A Heart for Life

Medicure Inc.
Management Discussion & Analysis for the Year Ended May 31, 2009

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Message to Shareholders, September 2009

Medicure's focus this past year has been on strengthening the commercial business, reducing costs of operation to conserve capital and working with stakeholders to improve its financial condition. In respect to its financial condition, the Company has received extensions from its senior lender to defer a US$ 1.7 million payment due July 15, 2009 to give the parties additional time to develop an appropriate restructuring plan for the Company (see the accompanying MD&A for further details). These agreements allow the Company to continue a dialogue with the lender regarding its debt payment obligations. Management is continuing to further refine its commercial strategy for AGGRASTAT®. Medicure is also committing some small amount of capital for the clinical development of a treatment for Tardive Dyskinesia.

The commercial business remains central to our Company, USA sales of Aggrastat. Net sales Aggrastat for the year was $4.8 million compared to $ 2.2 million the year the year before, representing growth of 113%. However, since sales growth did level off in the fourth quarter, management has refined the sales and marketing strategy.

Operating cost control measures included a substantial reduction of research and development and optimization of sales and marketing practices.

Medicure initiated a 140 patient Phase II clinical trial of TARDOXAL™ (product previously referred to as AVASTREM™) for the treatment of Tardive Dyskinesia. This development program evolved from the extensive preclinical and clinical experience with MC-1, pyridoxal 5' phosphate. Tardive Dyskinesia, is a motion disorder that is a common side effect of the use of antipsychotic drugs and effective treatment of this disorder would address an unmet medical need

I thank our shareholders and employees for their continued support. We have actively addressed several challenges over the past year and continue to work to solidify the Company's financial status, including the value of its assets.

Yours sincerely,

Albert D. Friesen, Ph.D
Chairman, President and Chief Executive Officer

September 1, 2009

Management's Discussion & Analysis & Financial Statements

The following discussion and analysis should be read in conjunction with Medicure Inc.'s (the "Company") audited consolidated financial statements and related notes included herein that are prepared in accordance with Canadian generally accepted accounting principles and the Company's Annual Report on Form 20-F for the year-ended May 31, 2009. Except as described in note 16 of the audited consolidated financial statements, the measurement principles conform in all material respects with generally accepted accounting principles in the United States. All amounts are expressed in Canadian dollars unless otherwise noted. Annual references are to the Company's fiscal years, which end on May 31.

Forward looking Statements

This "Management's Discussion and Analysis of Financial Condition and Operations" contains forward-looking statements and information which may not be based on historical fact, and 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, our intention to further advance our commercial operation and increase AGGRASTAT® product revenue, our intention to raise capital through equity or debt financings, collaborative or other arrangements with third parties or through other sources of financing, our ongoing corporate restructuring plan, our intention to discover and develop new pharmaceuticals, our intention to license the sale and distribution of any products we may commercialize to larger international pharmaceutical companies, our plan to move forward with a clinical development program for TARDOXAL and for MC-1 in other chronic indications, our intention to build a pipeline of pre-clinical products over the next several years, including our drug product candidates currently at the discovery and preclinical stages of development, our evaluation of other drug candidates for potential license with the objective of further broadening our product and patent portfolio and our licensing and research collaboration discussions, from time to time, with larger pharmaceutical firms and other biotechnology firms relating to the potential development and commercialization of our product candidates.

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, the ability to meet its debt obligations, dependence on collaborative partners, sufficient working capital to meet current obligations, our ability to continue as a going concern, the competitive landscape in the markets which we compete, pricing and/or Medicare/Medicaid positioning for AGGRASTAT®, the availability of capital on acceptable terms to pursue the commercialization of AGGRASTAT® and to carry on research and development programs related to TARDOXAL, MC-1 or other products, unanticipated interruptions in our manufacturing operations, significant changes in foreign exchange rate, the impact of new discoveries and scientific information that affect the competitive positioning of AGGRASTAT® and/or its competitors, the impact of competitive products and pricing, the compliance with all long-term debt covenants and obligations, the expense and outcome of certain legal and regulatory proceedings and expense thereto, the nature of the market for MC-1 in the treatment of chronic cardiovascular and metabolic indications, the nature of the market for TARDOXAL in the treatment of Tardive Dyskinesia or other neurological conditions , the regulatory approval process leading to commercialization, fluctuations in operating results, our ability to anticipate and manage the risks associated with the foregoing, contractual disagreements with third parties, the unpredictability of protection provided by our patents, the results of continuing safety and efficacy studies by industry and government agencies, the regulatory

environment and decisions by regulatory bodies impacting our products, fees relating to our products and the feasibility of additional clinical trials, the Company's stage of development, the Company's limited product revenues, and other risks as detailed from time to time in our filings with the SEC and the Canadian Securities Administrators;

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 its Annual Report on Form 20-F for the year ended May 31, 2009, which can be obtained on SEDAR (www.sedar.com).

Company Profile

Medicure is a pharmaceutical company engaged in the research, clinical development and commercialization of human therapeutics. The Company's primary focus is on the sale and marketing of its acute care cardiovascular drug, AGGRASTAT® (tirofiban hydrochloride) in the United States and its territories through its U.S. subsidiary, Medicure Pharma Inc. The Company's primary research and development program of focus is the clinical development of TARDOXAL™ (product previously referred to as AVASTREM™) for neurological disorders, although the Company continues to investigate and advance certain other product opportunities.

