

MEDICURE INC
Form 20-F
September 30, 2013

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, 2013

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

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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

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, 2013 the registrant had 12,196,508 common shares issued and outstanding

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

Yes _____ No

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

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 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

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 _____

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 _____ 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

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GENERAL

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.

The Company uses the Canadian dollar as its reporting currency. Unless otherwise indicated, all references to dollar amounts in this Annual Report are to Canadian dollars. As of May 31, 2013, the rate for Canadian dollars was US \$1.0368 for CND \$1.00. See also Item 3 – Key Information for more detailed currency and conversion information.

Except as noted, the information set forth in this Annual Report is as of September 23, 2013 and all information included in this document should only be considered correct as of such date.

GLOSSARY OF TERMS

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

“angioplasty” means an operation to repair a damaged blood vessel or unblock an artery;

“FDA” means the United States Food and Drug Administration;

“myocardial infarction” means destruction of heart tissue resulting from obstruction of the blood supply to the heart muscle;

“TSX-V” means the TSX Venture Exchange.

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. Such 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 expand or otherwise improve the approved indications and/or dosing information contained within AGGRASTAT’s approved prescribing information;

- intention to increase sales 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;
- intention to identify, negotiate and complete business development transactions (eg. The sale, purchase, or license of pharmaceutical products or services);
 - 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, 2013 and 2012 and for the fiscal years ended May 31, 2013, 2012 and 2011 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 18 - 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, 2011, 2010 and 2009 and for the fiscal years ended May 31, 2010 and 2009 was extracted from the audited financial statements of the Company not included in this Annual Report.

The information provided in the audited consolidated financial statements included in this Annual Report on Form 20-F is prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). Prior to June 1, 2010, the Company prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles (GAAP). Included in the tables in this section are presentations of the financial information prepared for periods prior to June 1, 2010 in accordance with Canadian GAAP and United States GAAP. Such financial information is not comparable to financial information prepared in accordance with IFRS.

On November 1, 2012, the Company completed a consolidation of its outstanding share capital on the basis of one post-consolidation share for every fifteen pre-consolidation shares. All comparative figures have been adjusted retrospectively.

Under International Financial Reporting Standards (in Canadian dollars):

| Statement of Financial Position Data | May 31, 2013 | May 31, 2012 | May 31, 2011 | June 1, 2010 |
|--|-----------------|-----------------|-----------------|-----------------|
| | \$ | \$ | \$ | \$ |
| (as at period end) | | | | |
| Current Assets | 1,491,485 | 2,211,951 | 1,804,010 | 1,489,440 |
| Property and Equipment | 22,235 | 30,745 | 46,942 | 68,752 |
| Intangible Assets | 1,910,069 | 2,500,928 | 3,298,286 | 4,414,882 |
| Other Assets | - | - | - | - |
| Total Assets | 3,423,789 | 4,723,624 | 5,149,238 | 5,973,074 |
| Current Liabilities | 3,557,024 | 1,378,288 | 32,078,209 | 30,967,698 |
| Non-current Liabilities | 4,193,446 | 5,186,009 | - | - |
| Total Liabilities | 7,750,470 | 6,564,297 | 32,078,209 | 30,697,698 |
| Net Assets / (Deficiency) | (4,326,681) | (1,820,673) | (26,928,971) | (24,994,624) |
| Capital Stock and Contributed Surplus | 121,482,563 | 121,379,570 | 120,136,490 | 120,059,433 |
| Accumulated Other Comprehensive Income (Loss) | 68,112 | 102,809 | (376,630) | - |
| Deficit | (125,877,356) | (123,303,052) | (146,688,831) | (145,054,057) |
| Statement of Net Income (Loss) (for the fiscal year ended on) | | | | |
| Product Sales | 2,602,700 | 4,796,811 | 3,628,274 | |
| Interest and Other Income | 152 | 775 | 473 | |
| Gain on Settlement of Debt | - | 23,931,807 | - | |
| Net Income (Loss) for the Period | (2,574,304) | 23,385,779 | (1,634,774) | |
| Comprehensive Income (Loss) for the Period | (2,609,001) | 23,865,218 | (2,011,404) | |
| Basic and Diluted Income (Loss) per Share | (.21) | 1.99 | (0.19) | |
| Weighted-Average Number of Common Shares Outstanding | | | | |
| Basic | 12,196,508 | 11,745,854 | 8,687,170 | |
| Diluted | 12,196,508 | 11,752,521 | 8,687,170 | |

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

| Balance Sheet Data | May 31, 2010 | May 31, 2009 |
|--|-----------------|-----------------|
| | \$ | \$ |
| (as at period end) | | |
| Current Assets | 1,489,440 | 3,519,609 |
| Property and Equipment | 68,752 | 93,532 |
| Intangible Assets | 4,414,882 | 5,936,819 |
| Other Assets | - | - |
| Total Assets | 5,973,074 | 9,549,960 |
| Total Liabilities | 30,929,727 | 29,096,919 |
| Net Assets / (Deficiency) | (24,956,653) | (19,546,959) |
| Capital Stock, Warrants and Contributed Surplus | 129,125,153 | 129,002,341 |
| Deficit | (154,081,806) | (148,549,300) |
| Statement of Operations (for the fiscal year ended on) | | |
| Product Sales | 3,317,073 | 4,792,513 |
| Interest and Other Income | 4,913 | 255,713 |
| Loss from Continuing Operations | (5,532,506) | (13,315,827) |
| Net Loss for the Period | (5,532,506) | (13,315,827) |
| Basic and Diluted Loss per Share | (0.64) | (1.53) |
| Weighted-Average Number of Common Shares Outstanding | 8,687,170 | 8,687,170 |

The Company was not required to retrospectively apply IFRS to its financial statements for years prior to fiscal 2011. Accordingly, the operating results and financial information in the chart above for 2010 and 2009 was prepared in accordance with previous Canadian GAAP.

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

| Balance Sheet Data | May 31, 2010 | May 31, 2009 |
|--|-----------------|-----------------|
| | \$ | \$ |
| (as at Period end) | | |
| Current Assets | 1,489,440 | 3,519,609 |
| Property and Equipment | 68,752 | 93,532 |
| Intangible Assets | 3,845,916 | 4,676,656 |
| Other Assets | 2,014,801 | 2,250,518 |
| Total Assets | 7,418,909 | 10,540,315 |
| Total Liabilities | 32,982,499 | 31,347,086 |
| Net Assets / (deficiency) | (25,563,590) | (20,806,771) |
| Capital Stock, warrants and Contributed Surplus | 136,304,087 | 145,246,995 |
| Deficit | (161,867,677) | (166,053,766) |
| Statement of Operations | | |
| Product Sales | 3,317,073 | 4,792,513 |
| Interest and Other | | |
| Income | 4,913 | 255,713 |
| Loss from Continuing Operations | (4,772,309) | (11,733,041) |
| Net Loss for the Period | (4,772,309) | (11,733,041) |
| Basic and Diluted Loss per Share | (0.55) | (1.35) |
| Weighted-Average Number of Common Shares Outstanding | 8,687,170 | 8,687,170 |

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. On September 17, 2013, the rate of exchange of the Canadian dollar, based on the daily noon rate in Canada as published by the Bank of Canada, was US\$1.00 = Canadian \$1.0291. Exchange rates published by the Bank of Canada are available on its website, www.bankofcanada.ca, are nominal quotations — not buying or selling rates — and are intended for statistical or analytical purposes.

The following tables set out the exchange rates, based on the daily noon rates in Canada as published by the Bank of Canada for the conversion of Canadian Dollars into U.S. Dollars.

| | For the year ended May 31 (Canadian Dollar per U.S. Dollar) | | | | |
|-------------------------|--|--------|--------|--------|--------|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| Period End | 1.0368 | 1.0349 | 0.9688 | 1.0462 | 1.0961 |
| Average for the Period* | 1.0043 | 0.9983 | 1.0074 | 1.0652 | 1.1585 |
| High for the Period | 1.0275 | 1.0604 | 1.0660 | 1.1655 | 1.3000 |
| Low for the Period | 0.9785 | 0.9449 | 0.9486 | 0.9961 | 1.0013 |

*The average rate for each period is the average of the daily noon rates on the last day of each month during the period.

Monthly High and Low Exchange Rate (Canadian Dollar per U.S. Dollar)

| | High | Low |
|---|--------|--------|
| September 2013 (Until September 17, 2013) | 1.0549 | 1.0275 |
| August 2013 | 1.0433 | 1.0385 |
| July 2013 | 1.0432 | 1.0375 |
| June 2013 | 1.0351 | 1.0279 |
| May 2013 | 1.0233 | 1.0177 |
| April 2013 | 1.0209 | 1.0166 |
| March 2013 | 1.0268 | 1.0224 |

B. Capitalization and Indebtedness

Not applicable

C. Reasons for the Offer and Use of Proceeds

Not applicable

D. Risk Factors

An investment in the Company's common shares is highly speculative and subject to a number of risks. Only those persons who can bear the risk of the entire loss of their investment should participate. An investor should carefully consider the risks described below and the other information that the Company furnishes to, or files with, the Securities and Exchange Commission and with Canadian securities regulators before investing in the Company's common shares. The risks described below are not the only ones faced by the Company. Additional risks that

management is unaware of or that the Company currently believes are immaterial may indeed become important factors that affect the Company's business. If any of the following risks occur, or if others occur, the Company's business, operating results and financial condition could be seriously harmed and the investor may lose all of his or her investment.

Going concern risk

The consolidated financial statements for the year ended May 31, 2013 have been prepared on a going concern basis in accordance with IFRS. 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 substantial doubt about the appropriateness of the use of the going concern assumption because the Company had experienced operating losses from incorporation and has accumulated a deficit of \$125,877,356 as at May 31, 2013 and a working capital deficiency of \$2,065,539. Management has forecast that contractual commitments and debt service obligations will exceed the company's net cash flows and working capital during fiscal 2014. The Company's future operations are dependent upon its ability to grow sales of AGGRASTAT, to develop and/or acquire new products, and/or secure additional capital, which may not be available under favourable terms or at all, and/or renegotiate the terms of its contractual commitments and long-term debt. If the Company is unable to grow sales or raise additional capital, management will consider other strategies including further cost curtailments, delays of research and development activities, asset divestures and/or monetization of certain intangibles. Effective August 1, 2013, the Company renegotiated its long-term debt and received an additional two year deferral of principal repayments. Under the renegotiated terms, the loan continues to be interest only with principal repayments now beginning on August 1, 2015 and the loan matures on July 1, 2018.

The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent on many factors, including, but not limited to the actions taken or planned, some of which are described above, which are intended to mitigate the adverse conditions and events which raise doubt about the validity of the going concern assumption used in preparing these financial statements. There is no certainty that the Company's working capital will be sufficient through fiscal 2014 or that the above described and other strategies will be sufficient to permit the Company to continue as a going concern.

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 statement of financial position 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 since inception to May 31, 2013, excluding the year ended May 31, 2012 where the Company recorded net income of \$23,385,779, primarily as a result of a gain on the settlement of the Company's long-term debt. The Company incurred a net loss of 2,635,405 for the year ended May 31, 2013 and \$1,634,774 for the year ended May 31, 2011. Additionally, as reported under previous Canadian GAAP, the Company incurred net losses of \$5,532,506 for the year ended May 31, 2010 and \$13,315,827 for the year ended May 31, 2009.

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;
- b) obtaining Canadian and United States regulatory approvals to market any of its development 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 identify, negotiate and complete business development transactions (eg. the sale, purchase, or license of pharmaceutical products or services) with third parties;
- f) the ability to successfully prosecute and defend its patents and other intellectual property; and
- g) the ability to successfully market the Company's products including AGGRASTAT 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 operations, 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.

Under current indebtedness levels the Company must meet its debt repayment obligations. Additionally, the Company may still be able to incur substantially more debt. This could further exacerbate the risks associated with the Company's substantial leverage.

On July 18, 2011, the Company borrowed \$5,000,000 from the Government of Manitoba, under the Manitoba Industrial Opportunities Program, to assist with settling the Company's long-term debt at that time. The loan bears interest annually at the crown corporation borrowing rate plus two percent and matures on July 1, 2016. The loan is payable 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 Chief Executive Officer of the Company and entities controlled by the Chief Executive Officer. The Company must meet its debt repayment obligations and failure to do so could cause the lender to demand on its security on the Company's long-term debt. The Company has made all payments to date in relation to this indebtedness, however there is no certainty that the Company will be able to continue servicing the debt once principal repayments are required. Effective August 1, 2013, the Company renegotiated its long-term debt and received an additional two year deferral of principal repayments. Under the renegotiated terms, the loan continues to be interest only with principal repayments now beginning on August 1, 2015 and the loan matures on July 1, 2018.

Despite current indebtedness levels, the Company may still be able to incur substantial additional indebtedness in the future.

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 sell its current or future drug products, including any limitations imposed on the marketing of such products.

If the Company fails to acquire and develop additional product candidates or approved products, it will impair the Company's ability to grow its business and to increase value for shareholders.

The Company generates product revenue only from AGGRASTAT. A component of the Company's plan to generate additional revenue is its intention to develop and/or to acquire or license, and then develop and market, additional product candidates or approved products. The success of this growth strategy depends upon the Company's ability to identify, select and acquire or license pharmaceutical products that meet the criteria it has established. Due to the fact the Company has limited financial capacity and limited value in its equity, relative to other companies in the industry, it has a limited number of product opportunities to choose from. Moreover, the Company's ability to research and develop its own, or other acquired/licensed products, is limited by the extent of its internal scientific research capabilities. In addition, proposing, negotiating and implementing an economically viable acquisition or license is a lengthy and complex process. Other companies, including those with substantially greater financial, marketing and sales resources, may compete with the Company for the acquisition or license of product candidates and approved products. The Company may not be able to acquire or license the rights to additional product candidates and approved products on terms that it finds acceptable, or at all.

The Company may never receive regulatory approval in the United States to expand or otherwise improve the approved indications and/or dosing information contained within AGGRASTAT's prescribing information. Therefore, the Company may not be able to materially increase the sales of AGGRASTAT.

In order to market AGGRASTAT for expanded indications and dosing regimens, the Company will need to conduct appropriate clinical trials, obtain positive results from those trials and obtain regulatory approval for such proposed indications and dosing regimens. The Company's failure to obtain necessary regulatory approvals from the FDA to expand or otherwise improve the approved indications and/or dosing information contained within AGGRASTAT's prescribing information may adversely affect its business, financial condition and results of operations. The process involved in obtaining such regulatory approval is long and costly and may require additional investments that may not be reasonably achievable by the Company. The regulatory authorities have substantial discretion in the approval process and may refuse to accept any application. Varying interpretations of the data obtained from pre-clinical and clinical testing could delay, limit or prevent regulatory approval of a new indication for a product. Furthermore, the approval to modify the prescribing information may be applicable to a limited extent only or it may be refused entirely.

The current approved prescribing information for AGGRASTAT does not include all of the dosing and therapeutic indications provided for in the prescribing information of its competitors. Moreover, the prescribing information does not include all of the dosing and therapeutic indications for which a physician may wish to use the product. Although health care professionals may utilize a product at doses and for indications outside of the approved prescribing information, the Company is prohibited from promoting such uses.

To obtain regulatory approvals to modify the prescribing information, the Company must supply sufficient information supporting the safety and efficacy of such uses to the FDA, which in turn must review and deem this information to be sufficient to modify the label in the agreed upon fashion. Unsatisfactory or insufficient results obtained from any particular study or clinical trial relating to the Company's products may cause the Company to reduce or abandon its efforts to expand or otherwise improve the approved indications and/or dosing information contained within AGGRASTAT's prescribing information.

If the Company does not comply with federal, state and foreign laws and regulations relating to the health care business, it could face substantial penalties.

The Company and its customers are subject to extensive regulation by the federal government, and the governments of the states in which the business is conducted. In the United States, the laws that directly or indirectly affect the Company's ability to operate its business include the following:

- the Federal Anti-Kickback Law, which prohibits persons from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or in kind, to induce either the referral of an individual or furnishing or arranging for a good or service for which payment may be made under federal health care programs such as Medicare and Medicaid;
- other Medicare laws and regulations that prescribe the requirements for coverage and payment for services performed by the Company's customers, including the amount of such payment;
- the Federal False Claims Act, which imposes civil and criminal liability on individuals and entities who submit, or cause to be submitted, false or fraudulent claims for payment to the government;
- the Federal False Statements Act, which prohibits knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false statement in connection with delivery of or payment for health care benefits, items or services; and
- various state laws that impose similar requirements and liability with respect to state healthcare reimbursement and other programs.

If the Company's operations are found to be in violation of any of the laws and regulations described above or any other law or governmental regulation to which the Company or its customers are or will be subject, the Company may be subject to civil and criminal penalties, damages, fines, exclusion from the Medicare and Medicaid programs and the curtailment or restructuring of its operations. Similarly, if the Company's customers are found to be non-compliant with applicable laws, they may be subject to sanctions, which could also have a negative impact on the Company. Any penalties, damages, fines, curtailment or restructuring of the Company's operations would adversely affect its ability to operate its business and financial results. Any action against the Company for violation of these laws, even if the Company is able to successfully defend against it, could cause it to incur significant legal expenses, divert management's attention from the operation of the business and damage the Company's reputation.

Due to the fact a substantial amount of the use of AGGRASTAT is outside of the FDA approved indications and/or dosing information contained within AGGRASTAT's prescribing information, the Company may be at a greater risk than another pharmaceutical company would be whose products are predominantly used within the approved prescribing information.

AGGRASTAT competes with a variety of drugs, which may limit the use of AGGRASTAT and adversely affect the Company's revenue.

Due to the incidence and severity of cardiovascular diseases, the market for anticoagulant and antiplatelet therapies is large and competition is intense. There are a number of anticoagulant and antiplatelet drugs currently on the market, awaiting regulatory approval or in development, including orally administered agents. AGGRASTAT competes with, or may compete with in the future, these drugs to the extent AGGRASTAT and any of these drugs are approved for the same or similar indications.

AGGRASTAT competes primarily with other platelet inhibitors, in particular the other GP IIb/IIIa inhibitors, ReoPro (abciximab) (sold by Eli Lilly and Company) and Integrilin (eptifibatide) (sold by Merck & Co., Inc.). It also competes with a number of oral platelet inhibitors, which can be used alone or in conjunction with anticoagulants, most notably with heparin (sold generically by a number of companies) and it is anticipated that new injectable platelet inhibitors (eg. cangrelor, which is being developed by The Medicines Company, Inc.) may become available that would also compete directly with AGGRASTAT. In addition, some alternative methods of treatment, such as the use of Angiomax (bivalirudin) (sold by The Medicines Company, Inc.), also compete with AGGRASTAT. These competitors are all marketed by large pharmaceutical companies with significantly more resources and experience than the Company. In the majority of hospitals in the United States AGGRASTAT is not available on the hospital formulary and it can be very difficult and time consuming to have AGGRASTAT added to formulary for use by health care professionals. In many cases, the other treatment approaches may have FDA approval for dosing regimens and/or therapeutic indications that are outside of AGGRASTAT's approved prescribing information. The risk of bleeding associated with AGGRASTAT may cause physicians to choose an alternative therapy. In some circumstances, AGGRASTAT competes with other drugs for the use of hospital financial resources. Although AGGRASTAT is positioned as a relatively low cost therapy, in certain circumstances, other treatment approaches are lower cost and may for this reason be preferred by health care professionals, in particular where oral antiplatelet agents are deemed suitable.

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's 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 the Company has 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 other 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, whether acting independently or 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 are crucial to the Company's intention to license to or contract with other pharmaceutical companies for the manufacturing, marketing, sales and/or distribution of any its current or future products. 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 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.

During fiscal 2012, 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. Also during fiscal 2012, Medicure International engaged and initiated work with a contract manufacturing organization to establish a new source of the raw material for AGGRASTAT. This work with a contract manufacturing organization continued through fiscal 2013.

The Company's subsidiary, Medicure Pharma, Inc., has a third party manufacturer of the final product AGGRASTAT and that supply arrangement does not expire until July 1, 2015.

If either the supply of raw material or the final product 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, pharmaceutical companies, medical supply companies, and companies, such as the Company, that offer or plan to offer various products in the United States and other countries. 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 is and will remain 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, as is the case with AGGRASTAT, 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 development products are approved for sale, the Company intends to contract with and rely on third parties to manufacture, and possibly also 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, entails product and professional liability risks that 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 for 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 patent positions of pharmaceutical companies are generally uncertain and involve complex legal, scientific and factual issues. The Company's success depends significantly on its ability to:

- obtain and maintain U.S. and foreign patents, including defending those patents against adverse claims;
 - secure patent term extensions for the patents covering its approved products;
 - protect trade secrets;
 - operate without infringing the proprietary rights of others; and
 - prevent others from infringing its proprietary rights.

The Company's success will depend to a significant degree 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. Errors or ill-advised decisions by Company staff and/or contracted patent agents may also affect the Company's ability to obtain or maintain valid patent protection.

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.

The U.S. Congress is considering patent reform legislation. In addition, the U.S. Supreme Court has ruled on several patent cases in recent years, either narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. This combination of events has created uncertainty with respect to the value of patents, once obtained, and the Company's ability to obtain patents in the future. Depending on decisions by the U.S. Congress, the federal courts, and the United States Patent and Trademark Office, the laws and regulations governing patents could change in unpredictable ways that would weaken the Company's ability to obtain new patents or to enforce its existing patents and patents that it might obtain in the future.

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 in 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 manufacturing capabilities, clinical data and regulatory approvals necessary to successfully market its products under development in any jurisdiction; future clinical or preclinical results may be negative or insufficient to allow it to successfully market any of its products under development; and obtaining needed data and results may take longer than planned, and may not be obtained at all.

Even if the Company's products under development 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 related to AGGRASTAT and/or its products under development, that are material to the Company's 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 operates in an industry that is more susceptible to legal proceedings. The Company may become involved in litigation.

The Company operates in an industry consisting of firms that are more susceptible to legal proceedings than firms in other industries, due to the uncertainty and complex regulatory environment involved in the development and sale of pharmaceuticals. The Company intends to vigorously defend such actions if and when they arise. Defense and prosecution of legal claims can be expensive and time consuming, may adversely affect the Company regardless of the outcome due to the diversion of financial, management and other resources away from the Company's primary operations, and could impact the Company's ability to continue as a going concern in the longer term. In addition, a negative judgment against the Company, even if the Company is planning to appeal such a decision, or even a settlement in a case, could negatively affect the cash reserves of the Company, and could have a material negative effect on the development and sale of its products.

Indemnification obligations to the Company's directors and senior management may adversely affect its financial condition.

The Company has entered into agreements pursuant to which it will indemnify the directors and senior management in respect of certain claims made against them while acting in their capacity as such. If the Company is called upon to perform its indemnity obligations, the Company's financial condition will be adversely affected. The Company is not currently aware of any matters pending or under consideration that may result in indemnification payments to any of its present or former directors or senior management.

The Company is exposed to foreign exchange movements since the majority of 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.

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 rely 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, revenue, 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 from the Company's shareholders. Such approval may not be provided. The Company has not completed a financing through sale of its securities since fiscal 2008.

The Company is listed on the TSX-V, which is a stock exchange based in Canada. Under policy 4.1 of the TSX-V's Corporate Finance Manual, a listed company is not permitted to issue securities at less than \$0.05 per share. As at May 31, 2013, the closing trading price for the Company's shares was \$0.20 and the Company's shares have traded below that price. There can be no certainty that the share price will continue to trade regularly above the minimum share issuance price.

To help address and reduce this risk, a consolidation of shares was completed on November 2, 2012 to reduce the total number of outstanding shares and thereby to increase the share price of their listed securities.

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.

The Company is exposed to risks given its significant dependence on revenue from the sale of its sole commercial product, AGGRASTAT.

The Company has limited financial resources and is largely dependent upon revenue from the sale of its sole commercial product. The Company has significant on-going cash expenses, including commitments to advance research and development programs, however, the Company has limited ability to generate cash from other sources, such as financing through the sale of equity.

If revenue from the sale of AGGRASTAT is not maintained or increased, 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, 2013, the Company had 12,196,508 common shares issued and outstanding. A further 1,421,352 common shares are issuable upon exercise of outstanding stock options and another 66,667 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 15% of the outstanding common shares at any time.

