MEDICURE INC
Form 20-F
August 24, 2005

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

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

For the fiscal year ended: **May 31, 2005**

or

¨ **TRANSITION 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)

4 - 1200 Waverley Street, Winnipeg, Manitoba, Canada R3T 0P4
(Address of principal executive offices)

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

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

Common Shares, without par value
(Title of Class)

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

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, 2005 the registrant had 66,826,660 common shares issued and outstanding

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 ü **No** ¨

Indicate by check mark which financial statement item the registrant has elected to follow:
Item 17 ü **Item 18** ¨

As of May 31, 2005, the rate for Canadian dollars was US $0.7967 for Cdn $1.00.

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GLOSSARY OF TERMS

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

"angina" means chest pain;

"angioplasty" means the surgical repair of a blood vessel;

"anti-hypertensive" means blood pressure reducing;

"arrhythmia" means irregular heart rhythm;

"bioavailability” means the degree to which a drug or other substance becomes available to the target in the body after administration;

"Computer Aided Drug Design" means a method for design of new therapeutic molecules using computer generated models of the drug and its molecular target;

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

"GCP" means Good Clinical Practices;

"GLP" means Good Laboratory Practice;

"**GMP**" means Good Manufacturing Practice;

"**IND**" means Investigative New Drug application to a regulatory authority for first human testing of a new drug;

"**in-vitro**" means test tube;

"**in-vivo**" means live animal;

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

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

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

"**NDS**" means New Drug Submission, which is a request made to the HPB for commencement of product sales and marketing;

"**NSAID**" means non-steroidal anti-inflammatory drugs;

"**pharmacodynamics**" means the fundamental processes through which a drug(s) exerts its effects on living organisms;

"**pharmacokinetics**" means the uptake, biotransformation, distribution, metabolism and elimination of a drug(s) by the body, including both total amounts and tissue and organ concentrations;

"**reperfusion**" means the resumption of blood flow;

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

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 Corporation's actual results 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 Corporation. For this purpose, any statements contained in the annual report that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the generality of the foregoing, words such as "may," "except," "believe," "anticipate," "intend," "could," "estimate," or "continue negative or other variations of comparable terminology, are intended to identify forward-looking statements.

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

Additional information about the Corporation may be found at www.sedar.com.

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 Corporation as at May 31, 2005 and 2004 and for the fiscal years ended May 31, 2005, and 2004 and 2003 was extracted from the audited consolidated financial statements of the Corporation included in this annual report on Form 20-F. The information contained in the selected financial data is qualified in its entirety by reference to the more detailed consolidated financial statements and related notes included in Item 17 - Financial Statements, and should be read in conjunction with such financial statements and with the information appearing in Item 5 - Operating and Financial Review and Prospects. The attached financial data as at May 31, 2003, 2002 and 2001 and the fiscal years ended May 31, 2002 and 2001 was extracted from the audited financial statements of the Corporation not included in this annual report. Reference is made to Note 9 of the consolidated financial

statements of the Corporation included herein for a discussion of the material measurement differences between Canadian GAAP and U.S. GAAP, and their effect on the Corporation's financial statements. Except where otherwise indicated, all amounts are presented in accordance with Canadian GAAP.

To date, the Corporation has not generated sufficient cash flow from operations to fund ongoing operational requirements and cash commitments. The Corporation has financed its operations principally through the sale of its equity securities. While the Corporation believes it has sufficient capital and liquidity to finance current operations, nevertheless, its ability to continue operations is dependent on the ability of the Corporation to obtain additional financing. See “Item 3 - Key Information - D. Risk Factors.” Based on the Corporation’s current plans, the Corporation’s available working capital will be sufficient into fiscal 2007.

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

Balance Sheet Data (as at period end)	**May 31, 2005 $**	**May 31, 2004 $**	**May 31, 2003 $**	**May 31, 2002 $**	**May 31, 2001 $**
Current Assets	8,658,888	21,342,820	4,465,048	8,783,318	4,045,011
Capital Assets	81,002	66,202	67,497	84,571	63,941
Patent Costs	1,332,969	976,690	763,464	508,902	313,088
Total Assets	10,072,859	22,385,712	5,296,009	9,376,791	4,422,040
Total Liabilities	2,732,754	817,575	353,908	389,663	570,077
Net Assets	7,340,105	21,568,137	4,942,101	8,987,128	3,851,963
Capital Stock and Contributed Surplus	40,860,597	40,222,719	17,607,597	17,458,936	8,448,684
Deficit Accumulated During the Development Stage	(33,520,492)	(18,654,582)	(12,665,496)	(8,471,808)	(4,596,721)
Statement of Operations (for the fiscal year ended on)					
Gross Revenue	459,197	445,461	241,281	183,912	135,868
Loss from Continuing Operations	(14,865,910)	(5,989,086)	(4,193,688)	(3,875,087)	(3,232,010)
Net Loss for the Period	(14,865,910)	(5,989,086)	(4,193,688)	(3,875,087)	(3,232,010)
Basic and Diluted Loss per Share	(0.22)	(0.11)	(0.11)	(0.14)	(0.20)
Weighted-Average Number of Common Shares Outstanding	66,717,715	55,738,716	37,118,889	27,900,412 (1)	15,928,521 (1)

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

Balance Sheet Data (as at Period end)	**May 31, 2005**	**May 31, 2004 $**	**May 31, 2003 $**	**May 31, 2002 $**	**May 31, 2001 $**
Current Assets	8,658,888	21,342,820	4,465,048	8,783,318	4,045,011
Capital Assets	60,859	41,472	37,050	47,087	17,793

Patent Costs	-	-	-	-	-
Total Assets	8,719,747	21,384,292	4,502,098	8,830,405	4,062,804
Total Liabilities	2,732,754	817,575	353,908	389,663	570,077
Net Assets	5,986,993	20,566,717	4,148,190	8,440,742	3,492,727

Capital Stock and Contributed Surplus	57,105,431	56,459,161	33,818,449	32,855,388	23,588,136
Deficit Accumulated During the Development Stage	(51,118,438)	(35,892,444)	(29,670,259)	(24,414,646)	(20,095,409)
Statement of Operations					
Gross Revenue	459,197	445,461	241,281	183,912	135,868
Loss from Continuing Operations	(15,225,994)	(6,222,185)	(5,255,613)	(4,319,237)	(10,209,725)
Net Loss for the Period	(15,225,994)	(6,222,185)	(5,255,613)	(4,319,237)	(10,209,725)
Basic and Diluted Loss per Share	(0.23)	(0.11)	(0.14)	(0.15)	(0.64)
Weighted-Average Number of Common Shares Outstanding	66,717,715	55,738,716	37,118,889	27,900,412 (1)	15,928,521 (1)

Note 1: Includes 1,280,000 Class A common shares outstanding. On March 1, 2003 all of the issued and outstanding Class A common shares – totalling 1,280,000 shares – were converted into common shares of the Corporation on the basis of one common share for each Class A common shares in accordance with the Corporation's Articles of Continuance. Prior to the conversion, the Class A common shares were identical in all respects to the common shares, except that the holders were eligible for the Manitoba Equity Tax Credit until February 28, 2003.

Comparability of Data

On November 22, 1999, Lariat acquired all of the issued and outstanding common shares of Medicure in consideration for the issuance of 9,500,000 common shares of Lariat. As control of Lariat passed to the former shareholders of Medicure resulting in a reverse acquisition, Medicure is deemed to be the acquirer for accounting purposes. Accordingly, the net assets of Medicure are included in the balance sheet at their book values and the deemed acquisition of Lariat is accounted for by the purchase method with the net assets of Lariat recorded at their fair value at the date of acquisition.

The selected financial data for the fiscal years ended May 31, 2005, 2004, 2003, 2002 and 2001 includes the operations of Medicure International Inc. ("Medicure International") commencing June 1, 2000. The selected financial data for the year ended May 31, 2001 includes the operations of Medicure commencing September 1, 1999 combined with the activities of Lariat beginning on November 22, 1999, the effective date of the reverse takeover.

Dividends

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

Exchange Rates

Unless otherwise indicated, all reference to dollar amounts are to Canadian dollars. The following table sets out the exchange rates for one Canadian dollar expressed in terms of one U.S. dollar for the periods indicated. Rates of

exchange are obtained from the Bank of Canada and believed by the Registrant to approximate closely the noon buying rates in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank in New York.

	May 31, 2005	May 31, 2004	May 31, 2003	May 31, 2002	May 31, 2001
Period End	0.7967	0.7335	0.7307	0.6545	0.6470
Average	0.7978	0.7453	0.6569	0.6380	0.6600

	June 2005	May 2005	April 2005	March 2005	February 2005	January 2005
High for Month[(1)]	0.8173	0.8086	0.8288	0.8349	0.8169	0.8370
Low for Month[(1)]	0.7943	0.7863	0.7925	0.8004	0.7947	0.8019

Notes:
(1) Figures are extracted from daily exchange rates

As of June 30, 2005, the exchange rate to convert one Canadian dollar into the U.S. dollar was 0.8160.

B. Capitalization and Indebtedness

Not applicable

C. Reasons for the Offer and Use of Proceeds

Not applicable

D. Risk Factors

The Corporation is subject to a number of risks due to the nature of its business and the present stage of development of business. The following factors should be considered:

THE CORPORATION'S PROSPECTS MUST BE CONSIDERED IN LIGHT OF THE DIFFICULTIES FREQUENTLY ENCOUNTERED BY COMPANIES IN THE RESEARCH AND DEVELOPMENT STAGE. MOREOVER, THE CORPORATION IS A RECENTLY PUBLIC CORPORATION WITH A LIMITED HISTORY OF OPERATIONS WHICH MAKES EVALUATION OF ITS PROSPECTS DIFFICULT.

The Corporation began operations in 1997 and its common shares were listed on the Canadian Venture Exchange from November 23, 1999 to March 14, 2002. The Corporation commenced trading on the Toronto Stock Exchange (TSX) on March 15, 2002 and on the American Stock Exchange (Amex) on February 17, 2004.

The Corporation has concentrated on research and development and has a limited operating history. The Corporation's prospects must be considered in light of the risks, expenses and difficulties frequently encountered with the establishment of a development stage company in a highly competitive industry, characterized by frequent new product introductions. The Corporation has had no earnings to date, and may never have earnings or positive cash flow in the future. As a result of these factors, it is difficult to evaluate the Corporation's business and prospects for future profitability, and its success is more uncertain than if it had a longer or more proven history of operations.

THE CORPORATION EXPECTS TO CONTINUE TO INCUR SUBSTANTIAL LOSSES AND MAY NEVER ACHIEVE PROFITABILITY, WHICH IN TURN MAY HARM THE FUTURE OPERATING PERFORMANCE AND MAY CAUSE THE MARKET PRICE OF THE CORPORATION'S STOCK TO DECLINE.

The Corporation has incurred net losses every year since inception in 1997 and as of May 31, 2005, had an accumulated deficit of $33,520,492. The Corporation incurred net losses of $14,865,910 for the year ended May 31, 2005, $5,989,086 for the year ended May 31, 2004, $4,193,688 for the year ended May 31, 2003, $3,875,087 for the year ended May 31, 2002 and $3,232,010 for the year ended May 31, 2001.

The Corporation anticipates that its losses will not only continue for the foreseeable future but will increase significantly principally from expenditures relating to its research and development efforts and clinical trials. The long-term profitability of the Corporation's operations is uncertain, and may never occur, and will be directly related to the success of its research and development activities which depend on numerous factors, including the following:

a) the success of the Corporation's clinical development programs;
b) obtaining Canadian and United States regulatory approvals to market MC-1 and MC-4232, the Corporation's lead products;
c) the ability to manufacture the Corporation's products according to schedule and within budget, given that it has no experience in large scale manufacturing; and
d) the ability to successfully market the Corporation's products, given that it has no experience in marketing;

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

THE CORPORATION MAY NEVER RECEIVE REGULATORY APPROVAL IN CANADA OR ABROAD FOR ANY OF ITS PRODUCTS DEVELOPED. THEREFORE, THE CORPORATION MAY NOT BE ABLE TO SELL ANY THERAPEUTIC PRODUCTS DEVELOPED.

The Corporation's failure to obtain necessary regulatory approvals to fully market its current and future therapeutic products in one or more significant markets may adversely affect the Corporation's business, financial condition and results of operations. The procedure 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.

The Corporation's products and technologies are currently in the preliminary research and development stages. The Corporation does not and may never have a commercially viable drug formulation approved for marketing. To obtain regulatory approvals for the Corporation's 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 Corporation's products may cause the Corporation to reduce or abandon its commitment to that program.

The Corporation would not obtain approval from the Canadian Therapeutic Products Directorate, formerly the Canadian Health Protection Branch (TPD) or the United States Food and Drug Administration (FDA) to market its lead product, MC-1 or its second clinical candidate MC-4232 if it failed to successfully complete its Phase II or Phase III clinical studies. Regulatory approvals may also be subject to conditions that could limit the market for MC-1 or MC-4232 or make it more difficult or expensive to sell than anticipated. Also, regulatory approvals may be revoked for a variety of reasons at any time, including the Corporation's failure to comply with regulatory requirements or poor performance of MC-1 or MC-4232 in terms of safety and effectiveness.