Strategic changes made over the past year, coupled with focused capital conservation efforts, have assisted the Company in reducing its use of capital. Although these have been positive steps forward for the Company, its ability to continue in operation for the foreseeable future remains dependent upon the effective execution of its business development and strategic plans, and on securing additional sources of financing and restructuring of its existing Debt Financing Agreement. The Company estimates it currently has sufficient working capital to fund its current obligations and planned operations until October 2009 at which point the Company's projected revenues are estimated to be sufficient to fund its ongoing operations except for servicing its debt obligations. As of May 31, 2009, the Company had accrued US$1.7 million in current debt service obligations which were due July 15, 2009. Subsequent to year-end, the lender granted extensions to defer payment to until the earlier of November 30, 2009 and the date which is five (5) business days following the date on which Medicure receives written notice from the lender. Without this extension the Company would have been in default on its Debt Financing agreement. (See Going concern assumption and continuity of operations).

Recent Developments

- The Company implemented a modest price increase on its commercial drug AGGRASTAT® during the 3rd quarter, following suit with its competitors.
- The Company began enrollment in a 140 patient Phase II clinical study of TARDOXAL for the treatment of Tardive Dyskinesia.
- During the fourth quarter of 2009 the Company had initiated discussions with its senior lender in order to restructure the existing arrangements. The Company has also continued to explore other strategic arrangements to recapitalize the Company. In conjunction with this the Company has focused internally on further cost savings measures.
- The Company received extensions from its senior lender to defer a US$ 1.7 million payment due July 15, 2009 as discussed above to give the parties additional time to develop an appropriate restructuring plan for the Company.
- As of the date of this report the Company has reduced its sales staff and is in the process of aligning the remaining U.S. field representatives with the Company's refined marketing and sales strategy. The Company is also working on reducing its corporate overhead expenses by outsourcing more of its administrative and financial functions.

Commercial:

AGGRASTAT® is a glycoprotein GP IIb/IIIa receptor antagonist used for the treatment of acute coronary syndrome (ACS), including unstable angina and non-ST elevated myocardial infarction (NSTEMI). The Company's U.S. subsidiary, Medicure Pharma, Inc. (Sommerset, NJ) sells the product through its targeted, hospital-based cardiovascular sales force with the support of Medicure's home office commercial operations based in Winnipeg, MB.

Net revenue from the sale of AGGRASTAT® for fiscal 2009 increased 113% over the net revenue for the in fiscal 2008. All of the Company's sales are denominated in US dollars. The appreciation of the US dollar accounted for approximately 29% of the increase. The remaining increase is due to increased wholesaler demand and a modest price increase during the 3rd quarter of 2009. Hospital demand for AGGRASTAT® has been fairly consistent during fiscal 2009 and has grown modestly compared to the prior year. Although wholesaler revenue had grown for five consecutive quarters, there was a decline in the fourth quarter of 2009 due to a drop in wholesaler demand. Management attributes this to the wholesalers adjusting their level of inventories on hand

Subsequent to year end the Company has initiated further cost savings strategies for its commercial operations and has reduced and is realigning its sales force. These measures are expected to assist in further reducing the Company's cash burn in 2010.

Going forward and contingent on financing arrangements, including the successful renegotiation of the Company's current debt. (See the Critical Accounting Estimates and Changes in Accounting Policies for further details), the Company would like to explore opportunities to further expand revenue through strategic investments related to AGGRASTAT® and the acquisition of other niche products that fit the commercial organization.

Research and Development:

The Company's lead Research and Development program is TARDOXAL™ (product previously referred to as Avastrem™) 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 new chronic medical conditions. The Company is also pursuing licensing opportunities for its library of small-molecule anti-thrombotic drugs. Operating cost control measures and limited access to funds during fiscal 2009 resulted in a substantial reduction of research and development expenditures. A small amount of capital was used on the clinical development of a treatment for Tardive Dyskinesia and on exploring other potential treatments using data collected during our previous research programs.

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**
TARDOXAL	TD / Neurological indications	Phase II - enrolling patients
MC-1-Chronic	Lipid lowering/metabolic syndrome	Phase II - pursuing partnership
MC-45308	Anti-thrombotic small molecules	Discovery–pursuing partnership

The TARDOXAL and MC-1 programs benefit from over 10 years of work that Medicure invested in the advancement of this compound through advanced human clinical testing in acute and chronic cardiovascular conditions. Over this time the Company invested substantially in numerous animal and human safety and pharmacokinetic studies, product manufacturing and formulation development, efficacy studies in chronic and acute conditions, and other laboratory and non-lab based work. The Company believes the information and physical assets resulting from this activity is a valuable asset that will reduce costs and also speed development of this molecule for application to other conditions.

The development of MC-1 for use in acute cardiovascular conditions is not listed in the table above as these initiatives have been placed on hold. The Company is continuing some analyses from these studies as resources permit, and will in due course determine what, if any, further investigation is warranted.

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.

Critical Accounting Estimates and Changes in Accounting Policies

The Company's consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). A reconciliation of material measurement differences to generally accepted accounting principles in the United States ("US GAAP") is presented in note 16 to the audited consolidated financial statements for the year ended May 31, 2009. These accounting principles require us to make certain estimates and assumptions. Management believes that the estimates and assumptions upon which the Company relies are reasonable based upon information available at the time these estimates and assumptions are made. Actual results could differ from these estimates. Future estimates and assumptions may lead to different judgments than those applied in the preparation of these consolidated financial statements. Areas of significant estimates include revenue recognition, research and development costs, clinical trial expenses, the assessment of net recoverable value of intangible assets, income taxes, stock-based compensation and accounting for warrants.