A consolidation of shares was completed on November 2, 2012 to reduce the total number of outstanding shares.

During fiscal 2013, on May 10, 2013, the Company issued 463,000 stock options to certain directors, officers, employees, management company employees and consultants of the Company.

During fiscal 2012, on July 18, 2011, the Company issued 3,509,336 common shares (52,640,043 re-consolidation common shares) and 836,133 stock options (12,542,000 pre-consolidated stock options) in conjunction with transactions announced on that date.

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.

Effective at the opening of the market on November 2, 2012, the Company's issued and outstanding common shares were consolidated on the basis of one post-consolidation common share for every fifteen pre-consolidation common shares. The Company's name and trading symbol did not change as a result of the consolidation. The Company's common shares were reduced from 182,947,595 to 12,196,508 issued and outstanding as a result of the consolidation. On May 31, 2013, the Company's common shares closed at a price of CDN\$0.20 on the TSX-V.

For the period from June 1, 2012 to November 1, 2012, the high and low closing trading prices of the Company's common shares were CDN\$0.045 and CDN\$0.025, respectively, with a total trading volume of 7,768,350 shares.

For the period from November 2, 2012 to May 31, 2013, the high and low closing trading prices of the Company's common shares were CDN\$0.67 and CDN\$0.20, respectively, with a total trading volume of 653,564 shares.

The Company's shares were delisted from Amex on July 3, 2008 and from the TSX on March 26, 2010. From March 26, 2010 until October 21, 2011, shares of the Company traded on the NEX board of the TSX-V under the symbol "MPH.H". On October 24, 2011 shares of the Company commenced trading on the TSX-V under the symbol "MPH".

Daily trading volume on the TSX of the Company's common shares for the period from June 1, 2012 to November 1, 2013 has fluctuated, with a high of 624,945 shares and a low of nil shares, averaging approximately 73,286 shares per trading day.

Daily trading volume on the TSX of the Company's common shares for the period from November 2, 2012 to May 31, 2013 has fluctuated, with a high of 30,040 shares and a low of nil shares, averaging approximately 4,416 shares per trading day.

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 inability to meet continued listing requirements. On March 29, 2010, the Company's common shares commenced trading on the NEX board of the TSX-V under the symbol "MPH.H". The shares continued trading on the NEX until October 21, 2011, at which time the trading of the Company's shares was transferred to the TSX-V under the symbol "MPH".

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 TSX-V. 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, 2013, and does not expect that it will be a "passive foreign investment Company" (PFIC) for the taxable year ending May 31, 2014. (See more detailed discussion in Item 10E – 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 "Qualified Foreign Corporation" (QFC) for the taxable year ending May 31, 2014, 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, 2014 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 no longer has a shareholder rights plan.

During fiscal 2012, the Company allowed its shareholder rights plan to expire. The provisions of such plan were intended to provide benefit to shareholders.

Penny stock classification could affect the marketability of the Company's common shares and shareholders could find it difficult to sell their shares.

The penny stock rules in the United States require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation.

Further, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from such rules; the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These additional broker-dealer practices and disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the Company's common shares in the United States, and shareholders may find it more difficult to sell their 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 accounting and reporting for complex transactions, due to limited staff not allowing for appropriate reviews of such transactions. 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 Medicare Inc. with Lariat Capital Inc. pursuant to the provisions of the Business Corporations 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 Corporations Act on February 23, 2000.

The Company's current legal and commercial name is Medicare 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.

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.

Since March 2008, the Company has continued to focus on the sale and marketing of AGGRASTAT. The Company has also explored and implemented a number of cost savings measures and has further downsized its operations. 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 development and implementation of a new clinical, product and regulatory strategy for AGGRASTAT and the ongoing Phase II clinical study of TARDOXAL.

The Company's future operations are dependent upon its ability to grow sales of AGGRASTAT, to develop and/or acquire new products, and/or secure additional capital, which may not be available under favourable terms or at all, and/or renegotiate the terms of its contractual commitments and long-term debt. If the Company is unable to grow sales or raise additional capital, management will consider other strategies including further cost curtailments, delays of research and development activities, asset divestures and/or monetization of certain intangibles. Effective August 1, 2013, the Company renegotiated its long-term debt and received an additional two year deferral of principal repayments. Under the renegotiated terms, the loan continues to be interest only and principal repayments will begin on August 1, 2015 and the loan matures on July 1, 2018.

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 primarily focused on developing and implementing new regulatory, brand and life cycle management strategy for 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 recent years, 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 ongoing focus of the Company and its primary asset of interest is AGGRASTAT. 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 \$330 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.

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. During fiscal 2012, on July 18, 2011, the Company's previously existing long-term debt was settled as described in Note 8 to the accompanying financial statements. Based on management's current estimates and expected operating activities management has forecast that contractual commitments and debt service obligations will exceed the company's net cash flows and working capital during fiscal 2014. The Company's future operations are dependent upon its ability to grow sales of AGGRASTAT, to develop and/or acquire new products, and/or to secure additional capital, which may not be available under favourable terms or at all, and/or renegotiate the terms of its contractual commitments and long-term debt. If the Company is unable to grow sales, develop and/or acquire new products, or raise additional capital, management will consider other strategies including further cost curtailments, delays of research and development activities, asset divestitures and/or monetization of certain intangibles.

Recent Developments

- Amendment of MIOP Loan:

Effective August 1, 2013, the Company renegotiated its long-term debt and received an additional two year deferral of principal repayments. Under the renegotiated terms, the loan continues to be interest only with principal repayments now beginning on August 1, 2015 and the loan matures on July 1, 2018.

- Stock Options:

On May 10, 2013, the Company issued 463,000 stock options certain directors, officers, employees, management company employees and consultants of the Company pursuant to the Company's Stock Option Plan at an exercise price of \$0.30 per common share. The options vest immediately and expire on the tenth anniversary of the date of grant.

- Ongoing Clinical Trial of AGGRASTAT®:

As announced on May 10, 2012 the Company is enrolling patients in a new clinical trial of AGGRASTAT (tirofiban HCl) entitled "Shortened Aggrastat Versus Integrilin in Percutaneous Coronary Intervention" (SAVI-PCI).

SAVI-PCI is a randomized, open-label study enrolling patients undergoing percutaneous coronary intervention (PCI) at sites across the United States. In June 2013, the target number of patients to be enrolled in the study was increased from 600 to 675. The study is designed to evaluate whether patients receiving the investigational, High-Dose Bolus

(HDB) regimen of AGGRASTAT (25 mcg/kg bolus over 3 minutes) followed by an infusion of 0.15 mcg/kg/min for either a shortened duration of 1 to 2 hours or a lengthened infusion of 12 to 18 hours will have outcomes that are similar, or “non-inferior,” to patients receiving a 12 to 18 hour infusion of Integrilin® (eptifibatide) (Merck & Co., Inc.) at its FDA approved dosing regimen. The study arm investigating AGGRASTAT HDB followed by a 12 to 18 hour infusion was added subsequent to enrollment commencing.

The primary objective of SAVI-PCI is to demonstrate AGGRASTAT is non-inferior to Integrilin with respect to the composite endpoint of death, PCI-related myocardial infarction, urgent target vessel revascularization, or major bleeding within 48 hours following PCI or hospital discharge. The secondary objectives of this study include the assessment of safety as measured by the incidence of major bleeding.

The first patient was enrolled in June 2012. The Principal Investigator for the study is Steven V. Manoukian, MD, (Nashville, TN). The AGGRASTAT dosing regimen and the treatment setting studied in the SAVI-PCI study have not been approved by the FDA.

Both AGGRASTAT and Integrilin are reversible, small molecule GP IIb/IIIa inhibitors that have been shown in clinical trials to reduce the combined incidence of death and myocardial infarction in patients with unstable angina (chest pain) (UA) or non-ST elevation myocardial infarction (NSTEMI) undergoing cardiac catheterization when compared to heparin. These agents work by preventing the ability of platelets to aggregate together. These platelet aggregates (commonly referred to as blood clots) can result in a partial or complete blockage of the coronary artery if left untreated.

Bleeding is a common adverse reaction associated with the use of GP IIb/IIIa inhibitors due to their unique ability to prevent and disaggregate blood clots. A patient's risk of bleeding is an important factor when determining an optimal treatment approach and, in some cases, complicates or limits the use of these agents. With the SAVI-PCI study, the investigators will explore whether AGGRASTAT HDB plus a shortened infusion can reduce the risk of bleeding while maintaining comparable ischemic protection relative to the currently approved 18 hour infusion of Integrilin. Other studies have indicated that shortening the infusion duration of GP IIb/IIIa inhibitors can potentially lead to a reduction in bleeding complications for patients undergoing PCI. It is important to note that bleeding complications have been linked to increased rates of other major complications and mortality, as well as increased overall cost of care. A goal of the SAVI-PCI study is to further optimize the safety, efficacy and efficiency of treatment used in the setting of PCI. With the addition of a third study arm, the SAVI-PCI study will also assess whether AGGRASTAT HDB followed by a 12 to 18 hour infusion provides efficacy and safety that is non-inferior to either AGGRASTAT HDB plus a shortened infusion or the currently approved 18 hour infusion of Integrilin.

- Appointment of New Director:

On January 22, 2013, the Company appointed Brent Fawkes CA, to the Board of Directors. Mr Fawkes was subsequently appointed by the Board of Directors to replace Mr. Gerry McDole as Chair of the Company's Audit and Finance Committee.

- Aggrastat Label Change:

On January 8, 2013, the Company announced that a supplemental new drug application (sNDA) for the high dose bolus (HDB) dosing regimen of AGGRASTAT was submitted to the FDA. The sNDA submission requests the addition of the AGGRASTAT HDB regimen (an initial bolus of 25 mcg/kg and then continued at 0.15 mcg/kg/min) to the approved prescribing information for AGGRASTAT. The rationale for the AGGRASTAT HDB regimen is to attain therapeutic platelet inhibition more rapidly than the currently approved dosing regimen (an initial rate of 0.4 mcg/kg/min for 30 minutes and then continued at 0.1 mcg/kg/min). The efficacy and safety of the HDB regimen has been evaluated in more than 30 clinical studies involving over 9,000 patients and is currently recommended by the ACCF/AHA treatment guidelines. The sNDA submission is an important part of the Company's clinical and regulatory strategy to improve Aggrastat's position within the contemporary market.

Early in calendar year 2013, the Company conducted a renal dosing study in volunteers receiving the AGGRASTAT 25 mcg/kg bolus dose. The results of this study were submitted to the FDA separately to guide appropriate dosing recommendations for the HDB regimen in patients with impaired kidney function, for FDA review in parallel with the sNDA submission. The Company received \$200,000 (Canadian dollars) in grant funding from the Province of Manitoba Commercialization Support for Business (CSB) Program to complete the renal study.

The sNDA submission was formally accepted by, and prepared in consultation with, the FDA's Division of Cardiovascular and Renal Drug Products. The Division is currently reviewing the sNDA submission and a response is anticipated before the end of October 2013.

- Launch of AGGRASTAT in Puerto Rico:

On November 5, 2012, the Company announced that its subsidiary, Pharma, Inc., has entered into an agreement with Seyer Pharmatec, Inc. for the sale and marketing of AGGRASTAT within the Commonwealth of Puerto Rico. Under the terms of the agreement, the Seyer Pharmatec sales force launch its promotional efforts for AGGRASTAT early in calendar year 2013.

- Share Consolidation:

Effective at the opening of the market on November 2, 2012, the Company's issued and outstanding common shares were consolidated on the basis of one post-consolidation common share for every fifteen pre-consolidation common shares. The Company's name and trading symbol did not change as a result of the consolidation. The Company's common shares were reduced from 182,947,595 to 12,196,508 issued and outstanding as a result of the consolidation.

- New Formulation of AGGRASTAT:

On September 26, 2012, the Company announced the development of a transdermal delivery formulation of its lead drug, AGGRASTAT. The ability to administer a drug transdermally (i.e. through the skin) provides a convenient way to deliver a stable, therapeutic level of medication to the patient. AGGRASTAT and other antiplatelet drugs of its class (known as glycoprotein IIb/IIIa inhibitors or GPIs) are currently only administered by intravenous infusion. In vivo proof of principle for the transdermal delivery of therapeutic levels of AGGRASTAT's active ingredient, tirofiban, was recently established in animal studies conducted in collaboration with 4P Therapeutics, Inc. (Alpharetta, GA). 4P Therapeutics, a world leader in the research and development of novel transdermal products, has entered into an agreement with the Company's subsidiary, Medicure International, Inc., to further develop transdermal tirofiban. The delivery of tirofiban by a novel, transdermal method has potential to provide significant advantages over the current treatments used in this setting, including the potential for increased use prior to hospitalization.

The transdermal tirofiban development program is now focusing on refining the delivery approach in preparation for initial human studies. Medicure International, Inc. holds worldwide rights to transdermal tirofiban.

Commercial:

In fiscal 2007, the Company's subsidiary, Medicure International, Inc., acquired the U.S. rights to its first commercial product, AGGRASTAT, 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 (chest pain) (UA), which is characterized by chest pain when one is at rest, and non-Q-wave myocardial infarction (MI). Under a contract with Medicure International, Inc., the Company's subsidiary, Medicure Pharma, Inc., continues to support, market and distribute the product. Through a services agreement with Medicure Inc., work related to AGGRASTAT is conducted by home office staff in Winnipeg, Canada and a small number of third party contractors.

Net revenue from the sale of finished AGGRASTAT products for the year ended May 31, 2013 decreased 10% over the net revenue for the year ended May 31, 2012. All of the Company's sales are denominated in U.S. dollars. The decrease in revenue compared to the previous fiscal year primarily reflects fluctuations in wholesale purchasing patterns. Although wholesale purchasing is related to hospital demand, it is also subject to wholesaler inventory adjustments, including an observed trend to reduce wholesale inventory levels (days-on-hand) as compared to previous years resulting in a downward adjustment to wholesale revenue. The decrease in revenue is also attributable to increases in discounts to new customers and corresponds with an overall decline in use of injectable antiplatelet drugs.

Hospital demand for AGGRASTAT remained steady compared to the previous fiscal year and compared to the same quarter for the previous year. Growth in sales attributed to the addition of new hospitals is partially offsetting the sales decline among historical customers. Much of this decline is attributed to the overall decline for this drug class. The number of new hospital customers has increased over the year and the Company's commercial team continues to work on further expanding its customer base.

Net revenues from unfinished products were \$1.9 million due to the sale during the year ended May 31, 2012 of unfinished product to a European pharmaceutical company, Iroko. There were no similar sales of unfinished products during fiscal 2013.

Going forward and contingent on sufficient finances being available, the Company intends 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 research and development activities are predominantly conducted by its subsidiary, Medicure International, Inc.

The 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.

An important aspect of the AGGRASTAT strategy is the revision of its approved prescribing information. On January 8, 2013, the Company announced that a supplemental new drug application (sNDA) for the high dose bolus (HDB) dosing regimen of AGGRASTAT was submitted to the FDA. The sNDA submission requests the addition of the AGGRASTAT HDB regimen (an initial bolus of 25 mcg/kg and then continued at 0.15 mcg/kg/min) to the approved prescribing information for AGGRASTAT. The rationale for the AGGRASTAT HDB regimen is to attain

therapeutic platelet inhibition more rapidly than the currently approved dosing regimen (an initial rate of 0.4 mcg/kg/min for 30 minutes and then continued at 0.1 mcg/kg/min). The efficacy and safety of the HDB regimen has been evaluated in more than 30 clinical studies involving over 9,000 patients and is currently recommended by the ACCF/AHA treatment guidelines. The sNDA submission is an important part of the Company's clinical and regulatory strategy to improve AGGRASTAT's position within the contemporary market.

Related to this label change request, the Company conducted a renal dosing study in volunteers receiving the AGGRASTAT 25 mcg/kg bolus dose. The results of this study were submitted to the FDA separately to guide appropriate dosing recommendations for the HDB regimen in patients with impaired kidney function, for FDA review in parallel with the sNDA submission.

The sNDA submission was formally accepted by, and prepared in consultation with, the FDA's Division of Cardiovascular and Renal Drug Products. The Division is currently reviewing the sNDA submission and a response is anticipated before the end of October 2013.

Another aspect of the AGGRASTAT strategy is to advance studies related to the contemporary use and future regulatory positioning of the product. On May 10, 2012 the Company announced the commencement of enrollment in a new clinical trial of AGGRASTAT entitled "Shortened Aggrastat Versus Integrilin in Percutaneous Coronary Intervention" (SAVI-PCI). SAVI-PCI is a randomized, open-label study enrolling patients undergoing percutaneous coronary intervention (PCI) at sites across the United States. In June 2013, the target number of patients to be enrolled in the study was increased from 600 to 675. The study is designed to evaluate whether patients receiving the investigational, High-Dose Bolus (HDB) regimen of AGGRASTAT (25 mcg/kg bolus over 3 minutes) followed by an infusion of 0.15 mcg/kg/min for either a shortened duration of 1 to 2 hours or a lengthened infusion of 12 to 18 hours will have outcomes that are similar, or "non-inferior," to patients receiving a 12 to 18 hour infusion of Integrilin® (eptifibatide) (Merck & Co., Inc.) at its FDA approved dosing regimen. The study arm investigating AGGRASTAT HDB followed by a 12 to 18 hour infusion was added subsequent to enrollment commencing.

The primary objective of SAVI-PCI is to demonstrate AGGRASTAT is non-inferior to Integrilin with respect to the composite endpoint of death, PCI-related myocardial infarction, urgent target vessel revascularization, or major bleeding within 48 hours following PCI or hospital discharge. The secondary objectives of this study include the assessment of safety as measured by the incidence of major bleeding.

The first patient was enrolled in June 2012. The Principal Investigator for the study is Steven V. Manoukian, MD (Nashville, TN). The AGGRASTAT dosing regimen and the treatment setting studied in the SAVI-PCI study have not been approved by the FDA.

Both AGGRASTAT and Integrilin are reversible, small molecule GP IIb/IIIa inhibitors that have been shown in clinical trials to reduce the combined incidence of death and myocardial infarction in patients with unstable angina (chest pain) (UA) or non-ST elevation myocardial infarction (NSTEMI) undergoing cardiac catheterization when compared to heparin. These agents work by preventing the ability of platelets to aggregate together. These platelet aggregates (commonly referred to as blood clots) can result in a partial or complete blockage of the coronary artery if left untreated.

Bleeding is a common adverse reaction associated with the use of GP IIb/IIIa inhibitors due to their unique ability to prevent and disaggregate blood clots. A patient's risk of bleeding is an important factor when determining an optimal treatment approach and, in some cases, complicates or limits the use of these agents. With the SAVI-PCI study, the investigators will explore whether AGGRASTAT HDB plus a shortened infusion can reduce the risk of bleeding while maintaining comparable ischemic protection relative to the currently approved 18 hour infusion of Integrilin. Other studies have indicated that shortening the infusion duration of GP IIb/IIIa inhibitors can potentially lead to a reduction in bleeding complications for patients undergoing PCI. It is important to note that bleeding complications have been linked to increased rates of other major complications and mortality, as well as increased overall cost of care. A goal of the SAVI-PCI study is to further optimize the safety, efficacy and efficiency of treatment used in the setting of PCI. With the addition of a third study arm, the SAVI-PCI study will also assess whether AGGRASTAT HDB followed by a 12 to 18 hour infusion provides efficacy and safety that is non-inferior to

either AGGRASTAT HDB plus a shortened infusion or the currently approved 18 hour infusion of Integrilin.

Yet another aspect of the AGGRASTAT strategy is to explore and develop new uses and dosing approaches related to the product. On September 26, 2012, the Company announced the development of a transdermal delivery formulation of AGGRASTAT. The ability to administer a drug transdermally (i.e. through the skin) provides a convenient way to deliver a stable, therapeutic level of medication to the patient. AGGRASTAT and other antiplatelet drugs of its class (known as glycoprotein IIb/IIIa inhibitors or GPIs) are currently only administered by intravenous infusion. In vivo proof of principle for the transdermal delivery of therapeutic levels of AGGRASTAT's active ingredient, tirofiban, was recently established in animal studies conducted in collaboration with 4P Therapeutics, Inc. (Alpharetta, GA). 4P Therapeutics, a world leader in the research and development of novel transdermal products, has entered into an agreement with the Company's subsidiary, Medicure International, Inc., to further develop transdermal tirofiban. The delivery of tirofiban by a novel, transdermal method has potential to provide significant advantages over the current treatments used in this setting, including the potential for increased use prior to hospitalization.

The transdermal tirofiban development program is now focusing on refining the delivery approach in preparation for initial human studies. Medicure International, Inc. holds worldwide rights to transdermal tirofiban.

The Company is also continuing to explore other experimental uses and dosing approaches related to AGGRASTAT.

Through a modest but ongoing research and development investment, the Company is also exploring other new product opportunities.

Although other new product opportunities exist, 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 was expended in the past year for the Phase II clinical study of TARDOXAL, entitled Tardoxal for the Treatment of Tardive Dyskinesia (TEND-TD). Enrollment in the initial stage of the study has been completed and the results from interim analysis is pending.

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

| Product Candidate | Therapeutic focus | Stage of Development |
|-----------------------|-----------------------------|--|
| AGGRASTAT® | Acute Cardiology | Approved – Additional studies underway |
| TARDOXAL™ | TD/Neurological indications | Phase IIa – enrollment complete, awaiting analysis |
| Transdermal AGGRASTAT | Acute Cardiology | Preclinical– formulation development underway |

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. No such formal agreement, or letter of intent, has been entered into by the Company as of the date hereof.

The Company has evaluated and continues to evaluate the acquisition or license of other products with the objective of further broadening its product portfolio and generating additional revenue. No such formal agreement has been entered into by the Company as of the date hereof.

Potential New Products in Development Stage

Transdermal AGGRASTAT: The Company is investing a modest amount of capital on the development of a new, transdermal formulation of AGGRASTAT. On September 26, 2012, the Company announced the development of a transdermal delivery formulation of AGGRASTAT. The ability to administer a drug transdermally (i.e. through the skin) provides a convenient way to deliver a stable, therapeutic level of medication to the patient. AGGRASTAT and other antiplatelet drugs of its class (known as glycoprotein IIb/IIIa inhibitors or GPIs) are currently only administered by intravenous infusion. In vivo proof of principle for the transdermal delivery of therapeutic levels of AGGRASTAT's active ingredient, tirofiban, was recently established in animal studies conducted in collaboration with 4P Therapeutics, Inc. (Alpharetta, GA). 4P Therapeutics, a world leader in the research and development of novel transdermal products, has entered into an agreement with the Company's subsidiary, Medicure International, Inc., to further develop transdermal tirofiban. The delivery of tirofiban by a novel, transdermal method has potential to provide significant advantages over the current treatments used in this setting, including the potential for increased use prior to hospitalization.

The transdermal tirofiban development program is now focusing on refining the delivery approach in preparation for initial human studies. Medicure International, Inc. holds worldwide rights to transdermal tirofiban.

The Company is also exploring other experimental uses and dosing approaches related to AGGRASTAT. This work may lead to other new product formats and formulations of AGGRASTAT, any of which would require substantial additional research and development investment by the Company.

TARDOXAL: One of the Company's ongoing investments 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.

Other Products: Through a modest but ongoing research and development investment, the Company is also exploring other new product opportunities.

As at May 31, 2013, 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 Company's only commercial product AGGRASTAT, 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 an antiplatelet drug which affects 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®). All three are proprietary drugs that do not have generic equivalents. 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 mid to late stage clinical development. However, the choice and use of AGGRASTAT may be affected by the continued advancement of new antithrombotic and antiplatelet agents, including the recently approved oral antiplatelet agents, ticagrelor (Brilinta®) and prasugrel (Effient®). The potential launch of the injectable antiplatelet agent, cangrelor, by The Medicines Company, would be expected to have some impact on the use and sale of glycoprotein IIB/IIIa inhibitors, including AGGRASTAT. 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:

- Maintaining and Growing AGGRASTAT sales in the United States.

The Company is working to expand sales of AGGRASTAT in the United States. The present market for GP IIB/IIIa inhibitors, of which AGGRASTAT is one of three agents, is approximately \$330 million per year (2012). At present AGGRASTAT has $\leq 2\%$ of this market. The use of AGGRASTAT is recommended by the AHA and ACC Guidelines 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%.