The Corporation's business, financial condition and results of operations may be adversely affected if it failed to obtain regulatory approvals in Canada, the United States or abroad to market MC-1 or MC-4232 or any future therapeutic products, including any limitations imposed to market such products.

THE CORPORATION MAY NOT BE ABLE TO HIRE OR RETAIN THE QUALIFIED SCIENTIFIC, TECHNICAL AND MANAGEMENT PERSONNEL IT REQUIRES.

The Corporation is under contract with CanAm Bioresearch Inc. ("CanAm") for a significant amount of its research and development activities. Because of the specialized scientific nature of the Corporation's business, the loss of services of CanAm may require the Corporation to attract and retain qualified scientific, technical and management personnel. Competition in the biotechnology industry for such

personnel is intense and the Corporation 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 management personnel of the Corporation are officers and/or directors of other publicly- traded companies and will only devote part of their time to the Corporation. The Corporation does not have key man insurance in effect in the event of a loss of any management personnel.

THE CORPORATION FACES SUBSTANTIAL TECHNOLOGICAL COMPETITION FROM MANY BIOTECHNOLOGY COMPANIES WITH MUCH GREATER RESOURCES, AND IT MAY NOT BE ABLE TO EFFECTIVELY COMPETE.

Technological competition in the pharmaceutical industry is intense. The Corporation 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 research and development resources and production and marketing capabilities than the Corporation. Smaller companies may also prove to be significant competitors, particularly through collaborative arrangements with large pharmaceutical and biotechnology companies. Developments by other companies may adversely affect the competitiveness of the Corporation’s products or technologies or the commitment of the Corporation’s research collaborators to its programs or even render the Corporation’s products obsolete.

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

THE CORPORATION MAY BE UNABLE TO ESTABLISH COLLABORATIVE AND COMMERCIAL RELATIONSHIPS WITH THIRD PARTIES.

The success of the Corporation 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, manufacturing, marketing and commercialization of its products. To date, the Corporation has not entered into any such arrangements and may never be able to establish such arrangements on favourable terms. The failure to establish successful collaborative arrangements with respect to certain products may negatively impact the Corporation's ability to commercialize those products and adversely affect the Corporation’s business, financial condition and results of operations.

The Corporation has licensed certain technologies relating to products under development and may enter into future licensing agreements. The Corporation's current licensing agreements contain provisions allowing the licensors to terminate such agreements if the Corporation becomes insolvent or breaches the terms and conditions of the licensing agreement, without rectifying same upon notice.

THE CORPORATION DOES NOT HAVE MANUFACTURING OR MARKETING EXPERIENCE AND MAY NEVER BE ABLE TO SUCCESSFULLY MANUFACTURE OR MARKET ITS PRODUCTS.

The Corporation has no experience in large-scale manufacturing and in marketing its products and may never be able to successfully manufacture and market its products. If the TPD or FDA approves MC-1, MC-4232 or any future

products, the Corporation intends to rely on third parties to manufacture or market its products. Accordingly, the quality, timing and ultimately the commercial success of such products may be outside the Corporation’s control. Failure of or delay by a manufacturer of the Corporation's products to comply with Good Manufacturing Practices or similar quality control regulations or satisfy regulatory inspections may have a material adverse effect on the future prospects of the Corporation. Also, providers, payers or patients may not accept the Corporation's products, even if they prove to be

safe and effective and are approved for marketing by the TPD, the FDA and other regulatory authorities. The Corporation estimates that it may take up to three years or longer before the Corporation's initial products may be sold commercially. Other competitors may be in a position to bring competing products to market within a shorter time frame.

THE CORPORATION HAS LIMITED PRODUCT LIABILITY INSURANCE AND MAY NOT BE ABLE TO OBTAIN ADEQUATE PRODUCT LIABILITY INSURANCE IN THE FUTURE.

The sale and use of products under development by the Corporation, and the conduct of clinical studies involving human subjects, may entail product and professional liability risks, which are inherent in the testing, production, marketing and sale of new drugs to humans. While the Corporation has taken, and will continue to take, what it believes are appropriate precautions, there can be no assurance that the Corporation will avoid significant liability exposure. Although the Corporation 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 Corporation. The obligation to pay any product liability claim or recall a product may have a material adverse effect on the business, financial condition and future prospects of the Corporation. In addition, even if a product liability claim is not successful, adverse publicity and time and expense of defending such a claim may significantly interfere with the Corporation’s business.

IF THE CORPORATION IS UNABLE TO SUCCESSFULLY PROTECT ITS PROPRIETARY RIGHTS, THE CORPORATION’S COMPETITIVE POSITION WILL BE ADVERSELY AFFECTED.

The success of the Corporation will depend partly on its ability to obtain and protect its patents and protect its proprietary rights in unpatented trade secrets.

The Corporation owns or jointly owns 15 United States patents and has received a Notice of Allowance for two other patents from the United States Patent Office. The Corporation has an additional 15 pending United States patent applications. The Corporation’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 Corporation in the future may not be patentable.

The patent protection afforded to biotechnology and pharmaceutical companies is uncertain and involves many complex legal, scientific and factual questions. There is no clear law or policy involving the degree of protection afforded under patents. As a result, the scope of patents issued to the Corporation 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 Corporation’s patents. Litigation may be commenced by the Corporation to prevent infringement of its patents. Litigation may also commence against the Corporation to challenge the Corporation’s 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 Corporation'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 Corporation may be significant in which case the Corporation’s business, financial condition and results of operations may suffer.

Disclosure and use of the Corporation'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 Corporation with adequate protection if they are not honoured, others independently develop equivalent technology, disputes arise concerning the ownership of intellectual property or the Corporation's 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 Corporation, disputes may also arise as to the rights to related or resulting know-how or inventions.

OTHERS COULD CLAIM THAT THE CORPORATION INFRINGES ON THEIR PROPRIETARY RIGHTS, WHICH MAY RESULT IN COSTLY AND TIME CONSUMING LITIGATION.

The success of the Corporation will depend partly on its ability to operate without infringing upon the patents and other proprietary rights of third parties. To the best of its knowledge, the Corporation is not currently aware that any of its products or processes infringe the proprietary rights of third parties. However, despite the best efforts of the Corporation, it 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 Corporation's financial condition and results of operations, even if the Corporation prevails. If it does not prevail, the Corporation, in addition to any damages it may have to pay, may be required to stop the infringing activity or enter into a royalty or licensing agreement. The Corporation may not be able to obtain such a license or the terms of the royalty or license may be burdensome for the Corporation, which may significantly impair its ability to market its products and adversely affect the business, financial condition and results of operations of the Corporation.

THE CORPORATION IS, AND IN THE FUTURE MAY BECOME, SUBJECT TO ADDITIONAL GOVERNMENTAL REGULATIONS AND IF IT IS UNABLE TO COMPLY WITH THEM, THE CORPORATION'S BUSINESS MAY BE MATERIALLY HARMED.

The Corporation is or may become subject to various federal, provincial, state and local laws, regulations and recommendations. The Corporation 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 Corporation fails to comply with these regulations, the Corporation may be fined or suffer other consequences that could materially affect its business, financial condition or results of operations.

The Corporation 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 CORPORATION WILL NEED TO RAISE ADDITIONAL CAPITAL THROUGH THE SALE OF ITS SECURITIES, RESULTING IN DILUTION TO THE EXISTING SHAREHOLDERS, AND WHICH MAY NOT BE AVAILABLE, ADVERSELY AFFECTING ITS OPERATIONS.

The Corporation has not to date generated any revenues from sales. The timing of generation of any sales is uncertain. Based on the Corporation's current plans, the Corporation's available working capital will be sufficient into fiscal 2007.

The Corporation has limited financial resources and has financed its operations through the sale of securities, primarily common shares. The Corporation will need to continue its reliance on the sale of such securities for future financing, resulting in dilution to the Corporation's existing shareholders. The Corporation's long-term capital requirements will depend on many factors, including continued scientific progress in its product discovery and development program, 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 Corporation 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 Corporation’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 ability of the Corporation to arrange such financing in the future will depend in part upon the prevailing capital market

conditions as well as the business performance of the Corporation. If the Corporation's capital resources are exhausted and adequate funds are not available, it 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 the Corporation to relinquish rights to certain of its technologies or products.

FUTURE ISSUANCE OF THE CORPORATION'S COMMON SHARES WILL RESULT IN DILUTION TO THE EXISTING SHAREHOLDERS. ADDITIONALLY, FUTURE SALES OF THE CORPORATION'S COMMON SHARES INTO THE PUBLIC MARKET MAY LOWER THE MARKET PRICE WHICH MAY RESULT IN LOSSES TO THE CORPORATION'S SHAREHOLDERS.

As of May 31, 2005, the Corporation had 66,826,660 common shares issued and outstanding. A further 2,372,333 common shares are issuable upon exercise of outstanding stock options and another 502,403 common shares are issuable upon exercise of share purchase warrants, all of which may be exercised in the future resulting in dilution to the Corporation's shareholders. The Corporation's stock option plan allows for the issuance of stock options to purchase up to a maximum of 4,700,000 of the common shares issued and outstanding as of May 31, 2005. Under the plan the Corporation is able to grant an additional 1,346,667 share options as at May 31, 2005. These common shares, including the common shares to be issued upon exercise of the outstanding options and warrants, are freely tradable.

Sales of substantial amounts of the Corporation'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 CORPORATION'S COMMON SHARES MAY EXPERIENCE EXTREME PRICE AND VOLUME VOLATILITY WHICH MAY RESULT IN LOSSES TO THE SHAREHOLDERS OF THE CORPORATION.

On May 31, 2005, the Corporation's common shares closed at a price of $1.03 (US$0.82 on the Amex). For the period from June 1, 2004 to May 31, 2005, the high and low trading prices of the Corporation's common shares on the TSX were $1.87 and $0.65, respectively, with a total trading volume of 56,599,000 shares. For the period from June 1, 2004 to May 31, 2005, the high and low trading prices of the Corporation's common shares on the Amex were US$1.37 and US$0.57, respectively, with a total trading volume of 5,996,400.

Daily trading volume on the TSX in the Corporation's common stock for the period from June 1, 2004 to May 31, 2005 has fluctuated, with a high of 5,660,300 shares and a low of 2,400 shares, averaging approximately 224,599 shares. Daily trading volume on the Amex in the Corporation's common stock for the period from June 1, 2004 to May 31, 2005 has fluctuated with a high of 560,100 and a low of nil, averaging approximately 23,795. Accordingly, the trading price of the Corporation's common stock may be subject to wide fluctuations in response to a variety of factors including announcement of material events by the Corporation such as the status of required regulatory approvals for the Corporation's products, competition by new products or new innovations, fluctuations in the operating results of the Corporation, general and industry-specific economic conditions and developments pertaining to patent and proprietary rights.

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. In addition, because of the limited public float, there may be limited liquidity for the Common Shares. It is expected that such fluctuations in price and limited liquidity will continue in the foreseeable future which may make it difficult for a shareholder to sell shares at a price equal to or above the price at which the shares were purchased.

THE CORPORATION'S COMMON SHARES ARE CONSIDERED "PENNY STOCK" WHICH MAY HAVE THE EFFECT OF REDUCING THE LEVEL OF TRADING ACTIVITY AND MAKE IT MORE

DIFFICULT TO SELL SUCH SHARES.

The Corporation's shares are "penny stock" as defined by the Securities and Exchange Commission, which might affect the trading market for the shares. Penny stocks are generally equity securities with a price of less than U.S.$5.00 other than securities registered on certain national securities exchanges or quoted on the NASDAQ National Market. The Securities and Exchange Commission has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. The penny stock rules 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 prepared by the Securities and Exchange Commission 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 compensation information must be given to the customer orally or in writing before or with the customer's confirmation. In addition, 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 disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for a stock that is subject to the penny stock rules, such as the Corporation's shares which are considered "penny stock", and therefore make it more difficult to sell those shares.

The Corporation commenced trading on the Toronto Stock Exchange on March 15, 2002 and on the American Stock Exchange on February 17, 2004.

THE CORPORATION HAS NO HISTORY OF PAYING DIVIDENDS, DOES NOT INTEND TO PAY DIVIDENDS IN THE FORESEEABLE FUTURE AND MAY NEVER PAY DIVIDENDS.

Since incorporation, the Corporation has not paid any cash or other dividends on its common stock 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 Corporation will need to achieve profitability prior to any dividends being declared, which may never happen.

INVESTORS MAY NOT BE ABLE TO SECURE FOREIGN ENFORCEMENT OF CIVIL LIABILITIES AGAINST OUR MANAGEMENT

The enforcement by investors of civil liabilities under the federal securities laws of the United States may be adversely affected by the fact that the Corporation is organized under the laws of Canada, that all of its officers and directors are residents of a foreign country and that all or a substantial portion of its assets and such person's assets are located outside of the United States. As a result, it may be difficult for holders of the Common Shares to effect service of process on such persons within the United States or to realize in the United States upon judgments rendered against them.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Lariat Capital Inc. ("Lariat") was incorporated by Certificate of Incorporation issued pursuant to the provisions of the *Business Corporations Act* (Alberta) on June 3, 1997. On February 11, 1999, by Certificate of Amendment and Registration of Restated Articles, the Articles of Lariat were amended to remove the private company restriction. Lariat was formed as a Junior Capital Pool company, as defined by, and under the rules of the Alberta Stock Exchange with the expressed intent of acquiring a project or company through a reverse take over. With the exception of this intent and the associated search for potential acquisitions, Lariat had no substantial prior business activities.