Going concern assumption and continuity of operations

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

The Company recorded a loss of $13,315,827 and negative cash flows from operations of $9,687,663 in the year ended May 31, 2009 and the Company reported an accumulated deficit of $ $148,549,300 as at May 31, 2009 In March 2008, the Company announced a corporate restructuring which included a significant reduction in number of staff and in resources allocated to certain programs. The Company continues to further reduce its staff and corporate expenses to the extent deemed appropriate in order to closely align expenses with net revenue. The Company is also currently in discussions with its senior lender to restructure its debt. The Company's future operations are dependent upon its ability to achieve positive cash flows from operations, to restructure its debt, complete other strategic alternatives, and/or secure additional funds. The Company is currently in discussions with its senior lender and other strategic partners however the outcome of these discussions are undeterminable at this time. If the Company is unable to restructure its debt, complete other strategic alternatives, and/or secure additional funds, the Company will have to consider additional strategic alternatives which may include, among other strategies, asset divestitures, monetization of certain intangibles, and/or the winding up, dissolution or liquidation of the Company. The Company's main assets are pledged as security to its senior lender including its intangible assets on MC-1 and Aggrastat.

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 management believes will mitigate the adverse conditions and events which raise doubt about the validity of the "going concern" assumption

used in preparing these financial statements. There is no certainty that these and other strategies will be sufficient to permit the Company to continue as a going concern.

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 in the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

Changes in Accounting Policies

Section 1535, *Capital Disclosures* (Section 1535), requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital, whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. Disclosure requirements pertaining to these sections are contained in note 14 to the consolidated financial statements.

Section 3862, *Financial Instruments - Disclosure* (Section 3862) and Section 3863, *Financial Statements - Presentation* (Section 3863) replace Section 3861, *Financial Statements - Disclosure and Presentation*, revising and enhancing disclosure requirements. Section 3863 carries forward presentation related requirements of Section 3861. Disclosure requirements pertaining to these sections are contained in note 13 to the consolidated financial statements.

Section 3031, *Inventories* (Section 3031), supersedes existing guidance on inventories in Section 3030, *Inventories.* This standard introduces significant changes to the measurement and disclosure of inventories, including the requirement to measure inventories at the lower of cost and net realizable value, the allocation of fixed production overheads based on normal capacity, and the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. Inventory policies, carrying amounts, amounts recognized as an expense, write-downs and the reversals of write-downs are required to be disclosed. The adoption of this section did not have a material impact on the Company's financial statements.

Section 1400, *General Standards of Financial Statement Presentation* (Section 1400) was amended to change the guidance related to management's responsibility to assess the ability of the entity to continue as a going concern. When preparing financial statements, management is required to make an assessment of an entity's ability to continue as a going concern and should take into account all available information about the future, which is at least, but is not limited to, 12 months from the balance sheet date. Disclosure is required of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. See note 1 to the consolidated financial statements.

Revenue recognition

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

Net sales reflect a reduction of gross sales at the time of initial sales recognition for estimated wholesaler chargebacks, discounts, allowances for product returns, and other rebates (product sales allowances). Wholesaler management decisions to increase or decrease their inventory of AGGRASTAT® may result in sales of AGGRASTAT® to wholesalers that do not track directly with demand for the product at hospitals. In determining the amounts for these allowances and accruals, the Company uses estimates. Through reports provide by the Company's wholesalers and other 3rd 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.

Interest income is recognized as earned.

Research and development costs
All costs of research activities are expensed in the period in which they are incurred. Development costs are charged as an expense in the period incurred unless a development project meets stringent criteria for cost deferral and amortization. The Company assesses whether these costs have met the relevant criteria for deferral and amortization at each reporting date. No development costs have been deferred to date.

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

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

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

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

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

Income Taxes
The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of substantive enactment. Given the Company's history of net losses and expected future losses, the Company is of the opinion that it is more likely than not that these tax assets will not be realized in the foreseeable future and therefore, a full valuation allowance has been recorded against these income tax assets. As a result, no future income tax assets or liabilities are recorded on the Company's balance sheets.

Stock-based compensation

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

The stock-based compensation recorded by the Company is a critical accounting estimate because of the value of compensation recorded, the volume of the Company's stock option activity, and the many assumptions that are required to be made to calculate the compensation expense. The Black-Scholes model is not the only permitted model to calculate the fair value of stock options. A different model, such as the binomial model, as well as any changes to the assumptions made may result in a different stock compensation expense calculation. The Company recorded stock-based compensation in fiscal 2009 of $325,028.

Recent Accounting Pronouncements

In February 2008, the Accounting Standards Board confirmed that the use of International Financial Reporting Standards ("IRFS") will be required, for fiscal years beginning on or after January 1, 2011, for publicly accountable profit-oriented enterprises. After that date, IFRS will replace Canadian GAAP for those enterprises. The Company plans to adopt IFRS no later than June 1, 2011. Management has not yet assessed the future impact of these new accounting standards on its consolidated financial statements and is working on a plan towards conversion to IFRS in accordance with the timeliness required.

In November 2007, the CICA issued Section 3064, *Goodwill and Intangible Assets* ("Section 3064"). Section 3064, which replaces Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs*, establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This standard is effective for the Company for interim and annual financial statements beginning on June 1, 2009. Management is currently evaluating the impact of adopting this standard on the Company's consolidated financial statements.

In January 2009, the CICA issued Handbook Section 1582, "Business combinations," which replaces the existing standards. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This standard is equivalent to the International Financial Reporting Standards on business combinations. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011. Earlier adoption is permitted. Management is currently evaluating the impact of adopting this standard on the Company's consolidated financial statements.

In January 2009, the CICA issued Handbook Section 1602, "Non-controlling interests," which establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This standard is equivalent to the International Financial Reporting Standards on consolidated and separate financial statements. This standard is effective for 2011. Earlier adoption is permitted. Management is currently evaluating the impact of adopting this standard on the Company's consolidated financial statement.

In January 2009, the CICA issued Handbook Section 1601, "Consolidated financial statements," which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for 2011. Earlier adoption is permitted. Management is currently evaluating the impact of adopting this standard on the Company's consolidated financial statements.

