" means the lack of blood flow;

"**myocardial infarction**" means scarring and death to portions of the heart wall;

"**myocardial ischemia**" means blockages to parts of the heart muscle;

"**TPD**" means the Canadian Therapeutic Products Directorate, formerly the Canadian Health Protection Branch;

As used in this annual report, the Corporation or Company refers to Medicure Inc. , the Company resulting from the amalgamation of Medicure Inc. and Lariat Capital Inc., and Medicure refers to Medicure Inc. prior to its amalgamation with Lariat Capital Inc. unless otherwise indicated, all references to dollar amounts in this annual report are to Canadian dollars.

FORWARD LOOKING STATEMENTS

Medicure Inc. cautions readers that certain important factors (including without limitation those set forth in this Form 20-F) may affect the Company's actual results in the future and could cause such results to differ materially from any forward-looking statements that may be deemed to have been made in this Form 20-F annual report, or that are otherwise made by or on behalf of the Company. This Annual Report contains forward-looking statements and information which may not be based on historical fact, which may be identified by the words believes, may, plan, will estimate, continue, anticipates, intends, expects, and similar expressions and the negative of such expressions. Forward looking statements include, without limitation, statements regarding:

- intention to sell and market its acute care cardiovascular drug, AGGRASTAT® (tirofiban hydrochloride) in the United States and its territories through the Company's U.S. subsidiary, Medicure Pharma Inc.;
 - intention to develop and implement clinical, regulatory and other plans to generate an increase in the value of AGGRASTAT®;
 - intention to develop TARDOXAL™ for neurological disorders;
 - intention to investigate and advance certain other product opportunities;
 - intention to obtain regulatory approval for the Company's products;
 - expectations with respect to the cost of the testing and commercialization of the Company's products;
-

- sales and marketing strategy;
- anticipated sources of revenue;
- intentions regarding the protection of the Company's intellectual property;
- business strategy; and
- intention with respect to dividends.

Such forward-looking statements and information involve a number of assumptions as well as known and unknown risks, uncertainties and other factors that may cause the actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward-looking statements and information including, without limitation:

- general business and economic conditions;
 - the impact of changes in Canadian-US dollar and other foreign exchange rates on the Company's revenues, costs and results;
 - the timing of the receipt of regulatory and governmental approvals for the Company's research and development projects;
 - the ability of the Company to continue as a going concern;
 - the availability of financing for the Company's commercial operations and/or research and development projects, or the availability of financing on reasonable terms;
 - results of current and future clinical trials;
 - the uncertainties associated with the acceptance and demand for new products;
 - clinical trials not being unreasonably delayed and expenses not increasing substantially;
 - government regulation not imposing requirements that significantly increase expenses or that delay or impede the Company's ability to bring new products to market;
 - the Company's ability to attract and retain skilled staff;
 - inaccuracies and deficiencies in the scientific understanding of the interaction and effects of pharmaceutical treatments when administered to humans;
 - market competition;
 - tax benefits and tax rates; and
 - the Company's ongoing relations with its employees and with its business partners.
-

These factors should be considered carefully and readers are cautioned not to place undue reliance on such forward-looking statements and information. The Company disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements and information contained herein to reflect future results, events or developments, except as otherwise required by applicable law. Additional risks and uncertainties relating to the Company and its business can be found in the Risk Factors section of this Annual Report.

PART I**ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS****A. Directors and Senior Management**

Not applicable

B. Advisers

Not applicable

C. Auditors

Not applicable

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable

ITEM 3. KEY INFORMATION**A. Selected Financial Data**

The selected financial data of the Company as at May 31, 2011 and 2010 and for the fiscal years ended May 31, 2011, 2010 and 2009 was extracted from the audited consolidated financial statements of the Company included in this annual report on Form 20-F. The information contained in the selected financial data is qualified in its entirety by reference to the more detailed consolidated financial statements and related notes included in Item 17 - Financial Statements, and should be read in conjunction with such financial statements and with the information appearing in Item 5 - Operating and Financial Review and Prospects. The selected financial data as at May 31, 2009, 2008 and 2007 and for the fiscal years ended May 31, 2008 and 2007 was extracted from the audited financial statements of the Company not included in this annual report. Reference is made to Note 17 of the consolidated financial statements of the Company included herein for a discussion of the material measurement differences between Canadian GAAP and U.S. GAAP, and their effect on the Company's financial statements. Except where otherwise indicated, all amounts are presented in accordance with Canadian GAAP.

To date, the Company has not generated sufficient cash flow from operations to fund ongoing operational requirements, debt service obligations and cash commitments. The Company has financed its operations principally through the net revenue received from the sale of AGGRASTAT®, sale of its equity securities, the issue of warrants and stock options, interest on excess funds held and the issuance of debt. As at May 31, 2011 the Company had significant debt servicing obligations that it did not have the ability to repay without refinancing or restructuring and the Company was in default of the terms of its long-term debt financing obligations. Under an event of default, the lender could have exercised its security rights under the agreement, and accordingly the long-term debt obligation has been classified as a current liability as at May 31, 2011 as described in Note 8 to the accompanying financial statements. On July 18, 2011, the long-term debt was settled as described in Note 16 to the accompanying financial statements. The Company's future operations are dependent upon its ability to maintain or grow sales of AGGRASTAT®, and/or secure additional capital, which may not be available under favourable terms, should these objectives not be achieved, the Company will have to consider additional strategic alternatives which may include, among other strategies, asset divestitures and/or monetization of certain intangibles.

Under Canadian Generally Accepted Accounting Principles (in Canadian dollars):

Balance Sheet Data	May 31, 2011	May 31, 2010	May 31, 2009	May 31, 2008	May 31, 2007
(as at period end)	\$	\$	\$	\$	\$
Current Assets	1,824,625	1,489,440	3,519,609	14,402,736	35,827,187
Property and Equipment	50,996	68,752	93,532	132,887	196,521
Intangible Assets	3,298,286	4,414,882	5,936,819	8,353,610	23,412,131
Other Assets	-	-	-	11,916,000	349,963
Total Assets	5,173,907	5,973,074	9,549,960	34,805,233	59,785,802
Total Liabilities	32,067,612	30,929,727	29,096,919	41,361,393	25,479,333
Net Assets / (Deficiency)	(26,893,705)	(24,956,653)	(19,546,959)	(6,556,160)	34,306,469
Capital Stock, Warrants and Contributed Surplus	129,202,210	129,125,153	129,002,341	128,677,313	112,137,421
Deficit	(156,095,915)	(154,081,806)	(148,549,300)	(135,233,473)	(77,830,952)
Statement of Operations (for the fiscal year ended on)					
Product Sales	3,628,274	3,317,073	4,792,513	2,247,129	5,944,730
Interest and Other	473	4,913	255,713	1,149,574	1,590,801
Income					
Loss from Continuing Operations	(2,014,109)	(5,532,506)	(13,315,827)	(57,402,521)	(31,703,386)
Net Loss for the Period	(2,014,109)	(5,532,506)	(13,315,827)	(57,402,521)	(31,703,386)
Basic and Diluted Loss per Share Weighted-Average	(0.02)	(0.04)	(0.10)	(0.46)	(0.30)
Number of Common Shares Outstanding	130,307,552	130,307,552	130,307,552	125,476,086	104,879,404

Under U.S. Generally Accepted Accounting Principles (in Canadian dollars):

Balance Sheet Data	May 31, 2011	May 31, 2010	May 31, 2009	May 31, 2008	May 31, 2007
(as at Period end)	\$	\$		\$	\$
Current Assets	1,824,625	1,489,440	3,519,609	14,402,736	35,827,187
Property and Equipment	50,996	68,752	93,532	132,887	196,521
Intangible Assets	3,011,909	3,845,916	4,676,656	5,510,661	20,078,862
Other Assets	1,751,482	2,014,801	2,250,518	14,470,081	349,963
Total Assets	6,639,012	7,418,909	10,540,315	34,516,365	56,452,533
Total Liabilities	33,829,691	32,982,499	31,347,086	43,915,123	25,479,333
Net Assets / (deficiency)	(27,190,679)	(25,563,590)	(20,806,771)	(9,398,758)	30,973,200
Capital Stock, warrants and Contributed Surplus	136,381,144	136,304,087	145,246,995	144,921,967	128,382,255
Deficit	(163,571,823)	(161,867,677)	(166,053,766)	(154,320,725)	(97,409,055)
Statement of Operations					
Product Sales	3,628,274	3,317,073	4,792,513	2,247,129	5,944,730
Interest and Other Income	473	4,913	255,713	1,149,574	1,590,801
Loss from Continuing Operations	(1,704,146)	(4,772,309)	(11,733,041)	(56,911,670)	(32,114,817)
Net Loss for the Period	(1,704,146)	(4,772,309)	(11,733,041)	(56,911,670)	(32,114,817)
Basic and Diluted Loss per Share	(0.01)	(0.04)	(0.09)	(0.45)	(0.31)
Weighted-Average Number of Common Shares Outstanding	130,307,552	130,307,552	130,307,552	125,476,086	104,879,404
Dividends					

No cash dividends have been declared nor are any intended to be declared. The Company is not subject to legal restrictions respecting the payment of dividends except that they may not be paid if the Company is, or would after the payment be, insolvent. Dividend policy will be based on the Company's cash resources and needs and it is anticipated that all available cash will be required to further the Company's research and development activities for the foreseeable future.

Exchange Rates

Unless otherwise indicated, all reference to dollar amounts are to Canadian dollars. The following table sets out the exchange rates for one Canadian dollar expressed in terms of one U.S. dollar for the periods indicated. Rates of exchange are obtained from the Bank of Canada and believed by the Registrant to approximate closely the noon buying rates in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank in New York.

	May 31, 2011	May 31, 2010	May 31, 2009	May 31, 2008	May 31, 2007
Period End	0.9688	0.9583	0.9160	1.0070	0.9349
Average	0.9679	0.9403	0.8645	0.9857	0.8798

	September 2011 (Sep. 1- 21)	August 2011	July 2011	June 2011	May 2011	April 2011	March 2011
High for Period ⁽¹⁾	1.0271	1.0452	1.0630	1.0390	1.0582	1.0582	1.0340
Low for Period ⁽¹⁾	0.9941	1.0031	1.0288	1.0093	1.0187	1.0286	1.0093

Notes:

⁽¹⁾ Figures are extracted from daily exchange rates

As of September 21, 2011 the exchange rate to convert one Canadian dollar into one U.S. dollar was 1.0059.

B. Capitalization and Indebtedness

Not applicable

C. Reasons for the Offer and Use of Proceeds

Not applicable

D. Risk Factors

The Company's business entails significant risks. In addition to the usual risks associated with a business, the following is a general description of certain significant risk factors which are applicable to the Company.

Going concern risk

The accompanying consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is significant doubt about the appropriateness of the use of the going concern assumption because the Company has experienced operating losses since incorporation.

The Company has experienced a loss of \$2,014,109 for the year ending May 31, 2011, and has accumulated a deficit of \$156,095,915 as at May 31, 2011. The Company's future operations are dependent upon its ability to maintain or grow sales of AGGRASTAT®, and/or secure additional capital, which may not be available under favourable terms. Should these objectives not be achieved, the Company will have to consider additional strategic alternatives which may include, among other strategies, asset divestitures and/or monetization of certain intangibles.

As at May 31, 2011 the Company had significant debt servicing obligations that it did not have the ability to repay without refinancing or restructuring and the Company was in default of the terms of its long-term debt financing obligations. Under an event of default, the lender could have exercised its security rights under the agreement, and accordingly the long-term debt obligation has been classified as a current liability as at May 31, 2011 and 2010 as described in note 8 of the audited consolidated financial statements for the year ended May 31, 2011. On July 18, 2011, the long-term debt was settled as described in Note 16 of the audited consolidated financial statements for the year ended May 31, 2011.

The financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

Prior to the acquisition of AGGRASTAT®, the Company had no products in commercial production or use. As such, the Company was considered to be a development-stage enterprise for accounting purposes prior to the acquisition. The Company expects to continue to incur losses and may never achieve profitability, which in turn may harm its future operating performance and may cause the market price of its stock to decline.

With the exception of AGGRASTAT®, the Company's products are in the development stage and accordingly, its business operations are subject to all of the risks inherent in the establishment and maintenance of a developing business enterprise, such as those related to competition and viable operations management.

The Company has incurred net losses every year since inception in 1997. The Company incurred net losses of \$2,014,109 for the year ended May 31, 2011, \$5,532,506 for the year ended May 31, 2010, \$13,315,827 for the year ended May 31, 2009, \$57,402,521 for the year ended May 31, 2008, and \$31,703,386 for the year ended May 31, 2007.

The long-term profitability of the Company's operations is uncertain, and may never occur. The Company's long-term profitability will be directly related to its ability to develop a commercially viable drug product or products. This in turn depends on numerous factors, including the following:

- a) the success of the Company's research and development activities, including its drug discovery, preclinical and clinical development programs;
- b) obtaining Canadian and United States regulatory approvals to market any of its lead products;
- c) the ability to contract for the manufacture of the Company's products according to schedule and within budget, given that it has no experience in large scale manufacturing;
- d) the ability to develop, implement and maintain appropriate systems and structures to market and operate within applicable regulatory, industry and legal guidelines;
- e) the ability to successfully prosecute and defend its patents and other intellectual property; and
- f) the ability to successfully market the Company's products including AGGRASTA® (tirofiban hydrochloride), given that it has limited resources.

If the Company does achieve profitability, it may not be able to sustain or increase profitability in the future.

The Company may be exposed to short-term liquidity risk.

To a certain extent the Company relies on trade credit, as well as cash from term debt and equity issues to provide the necessary short-term financing to conduct the Company's research and development activities as well as its commercial operations. Should suppliers and other creditors decline to extend short-term credit to the Company in the future, it may have a material adverse effect on the Company's business prospects, financial results and financial condition.

Despite current indebtedness levels, the Company may still be able to incur substantially more debt. This could further exacerbate the risks associated with the Company's substantial leverage.

Despite current indebtedness levels, the Company may still be able to incur substantial additional indebtedness in the future. As at May 31, 2011 the Company had significant debt servicing obligations that it did not have the ability to repay without refinancing or restructuring and the Company was in default of the terms of its long-term debt financing obligations. Under an event of default, the lender could have exercised its security rights under the agreement, and accordingly the long-term debt obligation has been classified as a current liability as at May 31, 2011 and 2010 as described in note 8 of the audited consolidated financial statements for the year ended May 31, 2011. On July 18, 2011, the long-term debt was settled as described in Note 16 of the audited consolidated financial statements for the year ended May 31, 2011.

The Company may never receive regulatory approval in Canada, the United States or abroad for any of its products in development. Therefore, the Company may not be able to sell any therapeutic products currently under development.

The Company's failure to obtain necessary regulatory approvals to fully market its current and future development stage products in one or more significant markets may adversely affect its business, financial condition and results of operations. The process involved in obtaining regulatory approval from the competent authorities to market therapeutic products is long and costly and may delay product development. The approval to market a product may be applicable to a limited extent only or it may be refused entirely.

With the exception of AGGRASTAT[®], all of the Company's products are currently in the research and development stages. The Company may never have another commercially viable drug product approved for marketing. To obtain regulatory approvals for its products and to achieve commercial success, human clinical trials must demonstrate that the products are safe for human use and that they show efficacy. Unsatisfactory results obtained from a particular study or clinical trial relating to one or more of the Company's products may cause the Company to reduce or abandon its commitment to that program.

If the Company fails to successfully complete its clinical trials, it will not obtain approval from the U.S. Food and Drug Administration (FDA) and other international regulatory agencies, to market its leading products. Regulatory approvals also may be subject to conditions that could limit the market its products can be sold in or make either products more difficult or expensive to sell than anticipated. Also, regulatory approvals may be revoked at any time for various reasons, including for failure to comply with regulatory requirements or poor performance of its products in terms of safety and effectiveness.

The Company's business, financial condition and results of operations may be adversely affected if it fails to obtain regulatory approvals in Canada, the United States and abroad to market and its products or any current or future drug products, including any limitations imposed on the marketing of such products.

The Company may not be able to hire or retain the qualified scientific, technical and management personnel it requires.

The Company's business prospects and operations depend on the continued contributions of certain of the Company's executive officers and other key management and technical personnel, certain of whom would be difficult to replace.

The Company subsidiary, Medicure International, Inc., has a contract with CanAm Bioresearch Inc. (CanAm) to perform for it a significant amount of its research and development activities. Because of the specialized scientific nature of the Company's business, the loss of services of CanAm may require the Company to attract and retain replacement qualified scientific, technical and management personnel. Competition in the biotechnology industry for such personnel is intense and the Company may not be able to hire or retain a sufficient number of qualified personnel, which may compromise the pace and success of its research and development activities.

Also, certain of the Company's management personnel are officers and/or directors of other companies, some publicly-traded, and will only devote part of their time to the Company. Although subsequent to May 31, 2011, the Company purchased key person insurance for Dr. Albert Friesen, Chief Executive Officer, the Company does not have key person insurance in effect in the event of a loss of any management, scientific or other key personnel. The loss of the services of one or more of the Company's current executive officers or key personnel or the inability to continue to attract qualified personnel could have a material adverse effect on the Company's business prospects, financial results and financial condition.

The Company faces substantial technological competition from many biotechnology and pharmaceutical companies with much greater resources, and it may not be able to effectively compete.

Technological and scientific competition in the pharmaceutical and biotechnology industry is intense. The Company competes with other companies in Canada, the United States and abroad to develop products designed to treat similar conditions. Many of these other companies have substantially greater financial, technical and scientific research and development resources, manufacturing and production and sales and marketing capabilities than the Company. Small companies may also prove to be significant competitors, particularly through collaborative arrangements with large pharmaceutical and biotechnology companies. Developments by other companies may adversely affect the competitiveness of the Company's products or technologies or the commitment of its research and marketing collaborators to its programs or even render its products obsolete.

The pharmaceutical and biotechnology industry is characterized by extensive drug discovery and drug research efforts and rapid technological and scientific change. Competition can be expected to increase as technological advances are made and commercial applications for biopharmaceutical products increase. The Company's competitors may use different technologies or approaches to develop products similar to the products which it is developing, or may develop new or enhanced products or processes that may be more effective, less expensive, safer or more readily available before or after the Company obtains approval of its products. The Company may not be able to successfully compete with its competitors or their products and, if it is unable to do so, the Company's business, financial condition and results of operations may suffer.

The Company may be unable to establish collaborative and commercial relationships with third parties.

The Company's success will depend partly on its ability to enter into and to maintain various arrangements with corporate partners, licensors, licensees and others for the research, development, clinical trials, manufacturing, marketing, sales and commercialization of its products. These relationships will be crucial to the Company's intention to license to or contract with larger, international pharmaceutical companies the manufacturing, marketing, sales and distribution of any products it may commercialize for production. There can be no assurance that any licensing or other agreements will be established on favourable terms, if at all. The failure to establish successful collaborative arrangements may negatively impact the Company's ability to develop and commercialize its products, and may adversely affect its business, financial condition and results of operations.

The Company has licensed certain technologies relating to products under development and may enter into future licensing agreements. The Company's current licensing agreements contain provisions allowing the licensors to terminate such agreements if it becomes insolvent or breach the terms and conditions of the licensing agreements without rectifying such event of default in accordance with the agreement terms.

The Company is currently dependent on its remaining inventory of its sole commercial product, AGGRASTAT® and does not have in place a qualified supplier of raw material used in the manufacture of AGGRASTAT®.

Subsequent to May 31, 2011, the Company's subsidiary, Medicure International, Inc., acquired a significant quantity of the raw material used in the manufacture of AGGRASTAT® and terminated its supply contract with its sole supplier of the raw material for AGGRASTAT®. In addition, Medicure International, Inc. sold drug substance from inventory on hand to a third party as described in Note 16 of the audited consolidated financial statements for the year ended May 31, 2011. The Company's subsidiary, Medicure Pharma, Inc., also has a third party manufacturer of the final product AGGRASTAT® and that supply arrangement is due to expire on July 1, 2012. If the supply of raw material or the manufacturing agreement for AGGRASTAT® is terminated or interrupted, or if the Company and its subsidiaries are unable to establish new or maintain existing third party manufacturers, or if the inventories of AGGRASTAT® currently held are contaminated or otherwise lost, and the Company was unable to obtain a replacement supplier or manufacturer, it could have a material adverse effect on the Company's business prospects, financial results and financial condition.

The Company may fail to obtain acceptable prices or appropriate reimbursement for its products and its ability to successfully commercialize its products may be impaired as a result.

Government and insurance reimbursements for healthcare expenditures play an important role for all healthcare providers, including physicians, medical device companies, drug companies, medical supply companies, and companies, such as the Company, that plan to offer various products in the United States and other countries in the future. The Company's ability to earn sufficient returns on its products will depend in part on the extent to which reimbursement for the costs of such products, related therapies and related treatments will be available from government health administration authorities, private health coverage insurers, managed care organizations, and other organizations. In the United States, the Company's ability to have its products and related treatments and therapies eligible for Medicare or private insurance reimbursement will be an important factor in determining the ultimate success of its products. If, for any reason, Medicare or the insurance companies decline to provide reimbursement for the Company's products and related treatments, the Company's ability to commercialize its products would be adversely affected. There can be no assurance that the Company's products and related treatments will be eligible for reimbursement.

There has been a trend toward declining government and private insurance expenditures for many healthcare items. Third-party payers are increasingly challenging the price of medical products and services.

If purchasers or users of the Company's products and related treatments are not able to obtain appropriate reimbursement for the cost of using such products and related treatments, they may forgo or reduce such use. Even if the Company's products and related treatments are approved for reimbursement by Medicare and private insurers, of which there can be no assurance, the amount of reimbursement may be reduced at times, or even eliminated. This would have a material adverse effect on the Company's business, financial condition, and results of operations.

Significant uncertainty exists as to the reimbursement status of newly approved healthcare products, and there can be no assurance that adequate third-party coverage will be available.

The Company does not have manufacturing experience and has limited marketing resources and may never be able to successfully manufacture or market certain of its products.