Medicure Inc. (“Medicure”) was incorporated by Certificate of Incorporation issued pursuant to the provisions of *The Corporations Act* (Manitoba) on September 15, 1997. Medicure was continued from Manitoba to Alberta by Certificate of Continuance issued pursuant to the provisions of the *Business*

Corporations Act (Alberta) on December 3, 1999. On December 22, 1999, Medicure and Lariat were amalgamated by Certificate of Amalgamation issued pursuant to the provisions of the *Business Corporations Act* (Alberta) as Medicure Inc. The Corporation 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.

Medicure was formed as a private Manitoba company to advance the discoveries of Dr. Naranjan Dhalla of the University of Manitoba. Dr. Dhalla and Dr. Albert Friesen were the principal owners of the corporation as first formed, together with certain other individuals who contributed to the project. The first order of business was the completion of a licensing agreement to acquire the technology rights from the University of Manitoba, which owned the technology by virtue of the fact that it was invented by employees of the University. From that date until the merger with Lariat, the Corporation's primary focus was on the preclinical testing and development of the lead product, identified as MC-1. In 1998 other research involving synthesis and testing of other potential therapeutics was commenced through a research contract with the University of Manitoba. Various business activities were conducted in support of these primary research projects including but not limited to; (1) the application for and approval of government sponsored research awards, (2) the search for alternative sources of investment capital to fund operations, and (3) the ongoing search for other potential therapeutics. Business and administrative functions were handled by Genesys Venture Inc., a consulting corporation, that at the time, was owned entirely by Dr. Friesen. Operations and research, until the merger, were primarily funded by Dr. Friesen, with assistance from government grants. On November 22, 1999 Medicure was acquired by Lariat by way of a reverse takeover as Lariat's "Major Transaction" as a Junior Capital Pool company within the meaning of the Alberta Securities Commission Rule 46-501, the Alberta Securities Commission Companion Policy 46-501CP and The Alberta Stock Exchange Circular 7. Pursuant to the terms of the Major Transaction, Lariat acquired all of the issued and outstanding shares of Medicure in exchange for 9,500,000 shares of Lariat, at a deemed price for securities regulatory purposes only of $0.20 per share for aggregate deemed value of $1,900,000. The Major Transaction was negotiated entirely at arm's length. As a result of the share exchange, control of Lariat passed to the former shareholders of Medicure. This type of transaction is commonly referred to as a "reverse takeover". Under reverse takeover accounting, for financial reporting purposes, the Corporation is considered to be a continuation of the operations formerly carried on by Medicure.

The Corporation's current registered office is 30th Floor, 360 Main Street, Winnipeg, Manitoba, Canada, R3C 4G1. The Corporation's head office is located at 4-1200 Waverley Street, Winnipeg, Manitoba, Canada, R3T 0P4.

The MC-1 technology was originally licensed to Genesys Pharma Inc. by the University of Manitoba, on August 18, 1997. Genesys Pharma Inc., which had made a small investment on some preliminary research, transferred the technology without cost, except for costs designated in the license, to Medicure Inc. on September 26, 1997. On August 30, 1999 Medicure Inc. completed a new license agreement with the University of Manitoba in order to slightly modify the terms of the original license agreement transferred from Genesys Pharma Inc., and to have the documentation properly prepared in the Corporation's own name.

On June 1, 2000 the Corporation licensed the world-wide development and marketing rights (except for Canada) for MC-1, the Corporation's lead product, to the Corporation's wholly owned subsidiary, Medicure International. Medicure International then entered into a Development Agreement with CanAm to perform research and development on 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 Agreement agreed that the aggregate amount of all invoiced expenditures shall not exceed $20,000,000 over the term of the agreement. CanAm is a private Canadian company owned by Marcus Enns, a former employee of the Corporation and Peter de Visser, a former director of the Corporation. Peter de Visser resigned as a director of the Corporation in December 2001.

Since its amalgamation, the Corporation, directly and through certain research contracts, has been engaged in the research and development of human therapeutic drugs for cardiovascular disease. In certain instances, therapeutics

developed by the Corporation may also provide benefit for other diseases. The Corporation's lead product, MC-1, is based upon scientific discoveries led by Dr. Naranjan S. Dhalla

of The Institute of Cardiovascular Sciences and the Department of Physiology, of the Faculty of Medicine, the University of Manitoba in Winnipeg, Manitoba, Canada. The Corporation's focus is on the clinical development and commercialization of MC-1 for treatment of cardiovascular disease and on the discovery and development of other cardiovascular therapeutics. There are currently 25 full time scientific researchers and support staff who are retained as consultants or employees by CanAm and who are performing the Corporation's scientific research pursuant to the Development Agreement.

B. Business Overview

Plan of Operation

It is the Corporation's intention to focus on the discovery and development of pharmaceuticals. The Corporation intends to license the sale and distribution of commercialized products to larger, international companies. As such, the Corporation intends to derive its revenue primarily through milestone payments and product royalties. As of the date hereof, other than the Medicure International Licensing Agreement and the University of Manitoba License Agreement, the Corporation has not entered into any license agreements or other arrangements regarding the sale or distribution of any of its products.

The Corporation's focus is on the discovery and development of therapeutics for various large-market, unmet cardiovascular needs. The Corporation's research and development program is designed to address these market needs with the clinical development of the Corporation's lead product, MC-1, and with the potential discovery and development of other drug candidates. MC-1 is a natural compound that has demonstrated effectiveness in safely treating various forms of cardiovascular disease in initial research.

MC-1 is being developed as a treatment to reduce injury from blockages of blood to the heart (i.e. myocardial ischemia, associated with heart attacks, angina and arrhythmia) and prevent injury from ischemic reperfusion injury. Ischemic reperfusion injury occurs when blood flow to an organ is suddenly resumed following a stoppage, as occurs during medical procedures such as angioplasty and heart surgery. The Corporation's lead product, MC-1, is a purinergic receptor antagonist that has a broad range of potential applications from treatment of acute cardiovascular events (such as Acute Coronary Syndrome, Coronary Artery Bypass Graft surgery, heart attacks and stroke), to chronic conditions (such as hypertension and metabolic syndrome).

A Phase I human clinical trial for MC-1, the Corporation's lead product, was commenced by the Corporation on October 20, 2000 after receiving approval of its Investigational New Drug (IND) application by the TPD. On April 19, 2001, the Phase I trial was completed.

In March, 2002 the Corporation commenced a Phase II multi-centre "Proof of Principle" clinical trial called MEND-1 of 60 high-risk cardiovascular patients undergoing elective angioplasty with our lead product, MC-1 after obtaining approval from the TPD and the FDA. In January 2003, the Corporation announced positive results from the MEND-1 clinical study, which was managed by the Duke Clinical Research Institute (DCRI) in Durham, North Carolina. The primary endpoint and certain important secondary endpoints of the Phase II MEND-1 study were met. The primary endpoint of the trial was infarct size (area of the heart that is damaged) during the procedure as determined by the release of the amount of the cardiac marker enzyme, CK-MB, over 24 hours following percutaneous coronary intervention (PCI). Improvement was also shown in certain secondary endpoints, including myocardial ischemia measured by continuous ST-segment electrocardiographic monitoring, peak periprocedural CK-MB through 24 hours and clinical tolerability and safety.

In April 2004, the Corporation commenced enrollment in a larger Phase II/III clinical trial, MEND-CABG. The study is evaluating the cardioprotective and neuroprotective effects of MC-1 in patients undergoing high-risk Coronary

Artery Bypass Graft (CABG) surgery and to provide further safety data on its use in cardiac surgery.

Montréal Heart Institute, in collaboration with Duke Clinical Research Institute (DCRI) in Durham, North Carolina, will undertake the North American, multi-centre, double-blind study at approximately 40 clinical sites. The Corporation enrolled 900 patients undergoing CABG procedure in the Phase II portion of the dose response study, which is being carried out under the direction of Dr. Jean-Claude Tardif, MD,

FRCP, Director of Clinical Research and Associate Professor of Medicine at the Montreal Heart Institute, and Dr. Robert Harrington, Professor of Medicine and Director of Cardiovascular Clinical Trials, Duke University Medical Centre. CABG is a medical procedure that reroutes blood around clogged arteries to improve the blood and oxygen supply to the heart. Surgeons take a blood vessel from another part of the body (i.e. leg) and make a detour around the blocked part of the coronary artery. Over 500,000 CABG procedures are performed on an annual basis in the US. Approximately 8-12% of such grafts are less than optimal, leading to a 10% mortality rate for CABGs that are re-performed. The CABG procedure is also associated with ischemic repurfusion injury and clinical events subsequent to the procedure. The objective of the MEND-CABG trial is to demonstrate that treatment with MC-1 reduces the ischemic reperfusion injury and associated clinical events. Enrollment in the MEND-CABG study was completed in July 2005 and results are expected in the fall of 2005.

In June 2003, the Corporation announced it was initiating the development of a second clinical candidate, MC-4232, for use in treatment of patients with co-existing diabetes and hypertension. MC-4232 is a combination of MC-1, and an existing FDA approved angiotensin converting enzyme (ACE) inhibitor. The co-existing conditions of diabetes and hypertension present a major increase in risk of cardiovascular complications, including coronary artery disease, peripheral artery disease, retinopathy, nephropathy and stroke. In addition to cardioprotection, this product has also demonstrated potential to provide further blood pressure lowering effects and reduction in glycated hemoglobin (HbA1c), the primary measure of blood glucose control.

The initial 15-patient Phase II trial relating to MC-4232 tested MC-1 alone in diabetic hypertensive patients and is designed to establish complementary therapeutic effects of MC-1 and dosing regimens. In April 2004, the Corporation announced preliminary results from this trial for the initial 11 patients which indicates that there is a positive trend towards the reduction in glycated hemoglobin (HbA1c), the primary measure of blood glucose control used by the FDA to determine the efficacy of drug candidates in diabetics. HbA1c is a commonly used clinical measure that reflects glycemic control (average blood glucose fluctuations) over a 60- to 90-day period.

In August 2004, the Corporation announced the enrollment of patients in a larger Phase II trial to evaluate the effects of MC-4232 in the treatment of diabetic patients with hypertension. The MATCHED study (**M**C-1 and **A**CE **T**herapeutic **C**ombination for **H**ypertensiv**e** **D**iabetics), part of the expanded clinical development program for MC-4232, will evaluate MC-1 alone and in combination with an ACE inhibitor. The study is a randomized, double-blinded, placebo controlled, double-crossover trial encompassing 120 patients with co-existing diabetes and hypertension. MC-1 at total doses of 100, 300 or 1000 mg or placebo will be given alone and in combination with an ACE Inhibitor, at a dose of 20 mg. This study will assess the effect on a variety of important parameters in this patient population including blood pressure and metabolic functions. The MATCHED study reached full enrollment in March 2005 and results are expected in late summer 2005.

In parallel to the development of MC-1 and MC-4232, the Corporation has a drug discovery program the objective of which is to discover and in-license new drug candidates for advancement into clinical development and commercialization for unmet cardiovascular market needs. One element of the program involves the synthesis and evaluation of compounds that are structurally related to MC-1. The Corporation has already produced several groups of candidate compounds using this approach and plans to build a pipeline of additional preclinical products over the next several years. Certain of the Corporation’s new compounds have shown positive effects in *in vitro* and *in vivo* efficacy studies and are currently being studied further to evaluate their commercial potential. Some patents have been issued for these compounds and additional patent applications have been, and are expected to be filed for all novel candidate compounds, to the extent commercially and reasonably possible, protecting their composition of matter and use in a treatment of targeted cardiovascular and related diseases.

The Corporation is also evaluating other cardiovascular drug candidates for potential license with the objective of further broadening its product and patent portfolio.

The Corporation anticipates that no substantial material acquisition of equipment or facilities will take place in the coming year.

In summary, it is the Corporation’s intention over the next year to continue its focus on being a drug discovery and development company and to begin to actively search for a partnership with a large pharmaceutical company. Such a partnership would conceivably provide funding for Phase III clinical trials, add experience to the product development process and bring in overall marketing expertise. While the Corporation has had informal discussions with potential partners, no formal agreement, or letter of intent, has been entered into by the Corporation as of the date hereof.

Potential Products in Development Stage

As previously stated, one of the Corporation’s primary focuses is the clinical development and commercialization of its lead products, MC-1 and MC-4232.

The Corporation's lead product, MC-1, is a small molecule therapeutic that has a broad range of potential applications from treatment of acute cardiovascular events (such as ACS, CABG and heart attacks), to chronic conditions (such as hypertension and metabolic syndrome). MC-1 is a cardioprotective drug that in both preclinical and clinical studies has shown potential for treating various forms of CV diseases and stroke. MC-1 stands to be a major first-to-market product in a new class of drug.