Selected Financial Information

The following is selected financial information about the Company for its 2009, 2008 and 2007 fiscal years:

(in thousands of CDN$, except per share data)	2009	2008	2007
Product sales, net	4,793	2,247	5,945
Interest and other income	256	1,150	1,591
Research and development expenses	(23)	(28,660)	(23,336)
Investment tax credits	566	-	172
Selling, general and administrative expenses	(9,255)	(12,073)	(11,048)
Amortization	(939)	(2,653)	(2,289)
Impairment of intangible assets	(1,756)	(13,057)	-
Foreign exchange gain (loss)	(1,636)	79	(392)
Loss for the year	(13,316)	(57,402)	(31,703)
Basic and diluted loss per share	(0.10)	(0.46)	(0.30)
Total assets	9,550	34,805	59,786
Total liabilities	29,097	41,361	25,479
Deficit	(148,549)	(135,233)	(77,831)
Total capital stock, warrants and contributed surplus	129,002	128,677	112,137

Total Assets declined by $25.2 million to $9.6 million at May 31, 2009 primarily as a result of the $1.8 million write-down of intangible assets, the use of cash from operating activities of $9.8 million, and repayment of the long-term loan to GE Canada Assets Financing (formally Merrill Lynch) of US$ 12 million.

Total Liabilities decreased by $12.3 million to $29.1 million at May 31, 2009 primarily as a result of the repayment of the GE long-term loan of 12 million, a reduction in accounts payable of $3 million and partially offset by an unrealized foreign exchange loss on Birmngham long-term debt of $ 2.4 million.

Quarterly Financial Information for 2009 and 2008

It is important to note that historical patterns of expenditures cannot be taken as an indication of future expenditures. The amount and timing of expenditures and therefore liquidity and capital resources vary substantially from period to period depending on the results of commercial operations, the preclinical and clinical studies being undertaken at any one time and the availability of funding from investors and prospective commercial partners.

The following is quarterly financial information about the Company, for its years ended May 31, 2009 and May 31, 2008:

(in thousands of CDN$, except per share data)	**May 31, 2009**	**February 28, 2009**	**November 30, 2008**	**August 31, 2008**
Product sales, net	**678**	**1,486**	**1,458**	**1,171**
Interest and other income	**8**	**29**	**115**	**104**
Selling, general and administrative	**3,439**	**1,756**	**2,149**	**1,911**
Research and Development	**221**	**176**	**137**	**(511)**
Investment Tax Credit	**(34)**	**(532)**	**-**	**-**
Impairment of Intangibles	**60**	**1,696**	**-**	**-**
Interest expense	**823**	**960**	**2,040**	**1,122**
Foreign Exchange loss(gain)	**(4,508)**	**809**	**3,878**	**1,457**
Income (loss) for the period	**312**	**(3,644)**	**(6,975)**	**(3,009)**
Basic and diluted loss per share	**0.00**	**(0.03)**	**(0.05)**	**(0.02)**
	May 31, 2008	**February 29, 2008**	**November 30, 2007**	**August 31, 2007**
Product sales, net	**741**	**703**	**324**	**479**
Interest and other income	**312**	**235**	**297**	**306**
Selling, general and administrative	**2,353**	**2,624**	**3,872**	**3,224**
Research and Development	**(60)**	**6,251**	**11,231**	**11,238**
Investment Tax Credit	**-**			
Impairment of Intangibles	**-**	**13,057**	**-**	**-**
Interest expense	**1,072**	**1,096**	**1,125**	**538**
Foreign Exchange loss(gain)	**88**	**(253)**	**57**	**29**
Loss for the period	**(2,705)**	**(22,675)**	**(16,940)**	**(15,083)**
Basic and diluted loss per share	**(0.02)**	**(0.17)**	**(0.14)**	**(0.13)**

The primary factors affecting the Company's Income/losses in 2009 have been:

- a recovery of approximately $800,000 in research and development expenses in the 1st quarter as a result of negotiations and support from our clinical partners and service providers for costs incurred in fiscal 2008.
- the fluctuating unrealized foreign exchange gain/losses on the Company's U.S. long term debt from quarter to quarter ; quarter end rates as follows Q1-1.062, Q2-1.237, Q3-1.272, Q4-1.0917
- an early termination fee of $700,000 on the repayment of the term debt in the 2nd quarter
- reduced interest expense due to the repayment of the term debt in the 2nd quarter
- a write-down of intangible assets in the 3rd quarter due to the Company decision not to maintain certain patents deemed not significant to the Company's future commercial and research activities.
- the receipt of investment tax credits in the 3rd quarter, and.
- selling, general and administrative was impacted by a recovery of approximately $580,000 in the 3rd quarter for previously expensed regulatory costs and a one million provision in the 4th quarter against potentially unrecoverable prepaid research costs

The Company's increasing quarterly losses during the first three quarters of fiscal 2008 were the result of the Phase 3 MEND-CABG II clinical trial which was completed in February 2008. In addition, the Company recorded an impairment charge of $13.1 million during the third quarter of 2008. The significant decline in the quarterly loss starting in the fourth quarter of fiscal 2008 was the result of the completion of this trial and the corporate restructuring announced in March 2008. The operations of the Company are not subject to any material seasonality or cyclicality factors.

Results of Operations

Revenue
The change in revenue for the fiscal year ended May 31, 2009 and May 31, 2008 are reflected in the following table:

	Fiscal Year Ended		
(in thousands of CDN$)	2009	2008	Increase
Product sales, net	4,793	2,247	2,546

All of the Company's sales are denominated US dollars. The appreciation of the US dollar accounted for approximately 29% of the increase. The remaining increase is due to increased wholesaler demand and a modest price increase during the 3rd quarter of 2009.