The Company has no experience in commercial manufacturing and has limited resources for marketing or selling its products. The Company may never be able to successfully manufacture and market certain of its products. If any other of its products are approved for sale, the Company intends to contract with and rely on third parties to manufacture, and possible to market and sell its products. Accordingly, the quality, timing and ultimately the commercial success of such products may be outside of the Company's control. Failure of or delay by a third party manufacturer of the Company's products to comply with good manufacturing practices or similar quality control regulations or satisfy regulatory inspections may have a material adverse effect on its future prospects. Failure of or delay by a third party in the marketing or selling of the Company's products or failure of the Company to successfully market and sell such products likewise may have a material adverse effect on its future prospects.

The Company has limited product liability insurance and may not be able to obtain adequate product liability insurance in the future.

The sale and use of the Company's commercial and development products, and the conduct of clinical studies involving human subjects, may entail product and professional liability risks, which are inherent in the testing, production, marketing and sale of new drugs to humans. While the Company has taken, and will continue to take, what it believes are appropriate precautions, there can be no assurance that it will avoid significant liability exposure. Although the Company currently carries product liability insurance for clinical trials, there can be no assurance that it has sufficient coverage, or can in the future obtain sufficient coverage at a reasonable cost. An inability to obtain insurance on economically feasible terms or to otherwise protect against potential product liability claims could inhibit or prevent the commercialization of products developed by the Company. The obligation to pay any product liability claim or recall a product may have a material adverse effect on its business, financial condition and future prospects. In addition, even if a product liability claim is not successful, adverse publicity and the time and expense of defending such a claim may significantly interfere with the Company's business.

If the Company is unable to successfully protect its proprietary rights, its competitive position will be adversely affected.

The Company's success will depend partly on its ability to obtain and protect its patents and protect its proprietary rights in unpatented trade secrets.

The Company owns or jointly owns numerous patents from the United States Patent Office and other jurisdictions. The Company has additional pending United States patent applications along with applications pending in other jurisdictions. The Company's pending and any future patent applications may not be accepted by the United States Patent and Trademark Office or any other jurisdiction in which applications may be filed. Also, processes or products that may be developed by the Company in the future may not be patentable.

The patent protection afforded to biotechnology and pharmaceutical companies is uncertain and involves many complex legal, scientific and factual questions. There is no clear law or policy involving the degree of protection afforded under patents. As a result, the scope of patents issued to the Company may not successfully prevent third parties from developing similar or competitive products. Competitors may develop similar or competitive products that do not conflict with the Company's patents. Litigation may be commenced by the Company to prevent infringement of its patents. Litigation may also commence against the Company to challenge its patents that, if successful, may result in the narrowing or invalidating of such patents. It is not possible to predict how any patent litigation will affect the Company's efforts to develop, manufacture or market its products. However, the cost of litigation to prevent infringement or uphold the validity of any patents issued to the Company may be significant, in which case its business, financial condition and results of operations may suffer. Patents provide protection for only a limited period of time, and much of such time can occur well before commercialization commences.

Disclosure and use of the Company's proprietary rights in unpatented trade secrets not otherwise protected by patents are generally controlled by written agreements. However, such agreements will not provide the Company with adequate protection if they are not honoured, others independently develop an equivalent technology, disputes arise concerning the ownership of intellectual property, or its trade secrets are disclosed improperly. To the extent that consultants or other research collaborators use intellectual property owned by others in their work with the Company, disputes may also arise as to the rights to related or resulting know-how or inventions.

Others could claim that the Company infringes on their proprietary rights, which may result in costly, complex and time consuming litigation.

The Company's success will depend partly on its ability to operate without infringing upon the patents and other proprietary rights of third parties. The Company is not currently aware that any of its products or processes infringes the proprietary rights of third parties. However, despite its best efforts, the Company may be sued for infringing on the patent or other proprietary rights of third parties at any time in the future.

Such litigation, with or without merit, is time-consuming and costly and may significantly impact the Company's financial condition and results of operations, even if it prevails. If the Company does not prevail, it may be required to stop the infringing activity or enter into a royalty or licensing agreement, in addition to any damages it may have to pay. The Company may not be able to obtain such a license or the terms of the royalty or license may be burdensome for it, which may significantly impair the Company's ability to market its products and adversely affect its business, financial condition and results of operations.

The Company is subject to stringent governmental regulation, in the future may become subject to additional regulations and if it is unable to comply, its business may be materially harmed.

Biotechnology, medical device, and pharmaceutical companies operate in a high-risk regulatory environment. The FDA and other national health agencies can be very slow to approve a product and can also withhold product approvals. In addition, these health agencies also oversee many other medical product operations, such as research and development, manufacturing, and testing and safety regulation of medical products. As a result, regulatory risk is normally higher than in other industry sectors.

The Company is or may become subject to various federal, provincial, state and local laws, regulations and recommendations. The Company is subject to various laws and regulations in Canada, relating to product emissions, use and disposal of hazardous or toxic chemicals or potentially hazardous substances, infectious disease agents and other materials, and laboratory and manufacturing practices used in connection with its research and development activities. If the Company fails to comply with these regulations, it may be fined or suffer other consequences that could materially affect its business, financial condition or results of operations.

The pharmaceutical sales and marketing industry within which the Company operates is a complex legal and regulatory environment. The failure to comply with applicable laws, rules and regulations may result in civil and criminal legal proceedings. As those rules and regulations change or as governmental interpretation of those rules and regulations evolve, prior conduct may be called into question. The Company may become subject of federal and/or state governmental investigations into pricing, marketing, and reimbursement of its prescription drug product. Any such investigation could result in related restitution or civil litigation on behalf of the federal or state governments, as well as related proceedings initiated against the Company by or on behalf of consumers and private payers. Such proceedings may result in trebling of damages awarded or fines in respect of each violation of law. Criminal proceedings may also be initiated against the Company. Any of these consequences could materially and adversely affect the Company's financial results.

The Company is unable to predict the extent of future government regulations or industry standards. However, it should be assumed that government regulations or standards will increase in the future. New regulations or standards may result in increased costs, including costs for obtaining permits, delays or fines resulting from loss of permits or failure to comply with regulations.

The Company's products may not gain market acceptance, and as a result it may be unable to generate significant revenues.

Except with respect to AGGRASTAT[®], the Company does not currently have the required clinical data and results to successfully market its product candidates in any jurisdiction; future clinical or preclinical results may be negative or insufficient to allow it to successfully market any of its product candidates; and obtaining needed data and results may take longer than planned, and may not be obtained at all.

Even if the Company's products are approved for sale, they may not be successful in the marketplace. Market acceptance of any of the Company's products will depend on a number of factors, including demonstration of clinical effectiveness and safety; the potential advantages of its products over alternative treatments; the availability of acceptable pricing and adequate third-party reimbursement; and the effectiveness of marketing and distribution methods for the products. Providers, payors or patients may not accept the Company's products, even if they prove to be safe and effective and are approved for marketing by the FDA and other national regulatory authorities. The Company anticipates that it will take many years before its initial products may be sold commercially. If the Company's products do not gain market acceptance among physicians, patients, and others in the medical community, its ability to generate significant revenues from its products would be limited.

The Company may not achieve its projected development goals in the time frames it announces and expects.

The Company sets goals for and may from time to time make public statements regarding timing of the accomplishment of objectives material to its success, such as the commencement and completion of clinical trials, anticipated regulatory approval dates, and timing of product launch. The actual timing of these events can vary dramatically due to factors such as delays or failures in the Company's clinical trials, the uncertainties inherent in the regulatory approval process, and delays in achieving product development, manufacturing or marketing milestones necessary to commercialize its products. There can be no assurance that the Company's clinical trials will be completed, that it will make regulatory submissions or receive regulatory approvals as planned, or that it will be able to adhere to its current schedule for the scale-up of manufacturing and launch of any of its products. If the Company fails to achieve one or more of these milestones as planned, that could materially affect its business, financial condition or results of operations and the price of its common shares could decline.

The Company's business involves the use of hazardous material, which requires it to comply with environmental regulations.

The Company's research and development processes and commercial activities may involve the controlled storage, use, and disposal of hazardous materials and hazardous biological materials. The Company is subject to laws and regulations governing the use, manufacture, storage, handling, and disposal of such materials and certain waste products. Although the Company believes that its safety procedures for handling and disposing of such materials comply with the standards prescribed by such laws and regulations, the risk of accidental contamination or injury from these materials cannot be completely eliminated. In the event of such an accident, the Company could be held liable for any damages that result, and any such liability could exceed its resources. There can be no assurance that the Company will not be required to incur significant costs to comply with current or future environmental laws and regulations, or that its business, financial condition, and results of operations will not be materially or adversely affected by current or future environmental laws or regulations.

The Company's insurance may not provide adequate coverage with respect to environmental matters.

Environmental regulation could have a material adverse effect on the results of the Company's operations and its financial position.

The Company is subject to a broad range of environmental regulations imposed by federal, state, provincial, and local governmental authorities. Such environmental regulation relates to, among other things, the handling and storage of hazardous materials, the disposal of waste, and the discharge of contaminants into the environment. Although the Company believes that it is in material compliance with applicable environmental regulation, as a result of the potential existence of unknown environmental issues and frequent changes to environmental regulation and the interpretation and enforcement thereof, there can be no assurance that compliance with environmental regulation or obligations imposed thereunder will not have a material adverse effect on the Company in the future.

The Company is exposed to foreign exchange movements since the majority of its debt financing and its commercial sales operations are denominated in U.S. currency.

The majority of the Company's sales revenues and a substantial portion of its selling, general and administrative expenses are denominated in U.S. dollars. The Company does not utilize derivatives, such as foreign currency forward contracts and futures contracts, to manage its exposure to currency risk and as a result a change in the value of the Canadian dollar against the U.S. dollar could have a negative impact on the Company's business prospects, financial results and financial condition. As well, at May 31, 2011, the Company had US\$47.2 million of future debt service obligations (minimum payments), which was subsequently settled.

The Company may need to raise additional capital through the sale of its securities, resulting in dilution to its existing shareholders. Such funds may not be available, or may not be available on reasonable terms, adversely affecting the Company's operations.

The Company has limited financial resources and has financed much of its operations through the sale of securities, primarily common shares. The Company has significant on-going cash expenses and limited ability to generate cash from operations. To meet its on-going cash needs the Company may need to continue its reliance on the sale of such securities for future financing, resulting in dilution to its existing shareholders. The Company's long-term capital requirements may be notably significant and will depend on many factors, including continued scientific progress in its product discovery and development program, progress in the maintenance and expansion of its sales and marketing capabilities, progress in its pre-clinical and clinical evaluation of products and product candidates, time and expense associated with filing, prosecuting and enforcing its patent claims and costs associated with obtaining regulatory approvals. In order to meet such capital requirements, the Company will consider contract fees, collaborative research and development arrangements, public financing or additional private financing (including the issuance of additional equity securities) to fund all or a part of particular programs.

The Company's business, financial condition and results of operations will depend on its ability to obtain additional financing which may not be available under favourable terms, if at all. The Company's ability to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as its business performance. Where additional financing is available, the Company may be required to obtain approval for the Company's shareholders. Such approval may not be provided.

If its capital resources are exhausted and adequate funds are not available, the Company may have to reduce substantially or eliminate expenditures for research and development, testing, production and marketing of its proposed products, or obtain funds through arrangements with corporate partners that require it to relinquish rights to certain of its technologies or products.

Future issuance of the Company's common shares will result in dilution to its existing shareholders. Additionally, future sales of the Company's common shares into the public market may lower the market price which may result in losses to its shareholders.

As of May 31, 2011, the Company had 130,307,552, common shares issued and outstanding. A further 2,322,192 common shares are issuable upon exercise of outstanding stock options and another 9,358,521 common shares are issuable upon exercise of share purchase warrants, all of which may be exercised in the future resulting in dilution to the Company's shareholders. The Company's stock option plan allows for the issuance of stock options to purchase up to a maximum of 10% of the outstanding common shares at any time.

On July 18, 2011, the Company issued 52,640,043 shares and 12,542,000 stock options in conjunction with transactions announced on that date as described in Note 16 to the audited consolidated financial statements for the year ended May 31, 2011.

Sales of substantial amounts of the Company's common shares into the public market, or even the perception by the market that such sales may occur, may lower the market price of its common shares.

The Company's common shares may experience extreme price and volume volatility which may result in losses to its shareholders.

On May 31, 2011, the Company's common shares closed at a price of CDN\$0.02 on the NEX board of the TSX Venture Exchange (NEX). For the period from June 1, 2010 to May 31, 2011, the high and low trading prices of the

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Company's common shares were CDN\$0.03 and CDN\$0.005, respectively, with a total trading volume of 27,386,211 shares. The Company's shares were delisted from Amex on July 3, 2008 and from the TSX on March 26, 2010.

Daily trading volume on the TSX of the Company's common shares for the period from June 1, 2010 to May 31, 2011 has fluctuated, with a high of 2,023,365 shares and a low of nil shares, averaging approximately 107,941 shares. Accordingly, the trading price of the Company's common shares may be subject to wide fluctuations in response to a variety of factors including announcement of material events by the Company, such as the status of required regulatory approvals for its products, competition by new products or new innovations, fluctuations in its operating results, general and industry-specific economic conditions and developments pertaining to patent and proprietary rights. The trading price of the Company's common shares may be subject to wide fluctuations in response to a variety of factors and/or announcements concerning such factors, including:

- actual or anticipated period-to-period fluctuations in financial results;
- litigation or threat of litigation;
- failure to achieve, or changes in, financial estimates of individual investors and/or by securities analysts;
- new or existing products or services or technological innovations by the Company or its competitors;
- comments or opinions by securities analysts or major shareholders;
- conditions or trends in the pharmaceutical, biotechnology and life science industries;
- significant acquisitions, strategic partnerships, joint ventures or capital commitments;
- results of, and developments in, the Company's research and development efforts, including results and adequacy of, and developments in, its clinical trials and applications for regulatory approval;
- additions or departures of key personnel;
- sales of the Company's common shares, including by holders of the notes on conversion or repayment by the Company in common shares;
- economic and other external factors or disasters or crises;
- limited daily trading volume; and
- developments regarding the Company's patents or other intellectual property or that of its competitors.

In addition, the securities markets in the United States and Canada have recently experienced a high level of price and volume volatility, and the market price of securities of biotechnology companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies.

There may not be an active, liquid market for the Company's common shares.

On March 26, 2010, the Company's common shares were delisted from the TSX due to the Company's current inability to meet continued listing requirements. On March 29, 2010, the Company's common shares commenced trading on the NEX board of the TSX Venture Exchange under the symbol MPH.H. The transfer in stock exchange listing to the NEX was designed to ensure continuous trading and continued liquidity for the Company's shareholders.

The Company's shares ceased trading on the Amex effective July 3, 2008.

There is no guarantee that an active trading market for the Company's common shares will be maintained on the NEX. Investors may not be able to sell their shares quickly or at the latest market price if trading in its common shares is not active.

If there are substantial sales of the Company's common shares, the market price of its common shares could decline.

Sales of substantial numbers of the Company's common shares could cause a decline in the market price of its common shares. Any sales by existing shareholders or holders of options or warrants may have an adverse effect on the Company's ability to raise capital and may adversely affect the market price of its common shares.

The Company has no history of paying dividends, does not intend to pay dividends in the foreseeable future and may never pay dividends.

Since incorporation, the Company has not paid any cash or other dividends on its common shares and does not expect to pay such dividends in the foreseeable future as all available funds will be invested to finance the growth of its business. The Company will need to achieve profitability prior to any dividends being declared, which may never happen.

If the Company is classified as a passive foreign investment Company for United States income tax purposes, it could have significant and adverse tax consequences to United States holders of its common shares.

The Company does not believe that it was a passive foreign investment Company for the taxable year ended May 31, 2011, and does not expect that it will be a passive foreign investment Company (PFIC) for the taxable year ending May 31, 2012. (See more detailed discussion in Item 10 E Taxation) However, there can be no assurance that the IRS will not challenge the determination made by the Company concerning its passive foreign investment Company status or that the Company will not be a passive foreign investment Company for the current taxable year or any subsequent taxable year. Accordingly, although the Company expects that it may be a QFC for the taxable year ending May 31, 2012, there can be no assurances that the IRS will not challenge the determination made by the Company concerning its QFC status, that the Company will be a QFC for the taxable year ending May 31, 2012 or any subsequent taxable year, or that the Company will be able to certify that it is a QFC in accordance with the certification procedures issued by the Treasury and the IRS.

The Company's classification as a PFIC could have significant and adverse tax consequences for United States holders of its common shares.

The Company has adopted a shareholder rights plan.

The Company has adopted a shareholder rights plan. The provisions of such plan could make it more difficult for a third party to acquire a majority of the Company's outstanding common shares, the effect of which may be to deprive the Company's shareholders of a control premium that might otherwise be realized in connection with an acquisition of its common shares.

Risks associated with Material weaknesses within the Company's financial reporting and review process

In connection with its review of the Company's internal control over financial Reporting, the Company has identified material weaknesses with the Company's financial reporting and review process, involving the preparation and review of the reconciliation from Canadian GAAP to United States GAAP, the accounting and reporting for complex transactions due limited staff and the resignation of the Company's Chief Financial Officer subsequent to year-end resulting in procedures over the year-end close process not operating effectively. Based on such determination, the Company's management concluded that the Company's internal control over financial reporting was not effective as of May 31, 2011. The Company either plans to ensure adequate personnel are available with the necessary training and expertise or rely on an external third party to provide this control. In addition, the Company appointed a new Chief Financial Officer on September 22, 2011. Any failure to remediate the material weaknesses, to implement the required new or improved control, or difficulties encountered in the implementation, could cause the Company to fail to meet its reporting obligations on a timely basis or result in material misstatements in the annual or interim financial statements. Inadequate internal control over financial reporting could also cause investors to lose confidence in the Company's reported financial information, which could cause the Company's stock price to decline.

ITEM 4. INFORMATION ON THE COMPANY**A. History and Development of the Company**

On December 22, 1999, the Company was formed by the amalgamation of Medicure Inc. with Lariat Capital Inc. pursuant to the provisions of the *Business Companies Act* (Alberta). The Company was continued from Alberta to the federal jurisdiction by Certificate of Continuance issued pursuant to the provisions of the *Canada Business Companies Act* on February 23, 2000.

The Company's current legal and commercial name is Medicure Inc. and its current registered office is 30th Floor, 360 Main Street, Winnipeg, Manitoba, Canada, R3C 4G1, Phone (204) 487-7412. The Company's head office is located at 2-1250 Waverley Street, Winnipeg, Manitoba, Canada, R3T 6C6.

In August 2006, the Company acquired the U.S. rights to its first commercial product, AGGRASTAT[®] Injection (tirofiban hydrochloride) in the United States and its territories (Puerto Rico, Virgin Islands and Guam) for US\$19,000,000.

In September 2007, the Company monetized a percentage of its current and potential future commercial revenues by entering into a debt financing agreement with Birmingham Associates Ltd. (Birmingham), an affiliate of Elliott Associates, L.P. (Elliott) for proceeds of US\$25 million (See Item 5 B Liquidity and Capital Resources).

In February 2008, the Company announced that its pivotal Phase III MEND-CABG II clinical trials with MC-1 did not meet the primary endpoint and as a result was not sufficient to support the filings. As a result, the Company announced a restructuring plan that resulted in the organization reducing its head count by approximately 50 employees and full-time consultants. The restructuring and downsizing in March 2008 conserved capital for ongoing operations.

In fiscal 2009, the Company continued to focus on the sale and marketing of AGGRASTAT® and on focusing its research and development activities on the development of TARDOXAL™, for Tardive Dyskinesia, and MC-1 for chronic cardiovascular disorders, and exploring further cost savings measures. All these initiatives were initiated due to the restructuring plan announced towards the end of fiscal 2008. These activities assisted in further reducing the Company's use of capital, in particular its investment in research and development programs but have moved forward certain programs on a limited and focused fashion such as the Phase II clinical study of TARDOXAL™ for the treatment of Tardive Dyskinesia.

Since that time and up until the current date, further organizational changes have been undertaken to further reduce expenses and find operational efficiencies. The Company's ability to continue in operation for the foreseeable future remains dependent upon the effective execution of its business development and strategic plans, and on maintaining adequate working capital, whether by means of financing, debt, revenue and further cost control measures. As at May 31, 2011 the Company had significant debt servicing obligations that it did not have the ability to repay without refinancing or restructuring and the Company was in default of the terms of its long-term debt financing obligations. Under an event of default, the lender could have exercised its security rights under the agreement, and accordingly the long-term debt obligation has been classified as a current liability as at May 31, 2011. On July 18, 2011, the Company settled its long-term debt to Birmingham in exchange for; i) \$4,750,000 in cash; ii) 32,640,043 common shares of the Company; and iii) a royalty on future AGGRASTAT® sales until 2023. The royalty is based on four percent of the first \$2,000,000 of quarterly AGGRASTAT® sales and increases on sales exceeding that amount.

B. Business Overview

Plan of Operation

Medicure is a specialty pharmaceutical company engaged in the research, clinical development and commercialization of human therapeutics. The Company's primary operating focus is on the sale and marketing of its acute care cardiovascular drug, AGGRASTAT® (tirofiban hydrochloride) owned by its subsidiary, Medicure International, Inc. and distributed in the United States and its territories through the Company's U.S. subsidiary, Medicure Pharma, Inc. The Company's research and development program is focused on developing new plans related to AGGRASTAT® and, secondly, on the clinical development of TARDOXAL™ for neurological disorders. The Company also continues to explore certain other product opportunities.

Strategic changes made over the past year, coupled with focused capital conservation efforts, have assisted the Company in reducing its use of capital. The Company's ability to continue in operation for the foreseeable future remains dependent upon the effective execution of its business development and strategic plans. The Company estimates it has sufficient working capital and revenue to fund ongoing operations. On July 18, 2011, the Company settled its existing long-term debt.