- 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. The Company has submitted a supplemental new drug application (sNDA) for the high dose bolus (HDB) dosing regimen of AGGRASTAT to the FDA. The sNDA submission requests the addition of the AGGRASTAT HDB regimen (an initial bolus of 25 mcg/kg and then continued at 0.15 mcg/kg/min) to the approved prescribing information for AGGRASTAT. The sNDA submission is an important part of the Company's clinical and regulatory strategy to improve AGGRASTAT's position within the contemporary market. Any such change is dependent upon review and approval by the FDA

The recently initiated SAVI-PCI trial is intended to generate additional clinical data on this experimental approach to using AGGRASTAT which may in the future help support other investments aimed at expanding the approved dosing regimen and the treatment setting for the Product. The SAVI-PCI study is not expected nor intended to be sufficient to support FDA approval of the AGGRASTAT dosing regimen and the treatment setting used in SAVI-PCI.

While the Company believes that it will be able to implement a relatively low cost clinical, product and regulatory strategy, it requires additional resources to conduct all aspects of this plan. The Company is working to advance this program with the modest capital investment that it can make from its available cash resources.

- The development of a transdermal formulation of AGGRASTAT.

The Company is investing a modest amount of capital on the development of a new, transdermal formulation of AGGRASTAT. On September 26, 2012, the Company announced the development of a transdermal delivery formulation of AGGRASTAT. The ability to administer a drug transdermally (i.e. through the skin) provides a convenient way to deliver a stable, therapeutic level of medication to the patient.

The delivery of tirofiban by a novel, transdermal method has potential to provide significant advantages over the current treatments used in this setting, including the potential for increased use prior to hospitalization.

The transdermal tirofiban development program is now focusing on refining the delivery approach in preparation for initial human studies. Medicure International, Inc. holds worldwide rights to transdermal tirofiban.

- 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 products that it may from time to time develop. Such a partnership would provide funding for clinical development, add experience to the product development process and provide market positioning expertise. No formal agreement or letter of intent for such a commercial partnership 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, 2012, American Cardio Therapeutics Inc. had no activity and it is the Company's intention that American Cardio Therapeutics Inc. will be wound up.

D. Property, Plants and Equipment

Office Space

Included within the business and administration services agreement entered into with Genesys Venture Inc. (see Item 5F - Contractual Obligations), is the use of office space at Genesys Venture Inc.'s head office located at 1250 Waverley Street in Winnipeg, Manitoba, Canada. The Company currently has use of 5.5 offices.

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 3D - 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, 2013 and May 31, 2012 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 IFRS included under Item 18 to this Annual Report.

Critical Accounting Policies and Estimates

Going concern

The consolidated financial statements for the year ended May 31, 2013 have been prepared on a going concern basis in accordance with IFRS. 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 substantial doubt about the appropriateness of the use of the going concern

assumption because the Company had experienced operating losses from incorporation and has accumulated a deficit of \$125,877,356 as at May 31, 2013 and a working capital deficiency of \$2,065,539. Management has forecast that contractual commitments and debt service obligations will exceed the company's net cash flows and working capital during fiscal 2014. The Company's future operations are dependent upon its ability to grow sales of AGGRASTAT, to develop and/or acquire new products, and/or secure additional capital, which may not be available under favourable terms or at all, and/or renegotiate the terms of its contractual commitments and long-term debt. If the Company is unable to grow sales or raise additional capital, management will consider other strategies including further cost curtailments, delays of research and development activities, asset divestures and/or monetization of certain intangibles. Effective August 1, 2013, the Company renegotiated its long-term debt and received an additional two year deferral of principal repayments. Under the renegotiated terms, the loan continues to be interest only with principal repayments now beginning on August 1, 2015 and the loan matures on July 1, 2018.

The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent on many factors, including, but not limited to the actions taken or planned, some of which are described above, which are intended to mitigate the adverse conditions and events which raise doubt about the validity of the going concern assumption used in preparing these financial statements. There is no certainty that the Company's working capital will be sufficient through fiscal 2014 or that the above described and other strategies will be sufficient to permit the Company to continue as a going concern.

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 statement of financial position classifications used.

Estimates

The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements and information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the notes to the financial statements. Areas of significant estimates include; valuation of the royalty obligation, valuation of the warrant liability, valuation of the other long-term liability, provisions for returns and discounts, the estimation of accruals for research and development costs, the measurement and period of useful life of intangible assets, the assumptions and model used to estimate the value of share-based payment transactions and the measurement of the amount and assessment of the recoverability of income tax assets.

Valuation of the royalty obligation, warrant liability and other long-term liability

The Company has the following non-derivative financial liabilities which are classified as other financial liabilities: accounts payable and accrued liabilities, accrued interest on long-term debt and long-term debt.

All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Costs incurred to obtain financing are deferred and amortized over the term of the associated debt using the effective interest method. Amortization is a non-cash charge to interest expense.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Warrants with an exercise price denominated in a foreign currency are recorded as a warrant liability and classified as fair value through profit and loss. The warrant liability is included within accounts payable and accrued liabilities and the change in the fair value of the warrants is recorded as a gain or loss in the consolidated statement of net income (loss) and comprehensive income (loss) within finance expense. These warrants have not been listed on an exchange and therefore do not trade on an active market.

The warrant liability is measured by reference to the fair value of the warrants at the date at which they were granted and subsequently revalued at each reporting date. Estimating fair value for these warrants requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the warrants, volatility and dividend yield and making assumptions about them.

The royalty obligation is measured by reference to its fair value at the date at which the liability was incurred and subsequently revalued at each reporting date. Estimating fair value for this liability requires determining the most appropriate valuation model which is dependent on its underlying terms and conditions. This estimate also requires determining expected revenues from AGGRASTAT sales and an appropriate discount rate and making assumptions about them.

The other long-term liability is measured by reference to its fair value at the date at which the liability was incurred and subsequently revalued at each reporting date. Estimating fair value for this liability requires determining the most appropriate valuation model which is dependent on its underlying terms and conditions. The estimate also requires determining the time frame when certain sales targets are expected to be met and an appropriate discount rate and making assumptions about them.

The accounting guidance for fair value measurements prioritizes the inputs used in measuring fair value into the following hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable;

Level 3 - Unobservable inputs in which little or no market activity exists, therefore requiring an entity to develop its own assumptions about the assumptions that market participants would use in pricing.

The fair value of the warrant liability is based on level 2 (significant observable inputs) and the fair value of the royalty obligation and other long-term liability are based on level 3 (unobservable inputs).

Provision for returns and discounts

Revenue from the sale of goods, comprising finished and unfinished products, in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible returns of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

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.

Estimation of accruals for research and development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. No development costs have been capitalized to date.

Research and development expenses include all direct and indirect operating expenses supporting the products in development.

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.

Measurement and period of use of intangible assets

Intangible assets that are acquired separately and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

Costs incurred in obtaining a patent are capitalized and amortized on a straight-line basis over the legal life of the respective patent, ranging from five to twenty years, or its economic life, if shorter. Costs incurred in obtaining a trademark are capitalized and amortized on a straight-line basis over the legal life of the respective trademark, being ten years, or its economic life, if shorter. Costs incurred in obtaining a customer list are capitalized and amortized on a straight-line basis over its estimated economic life of approximately ten years.

Costs incurred in successfully obtaining a patent, trademark or customer list are measured at cost less accumulated amortization and accumulated impairment losses. The costs of servicing the Company's patents and trademarks are expensed as incurred.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit and loss as incurred.

The Company assesses at each reporting period whether there is an indication that a non-financial asset may be impaired. An impairment loss is recognized when the carrying amount of an asset, or its cash generating unit (CGU) exceeds its recoverable amount. Impairment losses are recognized in net income (loss) and comprehensive income (loss) and included in research and development expense if they relate to patents. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount is the greater of the asset's or CGU's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less cost to sell, an appropriate valuation model is used. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

Assumptions and model used to estimate the value of share-based payment transactions

The Company has a stock option plan for its directors, management, employees, and consultants. The grant date fair value of share-based awards granted to employees is recognized as a personnel expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are account for as equity-settled share-based payment transactions. In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

For the year ended May 31, 2013, the Company recorded stock-based compensation of \$102,992 (May 31, 2012 - \$224,445).

Measurement of the amount and assessment of the recoverability of income tax assets

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax receivable or payable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax receivable or payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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, 2013 Compared to the Year Ended May 31, 2012

Net product sales for fiscal 2013 were \$2,603,000, compared to \$4,797,000 in fiscal 2012. The Company currently sells finished 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. Additionally in fiscal 2012, the Company sold unfinished product used in the manufacture of AGGRASTAT to a European Pharmaceutical company. There were no similar sales of unfinished product during fiscal 2013.

The decrease in revenues compared to the previous fiscal year primarily reflects fluctuations in wholesale purchasing patterns. Although wholesale purchasing is related to hospital demand, it is also subject to wholesaler inventory adjustments, including an observed trend to reduce wholesale inventory levels (days-on-hand) as compared to previous years resulting in a downward adjustment to wholesale revenue. The decrease in revenue is also attributable to increases in discounts to new customers and corresponds with an overall decline in use of injectable antiplatelet drugs.

Hospital demand for AGGRASTAT remained steady compared to the previous fiscal year and compared to the same quarter for the previous year. Growth in sales attributed to the addition of new hospitals is partially offsetting the sales decline among historical customers. Much of this decline is attributed to the overall decline for this drug class. The number of new hospital customers has increased over the year and the Company's commercial team continues to work on further expanding its customer base.

Net revenues from unfinished products were \$1.9 million due to a sale during the year ended May 31, 2012 of unfinished product to a European pharmaceutical company. There were no similar sales of unfinished products during fiscal 2013.

Cost of goods sold represents direct product costs associated with AGGRASTAT including and write-downs for obsolete inventory and amortization of the related acquired AGGRASTAT intangible assets.

Cost of goods sold, excluding amortization, for fiscal 2013 were \$131,000 compared to \$223,000 in fiscal 2012. For the year ended May 31, 2013, decreases to cost of goods sold are the result of decreases in net sales of AGGRASTAT and the lower write-offs of expired inventory during fiscal 2013 when compared to fiscal 2012. Additionally, during 2012 the Company sold unfinished to a European pharmaceutical company, which increased cost of goods sold during fiscal 2012. There were no similar sales of unfinished products during fiscal 2013 and as a result no additional cost of goods sold.

Amortization of AGGRASTAT intangible assets decreased for the year ended May 31, 2013 to \$515,000, when compared to \$846,000 in fiscal 2012. The decrease is as a result of certain of the Company's AGGRASTAT intangible assets becoming fully amortized during the 2012 fiscal year resulting in decreased amortization for the year ended May 31, 2013.

Total Selling, general, and administrative expenditures for fiscal 2013 were \$2,323,000, compared to \$2,674,000 in fiscal 2012. Selling, general, and administrative expenditures related to AGGRASTAT were \$1,331,000 in fiscal 2013, compared to \$1,159,000 in fiscal 2012. Selling, general, and administrative expenditures – Other were \$992,000 in fiscal 2013, compared to \$1,515,000 in fiscal 2012. 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 increased during the year ended May 31, 2013 as compared to same period in the prior year mainly due to:

- Additional payroll costs associated with the sale of AGGRASTAT due to additional head office employees providing support for AGGRASTAT; and
- Increased travel costs associated with the sale of AGGRASTAT.

Selling, general and administrative expenditures – Other decreased during the year ended May 31, 2013 as compared to same period in the prior year mainly due to:

- \$0.1 million decrease due to a reduction in stock compensation recorded during the year ended May 31, 2013, compared to the previous year. \$0.1 million of non-cash stock-based compensation was recorded during the year ended May 31, 2013 relating to stock options that were granted on May 10, 2012 as compared to \$0.2 million during the year ended May 31, 2012 relating to stock options granted on July 18, 2011. These options vested immediately.
- Lower professional fees during year ended May 31, 2013. During the year ended May 31, 2012 there were several professional fee expenditures relating to the one-time sale of inventory discussed previously, the graduation of the Common Shares from the NEX board of the TSX Venture Exchange to the TSX Venture Exchange, the transition from Canadian GAAP to IFRS and other professional fees.

Net research and development expenditures for fiscal 2013 were \$1,700,000, compared to \$1,044,000 in fiscal 2012. 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 research costs and has not had any development costs that meet the criteria for capitalization under IFRS. The increase in research and development expenditures, for the year ended May 31, 2013 as compared to the same period in fiscal 2012 is due to the increased enrolment and ramp up of the Company's clinical trial of AGGRASTAT (tirofiban HCl) entitled "Shortened Aggrastat Versus Integrilin in Percutaneous Coronary Intervention" (SAVI-PCI) and the renal dosing study that is being completed as a part of the Company's sNDA filing, however this increase was partially offset by higher write-offs of patents during the year ended May 31, 2012.

Included in research and development expenses are charges related to impairment of the Company's intangibles assets. Impairments of intangible assets for fiscal 2013 were \$62,000, compared to \$216,000 in fiscal 2012. 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 no longer pursue these patents and as a result the carrying value of these patents was written off.

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.

During the year ended May 31, 2012, the Company recorded a non cash gain in the amount of \$23,932,000 related to the settlement of its previously existing long-term debt. 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 proceeds of US\$25 million. Under the terms of the agreement, Birmingham was to receive payments based on a percentage of AGGRASTAT net sales. Birmingham was 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 payments started at US\$2.5 million in 2008 and were to escalate to US\$6.9 million in 2017. The total minimum payments over the life of the agreement in aggregate were US\$49.7 million. The annual minimum payments were reflected in the effective interest rate calculation of the debt.

As at May 31, 2011, the Company was in default of the terms of its debt financing obligations. The portion of the minimum payments that were past due included in the accrued interest on long-term debt at May 31, 2011 was \$4,804,788, or US\$4,933,471. The debt agreement contained no express provisions to accelerate debt payments in an event of default, however under the agreement the lender could have exercised its security rights at any time while in default.

On July 18, 2011, the Company settled the Birmingham long-term debt in exchange for; i) \$4,750,000 in cash; ii) 2,176,003 common shares (32,640,043 pre-consolidation common shares) of the Company; and iii) a royalty on future AGGRASTAT sales until May 1, 2023. The royalty is based on four percent of the first \$2,000,000 of quarterly AGGRASTAT sales, six percent of quarterly sales between \$2,000,000 and \$4,000,000 and eight percent of quarterly sales exceeding \$4,000,000 payable within 60 days of the end of the preceding quarter. The previous lender has a one-time option to switch the royalty payment from AGGRASTAT to a royalty on MC-1 sales. Management has determined there is no value to the option to switch the royalty.

In accordance with the terms of the agreement, if the Company were to dispose of its AGGRASTAT rights, the acquirer would be required to assume the obligations under the royalty agreement.

The difference between the carrying amount of the long-term debt extinguished and the consideration paid, comprising cash, equity instruments and the royalty obligation assumed, has been recognized as a gain on the settlement of debt in the statement of net income for the year ended May 31, 2012. In accordance with International Financial Reporting Interpretations Committee (IFRIC) 19 Extinguishing financial liabilities with equity instruments, the shares issued in partial consideration for the settlement of the debt have been included in consideration paid and measured at their fair value at the date of the settlement of \$652,801.

As at July 18, 2011 the Company had total Canadian dollar book value of long-term debt of \$22,254,966, net of unamortized deferred financing fees of \$941,454. The Company also had accrued interest payable of \$8,145,865 for a total carrying value of the debt settled on July 18, 2011 of \$30,400,831.

The gain on the settlement of debt totals \$23,931,807 and consideration paid comprised \$4,750,000 cash paid, common shares with a value of \$652,801 and a royalty obligation valued at \$901,915, in addition to legal costs associated with the debt settlement transaction of \$164,308. This was a one-time transaction and no similar gains were experienced during fiscal 2013.

Finance expense for fiscal 2013 was \$466,000, compared to \$554,000 in fiscal 2012. The decrease in finance expense for the year ended May 31, 2013 as compared to the prior fiscal year is due to the settlement of the Company's long-term debt on July 18, 2011 as described above and in Note 8 of the audited consolidated financial statements for the year ended May 31, 2013. Finance expense in the prior fiscal year includes interest on the Birmingham long-term debt from June 1, 2011 to its settlement on July 18, 2011, as well as interest associated with the Company's long-term debt obtained on July 18, 2011 which had an effective interest rate of seven percent during the year ended May 31, 2012. The decrease as a result of the debt settlement is partially offset by higher accretion on the Company's royalty obligation, which arose out of this debt settlement and higher interest on the Company's current long-term debt as it was outstanding for the entire fiscal year ended May 31, 2013.

The net foreign exchange loss for the year ended May 31, 2013 was \$22,000, compared to a net foreign exchange gain of \$2,000 in fiscal 2012. The change is due to higher fluctuations in the Canadian dollar versus the US dollar experienced during the year-ended May 31, 2013 compared to the year ended May 31, 2012.

For the year ended May 31, 2013, the Company recorded a consolidated net loss of \$2,574,000 or \$0.21 per share compared to consolidated net income of \$23,386,000 or \$1.99 per share for the year ended May 31, 2012. As discussed above the main factors contributing to the net income in fiscal 2012 when compared to the loss during the 2013 fiscal year were the non-cash gain on the settlement of the Birmingham long-term debt and increased sales resulting from the \$1.9 million of revenue recognized on the sale of unfinished product, partially offset by higher research and development expenses during the year ended May 31, 2013 due to the increased enrolment and ramp up of the Company's clinical trial of AGGRASTAT (tirofiban HCl) entitled "Shortened Aggrastat Versus Integrilin in Percutaneous Coronary Intervention" (SAVI-PCI) and the renal dosing study that is being completed as a part of the Company's sNDA filing.

For the year ended May 31, 2013, the Company recorded a total comprehensive loss of \$2,609,000 compared to comprehensive income of \$23,865,000 for the year ended May 31, 2012. The change in comprehensive income (loss) results from the factors described above, plus the change in the translation adjustment relating to the foreign currency translation of the Company's subsidiaries.

The weighted average number of common shares outstanding used to calculate basic (loss) income per share was 12,196,508 for the year ended May 31, 2013 and 11,745,854 for the year ended May 31, 2012.

The weighted average number of common shares outstanding used to calculate diluted (loss) income per share was 12,196,508 for the year ended May 31, 2013 and 11,752,521 for the year ended May 31, 2012.

Year Ended May 31, 2012 Compared to the Year Ended May 31, 2011

Net product sales for fiscal 2012 were \$4,797,000, compared to \$3,628,000 in fiscal 2011. The Company currently sells finished 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. Additionally in fiscal 2012, the Company sold unfinished product used in the manufacture of AGGRASTAT to a European Pharmaceutical company.

Net revenue from the sale of finished AGGRASTAT products for the year ended May 31, 2012 decreased 21% over the net revenue for the year ended May 31, 2011. All of the Company's sales are denominated in U.S. dollars. The decrease in revenues compared to the previous fiscal year corresponds with an overall decline in use of injectable antiplatelet drugs. It is also attributable to increases in discounts to customers and fluctuations in foreign exchange rates. The decrease may also reflect normal fluctuations in wholesale purchasing in the period. Although wholesale purchasing generally reflects hospital demand, it is also subject to fluctuations attributed to wholesaler inventory adjustments.

Net revenues from unfinished products were \$1.9 million due to a sale during the year ended May 31, 2012 of unfinished product to a European pharmaceutical company. There were no similar sales of unfinished products during fiscal 2011.

Cost of goods sold represents direct product costs associated with AGGRASTAT including and write-downs for obsolete inventory and amortization of the related acquired AGGRASTAT intangible assets.

Cost of goods sold, excluding amortization, for fiscal 2012 were \$223,000 compared to \$674,000 in fiscal 2011. For the year ended May 31, 2012, decreases to cost of goods sold are the result of decreases in net sales of AGGRASTAT

and the lower write-offs of expired inventory during fiscal 2012 when compared to fiscal 2011. Additionally, the Company has a minimum purchase commitment for the manufacturing of AGGRASTAT and as a result had recorded a \$0.1 million charge to recognize this commitment during 2011. This commitment was subsequently fulfilled resulting in an adjustment to reduce cost of goods sold by \$0.1 million during fiscal 2012.

Amortization of AGGRASTAT intangible assets remained consistent for the year ended May 31, 2012 at \$846,000, when compared to \$840,000 in fiscal 2011.

Total Selling, general, and administrative expenditures for fiscal 2012 were \$2,674,000, compared to \$2,833,000 in fiscal 2011. Selling, general, and administrative expenditures related to AGGRASTAT were \$1,159,000 in fiscal 2012, compared to \$1,657,000 in fiscal 2011. Selling, general, and administrative expenditures – Other were \$1,515,000 in fiscal 2012, compared to \$1,176,000 in fiscal 2011. 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, 2012 as compared to same period in the prior year mainly due to:

- The Company payroll costs were lower during the year, 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 2011 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 as a result of ongoing measures taken under the cost curtailment program.

Selling, general and administrative expenditures – Other increased during the year ended May 31, 2012 as compared to same period in the prior year mainly due to:

- An increase of \$0.3 million in selling, general and administrative expenses during year ended May 31, 2012 primarily relating to a recovery of general and administrative costs in the prior year as a result of bad debt recoveries.
- \$0.2 million of non-cash stock-based compensation recorded during the year ended May 31, 2012 relating to stock options that were granted on July 18, 2011. These options vested immediately. Stock-based compensation expense during the year ended May 31, 2011 was \$0.1 million
- Increases in professional fees and costs during the current year relating to the on-going operations of the Company including the transition from Canadian GAAP to IFRS.

Net research and development expenditures for fiscal 2012 were \$1,044,000, compared to \$524,000 in fiscal 2011. 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 research costs and has not had any development costs that meet the criteria for capitalization under IFRS. The increase in research and development expenditures, for the year ended May 31, 2012 as compared to the same period in fiscal 2011 is due to the commencement of a new clinical trial of AGGRASTAT (tirofiban HCl) entitled "Shortened Aggrastat Versus Integrilin in Percutaneous Coronary Intervention" (SAVI-PCI). Additional funds were also allocated by the Company to advance its TARDOXAL clinical trial.

Included in research and development expenses are charges related to impairment of the Company's intangible assets. Impairments of intangible assets for fiscal 2012 were \$216,000, compared to \$280,000 in fiscal 2011. 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 no longer pursue these patents and as a result the carrying value of these patents was written off.

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.

During the year ended May 31, 2012, the Company recorded a non cash gain in the amount of \$23,932,000 related to the settlement of its previously existing long-term debt. 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 proceeds of US\$25 million. Under the terms of the agreement, Birmingham was to receive payments based on a percentage of AGGRASTAT net sales. Birmingham was 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 payments started at US\$2.5 million in 2008 and were to escalate to US\$6.9 million in 2017. The total minimum payments over the life of the agreement in aggregate were US\$49.7 million. The annual minimum payments were reflected in the effective interest rate calculation of the debt.

As at May 31, 2011, the Company was in default of the terms of its debt financing obligations. The portion of the minimum payments that were past due included in the accrued interest on long-term debt at May 31, 2011 was \$4,804,788, or US\$4,933,471. The debt agreement contained no express provisions to accelerate debt payments in an event of default, however under the agreement the lender could have exercised its security rights at any time while in default. Accordingly, for financial reporting purposes, the outstanding long term debt of US\$25 million that was in default was classified as a current liability at May 31, 2011 and June 1, 2010.

On July 18, 2011, the Company settled the Birmingham long-term debt 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 May 1, 2023. The royalty is based on four percent of the first \$2,000,000 of quarterly AGGRASTAT sales, six percent of quarterly sales between \$2,000,000 and \$4,000,000 and eight percent of quarterly sales exceeding \$4,000,000 payable within 60 days of the end of the preceding quarter. The previous lender has a one-time option to switch the royalty payment from AGGRASTAT to a royalty on MC-1 sales. Management has determined there is no value to the option to switch the royalty.

In accordance with the terms of the agreement, if the Company were to dispose of its AGGRASTAT rights, the acquirer would be required to assume the obligations under the royalty agreement.