Additional preclinical studies with MC-1 also suggest its potential value in treatment of stroke. During 2002, preclinical studies were carried out under the direction of Dr. Ashfaq Shuaib, Director of the Division of Neurology at the WC Mackenzie Health Sciences Centre of the University of Alberta. MC-1 reduced infarct size (damaged region) in the brain and preserved neurological function in an animal model. Preliminary studies also indicate that beneficial effects may even be obtained with treatment several hours after the onset of ischemia. A combination of MC-1 and TPA was also shown to be an effective treatment. There was no indication that MC-1 alone increased the incidence of hemorrhage, suggesting it would be a safe treatment for stroke patients. Medicure plans further research on stroke, hypertension and other potential uses.

Medicure's first combination product is MC-4232, a drug that combines the cardio-protective benefit of MC-1 with an ACE Inhibitor, for the treatment of diabetic patients with hypertension and related cardiovascular problems. The co-existing conditions of diabetes and hypertension present a major increase in risk of cardiovascular complications, including coronary artery disease, peripheral artery disease, retinopathy, nephropathy and stroke. In addition to cardioprotection, this product has also demonstrated potential to provide further blood pressure lowering effects, reduction in glycated hemoglobin (HbA1c), the primary measure of blood glucose control and reduction in triglyceride levels.

In fiscal 2005, the Corporation initiated the development program for its second combination product, MC-4262, a drug combining MC-1 and an Angiotensin Receptor Blocker (ARB), one of the world's ten largest pharmaceutical drug classes by revenue. The patented new product, is being developed for use in the treatment of hypertension in patients whose condition is complicated with metabolic syndrome resulting in increased cardiovascular risk.

While MC-1 and MC-4232 development proceeds, the Corporation is seeking to develop or acquire additional cardiovascular therapeutics with commercial potential to meet a market need. The Corporation’s objective is to establish a pipeline of novel cardiovascular therapeutics to ensure the Corporation’s long-term growth and security. The Corporation is taking a two-pronged approach to this effort, combining the efforts of a drug discovery program with strategic licensing of promising new compounds from other research groups.

The Corporation’s drug discovery program has produced several families of new compounds that have shown promising effects in *in vitro* and/or *in vivo* studies. From these compounds, the Corporation has thus far identified certain candidates, as having potential for further development. These compounds, the chemical identities of which are being held confidential while patents are pending, will undergo further *in vitro* analysis and *in vivo* animal testing

on disease models and for bioavailability.

According to the *American Heart Association*, cardiovascular disease is the most prevalent serious disease in the United States, affecting approximately 58.8 million people.[1] According to the *American Heart Association*, one in five Americans have some form of cardiovascular disease. In 1996, cardiovascular disease was a primary contributing cause of mortality on 60% of death certificates in the United States. The rates in Canada are similar, with the subset of ischemic heart disease accounting for the greatest percentage of deaths at 21%.[2]

The Corporation is focusing its initial drug discovery and development efforts on meeting unmet needs in the cardiovascular and stroke market. The Corporation is advancing its lead product, MC-1, through clinical testing with the intention of commercializing it for treatment of (1) ischemic reperfusion injury (associated with common procedures such as angioplasty and coronary bypass surgery and stroke); and (2) myocardial ischemia, including heart attacks, angina and other related disorders.

The Corporation has various compounds currently in early stage research screening. Compounds developed by the chemistry group will be advanced through the following steps based on their successful advancement through early stage screening; (1) in vitro (cell based) screening, (2) in vivo screening in appropriate disease model, (3) in vivo toxicity screening, (4) dose response confirmation of efficacy testing in vivo, (5) preclinical, GLP toxicity and pharmacokinetics testing, (6) Phase I human testing, (7) Phase II human, (8) Phase III human, and (9) Filing of NDA in United States and NDS in Canada to request the right to commercialize. At the present time the most advanced product is in stage 4 of this testing continuum, but no estimate can be made as to when a certain product may advance to the human clinical testing stage.

The Corporation currently has 15 issued patents. United States Patent No. 6,051,587, United States Patent No. 6,043,259, United States Patent No. 6,339,085, United States Patent No. 6,417,204, United States Patent No. 6,489,345, United States Patent No. 6,548,519, United States Patent No. 6,586,414, United States Patent No. 6,605,612, United States Patent No. 6,677,356, United States Patent No. 6,667,315, United States Patent No. 6,780,997, United States Patent No. 6,861,439, United States Patent No. 6,867,215, United States Patent No. 6,890,943 and United States Patent No. 6,897,228.

Competitors' Current Products

There are numerous products on the market for treatment of cardiovascular disorders, most of which are marketed by large pharmaceutical companies.

It is recognized that cardiovascular treatments have been of great benefit in reducing mortality and morbidity from a range of conditions. The existing cardiovascular drugs can be categorized into several main drug classes, as distinguished by their mechanism of action. Some of the primary drug classes include: ACE Inhibitors (2003 US sales estimated at US$2.8 billion), Angiotensin II Inhibitors (2003 US sales estimated US$2.1 billion), oral anti-platelets (2003 US sales estimated US$6.3 billion), Beta-Blockers (2003 US sales estimated at US$1.6 billion), and Calcium Channel Blockers (2003 US sales estimated at US$4.4 billion), each class has particular benefits as well as an array of alternative products.[3] Cross-use of drugs between different types of cardiovascular disease categories makes it difficult to differentiate sales by the more specific market segment (such as for myocardial infarction, ischemic reperfusion injury, etc.).[4]

Despite the development of various effective products, pharmaceutical companies carefully monitor developments in the field and continually attempt to bring in new major products. This is in part driven by the rise of generic products that substantially reduce profit margins for products as they come off

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[1] *American Heart Association,* 1999 Heart and Stroke Statistical Update.

[2] *Health Canada,* Heart Disease and Stroke in Canada, 1997, Chapter 2.1.

[3] Sales estimates provided by *IMS Health Data*, 2003.

[4] *Supra, note 9.*

patent. Competition is most intense in cardiovascular markets like hypertension where there are many treatment options. Large pharmaceutical companies are most interested in finding new treatment options for inadequately treated conditions such as those targeted by the Corporation.

Despite the number of cardiovascular products, the Corporation has identified certain remaining unmet therapy needs for certain forms of cardiovascular disease. For example, physicians recognize the current lack of effective products for reducing ischemic reperfusion injury. This is a very real clinical problem and a significant market is available for a product that would effectively protect against this injury that results from a variety of surgical procedures. Similarly, although current treatments are in many cases able to restore blood flow to the heart muscle following a heart attack (myocardial ischemia), there remains a need for products that reduce the amount of damage and scarring that results from the blockage. Other large cardiovascular markets targeted by the Corporation that require improved therapeutics are stroke and certain forms of hypertension.

Ischemic stroke is damage to the brain caused by a sudden reduction in blood supply, most often due to blood clots lodging in major arteries of the brain. Stroke ranks as the third leading cause of death in North America, behind diseases of the heart and cancer. It is also a leading cause, of long term disability in the U.S.

To date, the only FDA approved stroke therapeutic is tissue plasminogen activator (TPA), a treatment that helps dissolve arterial obstructions. Unfortunately, TPA is typically available to less than 10% of stroke patients due to the increased risk of hemorrhage and the narrow therapeutic time frame during which the drug can be applied.

Competitors' Products in Development

As there remains unmet needs for treatment of certain forms of cardiovascular disease and stroke, management of the Corporation believes there is room for an increased number of novel research products.

The *Pharmaceutical Researchers and Manufacturers of America* have identified 146 separate products in development for heart disease and stroke in their 2005 Survey: Medicines in Development for Heart Disease and Stroke. A large proportion of products in development are modifications of existing therapeutic classes.

The Corporation's clinical trials for MC-1 focus on ischemia and ischemic reperfusion injury for cardiovascular diseases and will also focus on stroke. The following tables provide an overview of competitors' products in development pertaining to Percutaneous Coronary Intervention (PCI) or angioplasty, CABG, Acute Coronary Syndrome (ACS) and stroke:

PCI: Competitors in Development[7]

Product Name	Sponsor	Development Status
Angiomax ® / bivalirudin	The Medicines Company	Application submitted
Cangrelor	The Medicines Company	Phase II
DX9065a	Daiichi Pharmaceutical	Phase II
ReoPro ® / abciximab	Centocor / Eli Lilly	Phase III
Pexelizumab	Alexion Pharmaceuticals / Proctor & Gamble	Phase III

	Pharmaceuticals	

CABG: Competitors in Development[8]

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[7] *Pharmaceutical Researchers and Manufacturers of America*, Survey: New Medicines in Development for Heart Disease and Stroke 2005.

[8] *Pharmaceutical Researchers and Manufacturers of America*, Survey: New Medicines in Development for Heart Disease and Stroke 2005.

Product Name	Sponsor	Development Status
Angiomax ® / bivalirudin	The Medicines Company	Phase III
DX-88	Dyax	Phase I/II completed
Integrilin ® Injection / eptifibatide	Millennium Pharmaceuticals	Phase II
MLN2222	Millennium Pharmaceuticals / XOMA	Phase I
Pexelizumab	Alexion Pharmaceuticals / Proctor & Gamble Pharmaceuticals	Phase III
TP-10	AVANT Immunotherapeutics	Phase II

ACS: Competitors in Development[9]

Product Name	Sponsor	Development Status
Angiomax® /bivalirudin	The Medicines Company	Phase III
Arixtra ® / fondaparanix	GlaxoSmithKline	Phase III
AZD6140	AstraZeneca	Phase II
Cangrelor	The Medicines Company	Phase II
DX9065a	Daiichi Pharmaceutical	Phase II
Integrilin ®	Schering-Plough	Phase III
Prasugrel	Eli Lilly / Sankyo Pharma	Phase III
Ranexa™ / Ranolazine	CV Therapeutics	Phase III
rNAPc2	Nuvelo	Phase II
SR123781	Sanofi-Aventis	Phase II
VT-111	Viron Therapeutics	Phase II
VX-702	Vertex Pharmaceuticals	Phase II
XRP0673 / otamixaban	Sanofi-Aventis	Phase II

Stroke: Competitors in Development[10]

Product Name	Sponsor	Development Status
234551	GlaxoSmithKline / Shionogi USA	Phase I/II

737004 / S-0139	GlaxoSmithKline / Shionogi USA	Phase I/II
Dabigatran etexilate	Boehringer Ingelheim	Phase III
Desmoteplase	Forest Laboratories / Paion	Phase II/III
LJP 1082	La Jolla Pharmaceutical	Phase II
ONO-2506	Merck / ONO Pharma USA	Phase II
ReoPro ® / abciximab	Centocor / Eli Lilly	Phase III
Viprinex™ / ancrod	Neurobiological Technologies	Phase II/III

Some of the products set forth above have the advantage of being further along in development than the Corporation's products. However, market share for new products depends primarily upon the relative strengths of a product in areas such as safety, effectiveness, cost, and dose form.

It is noted that cardiovascular drugs are often prescribed together and therefore products do not necessarily compete for use on an individual patient. MC-1's use in many indications is expected to be as adjunct therapy, that is, it will be given together with other therapeutics. Historically, the challenge of competing with earlier products has not acted as a significant barrier to entry for new products, provided that the new product has some advantage relative to earlier products.

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[9] *Pharmaceutical Researchers and Manufacturers of America*, Survey: New Medicines in Development for Heart Disease and Stroke 2005.

[10] *Pharmaceutical Researchers and Manufacturers of America*, Survey: New Medicines in Development for Heart Disease and Stroke 2005.

The Corporation's second clinical candidate, MC-4232, is being developed for the treatment of diabetic patients with hypertension. The co-existing conditions of diabetes and hypertension present a major increase in risk of cardiovascular complications, including coronary artery disease, peripheral artery disease, retinopathy, nephropathy and stroke. To date, only one combination product has been developed to address both hypertension and a metabolic function. This product is Caduet, a combination of the CCB Norvasc and the statin Lipitor. Caduet was approved in 2004. The Pharmaceutical Research and Manufacturers of America Survey of New Medicines in Development for Heart Disease and Stroke 2005 does not identify any other products in development that are taking this approach. While Caduet targets hypertension and lipid lowering (primarily LDL cholesterol lowering), it does not address specific metabolic dysfunctions (such as elevated HbA1C) faced by the diabetic population.

The market for management of high blood pressure is one of the largest in the pharmaceutical industry but is also one of the most competitive. Approximately 50 million Americans are affected by hypertension (*American Heart Association*). *Decision Resources* expects hypertension drug global sales to reach US $22 billion by 2008. The following table presents a list of competitors' products on the market pertaining to hypertension.