The ongoing focus of the Company and its primary asset of interest is AGGRASTAT® (tirofiban HCl). In parallel with the Company's ongoing commitment to support the product, its valued customers and the continuing efforts of the commercial organization, the Company is in the process of developing and implementing a new regulatory, brand and life cycle management strategy for AGGRASTAT®. The objective of this effort is to further expand AGGRASTAT®'s share of, the US \$400 million glycoprotein IIb/IIIa (GP IIb/IIIa) inhibitor market. GP IIb/IIIa inhibitors are injectable platelet inhibitors used to treat acute coronary syndromes and related conditions and procedures.

Recent Developments**• Sale of inventory:**

On July 6, 2011, the Company entered into an agreement with Iroko Cardio, LLC ("Iroko") to advance AGGRASTAT® in each of Medicare and Iroko's respective territories. Iroko owns rights to AGGRASTAT® outside of the Company's territory. Under the terms of the agreement, the Company transferred to Iroko AGGRASTAT® drug substance from inventory on hand and the rights to purchase additional quantities from a third party. In turn, Iroko paid Medicare International Inc. US\$1,059,000 on July 6, 2011 and will pay an additional US\$850,000 on or before November 1, 2011, subject to certain conditions. In addition, Iroko made available to the Company certain analytical methods for testing of AGGRASTAT® drug product and provided the Company the option to obtain certain data used by Iroko to obtain changes to the approved use of AGGRASTAT® in Europe. If the Company exercises its option to obtain the data and is successful in getting changes to the approved use of AGGRASTAT® in the United States, Iroko will be entitled to receive a royalty of up to US\$3.5 million on future AGGRASTAT® sales based on a percentage of sales.

• Debt settlement and related transactions:

On July 18, 2011, the Company settled its long-term debt to Birmingham Associates Ltd. in exchange for; i) \$4,750,000 in cash; ii) 32,640,043 common shares of the Company; and iii) a royalty on future AGGRASTAT® sales until 2023. The royalty is based on four percent of the first \$2,000,000 of quarterly AGGRASTAT® sales and increases on sales exceeding that amount.

In addition, the Company borrowed \$5,000,000 from the Government of Manitoba, under the Manitoba Industrial Opportunities Program. The loan bears interest annually at the crown company borrowing rate and matures on July 1, 2016. The loan repayment schedule is interest only for the first 24 months, with blended principal and interest payments made monthly thereafter until maturity. The loan is secured by the Company's assets and guaranteed by the Company's Chief Executive Officer, and entities controlled by the Chief Executive Officer. The Company issued 20,000,000 common shares of the Company in consideration for this guarantee to the Company's Chief Executive Officer and entities controlled by the Chief Executive Officer. The Company relied on the financial hardship exemption from the minority approval requirement of Multilateral Instrument (MI) 61-101. Specifically, pursuant to MI 61-101, minority approval is not required for a related party transaction in the event of financial hardship in specified circumstances.

Additionally, the Company renewed its consulting agreement with its Chief Executive Officer for a term of five years, at a rate of \$180,000 annually.

• Stock options:

On July 18, 2011, the Company issued 12,542,000 stock options under the Company's approved stock option plan to employees and consultants of the Company, including the chief executive officer and chief operating officer, at an exercise price of \$0.10 per common share. The options vest immediately and expire after ten years.

Commercial:

In fiscal 2007, the Company acquired the U.S. rights to its first commercial product, AGGRASTAT® Injection (tirofiban hydrochloride), in the United States and its territories (Puerto Rico, Virgin Islands, and Guam). AGGRASTAT®, a glycoprotein GP IIb/IIIa receptor antagonist, is used for the treatment of acute coronary syndrome (ACS) including unstable angina, which is characterized by chest pain when one is at rest, and non-Q-wave myocardial infarction (MI). The Company continues to support the product through its home office and a small,

dedicated field force of cardiovascular specialists employed under the Company's US subsidiary, Medicure Pharma Inc.

Net revenue from the sale of AGGRASTAT® for the year ended May 31, 2011 increased 9% over the net revenue for the year ended May 31, 2010. All of the Company's sales are denominated in US dollars. The increase is attributable to an increase in wholesale purchasing of AGGRASTAT®, a reduction in hospital discounts and fluctuations in foreign currency exchange rates. Although wholesale purchasing generally reflects hospital demand, it is also subject to fluctuations attributed to wholesaler inventory adjustments.

Going forward and contingent on sufficient finances being available, the Company plans to explore opportunities to further expand revenue through strategic investments related to AGGRASTAT® and the acquisition of other niche products that fit the commercial organization.

Research and Development:

The Company's primary ongoing research and development activity is the development and implementation of a new regulatory, brand and life cycle management strategy for AGGRASTAT®. The extent to which the Company is able to invest in this plan is dependent upon the availability of sufficient finances.

The Company's primary, non-AGGRASTAT® research and development activity is TARDOXAL™ for the treatment of Tardive Dyskinesia ("TD"). This program evolved from Medicure's extensive clinical experience with MC-1, a naturally occurring small molecule, for cardiovascular conditions. A modest amount of capital is being used for an ongoing Phase II clinical study of TARDOXAL™. The Company is interested in out-licensing its library of small molecule antithrombotic drugs.

The following table summarizes the Company's research and development programs, their therapeutic focus and their stage of development.

<i>Product Candidate</i>	<i>Therapeutic focus</i>	<i>Stage of Development</i>
AGGRASTAT®	Acute Cardiology	Phase III/IV - planning
TARDOXAL™	TD/Neurological indications	Phase II - enrolling patients
MC-45308	Thrombosis reduction	Discovery - pursuing partnership

The TARDOXAL™ program benefits from over 10 years of work that Medicure invested in the advancement of this compound, including extensive human clinical testing in unrelated cardiovascular conditions and other pre-clinical, formulation, manufacturing and safety research and development. The Company believes the information and physical assets resulting from this activity are a valuable asset that will reduce costs and also speed development of this molecule for application to TD.

The development of MC-1 for cardiovascular conditions is not listed in the table above as these initiatives have been placed on hold.

The Company intends to pursue a license or development partnership for TARDOXAL™ with a large pharmaceutical company. Such a partnership may provide funding and other resources for further clinical trials and commercialization. While the Company has had informal discussions with potential partners, no formal agreement, or letter of intent, has been entered into by the Company as of the date hereof.

The Company's library of novel therapeutics includes a series of small molecule dual acting anticoagulant/antiplatelet compounds (including the preclinical lead compound MC-45308) which may be useful in treating venous and arterial thrombosis. These compounds, which have shown activity in venous and arterial models of thrombosis, provide a basis for further research, optimization and preclinical development.

Medicure's library of novel therapeutics includes a series of small molecule dual acting anticoagulant/antiplatelet compounds (including the preclinical lead, MC-45308) which may be useful in treating venous and arterial thrombosis. These compounds, which have shown activity in venous and arterial models of thrombosis, provide a basis for further research, optimization and preclinical development. The Company is interested in out-licensing its library of small molecule anti thrombotic drugs.

The Company may from time to time evaluate other product opportunities for potential license with the objective of further broadening its product and patent portfolio.

Potential New Products in Development Stage

One of the Company's primary focuses is the clinical development and commercialization of its lead research product, TARDOXAL™ (pyridoxal 5-phosphate) for TD. TD is a serious movement disorder which results from long-term treatment with antipsychotic medications. At present there is no treatment available for TD in the US. TARDOXAL™'s potential for treatment of TD is supported by its biological mechanism of action and by preliminary clinical studies which indicated efficacy of a related compound in treatment of TD.

Until 2008, the Company had been focused on the development of its then lead product MC-1 as a cardioprotective treatment in reducing damage to the heart associated with acute ischemic and reperfusion injury (MEND-1 Phase-II study). Due to lack of resources and the inability to demonstrate efficacy in the Company's Phase III study, MEND-CABG II, this development program was placed on hold. This product also has potential to provide other chronic cardiovascular benefits to patients with hyperlipidemia, hperglycemia and hypertension. The Company has clinical data and intellectual property related to some of these potential applications and is interested in advancing these applications through a partnership with another pharmaceutical company. However, at this time sufficient resources are not available to pursue these applications. MC-1 is the same chemical compound being developed for TD under the name TARDOXAL™.

In research and development conducted prior to fiscal 2009, the Company developed a novel series of small molecule dual acting anticoagulant/antiplatelet compounds which may be useful in treating venous and arterial thrombosis.

The Company seeks to establish a licensing arrangement or R&D collaboration to advance these compounds to human clinical studies when sufficient financial resources are available to do so.

As at May 31, 2011, the Company had numerous issued United States patents (see Item 5 Operating and Financial Review and Prospects C. Research and Development, Patents and Licenses, Etc. below).

Competitors Current Products

The only commercial product the corporation currently has, being AGGRASTAT[®], which is owned by the Company's subsidiary, Medicure International, Inc., and is sold in the United States of America through the Company's subsidiary, Medicure Pharma, Inc.

AGGRASTAT[®] competes in a market segment commonly referred to as the anti-thrombotic market (treatments to remove or prevent formation of blood clots). More specifically, AGGRASTAT[®] is one of a handful of antiplatelet drugs which affect thrombus (blood clot) formation by preventing the aggregation of platelets in the blood stream. Of the different classes of antiplatelet drugs, AGGRASTAT[®] is a representative of the glycoprotein IIB/IIIa inhibitors drug class. There are three of these agents approved for use, including abciximab (ReoPro[®]), eptifibatid (Integrilin[®]), and tirofiban (Aggrastat[®]). Of the two directly competing agents, AGGRASTAT[®] is most closely comparable to Integrilin[®] as they are both highly potent, small molecule drugs that have reversible antiplatelet effects.

Competitors Products in Development

At present the Company is not aware of any other glycoprotein IIB/IIIa inhibitors in clinical development. However, the utilization of its drug may be affected by the continued advancement of new antithrombotic and antiplatelet agents, including the recently approved agents, ticagrelor (Brilinta[®]) and prasugrel (Effient[®]). The potential future launch of generic versions of AGGRASTAT[®] and/or of other competitive drugs is also expected to impact utilization of the Company's drug. Many companies, including large pharmaceutical and biotechnology companies, are conducting development of products that are intended to address the same or a similar medical need. Many of these companies have much larger financial and other resources than the Company does, including those related to research and development, manufacturing, and sales and marketing. The Company also faces competition in recruiting scientific personnel from colleges, universities, agencies, and research organizations who seek patent protection and licensing agreements for the technologies they develop.

Competitive Strategy and Position

The Company is primarily focusing on:

1. *Maintaining and Growing AGGRASTAT[®] sales in the United States.* The present market for the class of drug GP IIB/IIIa, of which AGGRASTAT[®] is one of three in the USA market, is approximately \$400 million per year (2010). At present AGGRASTAT[®] has $\leq 2\%$ of this market. AGGRASTAT[®] is recommended by the AHA and ACC Guidelines as one of the three GP IIB/IIIa drugs to be used for the treatment of ACS. AGGRASTAT[®] has been shown, in several clinical trials, to reduce mortality and/or morbidity (myocardial infarction) post ACS by as much as 40%.
2. *The development and implementation of a new regulatory, brand and clinical strategy for AGGRASTAT[®]:* As stated previously, the Company's primary ongoing Research and Development activity is the development and implementation of a new regulatory, brand and life cycle management strategy for AGGRASTAT[®]. One important aspect of the strategy is the Company's efforts to expand and modify the product label. Any such change is dependent upon review and approval by the FDA and may necessitate substantial regulatory filing fees. Clinical development activities would also require substantial financial resources to conduct. While the Company believes that it will be able to finalize a relatively low cost clinical, product and regulatory strategy, it requires additional resources to implement all aspects of this plan. Until such resources become available, the Company is working to advance this program with the modest capital investment that it can make from its available cash resources.

3. *The development of TARDOXAL™ for Tardive Dyskinesia and other neurological indications.* The Company is focusing initially on these markets because of preclinical and clinical evidence supporting the product's safety and potential efficacy in these applications.

It is the Company's intention to secure a partnership with a large pharmaceutical company for commercialization of TARDOXAL™ or other agents from its product pipeline. Such a partnership would provide funding for clinical development, add experience to the product development process and provide market positioning expertise. While the Company has had informal discussions with potential partners in this regard, no formal agreement or letter of intent has been entered into by the Company as of the date hereof.

C. Organizational Structure

Medicure International, Inc., a wholly owned subsidiary of the Company, was incorporated pursuant to the laws of Barbados, West Indies, on May 23, 2000. Medicure International Inc.'s registered office is located at Whitepark House, White Park Road, Bridgetown, Barbados. Medicure International Inc.'s head office is located at 2nd Street, Holetown, St. James, Barbados.

Medicure Pharma Inc., a wholly owned subsidiary of the Company, was incorporated pursuant to the laws of the State of Delaware, United States of America, on September 30, 2005. Medicure Pharma Inc.'s registered office is 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808. Medicure Pharma Inc.'s head office is located at 500 Atrium Drive, Somerset, NJ, 08873.

American Cardio Therapeutics Inc., a Company that is 49% owned by Medicure Pharma Inc., was incorporated pursuant to the laws of the State of Delaware, United States of America, on September 30, 2005. American Cardio Therapeutics Inc.'s registered office is 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808. As at May 31, 2011, American Cardio Therapeutics Inc. had no activity and it is the Company's intention that American Cardio Therapeutics Inc. will be wound up.

Medicure Europe Limited, a wholly owned subsidiary of the Company, was incorporated pursuant to the laws of the United Kingdom, on May 19, 2006. Medicure Europe Limited ceased operations on August 4, 2009.

D. Property, Plants and Equipment

Office Space

Included in connection with the *business and administration services agreement* entered into with Genesys Venture Inc. (see F. Contractual Obligations), the Company has use of approximately 750 square feet of office space as part of its business services contract with a related party. The office is located in Winnipeg, Manitoba, Canada.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

This section contains forward-looking statements involving risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under part Item 3 - Key Information - D. Risk Factors. The following discussion of the financial condition, changes in financial conditions and results of operations of the Company for the years ended May 31, 2011, May 31, 2010 and May 31, 2009 should be read in conjunction with the consolidated financial statements of the Company. The Company's consolidated financial statements are presented in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) included under Item 17 to this annual report. Material measurement differences between Canadian and U.S. GAAP, as applicable to the Company, are set forth in note 17 to the consolidated financial statements of the Company included herein.

Critical Accounting Estimates

The Company's consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP). A reconciliation in accordance with Item 17 of Form 20-F of adjustments required to present in accordance with United States generally accepted accounting principles (US GAAP) is described in note 17 to the audited consolidated financial statements for the year ended May 31, 2011. These accounting principles require management to make certain estimates and assumptions. Management believes that the estimates and assumptions upon which the Company relies are reasonable based upon information available at the time these estimates and assumptions are made. Actual results could differ from these estimates. Future estimates and assumptions may lead to different judgments than those applied in the preparation of these consolidated financial statements. Areas of significant estimates include revenue recognition, research and development costs, clinical trial expenses, the assessment of net recoverable value of intangible assets, income taxes, stock-based compensation and accounting for warrants.

Going concern assumption and continuity of operations

The accompanying consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is significant doubt about the appropriateness of the use of the going concern assumption because the Company has experienced operating losses since incorporation.

The Company has experienced a loss of \$2,014,109 for the year ending May 31, 2011, and has accumulated a deficit of \$156,095,915 as at May 31, 2011. The Company's future operations are dependent upon its ability to maintain or grow sales of AGGRASTAT®, and/or secure additional funds, which may not be available under favourable terms, should these objectives not be achieved, the Company will have to consider additional strategic alternatives which may include, among other strategies, asset divestitures and/or monetization of certain intangibles.

As at May 31, 2011 the Company had significant debt servicing obligations that it did not have the ability to repay without refinancing or restructuring and the Company was in default of the terms of its long-term debt financing obligations. Under an event of default, the lender could have exercised its security rights under the agreement, and accordingly the long-term debt obligation has been classified as a current liability as at May 31, 2011 and 2010 as described in note 8 of the audited consolidated financial statements for the year ended May 31, 2011. On July 18, 2011, the long-term debt was settled as described in Note 16 of the audited consolidated financial statements for the year ended May 31, 2011.

The financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

Revenue recognition

The Company recognizes product revenue when substantially all of the risks and rewards of ownership have transferred to the customer and collection is reasonably assured. Revenue is recognized upon product delivery, and when no significant contractual obligations remain. As is common practice in the pharmaceutical industry, the Company's sales are made to pharmaceutical wholesalers for further distribution to end consumers.

Net sales reflect a reduction of gross sales at the time of initial sales recognition for estimated wholesaler chargebacks, discounts, allowances for product returns, and other rebates (product sales allowances). Wholesaler management decisions to increase or decrease their inventory of AGGRASTAT® may result in sales of AGGRASTAT® to wholesalers that do not track directly with demand for the product at hospitals. In determining the amounts for these allowances and accruals, the Company uses estimates. Through reports provided by the Company's wholesalers and other third party external information, management estimates customer and wholesaler inventory levels, sales trends and hospital demand. Management uses this information along with such factors as: historical experience and average contractual chargeback rates to estimate product sales allowances. Third-party data is subject to inherent limitations of estimates due to the reliance on information from external sources, as this information may itself rely on certain estimates.

Research and development costs

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 a development project meets stringent criteria for cost deferral and amortization. The Company assesses whether these costs have met the relevant criteria for deferral and amortization at each reporting date. No development costs have been deferred to date.

Clinical trial expenses

Clinical trial expenses are a component of the Company's research and development costs. These expenses include fees paid to contract research organizations, clinical sites, and other organizations who conduct development activities on the Company's behalf. The amount of clinical trial expenses recognized in a period related to clinical agreements are based on estimates of the work performed using an accrual basis of accounting. These estimates incorporate factors such as patient enrolment, services provided, contractual terms, and prior experience with similar contracts.

Intangible assets

Costs incurred in obtaining patents are capitalized and amortized commencing upon issuance on a straight-line basis over the remaining legal life of the respective patents, being approximately twenty years, or their economic life, if shorter. The cost of servicing the Company's patents is expensed as incurred. Intangible assets are recorded at acquisition cost and are amortized on a straight-line basis based on the following estimated useful lives:

Technology license	8 years
Patents	5-20 years
Trademark	10 years
Customer list	10 years

The Company determines the estimated useful life of intangible assets based on a number of factors, including: legal, regulatory or contractual limitations; known technological advances; anticipated demand; and the existence or absence of competition. A significant change in any of these factors could require a revision of the expected useful life of the intangible asset, which could have a material impact on the Company's results of operations through an increase to amortization.

On a regular basis, management reviews the valuation of intangible assets taking into consideration any events and circumstances which may impair their recoverable value including expected cash flows, the potential benefit the Company expects to derive from the costs incurred to date and the Company's ongoing development plans. A change in any of these assumptions could produce a different fair value, which could have a material impact on the Company's results of operations.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income 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 income 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 substantive enactment. Given the Company's history of net losses, the Company is of the opinion that it is more likely than not that these tax assets will not be realized in the foreseeable future and therefore, a full valuation allowance has been recorded against these income tax assets. As a result, no future income tax assets or liabilities are recorded on the Company's balance sheets.

Stock-based compensation

The Company has a stock option plan for its directors, management, employees, and consultants. Compensation expense is recorded for stock options issued to employees and non employees using the fair value method. The Company must calculate the fair value of stock options issued and amortize the fair value to stock compensation expense over the vesting period, and adjust the amortization for stock option forfeitures and cancellations. The Company uses the Black-Scholes model to calculate the fair value of stock options issued which requires that certain assumptions including the expected life of the option and expected volatility of the stock be estimated at the time that the options are issued. The Company amortizes the fair value using the accelerated method over the vesting period of the options, generally a period of three years. The factors included in the Black-Scholes model are reasonably likely to change from period to period due to changes in the Company's stock price and external factors, as further stock options are issued and as adjustments are made to previous calculations for unvested stock option forfeitures and cancellations.

The stock-based compensation recorded by the Company is a critical accounting estimate because of the value of compensation recorded, the volume of the Company's stock option activity, and the many assumptions that are required to be made to calculate the compensation expense. The Black-Scholes model is not the only permitted model to calculate the fair value of stock options. A different model, such as the binomial model, as well as any changes to the assumptions made may result in a different stock compensation expense calculation. For the year ended May 31, 2011, the Company recorded stock-based compensation of \$77,057 (May 31, 2010 - \$122,812).

A. Operating Results

General

The Company has concentrated primarily on research and development and has yet to and may never derive any revenues from its clinical products. The Company has a limited operating history and its prospects must be considered in light of the risks, expenses and difficulties frequently encountered with the establishment of a business in a highly competitive industry, characterized by frequent new product introductions.

Year Ended May 31, 2011 Compared to the Year Ended May 31, 2010

Net product sales for fiscal 2011 were \$3,628,000, compared to \$3,317,000 in fiscal 2010. The Company currently sells AGGRASTAT® to drug wholesalers. These wholesalers subsequently sell AGGRASTAT® to the hospitals where health care providers administer the drug to patients. Wholesaler management decisions to increase or decrease their inventory of AGGRASTAT® may result in sales of AGGRASTAT® to wholesalers that do not track directly with demand for the product at hospitals. All of the Company's sales are denominated in US dollars. The increase compared to fiscal 2010 is attributable to an increase in wholesale purchasing of AGGRASTAT®, a reduction in hospital discounts and fluctuations in foreign currency exchange rates. Although wholesale purchasing generally reflects hospital demand, it is also subject to fluctuations attributed to wholesaler inventory adjustments.

Cost of goods sold represents direct product costs associated with AGGRASTAT® including and write-downs for obsolete inventory. Amortization of the related acquired AGGRASTAT® intangible assets is separately discussed below.

Cost of goods sold, excluding amortization, for fiscal 2011 were \$674,000 compared to \$572,000 in fiscal 2010. The Company has a minimum purchase commitment for the manufacturing of AGGRASTAT® and as a result has recorded a \$0.1 million charge to recognize this commitment. For the year ended May 31, 2011, increases to cost of goods sold are the result of increases in net sales of AGGRASTAT® and the write-off of expired inventory during 2011.