The difference between the carrying amount of the long-term debt extinguished and the consideration paid, comprising cash, equity instruments and the royalty obligation assumed, has been recognized as a gain on the settlement of debt in the statement of net income for the year ended May 31, 2012. In accordance with International Financial Reporting Interpretations Committee (IFRIC) 19 Extinguishing financial liabilities with equity instruments, the shares issued in partial consideration for the settlement of the debt have been included in consideration paid and measured at their fair value at the date of the settlement of \$652,801.

As at July 18, 2011 the Company had total Canadian dollar book value of long-term debt of \$22,254,966, net of unamortized deferred financing fees of \$941,454. The Company also had accrued interest payable of \$8,145,865 for a total carrying value of the debt settled on July 18, 2011 of \$30,400,831.

The gain on the settlement of debt totals \$23,931,807 and consideration paid comprised \$4,750,000 cash paid, common shares with a value of \$652,801 and a royalty obligation valued at \$901,915, in addition to legal costs associated with the debt settlement transaction of \$164,308.

Finance expense for fiscal 2012 was \$554,000, compared to \$3,100,000 in fiscal 2011. The significant decrease in finance expense for the year ended May 31, 2012 as compared to the prior fiscal year is due to the settlement of the Company's long-term debt on July 18, 2011 as described above and in Note 8 of the audited consolidated financial statements for the year ended May 31, 2012. Finance expense in the prior fiscal year relate primarily to interest on the Birmingham long-term debt. Finance expense in the current fiscal year relates to interest on the Birmingham debt from June 1, 2011 to its settlement on July 18, 2011, as well as interest associated with the Company's long-term debt obtained on July 18, 2011 which had an effective interest rate of seven percent during the year ended May 31, 2012.

The net foreign exchange loss for the year ended May 31, 2012 was \$2,000, compared to a net foreign exchange gain of \$2,707,000 in fiscal 2011. The net foreign exchange loss during the year ended May 31, 2012 changed significantly from the previous fiscal year due the settlement of the US dollar denominated debt in the first quarter of fiscal 2012. In addition the functional currency of one of the Company's subsidiaries changed to U.S. dollars at June 1, 2011 as a result of a change in focus of its operations driven by the settlement of the Birmingham long-term debt and other factors, which resulted in currency translation from this subsidiary primarily being recorded in other comprehensive income for the year ended May 31, 2012.

For the year ended May 31, 2012, the Company recorded a consolidated net income of \$23,386,000 or \$0.13 per share compared to a consolidated net loss of \$1,635,000 or \$0.01 per share for the year ended May 31, 2011. As discussed above the main factors contributing to the net income in fiscal 2012 when compared to the loss during the 2011 fiscal year were the non-cash gain on the settlement of the Birmingham long-term debt, increased sales resulting from the \$1.9 million of revenue recognized on the sale of unfinished product, and a decrease in interest expense as a result of the settling of the long-term debt, offset by lower foreign exchange gains as a result of the settling of the US dollar denominated debt in the first quarter of fiscal 2012 and the change in the functional currency of one of the Company's subsidiaries to U.S. dollars at June 1, 2011 as described above.

For the year ended May 31, 2012, the Company recorded total comprehensive income of \$23,865,000 compared to comprehensive loss of \$2,011,000 for the year ended May 31, 2011. The change in comprehensive income (loss) results from the factors described above, plus the change in the translation adjustment relating to the foreign currency translation of the Company's subsidiaries.

The weighted average number of common shares outstanding used to calculate basic income (loss) per share was 11,745,854 for the year ended May 31, 2012 and 8,687,170 for the year ended May 31, 2011. The weighted average number of common shares outstanding used to calculate diluted income (loss) per share was 11,752,521 for the year ended May 31, 2012 and 8,687,170 for the year ended May 31, 2011.

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 and exercise of warrants and stock options, interest on excess funds held and the issuance of debt.

Management has forecast that contractual commitments and debt service obligations will exceed the company's net cash flows and working capital during fiscal 2014. The Company's future operations are dependent upon its ability to grow sales of AGGRASTAT, to develop and/or acquire new products, and/or secure additional capital, which may not be available under favourable terms or at all, and/or renegotiate the terms of its contractual commitments and long-term debt. If the Company is unable to grow sales or raise additional capital, management will consider other strategies including further cost curtailments, delays of research and development activities, asset divestures and/or monetization of certain intangibles. Effective August 1, 2013, the Company renegotiated its long-term debt and received an additional two year deferral of principal repayments. Under the renegotiated terms, the loan continues to be interest only with principal repayments now beginning on August 1, 2015 and the loan matures on July 1, 2018.

Cash used in operating activities for the year ended May 31, 2013 decreased \$1,380,000 to \$962,000 compared to cash provided by operating activities of \$417,000 for 2012 primarily due to a payments made in fiscal 2013 relating to the manufacture of AGGRASTAT, as well as a higher net loss resulting from lower revenues and increased research and development expenses, partially offset by lower payments made in the Companies accounts payable during fiscal 2013.

Investing activities for the year ended May 31, 2013 were cash used totaling \$7,000 related to the acquisition of property and equipment and intangible assets compared to \$98,000 for the year ended May 31, 2012.

There were no cash flows from financing activities during the year ended May 31, 2013. Financing activities for the year ended May 31, 2012 consisted of proceeds on long-term debt as a result of a new loan with the Government of Manitoba totaling \$5,000,000. The loan is interest only for the first 24 months, with blended principal and interest payments made monthly thereafter until maturity. Of these proceeds received \$4,750,000 was used to repay existing debt as a part of the Birmingham debt settlement transaction on July 18, 2011 as described above and in note 8 to the audited consolidated financial statements for the year ended May 31, 2013. Additionally, the Company paid \$198,000 in costs associated with the issuance of Common Shares, and settling the existing debt, all occurring on July 18, 2011..

At May 31, 2013 the Company had cash totaling \$126,615 compared to \$1,124,345 as of May 31, 2012. As at May 31, 2013, the Company had working capital deficit of \$2,066,000 compared to working capital of \$957,000 at May 31, 2012. The significant change in the working capital of the Company between the two years is as a result of a higher net loss resulting from lower revenues and increased research and development expenses, higher accounts payable and a portion of the Company's long-term debt being recorded as current at May 31, 2013 as at this time principal payments were due within one year. Effective August 1, 2013, the Company renegotiated its long-term debt and received an additional two year deferral of principal repayments. Under the renegotiated terms, the loan continues to be interest only with principal repayments now beginning on August 1, 2015 and the loan matures on July 1, 2018.

The Company has long-term debt at May 31, 2013 of \$5.0 million recorded in its financial statements relating to the Government of Manitoba loan described in Note 8 of the Company's consolidated financial statements for the year ended May 31, 2013. Interest is accrued based on an annual effective interest rate of 8.0%. The minimum annual debt obligations are disclosed under Contractual Obligations.

The total number of common shares issued and outstanding at May 31, 2013 and 2012 was 12,196,508. As at May 31, 2013 the Company had 1,421,352 options to purchase common shares and 66,667 warrants to purchase common shares outstanding.

The total number of common shares issued and outstanding at September 23, 2013 was 12,196,508. As at September 23, 2013 the Company had 1,421,352 options to purchase common shares and 66,667 warrants to purchase common shares outstanding.

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

Research and Development

The Company's research and development activities are predominantly conducted by its subsidiary, Medicure International, Inc.

The primary ongoing research and development activity is the development and implementation of a new regulatory, brand and life cycle management strategy for AGGRASTAT. This strategy includes, but is not limited to, the sNDA submission to the FDA for a revised label, the ongoing SAVI-PCI study and the transdermal tirofiban program. 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"). A modest amount of capital is being used for the Phase II clinical study of TARDOXAL, entitled TardoxalTM for the Treatment of Tardive Dyskinesia (TEND-TD).

For further information on the Company's research and development activity see Item 4B – Business Overview.

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 has evaluated and continues to evaluate the acquisition or license of other products with the objective of further broadening its product portfolio and generating additional revenue.

Company-sponsored research and development net expenditures for fiscal 2013 were \$1,652,000 (2012 - \$816,000; 2011 - \$205,000).

Patents and Licenses

In addition to a number of pending patent applications, the Company has 17 issued patents from the United States Patent Office providing protection for AGGRASTAT and related its current and historic development compounds. The Company will continue to file patents related to its research and development activities. The United States patents currently issued to the Company are as follows:

| Patent Number | Issue Date | Title |
|---------------|--------------------|---|
| 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 |
| 6,136,794 | 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 |
| 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 |
| 6,861,439 | 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 |
| 7,812,037 | October 12, 2010 | Dual antiplatelet/anticoagulant pyridoxine analogs |

Patent 6,339,085 is 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 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.

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.

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 Medicare International Licensing Agreement whereby it licensed the world-wide development and marketing rights for MC-1, except for Canada, to its wholly owned subsidiary, Medicare International, Inc. As consideration for the grant of the license, Medicare 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 Medicare 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 Medicare 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 Medicare 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 product sales for fiscal 2013 were \$2,603,000, compared to \$4,797,000 in fiscal 2012. The Company currently sells finished 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. Additionally in fiscal 2012, the Company sold unfinished product used in the manufacture of AGGRASTAT to a European Pharmaceutical company. There were no similar sales of unfinished product during fiscal 2013.

The decrease in revenues compared to the previous fiscal year primarily reflects fluctuations in wholesale purchasing patterns. Although wholesale purchasing is related to hospital demand, it is also subject to wholesaler inventory adjustments, including an observed trend to reduce wholesale inventory levels (days-on-hand) as compared to previous years resulting in a downward adjustment to wholesale revenue. The decrease in revenue is also attributable to increases in discounts to new customers and corresponds with an overall decline in use of injectable antiplatelet drugs.

Hospital demand for AGGRASTAT remained steady compared to the previous fiscal year and compared to the same quarter for the previous year. Growth in sales attributed to the addition of new hospitals is partially offsetting the sales decline among historical customers. Much of this decline is attributed to the overall decline for this drug class. The number of new hospital customers has increased over the year and the Company's commercial team continues to work on further expanding its customer base.

Net revenues from unfinished products were \$1.9 million due to a one-time sale during the year ended May 31, 2012 of unfinished product to a European pharmaceutical company. There were no similar sales of unfinished products during fiscal 2013.

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:

E. Off-balance Sheet Arrangements

As of May 31, 2013 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, 2013:

| (in thousands of CDN\$) | Contractual Obligations Payment Due By Period | | | | | | |
|--|---|----------------|----------------|----------------|--------------|------------|------------|
| | Total | 2014 | 2015 | 2016 | 2017 | 2018 | Thereafter |
| Accounts Payable and Accrued Liabilities | \$2,263 | \$2,263 | \$- | \$- | \$- | \$- | \$- |
| Long-term debt obligations 1 | 5,449 | 1,624 | 1,816 | 1,729 | 280 | - | - |
| Purchase Agreement commitments 2 | 2,581 | 1,508 | 715 | 358 | - | - | - |
| Management services agreement commitments 3 | 111 | 111 | - | - | - | - | - |
| Total | \$10,404 | \$5,506 | \$2,531 | \$2,087 | \$280 | \$- | \$- |

1. Long-term debt obligations reflect the principal and interest payments under the debt financing agreement. 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. Effective August 1, 2013, the Company renegotiated its long-term debt and received an additional

two year deferral of principal repayments. Under the renegotiated terms, the loan continues to be interest only with principal repayments now beginning on August 1, 2015 and the loan matures on July 1, 2018.

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 was 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. Effective January 1, 2012, the Company entered into a new business and administration services agreement with GVI under which the Company is committed to pay \$15,833.33 per month or \$190,000 per annum along with a flexible lease of an additional \$500 per month for each office space it requests and is given access to by GVI. The agreement is for a one year term and shall be automatically renewed for a succeeding term of one year if not terminated by the Company at least 90 days prior to expiry. Either party may terminate the agreement at any time after June 30, 2012, upon 90 days written notice to the other party. The agreement was renewed for calendar 2013.

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 research and development related to AGGRASTAT and TARDOXAL as well as other product opportunities.

On July 18, 2011, the Company renewed its consulting agreement with its Chief Executive Officer for a term of five years, at a rate of \$180,000 annually. The Company may terminate this agreement at any time upon 120 days written notice.

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.

Contracts with contract research organizations (CROs) are payable over the terms of the trials and timing of payments is largely dependent on various milestones being met, such as the number of patients recruited, number of monitoring visits conducted, the completion of certain data management activities, trial completion, and other trial-related activities.

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.

As a part of the Birmingham debt settlement described above and in note 8 to the consolidated financial statements, beginning on July 18, 2011, the Company is obligated to pay a royalty to the previous lender based on future commercial AGGRASTAT sales until 2023. The royalty is based on four percent of the first \$2,000,000 of quarterly AGGRASTAT sales, six percent of quarterly sales between \$2,000,000 and \$4,000,000 and eight percent of quarterly sales exceeding \$4,000,000 payable within 60 days of the end of the preceding quarter. The previous lender has a one-time option to switch the royalty payment from AGGRASTAT to a royalty on MC-1 sales. Management has determined there is no value to the option to switch the royalty.

As part of the sale of unfinished product as described in note 11 to the consolidated financial statements, if the Company exercised its option to obtain AGGRASTAT data and was successful in getting changes to the approved use of AGGRASTAT in the United States, the Company would be obligated to pay a three percent royalty of up to US\$3,500,000 on future AGGRASTAT sales. The option to obtain the data expired without the Company exercising its rights thereunder. As a result the Company has no ongoing or potential royalty obligation in connection with this agreement.

The Company is obligated to pay royalties to the University of Manitoba based on any future commercial sales of MC-1, aggregating up to 3.9 percent on net sales. 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.

In the normal course of business the Company may from time to time be subject to various claims or possible claims. Although management currently believes there are no claims or possible claims that if resolved would either individually or collectively result in a material adverse impact on the Company's financial position, results of operations, or cash flows, these matters are inherently uncertain and management's view of these matters may change in the future.

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. He also served as President until July 25, 2011 at which point that position was filled by Mr. Dawson Reimer. 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, Chair of Genome Prairie and Chair of CancerCare Manitoba. Dr. Naimark serves on the Research Council of the Canadian Institute for Advanced Research, the National Statistics Council of Canada and is Vice-Chair of the Statistics Canada Audit Committee. He was formerly: Chair of Health Canada's Ministerial Science Advisory Board , Member of the International Advisory Committee on Research of the Alberta Cancer Board, Research Institute, Vice-Chair of the Manitoba Health Research Council and Director of the Robarts Research Institute. He is the founding Chairman of the North Portage Development Corporation, the Canadian Health Services Research Foundation and the Canadian Biotechnology Advisory Committee. 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.

Brent Fawkes, Winnipeg, Manitoba, Canada - Director

Mr. Fawkes is a Chartered Accountant with over 20 years of experience in accounting and finance. Mr. Fawkes is currently the Vice President of Finance with Standard Aero Limited, one of the world's largest independent providers of a variety of aerospace services serving a diverse array of customers in business and general aviation, airline, military, helicopter, components, energy and VIP completions markets. In his current role, Mr. Fawkes is responsible for the oversight of the finance department including external reporting, budgeting and planning and treasury management. Date of birth is December 21, 1969.

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. Beginning in 1996, he served as Business Development/Investor Relations with Genesys Pharma Inc. In 1997, he transitioned to Genesys Venture Inc., a biotech business incubator, where he 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. He was appointed President and Chief Operating Officer of the Company effective July 25, 2011. Before that date he served as Vice President, Operations. Mr. Reimer is a son-in-law of Dr. Albert D. Friesen, Director, Chairman and Chief Executive Officer. Date of birth is May 7, 1971.

James Kinley, CA – Chief Financial Officer

Effective September 21, 2011 Mr. James Kinley was appointed as CFO of the Company, replacing Dawson Reimer, who has served as Chief Financial Officer in an interim capacity since July 15, 2011 until Mr. Kinley's appointment. Mr. Kinley's 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

Compensation paid to the directors, and executive officers of the Company during the year ended May 31, 2013, is described below and stock-based compensation described in Item 6(E) below:

The independent members of the Board of Directors were paid \$54,000 relating to amounts accrued from services provided prior to the debt settlement that occurred on July 18, 2011. Additionally, the Company recorded \$38,000 in fees paid or payable to Board members for attendance at meetings between June 1, 2012 and May 31, 2013 and the chairs of the Audit and Finance Committee and executive compensation, nominating and corporate governance committee were paid \$5,000 each for services as committee chairs.

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, October 1, 2007 and July 18, 2011. For the year ended May 31, 2013, the Company recorded A.D. Friesen Enterprises Ltd., \$186,000 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 \$165,000 payable in equal semi-monthly instalments in fiscal 2013.

During the year ended May 31, 2013, the Company paid directors a total of Nil (Year ended May 31, 2012: Nil; Year ended May 31, 2011: Nil; Year ended May 31, 2010: Nil; Year ended May 31, 2009: 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 that is not held in conjunction with a regular Board meeting.

For fiscal 2011 and prior, due to the Company's financial position, the board had offered and committed not to request, and has therefore not received, any compensation for their services as independent directors. Subsequent to the debt settlement that occurred on July 18, 2011, the Company began paying the Board members this amount owing and had paid \$54,000 during fiscal 2013 relating to these accrued amounts. During fiscal 2013, the members of the Board of Directors agreed to further defer payments on amounts owing. Beginning on February 22, 2013, these amounts began to bear interest at a rate of 5.5% per annum. For the year ended May 31, 2013, \$3,107 was recorded within finance expense in relation to these amounts payable to the members of the Company's Board of Directors. As at May 31, 2013, the Company has \$213,569 of accrued compensation owing to the independent members of the Board of Directors relating to Directors fees.

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 five directors, four of whom were elected at the Company's annual general meeting of the shareholders held on November 30, 2012. Mr. Brent Fawkes was appointed as a director in

January 2013. 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 By-Laws of the Company, or with the provisions of the Canada Business Corporations 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 Corporations 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 four independent directors: Brent Fawkes (Chair), Gerald McDole, 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 and Finance Committee Charter reproduced below.

AUDIT AND FINANCE COMMITTEE CHARTER

GENERAL FUNCTIONS, AUTHORITY, AND ROLE

The purpose of the Audit and Finance Committee (the “Committee”) is to oversee the accounting, financial reporting and disclosure processes of the Company and the audits of its financial statements, and thereby assist the Board of Directors of the Company (the “Board”) in monitoring the following:

- (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 and disclosure;
- (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;
- (5) performance of the Company's internal controls and financial reporting and disclosure processes; and
- (6) that management of the Company has assessed areas of potential significant financial risk to the Company and taken appropriate measures.

The 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 Committee has the authority to independently retain, and set and pay compensation to, 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 Committee or to meet with any members of, or consultants to, the Committee. The 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.

In the course of fulfilling its specific responsibilities hereunder, the Committee has authority to, and must, maintain free and open communication between the Company's independent auditor, Board and Company management. The responsibilities of a member of the Committee are in addition to such member's duties as a member of the Board.

While the Committee has the responsibilities and powers set forth in this charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete, accurate, and in accordance with International Financial Reporting Standards (“IFRS”). This is the responsibility of management and the independent auditor. Nor is it the duty of the 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 Committee has the power to act upon, may be recommended to the Board to act upon.

MEMBERSHIP

The membership of the Committee will be as follows:

The Committee shall consist of a minimum of three members of the Board, appointed from time to time, each of whom is affirmatively confirmed as independent by the Board in accordance with the definition of independence for audit committee members set out in Appendix I hereto, with such affirmation disclosed in the Company's Management Information Circular for its annual meeting of shareholders. All members of the Committee should be "financially literate", as defined in Appendix I, and at least one of the members shall be an "audit committee financial expert" as defined in as defined in Appendix I.

The Board will elect, by a majority vote, one member as chairperson. In the absence of the Chair of the Committee, the members shall appoint an acting Chair.

The members of the Committee shall meet all independence and financial literacy requirements of The TSX Venture Exchange, and the requirements of such other securities exchange or quotations system or regulatory agency as may from time to time apply to the Company.

Any member of the Committee may be removed and replaced at any time by the Board and will automatically cease to be a member of the Committee as soon as such member ceases to be a Director. The Board may fill vacancies in the Committee by election from among the members of the Board. If and whenever a vacancy exists on the Committee, the remaining members may exercise all its powers so long as a quorum remains in office.

A quorum shall be a majority of the members provided that if the number of members is an even number, one half of the number plus one shall constitute a quorum.

A member of the Committee may not, other than in his or her capacity as a member of the Committee, the Board, 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 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 Committee will meet with the independent auditor at least annually, either in person or telephonically.

Reporting Responsibilities

Provide to the Board proper Committee minutes.

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

Committee and Charter Evaluation

The Committee shall annually review, discuss and assess its own performance. In addition, the Committee shall periodically review its role and responsibilities.

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

Whistleblower Mechanism

Adopt and review annually a procedure through which employees and others can confidentially and anonymously inform the 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.

INDEPENDENT AUDITOR

Nomination, Compensation and Evaluation

The Company's independent auditor is ultimately accountable to the Committee and the Board and shall report directly to the Committee. The Committee shall review the independence and performance of the auditor and annually recommend to the Board the appointment and compensation of the independent auditor or approve any discharge of auditor when circumstances warrant.

Review of Work

The Committee is directly responsible for overseeing the work of the independent auditor engaged to prepare or issue an audit report or perform other audit, review or attest services for the Company, including the resolution of disagreements between management and the independent auditor regarding financial reporting.

Approval in Advance of Related Party Transactions

Pre-approval of 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 provided to the Company or its subsidiary entities 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 Securities Exchange Commission ("SEC") or any securities exchange on which the Company's shares are traded including any of the following 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;

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- 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 determines is not permitted.

Hiring Practices

Review and approve the Company's hiring policy regarding the partners, employees and former partners and employees of the present and former independent auditor of the Company. Ensure that no individual who is, or in the past three 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 three 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 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 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 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 such auditing standards as may be applicable.

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

- The Company's audited and unaudited financial statements and related notes;
- The Company's Management Discussion & Analysis ("MD&A") and news releases related to financial results;
- The Company's management certifications of the financial statements and accompanying MD&A as required under applicable securities laws;
- The Company's annual information form ("AIF"), if one is prepared and filed.
- 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-IFRS 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 Committee under generally accepted auditing standards.

Review the management letter, if any, 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 and discuss with management and the independent auditor the adequacy of the Company's internal accounting and financial controls that management and the Board 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 Committee or any of these groups believe should be discussed privately with the 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 IFRS 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 legal 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, prior to public disclosure, the Company's financial statements and MD&A and related press releases. The chairperson of the Committee may represent the entire Committee for purposes of this review.

Ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, other than the disclosure stated above, and periodically assess the adequacy of those procedures.

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 from time to time.

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

LIMITATION ON DUTIES OF AUDIT AND FINANCE COMMITTEE

In contributing to the Committee's discharging of its duties under this charter, each member of the Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this charter is intended, or may be construed, to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Board

members are subject.

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ADOPTION OF CHARTER

This charter was originally adopted by the Board on August 23, 2004 and revised on January 17, 2012.

APPENDIX I

GLOSSARY OF TERMS

“Independent” means a director who has no direct or indirect material relationship with the Company or its subsidiaries.

A “material relationship” is a relationship which could, in the view of the Board of the Company, be reasonably expected to interfere with the exercise of the person’s independent judgment.

For greater certainty, certain individuals will be deemed not to be independent:

- a) an individual who is, or has been within the last three years, an employee or executive officer of the Company;
- b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the Company;
- c) an individual who is a partner of, or employed by the Company’s internal or external auditor or who was, within the last three years, a partner or employee of that audit firm and personally worked on the Company’s audit within that time. For this purpose, “partner” does not include a fixed income partner;
- d) an individual whose child or stepchild shares a home with the individual or whose spouse, is a partner of the Company’s internal or external auditor, or is an employee of the audit firm and participates in its audit, assurance or tax compliance practice or who was within the last three years a partner or employee of the audit firm and personally worked on the Company’s audit within that time. For this purpose, “partner” does not include a fixed income partner;
- e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the Company’s current executive officers serve or served at the same time on the entity’s compensation committee; and
- f) an individual who received, or whose immediate family member who is employed as an executive officer of the Company received, more than \$75,000 in direct compensation from the Company during any 12 month period within the last three years. For purposes hereof, direct compensation does not include remuneration for acting as a member of the Board or of any Board committee or remuneration consisting of fixed amounts of compensation under a retirement plan for prior service provided that such compensation is not contingent on any way on continued service.