HYPERTENSION

Product	Company	Type of Drug
Accupril (quanapril)	Pfizer	ACE inhibitor
Aceon (perindopril)	Solvay Pharmaceuticals (Servier)	ACE Inhibitor
Aldactone (spironolactone)	Pfizer	Diuretic; antihypertensive
Aldomet (methyldopa)	Merck & Co.	CNS antihypertensive
Altace (ramipril)	Monarch (King)	ACE Inhibitor
Apresoline (hydralazine)	Novartis	Direct vasodilator
Atacand (candesartan)	AstraZeneca	AIIRA (Type A1)
Avapro (irbesartan)	Bristol-Myers Squibb	AIIRA (Type A1)
Benicar (olmesartan)	Forest	AIIRA (Type A1)
Blocadren (timolol)	Merck & Co.	Beta blocker
Capoten (captopril)	Par Pharmaceuticals	ACE inhibitor
Catapres (clonidine)	Boehringer Ingelheim Pharmaceuticals	CNS antihypertensive
Corgard (nadolol)	King Pharmaceuticals	Beta blocker
Cozaar (losartan)	Merck & Co.	AIIRA (Type A1)
Diovan (valsartan)	Novartis	AIIRA (Type A1)
Hydrodiuril (hydrochlorothiazide)	Merck & Co.	Diuretic
Hytrin (terazosin)	Abbott Laboratories	Alpha-1-selective adrenoceptor blocking agent

Inderal LA (propranolol)	Wyeth	Beta blocker
Ismelin (guanethidine)	Alliance Pharmaceuticals	Neuron blocker
Lexxel (enalapril maleate/felodipine)	AstraZeneca	Combo ACE inhibitor and calcium blocker
Loniten (minoxidil)	Par Pharmaceutical	Direct vasodilator
Lopressor (metoprolol)	Novartis	Beta blocker
Lotensin (benazepril)	Novartis	ACE inhibitor
Lotrel (amlodipine/benazepril)	Novartis	CCB /ACE inhibitor
Mavik (trandolopril)	Abbott	ACE inhibitor
Monopril (fosinopril)	Bristol-Myers Squibb	ACE inhibitor
Nif-Ten (nifedipine/ atenolol)	AstraZeneca	Combo calcium blocker and beta blocker
Normodyne (labetalol)	Watson Pharmaceuticals Inc.	Combined alpha/beta blocker
Norvasc (amlodipine besylate)	Pfizer	Calcium channel blocker
Plendil (felodipine)	AstraZeneca	Calcium channel blocker
Procardia XL (nifedipine)	Pfizer	Calcium channel blocker
Sectral (acebutolol)	Wyeth-Ayerst Laboratories	Beta blocker
Sular (nisoldipine)	First Horizon	Calcium blocker
Tarka (trandolopril/verapamil)	Abbott	CCB / ACE inhibitor
Tenoretic (atenolol; chlorthalidone)	AstraZeneca	Combo beta blocker and diuretic
Teveten (eprosartan mesylate)	Biovail	AIIRA (Type A1)
Thalitone (chlorthalidone)	King Pharmaceuticals	Diuretic
Toprol-XL (metoprolol)	AstraZeneca	Beta blocker
Vasotec (enalapril)	Biovail (Merck)	ACE inhibitor
Verelan (verapamil)	Elan Pharmaceuticals	Calcium blocker
Zebeta (bisoprolol fumarate)	Wyeth-Ayerst Laboratories	Beta blocker

Zestoretic (lisinipril; hydrochlorothiazide)	AstraZeneca	Combo ACE inhibitor and diuretic
Zestril (lisinopril)	AstraZeneca	ACE inhibitor

The market for oral diabetic drugs was $5 billion in the US for 2002 (*IMS Health Data, Diabetes Therapy Report, 2004*). This is the largest drug class within the diabetic market, and had the highest compound annual growth rate between 1998 and 2002.

STANDARD OF CARE PHARMACOLOGICAL TREATMENTS FOR TYPE 2 DIABETES[11]

Product	Company	Type of Drug
Glucophage (metformin) Glucophage XR	Bristol-Myers Squibb	Biguanide
Riomet (liquid metformin)	Ranbaxy Laboratories	Biguanide
Starlix (nateglinide)	Novartis	Meglitinide
Prandin (repaglinide)	Novo Nordisk	Meglitinide
Amaryl (glimepiride)	Aventis	Sulfonylurea
Glucotrol (glipizide) Glucotrol XL	Pfizer	Sulfonylurea
Diabinese (chlorpropamide)	Pfizer	Sulfonylurea
Tolinase (tolazamide)	Pfizer	Sulfonylurea
Orinase (tolbutamide)	Pfizer	Sulfonylurea
DiaBeta, Micronase (glyburide)	Aventis	Sulfonylurea
Glynase PresTab (micronized glyburide)	Pfizer	Sulfonylurea
Actos (pioglitazone)	Takeda Pharmaceuticals	Thiazolidinedione
Avandia (rosiglitazone)	GlaxoSmithKline	Thiazolidinedione
Precose (acarbose)	Bayer Corporation	Alpha-glucosidase inhibitor
Glyset (miglitol)	Bayer Corporation	Alpha-glucosidase inhibitor
Glucovance (metformin + glyburide)	Bristol-Myers Squibb	Combination pill
Avandamet (metformin + rosiglitazone)	GlaxoSmithKline	Combination pill

Metaglip (metformin + glipizide)	Bristol-Myers Squibb	Combination pill

The market for drugs to manage hypertriglyceridemia includes fibric acid derivatives (total US sales of $0.7 billion in 2003), statins (total US sales of $13.7 billion in 2003), and niacin (total US sales of $0.3 billion in 2003) (*IMS Health Data*).

STANDARD OF CARE PHARMACOLOGICAL TREATMENTS FOR HYPERTRIGLYCERIDEMIA[12]

Product	Company	Type of Drug
TriCor (fenofibrate)	Abbott Laboratories	Fibric acid derivative
Lopid (gemfibrozil)	Pfizer	Fibric acid derivative
Lipitor (atorvastatin)	Pfizer	Statin
Zocor (simvastatin)	Merck	Statin
Crestor (rosuvastatin)	AstraZeneca	Statin
Mevacor (lovastatin)	Merck	Statin
Niaspan (SR niacin)	KOS	Niacin

Competitive Strategy and Position

As stated, the Corporation is primarily focusing on developing MC-1 for myocardial ischemia and reperfusion injury. The Corporation is focusing initially on these markets because of preclinical and clinical evidence supporting the product's efficacy in these applications and, therefore, these applications have high potential for showing MC-1's clinical benefit. The clinical need for a product with this activity will also be considered by regulatory authorities (principally the FDA and also the TPD). Although MC-1 shows potential for treatment of other cardiovascular diseases, these uses are not being addressed as a

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[11] *American Diabetes Association,* Position Statement: Standards of Medical Care in Diabetes, 2005.

[12] *American Association of Clinical Endocrinologists*, Medical Guidelines for Clinical Practice for the Diagnosis and Treatment of Dyslipidemia and Prevention of Atherogenesis, 2000.

first priority due to factors including the cost of clinical trials and the more intense competitive nature of these markets.

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

C. Organizational Structure

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

The following diagram illustrates the relationship between the Corporation and Medicure International:

Medicure Inc.

100%

Medicure International Inc.

D. Property, Plants and Equipment

Office Space

The Corporation has use of about 4,000 square feet of office space provided by Waverley Business and Science Centre Inc. as part of its business services contract. The office is located in Winnipeg, Manitoba.

Research Facilities

CanAm, on behalf of the Corporation, leases 9,200 square feet of office and laboratory space at a facility in Winnipeg, Manitoba. Biological, chemistry, and analytical research take place under one roof.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

This section contains forward-looking statements involving risks and uncertainties. The Corporation's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under part Item 3 - Key Information - D. Risk Factors. The following discussion of the financial condition, changes in financial conditions and results of operations of the Corporation for the years ended May 31, 2005, May 31, 2004 and May 31, 2003 should be read in conjunction with the consolidated financial statements of the Corporation. The Corporation's consolidated financial statements are presented in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") included under Item 17 to this annual report. Material differences between Canadian and U.S. GAAP, as applicable to the Corporation, are set forth in Note 9 to the consolidated financial statements of the Corporation included herein.

Critical Accounting Estimates

The Corporation's consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). A reconciliation of amounts to present in accordance with United States generally accepted accounting principles ("US GAAP") is described in note 9 to the audited consolidated financial statements for the year ended May 31, 2005. These accounting principles require management to make certain estimates and assumptions. Management believes that the estimates and assumptions upon which the Corporation relies are reasonable based upon information available at the time these estimates and assumptions are made. Actual results could differ from these estimates. Areas of significant estimates include research and development, the assessment of net recoverable value of patents, and stock-based compensation.

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 Corporation 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.

Patents

On a regular basis, management reviews the valuation of patents taking into consideration any events and circumstances which may impair their recoverable value. The new Section 3063 of the CICA Handbook, *Impairment of Long Lived Assets*, calls for the recognition, measurement and disclosure of the impairment of long-lived assets for fiscal years beginning on or after April 1, 2003. With consideration given to this new section management reviewed the carrying value of its patents and no adjustment was made to the capitalized patent costs.

Refundable investment tax credits

The Corporation incurs research and development expenditures, which are eligible for refundable investment tax credits. The investment tax credits are based on management's estimates of amounts to be recovered. As the investment tax credits are subject to audit by the taxation authorities, the actual amounts received may vary materially from the estimate recognized.

Stock-based compensation

The Corporation adopted the fair value method of accounting for all employee stock-based compensation in the fourth quarter of fiscal 2004 pursuant to the amended recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3870, *Stock-based Compensation and Other Stock-based Payments.* The Corporation had previously adopted the recommendations, as required, for awards granted under its stock option plan to non-employees effective June 1, 2002. The stock-based compensation recorded by the Corporation is a critical accounting estimate because of the value of compensation recorded, the volume of the Corporation's stock option activity, and the many assumptions that are required to be made to calculate the fair value of the compensation expense. The amended recommendations of CICA Handbook Section 3870 provide that a company may apply the rules on a prospective basis or a retroactive basis and that a company may choose to voluntarily adopt the amended recommendations in fiscal 2004 rather than on the required adoption date for the Corporation of June 1, 2004.

As permitted, the Corporation has applied a fair value based method to expense employee, management or directors stock options awarded since June 1, 2003. The Corporation accounts for stock options granted to non-employees on or after June 1, 2002 using the fair value method.

Compensation expense is recorded for stock options issued to employees and non-employees using the fair value method. The Corporation 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 Corporation 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 Corporation amortizes the fair value using the accelerated method over the vesting period of the options, generally a period of three years. This accounting estimate is reasonably likely to change from period to period as further stock options are issued and adjustments are made for stock option forfeitures and cancellations.

The Black-Scholes model is not the only permitted model to calculate the fair value of stock options issued pursuant to Handbook Section 3870. 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 Corporation recorded stock compensation expense in fiscal 2005 of $504,878 (2004 - $386,048; 2003 - $105,375).

A. Operating Results

General

The Corporation has concentrated primarily on research and development and has yet to and may never derive any revenues from its general operations. The Corporation 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 development stage company in a highly competitive industry, characterized by frequent new product introductions. The Corporation has historically incurred net losses and anticipates that such losses will increase as it continues its development and clinical trials and eventually seeks regulatory approval for the sale of its products.

The Corporation believes it has sufficient funds on hand to complete several Phase II clinical trials involving MC-1, its lead product and MC-4232, its second clinical candidate. As discussed in Note 1 of the consolidated financial statements of the Corporation, however, the Corporation’s ability to continue as a going concern is dependent on its ability to obtain sufficient funds to conduct the remainder of its clinical trials and to successfully commercialize its products. Failure to obtain further financing may require the Corporation to reduce substantially or eliminate expenditures for research and development, testing including further clinical trials, and production and marketing of its proposed products. Based on the Corporation’s current plans, the Corporation’s available working capital will be sufficient into fiscal 2007.

Year Ended May 31, 2005 Compared to the Year Ended May 31, 2004

Interest and other income for fiscal 2005 totaled $459,000 as compared to $445,000 for fiscal 2004. Interest and other income in fiscal 2005 is slightly higher than fiscal 2004, primarily due to a foreign exchange gain of $64,000 in fiscal 2005 as compared to nil in fiscal 2004. The increase in the foreign exchange gain for the year ended May 31, 2005 is primarily a result of the strengthening of the U.S. dollar relative to the Canadian dollar during this period. While the functional currency of the Corporation is the Canadian dollar, the Corporation is holding U.S. dollars in anticipation of the significant U.S. dollar denominated clinical trial costs incurred as a result of the MEND-CABG study. This gain was partially offset by lower interest income due to lower average cash and cash equivalents balance in fiscal 2005 as compared to the prior fiscal year. The Corporation anticipates that investment income will continue to fluctuate in relation to cash and short term investment balances and interest yields.

Research and development expenditures increased to $13,564,000 in fiscal 2005 as compared to $4,435,000 for fiscal 2004 and represent 89% of the Corporation’s total expenditures in fiscal 2005. As expected, research and development expenditures were higher as compared to the same periods in fiscal 2004 due to the ongoing Phase II/III Coronary Artery Bypass Graft (CABG) trial attributed to MC-1, called MEND-CABG and the Phase II MATCHED study with MC-4232.

The Corporation’s 900 patient, MEND-CABG trial reached full enrollment in July 2005. The MEND-CABG study is a Phase II/III placebo controlled, double-blinded study of MC-1, designed to evaluate the potential of the Corporation's lead drug in reducing ischemic damage resulting from CABG procedures. The Phase II portion of the trial is being conducted at approximately 40 cardiac centres throughout Canada and the US and is managed by Montreal Heart Institute and Duke Clinical Research Institute (DCRI). The study's primary efficacy parameter is the reduction in combined incidence of cardiovascular and cerebrovascular death, non-fatal myocardial infarction (heart attack) and

non-fatal cerebral infarction (stroke), up to and including 30 days following CABG surgery. For the year ended May 31, 2005, total

expenditures for the MEND-CABG trial were $8,788,000 as compared to $1,352,000 in fiscal 2004. The costs increased in direct relation to the increase in the number of clinical sites initiated in the study and the associated increase in the number of patients enrolled.