Total Selling, general, and administrative expenditures for fiscal 2011 were \$2,818,000, compared to \$4,475,000 in fiscal 2010. Selling, general, and administrative expenditures related to AGGRASTAT® were \$1,657,000 in fiscal 2011, compared to \$3,277,000 in fiscal 2010. Selling, general and administrative expenses include salaries and related costs for those employees not directly involved in research and development. The expenditures are required to support sales and marketing efforts of AGGRASTAT® and ongoing business development and corporate stewardship activities. The balance also includes professional fees such as legal, audit, investor and public relations.

Selling, general and administrative expenditures - AGGRASTAT® decreased during the year ended May 31, 2011 as compared to same period in the prior year mainly due to :

- The Company payroll costs were lower during the period, attributable to management's efforts to reduce operating costs;
 - The average US exchange rate for the period was lower than the in the comparable periods of 2010 resulting in a decrease in selling, general and administrative expenditures; and
 - Overall the Company's selling, general and administrative expenditures related to AGGRASTAT® are lower in many areas as a result of the cost curtailment program.
-

Selling, general and administrative expenditures Other decreased during the year ended May 31, 2011 as compared to same period in the prior year mainly due to:

- Overall the Company's selling, general and administrative expenditures other are lower in many areas as a result of the cost curtailment program. Significant reductions are noted in payroll, rent, and insurance;
- During fiscal 2011, the Company has incurred an increase of legal and professional fees related to ongoing discussions with the Company's secured lender.

Net research and development expenditures for fiscal 2011 were \$205,000, compared to \$393,000 in fiscal 2010. Research and development expenditures include costs associated with the Company's clinical development and preclinical programs including salaries, research centred costs and monitoring costs. The Company expenses all research and development costs. The decrease in research and development expenditures, for the year ended May 31, 2011 as compared to the same period in fiscal 2010 is due to reductions in the modest funds allocated by the Company to advance its TARDOXAL™ clinical trial. As a result of the decline in research and development activities, there were not any investment tax credit recoveries during fiscal 2011. In fiscal 2010, investment tax credit recoveries totalled \$0.3 million.

The Company's Impairment of Intangibles assets for fiscal 2011 were \$280,000, compared to \$769,000 in fiscal 2010. Intangible assets are reviewed for impairment on an ongoing basis whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Based on this review certain patents were deemed not significant to the Company's commercial and research operations and a decision was made to surrender certain issued patents and withdraw certain applications under review. The majority of these patents were in the review stage in numerous countries. As a result, impairment charges of \$280,235 were recorded to write off the carrying value of certain specific patents.

It is important to note that historical patterns of impairment charges cannot be taken as an indication of future impairments. The amount and timing of impairments and write-downs may vary substantially from period to period depending on the business and research activities being undertaken at any one time and changes in the Company's commercial strategy.

Amortization for the year ended May 31, 2011 was \$899,000, compared to \$919,000 in fiscal 2010. For the year ended May 31, 2011, amortization decreased as compared to the prior year as a result of the write-down in intangibles in the third and fourth quarters of fiscal 2010. The majority of amortization expense in both periods relates to the amortization of AGGRASTAT® intangible assets.

Interest expense for fiscal 2011 was \$3,122,000, compared to \$3,280,000 in fiscal 2010. The decrease in interest expense for the year ended May 31, 2011 as compared to the prior fiscal year is primarily due to the increase in the strength of the Canadian dollar as compared to the US dollar.

The net foreign exchange gain for the year ended May 31, 2011 was \$2,355,000, compared to a net foreign exchange gain of \$1,247,000 in fiscal 2010. The net foreign exchange gain during the year ended May 31, 2011 changed by \$1.11 million due to a weakening of the U.S. dollar relative to the Canadian dollar in the quarter. Foreign exchange gain represents changes in the Canadian dollar value of foreign currency denominated operating accounts and long-term debt in response to changes in the value of the Canadian dollar relative to US dollar. The value of the Canadian dollar relative to the US dollar increased over the period, with exchange rates moving from 1.046 as at May 31, 2010 to 0.969 as at May 31, 2011, which resulted in a foreign exchange gain of \$2.4 million for the period. In the prior year, the value of the Canadian dollar as compared to the US dollar strengthened, with exchange rate equal to 1.092 as at May 31, 2009 moving to 1.046 as at May 31, 2010, which resulted in a foreign exchange gain of \$1.25 million for the prior year.

For the year ended May 31, 2011, the Company recorded a consolidated net loss of \$2,014,000 or \$0.02 per share compared to a consolidated net loss of \$5,533,000 or \$0.04 per share for the year ended May 31, 2010. As discussed above the main factors contributing to the decrease in the loss as compared to 2010 fiscal year were the increases in wholesale AGGRASTAT[®], sales and the Company's cost curtailment program whereby operating costs (exclusive of debt servicing requirements and costs related to restructuring of debt as discussed above) have been reduced.

The weighted average number of common shares outstanding used to calculate basic and diluted loss per share was 130,507,552 for the years ended May 31, 2011 and 2010.

Year Ended May 31, 2010 Compared to the Year Ended May 31, 2009

Net product sales for fiscal 2010 were \$3,317,000, compared to \$4,793,000 in fiscal 2009. The Company sells AGGRASTAT[®] to drug wholesalers. These wholesalers subsequently sell AGGRASTAT[®] to the hospitals where health care providers administer the drug to patients. Wholesaler management decisions to increase or decrease their inventory of AGGRASTAT[®] may result in sales of AGGRASTAT[®] to wholesalers that do not track directly with demand for the product at hospitals. The decline is attributable to fluctuations in foreign currency exchange rates and an increase in wholesaler purchasing in advance of a price increase introduced during the 3rd quarter of 2009. Since then, wholesale purchasing has more closely reflected hospital demand with modest fluctuations attributing to wholesaler inventory adjustments.

Cost of goods sold represents direct product costs associated with AGGRASTAT[®] including and write-downs for obsolete inventory. Amortization of the related acquired AGGRASTAT[®] intangible assets is separately discussed below.

Cost of goods sold, excluding amortization, for fiscal 2010 were \$572,000 compared to \$377,000 in fiscal 2009. The Company has a minimum purchase commitment for the manufacturing of AGGRASTAT[®] and as a result has recorded a \$0.3 million charge to recognize this commitment. The increase is partially offset by direct costs linked to lower sales volume during the year ended May 31, 2010 as compared to of 2009.

Total Selling, general, and administrative expenditures for fiscal 2010 were \$4,475,000, compared to \$9,255,000 in fiscal 2009. Selling, general, and administrative expenditures related to AGGRASTAT[®] were \$3,277,000 in fiscal 2010, compared to \$6,598,000 in fiscal 2009. Selling, general, and administrative expenditures for AGGRASTAT[®] are primarily related to field selling expenses, product promotion costs and administrative expenses. The appreciation of the US dollar compared the Canadian dollar favourably impacted our expenditures which complimented Management's cost curtailment program implemented since the beginning of the fiscal year. Other selling, general, and administrative expenditures in fiscal 2010 decreased to \$1,198,000 from \$2,657,000 in fiscal 2009 mainly due to Management's cost curtailment program, as well as a one-time provision against research advances recorded in fiscal 2009. These reductions were offset by professional and advisory fee related to ongoing discussions with the Company's secured lender.

Net Research and development expenditures for fiscal 2010 were \$393,000, compared to \$23,000 in fiscal 2009. The increase in research and development expenditures as compared to fiscal 2009 is due to the Company continuing with its Phase II clinical study TARDOXAL[™] on a cost conservative basis until such time as the Company's financial condition improves. In 2009, the Company recovered approximately \$800,000 in research and development expenses as a result of negotiations and support from clinical partners and service providers for costs incurred in 2008. This recovery was applied against existing 2009 expenditures.

The Company's Impairment of Intangibles assets decreased from \$1,756,000 in fiscal 2009 to \$769,000 in fiscal 2010. During fiscal 2009 the Company had initiated a review of all outstanding patents as part of its ongoing cost curtailment program. Intangible assets are reviewed for impairment on an ongoing basis whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Based on this review certain patents were deemed not significant to the Company's commercial and research operations and a decision was made to surrender issued patents and withdraw applications under review. The majority of these patents were in the review stage in numerous countries. As a result, an impairment charge of \$1.0 million was recorded to write off the carrying value of these specific patents.

It is important to note that historical patterns of impairment charges cannot be taken as an indication of future impairments. The amount and timing of impairments and write-downs may vary substantially from period to period depending on the business and research activities being undertaken at any one time and changes in the Company's commercial strategy.

Amortization for the year ended May 31, 2010 was \$919,000, compared to \$939,000 in fiscal 2009. The majority of amortization expense in both periods relates the amortization of AGGRASTAT® intangibles. The amortization was lower in fiscal 2010 due to the write-down of the intangibles in fiscal 2009 and 2010.

Interest and other income for the year ended May 31, 2010 was \$5,000, compared to \$256,000 in fiscal 2009. The decrease in interest and other income in fiscal 2010 is the result of lower cash and cash equivalents balance and lower interest rates as compared to the prior fiscal year.

Interest expense for fiscal 2010 was \$3,280,000, compared to \$4,945,000 in fiscal 2009. The decrease in interest expense for the year ended May 31, 2010 as compared to fiscal 2009 is primarily due to the repayment of the term loan facility during the second quarter of 2009.

The net foreign exchange gain for the year ended May 31, 2010 was \$1,247,000, compared to a net foreign exchange loss of \$1,636,000 in fiscal 2009. The net foreign exchange gain during the year ended May 31, 2010 changed by \$2.88 million due to a weakening of the U.S. dollar relative to the Canadian dollar in the year. Foreign exchange loss represents changes in the Canadian dollar value of foreign currency denominated operating accounts and long-term debt in response to changes in the value of the Canadian dollar relative to US dollar. The value of the Canadian dollar relative to the US dollar increased over the period, with exchange rates moving from \$1.095 as at May 31, 2009 to \$1.046 as at May 31, 2010, which resulted in a foreign exchange gain of \$1.2 million for the year. In the prior year, the value of the Canadian dollar decreased, with exchange rates moving from \$0.994 as at May 31, 2008 to \$1.092 as at May 31, 2009, which resulted in a foreign exchange loss of \$1.64 million for the prior year.

For the year ended May 31, 2010, the Company recorded a consolidated net loss of \$5,532,000 or \$0.04 per share compared to a consolidated net loss of \$13,316,000 or \$0.10 per share for the year ended May 31, 2009. As discussed above the main factors contributing to the decrease in the loss as compared to the 2009 fiscal year resulted from the cost curtailment program whereby normal operating costs (exclusive of debt servicing requirements and costs related to restructuring of debt as discussed above) have been brought in line with revenues. Savings were offset by decreases in wholesale AGGRASTAT® sales.

The weighted average number of common shares outstanding used to calculate basic and diluted loss per share was 130,507,552 for the years ended May 31, 2010 and 2009.

B. Liquidity and Capital Resources

Since the Company's inception, it has financed operations primarily from net revenue received from the sale of AGGRASTAT®, sale of its equity securities, the issue of warrants and stock options, interest on excess funds held and the issuance of debt.

Cash provided by (used in) operating activities for the year ended May 31, 2011 increased \$1,930,288 to \$444,479 compared to (\$1,452,809) for 2010 primarily due to improved operating results in the Company's AGGRASTAT® operations and lower overall expenditures as a result of the cost curtailment program.

Investing and financing activities for the year ended May 31, 2011 and 2010 were insignificant.

At May 31, 2011 the Company had cash totaling \$750,184 compared to \$371,262 as of May 31, 2010. As at May 31, 2011, the Company had a working capital deficiency of \$30.2 million compared to \$29.4 million at May 31, 2010. Fluctuations in working capital are mainly due to increases in accrued interest on long-term debt and use of funds to support operations and changes in foreign currency exchange rates.

The Corporation has long-term debt at May 31, 2011 of US\$25.0 million recorded in its financial statements relating to the Birmingham debt described in Note 8 of the Company's consolidated financial statements for the year ended May 31, 2011. Interest is accrued based on an annual effective interest rate of 13.3%. The minimum annual debt obligations are disclosed under Contractual Obligations.

At May 31, 2011, the Company has accrued US\$7.8 million (CDN\$7.6 million) in debt service obligations. Of this amount, US\$1,739,659 was originally due July 15, 2009; US\$180,811 was originally due October 15, 2009; US\$195,550 was originally due January 15, 2010; US\$160,359 was originally due April 15, 2010; US\$2,063,280 was originally due on July 15, 2010, US\$168,085 was originally due October 15, 2010, US\$167,025 was originally due January 15, 2011, US\$258,703 was originally due April 15, 2011, and US\$2,906,188 was originally due on July 15, 2011. As described in the "Recent Developments" section of this annual report, the Company settled its long-term on July 18, 2011.

The total number of common shares issued and outstanding at May 31, 2011 and 2010 was 130,307,552.

C. Research and Development, Patents and Licenses, Etc.

Research and Development

The Company's primary ongoing research and development activity is the development and implementation of a new regulatory, brand and life cycle management strategy for AGGRASTAT®. The extent to which the Company is able to invest in this plan is dependant upon the availability of sufficient finances.

The Company's primary, non-AGGRASTAT® research and development activity is TARDOXAL™ for the treatment of Tardive Dyskinesia ("TD"). This program evolved from Medicure's extensive clinical experience with MC-1, a naturally occurring small molecule, for cardiovascular conditions. A modest amount of capital is being used for an ongoing Phase II clinical study of TARDOXAL™. The Company is interested in out-licensing its library of small molecule anti thrombotic drugs.

The TARDOXAL™ program benefits from over 10 years of work that Medicure invested in the advancement of this compound, including extensive human clinical testing in unrelated cardiovascular conditions and other pre-clinical, formulation, manufacturing and safety research and development. The Company believes the information and physical assets resulting from this activity are a valuable asset that will reduce costs and also speed development of this molecule for application to TD.

The Company intends to pursue a license or development partnership for TARDOXAL™ with a large pharmaceutical company. Such a partnership may provide funding and other resources for further clinical trials and commercialization. While the Company has had informal discussions with potential partners, no formal agreement, or letter of intent, has been entered into by the Company as of the date hereof.

Medicure's library of novel therapeutics includes a series of small molecule dual acting anticoagulant/antiplatelet compounds (including the preclinical lead, MC-45308) which may be useful in treating venous and arterial thrombosis. These compounds, which have shown activity in venous and arterial models of thrombosis, provide a basis for further research, optimization and preclinical development. The Company is interested in out-licensing its library of small molecule anti thrombotic drugs.

The Company may from time to time evaluate other product opportunities for potential license with the objective of further broadening its product and patent portfolio.

As outlined in Item 17, Company-sponsored research and development net expenditures for fiscal 2011 were \$205,000 (2010 - \$393,000; 2008 - \$23,000). During fiscal 2009, the Company, and with the support of our clinical partners and service providers, was able to secure a recovery on certain research and development costs incurred in fiscal 2008 of approximately \$970,000.

Patents and Licenses

The Company has 24 issued patents, 23 from the United States Patent Office and one patent from New Zealand providing protection for AGGRASTAT® and certain uses of MC-1 and related compounds in treatment of cardiovascular diseases and other compounds for the use in cardiovascular disease. The Company will continue to file patents to extend protection of MC-1 and for new compounds in development. The patents currently issued to the Company are as follows:

Patent Number	Issue Date	Title
5,292,756	March 8, 1994	Novel Sulfonamide Fibrinogen Receptor Antagonists
5,733,919	March 31, 1998	Compositions for Inhibiting Platelet Aggregation
5,965,581	October 12, 1999	Compositions for Inhibiting Platelet Aggregation
5,972,967	October 26, 1999	Compositions for Inhibiting Platelet Aggregation
5,978,698	November 2, 1999	Angioplasty Procedure Using Nonionic Contrast Media
6,043,259	March 28, 2000	Treatment of Cardiovascular and Related Pathologies
6,051,587	April 18, 2000	Treatment of Age Related Hypertension
6,136,794	October 24, 2000	Platelet Aggregation Inhibition Using Low Molecular Weight Heparin in Combination with a GP IIb/IIIa Antagonist

6,339,085	January 15, 2002	Prodrugs of MC1
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6,417,204	July 9, 2002	5-AZA Analogues
6,538,112	March 25, 2003	Anticoagulant Test
6,770,660	August 3, 2004	Method for Inhibiting Platelet Aggregation
6,780,997	August 24, 2004	Cardioprotective Phosphonates and Malonates
6,861,439	March 1, 2005	Treatment of Cerebrovascular Disease
6,867,215	March 15, 2005	Cardioprotective Phosphonates and Malonates
6,897,228	May 24, 2005	Pyridoxine and Pyridoxal Analogues: Cardiovascular Therapeutics
7,105,673	September 12, 2006	Cardioprotective Phosphonates and Malonates
7,132,430	November 7, 2006	Treatment of Cardiovascular and Related Pathologies
7,148,233	December 12, 2006	Treatment of Cardiovascular and Related Pathologies
7,375,112	May 20, 2008	Compounds and Methods for Reducing Triglyceride Levels
7,425,570	September 16, 2008	Pyridoxine and Pyridoxal Analogues: New Uses
7,442,689	October 28, 2008	Cardioprotective Phosphonates and Malonates
7,812,037	October 12, 2010	Dual antiplatelet/anticoagulant pyridoxine analogs
548,346	May 13, 2010	Combination therapies employing a composition comprising a HMG CoA reductase inhibitor and a vitamin B6 related compound

Patents 6,043,259, 6,051,587, and 6,339,085 are jointly owned by the Company and the University of Manitoba. Pursuant to a Licence Agreement dated August 18, 1997, an Assignment Agreement dated September 26, 1997, an updated License Agreement dated August 30, 1999 and a newly revised version executed November 24, 2006, which supersedes all previous versions, (the Licence Agreement) the University of Manitoba licensed the exclusive worldwide use of the patents and the MC-1 technology to the Company. Pursuant to the License Agreement, the Company has agreed to pay the University of Manitoba a royalty payment of up to 3% of net sales from any cardiovascular product derived from the MC-1 technology. The License Agreement was originally signed on August 30, 1999 and subsequently amended on November 24, 2006 and shall terminate if a patent or patents, domestic or foreign, are obtained prior to commercialization of a Licensed Product, the expiration date of the last to expire of any patents covered by the Patent Rights.

The MC-1 technology is derived from work done by employees of the Company and by two employees of the University of Manitoba, Dr. Naranjan Dhalla and Dr. Krishnamurti Dakshinamurti, Professor Emeritus, Department of Biochemistry.

Patents 5,292,756, 5,733,919, 5,965,581, 5,972,967, 5,978,698, 6,136,794, 6,538,112 and 6,770,660 were purchased by the Company from MGI GP, INC. (a Delaware corporation doing business as MGI PHARMA and its Affiliate, Artery, LLC). Pursuant to an Asset Purchase Agreement dated August 8, 2006, MGI GP, INC. sold the exclusive use of the patents to the Company in the specified territory (the United States of America including the Commonwealth of Puerto Rico; Guam; and the United States Virgin Islands). Pursuant to the Asset Purchase Agreement the Company agreed to pay MGI GP, INC. a one-time fee for the procurement of the acquired assets. The Asset Purchase Agreement was executed August 8, 2006.

There are 13 pending patent applications, including 4 filed with the United States Patent Office as either regular or provisional applications. Certain of these are owned by the Company by virtue of their inventorship, in whole or in part, by employees of the Company and, subsequent to June 1, 2000, by CanAm Bioresearch Inc.

Much of the work, including some of the research methods, that is important to the success of the Company's business is germane to the industry and may not be patentable. For this reason all employees, contracted researchers and consultants are bound by non-disclosure agreements.

Given that the patent applications for these technologies involve complex legal, scientific and factual questions, there can be no assurance that patent applications relating to the technology used by the Company will result in patents being issued, or that, if issued, the patents will provide a competitive advantage or will afford protection against competitors with similar technology, or will not be challenged successfully or circumvented by competitors.

The Company has filed patents in accordance with the Patent Cooperation Treaty (the PCT). The PCT is a multilateral treaty that was concluded in Washington in 1970 and entered into force in 1978. It is administered by the International Bureau of the World Intellectual Property Organization (the WIPO), headquartered in Geneva, Switzerland. The PCT facilitates the obtaining of protection for inventions where such protection is sought in any or all of the PCT contracting states (total of 104 at July 1999). It provides for the filing of one patent application (the international application), with effect in several contracting states, instead of filing several separate national and/or regional patent applications. At the present time, an international application may include designation for regional patents in respect of contracting states party to any of the following regional patent treaties: The Protocol on Patents and Industrial Designs within the framework of the African Regional Industrial Property Organization, the Eurasian Patent Convention, the European Patent Convention, and the Agreement Establishing the African Intellectual Property Organization. The PCT does not eliminate the necessity of prosecuting the international application in the national phase of processing before the national or regional offices, but it does facilitate such prosecution in several important respects by virtue of the procedures carried out first on all international applications during the international phase of processing under the PCT. The formalities check, the international search and (optionally) the international preliminary examination carried out during the international phase, as well as the automatic deferral of national processing which is entailed; give the applicant more time and a better basis for deciding whether and in what countries to further pursue the application. Further information may be obtained from the official WIPO internet website (<http://www.wipo.int>).

On June 1, 2000 the Company entered into the Medicure International Licensing Agreement whereby it licensed the world-wide development and marketing rights for MC-1, except for Canada, to its wholly owned subsidiary, Medicure International, Inc. As consideration for the grant of the license, Medicure International, Inc. agreed to pay the Company a fee of \$1.00 upon the completion of specified milestones in the development process, together with a variable royalty of 7% to 9% of net sales of MC-1 (if any sales are ever in fact made). The term of the Medicure International Licensing Agreement will expire on the date of expiration of the last to expire patent on MC-1, or in the absence of any such patent, on the 10th anniversary of the date of the first commercial sale of MC-1 in the country where it was last introduced (if it is ever so introduced). The Medicure International Licensing Agreement may be terminated under a number of circumstances and, in any event, by either party at any time by providing the other with at least 90 days prior written notice of its intention to terminate the Medicure International Licensing Agreement.