For purposes hereof, “Company” includes Medicare Inc. and any subsidiaries thereof.

Notwithstanding the foregoing, a person will not be considered to have a material relationship with the Company solely because he or she:

- a) has previously acted as an interim chief executive officer of the issuer, or
- b) acts, or has previously acted, as a chair or vice-chair of the Board or any Board committee, on a part-time basis.

Meaning Of “Independence” For Audit Committees

In addition to the requirement of being an Independent Director as described above, members of the Audit Committee will not be considered “independent” for that purpose where the individual:

- a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the Company or subsidiary of the Company, other than as remuneration for acting in his or her capacity as a member of the Board or any Board committee, or as a part-time or vice-chair of the Board or any Board Committee; or
- b) is an affiliated entity (as defined in National Instrument 52-110 Audit Committees) of the Company or any of its subsidiaries.

For purposes hereof, indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by (i) an individual’s spouse, minor child or stepchild, or child or stepchild who shares the individual’s home, or (ii) an entity in which such individual is a partner, member, executive officer or managing director (or comparable position) and which provides accounting, consulting, legal, investment banking or financial advisory services to the Company or any subsidiary of the Company. Notwithstanding the foregoing, compensatory fees do not include receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

Meaning of “financially literate”

For purposes hereof, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.

Meaning of “audit committee financial expert”

An “audit committee financial expert” means a person who has the following attributes:

- (1) An understanding of generally accepted accounting principles and financial statements;
- (2) The ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
- (3) Experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company’s financial statements, or experience actively supervising one or more persons engaged in such activities;
- (4) An understanding of internal controls over financial reporting;
- (5) An understanding of audit committee functions.

A person shall have acquired such attributes through:

- (1) Education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;
- (2) Experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;
- (3) Experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or
- (4) Other relevant experience.

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, Peter Quick and Brent Fawkes, 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 3 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 and percent of the shares outstanding held by those persons at May 31, 2013.

| Title of Class | Identity of Person or Group | Amount Owned | Percentage of Class |
|----------------|-----------------------------|---------------|---------------------|
| Common shares | Dr. Albert D. Friesen(1) | 2,287,147 (1) | 18.75 % |
| Common shares | Dr. Arnold Naimark | Nil | Nil |
| Common shares | Gerald P. McDole | 667 | 0.005 % |
| Common shares | Peter Quick | Nil | Nil |
| Common shares | Brent Fawkes(2) | Nil | Nil |
| Common shares | James Kinley | 1,700 | 0.01 % |
| Common shares | Dawson Reimer | 21,815 | 0.18 % |

(1) Dr. Albert D. Friesen holds 834,867 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) Mr. Fawkes was appointed to the board of directors of the Company on January 22, 2013.

Incentive Stock Options

The following table discloses the stock options beneficially held by the aforementioned persons, as of May 31, 2013. 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 | 10,000 | \$24.75 | December 6, 2015 |
| | 10,000 | \$24.45 | October 14, 2016 |
| | 414,000 | \$1.50 | July 18, 2021 |
| | 75,000 | \$0.30 | May 10, 2023 |
| Dr. Arnold Naimark | 2,333 | \$24.75 | December 6, 2015 |
| | 7,333 | \$14.70 | December 11, 2017 |
| | 3,333 | \$0.60 | September 3, 2018 |
| | 667 | \$0.60 | April 16, 2019 |
| | 45,000 | \$0.30 | May 10, 2023 |
| Gerald P. McDole | 5,000 | \$24.75 | December 6, 2015 |
| | 667 | \$14.70 | December 11, 2017 |
| | 3,333 | \$0.60 | September 3, 2018 |
| | 667 | \$0.60 | April 16, 2019 |
| | 45,000 | \$0.30 | May 10, 2023 |
| Peter Quick | 6,667 | \$24.75 | December 6, 2015 |
| | 3,333 | \$23.10 | January 16, 2017 |
| | 667 | \$14.70 | December 11, 2017 |
| | 3,333 | \$0.60 | September 3, 2018 |
| | 667 | \$0.60 | April 16, 2019 |
| | 45,000 | \$0.30 | May 10, 2023 |
| Brent Fawkes | 45,000 | \$0.30 | May 10, 2023 |
| James Kinley | 45,000 | \$0.30 | May 10, 2023 |
| Dawson Reimer | 4,333 | \$24.75 | December 6, 2015 |
| | 6,667 | \$24.45 | October 14, 2016 |

| | | |
|---------|--------|-------------------|
| 6,667 | \$0.45 | November 10, 2018 |
| 266,667 | \$1.50 | July 18, 2021 |
| 56,000 | \$0.30 | May 10, 2023 |

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, 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 stock options outstanding, will not exceed 15% of the issued and outstanding Common Shares at the date of adoption of the Plan. The Plan was adopted by the shareholders of the Company on November 30, 2012.

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.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

As of May 31, 2013, 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. The Company does not know the majority of the ultimate beneficial owners of these common shares.

| Title of Class | Identity of Person or Group | Amount Owned | Percentage of Class |
|----------------|---|---------------|---------------------|
| Common shares | Dr. Albert D. Friesen Winnipeg, Manitoba | 2,287,147 (1) | 18.75 % |
| Common shares | Elliot International Capital Advisors | 2,176,003 | 17.84 % |
| Common shares | Dr. Lars Hoie London, England | 1,334,549 | 10.94 % |

Notes:

- (1) Dr. Albert Friesen holds 834,867 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.

As of May 31, 2013 there were approximately 6,500 shareholders of record worldwide. As of this date there were approximately 1,600 shareholders of record in the United States holding a total of 3,450,000 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, 2013, 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 2,311,329 (or 18.95% 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.

Insider Reports under Canadian Securities Legislation

Since the Company a reporting issuer under the Securities Acts of each of the provinces of Canada, certain "insiders" of the Company (including its directors, certain executive officers, and persons who directly or indirectly beneficially own, control or direct more than 10% of its common shares) are generally required to file insider reports of changes in their ownership of the Company's common shares five days following the trade under National Instrument 55-104 – Insider Reporting Requirements and Exemptions, as adopted by the Canadian Securities Administrators. Insider reports must be filed electronically five days following the date of the trade at www.sedi.ca. The public is able to access these reports at www.sedi.ca.

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 per cent 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.

B. Related Party Transactions

Except as disclosed below, the Company has not, since June 1, 2012, and does not at this time propose to:

- (1) enter into any transactions which are material to the Company or a related party or any transactions unusual in their nature or conditions involving goods, services or tangible or intangible assets to which the Company or any of its former subsidiaries was a party;
- (2) make any loans or guarantees directly or through any of its former subsidiaries to or for the benefit of any of the following persons:
 - (a) enterprises directly or indirectly through one or more intermediaries, controlling or controlled by or under common control with the Company;

- (b) associates of the Company (unconsolidated enterprises in which the Company has significant influence or which has significant influence over the Company) including shareholders beneficially owning 10% or more of the outstanding shares of the Company;
- (c) individuals owning, directly or indirectly, shares of the Company that gives them significant influence over the Company and close members of such individuals families;
- (d) key management personnel (persons having authority in responsibility for planning, directing and controlling the activities of the Company including directors and senior management and close members of such directors and senior management); or
- (e) enterprises in which a substantial voting interest is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence.

On July 18, 2011, the Company entered into a consulting agreement with A.D. Friesen Enterprises Ltd. pursuant to which Dr. Albert Friesen serves the Company as its Chief Executive Officer. The agreement is for a term of five years, at a rate of \$180,000 annually. Dr. Friesen is also eligible for a yearly merit/performance bonus, if any, that the Company's board of directors, in its sole discretion, may authorize. The Company may terminate this agreement for any reason and at any time upon 120 days written notice. During the year ended May 31, 2013, the Company recorded a total of \$186,000 to A.D. Friesen Enterprises Ltd. During the year ended May 31, 2012, the Company paid a total of \$186,000 to A.D. Friesen Enterprises Ltd. During the year ended May 31, 2011 the Company paid a total of \$201,000 to A.D. Friesen Enterprises Ltd.

Dr. Friesen, a director, the Chairman and the Chief Executive Officer of the Company is also the majority shareholder in a management services company, Genesys Venture Inc. ("GVI") which entered into a management services agreement with the Company as of October 1, 2010. Effective January 1, 2012, the Company entered into a new business and administration services agreement with GVI under which the Company is committed to pay \$15,833.33 per month or \$190,000 per annum along with an additional \$500 per month for each office space it requests and is given access to by GVI. The agreement was for an initial term of one year and shall be automatically renewed for succeeding terms of one year. Either party may terminate the agreement at any time after June 30, 2012, upon 90 days written notice to the other party. The Chief Financial Officer's services, accounting, payroll, human resources, and information technology are provided pursuant to this agreement. During fiscal 2013 \$222,500 was paid in accordance with the terms of this agreement. Additionally, during fiscal 2013 the Company recorded for fees paid or payable to GVI \$26,125 for commercial support services.

Dr. Friesen, a director, the Chairman 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;

| Nature of Agreement | Effective Date | Terms |
|---|----------------|--|
| Regulatory affairs support | June 22, 2009 | Services provided as needed on an hourly basis. |
| Pharmacovigilance and medical affairs support | August 1, 2009 | Monthly retainer of \$3,800, plus hourly charges for pharmacovigilance services outside base services. |

| | | |
|-------------------------------------|--------------|---|
| Quality assurance support | June 1, 2010 | Services provided as needed on an hourly basis. |
| AGGRASTAT clinical trial management | May 1, 2010 | Services provided as needed on an hourly basis. |

During fiscal 2013, \$134,696 (2012 - \$146,154) was recorded for fees paid or payable to GVI CDS.

The Company also has a consulting agreement with CanAm Bioresearch Inc. (CanAm), a company controlled by a close family member of Dr. Friesen's to provide contract research services. During fiscal 2013, the Company recorded fee paid or payable to CanAm totaling \$467,763 (2012 - \$254,493) for contract research.

These transactions were in the normal course of business and have been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Beginning on February 22, 2013, these amounts began to bear interest at a rate of 5.5% per annum. For the year ended May 31, 2013, \$7,366 (2012 - nil and 2011 - nil) was recorded within finance expense in relation to these amounts payable to related parties.

As of May 31, 2013, included in accounts payable and accrued liabilities is \$106,216 (May 31, 2012 - \$7,862) payable to GVI, \$89,545 (May 31, 2012 - \$10,403) payable to GVI CDS and \$351,299 (May 31, 2012 - \$51,705) payable to CanAm, which are unsecured, payable on demand and bear interest as described above.

On July 18, 2011, the Company renewed its consulting agreement with its Chief Executive Officer for a term of five years, at a rate of \$180,000 annually. The Company may terminate this agreement at any time upon 120 days written notice. As at May 31, 2013, included in accounts payable and accrued liabilities is \$37,750 (May 31, 2012 - nil) payable to the Chief Executive Officer as a result of this consulting agreement, which is unsecured, payable on demand and non-interest bearing.

On July 18, 2011, the Company issued 1,333,333 common shares (20,000,000 pre-consolidated common shares) of the Company in consideration for the guarantee of long-term debt by the Company's Chief Executive Officer and entities controlled by the Chief Executive Officer. These shares had a value of \$371,834, net of share issue costs of \$28,166 and have been recorded as deferred debt issue costs and are being amortized using the effective interest method.

C. Interests of Experts and Counsel

Not applicable

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements or Other Financial Information

Financial Statements

The consolidated financial statements of the Company for the years ended May 31, 2013 and 2012 have been prepared in accordance with IFRS, as issued by the IASB, and are included under Item 18 of this Annual Report. The consolidated financial statements including related notes are accompanied by the report of the Company's independent registered public accounting firm, Ernst & Young 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.

B. Significant Changes

There have been no significant changes to the accompanying financial statements since May 31, 2013, except as disclosed in this Annual Report on Form 20-F.

ITEM 9. THE OFFERING AND LISTING

A. Listing Details

The Company's shares were delisted from NYSE Amex (now NYSE MKT) on July 3, 2008 and from the TSX on March 26, 2010. From March 26, 2010 until October 21, 2011, shares of the Company traded on the NEX board of the TSX-V under the symbol "MPH.H". On October 24, 2011 shares of the Company commenced trading on the TSX-V under the symbol "MPH". The historical trading data for the common shares of the Company on the above-mentioned exchanges is set out below.

| Fiscal Quarter Ended | TSX/NEX/TSX-V High (\$) | TSX/NEX/TSX-V Low (\$) |
|---|----------------------------|---------------------------|
| May 31, 2013 | 0.45 | 0.20 |
| February 29, 2013 | 0.67 | 0.23 |
| Period from November 2, 2012 to November 30, 2012 | 0.64 | 0.38* |
| Period from September 1, 2012 to November 1, 2012 | | |
| August 31, 2012 | 0.045 | 0.03* |
| May 31, 2012 | 0.04 | 0.025 |
| February 29, 2012 | 0.045 | 0.025 |
| November 30, 2011 | 0.045 | 0.015 |
| August 31, 2011 | 0.035 | 0.02 |

| | | |
|-------------------|-------|-------|
| May 31, 2011 | 0.06 | 0.015 |
| February 28, 2011 | 0.03 | 0.005 |
| November 30, 2010 | 0.02 | 0.01 |
| August 31, 2010 | 0.02 | 0.01 |
| | 0.025 | 0.01 |

* Effective at the opening of the market on November 2, 2012, the Company's issued and outstanding common shares were consolidated on the basis of one post-consolidation common share for every fifteen pre-consolidation common shares. The Company's name and trading symbol did not change as a result of the consolidation. The Company's common shares were reduced from 182,947,595 to 12,196,508 issued and outstanding as a result of the consolidation.

B. Plan of Distribution

Not applicable.

C. Markets

The Company's common shares commenced trading on the Toronto Stock Exchange on March 15, 2002 and on the American Stock Exchange (later called NYSE Amex and now called NYSE MKT) on February 17, 2004. The Company's shares ceased trading on NYSE 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. From March 26, 2010 until October 21, 2011, shares of the Company traded on the NEX board of the TSX-V under the symbol "MPH.H". On October 24, 2011 shares of the Company commenced trading on the TSX-V under the symbol "MPH".

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable

B. Memorandum and Articles of Association

1. Objects and Purposes of the Company

The Articles of Continuance (the “Articles”) and the By-Laws of the Company place 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 4.18 of By-Law No.1A 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 Corporations 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 Articles or By-Law or other constituent document of the Company.

7. Change in Control of Company

No provision of the Company's Articles 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 no longer has a shareholder rights plan.

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 January 1, 2012.
- 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 governmental decree or regulation in Canada that restricts the export or import of capital, or affects the remittance of dividends, interest or other payments to a non-resident holder of Common Shares, other than withholding tax requirements. Any such remittances to United States residents are generally subject to withholding tax, however no such remittances are likely in the foreseeable future. (See "Item 10E - Taxation", below.)

There is no limitation imposed by Canadian law or by the charter or other constituent documents of the Company on the right of a non-resident to hold or vote Common Shares of the Company. However, the Investment Canada Act (Canada) (the "Investment Act") has rules regarding certain acquisitions of shares by non-residents, along with other requirements under that legislation.

The following discussion summarizes the principal features of the Investment Act for a non-resident who proposes to acquire Common Shares of the Company. The discussion is general only; it is not a substitute for independent legal advice from an investor's own advisor; and it does not anticipate statutory or regulatory amendments.

The Investment Act is a federal statute of broad application regulating the establishment and acquisition of Canadian businesses by non-Canadians, including individuals, governments or agencies thereof, corporations, partnerships, trusts or joint ventures (each an "entity"). Investments by non-Canadians to acquire control over existing Canadian businesses or to establish new ones are either reviewable or notifiable under the Investment Act. If an investment by a non-Canadian to acquire control over an existing Canadian business is reviewable under the Investment Act, the Investment Act generally prohibits implementation of the investment unless, after review, the Minister of Industry, is satisfied that the investment is likely to be of net benefit to Canada.

A non-Canadian would acquire control of the Company for the purposes of the Investment Act through the acquisition of Common Shares if the non-Canadian acquired a majority of the Common Shares of the Company.

Further, 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, on the acquisition, the Company was not controlled in fact by the acquirer through the ownership of Common Shares.

For a direct acquisition that would result in an acquisition of control of the Company, subject to the exception for "WTO-investors" that are controlled by persons who are resident in World Trade Organization ("WTO") member nations (there are currently 153 WTO members), a proposed investment would be reviewable where the value of the acquired assets is CAD \$5 million or more, or if an order for review was made by the federal cabinet on the grounds that the investment related to Canada's cultural heritage or national identity, where the value of the acquired assets is less than CAD \$5 million. For a proposed indirect acquisition that is not a so-called WTO transaction and that would result in an acquisition of control of the Company through the acquisition of a non-Canadian parent entity, the investment would be reviewable where (a) the value of the Canadian assets acquired in the transaction is CAD \$50 million or more, or (b) the value of the Canadian assets is greater than 50% of the value of all of the assets acquired in the transaction and the value of the Canadian assets is CAD \$5 million or more. In the case of a direct acquisition by or from a "WTO investor", the threshold is significantly higher, and is adjusted for inflation each year. The 2012 threshold is CAD\$330 million. Other than the exception noted below, an indirect acquisition involving a WTO investor is not reviewable under the Investment Act.

The higher WTO threshold for direct investments and the exemption for indirect investments do not apply where the relevant Canadian business is carrying on a “cultural business”. The acquisition of a Canadian business that is a “cultural business” is subject to lower review thresholds under the Investment Act because of the perceived sensitivity of the cultural sector.

In 2009, amendments were enacted to the Investment Act concerning investments that may be considered injurious to national security. If the Industry Minister has reasonable grounds to believe that an investment by a non-Canadian “could be injurious to national security,” the Industry Minister may send the non-Canadian a notice indicating that an order for review of the investment may be made. The review of an investment on the grounds of national security may occur whether or not an investment is otherwise subject to review on the basis of net benefit to Canada or otherwise subject to notification under the Investment Canada Act. To date, there is neither legislation nor guidelines published, or anticipated to be published, on the meaning of “injurious to national security.” Discussions with government officials suggest that very few investment proposals will cause a review under these new sections.

Certain transactions, except those to which the national security provisions of the Investment Act may apply, relating to Common Shares of the Company are exempt from the Investment Act, including

- (a) acquisition of Common Shares of the Company by a person in the ordinary course of that person’s business as a trader or dealer in securities,
- (b) acquisition of control of the Company in connection with the realization of security granted for a loan or other financial assistance and not for a purpose related to the provisions on the Investment Act, and
- (c) 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 Common Shares, remained 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 Shares

Distributions 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, 2012, and does not expect that it will be a “passive foreign investment Company” for the taxable year ending May 31, 2013. (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, 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.

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, 2011, and, based on current operations and financial projections, does not expect that it will be a PFIC for the taxable year ending May 31, 2012. 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, 2012 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

Exhibits attached to this Annual Report are available for viewing on EDGAR, or may be inspected at the head office of Company at 2 – 1250 Waverley Street, Winnipeg, Manitoba, Canada R3T 6C6, during normal business hours. Copies of the Company's financial statements and other continuous disclosure documents required under Canadian securities legislation are available for viewing on the internet at www.sedar.com.

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.

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk arising primarily from fluctuations in interest rates on its cash and cash equivalents.

An increase or decrease in interest rates of one percent during the year ended May 31, 2013, with all other variables held constant, would result in a corresponding increase or decrease in net (loss) income by approximately \$6,000 (2012 - \$9,000). An increase or decrease in the crown company borrowing rate of one percent during the year ended May 31, 2013, with all other variables held constant, would have increased or decreased net income by approximately \$ 51,000 (2012 - \$44,000).

FOREIGN EXCHANGE RISK

The parent of the Company's primary currency of operations is the Canadian dollar. Its wholly-owned operating subsidiaries primary currency of operations is the US dollar. The Company has expenditures and holds investments denominated in US dollars. In fiscal 2013, 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 2012 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, 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 a material weakness 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 weakness is 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 IFRS. 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 IFRS, 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, 2013, 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, 2013 due to the following material weaknesses:

Due to the limited number of staff with an appropriate level of technical accounting knowledge, experience and training 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. This control deficiency 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.

No remediation activities have been undertaken to date in fiscal 2014. Due to resource constraints and the present stage of the Company's development the Company does not have sufficient size and scale to warrant the hiring of additional staff to correct this material weakness at this time.

ITEM 16. RESERVED

Not applicable

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

As of May 31, 2013, Mr. Brent Fawkes CA, 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. Fawkes (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 MKT 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.

During the most recently completed fiscal year, the Company has neither: (a) amended its Code of Ethics; nor (b) granted any waiver (including any implicit waiver) from any provision of its Code of Ethics.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

On May 31, 2013, the Company changed its auditors from KPMG LLP to Ernst & Young LLP.

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 and Ernst & Young 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.

The Company incurred the following fees to KPMG LLP for the previous two fiscal years. On May 31, 2013, the Company changed its auditors from KPMG LLP to Ernst & Young LLP. For the fiscal year ended May 31, 2013, the Company did not incur any fees from Ernst & Young, however \$80,000 of audit fees were accrued at May 31, 2013.

| | | |
|----------------|------|-----------|
| (a) Audit fees | 2013 | 2012 |
| | \$- | \$139,500 |

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

| | | |
|------------------------|------|----------|
| (b) Audit-related fees | 2013 | 2011 |
| | \$- | \$15,000 |

Audit-related fees consist of fees billed for accounting consultations.

| | | |
|--------------|------|------|
| (c) Tax fees | 2013 | 2011 |
| | \$- | \$- |

| | | |
|--------------------|------|------|
| (d) All other fees | 2013 | 2011 |
| | \$- | \$- |

(e) Audit Committee's Pre-approval Policies

All KPMG LLP and Ernst & Young LLP 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

In the year ended May 31, 2013, the Company did not purchase any of its issued and outstanding Common Shares pursuant to any repurchase program or otherwise.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

KPMG LLP ("KPMG") were appointed the auditors of Medicare Inc., (the "Corporation") on August 14, 2000. The Corporations' shareholders approved at the last annual and special meeting of the shareholders of the Corporation held November 30, 2012 that KPMG be re-appointed auditors of the Corporation until the next annual meeting.

The Board of Directors, upon the recommendation of the Audit Committee, has decided not to renew KPMG's appointment as auditor. The audit committee has reviewed the situation and determined that the appointment of Ernst & Young LLP ("E&Y") as auditors of the Corporation would be in the best interests of the Corporation. As such, the Company's audit committee has recommended that E&Y be appointed as the successor auditor and the Board of Directors have approved the same.

There have been no reservations in the auditor's reports for the audits of the three most recently completed fiscal years.

There have been, in the opinion of the Corporation, no reportable events.

ITEM 16G. CORPORATE GOVERNANCE

Not applicable.

ITEM 16H.MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

Not applicable. See “Item 18 – Financial Statements”.

ITEM 18. FINANCIAL STATEMENTS

The consolidated financial statements were prepared in accordance with IFRS, as issued by the IASB, and are presented in Canadian dollars.

The consolidated financial statements are in the following order:

1. Report of Independent Registered Public Accounting Firm;
2. Consolidated Statements of Financial Position;
3. Consolidated Statements of Net (Loss) Income and Comprehensive (Loss) Income;
4. Consolidated Statements of Changes in Deficiency
5. Consolidated Statements of Cash Flows; and
6. Notes to Consolidated Financial Statements.

Consolidated Financial Statements
(Expressed in Canadian Dollars)

MEDICURE INC.

Year ended May 31, 2013

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MANAGEMENT REPORT

The accompanying financial statements have been prepared by management and approved by the Board of Directors of Medicure 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 International Financial Reporting Standards. The significant accounting policies, which management believes are appropriate for the Company, are described in note 3 to these financial statements. The Company maintains a system of internal control and processes intended to provide reasonable assurance that assets are safeguarded and to ensure that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving these financial statements and overseeing management’s performance of its financial reporting responsibilities. An Audit Committee of non-management Directors is appointed by the Board. The Audit Committee reviews the financial statements, audit process and financial reporting with management and with the external auditors and reports to the Board of Directors prior to the approval of the audited consolidated financial statements for publication.