The Corporation will compile and analyze all efficacy and safety endpoints up to postoperative day 30 (“POD 30”), and plans on reporting these results in the fall of 2005. The secondary endpoint of postoperative day 90 (POD 90) will follow shortly thereafter.

The initiation of the MEND-CABG trial was based on the Phase II, MEND-1 trial, managed by Duke Clinical Research Institute, which showed that the Corporation's lead product, MC-1, reduces ischemic heart damage following angioplasty as determined by the release of the amount of the marker cardiac enzyme, CK-MB. The trial enrolled a total of 60 high-risk patients undergoing percutaneous coronary intervention (PCI), and was conducted at four medical centres in Canada and the USA.

The increase in research and development expenditures was also due to the clinical development program of MC-4232, a combination of MC-1 and an ACE Inhibitor. As part of the Phase II/III clinical development program of MC-4232, the Corporation is conducting the Phase II MATCHED study. The MATCHED study will evaluate MC-1 alone and in combination with an ACE inhibitor encompassing up to 120 patients with co-existing diabetes and hypertension. This study will assess effects on a variety of important parameters in diabetic hypertensive patients, including blood pressure and metabolic function. For the year ended May 31, 2005, total expenditures for the MATCHED trial were $1,731,000 as compared to $12,000 in fiscal 2004.

Research and development expenses are expected to decrease in fiscal 2006 as compared to fiscal 2005. This decrease in expenditures is expected to result from reduced clinical activity in the first half of fiscal 2006, as the Corporation anticipates that the majority of the remaining costs for the MEND-CABG and MATCHED studies will be incurred in the first quarter of fiscal 2006. Should either of these studies be successful, the Corporation plans on initiating one or more Phase III trials in the second half of fiscal 2006. These are large-scale studies of patients with the targeted diseases, and could cost substantially more than the Phase II trials.

General and administrative expenses include salaries and related costs for those employees not directly involved in research and development, but are required to support ongoing business development and corporate stewardship activities. The balance also includes professional fees such as legal, audit, investor and public relations and business development activities. General and administration expenses totaled $2,256,000 for the year ended May 31, 2005, as compared to $1,958,000 for the year ended May 31, 2004. The overall increase in costs during the fiscal year ended May 31, 2005 as compared to the same period in fiscal 2004 is primarily driven by increased business development and investor relations activities, professional fees and stock-based compensation expense. The Corporation expects similar levels of general and administrative expenditures in the fiscal year ending May 31, 2006 as compared to the same period in fiscal 2005.

Refundable investment tax credits for fiscal 2005 totaled $553,000 as compared to nil for fiscal 2004. As Medicure is a public company, the federal investment tax credits (“ITCs”) for qualified Scientific Research and Experimental Development (“SR&ED”) expenditures are not refundable and are calculated at a rate of 20%. These ITCs can be applied to reduce future income taxes payable with a ten-year carry forward period. Certain eligible SR&ED expenditures incurred in Quebec qualify for Quebec refundable tax credits and are earned on payments made in Quebec for SR&ED labour, SR&ED contracts and to prescribed research centres.

The recording of refundable ITCs is a result of research and development spending in Quebec, which are eligible for refundable tax credits. The majority of the qualifying expenditures related to the MEND-CABG study. The refundable ITCs recorded are based on management’s estimate of amounts expected to be recovered and are subject to audit by

taxation authorities. These amounts have been recorded as a reduction of research and development expenditures.

For the year ended May 31, 2005, the Corporation recorded a consolidated net loss of $14,866,000 or $0.22 per share compared to a consolidated net loss of $5,989,000 or $0.11 per share for the year ended

May 31, 2004. As stated above, these results of operations were mainly attributable to the Corporation's clinical development program and the increased business development activity required to support the program. The Corporation expects to incur a loss next year as it continues to invest in product research and development.

The weighted average number of common shares outstanding used to calculate basic and diluted loss per share increased to 66,717,715 for the year ended May 31, 2005 from 55,738,716 for the year ended May 31, 2004.

Year Ended May 31, 2004 Compared to the Year Ended May 31, 2003

Interest and other income for fiscal 2004 totaled $445,000 as compared to $241,000 for fiscal 2003. Interest income was higher in fiscal 2004 primarily due to a larger average cash and cash equivalents balance, which resulted primarily from an equity offering and warrant conversion in fiscal 2004 that raised net proceeds of $21,617,000. Throughout fiscal 2004 and fiscal 2003, management invested excess funds in short-term investments.

Research and Development expenditures increased to $4,435,000 as compared to $3,118,000 for fiscal 2003 and represent 69% of the Corporation's total expenditures in fiscal 2004. Research and development expenditures for fiscal 2004 were higher due to the ongoing Phase II/III Coronary Artery Bypass Graft (CABG) trial attributed to MC-1, called MEND-CABG and the clinical development program of MC-4232. The Corporation initiated patient enrollment of the MEND-CABG study in April 2004. The Phase II portion of the study will enroll up to 900 patients. The study will evaluate the ischemic reperfusion and neuro-protective effects of MC-1 in patients undergoing high-risk CABG surgery. The trial is being conducted at approximately 40 cardiac centres throughout Canada and the US and is managed by Montreal Heart Institute and Duke Clinical Research Institute (DCRI).

The initiation of the MEND-CABG trial was based on our Phase II trial, MEND-1, managed by DCRI, which showed that the Corporation's lead product, MC-1, reduces ischemic heart damage following angioplasty as determined by the release of the amount of the marker cardiac enzyme, CK-MB. The trial enrolled a total of 60 high-risk patients undergoing percutaneous coronary intervention (PCI), and was conducted at four medical centres in Canada and the USA.

The increase in expenditures was also due to the clinical development program of MC-4232, which commenced in early fiscal 2004. In a pre-IND meeting to consider the Corporation's proposed development of MC-4232, the United States Food and Drug Administration (FDA) advised the Corporation its proposed Phase II/III clinical development program was adequate. Based on the plan presented to the FDA, the Corporation initiated an exploratory Phase II study in early fiscal 2004. The initial Phase II trial tested MC-1 alone to establish complementary therapeutic effects of MC-1 and dosing regimens. In the fourth quarter of fiscal 2004, the Corporation announced preliminary results from the Phase II trial. These results support the Corporation proceeding with the expansion of its MC-4232 clinical development program.

The Corporation expects the research and development expenditures for fiscal 2005 to be significantly higher than fiscal 2004. A significant portion of the increase in expenditures during fiscal 2005 will be incurred in the Phase II/III MEND-CABG trial attributed to MC-1 and the clinical development program of MC-4232.

General and administrative expenses include salaries and related costs for those employees not directly involved in research and development, but are required to support ongoing business development and corporate stewardship activities. The balance also includes professional fees such as legal, audit, investor and public relations and business development activities. General and administration expenses totaled $1,958,000 for the year ended May 31, 2004, as compared to $1,284,000 for the year ended May 31, 2003. The increased spending in fiscal 2004 as compared to fiscal 2003 was primarily attributable to the internal growth that is required to support the Corporation's increasing business development and investor relations activities, regulatory costs and professional fees. This includes costs associated

with listing on the American Stock Exchange during the third quarter of fiscal 2004. The Corporation expects slightly higher levels of general and administrative activities for fiscal 2005 to support increased business development activities.

For the year ended May 31, 2004, the Corporation recorded a net loss of $5,989,000 or $0.11 per share compared to a net loss of $4,194,000 or $0.11 per share for the year ended May 31, 2003. As stated above, these results of operations were mainly attributable to the Corporation's clinical development program and the increased business development activity required to support the program. The Corporation expects to incur a loss next year as it continues to invest in product research and development.

The weighted average number of common shares outstanding used to calculate basic and diluted loss per share increased to 55,738,716 for the year ended May 31, 2004 from 37,118,889 for the year ended May 31, 2003.

B. Liquidity and Capital Resources

Since inception, the Corporation has financed its operations from public and private sales of equity, the exercise of warrants and stock options, interest income on funds available for investment and government grants and tax credits.

As at May 31, 2005, the Corporation had cash and cash equivalents totaling $7,591,000 compared with $19,954,000 at the previous year-end. Subsequent to May 31, 2005, the Corporation strengthened its cash position by raising gross proceeds of $4,684,950 (before share issuance costs of approximately $440,000) through a private placement to investors of 5,205,500 common shares and warrants to purchase an additional 2,602,750 shares of common stock. The purchase price of the common shares is $0.90 per share, and the warrants are exercisable for a period of five years at an exercise price of $1.18 per share. The financing increased the Corporation's cash and cash equivalents to approximately $8,450,000 at August 19, 2005.

The total number of common shares issued and outstanding at May 31, 2005 was 66,826,660 as compared to 66,646,660 at May 31, 2004. As a result of the financing subsequent to year end, the total number of common shares issued and outstanding was 72,032,160 at August 19, 2005.

The Corporation expects to continue to incur operating losses as it proceeds with its clinical and drug discovery programs. Research and development expenses are expected to decrease in fiscal 2006 as compared to fiscal 2005. This decrease in expenditures is expected to result from reduced clinical activity in the first half of fiscal 2006, as the Corporation anticipates that the majority of the remaining costs for the MEND-CABG and MATCHED Phase II studies will be incurred in the first quarter of fiscal 2006. Should either of these studies be successful, the Corporation plans on initiating one or more Phase III trials in the second half of fiscal 2006. These are large-scale studies of patients with the targeted diseases, and could cost substantially more than the Phase II trials.

It continues to be the Corporation's plan to secure a partnership with a large pharmaceutical company for MC-1. Such a partnership would provide funding for clinical development (most specifically Phase III) and a license agreement for the sale and distribution of the Corporation's lead product in return for milestone payments and product royalties.

The Corporation believes it has sufficient resources to fund operations into fiscal 2007. However, funding requirements may vary depending on a number of factors including the progress of the Corporation's research and development programs, the securing of a partnership, the results of preclincal studies and clinical trials and changes in the focus and direction of the Corporation's product development projects.

Depending upon the results of the Corporation's research and development programs and the availability of financial resources, the Corporation could decide to accelerate, terminate, or cut back on certain areas of research and development, or commence new areas of research and development. These are complex decisions with the goal of optimizing investment returns and managing the cash burn rate. The Corporation does not presently know of any factors that would indicate that a change in strategy is needed in the next year.

The Corporation's strategic focus will be to move closer to regulatory approval for its lead product, MC-1 and its second product MC-4232, and identify and develop several new drug candidates from the drug discovery group. In order to achieve these objectives, the Corporation may pursue alliances with healthcare companies that will provide research and development funding. The Corporation may consider raising additional capital during fiscal 2006 to fund operations over the long term.

The main purpose of Phase III trials is to obtain definitive statistical evidence of the efficacy and safety of MC-1 and MC-4232 in order to support an application to the TPD and FDA for commercial approval.

If either MC-1 or MC-4232 is approved for marketing by the TPD and FDA, there will then potentially be follow-up studies (called Phase IV trials) that may need to be completed while the drug is being marketed, in order to adjust or extend product claims. It is not possible to estimate the scope and size of any such studies that may be required.

While MC-1 and MC-4232 progresses through clinical trials, the Corporation will continue the drug development process. This process begins with initial product screening which should produce preliminary candidates for preclinical research. MC-5422 and MC-45308 are such candidates that have moved into the preclinical research stage. Once a drug candidate reaches this stage, it can cost in excess of $1,000,000 to advance it to the clinical trial stage. Ongoing research and development to find preliminary candidates currently costs the Corporation in excess of $1,000,000 per year.

Besides public or private financings, the other major financings are planned to be through up front and milestone payments from a large pharmaceutical company that has partnered with the Corporation for clinical development and or marketing of the lead compound.

When additional funds are required, potential sources of financing include strategic relationships and public or private sales of the Corporation's common shares. The Corporation does not have any committed sources of financing at this time and it is uncertain whether additional funding will be available when the need arises on terms that will be acceptable to the Corporation. If funds are raised by selling additional common shares, or other securities convertible into common shares, the ownership interests of the Corporation's existing shareholders will be diluted. If the Corporation is unable to obtain financing when required, the Corporation would not be able to carry out its business plan, including further clinical trials of MC-1 and MC-4232. The Corporation would have to significantly limit its operations and business, and its financial condition and results of operations would be materially harmed.

At May 31, 2005, the Corporation had net working capital of $5,926,134 compared to net working capital of $20,525,245 at May 31, 2003. During the period ended August 19, 2005, no additional stock options were exercised.

At May 31, 2004, the Corporation had net working capital of $20,525,245 compared to net working capital of $4,111,440 at May 31, 2003. During the three months ended August 31, 2004, no additional stock options were exercised.

The Corporation had no long-term debt as of May 31, 2005.