Medicure International, Inc. subsequently entered into a development agreement with CanAm on June 1, 2000 to perform research and development of MC-1 and other compounds at cost, plus a reasonable mark-up not to exceed ten percent of any amount invoiced. The parties to the development agreements have agreed that the aggregate amount of all invoiced expenditures shall not exceed \$30,000,000 over the term of each agreement. The term of the CanAm development agreement is to expire on the completion of all research and development activities by CanAm and the written acknowledgment by CanAm and Medicure International, Inc. that no further research projects will be undertaken.

The development agreements may be terminated under a number of circumstances and, in any event, by Medicure International, Inc. at any time by providing CanAm with at least 30 days prior written notice of its intention to terminate, or by CanAm at any time by providing Medicure International, Inc., with at least 90 days prior written notice of its intention to terminate the development agreement.

The agreements provide that all confidential information developed or made known during the course of the relationship with the Company is to be kept confidential except in specific circumstances.

D. Trend Information

Net revenue from the sale of AGGRASTAT® for fiscal 2011 increased 9% over the net revenue for the in fiscal 2010. All of the Company's sales are denominated in US dollars. The increase is attributable to an increase in wholesale purchasing of AGGRASTAT®, a reduction in hospital discounts and fluctuations in foreign currency exchange rates. Although wholesale purchasing generally reflects hospital demand, it is also subject to fluctuations attributed to wholesaler inventory adjustments.

The Company is not aware of any other trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect upon the Company's net sales or revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition except the potential effect the following items may or may not have:

Subsequent to year end the Company settled its long-term debt to Birmingham Associates Ltd. in exchange for; i) \$4,750,000 in cash; ii) 32,640,043 common shares of the Company; and iii) a royalty on future AGGRASTAT® sales until 2023. The royalty is based on four percent of the first \$2,000,000 of quarterly AGGRASTAT® sales and increases on sales exceeding that amount.

E. Off-balance Sheet Arrangements

As of May 31, 2011 the Company does not have any off-balance sheet arrangements, other than those disclosed below.

F. Contractual Obligations

The following tables set forth the Company's contractual obligations as of May 31, 2011:

	Contractual Obligations Payment Due By Period						
<i>(in thousands of CDN\$)</i>	Total	2012	2013	2014	2015	2016	Thereafter
Long-term debt obligations ¹	\$43,995	\$3,798	\$4,253	\$4,764	\$5,335	\$5,976	\$19,869
Purchase Agreement commitments ²	823	759	64	-	-	-	-
Management services agreement commitments ³	180	180	-	-	-	-	-
Total	\$44,998	\$4,737	\$4,317	\$4,764	\$5,335	\$5,976	\$19,869

Debt obligations reflect the minimum annual payments under the debt financing agreement. In addition to the contractual obligations disclosed above, the Company and its wholly-owned subsidiaries, have ongoing research and development agreements with third parties in the ordinary course of business. These agreements include the research and development of AGGRASTAT[®], TARDOXAL[™] as well as other product opportunities.

In addition, as at May 31, 2011, the Company has committed to fund up to a maximum of \$3,000,000 in research and development activities under a development agreement with a contract research organization. The timing of expenditures and payments is largely at the discretion of the Company and

¹ In September 2007, the Company entered into a debt financing agreement with Birmingham Associates Ltd. (Birmingham), an affiliate of Elliott Associates, L.P. (Elliott) for a US\$25 million up-front cash payment. Under the terms of the agreement, Birmingham will receive a payment based on a percentage of AGGRASTAT[®] net sales. Birmingham is entitled to a return of 20 percent on the first US\$15 million in AGGRASTAT[®] revenues, 17.5 percent on the next US\$10 million, 15 percent on the next US\$5 million and 5 percent thereafter, subject to an escalating minimum annual return, until May 31, 2020. The minimum annual returns start at US\$2.5 million in 2008 and escalate to US\$6.9 million in 2017. The total minimum payments over the life of the agreement aggregate to US\$49.7 million. Additional information can be found in the Company's Annual Report on Form 20-F for the year ended May 31, 2011, which can be obtained on SEDAR (www.sedar.com).

Birmingham also received the option to convert its rights based on AGGRASTAT[®] to MC-1 within six months after MC-1's commercialization, if achieved. The exact percentage of AGGRASTAT[®] or MC-1 revenue that Birmingham would have received was tiered and declined as certain revenue levels were to be achieved. Upon conversion to MC-1, Birmingham would have been entitled to a return of 10 percent on the first US\$35 million in MC-1 revenues, 5 percent on the next US\$40 million in MC-1 revenues and 3 percent thereafter. Birmingham would have also received a minimum annual return of US\$2.6 Million on MC-1 net sales, if approved until May 31, 2020. Birmingham would have received payments based on MC-1 revenues until December 31, 2024, unless a novel patent is obtained for MC-1, which could extend the period of payments.

During the 30 day period following the date on which the U.S. Food and Drug Administration shall have first approved MC-1 for sale to the public, the Company could have elected to terminate AGGRASTAT® or MC-1 Debt Payment rights with the payment, prior to the end of such 30 day period of US\$70 Million to Birmingham. In addition, upon the approval of MC-1 for a second indication, the Company could have once again elect to terminate AGGRASTAT® or MC-1 Debt Payment rights with the payment, prior to the end of such 30 day period of US\$120 Million to Birmingham.

With the settlement of the Birmingham long-term debt on July 18, 2011, all associated commitments and obligations were cancelled. Under the debt settlement Birmingham is entitled to a royalty on future AGGRASTAT® sales until 2023.

- ² The Company has entered into manufacturing and supply agreements to purchase a minimum quantity of AGGRASTAT® from a third party.
 - ³ Effective October 1, 2009, the Company entered into a business and administration services agreement with Genesys Venture Inc. (GVI), a company controlled by the Chief Executive Officer, under which the Company is committed to pay \$25,000 per month or \$300,000 per annum. On October 1, 2010, an amendment was made to the agreement thereby reducing the fees to \$15,000 per month, or \$180,000 per year effective November 1, 2010. The agreement shall be automatically renewed for succeeding terms of one year on terms to be mutually agreed upon by the parties. The Company may terminate this agreement at any time upon 60 days written notice.
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the agreement may be terminated at any time provided thirty (30) days notice is provided. Accordingly, no obligations are included in the above table in relation to this agreement.

The Company periodically enters into research 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.

The Company has granted a 3% royalty to the University of Manitoba based on future commercial net sales of MC-1 for cardiovascular uses. To date, no royalties are due and/or payable and, given these development programs have been placed on hold, the Company does not anticipate any such royalties to be paid. Such royalty does not apply to the sale of TARDOXAL™.

The above commitments exclude any royalty obligations to Birmingham in excess of minimum annual payments pursuant to the debt financing agreement. With the settlement of the Birmingham long-term debt on July 18, 2011, these royalties were cancelled. Under the debt settlement Birmingham is entitled to a royalty on future AGGRASTAT® sales until 2023. The royalty is based on four percent of the first \$2,000,000 of quarterly AGGRASTAT® sales and increases on sales exceeding that amount.

In addition, as part of a transaction on July 6, 2011, Iroko made available to the Company certain analytical methods for testing of AGGRASTAT® in Europe. If the company exercises its option to obtain the data and is successful in getting changes to the approved use of AGGRASTAT® in the United States, Iroko will be entitled to receive a royalty of up to US\$3.5 million on future AGGRASTAT® sales based on a percentage of sales.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

Directors and Senior Management

The members of the board of directors and senior officers of the Company including a brief biography of each are as follows:

Dr. Albert D. Friesen, Winnipeg, Manitoba, Canada - Director, Chairman and Chief Executive Officer

The founder of Medicure Inc., Dr. Friesen holds a Ph.D. in protein chemistry from the University of Manitoba. Dr. Friesen played a key role in founding several health industry companies including Rh Pharmaceuticals (acquired by Cangene Inc.), ABI Biotechnology (acquired by Apotex Inc.), Viventia Biotech Inc., Genesys Pharma Inc. and KAM Scientific Inc. Dr. Friesen has experience in the establishment of pharmaceutical production facilities and has also managed and initiated the research and clinical development of several pharmaceutical candidates. Dr. Friesen is a founder of the Industrial Biotechnology Association of Canada (IBAC) and past Chairman of its board of directors and former member of the Industrial Advisory Committee to the Biotechnology Research Institute in Montreal. In addition to his role with the Company, Dr. Friesen is currently the President and Chairman of Genesys Venture Inc., a biotech incubator, based in Winnipeg. Dr. Friesen provides his services to the Company through A.D. Friesen

Enterprises Ltd., his private consulting corporation. Date of birth is May 19, 1947

Dr. Arnold Naimark, Winnipeg, Manitoba, Canada - Director

Dr. Arnold Naimark, O.C., O.M., M.D., L.L.D., F.R.C.P.(C), F.R.S.C, FCAHS., has had a distinguished career in biomedical research, medicine and higher education. He is President Emeritus and Dean of Medicine Emeritus and Professor of Medicine and Physiology at the University of Manitoba. He is currently Director of the Centre for the Advancement of Medicine, and Chair of Health Canada's Ministerial Science Advisory Board and Chairman of Genome Prairie. Dr. Naimark serves on the Research Council of the Canadian Institute for Advanced Research, the National Statistics Council of Canada, as a Member of the CancerCare Manitoba Board, and on the International Advisory Committee on Research of the Alberta Cancer Board, Research Institute. He is Vice-Chair of CancerCare Manitoba, the Manitoba Health Research Council and the Audit Committee of Statistics Canada. He served as the founding Chairman of the North Portage Development Corporation, the Canadian Health Services Research Foundation and the Canadian Biotechnology Advisory Committee, and as a Director of the Robarts Research Institute. He has served as President of several academic bodies including, the Canadian Physiological Society, the Canadian Society for Clinical Investigation, the Association of Canadian Medical Colleges, the Association of Universities and Colleges of Canada and as Chairman of the Association of Commonwealth Universities. Dr. Naimark is an Officer of the Order of Canada, a Member of the Order of Manitoba and a Fellow of the Royal College of Physicians and Surgeons of Canada, the Royal Society of Canada, and the Canadian Academy of Health Sciences. He is recipient of the G. Malcolm Brown Award of the Royal College of Physicians and Surgeons and Medical Research Council of Canada, the Osler Award, the Distinguished Service Award of Ben Gurion University, the Symons Award of the Association of Commonwealth Universities; and of honorary doctorates from Mount Allison University and the University of Toronto, and of several other awards and distinctions related to his professional, academic and civic activities. Date of birth is August 24, 1933.

Gerald P. McDole, Mississauga, Ontario, Canada, MBA Director

Mr. McDole is currently a director of several Canadian healthcare companies. Mr. McDole is Past President of AstraZeneca Canada Inc. He was named President and CEO of AstraZeneca Canada Inc.'s pharmaceutical operations in 1999 and immediately led the merger of Astra Pharma and Zeneca Pharma Inc. Prior to this, Mr. McDole was president and CEO of Astra Pharma Inc., a position he assumed in 1985 after having served as Executive Vice-President. Mr. McDole is a member of the Canadian Healthcare Marketing Hall of Fame, and has been recognized by Canadian Healthcare Manager Magazine with the Who's Who in Healthcare Award in the pharmaceutical category. In recognition of Mr. McDole's outstanding contributions to the biotech and pharmaceutical industries, the University of Manitoba recently established The Gerry McDole Fellowship in Health Policy and Economic Growth. Mr. McDole holds a Bachelor of Science and a Certificate of Business Management from the University of Manitoba, an MBA from Simon Fraser University, and a Business Administration diploma from the University of Toronto. Date of birth is January 25, 1940.

Peter Quick, Mill Neck, New York, USA - Director

Mr. Quick currently serves on the Board of Directors for Fund for the Poor, the Board of Governors of St. Francis Hospital on Long Island, and the National Selection Committee for the Jefferson Scholars Program of the University of Virginia. Mr. Quick is past President and CEO of Quick & Reilly, Inc. and a former President of the American Stock Exchange. Mr. Quick has also served on the Board of Governors of the Chicago Stock Exchange and as Chairman of the Midwest Securities Trust Company. Mr. Quick received a bachelor's degree in engineering from the University of Virginia and attended Stanford University's Graduate School of Petroleum Engineering. He was a lieutenant in the United States Navy, and served four years active duty. Date of birth is February 11, 1956.

Dawson Reimer, MAES President and Chief Operating Officer

Dawson Reimer proceeded from a Master's Degree in Economic Development, University of Waterloo to be employed as a full-time consultant to the Federal Department of Western Diversification. In this capacity, he conducted entrepreneurship training and developed a business start-up training program. Beginning in 1996, he served as Business Development/Investor Relations with Genesys Pharma Inc. He was also project coordinator for the establishment of the Company's new research and pharmaceutical production facility. In 1997, he began conducting business activities for Genesys Venture Inc., a biotech business incubator, where he has assisted numerous biotechnology ventures in developing business plans, obtaining financing, and developing intellectual property protection. In this capacity, Mr. Reimer became actively involved in the Company at its inception and has been directly employed by the Company since 2001. Mr. Reimer is a son-in-law of Dr. Albert D. Friesen, Director, President, Chairman and Chief Executive Officer. Date of birth is May 7, 1971.

James Kinley, CA Chief Financial Officer

James has acted as The Company's Chief Financial Officer since September 2011. His services are provided to the Company through a Management Services Agreement with Genesys Venture Inc. (GVI). Previous to his time at GVI and the Company, he was Manager, Financial Reporting at Manitoba Telecom Services Inc. and was involved in all aspects of financial reporting, including publicly filed documents such as their financial statements. James is a Chartered Accountant and holds a Bachelor of Commerce (Hons.) degree from the University of Manitoba. Date of birth is July 9, 1978.

Management

Dr. Albert D. Friesen - Chairman, Chief Executive Officer and Director: Dr. Friesen directs the overall business management of the Company (see Directors and Senior Management under this item).

Dawson Reimer - President and Chief Operating Officer: Subject to the direction of the Chief Executive Officer, Mr. Reimer has general charge of the Corporation's day to day business activities with a primary focus on its commercial direction, including the advancement and management of new and existing pharmaceutical products. (See Directors and Senior Management under this item)

James Kinley, CA - Chief Financial Officer: Mr. Kinley is responsible for the Company's financial management and accounting practices (see Directors and Senior Management under this item).

B. Compensation

No compensation of any kind was paid to the directors, and executive officers of the Company during the year ended May 31, 2011, except for the accrual for unpaid board compensation described below and stock-based compensation described in Item 6(E) below and as follows:

On October 1, 2001, a compensation agreement was entered into between the Company and A.D. Friesen Enterprises Ltd., a corporation owned by Dr. Friesen and subsequently amended on October 1, 2003, October 1, 2005, October 1, 2006, and October 1, 2007. For the year ended May 31, 2011, the Company paid A.D. Friesen Enterprises Ltd., \$201,000 in consulting compensation, including taxable benefits. Dr. Friesen is eligible for an annual bonus, if certain objectives of the Company are met, as determined by the Board of Directors.

Dawson Reimer serves the Company as President and Chief Operating Officer and received a salary of \$161,000 payable in equal semi-monthly instalments in fiscal 2011.

During the year ended May 31, 2011, the Company paid directors a total of Nil (Year ended May 31, 2010: Nil; Year ended May 31, 2009: Nil; Year ended May 31, 2008: Nil; Year ended May 31, 2007: Nil) for consulting fees.

The Company has agreed to provide its independent directors \$2,000 for each quarterly board meeting they personally attend (\$1,000 via telephone), and \$1,500 for each quarterly executive compensation, nominating and corporate governance committee meeting or audit and finance committee meeting they attend.

For fiscal 2011 and prior, due to the Company's current financial position, the board had offered and committed not to request, and has therefore not received, any compensation for their services as independent directors. As at May 31, 2011, the Company had accrued director compensation of \$295,000 relating to the independent directors' service as directors prior to May 31, 2011.

The Company does not provide any cash compensation for its directors who are also officers of the Company for their services as directors.

No pension, retirement fund and other similar benefits have been set aside for the officers and directors of the Company.

C. Board Practices

The Board of Directors presently consists of four directors who were elected at the Company's annual general meeting of the shareholders held on November 29, 2010. Each director holds office until the next annual general meeting of the Company or until his successor is elected or appointed, unless his office is earlier vacated in accordance with the Articles of the Company, or with the provisions of the *Canada Business Companies Act*. Dr. Albert D. Friesen has served as a director of the Company since September 1997. Dr. Arnold Naimark has served as a director of the Company since March 2000. Gerald McDole has served as a director of the Company since January 2004. Peter Quick has served as a director of the Company since November 2005.

Audit and Finance Committee

Pursuant to Section 171 of the *Canada Business Companies Act* (the Act), the Company is required to have an Audit Committee. As at the date hereof, the Audit and Finance Committee is comprised of three independent directors: Gerald McDole (Chair), Dr. Arnold Naimark, and Peter Quick. The relevant experience of each member is described above. (See Item 6. Directors, Senior Management and Employees) Section 171(1) of the Act requires the directors of a reporting corporation to elect from among their number a committee composed of not fewer than three directors, of

whom a majority must not be officers or employees of the corporation or an affiliate of the corporation. Section 171(3) of the Act provides that, before financial statements are approved by the directors, they must be submitted to the audit committee for review. Section 171(4) of the Act provides that the auditor must be given notice of, and has the right to appear before and to be heard at, every meeting of the audit committee, and must appear before the audit committee when requested to do so by the committee. Finally, section 171(5) of the Act provides that on the request of the auditor, the audit committee must convene a meeting of the audit committee to consider any matters the auditor believes should be brought to the attention of the directors or members.

Under the Sarbanes-Oxley Act of 2002, the independent auditor of a public Company is prohibited from performing certain non-audit services. The Audit and Finance Committee has adopted procedures and policies for the pre-approval of non-audit services, as described in the audit committee charter.

AUDIT AND FINANCE COMMITTEE CHARTER

GENERAL FUNCTIONS, AUTHORITY, AND ROLE

The purpose of the Audit and Finance Committee is to oversee the accounting and financial reporting processes of the Company and the audits of its financial statements, and thereby assist the Board in monitoring (1) the integrity of the financial statements of the Company, (2) compliance by the Company with ethical policies and legal and regulatory requirements related to financial reporting, (3) the appointment, compensation, qualifications, independence and performance of the Company's internal and external auditors, (4) the performance of the Company's independent auditors, and (5) performance of the Company's internal controls and financial reporting process.

The Audit and Finance Committee has the power to conduct or authorize investigations into any matters within its scope of responsibilities, with full access to all books, records, facilities and personnel of the Company, its auditors and its legal advisors. In connection with such investigations or otherwise in the course of fulfilling its responsibilities under this charter, the Audit and Finance Committee has the authority to independently retain special legal, accounting, or other consultants to advise it, and may request any officer or employee of the Company, its independent legal counsel or independent auditor to attend a meeting of the Audit and Finance Committee or to meet with any members of, or consultants to, the Audit and Finance Committee. The Audit and Finance Committee has the power to create specific sub-committees with all of the power to conduct or authorize investigations into any matters within the scope of the mandate of the sub-committee, with full access to all books, records, facilities and personnel of the Company, its auditors and its legal advisors.

The Company's independent auditor is ultimately accountable to the Board of Directors and to the Audit and Finance Committee, who, as representatives of the Company's shareholders, have the authority and responsibility to evaluate the independent auditor, appoint and replace the independent auditor, and to determine appropriate compensation for the independent auditor. In the course of fulfilling its specific responsibilities hereunder, the Audit and Finance Committee must maintain free and open communication between the Company's independent auditors, Board of Directors and Company management. The responsibilities of a member of the Audit and Finance Committee are in addition to such member's duties as a member of the Board of Directors.

While the Audit and Finance Committee has the responsibilities and powers set forth in this charter, it is not the duty of the Audit and Finance Committee to plan or conduct audits or to determine that the Company's financial statements are complete, accurate, and in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditor. Nor is it the duty of the Audit and Finance Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditor or to assure compliance with laws and regulations and the Company's Code of Ethics. Any responsibilities that the Audit and Finance Committee has the power to act upon, may be recommended to the Board to act upon.

MEMBERSHIP

The membership of the Audit and Finance Committee will be as follows:

The Committee shall consist of a minimum of three members of the Board of Directors, appointed from time to time, each of whom is affirmatively confirmed as independent by the Board of Directors, with such affirmation disclosed in the Company's annual Information Circular.

The Board will elect, by a majority vote, one member as chairperson.

The members of the Audit and Finance Committee will meet all independence and financial literacy requirements of The American Stock Exchange, The Toronto Stock Exchange, Rule 10A-3 of the Securities Exchange Act of 1934, as amended, Multilateral Instrument 52-110 and the requirements of such other securities exchange or quotations system or regulatory agency as may from time to time apply to the Company.

A member of the Audit and Finance Committee may not, other than in his or her capacity as a member of the Audit and Finance Committee, the Board of Directors, or any other Board committee, accept any consulting, advisory, or other compensatory fee from the Company, and may not be an affiliated person of the Company or any subsidiary thereof.

RESPONSIBILITIES

The responsibilities of the Audit and Finance Committee shall be as follows:

Frequency of Meetings

Meet quarterly or more often as may be deemed necessary or appropriate in its judgment, either in person or telephonically.

The Audit and Finance Committee will meet with the independent auditor at least quarterly, either in person or telephonically.

Reporting Responsibilities

Provide to the Board of Directors proper Committee minutes.

Report Committee actions to the Board of Directors with such recommendations as the Committee may deem appropriate.

Charter Evaluation

Annually review and reassess the adequacy of this Charter and recommend any proposed changes to the Board of Directors for approval.

Whistleblower Mechanism

Adopt and review annually a procedure through which employees and others can anonymously inform the Audit and Finance Committee regarding any concerns about the Company's accounting, internal accounting controls or auditing matters. The procedure shall include responding to and the retention of, any such complaints.

Legal Responsibilities

Perform such functions as may be assigned by law, by the Company's certificate of incorporation, memorandum, articles or similar documents, or by the Board of Directors.

INDEPENDENT AUDITOR

Nominations

Nominates annually the independent auditor to be proposed for shareholder approval.

Compensation and Evaluation

Approve the compensation of the independent auditor, evaluate the performance of the independent auditor and, if so determined by the Committee, replace the independent auditor.