Ernst & Young LLP, the Company’s external auditors, audited the financial statements in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States) 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
Chief Executive Officer

Mr. James F. Kinley CA
Chief Financial Officer

September 25, 2013

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Medicare Inc.

We have audited the accompanying consolidated financial statements of Medicare Inc., which comprise the consolidated statements of financial position as at May 31, 2013 and 2012, and the consolidated statements of income (loss) and comprehensive income (loss), changes in deficiency and cash flows for each of the years in the three-year period ended May 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Medicare Inc. as at May 31, 2013 and 2012, and its financial performance and its cash flows for each of the years in the three-year period ended May 31, 2013 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of matter

The accompanying consolidated financial statements have been prepared assuming that Medicare Inc. will continue as a going concern. As discussed in note 2(c) to the consolidated financial statements, Medicare Inc. has experienced losses and has accumulated a deficit of \$125,877,356 since incorporation and a working capital deficiency of \$2,065,539 as at May 31, 2013 that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to this matter are also described in note 2(c). The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Other matters

The consolidated financial statements of Medicare Inc. for the year ended May 31, 2012 were audited by KPMG LLP who expressed an unmodified audit opinion on those consolidated financial statements on September 14, 2012.

Winnipeg, Canada,
September 25, 2013.

Chartered Accountants

MEDICURE INC.
Consolidated Statements of Financial Position
(expressed in Canadian dollars)
May 31, 2013 and 2012

| | Note | 2013 | 2012 |
|--|------|---------------------|---------------------|
| Assets | | | |
| Current assets: | | | |
| Cash | | \$ 126,615 | \$ 1,124,345 |
| Accounts receivable | 4 | 432,616 | 420,197 |
| Inventories | 5 | 902,799 | 542,325 |
| Prepaid expenses | | 29,455 | 125,084 |
| Total current assets | | 1,491,485 | 2,211,951 |
| Non-current assets: | | | |
| Property and equipment | 6 | 22,235 | 30,745 |
| Intangible assets | 7 | 1,910,069 | 2,500,928 |
| Total non-current assets | | 1,932,304 | 2,531,673 |
| Total assets | | \$ 3,423,789 | \$ 4,743,624 |
| Liabilities and Deficiency | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | | \$ 2,262,954 | \$ 1,355,993 |
| Accrued interest on long-term debt | 8 | 22,295 | 22,295 |
| Current portion of long-term debt | 8 | 1,271,775 | - |
| Total current liabilities | | 3,557,024 | 1,378,288 |
| Non-current liabilities | | | |
| Long-term debt | 8 | 3,510,119 | 4,647,740 |
| Royalty obligation | 8 | 516,066 | 538,269 |
| Other long-term liability | 9 | 167,261 | - |
| Total non-current liabilities | | 4,193,446 | 5,186,009 |
| Total liabilities | | 7,750,470 | 6,564,297 |
| Deficiency: | | | |
| Share capital | 10 | 117,033,258 | 117,033,258 |
| Contributed surplus | | 4,449,305 | 4,346,312 |
| Accumulated other comprehensive income | | 68,112 | 102,809 |
| Deficit | | (125,877,356) | (123,303,052) |
| Total deficiency | | (4,326,681) | (1,820,673) |

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| | | | |
|----------------------------------|------|--------------|--------------|
| Going concern | 2(c) | | |
| Commitments and contingencies | 14 | | |
| Subsequent events | 8 | | |
| Total liabilities and deficiency | | \$ 3,423,789 | \$ 4,743,624 |

On behalf of the Board:

"Dr. Albert Friesen"

Director

"Mr. Brent Fawkes"

Director

See accompanying notes to the consolidated financial statements.

MEDICURE INC.

Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)

(expressed in Canadian dollars)

Years ended May 31, 2013, 2012 and 2011

| | Note | 2013 | 2012 | 2011 |
|--|-----------|--------------|--------------|-------------|
| Revenue: | | | | |
| Product sales, net | 12 | 2,602,700 | 4,796,811 | 3,628,274 |
| Cost of goods sold | 5, 7 & 16 | 665,896 | 1,069,279 | 1,513,247 |
| Gross profit | | 1,936,804 | 3,727,532 | 2,115,027 |
| Expenses: | | | | |
| Selling, general and administrative | 15 & 16 | 2,322,840 | 2,673,725 | 2,833,217 |
| Research and development | 15 & 16 | 1,700,479 | 1,044,491 | 523,888 |
| | | 4,023,319 | 3,718,216 | 3,357,105 |
| Operating (loss) income | | (2,086,515) | 9,316 | (1,242,078) |
| Other income: | | | | |
| Gain on settlement of debt | 8 | - | (23,931,807) | - |
| Finance costs (income): | | | | |
| Finance income | | (152) | (775) | (473) |
| Finance expense | 13 | 466,425 | 553,734 | 3,100,175 |
| Foreign exchange loss (gain), net | | 21,516 | 2,385 | (2,707,006) |
| | | 487,789 | 555,344 | 392,696 |
| Net (loss) income | | (2,574,304) | 23,385,779 | (1,634,774) |
| Other comprehensive (loss) income | | | | |
| Foreign currency translation differences for foreign operations | | (34,697) | 479,439 | (376,630) |
| Total comprehensive (loss) income | | (2,609,001) | 23,865,218 | (2,011,404) |
| Basic and diluted (loss) earnings per share | | (0.21) | 1.99 | (0.19) |
| Weighted average number of common shares used in computing basic (loss) earnings per share | | 12,196,508 | 11,745,854 | 8,687,170 |
| Weighted average number of common shares used in computing fully diluted (loss) earnings per share | | 12,196,508 | 11,752,521 | 8,687,170 |

See accompanying notes to the consolidated financial statements.

MEDICURE INC.
Consolidated Statements of Changes in Deficiency
(expressed in Canadian dollars)
Years ended May 31, 2013, 2012 and 2011

| | Note | Share Capital | Contributed Surplus | Cumulative Translation Account | Deficit | Total |
|--|-------|------------------|------------------------|--------------------------------------|------------------|-----------------|
| Balance, May 31, 2010 | | \$ 116,014,623 | \$ 4,044,810 | \$ - | \$ (145,054,057) | \$ (24,994,624) |
| Net loss for the year ended May 31, 2011 | | - | - | - | (1,634,774) | (1,634,774) |
| Other comprehensive loss for the year ended May 31, 2011 | | - | - | (376,630) | - | (376,630) |
| Transactions with owners, recorded directly in equity | | | | | | |
| Share-based payments | 10(c) | - | 77,057 | - | - | 77,057 |
| Total transactions with owners | | - | 77,057 | - | - | 77,057 |
| Balance, May 31, 2011 | | \$ 116,014,623 | \$ 4,121,867 | \$ (376,630) | \$ (146,688,831) | \$ (26,928,971) |
| Net income for the year ended May 31, 2012 | | - | - | - | 23,385,779 | 23,385,779 |
| Other comprehensive income for the year ended May 31, 2012 | | - | - | 479,439 | - | 479,439 |
| Transactions with owners, recorded directly in equity | | | | | | |
| Issuance of common shares | 10(b) | 1,018,635 | - | - | - | 1,018,635 |
| Share-based payments | 10(c) | - | 224,445 | - | - | 224,445 |

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| | | | | | | |
|--|-------|----------------|--------------|------------|------------------|-----------------|
| Total transactions with owners | | 1,018,635 | 224,445 | - | - | 1,243,080 |
| Balance, May 31, 2012 | | \$ 117,033,258 | \$ 4,346,312 | \$ 102,809 | \$ (123,303,052) | \$ (1,820,673) |
| Net income for the year ended May 31, 2013 | | - | - | - | (2,574,304) | (2,574,304) |
| Other comprehensive income for the year ended May 31, 2013 | | - | - | (34,697) | - | (34,697) |
| Transactions with owners, recorded directly in equity | | | | | | |
| Share-based payments | 10(c) | - | 102,993 | - | - | 102,993 |
| Total transactions with owners | | - | 102,993 | - | - | 102,993 |
| Balance, May 31, 2013 | | \$ 117,033,258 | \$ 4,449,305 | \$ 68,112 | \$ (125,877,356) | \$ (4,326,681) |

See accompanying notes to the consolidated financial statements.

MEDICURE INC.
Consolidated Statement of Cash Flows
(expressed in Canadian dollars)
Years ended May 31, 2013, 2012 and 2011

| | Note | 2013 | 2012 | 2011 |
|---|------|-------------|--------------|-------------|
| Cash provided by (used in): | | | | |
| Operating activities: | | | | |
| Net (loss) income for the period | | (2,574,304) | 23,385,779 | (1,634,774) |
| Adjustments for: | | | | |
| Gain on settlement of debt | 8 | - | (23,931,807) | - |
| Amortization of property and equipment | 6 | 11,500 | 19,663 | 20,243 |
| Amortization of intangible assets | 7 | 525,482 | 857,887 | 878,688 |
| Stock-based compensation | 10 | 102,993 | 224,445 | 77,057 |
| Write-down of inventory | 5 | 19,639 | 109,194 | 292,950 |
| Write-down of intangible assets | 7 | 62,133 | 216,011 | 280,235 |
| Finance expense | 13 | 466,425 | 553,734 | 3,100,175 |
| Difference between fair value of other long-term liability and funding received | 9 | (32,739) | - | - |
| Unrealized foreign exchange loss | | (3,011) | (873) | (2,766,612) |
| Change in the following: | | | | |
| Accounts receivable | | (12,419) | (54,707) | 25,433 |
| Inventories | | (380,113) | (201,645) | (202,861) |
| Prepaid expenses | | 95,629 | 113,378 | (71,785) |
| Accounts payable and accrued liabilities | | 889,829 | (497,468) | 436,706 |
| Other long-term liability | 9 | 200,000 | - | - |
| Interest paid | 13 | (273,417) | (221,278) | (5,185) |
| Debt issuance costs | 8 | - | (70,240) | - |
| Royalties paid | 8 | (88,105) | (84,784) | - |
| Cash flows (used in) from operating activities | | (990,478) | 417,289 | 430,270 |
| Investing activities: | | | | |
| Acquisition of property and equipment | 6 | (3,108) | (1,488) | (2,487) |
| Acquisition of intangible assets | 7 | (4,289) | (96,424) | (42,327) |
| Cash flows used in investing activities | | (7,397) | (97,912) | (44,814) |
| Financing activities: | | | | |
| Share issuance costs | 10 | - | (34,166) | - |
| Proceeds from long-term debt | 8 | - | 5,000,000 | - |
| Repayments of long-term debt | 8 | - | (4,750,000) | - |
| Debt settlement costs | 8 | - | (164,308) | - |
| Cash flows from financing activities | | - | 51,526 | - |

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| | | | | |
|---|--------|------------|-----------|----------|
| Foreign exchange gain (loss) on cash held in foreign currency | | 145 | 3,258 | (6,534) |
| (Decrease) increase in cash | | (997,730) | 374,161 | 378,922 |
| Cash, beginning of period | | 1,124,345 | 750,184 | 371,262 |
| Cash, end of period | | 126,615 | 1,124,345 | 750,184 |
| Supplementary information: | | | | |
| Non-cash financing activities: | | | | |
| Shares issued on debt settlement | 9 & 10 | - | 646,801 | - |
| Shares issued for guarantee on long-term debt | 9 & 10 | - | 371,834 | - |

See accompanying notes to the consolidated financial statements.

MEDICURE INC.

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

Years ended May 31, 2013, 2012 and 2011

1. Reporting entity:

Medicure Inc. (the "Company") is a company domiciled and incorporated in Canada and as of October 24, 2011 its Common Shares are listed on the TSX Venture Exchange. Prior to October 24, 2011 and beginning on March 29, 2010, the Company's Common Shares were listed on the NEX board of the TSX Venture Exchange. Prior to March 29, 2010, the Company's Common Shares were listed on the Toronto Stock Exchange. The address of the Company's registered office is 2-1250 Waverley Street, Winnipeg, Manitoba, Canada. The Company is a biopharmaceutical company engaged in the research, development and commercialization of human therapeutics. Through its subsidiary Medicure International, Inc., the Company has rights to the commercial product, AGGRASTAT® Injection (tirofiban hydrochloride) in the United States and its territories (Puerto Rico, U.S. 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. 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®.

2. Basis of preparation of financial statements:

(a) Statement of compliance

These consolidated financial statements of the Company and its subsidiaries were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Board of Directors on September 25, 2013.

(b) Basis of presentation

The consolidated financial statements have been prepared on the historical cost basis except for the following items in the statement of financial position:

- Derivative financial instruments are measured at fair value.
- Financial instruments at fair value through profit and loss are measured at fair value.

(c) Going concern

These consolidated financial statements have been prepared on a going concern basis in accordance with IFRS. 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 substantial doubt about the appropriateness of the use of the going concern assumption because the Company has experienced operating losses from incorporation and has accumulated a deficit of \$125,877,356 as at May 31, 2013 and a working capital deficiency of \$2,065,539. Management has forecast that contractual commitments and debt service obligations will exceed the Company's net cash flows and working capital during fiscal 2014. The Company's

future operations are dependent upon its ability to grow sales of AGGRASTAT®, to develop and/or acquire new products, and/or secure additional capital, which may not be available under favourable terms or at all, and/or renegotiate the terms of its contractual commitments and long-term debt. If the Company is unable to grow sales or raise additional capital, management will consider other strategies including further cost curtailments, delays of research and development activities, asset divestures and/or monetization of certain intangibles. Effective August 1, 2013, the Company renegotiated its long-term debt and received an additional two year deferral of principal repayments. Under the renegotiated terms, the loan continues to be interest only with principal repayments now beginning on August 1, 2015 and the loan matures on July 1, 2018.

MEDICURE INC.

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

Years ended May 31, 2013, 2012 and 2011

2. Basis of preparation of financial statements (continued):

(c) Going concern (continued):

The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent on many factors, including but not limited to the actions taken or planned, some of which are described above, which are intended to mitigate the adverse conditions and events which raise doubt about the validity of the going concern assumption used in preparing these consolidated financial statements. There is no certainty that the Company's working capital and net cash flows will be sufficient through fiscal 2014 or that the above described and other strategies will be sufficient to permit the Company to continue as a going concern.

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 statement of financial position classifications used.

(d) Functional and presentation currency

The financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented has been rounded to the nearest dollar except where indicated otherwise.

(e) Use of estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Areas where management has made critical judgments in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements include the determination of the Company and its subsidiaries functional currency and the determination of the Company's cash generating units ("CGU") for the purposes of impairment testing.

Information about key assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year are included in the following notes:

- Note 3(c)(ii): Valuation of the royalty obligation
- Note 3(c)(ii): Valuation of the warrant liability

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- Note 3(c)(ii): Valuation of the other long-term liability
 - Note 3(d): Provisions for returns and discounts
- Note 3(g)(i): The estimation of accruals for research and development costs
 - Note 3(g)(ii): The measurement and period of use of intangible assets
- Note 3(j)(ii): The assumptions and model used to estimate the value of share-based payment transactions
- Note 3(l): The measurement of the amount and assessment of the recoverability of income tax assets

MEDICURE INC.

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

Years ended May 31, 2013, 2012 and 2011

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

(a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Medicare International Inc., and Medicare Pharma Inc. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All significant inter-company transactions and balances have been eliminated.

(b) Foreign currency

Items included in the financial statements of each of the Company's consolidated subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the functional currency). The consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency. The U.S. dollar is the functional currency of Medicare Pharma Inc. In the three months ended August 31, 2011, as a result of the long-term debt settlement (note 8) and other factors, the focus of Medicare International, Inc.'s operations changed and, accordingly, its functional currency was changed from the Canadian dollar to the U.S. dollar, effective June 1, 2011. In accordance with International Accounting Standard ("IAS") 21, The Effects of Changes in Foreign Exchange Rates, this change has been accounted for prospectively.

Foreign currency transactions are translated into the respective functional currencies of the Company and its subsidiaries using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss. The results and financial position of the Company's consolidated subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;

(ii) income and expenses for each year are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognized in other comprehensive income in the cumulative translation account.

When a foreign operation is disposed of, a proportionate share of the cumulative exchange differences previously recognized in equity is recognized in the statement of income, as part of the gain or loss on sale where applicable.

(c) Financial instruments

(i) Financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

MEDICURE INC.

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

Years ended May 31, 2013, 2012 and 2011

3. Significant accounting policies (continued):

(c) Financial instruments (continued):

(i) Financial assets (continued)

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets into the following categories: loans and receivables. The Company has not classified any assets or liabilities as held-to-maturity or as available-for-sale.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise accounts receivables.

(ii) Financial liabilities

The Company has the following non-derivative financial liabilities which are classified as other financial liabilities: accounts payable and accrued liabilities, accrued interest on long-term debt and long-term debt.

All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Costs incurred to obtain financing are deferred and amortized over the term of the associated debt using the effective interest method. Amortization is a non-cash charge to interest expense.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Warrants with an exercise price denominated in a foreign currency are recorded as a warrant liability and classified as fair value through profit and loss. The warrant liability is included within accounts payable and accrued liabilities and the change in the fair value of the warrants is recorded as a gain or loss in the consolidated statement of net income (loss) and comprehensive income (loss) within finance expense. These warrants have not been listed on an exchange and therefore do not trade on an active market.

The warrant liability is measured by reference to the fair value of the warrants at the date at which they were granted and subsequently revalued at each reporting date. Estimating fair value for these warrants requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the warrants, volatility and dividend yield and making assumptions about them.

The royalty obligation is measured by reference to its fair value at the date at which the liability was incurred and subsequently revalued at each reporting date. Estimating fair value for this liability requires determining the most appropriate valuation model which is dependent on its underlying terms and conditions. This estimate also requires determining expected revenues from AGGRASTAT® sales and an appropriate discount rate and making assumptions about them.

MEDICURE INC.

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

Years ended May 31, 2013, 2012 and 2011

3. Significant accounting policies (continued):

(c) Financial instruments (continued):

(ii) Financial liabilities (continued):

The other long-term liability is measured by reference to its fair value at the date at which the liability was incurred and subsequently revalued at each reporting date. Estimating fair value for this liability requires determining the most appropriate valuation model which is dependent on its underlying terms and conditions. This estimate also requires determining the time frame when certain sales targets are expected to be met and an appropriate discount rate and making assumptions about them.

(iii) Fair Value Measurement

The accounting guidance for fair value measurements prioritizes the inputs used in measuring fair value into the following hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable;

Level 3 - Unobservable inputs in which little or no market activity exists, therefore requiring an entity to develop its own assumptions about the assumptions that market participants would use in pricing.

The fair value of the warrant liability is based on level 2 (significant observable inputs) and the fair value of the royalty obligation and other long-term liability are based on level 3 (unobservable inputs).

(d) Revenue recognition

Revenue from the sale of goods, comprising finished and unfinished products, in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

(e) Inventories

Inventories consist of unfinished product (raw materials) and packaging materials, as well as finished products and are measured at the lower of cost and net realizable value. The cost of inventories is based on the first in first out principle, and includes expenditures incurred in acquiring the inventories, production or conversion costs and other

costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(f) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. The costs of the day-to-day servicing of property and equipment are recognized in the statement of net income (loss) and comprehensive income (loss) in the period in which they are incurred.

MEDICURE INC.

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

Years ended May 31, 2013, 2012 and 2011

3. Significant accounting policies (continued):

(f) Property and equipment (continued):

(ii) Amortization

Amortization is recognized in profit or loss over the estimated useful lives of each part of an item of property and equipment in a manner which most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

| Asset | Basis | Rate |
|-----------------------------------|---------------------|------------|
| Computer equipment | Straight-line | 25% |
| Furniture, fixtures and equipment | Diminishing balance | 20% to 25% |

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(g) Intangible assets

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. No development costs have been capitalized to date.

Research and development expenses include all direct and indirect operating expenses supporting the products in development.

(ii) Intangible assets

Intangible assets that are acquired separately and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

Costs incurred in obtaining a patent are capitalized and amortized on a straight-line basis over the legal life of the respective patent, ranging from five to twenty years, or its economic life, if shorter. Costs incurred in obtaining a trademark are capitalized and amortized on a straight-line basis over the legal life of the respective trademark, being ten years, or its economic life, if shorter. Costs incurred in obtaining a customer list are capitalized and amortized on a straight-line basis over its estimated economic life of approximately ten years.

Costs incurred in successfully obtaining a patent, trademark or customer list are measured at cost less accumulated amortization and accumulated impairment losses. The cost of servicing the Company's patents and trademarks are expensed as incurred.

(iii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

MEDICURE INC.

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

Years ended May 31, 2013, 2012 and 2011

3. Significant accounting policies (continued):

(g) Intangible assets (continued):

(iv) 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.

(v) Government assistance and investment tax credits:

Government assistance toward current expenses is recorded as a reduction of the related expenses in the period the expenses are incurred. Government assistance towards property and equipment is deducted from the cost of the related property and equipment. The benefits of investment tax credits for scientific research and experimental development expenditures ("SR&ED") incurred directly by the Company are recognized in the period the qualifying expenditure is made, providing there is reasonable assurance of recoverability. SR&ED investment tax credits receivable are recorded at their net realizable value.

(h) Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss for financial assets carried at amortized cost. The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

(i) Impairment of non-financial assets

The Company assesses at each reporting period whether there is an indication that a non-financial asset may be impaired. An impairment loss is recognized when the carrying amount of an asset, or its CGU, exceeds its recoverable amount. Impairment losses are recognized in net income (loss) and comprehensive income (loss) and included in research and development expense if they relate to patents. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount is the greater of the asset's or CGU's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less cost to sell, an appropriate valuation model is used. For an asset that does not generate

largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

MEDICURE INC.

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

Years ended May 31, 2013, 2012 and 2011

3. Significant accounting policies (continued):

(j) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(ii) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognized as a personnel expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions. In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

(k) Finance income and finance costs

Finance income comprises interest income on funds invested which is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings which are recognized in profit or loss using the effective interest method, changes in the fair value of the warrant liability, accretion on the royalty obligation and amortization of deferred debt issue costs using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(l) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax receivable or payable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax receivable or payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

MEDICURE INC.

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

Years ended May 31, 2013, 2012 and 2011

3. Significant accounting policies (continued):

(l) Income tax (continued):

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(m) Earnings (loss) per share

The Company presents basic earnings per share ("EPS") data for its common voting shares. Basic EPS is calculated by dividing the profit or loss attributable to common voting shareholders of the Company by the weighted average number of common voting shares outstanding during the period, adjusted for own shares held. Diluted EPS is computed similar to basic EPS except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercise were used to acquire common shares at the average market price during the reporting periods.

(n) Comparative figures

Certain of the comparative figures have been reclassified to conform to the current years' presentation.

(o) New standards and interpretations not yet adopted

Certain new standards, interpretations and amendments to existing standards issued by the International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretations Committee ("IFRIC") that are not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company is assessing the impact of these pronouncements on its consolidated results and financial position. The Company intends to adopt those standards when they become effective.

IFRS 9, Financial Instruments: Classification and Measurement

IFRS 9 (2009) replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement, on the classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables.

Financial assets will be classified into one of two categories on initial recognition:

- financial assets measured at amortized cost; or
- financial assets measured at fair value.

Under IFRS 9 (2010), for financial liabilities measured at fair value under the fair value option, changes in fair value attributable to changes in credit risk will be recognized in other comprehensive income ("OCI"), with the remainder of the change recognized in profit and loss.

IFRS 9 (2010) supersedes IFRS 9 (2009) and is effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. For annual periods beginning before January 1, 2015, either IFRS 9 (2009) or IFRS 9 (2010) may be applied.

The Company intends to adopt IFRS 9 (2010) in its consolidated financial statements for the annual period beginning on June 1, 2015. The extent of the impact of adoption of IFRS 9 (2010) has not yet been determined.

MEDICURE INC.