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

Research and Development

Drug development and design begins with an idea, or theoretical concept for treating a given disorder. The idea is advanced through the drug design process, resulting in preliminary candidates that have theoretical potential. Candidates are improved to achieve the optimal effectiveness with limited toxicity. Following preclinical testing,

products with the greatest potential become lead candidates and are advanced into clinical trials (human testing) with the intent of having them receive regulatory approval for marketing.

The Corporation has demonstrated the effectiveness of MC-1 in preclinical *in vivo* models of cardiovascular disease and a Phase I and Phase II clinical trial. Additional preclinical studies may also be performed in order to evaluate other potential uses of MC-1 and to gather other data as may be necessary to support future clinical objectives.

In vitro and *in vivo* laboratory experiments to date have been used to study MC-1 therapeutic activity in myocardial ischemia, ischemic reperfusion injury, and hypertension. These experiments involved internationally recognized models (including coronary artery ligation, Langendorff, reperfusion and hypertensive rat models), and analysis techniques (such as electrocardiogram and hemodynamic measurements, and electron microscopy). *In vivo* studies involve oral and/or intravenous administration of the drug dose.

While MC-1's development proceeds, novel chemical compounds will be synthesized or in-licensed and entered into further testing to evaluate their commercial potential. As previously set forth, the Corporation's drug discovery program is pursuing medicinal chemistry strategies with the objective of maximizing the probability of commercial potential. Novel chemical compounds are screened for commercial viability prior to advancement into preclinical testing. These studies are to determine bioavailability/distribution, safety and efficacy (on both *in vitro* and *in vivo* models).

For the period from inception on September 15, 1997 to May 31, 2005, the Corporation has expended approximately $26,838,000 net of government assistance and investment tax credits, which aggregate approximately $1,003,000, on the research and development of MC-1 and other compounds.

Patents and Licenses

The Corporation has been issued 15 patents from the United States Patent Office providing protection for certain uses of MC-1 and related compounds in treatment of cardiovascular disease. The Corporation has also filed 15 additional applications in the United States plus corresponding patent applications in other jurisdictions. The Corporation will continue to file patents to extend protection of MC-1 and for new compounds in development. The 15 patents issued to the Corporation are as follows:

Patent Number	Issue Date	Description
6,043,259	March 28, 2000	Treatment of Cardiovascular and Related Pathologies
6,051,587	April 18, 2000	Treatment of Age Related Hypertension
6,339,085	January 15, 2002	Prodrugs of MC1
6,417,204	July 9, 2002	5-AZA Analogues
6,489,345	December 2, 2003	Treatment of Diabetes and Related Pathologies
6,548,519	April 15, 2003	5-AZA Analogues
6,586,414	July 1, 2003	Methods of Treating Stroke
6,605,612	August 12, 2003	Mimics of MC1
6,677,356	January 13, 2004	Combination
6,667,315	December 23, 2003	Mimics of MC1
6,780,997	August 24, 2004	Cardioprotective Phosphonates and Malonates

6,861,439	March 1, 2005	Treatment of Cerebrovascular Disease
6,867,215	March 15, 2005	Cardioprotective Phosphonates and Malonates
6,890,943	May 10, 2005	Pyridoxal Analogues and Methods of Treatment
6,897,228	May 24, 2005	Pyridoxine and Pyridoxal Analogues: Cardiovascular Therapeutics

The first three patents are jointly owned by the Corporation and the University of Manitoba. Pursuant to a Licence Agreement dated August 18, 1997, an Assignment Agreement dated September 26, 1997, and an ensuing new License Agreement dated August 30, 1999 (the ''Licence Agreement'') the University of Manitoba licensed the exclusive worldwide use of the patents and the MC-1 technology to the Corporation. Pursuant to the License Agreement, the Corporation has agreed to pay the University of

Manitoba a royalty payment of 3% of net sales from any cardiovascular product derived from the MC-1 technology. The License Agreement commenced on August 30, 1999 and shall terminate:

(i) if a patent or patents are obtained prior to commercialization of a Licensed Product (as defined therein), on the expiration date of the last to expire of any patents covered by the Patent Rights (as defined therein); and

(ii) if a patent is not obtained prior to commercialization of a Licensed Product (as defined therein), on August 30, 2009.

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

The 15 pending United States patent applications, including those filed with the United States Patent Office as either regular or provisional applications, are owned by the Corporation by virtue of their inventorship by employees of the Corporation and, subsequent to June 1, 2000, by CanAm Bioresearch Inc.

Much of the work, including some of the research methods, that is important to the success of the Corporation'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 Corporation 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 Corporation 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 Corporation entered into the Medicure International Licensing Agreement whereby it licensed the world-wide development and marketing rights for MC-1, except for Canada, to its wholly owned subsidiary, Medicure International. As consideration for the grant of the license, Medicure International agreed to pay the Corporation a fee of $1.00 upon the completion of specified milestones in the development process, together with a variable royalty of

7% to 9% of net sales of MC-1 (if any sales are ever in fact made). The term of the Medicure International Licensing Agreement will expire on the date of expiration of the last to expire patent on MC-1, or in the absence of any such patent, on the 10th anniversary of the date of the first commercial sale of MC-1 in the country where it was last introduced (if

it is ever so introduced). The Medicure International Licensing Agreement may be terminated under a number of circumstances and, in any event, by either party at any time by providing the other with at least 90 days prior written notice of its intention to terminate the Medicure International Licensing Agreement.

Medicure International subsequently entered into the 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 Agreement agreed that the aggregate amount of all invoiced expenditures shall not exceed $20,000,000 over the term of the agreement. The term of the 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 that no further research projects will be undertaken (see Item 6 - Directors, Senior Management and Employees - A. Directors and Senior Management)

The Development Agreement may be terminated under a number of circumstances and, in any event, by Medicure International 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 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 Corporation is to be kept confidential except in specific circumstances.

D. Trend Information

The Corporation is not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect upon the Corporation’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.

E. Off-balance Sheet Arrangements

As part of the Corporation’s ongoing business, it does not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities or SPE, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of May 31, 2005, the Corporation was not involved in any unconsolidated SPE transactions.

F. Contractual Obligations

The following tables set forth the Corporation’s contractual obligations as of May 31, 2005:

	Total	**Less than 1 year**	**1-3 years**
Operating Lease Obligations	77,462	44,264	33,198
Purchase Obligations*	2,047,682	2,047,682	-
Total	2,125,144	2,091,946	33,198

* The above balance excludes the commitments involving development agreements as these include a 30-day

termination clause. The development agreements are described in more detail below.

The Corporation and it's wholly-owned subsidiary, Medicure International Inc. has ongoing research and development agreements with third parties in the ordinary course of business. The agreements include the research and development of MC-1 and its related compounds. During the year ended May 31, 2005, the Corporation incurred an aggregate of $8,984,509 (2004 - $3,953,118) in expenditures under these agreements which is included in research and development expenses in the statement of operations. Expenditures incurred from inception of the agreements to May 31, 2005 total $21,382,128. As at May 31, 2005, the Corporation is committed to fund a further $2,047,682 related to clinical research agreements with clinical research organizations ("CROs") and clinical sites. The contracts with the CROs

are payable over the terms of the trials and the 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. We are also liable for the payment of certain pass through costs. As part of these trials, the Corporation also entered into agreements with the clinical sites participating in the trials. These agreements require payments over the course of the study based on various activities being completed by the site, such as patient visits and various testing and measurement activities required per the study protocol. A significant portion of the amounts due to the sites for these activities is not payable until after the completion of the trial. This “holdback” results in a significant accrual of trial-related expenses during the course of the study, as the expense is recognized for accounting purposes but the cash payment is not made until after the trial is completed. In addition, the Corporation has committed to fund a further $3,805,366 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 Corporation and the agreements may be terminated at any time provided thirty (30) days notice is provided. Subsequent to May 31, 2005, the Corporation amended a development agreement with a third party such that a further $5,000,000 was committed in maximum direct research and development expenditures.

The Corporation periodically enters into research agreements with third parties that include indemnification provisions customary in the industry. These guarantees generally require the Corporation 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 Corporation. 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 Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay. Historically, the Corporation 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.

Pursuant to a License Agreement, the Corporation has agreed to pay the University of Manitoba a royalty payment of 3% of net sales from any cardiovascular product derived from the MC-1 technology.

No dividends have been declared or paid on any shares of the Corporation since its incorporation. There can be no assurance that the Corporation will ever declare any dividends on any of its shares, or if declared, what the dividend amounts will be or whether such dividends, once declared, will continue for any future period.

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 Corporation including a brief biography of each are as follows:

Dr. Albert D. Friesen, Winnipeg, Manitoba, Canada - Director, President, 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. Dr. Friesen previously served as a senior executive of other publicly-traded companies, including a position as President of Viventia Biotech Inc. (formerly Novopharm Biotech Inc.) Dr. Friesen provides his services to the Corporation through A.D. Friesen Enterprises Ltd., his private consulting corporation. Dr. Friesen devotes substantially all of his time to the Corporation.

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

Arnold Naimark, M.D., F.R.C.P. (C), F.R.S.C. has had a distinguished career within medicine and higher education. Dr. Naimark served as Head of the Department of Physiology and later as Dean of the Faculty of Medicine at the University of Manitoba, following which he served as the University's President and Vice-Chancellor (15 years). Dr. Naimark is currently Director of the University of Manitoba Centre for the Advancement of Medicine, founding Chair of the Canadian Health Services Research Foundation and of the Canadian Biotechnology Advisory Committee, a Director of Inspiraplex and of the Robarts Research Institute and is a member of the Research Council of the Canadian Institute for Advanced Research. Dr. Naimark has served on many committees and boards, in such positions as a Director of the Canadian Imperial Bank of Commerce, Chair of the International Review Panel for the Medical Research Council of Canada and President of the Association of Universities and Colleges of Canada. Dr. Naimark has also received several honourary degrees and awards, including the Order of Canada.

Dr. William A. Cochrane, Calgary, Alberta, Canada- Director

Dr. Cochrane is an internationally recognized biotechnology executive and entrepreneur. In addition to other distinctions and senior appointments, Dr. Cochrane has previously served as Chairman and CEO of Connaught Laboratories Inc. and as President and Vice-Chancellor of the University of Calgary. Dr. Cochrane currently works as a health product investment consultant and serves on the board of Oncolytics. Dr. Cochrane has also been the President, CEO, and a Director of Nucleus BioScience Inc. since January 2000.

Gerald P. McDole, Mississuaga, Ontario, Canada, MBA – Director

Mr. McDole 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.

Moray W. Merchant, MBA - Vice-President, Market Development

Moray Merchant received his MBA in Pharmaceutical Marketing from Saint Joseph's University in Philadelphia and holds a Bachelor's Degree in Business Administration from the University of New Brunswick. Mr. Merchant has over 20 years of industry experience leading the strategic planning, sales and marketing of pharmaceutical products. For 18 years he held several positions with DuPont Pharma in Canada managing the sales and marketing of their cardiovascular products, directing business development activities and establishing and leading their generics business. Beginning in 2001, he held the positions of Vice President, Sales and Vice President of Marketing for aaiPharma Inc., a U.S. based specialty pharmaceutical company. In these roles he was responsible for building the sales and marketing organizations and leading the promotion of their acquired portfolio of pharmaceutical products. Mr. Merchant holds the responsibility for identifying partnering opportunities, leading the strategic planning process and overseeing the commercialization of the Corporation's cardiovascular products.

Dawson Reimer, MAES - Vice-President, Operations

Dawson Reimer proceeded from a Master's Degree in Economic Development, University of Waterloo to be employed as a full-time consultant to the Federal Department of Western Diversification. In this capacity, he conducted entrepreneurship training and developed a business start-up training program. Beginning in 1996, he served

as Business Development/Investor Relations with Genesys Pharma Inc. He

was also project coordinator for the establishment of the Corporation's new research and pharmaceutical production facility. In 1997, he began conducting business activities for Genesys Venture Inc., a biotech business incubator, where he has assisted numerous biotechnology ventures in developing business plans, obtaining financing, and developing intellectual property protection. In this capacity, Mr. Reimer became actively involved in the Corporation at its inception and has been directly employed by the Corporation since 2001.

Derek G. Reimer, C.A. - Chief Financial Officer and Secretary

Derek Reimer came to the Corporation from Deloitte & Touche LLP where he most recently served as a Senior Manager in the Assurance and Advisory Services group. In this role, Mr. Reimer dealt mainly with major corporate clients, including several TSX 100 companies, providing advice regarding complex accounting, regulatory, and compliance issues. His previous experience includes several years providing international accounting services to clients exclusively in the financial services industry. Mr. Reimer is a Chartered Accountant who also holds a Bachelor of Commerce (Hons.) degree in accounting from the University of Manitoba. Mr. Reimer is responsible for managing financial systems, programs and processes to ensure the successful accomplishment of the Corporation’s business objectives.

Business Management

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

Moray W. Merchant, MBA - Vice-President, Market Development: Mr. Merchant holds the responsibility for identifying partnering opportunities, leading the strategic planning process and overseeing the commercialization of the Corporation’s cardiovascular products. (see Directors and Senior Management under this item).

Dawson Reimer - Vice-President, Operations: Mr. Reimer holds the responsibility of managing the internal operations and functional areas which include project management and strategic planning. (See Directors and Senior Management under this item)

Derek G. Reimer, CA - Chief Financial Officer and Secretary: Mr. Reimer participates in the Corporation’s financial management and accounting practices (see Directors and Senior Management under this item).