The Company reconfigured its commercial operations during fiscal 2008. The Company had recognized that the initial commercial structure, which consisted of a contract sales organization (CSO) was not optimal as the Company was not able to maintain sufficient control and direction of the sales organization and has since transitioned to an internally managed and more cost effective operation. The Company believes it has started to realize the benefits of this strategy. Product sales are driven by hospital demand, which is the focus of the Company's sales and marketing efforts and in turn by the level of orders from pharmaceutical wholesalers.

Cost of goods sold
The change in cost of goods sold for the fiscal year ended May 31, 2009 and May 31, 2008 are reflected in the following table:

	Fiscal Year Ended		
(in thousands of CDN$)	2009	2008	Increase
Cost of goods sold	377	606	(229)

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

The decrease in cost of sales is attributable to lower write-downs for obsolete inventory during 2009 (2009-$92,986, 2008 - $428,822), offset by the increased sales volume.

Selling, general and administrative
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.

The changes in selling, general and administrative expenditures for the fiscal year ended May 31, 2009 and May 31, 2008 are reflected in the following table:

	Fiscal Year Ended		
(in thousands of CDN$)	2009	2008	(Decrease)
Selling, general, and administrative expenditures – AGGRASTAT®	6,598	6,782	(184)
Selling, general, and administrative expenditures – Other	2,657	5,291	(2,634)
Total selling, general, and administrative expenditures	9,255	12,073	(2,818)

Selling, general and administrative expenditures - AGGRASTAT® decreased during the year ended May 31, 2009 as compared to fiscal 2008 mainly due to :

- The majority of the costs associated with Aggrastat are in US$ dollars. The strengthening of the US$ verses the Canadian dollar during the year increased impacted operations negatively by approximately - $940,000
- This was offset by the saving resulting from the restructuring of the commercial operations as discussed under "Results of Operations" of approximately $1,120,000.

Selling, general and administrative expenditures – Other decreased during the year ended May 31, 2009 as compared to fiscal 2008 mainly due:

- A reduced level of head office staff which resulted as part of the restructuring in the fourth quarter of fiscal year 2008 resulting in savings during 2009 of approximately $1,100,000 as compared to fiscal 2008.
- In the 2008 fiscal period the Company incurred additional professional fees and administrative expenses relating to increased financing and business development activities. The same level of activity did not occur in 2009 resulting in savings of approximately $650,000.
- During fiscal 2009 the Company recovered appropriately $580,000 in regulatory fees after making application for a refund of 2008 fees. The Company is no longer subject to these regulatory fees. As a result of the refund total regulatory fees during fiscal 2009 were approximately $930,000 lower as compared to fiscal 2008.
- The Company's capital tax expense was approximately $350,000 lower than fiscal 2008.
- Other costs savings measures along with the reduced staffing levels resulted in additional savings in general and administrative expenditures as compared to fiscal 2008. This was offset by a one-time provision of one million dollars against potential unrecoverable prepaid research costs. .

Research and Development
Research and development expenditures include costs associated with the Company's clinical development and preclinical programs including salaries, research centre costs and monitoring costs. The Company expenses all research and development costs. Prepaid research and development costs are deferred, and represent advance payments under contractual arrangements for clinical activity outsourced to research centres. The change in research and development expenditures for the fiscal year ended May 31, 2009 and May 31, 2008 are reflected in the following table:

	Fiscal Year Ended		
(in thousands of CDN$)	2009	2008	Increase (Decrease)
Clinical trial programs	(259)	26,334	(26,593)
Pre-clinical programs	202	1,961	(1,759)
Other research and development costs	80	365	(285)
Total Research and Development expenditures	23	28,660	(28,637)

The significant decrease in Research and development expenditures as compared to fiscal 2008 is due to completion of the Phase 3 MEND-CABG II study in the third quarter of fiscal 2008. There were no Phase 3 studies during 2009. Pre-clinical and other research and development costs are also lower as the Company focuses on its commercial product and only on selected research and development programs. During fiscal 2009, the Company, and with the support of our clinical partners and service providers, was able to secure a recovery on certain research and development costs incurred in fiscal 2008 of approximately $970,000.

Clinical Trial Programs

The investment associated with Phase 3 clinical trials is generally substantially greater than that for Phase 2 trials. This results from the increased numbers of clinical sites and patients that are required for Phase 3 trials. This expenditure on the clinical products is expensed for accounting purposes and was one of the key drivers of the Company's losses in Fiscal 2008, in particular the Phase 3 trials on the MC-1 MEND-CABG II clinical program.

Subject to completing a financial restructuring of long-term debt (see Liquidity and Capital Resources), raising sufficient capital and pending the outcome of discussions with the FDA, management plans to initiate certain new clinical studies of AGGRASTAT®.

Other than the potential AGGRASTAT® program(s) which is subject to the uncertainties discussed above, no Phase 3 clinical trials are planned for fiscal 2010.

MC-1 CABG Program
In February 2008 the Company completed the MEND-CABG II study and announced that the study did not meet the primary endpoint.

Cost incurred during the fiscal 2008 year related to regulatory activity, patient costs, monitoring costs, laboratory tests, manufacturing costs and administration costs. A small amount of manufacturing, monitoring and administration costs continued into 2009 until all activities of this study were finalized. These costs were offset by recoveries of certain previously expensed costs with the support of our clinical partners and service providers.

For the year ended May 31, 2009, as a result of negotiations and support from our clinical partners and service providers for costs incurred in fiscal 2008,net recoveries of expenditures for the MEND-CABG program were ($570,000), as compared to expenditures of $26,262,000 in fiscal 2008.

TARDOXAL *and MC-1 Chronic Program*

Medicure's lead development programs involve use of TARDOXAL in the treatment of neurological conditions and other new chronic applications of MC-1 such as lipid lowering. The Company is continuing in a cost conservative manner and is enrolling patients in a small Phase II clinical study for this product. Note that this product was in recent months referred to by the tradename Avastrem and prior to that as MC-1 Chronic. Medicure has decided to use the term TARDOXAL™ going forward.