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

Years ended May 31, 2013, 2012 and 2011

3. Significant accounting policies (continued):

(o) New standards and interpretations not yet adopted (continued):

IFRS 10, Consolidated Financial Statements

In May 2011, the IASB published IFRS 10, Consolidated Financial Statements. The standard is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. IFRS 10 replaces IAS 27 and Standing Interpretation Committee ("SIC") 12, Consolidation Special Purpose Entities. The consolidation requirements previously included in IAS 27 have been included in IFRS 10, whereas the amended IAS 27 sets standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements. IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee, eliminating the risks and rewards approach included in SIC-12. An investor must possess the following three elements to conclude it controls an investee: power over the investee, exposure or rights to variable returns from involvement with the investee, and the ability to use power over the investee to affect the amount of the investor's returns. IFRS 10 requires continuous reassessment of changes in an investor's power over the investee and changes in the investor's exposure or rights to variable returns.

The Company intends to adopt IFRS 10 in its consolidated financial statements for the annual period beginning on June 1, 2013. The extent of the impact of adoption of IFRS 10 has not yet been determined.

IFRS 13, Fair Value Measurement

In May 2011, the IASB published IFRS 13, Fair Value Measurement, which is effective prospectively for annual periods beginning on or after January 1, 2013, with earlier application permitted. The disclosure requirements of IFRS 13 need not be applied in comparative information for periods before initial application. IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income. IFRS 13 explains how to measure fair value when it is required or permitted by other IFRSs. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

The Company intends to adopt IFRS 13 prospectively in its consolidated financial statements for the annual period beginning on June 1, 2013. The extent of the impact of adoption of IFRS 13 has not yet been determined.

Amendments to IAS 1, Presentation of Financial Statements

In June 2011, the IASB issued amendments to IAS 1, Presentation of Financial Statements, which is effective for annual periods beginning on or after July 1, 2012, with earlier application permitted. The amendments to IAS 1 require companies preparing financial statements to group together items with OCI on the basis of whether they may be reclassified to the profit and loss section of the statement of income. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements.

The Company intends to adopt the amendments in its consolidated financial statements for the annual period beginning on June 1, 2013. The extent of the impact of adoption of the amendments has not yet been determined.

Annual Improvement to IFRSs 2009-2011 Cycle - Various Standards

In May 2012, the IASB published Annual Improvements to IFRSs - 2009-2011 Cycle as part of its annual improvements process to make non-urgent but necessary amendments to IFRS effective for annual periods beginning on or after January 1, 2013 with retrospective application.

MEDICURE INC.

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

Years ended May 31, 2013, 2012 and 2011

3. Significant accounting policies (continued):

(o) New standards and interpretations not yet adopted (continued):

Annual Improvement to IFRSs 2009-2011 Cycle - Various Standards (continued):

The impending changes that potentially have an effect on the Company include:

- IAS 1, Presentation of Financial Statements - the changes involve amendments to the presentation and disclosure of comparative information beyond the minimum and the presentation of the opening statement of financial position.
- IAS 34, Interim Financial Reporting - the changes involve amendments to the presentation and disclosure of segment assets and liabilities.

The Company intends to adopt the amendments to the standards in its consolidated financial statements for the annual period beginning on June 1, 2013. The extent of the impact of the adoption of the amendments has not yet been determined.

4. Accounts receivable:

| | May 31, 2013 | May 31, 2012 |
|---------------------------|-----------------|-----------------|
| Trade accounts receivable | 422,588 | 389,193 |
| Other accounts receivable | 10,028 | 31,004 |
| | 432,616 | 420,197 |

As at May 31, 2013, the trade accounts receivable consists of amounts owing from four customers which represent approximately 99 percent (May 31, 2012 - 100 percent) of trade accounts receivable.

5. Inventories:

| | May 31, 2013 | May 31, 2012 |
|--|-----------------|-----------------|
| Unfinished product and packaging materials | 160,010 | 228,210 |
| Finished product | 742,789 | 314,115 |
| | 902,799 | 542,325 |

During the year ending May 31, 2013, the Company wrote off inventory that had expired or was otherwise unusable of \$19,639 (2012 - \$109,194 and 2011 - \$292,950). Inventory expensed as part of cost of goods sold during the year

ended May 31, 2013 was \$131,355 (2012 - \$227,517 and 2011 - \$268,572).

MEDICURE INC.

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

Years ended May 31, 2013, 2012 and 2011

6. Property and equipment:

| Cost | Computer and office equipment | Furniture, fixtures and equipment | Total |
|--|-------------------------------------|---|-----------|
| Balance, May 31, 2011 | \$35,721 | \$124,673 | \$160,394 |
| Additions | 1,488 | - | 1,488 |
| Disposals | (12,578) | - | (12,578) |
| Effect of movements in exchange rates | - | 7,333 | 7,333 |
| Balance, May 31, 2012 | 24,631 | 132,006 | 156,637 |
| Additions | 3,108 | - | 3,108 |
| Effect of movements in exchange rates | - | 430 | 430 |
| Balance, May 31, 2013 | \$27,739 | \$132,436 | \$160,175 |
| Accumulated amortization and impairment losses | Computer and office equipment | Furniture, fixtures and equipment | Total |
| Balance, May 31, 2011 | \$20,869 | \$92,583 | \$113,452 |
| Amortization for the year | 7,217 | 12,446 | 19,663 |
| Disposals | (12,578) | - | (12,578) |
| Effect of movements in exchange rates | - | 5,355 | 5,355 |
| Balance, May 31, 2012 | 15,508 | 110,384 | 125,892 |
| Amortization for the year | 6,174 | 5,326 | 11,500 |
| Effect of movements in exchange rates | - | 548 | 548 |
| Balance, May 31, 2013 | \$21,682 | \$116,258 | \$137,940 |
| Carrying amounts | Computer and office equipment | Furniture, fixtures and equipment | Total |
| Balance, May 31, 2012 | \$9,123 | \$21,622 | \$30,745 |
| Balance, May 31, 2013 | \$6,057 | \$16,178 | \$22,235 |

MEDICURE INC.

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

Years ended May 31, 2013, 2012 and 2011

7. Intangible assets

| Cost | Patents | Trademarks | Customer List | Total |
|--|-------------|-------------|---------------|--------------|
| Balance, May 31, 2011 | \$8,555,292 | \$1,534,440 | \$270,784 | \$10,360,516 |
| Additions | 96,424 | - | - | 96,424 |
| Change due to impairment | (339,680) | - | - | (339,680) |
| Effect of movements in exchange rates | 546,734 | 101,525 | 17,916 | 666,175 |
| Balance, May 31, 2012 | 8,858,770 | 1,635,965 | 288,700 | 10,783,435 |
| Additions | 4,289 | - | - | 4,289 |
| Change due to impairment | (62,282) | - | - | (62,282) |
| Effect of movements in exchange rates | 33,521 | 6,177 | 1,090 | 40,788 |
| Balance, May 31, 2013 | \$8,834,298 | \$1,642,142 | \$289,790 | \$10,766,230 |
| Accumulated amortization and write-downs | Patents | Trademarks | Customer List | Total |
| Balance, May 31, 2011 | \$5,971,585 | \$927,048 | \$163,597 | \$7,062,230 |
| Amortization | 721,405 | 116,010 | 20,472 | 857,887 |
| Change due to impairment | (123,669) | - | - | (123,669) |
| Effect of movements in exchange rates | 409,730 | 64,880 | 11,449 | 486,059 |
| Balance, May 31, 2012 | 6,979,051 | 1,107,938 | 195,518 | 8,282,507 |
| Amortization | 388,753 | 116,220 | 20,509 | 525,482 |
| Change due to impairment | (149) | - | - | (149) |
| Effect of movements in exchange rates | 38,945 | 7,968 | 1,408 | 48,321 |
| Balance, May 31, 2013 | \$7,406,600 | \$1,232,126 | \$217,435 | \$8,856,161 |
| Carrying amounts | Patents | Trademarks | Customer List | Total |
| Balance, May 31, 2012 | \$1,879,719 | \$528,027 | \$93,182 | \$2,500,928 |
| Balance, May 31, 2013 | \$1,427,698 | \$410,016 | \$72,355 | \$1,910,069 |

The Company has considered indicators of impairment at May 31, 2013 and May 31, 2012. To May 31, 2013, the Company has recorded an aggregate impairment loss of \$16,136,325 primarily resulting from a previous write-down of AGGRASTAT® intangible assets and from patent applications no longer being pursued or patents being abandoned. The Company recorded a write-down of intangible assets of \$62,133 during the year ended May 31, 2013

(2012 - \$216,011 and 2011 - \$280,235) relating to patent applications no longer being pursued and patents being abandoned. The average remaining amortization period of the Company's intangible assets is approximately 3.5 years.

For the year ended May 31, 2013, amortization of intangible assets relating to AGGRASTAT® totaling \$514,902 (2012 - \$845,869 and 2011 - \$839,725) is recognized in cost of goods sold and amortization of other intangible assets totaling \$10,580 (2012 - \$12,018 and 2011 - \$38,963) and write-downs of intangible assets totaling \$62,133 (2012 - \$216,011 and 2011 - \$280,235) are recognized in research and development expense.

As described in note 8, certain intangible assets were pledged as security against long-term debt.

MEDICURE INC.

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

Years ended May 31, 2013, 2012 and 2011

8. Long-term debt:

| | May 31, 2013 | May 31, 2012 |
|--|-----------------|-----------------|
| Manitoba Industrial Opportunities Program loan | \$4,781,894 | \$4,647,740 |
| Current portion of long-term debt | 1,271,775 | - |
| | \$3,510,119 | \$4,647,740 |

Principal repayments to maturity by fiscal year are as follows:

| | |
|--|-------------|
| 2014 | \$1,388,889 |
| 2015 | 1,666,667 |
| 2016 | 1,666,667 |
| 2017 | 277,777 |
| | 5,000,000 |
| Less deferred debt issue expenses (net of accumulated amortization of \$252,135) | 218,106 |
| | \$4,781,894 |

On July 18, 2011, the Company settled its existing long-term debt with Birmingham Associates Ltd. ("Birmingham"), an affiliate of Elliott Associates L.P. ("Elliott"), in exchange for; i) \$4,750,000 in cash; ii) 2,176,003 common shares (32,640,043 pre-consolidation common shares (note 9)) of the Company; and iii) a royalty on future AGGRASTAT® sales until May 1, 2023. The royalty is based on four percent of the first \$2,000,000 of quarterly AGGRASTAT® sales, six percent of quarterly sales between \$2,000,000 and \$4,000,000 and eight percent of quarterly sales exceeding \$4,000,000 payable within 60 days of the end of the preceding quarter. The previous lender has a one-time option to switch the royalty payment from AGGRASTAT® to a royalty on MC-1 sales. Management has determined there is no value to the option to switch the royalty.

In accordance with the terms of the agreement, if the Company were to dispose of its AGGRASTAT® rights, the acquirer would be required to assume the obligations under the royalty agreement.

The difference between the carrying amount of the long-term debt extinguished and the consideration paid, comprising cash, equity instruments and the royalty obligation assumed, has been recognized as a gain on the settlement of debt in the statement of net income for the year ended May 31, 2012. In accordance with IFRIC 19, Extinguishing financial liabilities with equity instruments, the shares issued in partial consideration for the settlement of the debt have been included in consideration paid and measured at their fair value at the date of the settlement of \$652,801.

As at July 18, 2011 the Company had total Canadian dollar book value of long-term debt of \$22,254,966, net of unamortized deferred financing fees of \$941,454. The Company also had accrued interest payable of \$8,145,865 for a total carrying value of the debt settled on July 18, 2011 of \$30,400,831.

The gain on the settlement of debt totals \$23,931,807 and consideration paid comprised \$4,750,000 cash paid, common shares with a value of \$652,801 and a royalty obligation valued at \$901,915, in addition to legal costs associated with the debt settlement transaction of \$164,308.

The initial value assigned to the royalty obligation, based on an expected value approach, was estimated at \$901,915. The royalty obligation is recorded at fair value with the associated cash flows being revised each period resulting in a carrying value at May 31, 2013 of \$649,959 (May 31, 2012 - \$640,996). The net accretion of the royalty obligation for the year ended May 31, 2013 of \$72,889 (2012 - (\$217,973)) is recorded within finance expense on the Consolidated statements of net (loss) income and comprehensive (loss) income. Royalties for the year ended May 31, 2013 total \$104,979 in regards to the royalty obligation (2012 - \$99,965 and 2011 - nil), with payments made in fiscal 2013 being \$88,105 (2012 - \$84,784 and 2011 - nil).

MEDICURE INC.

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

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8. Long-term debt (continued):

The Company borrowed \$5,000,000 from the Government of Manitoba, under the Manitoba Industrial Opportunities ("MIOP") Program, to assist in the settlement of the Birmingham long-term debt. The loan bears interest annually at 5.25% and matures on July 1, 2016. The loan is payable 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 Chief Executive Officer of the Company and entities controlled by the Chief Executive Officer. The Company issued 1,333,333 common shares (20,000,000 pre-consolidated common shares (note 9)) of the Company with a fair value of \$371,834, net of share issue costs of \$28,166, in consideration for the guarantee to the Company's Chief Executive Officer and entities controlled by the Chief Executive Officer. In connection with the guarantee the Company entered into an indemnification agreement with the Chief Executive Officer under which the Company shall pay the Guarantor on demand all amounts paid by the Guarantor pursuant to the guarantee. In addition, under the indemnity agreement the Company agreed to provide certain compensation upon a change in control of the Company. 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.

The Company is required to maintain certain non-financial covenants under the terms of the MIOP loan. As at May 31, 2013, management believes it is in compliance with the terms of the loan.

The effective interest rate on the MIOP loan for the year ended May 31, 2013 was eight percent.

Effective August 1, 2013, the Company renegotiated its long-term debt and received an additional two year deferral of principal repayments. Under the renegotiated terms, the loan continues to be interest-only with principal repayments now beginning on August 1, 2015 and the loan matures on July 1, 2018.

9. Other long-term liability

The Company received \$200,000 of funding from the Province of Manitoba's Commercialization Support for Business program to assist the Company with the completion of a study evaluating AGGRASTAT® in patients with impaired kidney function. The study was completed and the funds received during the year ended May 31, 2013. The funding is repayable when certain sales targets are met and the repayable requirement will remain in effect for a period not less than eight fiscal years.

The other long-term liability was recorded at fair value of \$167,261 with the difference between the fair value of the liability and the funding received being recorded as a reduction in research and development expenses.

10. Capital stock:

(a) Authorized:

The Company has authorized share capital of an unlimited number of common voting shares, an unlimited number of class A common shares and an unlimited number of preferred shares. The preferred shares may be issued in one or

more series, and the directors may fix prior to each series issued, the designation, rights, privileges, restrictions and conditions attached to each series of preferred shares.

On November 1, 2012, the Company completed a consolidation of its outstanding share capital on the basis of one post-consolidation share for every fifteen pre-consolidation shares. All comparative figures have been adjusted retrospectively.

MEDICURE INC.

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

Years ended May 31, 2013, 2012 and 2011

10. Capital stock (continued)

(b) Shares issued and outstanding:

Shares issued and outstanding are as follows:

| | Number of Common Shares | Amount |
|--------------------------------|-------------------------------|----------------|
| Balance, May 31, 2011 | 8,687,172 | \$ 116,014,623 |
| Shares issued on July 18, 2011 | 3,509,336 | 1,018,635 |
| Balance, May 31, 2012 | 12,196,508 | \$ 117,033,258 |
| Balance, May 31, 2013 | 12,196,508 | \$ 117,033,258 |

On July 18, 2011, the Company issued 2,176,003 common shares (32,640,043 pre-consolidation common shares) as part of the consideration of the settlement of the Company's existing debt. These shares had a value of \$646,801, net of share issue costs of \$6,000 (note 8).

On July 18, 2011, the Company issued 1,333,333 (20,000,000 pre-consolidation common shares) of the Company in consideration for the guarantee of long-term debt by the Company's Chief Executive Officer and entities controlled by the Chief Executive Officer. These shares had a value of \$371,834, net of share issue costs of \$28,166 and have been recorded as deferred debt issue costs and are being amortized using the effective interest method (note 8).

(c) Stock option plan:

The Company has a stock option plan which is administered by the Board of Directors of the Company with stock options granted to directors, management, employees and consultants as a form of compensation. The number of common shares reserved for issuance of stock options is limited to a maximum of 1,829,476 common shares of the Company at any time. The stock options generally have a maximum term of ten years.

On July 18, 2011, the Company issued 836,133 stock options (12,542,000 pre-consolidation stock options) to certain officers, employees, management company employees and consultants of the Company, including the Chief Executive Officer and Chief Operating Officer, at an exercise price of \$1.50 per common share (\$0.10 per pre-consolidation common share). The options vested immediately and expire after ten years.

On May 10, 2013, the Company issued 463,000 stock options to certain directors, officers, employees, management company employees and consultants of the Company, including the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer, at an exercise price of \$0.30 per common share. The options vested immediately and expire after ten years.

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Changes in the number of options outstanding during the year ended May 31, 2013 and 2012 are as follows:

| | May 31, 2013 | | May 31, 2012 | |
|------------------------------------|--------------|---------------------------------|--------------|---------------------------------|
| | Shares | Weighted average exercise price | Shares | Weighted average exercise price |
| Balance, beginning of period | 962,610 | \$3.04 | 154,810 | \$11.10 |
| Granted | 463,000 | 0.30 | 836,133 | 1.50 |
| Forfeited, cancelled or expired | (4,258) | 4.68 | (28,333) | 1.35 |
| Balance, end of period | 1,421,352 | \$2.14 | 962,610 | \$3.04 |
| Options exercisable, end of period | 1,421,352 | \$2.14 | 962,610 | \$3.04 |

MEDICURE INC.

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

Years ended May 31, 2013, 2012 and 2011

10. Capital stock (continued)

(c) Stock option plan: (continued):

Options outstanding at May 31, 2013 consist of the following:

| Range of exercise prices | Number outstanding | Weighted average remaining contractual life | Options outstanding weighted average exercise price | Number exercisable |
|--------------------------|--------------------|---|---|--------------------|
| \$0.30 - \$5.00 | 1,339,398 | 8.64 years | \$1.05 | 1,339,398 |
| \$10.01 - \$15.00 | 30,810 | 4.52 years | \$12.71 | 30,810 |
| \$15.01 - \$20.00 | 777 | 2.40 years | \$17.85 | 777 |
| \$20.01 - \$25.20 | 50,367 | 2.91 years | \$24.56 | 50,367 |
| \$0.30 - \$25.20 | 1,421,352 | 8.35 years | \$2.14 | 1,421,352 |

The compensation expense related to stock options granted during the period and in previous periods under the stock option plan for the year ended May 31, 2013 was \$102,993 (2012 - \$224,445 and 2011 - \$77,057).

The compensation expense was determined based on the fair value of the options at the date of measurement using the Black-Scholes option pricing model.

| | May 31, 2013 | May 31, 2012 |
|-------------------------|--------------|--------------|
| Expected option life | 5.1 years | 4.1 years |
| Risk-free interest rate | 1.34% | 1.90% |
| Dividend yield | nil | nil |
| Expected volatility | 161.87% | 193.05% |

(d) Warrants:

Changes in the number of warrants outstanding during years ended May 31, 2013 and 2012 are as follows:

| Issue (Expiry date) | Original granted | Exercise price per share | May 31, 2011 | Granted (Expired) | May 31, 2012 | Granted (Expired) | May 31, 2013 |
|---------------------|------------------|--------------------------|--------------|-------------------|--------------|-------------------|--------------|
| 265,641 units | | | | | | | |

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| | | | | | | | |
|------------------------|---------|-------------|---------|------------|---------|------------|--------|
| (December 22, 2011) | 265,641 | USD \$25.50 | 265,641 | (265,641) | - | - | - |
| 66,667 units | | | | | | | |
| (December 31, 2016) | 66,667 | USD \$18.90 | 66,667 | - | 66,667 | - | 66,667 |
| 291,594 units | | | | | | | |
| (October 5, 2012) | 291,594 | USD \$22.50 | 291,594 | - | 291,594 | (291,594) | - |

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Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

Years ended May 31, 2013, 2012 and 2011

10. Capital stock (continued)

(d) Warrants (continued):

IFRS requires warrants with an exercise price denominated in a currency other than the entity's functional currency to be treated as a liability measured at fair value. The warrants, all with U.S. dollar exercise prices, are recorded at fair value within accounts payable and accrued liabilities as at May 31, 2013 and total \$10,524 (May 31, 2012 - \$35,053). Changes in fair value of the warrants for the year ended May 31, 2013 of \$24,529 (2012 - \$24,490 and 2011 - (\$27,374)) are recorded within finance expense.

The warrants, with the exception of the warrants expiring on December 31, 2016, were issued together with common shares either under prospectus offerings or private placements with the net proceeds allocated to common shares and warrants based on their relative fair values using the Black-Scholes model. The warrants expiring on December 31, 2016 were issued with the debt financing agreement in September 2007.

The warrants expiring on December 31, 2016 may be exercised, upon certain conditions being met, on a cashless basis based on a formula described in the warrant agreements.

(e) Per share amounts

The weighted average number of common voting shares outstanding for the year ended May 31, 2013 and 2012 was 12,196,508 and 11,745,854, respectively. For the period ended May 31, 2013, the dilution created by options and warrants has not been reflected in the per share amounts as the effect would be anti-dilutive. For the year ended May 31, 2012, the dilution created by options and warrants has been reflected in the per share amounts.

11. Income taxes:

The Company recognized no income taxes in the statements of net (loss) income and comprehensive (loss) income, as it has been incurring losses since inception, excluding the gain on the settlement of debt during the year ended May 31, 2012, and it is not probable that future taxable profits will be available against which the accumulated tax losses can be utilized.

As at May 31, 2013 and 2012, deferred tax assets have not been recognized with respect to the following items:

| | 2013 | 2012 |
|--|-------------|-------------|
| Non-capital loss carry-forwards | \$6,961,000 | \$6,816,000 |
| Scientific research and experimental development | 3,793,000 | 3,793,000 |
| Share issue costs | 34,000 | 56,000 |
| Other | 720,000 | 771,000 |
| | 11,508,000 | 11,436,000 |

MEDICURE INC.

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11. Income taxes (continued):

The reconciliation of the Canadian statutory rate to the income tax rate applied to the net income (loss) for the period to the income tax recovery is as follows:

| | May 31, 2013 | May 31, 2012 | May 31, 2011 |
|---|-----------------|-----------------|-----------------|
| Loss (income) for the year: | | | |
| Canadian | (1,196,746) | (1,699,690) | (1,537,114) |
| Foreign | (1,377,558) | 25,085,469 | (97,660) |
| | (2,574,304) | 23,385,779 | (1,634,774) |
| Canadian federal and provincial income taxes at 27.00% (2012 - 27.00% and 2011 - 27.00%) | 695,000 | (6,314,000) | 544,000 |
| Permanent differences and other items | (24,000) | (74,000) | (42,000) |
| Gain on settlement of debt | - | 598,000 | - |
| Foreign tax rate in foreign jurisdiction | (355,000) | 6,097,000 | (120,000) |
| Change in unrecognized deferred tax assets | (72,000) | 165,000 | (838,000) |
| Other | (244,000) | (472,000) | 456,000 |
| | - | - | - |

The foreign tax rate differential is the difference between the Canadian federal and provincial statutory income tax rate and the tax rates in Barbados (2.5 percent) and the United States (38 percent) that are applicable to losses incurred by the Company's wholly-owned subsidiaries, Medicare International Inc. and Medicare Pharma Inc.

At May 31, 2013, the Company has the following Canadian non-capital losses available for application in future years:

| | |
|-------------|---------------|
| Expires in: | |
| 2014 | \$ 171,296 |
| 2026 | 939,620 |
| 2027 | 1,111,169 |
| 2029 | 5,288,028 |
| 2030 | 2,711,408 |
| 2031 | 1,893,976 |
| 2032 | 1,485,583 |
| 2033 | 1,081,244 |
| | \$ 14,682,324 |

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Scientific research and development tax credits of \$3,826,000 (2012 - \$3,826,000 and 2011 - \$3,826,000), which can be applied against Canadian income taxes otherwise payable, with expiry by 2028.

At May 31, 2013, the Company has the following United States net operating losses available for application in future years:

Expires in:

| | |
|------|-------------|
| 2029 | \$1,197,553 |
| 2030 | 433,690 |
| 2032 | 109,601 |
| | 1,740,844 |

MEDICURE INC.