Pre-approve all related party transactions, which are transactions or loans between the Company and a related party involving goods, services, or tangible or intangible assets that are (1) material to the Company or the related party, or (2) unusual in their nature or conditions. A related party includes an affiliate, major shareholder, officer, other key management personnel or director of the Company, a Company controlled by any of those parties or a family member of any of those parties.

Engagement Procedures for Audit and Non-audit Services

Approve in advance all audit services to be provided by the independent auditor. Establish policies and procedures that establish a requirement for approval in advance of the engagement of the independent auditor to provide permitted non-audit services and to prohibit the engagement of the independent auditor for any activities or services not permitted by any of the Canadian provincial securities commissions, the SEC or any securities exchange on which the Company's shares are traded including any of the following ten types of non-audit services:

Bookkeeping or other services related to accounting records or financial statements of the Company;

Financial information systems design and implementation consulting services;

Appraisal or valuation services, fairness opinions, or contributions-in-kind reports;

Actuarial services;

Internal audit outsourcing services;

Any management or human resources function;

Broker, dealer, investment advisor, or investment banking services;

Legal services;

Expert services related to the auditing service; and

Any other service the Board of Directors determines is not permitted.

Hiring Practices

Ensure that no individual who is, or in the past 3 years has been, affiliated with or employed by a present or former auditor of the Company or an affiliate, is hired by the Company as a senior officer until at least 3 years after the end of either the affiliation or the auditing relationship.

Independence Test

Take reasonable steps to confirm the independence of the independent auditor, which shall annually include:

Ensuring receipt from the independent auditor of a formal written statement delineating all relationships between the independent auditor and the Company, consistent with the Independence Standards Board Standard No. 1 and related Canadian regulatory body standards;

Considering and discussing with the independent auditor any relationships or services provided to the Company, including non-audit services, that may impact the objectivity and independence of the independent auditor; and

As necessary, taking, or recommending that the Board of Directors take, appropriate action to oversee the independence of the independent auditor and evaluate whether it is appropriate to rotate the independent auditor on a regular basis.

Audit and Finance Committee Meetings

Notify the independent auditor of every Audit and Finance Committee meeting and permit the independent auditor to appear and speak at those meetings.

At the request of the independent auditor, convene a meeting of the Audit and Finance Committee to consider matters the auditor believes should be brought to the attention of the directors or shareholders.

Keep minutes of its meetings and report to the Board for approval of any actions taken or recommendations made.

Restrictions

Confirm with management and the independent auditor that no restrictions are placed on the scope of the auditors' review and examination of the Company's accounts.

OTHER PROFESSIONAL CONSULTING SERVICES

Engagement Review

As necessary, consider with management the rationale and selection criteria for engaging professional consulting services firms.

Ultimate authority and responsibility to select, evaluate and approve professional consulting services engagements.

AUDIT AND REVIEW PROCESS AND RESULTS

Scope

Consider, in consultation with the independent auditor, the audit scope, staffing and planning of the independent auditor.

Review Process and Results

Consider and review with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61, as the same may be modified or supplemented from time to time.

Review and discuss with management and the independent auditor at the completion of annual and quarterly examinations:

The Company's audited and unaudited financial statements and related notes;

The Company's MD&A and news releases related to financial results;

The independent auditor's audit of the financial statements and its report thereon;

Any significant changes required in the independent auditor's audit plan;

The appropriateness of the presentation of any non-GAAP related financial information;

Any serious difficulties or disputes with management encountered during the course of the audit; and

Other matters related to the conduct of the audit, which are to be communicated to the Audit and Finance Committee under generally accepted auditing standards.

Review the management letter delivered by the independent auditor in connection with the audit.

Following such review and discussion, if so determined by the Committee, recommend to the Board that the annual financial statements be included in the Company's annual report.

Review, discuss with management and approve annual and interim quarterly financial statements prior to public disclosure. The chairperson of the Audit and Finance Committee may represent the entire Audit and Finance Committee for purposes of this review.

Review and discuss with management and the independent auditor the adequacy of the Company's internal accounting and financial controls that management and the Board of Directors have established and the effectiveness of those systems, and inquire of management and the independent auditor about significant financial risks or exposures and the steps management has taken to minimize such risks to the Company.

Meet separately with the independent auditor and management, as necessary or appropriate, to discuss any matters that the Audit and Finance Committee or any of these groups believe should be discussed privately with the Audit and Finance Committee.

Review and discuss with management and the independent auditor the accounting policies which may be viewed as critical, including all alternative treatments for financial information within generally accepted accounting principles that have been discussed with management, and review and discuss any significant changes in the accounting policies of the Company and industry accounting and regulatory financial reporting proposals that may have a significant impact on the Company's financial reports.

Review with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures, if any, on the Company's financial statements.

Review with management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the Company's financial statements or accounting policies.

Review with the Company's General Counsel legal matters that may have a material impact on the financial statements, the Company's financial compliance policies and any material reports or inquiries received from regulators or governmental agencies related to financial matters.

SECURITIES REGULATORY FILINGS

Review filings with the Canadian provincial securities commissions and the SEC and other published documents containing the Company's financial statements.

Review, with management and the independent auditor, prior to filing with regulatory bodies, the interim quarterly financial reports (including related notes and MD&A) at the completion of any review engagement or other examination. The chairperson of the Audit and Finance Committee may represent the entire Audit and Finance Committee for purposes of this review.

RISK ASSESSMENT

Meet periodically with management to review the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

Assess risk areas and policies to manage risk including, without limitation, environmental risk, insurance coverage and other areas as determined by the Board of Directors from time to time.

Review and discuss with management, and approve changes to, the Company's Corporate Treasury Policy.

ADOPTION OF AUDIT AND FINANCE COMMITTEE CHARTER

This charter was originally adopted by the Board of Directors on August 23, 2004 and is reviewed and amended as necessary on an annual basis.

Executive Compensation, Nominating and Corporate Governance Committee

The Executive Compensation, Nominating and Corporate Governance Committee is responsible for determining the compensation of executive officers of the Company. The current members of the Committee are Dr. Arnold Naimark (Chair), Gerald McDole and Peter Quick, none of whom is a current or former executive officer of the Company. The Committee meets at least once a year.

The Committee has developed a policy to govern the Company's approach to corporate governance issues and provides a forum for concerns of individual directors about matters not easily or readily discussed in a full board meeting, e.g., the performance of management. The Committee ensures there is a clear definition and separation of the responsibilities of the Board, the Committees of the Board, the Chief Executive Officer and other management employees. It also ensures there is a process in place for the orientation and education of new directors and for continuing education of the Board. The Committee also assesses the effectiveness of the Board and its committees on an ongoing ad hoc basis. It also reviews at least annually the Company's responsiveness to environmental impact, health and safety and other regulatory standards.

The Committee reviews the objectives, performance and compensation of the Chief Executive Officer at least annually and makes recommendations to the Board for change. The Committee makes recommendations based upon the Chief Executive Officer's suggestions regarding the salaries and incentive compensation for senior officers of the Company. The Committee also reviews significant changes to compensation, benefits and human resources policies and compliance with current human resource management practices, such as pay equity, performance review and staff development. The Committee is responsible for reviewing and recommending changes to the compensation of directors as necessary.

The charter of the Executive Compensation, Nominating and Corporate Governance Committee can be found on the Company's website at www.medicure.com.

D. Employees

In addition to the individuals disclosed in Section A. Directors and Senior Management of this item, the Company has 4 employees.

E. Share Ownership

With respect to the persons referred to above in Section B, Compensation, the following table discloses the number of shares (each share possessing identical voting rights), stock options held and percent of the shares outstanding held by those persons at May 31, 2011.

<i>Title of Class</i>	<i>Identity of Person or Group</i>	<i>Amount Owned</i>	<i>Percentage of Class</i>
Common shares	Dr. Albert D. Friesen ⁽¹⁾ (2)(3)	9,621,699 ⁽¹⁾	7.38%
Common shares	Dr. Arnold Naimark	Nil	Nil
Common shares	Gerald P. McDole	10,000	0.01%
Common shares	Peter Quick	Nil	Nil
Common shares	James Kinley	Nil	Nil
Common shares	Dawson Reimer	289,735	0.22%

- (1) Dr. Albert D. Friesen holds 2,837,500 shares personally or in an RRSP, a Canadian individual retirement plan. The rest of the shares are held by ADF Family Holding Corp., his wife Mrs. Leona M. Friesen, and CentreStone Ventures Limited Partnership Fund (the Fund). Dr. Friesen is the General Partner of the Fund.
- (2) On July 18, 2011, the Company issued 20,000,000 common shares of the Company to Dr. Albert D. Friesen and entities controlled by Dr. Albert D. Friesen for consideration relating to the guarantee of a loan obtained subsequent to May 31, 2011, as described in Note 16 to the accompanying financial statements.
- (3) Additionally, Dr. Albert D. Friesen purchased an additional 200,000 shares subsequent to May 31, 2011 on the open market.

Incentive Stock Options

The following table discloses the stock options beneficially held by the aforementioned persons, as of May 31, 2011. The stock options are for shares of Common Stock of the Company.

Name of Person	Number of Shares Subject to Issuance	Exercise Price per Share	Expiry Date
Dr. Albert D. Friesen	150,000	\$1.65	December 6, 2015
	150,000	\$1.63	October 14, 2016
Dr. Arnold Naimark	35,000	\$1.65	December 6, 2015
	110,000	\$0.98	December 11, 2017
	50,000	\$0.04	September 3, 2018
	10,000	\$0.04	April 16, 2019
Gerald P. McDole	75,000	\$1.65	December 6, 2015
	10,000	\$0.98	December 11, 2017
	50,000	\$0.04	September 3, 2018
	10,000	\$0.04	April 16, 2019
Peter Quick	100,000	\$1.65	December 6, 2015
	50,000	\$1.54	January 16, 2017
	10,000	\$0.98	December 11, 2017
	50,000	\$0.04	September 3, 2018
	10,000	\$0.04	April 16, 2019
James Kinley	<i>nil</i>	<i>n/a</i>	<i>n/a</i>
Dawson Reimer	65,000	\$1.65	December 6, 2015
	100,000	\$1.63	October 14, 2016
	100,000	\$0.03	November 10, 2018

The Company has established an Incentive Stock Option Plan (the Plan) for its directors, key officers, employees and consultants. Options granted pursuant to the Plan will not exceed a term of ten years and are granted at an option price and on other terms which the directors determine is necessary to achieve the goal of the Plan and in accordance with regulatory requirements, including those of the TSX Venture Exchange. Each option entitles the holder thereof to purchase one (1) Common Share of the Company on the terms set forth in the Plan and in such purchaser's specific stock option agreement. The option price may be at a discount to market price, which discount will not, in any event, exceed that permitted by any stock exchange on which the Company's Common Shares are listed for trading.

The number of Common Shares allocated to the Plan, the exercise period for the options (not to exceed five years), and the vesting provisions for the options will be determined by the board of directors of the Company from time to time. The aggregate number of shares reserved for issuance under the Plan, together with any other employee stock option plans, options for services and employee stock purchase plans, will not exceed 10% of the issued and outstanding Common Shares.

The Common Shares issued pursuant to the exercise of options, when fully paid for by a participant, are not included in the calculation of Common Shares allocated to or within the Plan. Should a participant cease to be eligible due to the loss of corporate office (being that of an officer or director) or employment, the option shall cease for varying periods not exceeding 90 days. Loss of eligibility for consultants is regulated by specific rules imposed by the directors when the option is granted to the appropriate consultant. The Plan also provides that estates of deceased participants can exercise their options for a period not exceeding one year following death.

On July 18, 2011, the Company issued 12,542,000 stock options under the Company's approved stock option plan to employees and consultants of the Company, including the chief executive officer and chief operating officer, at an exercise price of \$0.10 per common share. The options vested immediately and expire after ten years.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

As of May 31, 2011, the following table sets forth the beneficial ownership of the Company's common shares by each person known by the Company to own beneficially more than 5% of the issued and outstanding common shares of the Company. Information as to shares beneficially owned, directly or indirectly, by each nominee or over which each nominee exercises control or direction, not being within the knowledge of the Company, has been furnished by the respective nominees individually. CDS & Company, Toronto, Ontario is a clearing house that owns approximately 76,483,337 (58.7%) of common shares of the Company on behalf of beneficial owners. The Company does not know the majority of the ultimate beneficial owners of these common shares.

<i>Title of Class</i>	<i>Identity of Person or Group</i>	<i>Amount Owned</i>	<i>Percentage of Class</i>
Common shares	Dr. Albert D. Friesen ⁽²⁾⁽³⁾⁽⁴⁾ Winnipeg, Manitoba	9,621,699 ⁽¹⁾	7.38%
Common shares	Dr. Lars Hoie London, England	20,018,230	15.36%

Notes:

- (1) Amount of shares as of May 31, 2011.
- (2) Dr. Albert Friesen holds 2,837,500 shares personally or in an RRSP. The rest of the shares are held by ADF Family Holding Corp., his wife Mrs. Leona M. Friesen, and the Fund.
- (3) On July 18, 2011, the Company issued 20,000,000 common shares of the Company to Dr. Albert D. Friesen and entities controlled by Dr. Albert D. Friesen for consideration relating to the guarantee of a loan obtained subsequent to May 31, 2011, as described in Note 16 to the accompanying financial statements.
- (4) Additionally, Dr. Albert D. Friesen purchased an additional 200,000 shares subsequent to May 31, 2011 on the open market.

As of April 27, 2009, there were approximately 6,860 shareholders of record worldwide. As of this date there were approximately 1,602 shareholders of record in the United States holding a total of 24,906,240 common shares of the Company.

To the best of the Company's knowledge, it is not owned or controlled, directly or indirectly, by another Company, by any foreign government or by any other natural or legal person severally or jointly.

As of May 31, 2011, the total number of issued and outstanding common shares of the Company beneficially owned by the directors and executive officers of the Company as a group was 10,940,499 (or 8.40% of common shares).

To the best of the Company's knowledge, there are no arrangements, the operation of which at a subsequent date will result in a change in control of the Company.

The major shareholders do not have any special voting rights.

B. Related Party Transactions

Other than as set forth below, management of the Company is not aware of any material interest, direct or indirect, of any director or officer of the Company, any person beneficially owning, directly or indirectly, more than 10% of the Company's voting securities, or any associate or affiliate of any such person in any transaction within the last three years or in any proposed transaction which in either case has materially affected or will materially affect the Company or its subsidiaries.

On October 1, 2001, a two-year consulting contract was entered into with A.D. Friesen Enterprises Ltd., a corporation owned by Dr. Friesen. This agreement, which was subsequently amended on February 1, 2002, paid A.D. Friesen Enterprises Ltd. an annual salary of \$150,000 payable in monthly instalments. On October 1, 2003 a new two year consulting contract was entered into with A.D. Friesen Enterprises Ltd. for an annual salary of \$175,000. On October 1, 2005, a one-year consulting contract was entered into with A.D. Friesen Enterprises Ltd. for an annual salary of \$200,000. On October 1, 2006, a two-year consulting contract was entered into with A.D. Friesen Enterprises Ltd. for an annual salary of \$250,000. On October 1, 2007, a consulting contract was entered into with A.D. Friesen Enterprises Ltd. for an annual salary of \$275,000. The consulting contract expired on December 31, 2008. During the year ended May 31, 2008, the Company paid a total of \$272,249 to A.D. Friesen Enterprises Ltd. This salary is reviewed annually by the Board. Dr. Friesen is also eligible for grants of incentive stock options and bonuses, if certain objectives between the Board and Dr. Friesen are met, as determined by the Board. During the year ended May 31, 2011, the Company paid a total of \$201,000 to A.D. Friesen Enterprises Ltd. During the year ended May 31, 2010 the Company paid a total of \$281,000 to A.D. Friesen Enterprises Ltd. During the year ended May 31, 2009, the Company paid a total of \$281,000 to A.D. Friesen Enterprises Ltd.

Dr. Friesen, a director, the Chairman, the President and the Chief Executive Officer of the Company also owns a leasing company, Waverley Business and Science Centre Inc. (1200 Waverley Street, Winnipeg) which entered into a lease with the Company as of March 1, 2002. The lease agreement was subsequently amended on March 15, 2005. Pursuant to this agreement, the Company leased approximately 4,000 square feet of office space from Waverley Business and Science Centre Inc. for minimum annual rental payments of \$44,264, with additional overhead payable under the lease dependant on usage. The lease terminated effective October 31, 2010. Also in October 2010, the Company entered into a lease with South Waverley Business and Science Centre Inc. (1250 Waverley Street, Winnipeg), which is a leasing company also owned by Dr. Friesen. Pursuant to this agreement, as at May 31, 2011, the Company has leased approximately 750 square feet of office space. During the fiscal year 2011, \$17,671 was paid for base and additional rent. During fiscal 2010, \$45,477 was paid for base and additional rent. During fiscal 2009, \$69,012 was paid for base and additional rent.

Dr. Friesen, a director, the Chairman, the President and the Chief Executive Officer of the Company is also the majority shareholder in a management service company, Genesys Venture Inc. which entered into a management service agreement with the Company as of October 1, 2010. The Chief Financial Officer's services, intellectual property management, accounting, payroll, human resources, and information technology are provided pursuant to this agreement. During fiscal 2011 \$225,000 was paid in accordance with the terms of this agreement.

Dr. Friesen, a director, the Chairman, the President and the Chief Executive Officer of the Company also owns a clinical research organization, GVI Clinical Development Solutions Inc. (GVI CDS) which entered into the following clinical research contracts with the Company;

<u>Nature of Agreement</u>	<u>Effective Date</u>	<u>Terms</u>
Regulatory affairs support	June 22, 2009	Services provided as needed.
Pharmacovigilance and medical affairs support	August 1, 2009	Monthly retainer of \$4,000, plus hourly charges for pharmacovigilance services outside base services.
Quality assurance support	June 1, 2010	Services provided as needed.
AGGRASTAT® clinical trial management	May 1, 2010	Services provided for on an hourly fee basis under terms of the contract.

During the fiscal 2011, \$169,762 was paid to GVI CDS.

C. Interests of Experts and Counsel

Not applicable

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements or Other Financial Information

Financial Statements

Included in Item 17 hereto are the consolidated financial statements of the Company for the years ended May 31, 2011, 2010 and 2009. The consolidated financial statements including related notes are accompanied by the report of the Company's independent registered public accounting firm, KPMG LLP.

Legal Proceedings

There are no legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings and those involving any third party, which may have, or have had in the recent past, significant effects on the Company's financial position or profitability. There are no significant legal proceedings to which the Company is a party, nor to the best of the knowledge of the Company's management are any legal proceedings contemplated.

Dividend Policy

The Company has not paid dividends in the past and it has no present intention of paying dividends on its shares as it anticipates that all available funds will be invested to finance the growth of its business. The directors of the Company will determine if and when dividends should be declared and paid in the future based upon the Company's financial position at the relevant time. All of the Company's Shares are entitled to an equal share of any dividends declared and paid.

ITEM 9. THE OFFERING AND LISTING**A. Listing Details**

The Company's common shares are listed and traded on NEX board of the TSX Venture Exchange (NEX) under the symbol MPH.H . Prior to March 26, 2010, The Company's shares traded on the Toronto Stock Exchange. The historical trading data for the common shares of the Company on the above-mentioned exchanges is set out below.

Fiscal Period/Year Ended	TSX/NEX High (\$)	TSX/NEX Low (\$)	Amex ⁽¹⁾ High (\$US)	Amex ⁽¹⁾ Low (\$US)
May 31, 2011	0.03	0.005	(2)	(2)
May 31, 2010	0.06	0.01	(2)	(2)
May 31, 2009	0.06	0.02	(2)	(2)
May 31, 2008	1.70	0.06	1.64	0.05
May 31, 2007	1.88	1.10	1.70	0.91

Fiscal Quarter Ended

May 31, 2011	0.03	0.005
February 28, 2011	0.02	0.01
November 30, 2010	0.02	0.01
August 31, 2010	0.025	0.01
May 31, 2010	0.04	0.02
February 28, 2010	0.06	0.02
November 30, 2009	0.05	0.01
August 30, 2009	0.02	0.01

Month

August 2011	0.045	0.03
July 2011	0.075	0.02
June 2011	0.03	0.015
May 2011	0.03	0.005
April 2011	0.015	0.005
March 2011	0.015	0.01

Note:

- (1) The Company commenced trading on the American Stock Exchange on February 17, 2004.
(2) The Company ceased trading on the American Stock Exchange on July 3, 2008.

C. Markets

The Company's common shares commenced trading on the Toronto Stock Exchange on March 15, 2002 and on the American Stock Exchange on February 17, 2004. The Company's shares ceased trading on the Amex effective July 3, 2008 and transferred from the Toronto Stock Exchange to the NEX board of the TSX Venture Exchange on March 26, 2010.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable

B. Memorandum and Articles of Association

1. Objects and Purposes of the Company

The Memorandum of the Company places no restrictions upon the Company's objects and purposes.

2. Directors

Under applicable Canadian law, the directors and officers of the Company, in exercising their powers and discharging their duties, must act honestly and in good faith with a view to the best interests of the Company. The directors and officers must also exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Section 4.14 of By-Law No.1 of the Company (the "By-Law") provides that a director shall not be disqualified by reason of his office from contracting with the Company or a subsidiary thereof. Subject to the provisions of the *Canada Business Companies Act* (the "Act"), a director shall not by reason only of his office be accountable to the Company or its shareholders for any profit or gain realized from a contract or transaction in which he has an interest. Such contract or transaction shall not be voidable by reason only of such interest, or by reason only of the presence of a director so interested at a meeting, or by reason only of his presence being counted in determining a quorum at a meeting of the directors at which such a contract or transaction is approved, provided that a declaration and disclosure of such interest shall have been made at the time and in the manner prescribed by section 120 of the Act, and the director so interested shall have refrained from voting as a director on the resolution approving the contract or transaction (except as permitted by the Act) and such contract shall have been reasonable and fair to the Company and shall have been approved by the directors or shareholders of the Company as required by section 120 of the Act.