For the year ended May 31, 2009, total expenditures for the TARDOXAL and MC-1 Chronic program were $214,000, as compared to $28,500 in fiscal 2008. The costs in fiscal 2008 were primarily related to our MATCHED Study program of MC-4232 which is currently on hold.

Preclinical Programs

Medicure possesses a library of novel, anti-thrombotic small molecules developed by its Drug Discovery program. Further development of the anti-thrombotic program is planned if partnerships or other third party funding can be established.

Impairment of intangible assets

The write-off of intangible assets for the year ended May 31, 2009 and 2008 is reflected in the following table:

(in thousands of CDN$)	FY 2009	FY 2008	(Decrease)
Impairment of intangible assets	1,756	13,057	(11,301)

During fiscal 2009 the Company had initiated a review of all outstanding patents as part of its ongoing cost curtailment program. Based on this review certain patents were deemed not significant to the Company's commercial and research operations and a decision was made to surrender issued patents and withdraw applications under review. The majority of these patents were in the review stage in numerous countries. As a result, an impairment charge of $1.8 million was recorded to write off the carrying value of these specific patents.

The significant write-downs during fiscal 2008 had occurred after the Company has decided to suspend the development of MC-1 as a monotherapy for acute indications such as CABG as part of a corporate restructuring plan announced in March 2008. These factors, along with a lower than originally projected AGGRASTAT® product market share has triggered the need to review the Company's intangible assets for impairment under CICA Handbook Section 3063 ("Section 3063"), and resulted in an impairment charge of $13.1 million.

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Amortization
The change in amortization expense for the fiscal year ended May 31, 2009 and May 31, 2008 is reflected in the following table:

	Fiscal Year Ended		
(in thousands of CDN$)	2009	2008	(Decrease)
Amortization	939	2,653	(1,714)

Amortization decreased during fiscal 2009 as compared to fiscal 2008 as a result of the write-down in intangibles in the third quarter of fiscal 2008. The majority of amortization expense in both periods relates to the amortization of AGGRASTAT® intangibles.

Interest and Other Income
The change in interest and other income for the fiscal year ended May 31, 2009 and May 31, 2008 is reflected in the following table:

	Fiscal Year Ended		
(in thousands of CDN$)	2009	2008	(Decrease)
Interest and Other Income	256	1,150	(894)

The decrease in interest and other income in fiscal 2009 is the result of lower cash and cash equivalents balance as compared to the prior fiscal year. Investment income will continue to fluctuate in relation to cash and short term investment balances and interest yields.

Interest Expense
The change in interest expense for the fiscal year ended May 31, 2009 and May 31, 2008 is reflected in the following table:

	Fiscal Year Ended		
(in thousands of CDN$)	2009	2008	Increase
Interest expense	4,945	3,831	1,114

The increase in interest expense in the year ended May 31, 2009 as compared to fiscal 2008 is primarily due to the US$25 million in long-term debt that the Company secured in the second quarter of fiscal 2008 being outstanding for a full year in 2009 compared to 8.5 months in 2008, an early termination fee of US$600,000 paid in relation to the repayment of the term loan facility during the second quarter of 2009 and the strengthening of the US dollar during the period as the Company's debt and interest payments are denominated in US dollars.

Foreign Exchange Loss (Gain)
The change in the foreign exchange loss (gain) for the fiscal year ended May 31, 2009 and May 31, 2008 is reflected in the following table:

	Fiscal Year Ended		
(in thousands of CDN$)	2009	2008	(Decrease)
Foreign exchange gain/(loss)	(1,636)	79	(1715)

The net foreign exchange loss in fiscal 2009 is due to a strengthening U.S. dollar relative to the Canadian dollar in the period. The exchange rate used at May 31, 2009 was 1.0917 versus 0.9930 at May 31, 2008. The U.S. dollar had traded up to a high of 1.3066 during the year.

The majority of the loss was incurred on our US dollar denominated debt, partially offset by gains on the Company's U.S. denominated cash.

As at May 31, 2009, the Company has approximately US$1.2 million in U.S. denominated cash and cash equivalents compared with US$25.0 million in long-term debt. At May 31, 2008 the Company had approximately US$19.5 million in U.S. denominated cash and cash equivalents compared with US$37.0 million in long-term debt.

Loss for the Period
The consolidated net loss for the fiscal year ended May 31, 2009 and May 31, 2008 is reflected in the following table:

	Fiscal Year Ended		
(in thousands of CDN$ except per share data)	2009	2008	(Decrease)
Loss	13,316	57,403	(44,087)
Loss per share	0.10	0.46	(0.36)

As discussed above the main factors contributing to the decrease in the loss as compared to 2008 was the significant reduction in Research and Development costs, lower write-downs on intangible assets and a reduction in general and administration costs. Higher interest costs and the appreciation of the U.S. dollar added to the loss as compared to 2008.

Liquidity and Capital Resources
Since the Company's inception, it has financed operations primarily from public and private sales of equity, debt financing, the issue of warrants and the exercise of stock options, and interest on excess funds held.

Cash used in operating activities for fiscal 2009 decreased $29.6 million or 74.0% to $10.4 million compared to $40.0 million for fiscal 2008 primarily due to:

- A decrease of $31.8 million related to loss from operations before changes in operating assets and liabilities due mainly to:
    - A $28.6 million reduction in research and development expenses.
    - A $2.8 million reduction in selling, general and administrative expenses and
    - A $2.5 million increase in net product sales.
    - A $1.1 million increase in net interest expense.
- Those factors were partially offset by decrease of $4.3 million related to the change in accounts payable and accrued liabilities due mainly to the payment of amounts owed relating to the Phase 3 clinical study conducted in fiscal 2008.