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11. Income taxes (continued):

At May 31, 2013, the Company has the following Barbados losses available for application in future years:

Expires in:

| | |
|------|--------------|
| 2014 | \$2,325,816 |
| 2015 | 10,897,107 |
| 2016 | 9,096,726 |
| 2017 | 24,088,248 |
| 2018 | 37,290,501 |
| 2019 | 6,892,653 |
| 2020 | 1,876,970 |
| 2021 | 96,124 |
| 2023 | 855,611 |
| | \$93,419,756 |

12. Revenue:

During the years ended May 31, 2013, 2012 and 2011, the Company earned revenues as follows:

| | May 31, 2013 | May 31, 2012 | May 31, 2011 |
|--|-----------------|-----------------|-----------------|
| Sale of finished products - AGGRASTAT® | 2,602,700 | 2,881,378 | 3,628,274 |
| Sale of unfinished products | - | 1,915,433 | - |
| | 2,602,700 | 4,796,811 | 3,628,274 |

On July 6, 2011, the Company entered into an agreement with Iroko Cardio, LLC ("Iroko") to advance AGGRASTAT® in each of the Company's 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® unfinished product from inventory on hand and the rights to purchase additional quantities from a third party. In turn, Iroko paid Medicure International Inc. US\$1,059,000 on July 6, 2011 and agreed to pay an additional US\$850,000 on or before November 1, 2011, subject to certain conditions, which were satisfied prior to November 1, 2011 and full payment was received. The Company recognized \$1,915,433 of revenue during the year ended May 31, 2012 in relation to this sale.

In addition, Iroko made available to the Company certain analytical methods for testing of AGGRASTAT® drug product and provided the Company the option, exercisable by the Company within one year, to obtain certain data used by Iroko to obtain changes to the approved use of AGGRASTAT® in Europe. If the Company exercised its option to obtain the data and was successful in getting changes to the approved use of AGGRASTAT® in the United States, Iroko would have been entitled to receive a royalty of up to US\$3,500,000 on future AGGRASTAT® sales

based on three percent of sales per year. Management has determined the value of the option received to obtain such data used by Iroko is not significant. On July 6, 2012, the option to obtain the data expired without the Company exercising its rights thereunder. As a result the Company has no ongoing or potential royalty obligation in connection with this agreement.

MEDICURE INC.

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13. Finance Costs:

During the years ended May 31, 2013, 2012 and 2011, the Company incurred finance costs as follows:

| | May 31, 2013 | May 31, 2012 | May 31, 2011 |
|---------------------------------------|-----------------|-----------------|-----------------|
| Interest on MIOP loan | 396,653 | 348,838 | - |
| Interest on Birmingham long-term debt | - | 385,663 | 3,122,364 |
| Revaluation of royalty obligation | 72,889 | (217,973) | - |
| Revaluation of warrant liability | (24,529) | 24,490 | (27,374) |
| Other interest and banking fees | 21,412 | 12,716 | 5,185 |
| | 466,425 | 553,734 | 3,100,175 |

During the year ended May 31, 2013, 2012 and 2011, the Company paid finance costs as follows:

| | May 31, 2013 | May 31, 2012 | May 31, 2011 |
|--------------------------------------|-----------------|-----------------|-----------------|
| Interest paid on MIOP loan | 262,500 | 208,562 | - |
| Other interest and banking fees paid | 10,917 | 12,716 | 5,185 |
| | 273,417 | 221,278 | 5,185 |

14. Commitments and contingencies:

(a) Commitments:

As at May 31, 2013 and in the normal course of business the Company has obligations to make future payments representing contracts and other commitments that are known and committed.

| | Purchase agreement commitments |
|---|--------------------------------------|
| Contractual obligations payment due by fiscal period ending May 31: | |
| 2014 | 1,618,697 |
| 2015 | 715,000 |
| 2016 | 358,000 |
| | \$ 2,691,697 |

The Company entered into manufacturing and supply agreements, as amended, to purchase a minimum quantity of AGGRASTAT® from a third party with remaining minimum purchases totaling \$2,472,000 or US\$2,385,000 (based on current pricing) over the term of the agreement, which expires in fiscal 2016.

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14. Commitments and contingencies (continued):

(a) Commitments (continued):

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 (note 15), under which the Company 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. On January 1, 2012, the Company entered into a new agreement with GVI under which the Company committed to pay \$15,833 per month, or \$190,000 per year effective January 1, 2012. The agreement was automatically renewed on January 31, 2013 for an additional period of one year. Either party may terminate this agreement at any time after June 30, 2012 upon 90 days written notice.

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.

Contracts with contract research organizations ("CROs") are payable over the terms of the trials and timing of payments is largely dependent on various milestones being met, such as the number of patients recruited, number of monitoring visits conducted, the completion of certain data management activities, trial completion, and other trial-related activities.

(b) Guarantees:

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.

(c) Royalties:

As a part of the Birmingham debt settlement described in note 8, beginning on July 18, 2011, the Company is obligated to pay a royalty to the previous lender based on future commercial AGGRASTAT® sales until 2023. The royalty is based on four percent of the first \$2,000,000 of quarterly AGGRASTAT® sales, six percent of quarterly sales between \$2,000,000 and \$4,000,000 and eight percent of quarterly sales exceeding \$4,000,000 payable within 60 days of the end of the preceding quarter. The previous lender has a one-time option to switch the royalty payment from AGGRASTAT to a royalty on MC-1 sales. Management has determined there is no value to the option to switch the royalty. Royalties for the year ended May 31, 2013 total \$104,979 in regards to the royalty obligation (2012 -

\$99,965 and 2011 - nil), with payments made in fiscal 2013 being \$88,105 (2012 - \$84,784 and 2011 - nil).

As part of the sale of unfinished product as described in note 12, if the Company exercised its option to obtain AGGRASTAT® data and was successful in getting changes to the approved use of AGGRASTAT® in the United States, the Company would be obligated to pay a three percent royalty of up to US\$3,500,000 on future AGGRASTAT® sales. On July 6, 2012, the option to obtain the data expired without the Company exercising its rights thereunder. As a result the Company has no ongoing or potential royalty obligation in connection with this agreement.

The Company is obligated to pay royalties to third parties based on any future commercial sales of MC-1, aggregating up to 3.9 percent on net sales. To date, no royalties are due and/or payable.

(d) Contingencies:

In the normal course of business the Company may from time to time be subject to various claims or possible claims. Although management currently believes there are no claims or possible claims that if resolved would either individually or collectively result in a material adverse impact on the Company's financial position, results of operations, or cash flows, these matters are inherently uncertain and management's view of these matters may change in the future.

MEDICURE INC.

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

Years ended May 31, 2013, 2012 and 2011

15. Related party transactions:

(a) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Board of Directors, Chief Executive Officer, President and Chief Operating Officer and beginning in fiscal 2013, the Chief Financial Officer are key management personnel.

In addition to their salaries, the Company also provides non-cash benefits and participation in the Stock Option Plan. The following table details the compensation paid to key management personnel for the years ended May 31:

| | May 31, 2013 | May 31, 2012 | May 31,2011 |
|--|-----------------|-----------------|----------------|
| Salaries, fees and short-term benefits | 472,623 | 380,250 | 690,320 |
| Share-based payments | 79,190 | 182,713 | 14,615 |
| | 551,813 | 562,963 | 704,935 |

The Company has \$213,569 (May 31, 2012 - \$253,310) recorded within accounts payable and accrued liabilities relating to amounts payable to the members of the Company's Board of Directors for services provided. Beginning on February 22, 2013, these amounts began to bear interest at a rate of 5.5% per annum. For the year ended May 31, 2013, \$3,107 (2012 - nil and 2011 - nil) was recorded within finance expense in relation to these amounts payable to the members of the Company's Board of Directors.

(b) Transactions with related parties

Directors and key management personnel control 19 percent of the voting shares of the Company as at May 31, 2013.

During the year ended May 31, 2013, the Company paid GVI, a company controlled by the Chief Executive Officer, a total of \$190,000 (2012 - \$184,167 and 2011 - \$225,000) for business administration services, \$32,500 (2012 - \$19,563 and 2011 - \$17,671) in rental costs and \$26,125 (2012 - \$46,275 and 2011 - nil) for commercial support services. As described in note 13, the Chief Financial Officer's services are provided through a consulting agreement with GVI. In addition, accounting, payroll, human resources and information technology services are provided to the Company through the GVI agreement.

Clinical research services are provided through a consulting agreement with GVI Clinical Development Solutions ("GVI CDS"), a company controlled by the Chief Executive Officer. Pharmacovigilance and safety, regulatory support, quality control and clinical support are provided to the Company through the GVI CDS agreement. During the year ended May 31, 2013, the Company paid GVI CDS \$134,696 (2012 - \$146,154 and 2011 - \$169,762) for clinical research services.

Research and development services are provided through a consulting agreement with CanAm Bioresearch Inc. ("CanAm"), a company controlled by a close family member of the Chief Executive Officer. During the year ended May 31, 2013, the Company paid CanAm \$467,763 (2012 - \$254,493 and 2011 - \$138,817) for research and development services. In addition, during the year ended May 31, 2011, the Company received \$400,000 from CanAm relating to recoveries of amounts previously provided for. This amount is recorded as a reduction in selling, general and administration expenses for the year ended May 31, 2011. There were no similar recoveries during fiscal 2013 or 2012.

These transactions were in the normal course of business and have been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Beginning on February 22, 2013, these amounts began to bear interest at a rate of 5.5% per annum. For the year ended May 31, 2013, \$7,366 (2012 - nil and 2011 - nil) was recorded within finance expense in relation to these amounts payable to related parties.

MEDICURE INC.

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

Years ended May 31, 2013, 2012 and 2011

15. Related party transactions (continued):

(b) Transactions with related parties (continued):

As of May 31, 2013, included in accounts payable and accrued liabilities is \$106,216 (May 31, 2012 - \$7,862) payable to GVI, \$89,545 (May 31, 2012 - \$10,403) payable to GVI CDS and \$351,297 (May 31, 2012 - \$51,705) payable to CanAm, which are unsecured, payable on demand and bear interest as described above.

On July 18, 2011, the Company renewed its consulting agreement with its Chief Executive Officer for a term of five years, at a rate of \$180,000 annually. The Company may terminate this agreement at any time upon 120 days written notice. As at May 31, 2013, included in accounts payable and accrued liabilities is \$37,750 (May 31, 2012 - nil) payable to the Chief Executive Officer as a result of this consulting agreement, which is unsecured, payable on demand and non-interest bearing.

On July 18, 2011, the Company issued 1,333,333 common shares (20,000,000 pre-consolidation common shares) of the Company in consideration for the guarantee of long-term debt by the Company's Chief Executive Officer and entities controlled by the Chief Executive Officer. These shares had a value of \$371,834, net of share issue costs of \$28,166 and have been recorded as deferred debt issue costs and are being amortized using the effective interest method (note 8).

16. Expenses by nature:

Expenses incurred for the years ended May 31, 2013, 2012 and 2011 are as follows:

| | May 31, 2013 | May 31,2012 | May 31,2011 |
|--|-----------------|----------------|----------------|
| Personnel expenses | | | |
| Salaries, fees and short-term benefits | 1,194,861 | 1,141,944 | 1,612,239 |
| Share-based payments | 102,993 | 224,445 | 77,057 |
| Salaries, fees and short-term benefits | 1,297,854 | 1,366,389 | 1,689,296 |
| Amortization and derecognition | 599,115 | 1,093,560 | 1,179,166 |
| Research and development | 1,374,391 | 538,076 | 197,911 |
| Manufacturing | 117,071 | 130,957 | - |
| Inventory material costs | 131,355 | 227,515 | 380,572 |
| Write-off of inventory | 19,639 | 109,194 | 292,950 |
| Medical affairs | 60,831 | 38,971 | 150,834 |
| Administration | 302,723 | 291,175 | (87,389) |
| Selling and logistics | 619,211 | 516,872 | 470,821 |
| Professional fees | 167,025 | 474,786 | 596,191 |

4,689,215 4,787,495 4,870,352

MEDICURE INC.

Notes to the Consolidated Financial Statements

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17. Financial instruments:

(a) Financial assets and liabilities:

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. The carrying values of current monetary assets and liabilities approximate their fair values due to their relatively short periods to maturity. The fair value of the Company's long-term debt is estimated to approximate its carrying value based on the terms of the long-term debt. The royalty obligation and other long-term liability are recorded at fair value.

(b) Risks arising from financial instruments and risk management:

The Company's activities expose it to a variety of financial risks; market risk (including foreign exchange and interest rate risks), credit risk and liquidity risk. Risk management is the responsibility of the Company, which identifies, evaluates and, where appropriate, mitigates financial risks.

(i) Market risk:

(a) Foreign exchange risk is the risk that the fair value of future cash flows for financial instruments will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risks primarily due to its U.S. dollar denominated cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and royalty obligation. The Company has not entered into any foreign exchange hedging contracts.

The Company is exposed to U.S. dollar currency risk through the following U.S. denominated financial assets and liabilities:

| (Expressed in USD) | May 31, 2013 | May 31,2012 |
|--|-----------------|----------------|
| Cash and cash equivalents | \$115,830 | \$988,734 |
| Accounts receivable | 407,589 | 376,796 |
| Accounts payable and accrued liabilities | (1,189,421) | (700,340) |
| Royalty obligation | (497,749) | (521,124) |
| | \$(1,163,751) | \$144,066 |

Based on the above net exposures as at May 31, 2013, assuming that all other variables remain constant, a five percent appreciation or deterioration of the Canadian dollar against the U.S. dollar would result in a corresponding increase or decrease on the Company's net income (loss) of approximately \$58,000 (2012 - \$7,000).

(b) Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk arising primarily from fluctuations in interest rates on its cash and cash equivalents, long-term debt and other long-term liability.

An increase or decrease in interest rates of one percent during the year ended May 31, 2013, with all other variables held constant, would result in a corresponding increase or decrease on the Company's net income (loss) of approximately \$6,000 (2012 - \$9,000). An increase in the crown company borrowing rate of one percent during the year ended May 31, 2013, with all other variables held constant, would result in a corresponding increase or decrease on the Company's net income (loss) of approximately \$51,000 (2012 - \$44,000).

MEDICURE INC.

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

Years ended May 31, 2013, 2012 and 2011

17. Financial instruments (continued):

(b) Risks arising from financial instruments and risk management (continued):

(ii) Credit risk:

Credit risk is the risk of financial loss to the Company if a partner or counterparty to a financial instrument fails to meet its contractual obligation and arises principally from the Company's cash and cash equivalents, and accounts receivable. The carrying amounts of the financial assets represents the maximum credit exposure.

The Company limits its exposure to credit risk on cash and cash equivalents by placing these financial instruments with high-credit quality financial institutions.

The Company is subject to a concentration of credit risk related to its accounts receivable as amounts are owing primarily from four customers. At May 31, 2013, the outstanding accounts receivable were within normal payment terms and the Company had recorded no allowance for doubtful accounts.

(iii) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows, as well as anticipated investing and financing activities and to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due and to fund future operations.

The majority of the Company's accounts payable and accrued liabilities are due within the current operating period. For long-term debt repayments see note 8.

(c) Capital management:

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern (note 2c) and to provide capital to pursue the development and commercialization of its products.

In the management of capital, the Company includes cash and cash equivalents, long-term debt, capital stock, stock options, warrants and contributed surplus.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share and warrant issuances, granting of stock options, the issuance of debt or by undertaking other activities as deemed appropriate under the specific circumstance. The Company's overall strategy with respect to capital risk management remains unchanged for the year ended May 31, 2013.

18. Determination of fair values:

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following models. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Intangible assets

The fair value of intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

MEDICURE INC.

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

Years ended May 31, 2013, 2012 and 2011

18. Determination of fair values (continued):

(b) Share-based payment transactions

The fair value of the employee share options is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(c) Warrant liability

The warrant liability is measured by reference to the fair value of the warrants at the date at which they were granted and is subsequently revalued at each reporting date. Estimating fair value for these warrants required determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the warrants, volatility and dividend yield and making assumptions about them.

(d) Royalty obligation

The royalty obligation is measured by reference to its fair value at the date at which the liability was incurred and subsequently revalued at each reporting date. Estimating fair value for this liability requires determining the most appropriate valuation model which is dependent on its underlying terms and conditions. This estimate also requires determining expected revenues from AGGRASTAT® sales and an appropriate discount rate and making assumptions about them.

(e) Other long-term liability

The other long-term liability is measured by reference to its fair value at the date at which the liability was incurred and subsequently revalued at each reporting date. Estimating fair value for this liability requires determining the most appropriate valuation model which is dependent on its underlying terms and conditions. This estimate also requires determining the time frame when certain sales targets are expected to be met and an appropriate discount rate and making assumptions about them.

19. Segmented information:

The Company operates in one business segment, the biopharmaceutical industry. Substantially all of the Company's assets and operations are located in Canada, the United States and Barbados. During the year ended May 31, 2013, 100 percent of revenues from the sale of finished product were generated from sales of AGGRASTAT® in the United States, which was to nine customers. Customer A accounted for 40 percent, Customer B accounted for 26 percent, Customer C accounted for 24 percent, Customer D accounted for nine percent and the remaining five customers

accounted for one percent of revenues. Additionally during fiscal 2012, the Company recorded a sale of unfinished product to a European pharmaceutical company as described in note 12.

MEDICURE INC.
 Notes to the Consolidated Financial Statements
 (expressed in Canadian dollars)
 Years ended May 31, 2013, 2012 and 2011

19. Segmented information (continued):

Property and equipment and intangible assets are located in the following countries:

| | May 31, 2013 | May 31, 2012 |
|---------------|-----------------|-----------------|
| Canada | 6,057 | 9,256 |
| Barbados | 1,910,069 | 2,500,928 |
| United States | 16,178 | 21,489 |
| | 1,932,304 | 2,531,673 |

ITEM 19. EXHIBITS

| Number | Exhibit |
|--------|---|
| 1. | Articles of Incorporation and Bylaws: |
| 1.1 | Medicure's Articles of Incorporation dated September 15, 1997 [1]; |
| 1.2 | Lariat's Articles of Incorporation dated June 3, 1997 [1]; |
| 1.3 | Medicure's Certificate of Continuance from Manitoba to Alberta dated December 3, 1999 [1]; |
| 1.4 | Certificate of Amalgamation for Medicure and Lariat dated December 22, 1999 [1]; |
| 1.5 | Medicure's Certificate of Continuance from Alberta to Canada dated February 23, 2000 [1]; |
| 1.6 | Amended Certificate of Continuance and Articles of Continuance dated February 20, 2003 [3]; |
| 1.7 | Bylaws [5]; |
| 1.8 | Bylaw No. 2 ** |
| 1.9 | Bylaw No. 1A |
| 4. | Material Contracts and Agreements: |
| 4.1 | Transfer Agency Agreement between Montreal Trust Company of Canada and the Company dated as of January 26, 2000, whereby Montreal Trust Company of Canada agreed to act as transfer agent and registrar with respect to the Shares [1]; |
| 4.2 | Medicure International Licensing Agreement between the Company and Medicure International Inc. dated June 1, 2000, wherein the Company granted Medicure International, Inc. a license with regard to certain intellectual property [1]; |
| 4.3 | Development Agreement between Medicure International, Inc. and CanAm Bioresearch Inc. dated June 1, 2000, wherein CanAm Bioresearch Inc. agreed to conduct research and development activities for Medicure International, Inc. [1]; |
| 4.4 | Amendment to the Consulting Services Agreement dated February 1, 2002 between A.D. Friesen Enterprises Ltd. and the Company whereby consulting services will be provided to the Company by Dr. Albert D. Friesen [2]; |
| 4.5 | Stock Option Plan approved February 4, 2002 [3]; |
| 4.5 | Amendment dated March 1, 2002 to the Development Agreement between Medicure International, Inc. and CanAm Bioresearch Inc. [5]; |
| 4.7 | Amendment dated August 7, 2003 to the Development Agreement between Medicure International, Inc. and CanAm Bioresearch Inc. [3]; |
| 4.8 | Amendment to the Consulting Services Agreement dated October 1, 2003 between A.D. Friesen Enterprises Ltd. and the Company whereby consulting services will be provided to the Company by Dr. Albert D. Friesen [4]; |
| 4.9 | Employment Agreement with Dawson Reimer dated October 1, 2001 [4]; |

- 4.10 Amendment to Employment Agreement dated April 5, 2005 between A.D. Friesen Enterprises Ltd. and the Company [5];
- 4.11 Amendment to Employment Agreement dated April 5, 2005 between Dawson Reimer and the Company [5];
- 4.12 Amendment to Employment Agreement dated April 5, 2005 between Derek Reimer and the Company [5];
- 4.13 Amendment dated July 8, 2005 to the Development Agreement between Medicure International, Inc. and CanAm Bioresearch Inc. [5];
- 4.14 Amendment to Employment Agreement dated October 1, 2005 between A.D. Friesen Enterprises Ltd. and the Company [6];
- 4.15 Amendment to Development Agreement dated June 1, 2000 between CanAm Bioresearch Inc. and Medicure International, Inc. dated July 4, 2006 [6];
- 4.16 Amended Stock Option Plan approved October 25, 2005 [6];
- 4.17 Amendment to Employment Agreement dated October 1, 2006 between A.D. Friesen Enterprises Ltd. and the Company [7];
- 4.18 Amended License Agreement between Medicure and the University of Manitoba dated November 24, 2006, originally dated August 30, 1999, wherein the University of Manitoba granted to Medicure an exclusive license with regard to certain intellectual property (the "U of M Licensing Agreement") [7];
- 4.19 Amendment to Employment Agreement dated October 1, 2007 between A.D. Friesen Enterprises Ltd. and the Company [8];
- 4.20 Amended Stock Option Plan approved October 2, 2007 as filed on October 9, 2007 Form S-8 #333-146574
- 4.21 Employment Agreement with Dwayne Henley June 10, 2008 [8]
- 4.22 Debt financing agreement between Birmingham Associates Ltd. and the Company dated September 17, 2007 [8].
- 4.23 Business and administration services agreement between Genesys Venture Inc. and the Company dated October 1, 2010.
- 4.24 Master services agreement between GVI Clinical Development Solutions Inc. and the Company dated June 9, 2009.
- 4.25 Debt settlement agreement between Birmingham Associates Ltd. And the Company dated July 18, 2011.
- 4.26 Royalty and guarantee agreement between Birmingham Associates Ltd. And the Company dated July 18, 2011.

4.27 Business and administration services agreement between Genesys Venture Inc. and the Company dated January 1, 2012.

11. Code of Ethics [4].

12.1 Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 **.

12.2 Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 **.

13.1 Certification of CEO and CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 **.

[1] Herein incorporated by reference as previously included in the Company's Form 20-F registration statement filed on January 30, 2001.

[2] Herein incorporated by reference as previously included in the Company's Form 20-F annual report filed on December 31, 2002.

[3] Herein incorporated by reference as previously included in the Company's Form 20-F annual report filed on October 20, 2003.

[4] Herein incorporated by reference as previously included in the Company's Form 20-F annual report filed on September 15, 2004.

[5] Herein incorporated by reference as previously included in the Company's Form 20-F annual report filed on August 19, 2005.

[6] Herein incorporated by reference as previously included in the Company's Form 20-F annual report filed on August 10, 2006.

[7] Herein incorporated by reference as previously included in the Company's Form 20-F annual report filed on August 22, 2007.

[8] Herein incorporated by reference as previously included in the Company's Form 20-F annual report filed on August 27, 2008.

[9] Herein incorporated by reference as previously included in the Company's Form 20-F annual report filed on September 2, 2009.

[10] Herein incorporated by reference as previously included in the Company's Form 20-F annual report filed on September 28, 2010.

[11] Herein incorporated by reference as previously included in the Company's Form 20-F annual report filed on September 28, 2011.

[12] Herein incorporated by reference as previously included in the Company's Form 20-F annual report filed on September 19, 2012.

23.1 Consent of Independent Registered Public Accounting Firm **

** Filed Herewith

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SIGNATURE PAGE

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the Company certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: September 27, 2013

ON BEHALF OF THE CORPORATION,
MEDICURE INC.

per:

/s/ Albert Friesen

Albert D. Friesen, Ph.D.
Chairman, & CEO

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