Section 4.01 of the By-Law states that the exact number of directors to form the board shall be determined from time to time by the directors of the Company entitled to vote at regular meetings. A quorum of the board shall be a majority of the board. No business shall be transacted at a meeting unless a quorum is present.

Section 3.01 of the By-Law states that the board may, without the authorization of the shareholders:

- i) borrow money upon the credit of the Company;
- ii) issue, reissue, sell or pledge debt obligations of the Company, including bonds, debentures, notes or other evidences of indebtedness or guarantees, whether secured or unsecured;

- iii) subject to section 44 of the Act, give a guarantee on behalf of the Company to secure performance of an obligation of any person; and
- iv) mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Company, owned or subsequently acquired, to secure any obligation of the Company.

The borrowing powers of the directors can be varied by amending the By-Law of the Company.

There is no provision in the By-Law imposing a requirement for retirement or non-retirement of directors under an age limit requirement.

Section 4.02 states that a director need not be a shareholder to be qualified as a director.

3. Shares

The Articles of the Company provide that the Company is authorized to issue an unlimited number of shares designated as Common Shares, Class A Common Shares and Preferred Shares. Except for meetings at which only holders of another specified class or series of shares of the Company are entitled to vote separately as a class or series, each holder of the Common and Class A shares is entitled to receive notice of, to attend and to vote at all meetings of the shareholders of the Company. Subject to the rights, privileges, restrictions and conditions attached to any other class of shares of the Company, the holders of the Common and Class A shares are also entitled to receive dividends if, as and when declared by the directors of the Company and are entitled to share equally in the remaining property of the Company upon liquidation, dissolution or winding-up of the Company.

The Preferred Shares may from time to time be issued in one or more series and, subject to the following provisions, and subject to the sending of articles of amendment in respect thereof, the directors may fix from time to time and before issue a series of Preferred Shares, the number of shares which are to comprise that series and the designation, rights, privileges, restrictions and conditions to be attached to that series of Preferred Shares including, without limiting the generality of the foregoing, the rate or amount of dividends or the method of calculating dividends, the dates of payment of dividends, the redemption, purchase and/or conversion, and any sinking fund or other provisions.

The Preferred Shares of each series shall, with respect to the payment of dividends and the distribution of assets or return of capital in the event of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other return of capital or distribution of the assets of the Company among its shareholders for the purpose of winding-up its affairs, rank on a parity with the Preferred Shares of every other series and be entitled to preference over the Common and Class A Common Shares and over any other shares of the Company ranking junior to the Preferred Shares. The Preferred Shares of any series may also be given other preferences, not inconsistent with these articles, over the Common Shares and Class A Common Shares and any other shares of the Company ranking junior to the Preferred Shares of a series as may be fixed in accordance with terms outlined above.

If any cumulative dividends or amounts payable on the return of capital in respect of a series of Preferred Shares are not paid in full, all series of Preferred Shares shall participate rateably in respect of accumulated dividends and return of capital.

Unless the directors otherwise determine in the articles of amendment designating a series of Preferred Shares, the holder of each share or a series of Preferred Shares shall not, as such, be entitled to receive notice of or vote at any meeting of shareholders, except as otherwise specifically provided in the Act.

4. Rights of Shareholders

Under the Act, shareholders of the Company are entitled to examine, during its usual business hours, the Company's articles and by-laws, notices of directors and change of directors, any unanimous shareholder agreements, the minutes of meetings and resolutions of shareholders and the list of shareholders.

Shareholders of the Company may obtain a list of shareholders upon payment of a reasonable fee and sending an affidavit to the Company or its transfer agent stating, among other things, that the list of shareholders will not be used by any person except in connection with an effort to influence the voting of shareholders of the Company, an offer to acquire shares of the Company or any other matter relating to the affairs of the Company.

Under the Act, shareholders of the Company may apply to a court having jurisdiction directing an investigation to be made of the Company. If it appears to the court that the formation, business or affairs of the Company were conducted for fraudulent or unlawful purposes, or that the powers of the directors were exercised in a manner that is oppressive or unfairly disregards the interests of the shareholders, the court may order an investigation to be made of the Company.

To change the rights of holders of stock, where such rights are attached to an issued class or series of shares, requires the consent by a separate resolution of the holders of the class or series of shares, as the case may be, requiring a majority of two-thirds of the votes cast.

The Company is organized under the laws of Canada. The majority of the Company's directors, officers, and affiliates of the Company, as well as the experts named in this registration statement, are residents of Canada and, to the best of the Company's knowledge, all or a substantial portion of their assets and all of the Company's assets are located outside of the United States. As a result, it may be difficult for shareholders of the Company in the United States to effect service of process on the Company or these persons above within the United States, or to realize in the United States upon judgments rendered against the Company or such persons. Additionally, a shareholder of the Company should not assume that the courts of Canada (i) would enforce judgments of U.S. courts obtained in actions against the Company or such persons predicated upon the civil liability provisions of the U.S. federal securities laws or other laws of the United States, or (ii) would enforce, in original actions, liabilities against the Company or such persons predicated upon the U.S. federal securities laws or other laws of the United States.

Laws in the United States and judgments of U.S. courts would generally be enforced by a court of Canada unless such laws or judgments are contrary to public policy in Canada, are or arise from foreign penal laws or laws that deal with taxation or the taking of property by a foreign government and are not in compliance with applicable laws in Canada regarding the limitation of actions. Further, a judgment obtained in a U.S. court would generally be recognized by a court of Canada, except under the following examples:

- i) the judgment was rendered in a U.S. court that had no jurisdiction according to applicable laws in Canada;
- ii) the judgment was subject to ordinary remedy (appeal, judicial review and any other judicial proceeding which renders the judgment not final, conclusive or enforceable under the laws of the applicable state) or not final, conclusive or enforceable under the laws of the applicable state;
- iii) the judgment was obtained by fraud or in any manner contrary to natural justice or rendered in contravention of fundamental principles of procedure; and
- iv) a dispute between the same parties, based on the same subject matter has given rise to a judgment rendered in a court of Canada or has been decided in a third country and the judgment meets the necessary conditions for recognition in a court of Canada.

5. Meetings

Subject to the provisions of the Act, the annual general meeting of the shareholders shall be on such date in each year as the board of directors may determine, and a special meeting of the shareholders may be convened at any time by order of the President or by the board on their own motion or on the requisition of shareholders as provided for in the Act. Notice of the time and place of each meeting of shareholders shall be given not less than 21 days nor more than 60 days before the date of the meeting to each director and shareholder. A meeting of shareholders may be held without notice at any time and at any place provided a waiver of notice is obtained in accordance with section 136 of the Act. The quorum for the transaction of business at meetings of the shareholders shall consist of not less than one (1) shareholder present or represented by proxy and holding in all not less than five (5%) percent of the issued capital of the Company carrying voting rights. At any meeting of shareholders, every person shall be entitled to vote who, at the time of the taking of a vote (or, if there is a record date for voting, at the close of business on such record date) is entered in the register of shareholders as the holder of one or more shares carrying the right to vote at such meeting, subject to the provisions of the Act.

6. Ownership of Securities

There are no limitations on the right to own securities, imposed by foreign law or by the By-Law or other constituent document of the Company.

7. Change in Control of Company

No provision of the Company's articles of association, charter or By-Law would have the effect of delaying, deferring, or preventing a change in control of the Company, and operate only with respect to a merger, acquisition or corporate restructuring of the Company or any of its subsidiaries. The Company does have a shareholder rights plan as outlined in Item 3.D Risk Factors.

8. Ownership Threshold

The Manitoba and Ontario *Securities Acts* provide that a person that has direct or indirect beneficial ownership of, control or direction over, or a combination of direct or indirect beneficial ownership of, and control or direction over, securities of the issuer carrying more than 10% of the voting rights attached to all the issuer's outstanding voting securities must, within 10 days of becoming an "insider", file an insider report in the required form effective the date on which the person became an insider, disclosing any direct or indirect beneficial ownership of, or control or direction over, securities of the reporting issuer. The Manitoba and Ontario *Securities Acts* also provide for the filing of a report by an "insider" of a reporting issuer who acquires or transfers securities of the issuer. This insider report must be filed within 5 days after the change takes place.

The U.S. rules governing the ownership threshold above which shareholder ownership must be disclosed are more stringent than those discussed above. Section 13 of the Exchange Act imposes reporting requirements on persons who acquire beneficial ownership (as such term is defined in the Rule 13d-3 under the Exchange Act) of more than 5 percent of a class of an equity security registered under Section 12 of the Exchange Act. In general, such persons must file, within 10 days after such acquisition, a report of beneficial ownership with the Securities and Exchange Commission containing the information prescribed by the regulations under Section 13 of the Exchange Act. This information is also required to be sent to the issuer of the securities and to each exchange where the securities are traded.

C. Material Contracts

The following are the material contracts of the Company, other than those mentioned elsewhere in this Form, to which the Company or any member of the group is a party, for the two years immediately preceding publication of this registration statement.

- a) Management services agreement with Genesys Venture Inc., dated October 1, 2010.
- b) Debt settlement agreement between Birmingham Associates Ltd. And the Company dated July 18, 2011.
- c) Royalty and guarantee agreement between Birmingham Associates Ltd. And the Company dated July 18, 2011.

D. Exchange Controls

There is no law or government decree of regulation in Canada that restricts the export or import of capital, or that affects the remittance of dividends, interest or other payments to a non-resident holder of Common Shares, other than withholding tax requirements. See "Item 7 Taxation."

There is no limitation imposed by Canadian law or by the articles or other charter documents of the Company on the right of a non-resident to hold or vote the Common Shares or the Class A common shares of the Company, other than as provided in the Investment Canada Act, as amended (the "Investment Act").

The Investment Act generally prohibits implementation of a reviewable investment by an individual, government or agency thereof, corporation, partnership, trust or joint venture that is a "non-Canadian" as defined in the Investment Act (a "non-Canadian"), unless, after review the Minister responsible for the Investment Act is satisfied that the investment is likely to be of net benefit to Canada. If an investment by a non-Canadian is not a reviewable investment, it nevertheless requires the filing of a short notice which may be given at any time up to 30 days after the implementation of the investment.

An investment in Common Shares of the Company by a non-Canadian that is a "WTO investor" (an individual or other entity that is a national of, or has the right of permanent residence in, a member of the World Trade Organization, current members of which include the European Community, Germany, Japan, Mexico, the United Kingdom and the United States, or a WTO investor-controlled entity, as defined in the Investment Act) would be reviewable under the Investment Act if it were an investment to acquire direct control, through a purchase of assets or voting interests, of the Company and the value of the assets of the Company equalled or exceeded \$184 million, the threshold established for 1999, as indicated on the financial statements of the Company for its fiscal year immediately preceding the implementation of the investment. In subsequent years, such threshold amount may be increased or decreased in accordance with the provisions of the Investment Act.

An investment in Common Shares of the Company by a non-Canadian, other than a WTO investor, would be reviewable under the Investment Act if it were an investment to acquire direct control of the Company and the value of the assets were \$5.0 million or more, as indicated on the financial statements of the Company for its fiscal year immediately preceding the implementation of the investment.

A non-Canadian, whether a WTO investor or otherwise, would acquire control of the Company for the purposes of the Investment Act if he, she or it acquired a majority of the Common Shares of the Company or acquired all or substantially all of the assets used in conjunction with the Company's business. The acquisition of less than a majority, but one-third or more of the Common Shares of the Company, would be presumed to be an acquisition of control of the Company unless it could be established that the Company was not controlled in fact by the acquirer through the

ownership of the Common Shares.

The Investment Act would not apply to certain transactions in relation to Common Shares of the Company, including:

- (a) an acquisition of Common Shares of the Company by any person if the acquisition were made in the ordinary course of that person's business as a trader or dealer in securities;
- (b) an acquisition of control of the Company in connection with the realization of security granted for a loan or other financial assistance and not for any purpose related to the provisions of the Investment Act; and
- (c) an acquisition of control of the Company by reason of an amalgamation, merger, consolidation or corporate reorganization following which the ultimate direct or indirect control in fact of the Company, through the ownership of voting interests, remains unchanged.

E. Taxation

U.S. Federal Income Tax Consequences

The following is a summary of the anticipated material U.S. federal income tax consequences to a U.S. Holder (as defined below) arising from and relating to the acquisition, ownership, and disposition of common shares of (Common Shares).

This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax consequences that may apply to a U.S. Holder as a result of the acquisition, ownership, and disposition of Common Shares. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax consequences of the acquisition, ownership, and disposition of Common Shares. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder. Each U.S. Holder should consult its own financial advisor, legal counsel, or accountant regarding the U.S. federal income, U.S. state and local, and foreign tax consequences of the acquisition, ownership, and disposition of Common Shares.

Scope of this Summary

Authorities

This summary is based on the Internal Revenue Code of 1986, as amended (the Code), Treasury Regulations (whether final, temporary, or proposed), published rulings of the Internal Revenue Service (the IRS), published administrative positions of the IRS, the Convention Between Canada and the United States of America with Respect to Taxes on Income and on Capital, signed September 26, 1980, as amended (the Canada-U.S. Tax Convention), and U.S. court decisions that are applicable and, in each case, as in effect and available, as of the date of this Annual Report. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive basis. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive basis.

U.S. Holders

For purposes of this summary, a U.S. Holder is a beneficial owner of Common Shares that, for U.S. federal income tax purposes, is (a) an individual who is a citizen or resident of the U.S., (b) a corporation, or any other entity classified as a corporation for U.S. federal income tax purposes, that is created or organized in or under the laws of the U.S. or any state in the U.S., including the District of Columbia, (c) an estate if the income of such estate is subject to U.S. federal income tax regardless of the source of such income, or (d) a trust if (i) such trust has validly elected to be treated as a U.S. person for U.S. federal income tax purposes or (ii) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of such trust.

Non-U.S. Holders

For purposes of this summary, a non-U.S. Holder is a beneficial owner of Common Shares other than a U.S. Holder. This summary does not address the U.S. federal income tax consequences of the acquisition, ownership, and disposition of Common Shares to non-U.S. Holders. Accordingly, a non-U.S. Holder should consult its own financial advisor, legal counsel, or accountant regarding the U.S. federal income, U.S. state and local, and foreign tax consequences (including the potential application of and operation of any tax treaties) of the acquisition, ownership, and disposition of Common Shares.

U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed

This summary does not address the U.S. federal income tax consequences of the acquisition, ownership, and disposition of Common Shares to U.S. Holders that are subject to special provisions under the Code, including the following U.S. Holders: (a) U.S. Holders that are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) U.S. Holders that are financial institutions, insurance companies, real estate investment trusts, or regulated investment companies; (c) U.S. Holders that are dealers in securities or currencies or U.S. Holders that are traders in securities that elect to apply a mark-to-market accounting method; (d) U.S. Holders that have a functional currency other than the U.S. dollar; (e) U.S. Holders that are liable for the alternative minimum tax under the Code; (f) U.S. Holders that own Common Shares as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position; (g) U.S. Holders that acquired Common Shares in connection with the exercise of employee stock options or otherwise as compensation for services; (h) U.S. Holders that hold Common Shares other than as a capital asset within the meaning of Section 1221 of the Code; (i) U.S. Holders who are U.S. expatriates or former long-term residents of the United States.; or (j) U.S. Holders that own (directly, indirectly, or by attribution) 10% or more of the total combined voting power of the outstanding shares of the Company. U.S. Holders that are subject to special provisions under the Code, including U.S. Holders described immediately above, should consult their own financial advisor, legal counsel or accountant regarding the U.S. federal income, U.S. state and local, and foreign tax consequences of the acquisition, ownership, and disposition of Common Shares.

If an entity that is classified as a partnership (or pass-through entity) for U.S. federal income tax purposes holds Common Shares, the U.S. federal income tax consequences to such partnership (or pass-through entity) and the partners of such partnership (or owners of such pass-through entity) generally will depend on the activities of the partnership (or pass-through entity) and the status of such partners (or owners). Partners of entities that are classified as partnerships (or owners of pass-through entities) for U.S. federal income tax purposes should consult their own financial advisor, legal counsel or accountant regarding the U.S. federal income tax consequences of the acquisition, ownership, and disposition of Common Shares.

Tax Consequences Other than U.S. Federal Income Tax Consequences Not Addressed

This summary does not address the U.S. state and local, U.S. federal estate and gift, or foreign tax consequences to U.S. Holders of the acquisition, ownership, and disposition of Common Shares. Each U.S. Holder should consult its own financial advisor, legal counsel, or accountant regarding the U.S. state and local, U.S. federal estate and gift, and foreign tax consequences of the acquisition, ownership, and disposition of Common Shares. (See *Taxation Canadian Federal Income Tax Consequences* above).

U.S. Federal Income Tax Consequences of the Acquisition, Ownership, and Disposition of Common SharesDistributions on Common Shares*General Taxation of Distributions*

A U.S. Holder that receives a distribution, including a constructive distribution, with respect to the Common Shares will be required to include the amount of such distribution in gross income as a dividend (without reduction for any Canadian income tax withheld from such distribution) to the extent of the current or accumulated earnings and profits of the Company. To the extent that a distribution exceeds the current and accumulated earnings and profits of the Company, such distribution will be treated (a) first, as a tax-free return of capital to the extent of a U.S. Holder's tax basis in the Common Shares and, (b) thereafter, as gain from the sale or exchange of such Common Shares. (See more detailed discussion at *Disposition of Common Shares* below).

Reduced Tax Rates for Certain Dividends

For taxable years beginning before January 1, 2011, a dividend paid by the Company generally will be taxed at the preferential tax rates applicable to long-term capital gains if (a) the Company is a qualified foreign corporation (as defined below), (b) the U.S. Holder receiving such dividend is an individual, estate, or trust, and (c) such dividend is paid on Common Shares that have been held by such U.S. Holder for at least 61 days during the 121-day period beginning 60 days before the ex-dividend date. The Company generally will be a qualified foreign corporation under Section 1(h)(11) of the Code (a QFC) if (a) the Company is eligible for the benefits of the Canada-U.S. Tax Convention, or (b) the Common Shares are readily tradable on an established securities market in the U.S. However, even if the Company satisfies one or more of such requirements, the Company will not be treated as a QFC if the Company is a passive foreign investment Company (as defined below) for the taxable year during which the Company pays a dividend or for the preceding taxable year.

As discussed below, the Company does not believe that it was a passive foreign investment Company for the taxable year ended May 31, 2010, and does not expect that it will be a passive foreign investment Company for the taxable year ending May 31, 2011. (See more detailed discussion at *Additional Rules that May Apply to U.S. Holders* below). However, there can be no assurance that the IRS will not challenge the determination made by the Company concerning its passive foreign investment Company status or that the Company will not be a passive foreign investment Company for the current taxable year or any subsequent taxable year. Accordingly, although the Company expects that it may be a QFC for the taxable year ending May 31, 2011, there can be no assurances that the IRS will not challenge the determination made by the Company concerning its QFC status, that the Company will be a QFC for the taxable year ending May 31, 2011 or any subsequent taxable year, or that the Company will be able to certify that it is a QFC in accordance with the certification procedures issued by the Treasury and the IRS.

If the Company is not a QFC, a dividend paid by the Company to a U.S. Holder, including a U.S. Holder that is an individual, estate, or trust, generally will be taxed at ordinary income tax rates (and not at the preferential tax rates applicable to long-term capital gains). The dividend rules are complex, and each U.S. Holder should consult its own financial advisor, legal counsel, or accountant regarding the dividend rules.

Distributions Paid in Foreign Currency

The amount of a distribution paid to a U.S. Holder in foreign currency generally will be equal to the U.S. dollar value of such distribution based on the exchange rate applicable on the date of receipt. A U.S. Holder that does not convert foreign currency received as a distribution into U.S. dollars on the date of receipt generally will have a tax basis in such foreign currency equal to the U.S. dollar value of such foreign currency on the date of receipt. Such a U.S. Holder generally will recognize ordinary income or loss on the subsequent sale or other taxable disposition of such foreign currency (including an exchange for U.S. dollars).

Dividends Received Deduction

Dividends paid on the Common Shares generally will not be eligible for the dividends received deduction. The availability of the dividends received deduction is subject to complex limitations that are beyond the scope of this discussion, and a U.S. Holder that is a corporation should consult its own financial advisor, legal counsel, or accountant regarding the dividends received deduction.

Disposition of Common Shares

A U.S. Holder will recognize gain or loss on the sale or other taxable disposition of Common Shares in an amount equal to the difference, if any, between (a) the amount of cash plus the fair market value of any property received and (b) such U.S. Holder's tax basis in the Common Shares sold or otherwise disposed of. Any such gain or loss generally will be capital gain or loss, which will be long-term capital gain or loss if the Common Shares are held for more than one year. Gain or loss recognized by a U.S. Holder on the sale or other taxable disposition of Common Shares generally will be treated as U.S. source for purposes of applying the U.S. foreign tax credit rules unless the gain is subject to tax in Canada and resourced as foreign source under the U.S.-Canada Tax Convention and the U.S. Holder elects to treat such gain as foreign source.

Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the Code.

The amount realized on a sale or other disposition of Common Shares for an amount in foreign currency will generally be the U.S. dollar value of this amount on the date of sale or disposition. On the settlement date, the U.S. Holder will recognize U.S. source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the U.S. dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date.

Foreign Tax Credit

A U.S. Holder that pays (whether directly or through withholding) Canadian income tax with respect to dividends paid on the Common Shares generally will be entitled, at the election of such U.S. Holder, to receive either a deduction or a credit for such Canadian income tax paid. Generally, a credit will reduce a U.S. Holder's U.S. federal income tax liability on a dollar-for-dollar basis, whereas a deduction will reduce a U.S. Holder's income subject to U.S. federal income tax. This election is made on a year-by-year basis and applies to all foreign taxes paid (whether directly or

through withholding) by a U.S. Holder during a year.

Complex limitations apply to the foreign tax credit, including the general limitation that the credit cannot exceed the proportionate share of a U.S. Holder's U.S. federal income tax liability that such U.S. Holder's foreign source taxable income bears to such U.S. Holder's worldwide taxable income. In applying this limitation, a U.S. Holder's various items of income and deduction must be classified, under complex rules, as either foreign source or U.S. source. In addition, this limitation is calculated separately with respect to specific categories of income. Dividends paid by the Company generally will constitute foreign source income and generally will be categorized as passive income. The foreign tax credit rules are complex, and each U.S. Holder should consult its own financial advisor, legal counsel, or accountant regarding the foreign tax credit rules.