Investing activities for fiscal years 2009 and 2008 were insignificant.

Cash provided by financing activities for fiscal 2009 decreased $22.6 million or 100% compared to fiscal 2008. The Company repaid the term loan facility of US$ 12.0 million out of restricted funds during 2009. The net cash provided by financing activities for fiscal 2008 resulted from the issuance of common shares and warrants and proceeds from the Birmingham financing offset by the transfer of US$ 12.0 million to restricted funds and principal repayments on the term loan facility.

At May 31, 2009 the Company had cash and cash equivalents totaling $1,979,000 and restricted cash of nil compared to $11,905,000 of cash and cash equivalents as well as $11,916,000 of restricted cash as of May 31, 2008. As at May 31, 2009, the Company had a working capital deficiency of $535,000 compared to working capital of $5,242,000 at May 31, 2008. The reduction of working capital was mainly due to the use of funds to support operations offset by a repayment of $1,986,000 of current long term debt out of restricted funds.

The Company currently has accrued US$1.7 million in debt service obligations. This US$1.7 million payment was originally due July 15, 2009 however the Company has negotiated extensions with the lender to August 14, 2009 and subsequently to September 1, 2009. Effective September 1, 2009 the Company and the lender agreed to a further deferral to be in effect until the earlier of November 30, 2009 and the date which is five business days following the date on which Medicure receives written notice from the lender. Under the terms of the extension agreements, and only while they remain in force, non-payment of this amount or further amounts due does not result in an Event of Default. In the event of default, the lender could exercise its security rights under the agreement. Depending on the outcome of these negotiations' the Company may not have sufficient working capital to maintain operations. In addition to the negotiations with the company's senior lender the company is also implementing a cost savings program to further reduce its operating expenses and exploring additional strategic alternatives. There is no certainty that the negotiations with the Company's senior lender will be successful, or that additional strategic alternatives will provide the necessary working capital. (See Going Concern Assumption and Continuity of Operations for further details)

The total number of common shares issued and outstanding at May 31, 2009 and at May 31, 2008 was 130,307,552.

As at Aug 31, 2009, the Company had 130,307,552 common shares outstanding and 6,677,207 and 15,961,271 options and warrants outstanding, respectively, to purchase common shares.

Contractual Obligations

As at May 31, 2009, in the normal course of business, the Company has obligations to make future payments, representing contracts and other commitments that are known and committed as follows:

Contractual Obligations Payment Due By Fiscal Period							
(in thousands of US$)	Total	2010	2011	2012	2013	2014	Thereafter
Debt financing obligations[1]	$45,411	$2,600-	$3,500	$3,920	$4,390	$4,917	$26,084
Purchase Agreement Commitments[2]	2,335	483	644	805	403	-	-
Total	$47,746	$3,083	$4,144	$4,725	$4,793	$4,917	$26,084

Debt obligations reflect the minimum annual payments under the debt financing agreement. See note 1 below.

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. The agreements include the research and development of MC-1, TARDOXAL as well as other related compounds.

In addition, as at May 31, 2009, the Company has committed to fund up to a maximum of $25,805,000 in research and development activities under two development agreements with contract research organizations. The timing of expenditures and payments is largely at the discretion of the Company and the agreements may be terminated at any time provided thirty (30) days notice is provided. Accordingly, no obligations are included in the above table in related to these agreements.

[1] In September 2007, the Company entered into a debt financing agreement with Birmingham Associates Ltd. (Birmingham), an affiliate of Elliott Associates, L.P. (Elliott) for a US$25 million up-front cash payment. Under the terms of the agreement, Birmingham will receive a payment based on a percentage of AGGRASTAT® net sales. Birmingham is entitled to a return of 20 percent on the first US$15 million in AGGRASTAT® revenues, 17.5 percent on the next US$10 million, 15 percent on the next $5 million and 5 percent thereafter, subject to an escalating minimum annual return, until May 31, 2020. The minimum annual returns start at US$2.5 million in 2008 and escalate to US$6.9 million in 2017. The total minimum payments over the life of the agreement aggregate US$49.7 million. Additional information can be found in our Annual Report on Form 20-F for the year ended May 31, 2009, which can be obtained on SEDAR (www.sedar.com).

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

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

[2] The Company has entered into manufacturing and supply agreements to purchase a minimum quantity of AGGRASTAT® from a third party. During the first quarter of fiscal 2009 the contract was renegotiated, extending the terms and adjusting the yearly minimum commitments. The agreement expires fiscal 2013.

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.

Royalties

The Company has granted royalties to third parties based on future commercial sales of MC-1, aggregating up to 3.9% on net sales. To date, no royalties are due and/or payable.

The above commitments exclude any royalty obligations to Birmingham in excess of minimum annual payments pursuant to the debt financing agreement.

Off-balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements other than as discussed above.

Financial Instruments

The Company is exposed to market risks related to changes in interest rates and foreign currency exchange rates. The fair values of cash and cash equivalents, accounts receivable, restricted cash, research advance and accounts payable and accrued liabilities approximate their carrying values due to their short term to maturity. Management cannot reasonably estimate the fair value of the long term debt due to the financial condition of the Company and underlying terms and conditions of the debt agreement. The Company does not believe that its results of operations or cash flows would be materially affected by sudden change in market interest rates. The Company has not entered into any futures or forward contracts as at May 31, 2009. The Company is exposed to foreign exchange rate changes that could have a material effect on the future operating results or cash flows in the following U.S. dollar denominated financial instruments:

(Expressed in $U.S.)	May 31, 2009	May 31, 2008
Cash and cash equivalents	$ 1,151,509	7,454,830
Accounts receivable	410,885	524,432
Restricted cash	-	12,000,000
Accounts Payable and accrued liabilities	(3,263,091)	(5,086,549)
Long term debt	(25,000,000)	(37,000,000)
Net	$(26,700,697)	$ (22,107,287)

Based on the above net exposures as at May 31, 2009, assuming that all other variables remain constant, a 5% appreciation or deterioration of the Canadian dollar against the U.S. dollar would result in a corresponding decrease or increase of approximately $1,500,000 in the Company's net losses.