Information Reporting; Backup Withholding Tax

Payments made within the U.S., or by a U.S. payor or U.S. middleman, of dividends on, or proceeds arising from the sale or other taxable disposition of, Common Shares generally will be subject to information reporting and backup withholding tax, at the rate of 28%, if a U.S. Holder (a) fails to furnish such U.S. Holder's correct U.S. taxpayer identification number (generally on Form W-9), (b) furnishes an incorrect U.S. taxpayer identification number, (c) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to backup withholding tax, or (d) fails to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding tax. However, U.S. Holders that are corporations generally are excluded from these information reporting and backup withholding tax rules. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the IRS. Each U.S. Holder should consult its own financial advisor, legal counsel, or accountant regarding the information reporting and backup withholding tax rules.

Additional Rules that May Apply to U.S. Holders

If the Company is a passive foreign investment Company (as defined below), the preceding sections of this summary may not describe the U.S. federal income tax consequences to U.S. Holders of the acquisition, ownership, and disposition of Common Shares.

Passive Foreign Investment Company

The Company generally will be a passive foreign investment Company under Section 1297 of the Code (a PFIC) if, for a taxable year, (a) 75% or more of the gross income of the Company for such taxable year is passive income or (b) 50% or more of the assets held by the Company either produce passive income or are held for the production of passive income, based on the fair market value of such assets (or on the adjusted tax basis of such assets, if the Company is not publicly traded and either is a controlled foreign corporation or makes an election). Passive income includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions.

For purposes of the PFIC income test and asset test described above, if the Company owns, directly or indirectly, 25% or more of the total value of the outstanding shares of another foreign corporation, the Company will be treated as if it (a) held a proportionate share of the assets of such other foreign corporation and (b) received directly a proportionate share of the income of such other foreign corporation. In addition, for purposes of the PFIC income test and asset test described above, passive income does not include any interest, dividends, rents, or royalties that are received or accrued by the Company from a related person (as defined in Section 954(d)(3) of the Code), to the extent such items are properly allocable to the income of such related person that is not passive income.

In addition, if the Company is a PFIC and owns shares of another foreign corporation that also is a PFIC, under certain indirect ownership rules, a disposition of the shares of such other foreign corporation or a distribution received from such other foreign corporation generally will be treated as an indirect disposition by a U.S. Holder or an indirect distribution received by a U.S. Holder, subject to the rules of Section 1291 of the Code discussed below. To the extent that gain recognized on the actual disposition by a U.S. Holder of Common shares or income recognized by a U.S. Holder on an actual distribution received on Common Shares was previously subject to U.S. federal income tax under these indirect ownership rules, such amount generally should not be subject to U.S. federal income tax.

If the Company is a PFIC, the U.S. federal income tax consequences to a U.S. Holder of the acquisition, ownership, and disposition of Common Shares will depend on whether such U.S. Holder makes an election to treat the Company as a qualified electing fund or QEF under Section 1295 of the Code (a QEF Election) or a mark-to-market election under Section 1296 of the Code (a Mark-to-Market Election). A U.S. Holder that does not make either a QEF Election or a Mark-to-Market Election will be referred to in this summary as a Non-Electing U.S. Holder.

Under Section 1291 of the Code, any gain recognized on the sale or other taxable disposition of Common Shares, and any excess distribution (as defined in Section 1291(b) of the Code) paid on the Common Shares, must be ratably allocated to each day in a Non-Electing U.S. Holder's holding period for the Common Shares. The amount of any such gain or excess distribution allocated to prior years of such Non-Electing U.S. Holder's holding period for the Common Shares generally will be subject to U.S. federal income tax at the highest tax applicable to ordinary income in each such prior year. A Non-Electing U.S. Holder will be required to pay interest on the resulting tax liability for each such prior year, calculated as if such tax liability had been due in each such prior year.

A U.S. Holder that makes a QEF Election generally will not be subject to the rules of Section 1291 of the Code discussed above. However, a U.S. Holder that makes a QEF Election generally will be subject to U.S. federal income tax on such U.S. Holder's pro rata share of (a) the net capital gain of the Company, which will be taxed as long-term capital gain to such U.S. Holder, and (b) and the ordinary earnings of the Company, which will be taxed as ordinary income to such U.S. Holder. A U.S. Holder that makes a QEF Election will be subject to U.S. federal income tax on such amounts for each taxable year in which the Company is a PFIC, regardless of whether such amounts are actually distributed to such U.S. Holder by the Company.

A U.S. Holder that makes a Mark-to-Market Election generally will not be subject to the rules of Section 1291 of the Code discussed above. A U.S. Holder may make a Mark-to-Market Election only if the Common Shares are marketable stock (as defined in Section 1296(e) of the Code). A U.S. Holder that makes a Mark-to-Market Election will include in gross income, for each taxable year in which the Company is a PFIC, an amount equal to the excess, if any, of (a) the fair market value of the Common Shares as of the close of such taxable year over (b) such U.S. Holder's tax basis in such Common Shares. A U.S. Holder that makes a Mark-to-Market Election will, subject to certain limitations, be allowed a deduction in an amount equal to the excess, if any, of (a) such U.S. Holder's adjusted tax basis in the Common Shares over (b) the fair market value of such Common Shares as of the close of such taxable year.

The Company does not believe that it was a PFIC for the taxable year ended May 31, 2010, and, based on current operations and financial projections, does not expect that it will be a PFIC for the taxable year ending May 31, 2011. The determination of whether the Company was, or will be, a PFIC for a taxable year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. In addition, whether the Company will be a PFIC for the taxable year ending May 31, 2009 and each subsequent taxable year depends on the assets and income of the Company over the course of each such taxable year and, as a result, cannot be predicted with certainty as of the date of this Annual Report. Accordingly, there can be no assurance that the IRS will not challenge the determination made by the Company concerning its PFIC status or that the Company was not, or will not be, a PFIC for any taxable year.

The PFIC rules are complex, and each U.S. Holder should consult its own financial advisor, legal counsel, or accountant regarding the PFIC rules and how the PFIC rules may affect the U.S. federal income tax consequences of the acquisition, ownership, and disposition of Common Shares.

Canadian Federal Income Tax Considerations for United States Residents

The following, as of the date hereof, is a summary of the principal Canadian federal income tax considerations generally applicable to the holding and disposition of Common Shares by a holder, (a) who for the purposes of the Income Tax Act (Canada) (the Tax Act) at all relevant times, is not resident, or deemed to be resident in Canada, deals at arm's length and is not affiliated with the Company for the purpose of the Tax Act, holds the Common Shares as capital property and does not use or hold, and is not deemed to use or hold, the Common Shares in the course of carrying on, or otherwise in connection with, a business in Canada, and (b) who, for the purposes of the *Canada - United States Income Tax Convention* (the Convention) at all relevant times, is a resident of the United States, has never been a resident of Canada, has not held or used (and does not hold or use) Common Shares in connection with a permanent establishment or fixed base in Canada, and who otherwise qualifies for the full benefits of the Convention. Common Shares will generally be considered to be capital property to a holder unless such shares are held in the course of carrying on a business, or in an adventure or concern in the nature of trade. Holders who meet all the criteria in clauses (a) and (b) are referred to herein as a U.S. Holder or U.S. Holders and this summary only addresses the tax considerations to such U.S. Holders. The summary does not deal with special situations, such as the particular circumstances of traders or dealers, limited liability companies, tax exempt entities, insurers or financial institutions. Such holders should consult their own tax advisors.

This summary is based upon the current provisions of the Tax Act, the regulations thereunder in force at the date hereof (Regulations), all specific proposals to amend the Tax Act and Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof and the current provisions of the Convention and the current administrative practices of the Canada Revenue Agency published in writing prior to the date hereof. This summary does not otherwise take into account or anticipate any changes in law or administrative practices whether by legislative, governmental or judicial decision or action, nor does it take into account tax laws of any province or territory of Canada or of the United States or of any other jurisdiction outside Canada.

For the purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of the Common Shares must be converted into Canadian dollars based on the relevant exchange rate applicable thereto.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular U.S. Holder and no representation with respect to the federal income tax consequences to any particular U.S. Holder or prospective U.S. Holder is made. The tax liability of a U.S. Holder will depend on the holder's particular circumstances. Accordingly, U.S. Holders should consult with their own tax advisors for advice with respect to their own particular circumstances.

Dividends

Amounts paid or credited or deemed to be paid or credited to a U.S. Holder as, on account or in lieu of payment, or in satisfaction of, dividends on Common Shares will be subject to Canadian withholding tax on the gross amount of the dividends. Under the Convention, the rate of Canadian withholding tax on dividends paid or credited by the Company to a U.S. Holder that beneficially owns such dividends is generally 15% unless the beneficial owner is a Company which owns at least 10% of the voting stock of the Company at that time in which case the rate of Canadian withholding tax is reduced to 5%.

Dispositions

A U.S. Holder will generally not be subject to tax under the Tax Act on any capital gain realized on a disposition of Common Shares, unless the shares constitute taxable Canadian property to the U.S. Holder at the time of disposition and the U.S. Holder is not entitled to relief under the Convention. Generally, Common Shares will not constitute taxable Canadian property to a U.S. Holder provided that such shares are listed on a designated stock exchange (which currently includes the NEX at the time of the disposition and, during the 60-month period immediately preceding the disposition, the U.S. Holder, persons with whom the U.S. Holder does not deal at arm's length, or the U.S. Holder together with such persons has not owned 25% or more of the issued shares of any series or class of the Company's capital stock.

If the Common Shares constitute taxable Canadian property to a particular U.S. Holder, any capital gain arising on their disposition may be exempt from Canadian tax under the Convention if at the time of disposition the Common Shares do not derive their value principally from real property situated in Canada.

Canadian Federal Income Tax Consequences

The following is a summary of the principal Canadian federal income tax considerations, as of the date hereof, generally applicable to Security holders who deal at arm's length with the Company, who, for purposes of the Income Tax Act (Canada) (the "Canadian Tax Act") and any applicable tax treaty or convention, have not been and will not be resident or deemed to be resident in Canada at any time while they have held shares of the Company, to whom such shares are capital property, and to whom such shares are not "taxable Canadian property" (as defined in the Canadian Tax Act). This summary does not apply to a non-resident insurer.

Generally, shares of the Company will be considered to be capital property to a holder thereof provided that the holder does not use such shares in the course of carrying on a business or has not acquired them in one or more transactions considered to be an adventure in the nature of trade. All security holders should consult their own tax advisors as to whether, as a matter of fact, they hold shares of the Company as capital property for the purposes of the Canadian Tax Act.

Under the current provisions of the Canadian Tax Act, as modified by the Proposed Amendments (see below), one-half of capital gains (taxable capital gains) must be included in computing the income of a holder in the year of disposition. One-half of capital losses (allowable capital losses) may generally be deducted against taxable capital gains for the year of disposition subject to and in accordance with the provisions of the Canadian Tax Act.

Allowable capital losses in excess of a holder's taxable capital gains of a taxation year may generally be carried back three years and carried forward indefinitely for deduction against taxable capital gains realized in those years, to the extent and under circumstances permitted under the Canadian Tax Act.

This discussion takes into account specific proposals to amend the Canadian Tax Act and the regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "Proposed Amendments") and assumes that all such Proposed Amendments will be enacted in their present form. No assurances can be given that the Proposed Amendments will be enacted in the form proposed, if at all; however the Canadian federal income tax considerations generally applicable to security holders described herein will not be different in a material adverse way if the Proposed Amendments are not enacted.

Except for the foregoing, this discussion does not take into account or anticipate any changes in law, whether by legislative, administrative or judicial decision or action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ from the Canadian federal income tax considerations described herein.

Generally, shares of the Company will not be taxable Canadian property at a particular time provided that such shares are listed on a prescribed stock exchange (which exchanges currently include the Toronto Stock Exchange), the holder does not use or hold, and is not deemed to use or hold, the shares of the Company in connection with carrying on a business in Canada and the holder, persons with whom such holder does not deal at arm's length, or the holder and such persons, have not owned (or had under option) 25% or more of the issued shares of any class or series of the capital stock of the Company at any time within five years preceding the particular time.

A holder of shares of the Company that are not taxable Canadian property will not be subject to tax under the Canadian Tax Act on the sale or other disposition of shares.

While intended to address all material Canadian Federal Income Tax considerations, this summary is for general information purposes only, and is not intended to be, nor should it be construed to be, legal or tax advice to any holder or prospective holder of common shares. No opinion was requested by the Company, or is provided by its legal counsel and/or auditors. Additionally, this summary does not consider the effects of United States federal, state, local or foreign income tax consequences.

Accordingly, holders and prospective holders of common shares should consult their own tax advisors about the consequences of purchasing, owning, and disposing of common shares of the Company.

F. Dividends and Paying Agents

Not applicable

G. Statement by Experts

Not applicable

H. Documents on Display

The documents described herein may be inspected at the head office of Company at 2 1250 Waverley Street, Winnipeg, Manitoba, Canada R3T 6C6, during normal business hours.

I. Subsidiary Information

Not applicable

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE RISK

The primary objective of the Company's investment activities is to preserve principal by maximizing the income the Company receives from such activities without significantly increasing risk. Securities that the Company invests in are generally highly liquid short-term investments such as term deposits with terms to maturity of less than one year.

Due to the short-term nature of these investments, the Company believes there is no material exposure to interest rate risk arising from such investments and accordingly, no quantitative tabular disclosure is required.

FOREIGN EXCHANGE RISK

The Company's primary currency of operations is the Canadian dollar. However, the Company has expenditures and holds investments denominated in a foreign currency. In fiscal 2011, it is estimated that approximately 85% of the Company's expenditures were denominated in a foreign currency, primarily being the US dollar and 100% of the Company's product revenues were denominated in the US dollar. To date the Company has not entered into any future or forward contracts, or other derivative instruments, for either hedging or speculative purposes, to mitigate the impact of foreign exchange fluctuations on these costs, revenues or on U.S. dollar denominated debt. A 10% change in foreign exchange rates for fiscal 2011 would have impacted loss for the year by 10%.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable

ITEM 15. CONTROLS AND PROCEDURES***Disclosure Controls and Procedures***

The Company's disclosure controls and procedures (DCP), as such term is defined in Rules 13(a)-13(e) and 15(d)-15(e) of the Exchange Act are designed to provide reasonable assurance that all relevant information is communicated to senior management, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), to allow timely decisions regarding required disclosure. We carried out an evaluation, under the supervision and with the participation of our management, including our CEO and CFO. Based on this evaluation these officers concluded that as of the end of the period covered by this Annual Report on Form 20-F, our disclosure controls and procedures were not effective to ensure that the information required to be disclosed by our company in reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. These disclosure controls and procedures include controls and procedures designed to ensure that such information is accumulated and communicated to the Company's management, including our company's principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure. The conclusion that the disclosure controls and procedures were not effective was due to the presence of material weaknesses in internal control over financial reporting as identified below under the heading "Internal Controls over Financial Reporting Procedures". Management anticipates that such disclosure controls and procedures will not be effective until the material weaknesses are remediated.

Management's Annual Report on Internal Control over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal controls over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). The Company's internal control system was designed to provide reasonable assurance to the Company's management and the board of directors regarding the reliability of financial reporting and preparation and fair presentation of published financial statements for external purposes in accordance with GAAP. Internal control over financial reporting includes those policies and procedures that:

1. pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an evaluation of the design and operation of internal control over financial reporting as of May 31, 2011, based on the framework set forth in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management concluded that the Company's ICFR was not effective as at May 31, 2011 due to the following material weaknesses:

1. The Company did not maintain sufficient personnel with an appropriate level of technical accounting knowledge, experience, and training in the application of United States GAAP to allow for the independent preparation and review of the reconciliation from Canadian GAAP to United States GAAP as disclosed in Note 17 to the annual financial statements.
2. Due to the limited number of staff and the inability to attract outside expert advice on a cost effective basis, there is a risk of material misstatements related to the accounting and reporting for complex transactions.
3. Due to the resignation of the Chief Financial Officer subsequent to year-end, procedures over the year end close process, including detailed reviews and verification of inputs related to the analysis and reconciliation of accounts and schedules supporting financial statements amounts and notes were not operating effectively.

These control deficiencies, resulted in adjustments to the Company's consolidated financial statements prior to their issuance and creates a reasonable possibility that a material misstatement of the annual financial statements would not have been prevented or detected in a timely manner.

Attestation Report of the Registered Public Accounting Firm

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report is not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Changes in Internal Control over Financial Reporting and Planned Remediation Activities

There have been no changes in the Company's internal controls identified in connection with the evaluation described in the preceding paragraph that occurred during the period covered by this Annual Report on Form 20-F which have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Other than the appointment of a new Chief Financial Officer on September 22, 2011, no other remediation activities have been undertaken in fiscal 2012. Due to resource constraints and the present stage of the Company's development, including the Company's focus on its capital restructuring, the Company does not have sufficient size and scale to warrant the hiring of additional staff to correct these material weaknesses at this time.

ITEM 16. RESERVED

Not applicable

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

As of May 31, 2011, Mr. Gerald McDole, a non-employee director, was a member of the audit committee of the Company. The board of directors of the Company has determined that Mr. McDole (i) qualifies as an audit committee financial expert pursuant to Items 16A(b) and (c) of Form 20-F and (ii) is independent as defined by Rule 121A of the NYSE Amex Company Guide and Rule 10A-3 of the Exchange Act. In addition, all members of the audit committee are considered financially literate under applicable Canadian laws.

ITEM 16B. CODE OF ETHICS

On August 23, 2004, the Company adopted a written Code of Business Conduct and Ethics (Code of Ethics) that applies to the Company's principal executive officer, principal financial officer and to all its other employees. These standards are a guide to help ensure that all of the Company's employees live up to high ethical standards. A copy of the Code of Ethics is maintained on the Company's website at www.medicure.com.

The Company intends to disclose any amendment to or waiver from any provision in the Code of Ethics, that has occurred during the past fiscal year and that applies to the principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, either in its Exchange Act annual report or on the Company's Internet website.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

In accordance with the requirements of the Sarbanes-Oxley Act of 2002 and the Audit Committee's charter, all audit and audit-related work and all non-audit work performed by the chartered accountants, KPMG LLP, is approved in advance by the Audit Committee, including the proposed fees for such work. The Audit Committee is informed of each service actually rendered that was approved through its pre-approval process.

(a) Audit fees	<u>2011</u>	<u>2010</u>
	\$109,000	\$87,500

Audit fees consist of fees billed for the audit of the Company's annual financial statements.

(b) Audit-related fees	<u>2011</u>	<u>2010</u>
	\$-	\$8,900

Audit-related fees consist of fees billed for accounting consultations and services associated with the issuance of securities filings and prospectuses.

(c) Tax fees - No compensation was paid to KPMG for tax compliance, tax advice and tax planning in fiscal 2011 or 2010.

(d) All other fees	<u>2011</u>	<u>2010</u>
	\$-	\$-

(e) Audit Committee's Pre-approval Policies

All KPMG services and fees are approved by the Audit Committee.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable

PART III

ITEM 17. FINANCIAL STATEMENTS

The consolidated financial statements were prepared in accordance with Canadian GAAP and are presented in Canadian dollars. There are material measurement differences between United States and Canadian GAAP. A reconciliation of the consolidated financial statements to United States GAAP is set forth in Note 17 of the notes to the consolidated financial statements.

The consolidated financial statements are in the following order:

1. Report of Independent Registered Public Accounting Firm;
 2. Consolidated Balance Sheets;
 3. Consolidated Statements of Operations and Comprehensive loss;
 4. Consolidated Statements of Shareholders' Equity (Deficiency)
 5. Consolidated Statements of Cash Flows; and
 6. Notes to Consolidated Financial Statements.
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Consolidated Financial Statements
(Expressed in Canadian Dollars)

MEDICURE INC.

Year ended May 31, 2011

MANAGEMENT REPORT

The accompanying financial statements have been prepared by management and approved by the Board of Directors of Medicare 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 processes intended to provide assurance that assets are safeguarded and to assist in preparation of relevant and reliable financial information.

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 of three 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 consolidated 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.

/s/ Albert Friesen

/s/ James Kinley

Dr. Albert D. Friesen
President & CEO

Mr. James F. Kinley CA
Chief Financial Officer

KPMG LLP
Chartered Accountants
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Canada

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of Medicare Inc.

We have audited the accompanying consolidated balance sheets of Medicare Inc. and subsidiaries as at May 31, 2011 and May 31, 2010 and the related consolidated statements of operations and comprehensive loss, shareholders deficiency and cash flows for each of the years in the three-year period ended May 31, 2011. These consolidated financial statements are the responsibility of Medicare Inc.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian Generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Medicare Inc. and subsidiaries as at May 31, 2011 and May 31, 2010 and their consolidated results of operations and their consolidated cash flows for each of the years in the three-year period ended May 31, 2011 in conformity with Canadian generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that Medicare Inc. will continue as a going concern. As discussed in note 1 to the consolidated financial statements, Medicare Inc. has experienced operating losses since incorporation that raises significant doubt about its ability to continue as a going concern. Management's plans in regard to this matter are also described in note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Chartered Accountants

September 27, 2011
Winnipeg, Canada

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

MEDICURE INC.

Consolidated Balance Sheets

(Expressed in Canadian dollars)

May 31, 2011 and 2010

	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 750,184	\$ 371,262
Accounts receivable (Note 4)	365,490	390,923
Inventories (Note 5)	460,886	550,975
Prepaid expenses	248,065	176,280
	1,824,625	1,489,440
Property and equipment (Note 6)	50,996	68,752
Intangible assets (Note 7)	3,298,286	4,414,882
	\$ 5,173,907	\$ 5,973,074
Liabilities and Shareholders' Deficiency		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,729,517	\$ 1,320,185
Accrued interest on long-term debt (Note 8)	7,869,577	5,469,343