Related Party Transactions

During the year ended May 31, 2009 the Company paid companies controlled by a director a total of $350,000 (May 31, 2008 - $348,000) respectively, for office rent, supplies and consulting fees.

These transactions are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Outlook

Without a satisfactory outcome of the debt restructuring (See Going Concern Assumption and Continuity of Operations for further details) there is substantial doubt about the Company's ability to continue as a going concern, and accordingly there is no certainty that any of these strategies discussed below can be achieved.

The Company's strategic focus in fiscal 2010 will be to continue to build revenue from AGGRASTAT®, to further develop new business strategies for AGGRASTAT®, to advance TARDOXAL and other of its R&D based assets, to secure additional sources of funding and to continue to focus on cost savings measures.

It is the Company's plan to focus on partnership opportunities for the pivotol clinical development and commercialization of TARDOXAL, MC-1 Chronic, MC-1 Acute and its preclinical antithrombotic program. Such a partnership could provide funding for research and development in the respective program.

Depending upon the results of the Company's AGGRASTAT® operations, research and development programs and the availability of financial resources, the Company could decide to accelerate, terminate, or cut back on certain business areas, or commence and explore new business areas. These are complex decisions with the goal of optimizing investment returns and managing the cash burn rate.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information that is required to be disclosed in prescribed filings and reports that are filed with Canadian and United States securities regulatory authorities is recorded, processed, summarized and reported on a timely basis, and is accumulated and communicated to management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") as appropriate to allow timely decisions regarding required disclosure.

As of May 31, 2009, an evaluation was carried out by the CEO and CFO, of the effectiveness of the Company's disclosure controls and procedures as defined in National Instrument 52-109. Based on that evaluation, the CEO and CFO concluded that the design and operation of the Company's disclosure controls and procedures was not effective to provide reasonable assurance that all material information relating to the Company was reported as required because material weaknesses in the operation of the Company's internal control over financial reporting were identified as described below.

Management's Annual Report on Internal Control over Financial Reporting

The Corporation's management is responsible for establishing and maintaining adequate internal control over financial reporting as required under applicable Canadian and U.S. securities regulatory requirements.

The Company's internal control over financial reporting ("ICFR") is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles ("GAAP") and reconciled to United States GAAP.

The CEO and CFO carried out an evaluation of the design and effectiveness of the Company's ICFR as at May 31, 2009, 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 its evaluation under this framework, the CEO and CFO and concluded that the Company's ICFR is not effective. In connection with management's assessment of the operation of the Company's ICFR,, management identified the following material weaknesses in the Company's internal control over financial reporting as of May 31, 2009:

1. The Company did not maintain sufficient personnel with an appropriate level of technical accounting knowledge, experience, and training in the application of United States GAAP to allow for the independent preparation and review of the reconciliation from Canadian GAAP to United States GAAP as disclosed in Note 16 to the financial statements. Management and Board reviews are utilized to mitigate this risk including the engagement of independent consultants.
2. Due to the limited number of staff and the inability to attract outside expert advice on a cost effective basis, there is a risk of material misstatements related to the accounting and reporting for complex transactions. Management and Board reviews are utilized to mitigate these risks.

These control deficiencies did not result in any adjustments to the Company's annual audited or interim unaudited consolidated financial statements. However, the control deficiencies result in a reasonable possibility that a material misstatement in the financial statements may occur and not be detected on a timely basis.

The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of certain events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, including conditions that are remote.

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 temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Changes in Internal Controls

During the year the Chief Financial Officer resigned and was replaced. In addition, in connection with ongoing efforts to reduce operating costs, the Corporation reduced the number of finance and accounting personnel during the year.

There were no other changes to the Company's internal controls during the year ended May 31, 2009, which have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Additional Information

Additional information regarding the Company, including the Company's Annual Report on Form 20-F, can be obtained on SEDAR (www.sedar.com).

Risks and Uncertainty

With the exception of AGGRASTAT®, all of the Company's products and technologies are currently in the research and development stages. To obtain regulatory approvals for the Company's clinical 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 relating to one or more of the Company's products may cause the Company to reduce or abandon its commitment to that program. The Company does not and may never have a commercially viable drug formulation approved for marketing of these clinical products. There can be no assurance that the Company will be successful in obtaining necessary market approvals for our products, including MC-1 Chronic. There can also be no assurance that we will be successful in marketing and distributing our products, or achieving appropriate reimbursement from government or private health authorities.

In the near-term, a key driver of revenues will be our ability to achieve market penetration of AGGRASTAT®.

The Company's future operations are dependent upon the ability to restructure its debt, complete other strategic alternatives, and/or secure additional funds, which may not be available under favorable terms, if at all (See Note 1 to the Company's Consolidated Financial Statements). If the Company is unable to restructure its debt, complete other strategic alternatives, and/or secure additional funds, the Company will have to consider additional strategic alternatives which may include, among other strategies, asset divestitures, monetization of certain intangibles, and/or the winding up, dissolution or liquidation of the Company.

These consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is significant doubt about the appropriateness of the use of the going concern assumption because the Company has experienced operating losses and cash outflows from operations since incorporation and its significant debt service obligations. The Company's financial statements do not reflect adjustments to the carrying values of the assets and liabilities which may be required should the Company be unable to continue as a going concern.

Additional risks and uncertainties relating to the Company and its business can be found in the "Risk Factors" section of its Annual Report on Form 20-F for the year ended May 31, 2009, which can be obtained on SEDAR (www.sedar.com).