Scientific Management

Dr. Naranjan S. Dhalla - Chief Scientific Officer

Dr. Dhalla participates in the scientific management of the Corporation under the title Chief Scientific Officer. The principal inventor of MC-1, Dr. Dhalla presently serves as Distinguished Professor and Director, Institute of Cardiovascular Sciences, St. Boniface General Hospital Research Centre, Faculty of Medicine, University of Manitoba. Dr. Dhalla is an internationally recognized cardiovascular researcher who has received 59 honours and awards including the Research Achievement Award of the Canadian Cardiovascular Society, The Upjohn Award of the Pharmacological Society of Canada, Honorary Professorship at several universities, the Order of the Buffalo Hunt from the Province of Manitoba, and the Order of Canada. Professionally, Dr. Dhalla has been actively promoting the scientific basis of cardiology for over 25 years.

Dr. Dhalla has served in senior positions such as Secretary General (17 years) and President (3 years) of the International Society for Heart Research, Editor-in-Chief (11 years) of the international journal ’’Molecular and Cellular Biochemistry’’ and is currently serving on the editorial boards of 11 other international journals. Since 1996,

Dr. Dhalla has served as Executive Director of the International Academy of Cardiovascular Sciences. Dr. Dhalla has published 500 papers and 350 abstracts as well as edited or authored 31 books in the area of heart research. Dr. Dhalla has provided his services to the Corporation's research and development activities through a consulting contract with CanAm Bioresearch Inc.

Dr. Karl-Gunnar Hidinger - Vice-President, Clinical Development

Dr. Karl-Gunnar Hidinger received his Ph.D. in Clinical Pharmacology from University of Gothenburg, Sweden. Dr. Hidinger's drug development experience spans 30 years and includes basic pharmacology research and preclinical research through clinical Phase I, II, III and market approval of new chemical entities. Dr. Hidinger's career has included clinical research positions in Europe and North America with recognized companies such as Astra Pharma Inc., Glaxo Inc. and Ortho-McNeil Inc. Dr. Hidinger's experience in clinical drug development complying with international regulatory standards covers a wide variety of therapeutic areas. Most recently, Dr. Hidinger established the corporate infrastructure for the Scientific Affairs Department of the newly established Byk Canada Inc., a subsidiary of Byk Gulden AG, Germany. Dr. Hidinger will be responsible for the design and management of clinical studies for Medicure's lead compound, MC-1, and for the clinical aspects of other business development and research projects. Since February 1, 2001, Dr. Hidinger has provided his services to the Corporation's research and development activities through a consulting contract with CanAm Bioresearch Inc.

Dr. Ahmad Khalil – Medical Director

Dr. Khalil received his MD from the Medical Academy IP in Plovdiv, Bulgaria in 1986, and his M.Sc degree (1993) and PhD (1997) from The University of Montreal. He has excellent basic research experience in the areas of in vivo antithrombotic treatment and ischemia reperfusion, as well as therapeutic approaches to coronary artery bypass graft surgery, much of which was done during his tenure as researcher and lecturer at the renowned Montreal Heart Institute. In addition, Dr. Khalil has experience as a practicing surgeon in Europe and has presented at numerous cardiovascular conventions and published extensively.

Dr. Wasimul Haque – Senior Director of Chemistry

Dr. Haque received a Ph.D. in Chemistry from the University of Manitoba. Dr. Haque has over fifteen years of experience in industrial biotechnology research and development where he has managed a variety of drug discovery projects. Senior positions held prior to joining Medicure include Project Manager at Alberta Research Council and Senior Scientist at Biomira Inc. Dr. Haque has been issued four patents and is author of several peer-reviewed publications. Dr. Haque began employment with Medicure in July 1998. Since June 1, 2000 Dr. Haque has been employed by CanAm Bioresearch Inc. and works on the Corporation's research and development pursuant to the Development Agreement.

Dr. Jim Diakur - Director of Chemistry

Dr. Diakur is an experienced medicinal chemist who was previously employed as Research Assistant Professor at the Noujaim Institute for Pharmaceutical Research in the Faculty of Pharmacy, University of Alberta. At the institute, Dr. Diakur's group was focused on the development of carbohydrate-based pharmaceuticals for diabetes, cancer and inflammation and on carbohydrate-based drug carriers for targeted drug delivery. He also has over ten years of industrial research and management experience in the field of chemistry with Chembiomed Inc. and Biomira Inc. Among other achievements, Dr. Diakur managed a team of scientists responsible for the preclinical development of injectable carbohydrate-based immunotherapeutic agents. Dr. Diakur is employed by CanAm Bioresearch Inc. and works on the Corporation's research and development pursuant to the Development Agreement.

Dr. Deborah Douglas, Ph.D. – Director of Physiology

Dr. Douglas received her Ph.D. in Animal Science from McGill University, focusing on molecular biology related research. Her post-doctoral experience involved cell biology research at the Institute of Cell Biology, University of Manitoba, and the Jack Bell Research Centre, Vancouver General Hospital, University of British Columbia. Dr.

Douglas developed *in vitro* and *in vivo* models to screen for human diseases as Chief of Compound Screening for Al*viva* Biopharmaceutical Inc. Dr. Douglas provides her services to Medicure through an employment agreement with CanAm Bioresearch Inc.

Dr. Paul Armstrong - Clinical Consultant

Dr. Armstrong, Chair of the Advisory Board, is Professor in the Department of Medicine, University of Alberta in Edmonton. Dr. Armstrong is an internationally recognized cardiologist and clinical investigator with extensive expertise in the design and conduct of clinical trials focused on acute ischemic syndromes and congestive heart failure. Dr. Armstrong has published widely and served as a senior advisor to major organizations and industry. Since June 1, 2000, Dr. Armstrong provides services to the Corporation's research and development activities through a consulting contract with CanAm Bioresearch Inc.

Dr. Stephen Hanessian - Chemistry Consultant

Dr. Hanessian received his Ph.D. from Ohio State University in 1960 and has served at the University of Montreal since 1968. He is internationally recognized for his contributions in the field of medicinal chemistry and has been named as principal inventor on over 25 patents. Dr. Hanessian has published 400 papers, trained 250 scientists, and received the 1996 Canada Gold Medal for Science and Engineering, Canada's highest award for scientific achievement. He has also been made an Officer of the Order of Canada. His special interest in cardiovascular medicinal chemistry is directly aligned with Medicure's objective of establishing a pipeline of products to address cardiovascular diseases that remain inadequately treated by existing therapeutics. Dr. Hanessian provides services to the Corporation's research and development activities through a consulting contract with CanAm Bioresearch Inc.

Scientific Advisory Board

The Corporation has established a Scientific Advisory Board to ensure continued and proper review of research activities and work plans. The members of the Scientific Advisory Board and a brief biography of each are as follows:

Dr. Paul Armstrong - Chairperson

Dr. Armstrong, Chair of the Scientific Advisory Board, is Professor in the Department of Medicine, University of Alberta in Edmonton. Dr. Armstrong is an internationally recognized cardiologist and clinical investigator with extensive expertise in the design and conduct of clinical trials focused on acute ischemic syndromes and congestive heart failure. Dr. Armstrong has published widely and served as a senior advisor to major organizations and industry.

Dr. Stephen Hanessian

Dr. Hanessian is Professor, Department of Chemistry, University of Montreal. Dr. Hanessian is one of North America's most renowned medicinal chemists with considerable experience in industry collaboration for the discovery of new pharmaceuticals.

Dr. Morris Karmazyn

Dr. Karmazyn is a Professor in the Department of Pharmacology and Toxicology at the University of Western Ontario in London, Ontario. Dr. Karmazyn is internationally recognized and has received numerous distinctions for his research in the field of myocardial ischemia and ischemic reperfusion injury.

Dr. John McNeill

Dr. McNeill is Professor and Dean Emeritus, Division of Pharmacology and Toxicology, Faculty of Pharmaceutical Sciences at the University of British Columbia in Vancouver. The recipient of numerous awards and distinctions, Dr. McNeill's research is centered on the biochemical mechanism action of drugs on the heart.

Dr. Eldon Smith

Dr. Smith is a Professor at the University of Calgary Medical School in Alberta, where his past positions include Dean of the Faculty of Medicine, Head of the Department of Medicine and Head of the Division of Cardiology. A distinguished clinician and research scientist, Dr. Smith has considerable industry experience having served on the boards of several well-recognized companies.

Dr. Pierre Theroux

Dr. Theroux is Professor of Medicine at the University of Montreal and Chief of the Coronary Care Unit at the Montreal Heart Institute. Dr. Theroux's innovative work is widely recognized and he has contributed extensively to the development of new treatments for acute ischemic heart disease.

Dr. Jeffrey Weitz

Dr. Weitz is Professor of Medicine and Haematology at McMaster University in Hamilton where he has contributed extensively to understanding the role of thrombosis and its treatment in cardiovascular disease. Dr. Weitz also brings a wealth of expertise in academic-industrial collaboration and development of new products.

Dr. Trevor Hassell

Dr. Hassell is Adjunct Professor of Medicine at the University of the West Indies, Barbados, and Consultant Physician and Cardiologist at the Queen Elizabeth Hospital, also in Barbados. He is President-Elect of the Inter-American Heart Foundation, former President of the Caribbean Cardiac Society and founder, President and member of the Board of Directors of the Heart Foundation of Barbados.

B. Compensation

No compensation of any kind was paid to the directors and officers of the Corporation during the year ended May 31, 2005, except as follows:

On October 1, 2001 a compensation agreement was entered into between the Corporation and A.D. Friesen Enterprises Ltd., a corporation owned by Dr. Friesen. For the year ended June 1, 2002 to May 31, 2003, the Corporation paid A.D. Friesen Enterprises Ltd., $150,000 in consulting compensation. As of October 1, 2003 the compensation agreement was amended and increased to $175,000. For the year ended May 31, 2005, the Corporation paid A.D. Friesen Enterprises Ltd., $175,000 in consulting compensation. Dr. Friesen is also eligible for an annual bonus, if certain objectives of the Corporation are met, as determined by the Board of Directors.

Moray Merchant serves the Corporation as Vice President, Market and Business Development in consideration for an annual salary of $150,000 payable in equal semi-monthly instalments.

Dawson Reimer serves the Corporation as Vice President, Operations in consideration for an annual salary of $80,000 payable in equal semi-monthly instalments.

Derek G. Reimer serves the Corporation as Chief Financial Officer and Secretary in consideration for an annual salary of $100,000 payable in equal semi-monthly installments.

During the year ended May 31, 2004, the Corporation paid directors a total of Nil (Year ended May 31, 2003: Nil; Year ended May 31, 2002: Nil; Year ended May 31, 2001: $35,000; Nine months ended May 31, 2000: $22,500) for

consulting fees.

Additionally, the Corporation provides its directors $1,500 for each quarterly board meeting they personally attend ($750 via telephone), and $750 for each quarterly executive compensation and corporate governance committee meeting or audit and finance committee meeting they attend. The Corporation does not provide any cash compensation for its directors who are also officers of the Corporation for their services as directors.

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

C. Board Practices

The Board of Directors presently consists of four directors. Each director was at the Corporation's annual general meeting of the shareholders held on October 15, 2004. Each director holds office until the next annual general meeting of the Corporation or until his successor is elected or appointed, unless his office is earlier vacated in accordance with the Articles of the Corporation, or with the provisions of the *Canada Business Corporations Act*. Dr. Albert D. Friesen has served as a director of the Corporation since September 1997. Dr. Arnold Naimark has served as a director of the Corporation since March 2000, Dr. William A. Cochrane has served as a director of the Corporation since October 2000 and Gerald McDole was appointed on January 16, 2004. On June 29, 2005, James G. Umlah resigned as a member of its board of directors due to increasing business commitments. Mr. Umlah recently assumed the role of President & CEO of Canadian Tool & Die Ltd.

Pursuant to Section 171 of the Canada Business Corporations Act (the Act), the Corporation is required to have an Audit Committee. As at the date hereof, the members of the Audit and Finance Committee is comprised of three independent directors: Dr. William Cochrane (Chair), Dr. Arnold Naimark and Gerald McDole. 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) provides that, before financial statements are approved by the directors, they must be submitted to the audit committee for review. Section 171(4) 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) provides that on the request of the auditor, the audit committee must convene a meeting of the audit committee to consider any matters the auditor believes should be brought to the attention of the directors or members.

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

The charter of the Audit and Finance Committee is reproduced below and can be found on our website at www.medicure.com.

AUDIT AND FINANCE COMMITTEE CHARTER

GENERAL FUNCTIONS, AUTHORITY, AND ROLE

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

The Audit and Finance Committee has the power to conduct or authorize investigations into any matters within its scope of responsibilities, with full access to all books, records, facilities and personnel of the Company, its auditors

and its legal advisors. In connection with such investigations or otherwise in the course of fulfilling its responsibilities under this charter, the Audit and Finance Committee has the authority to independently retain special legal, accounting, or other consultants to advise it, and may request any officer or employee of the Company, its independent legal counsel or independent auditor to attend a meeting of the Audit and Finance Committee or to meet with any members of, or consultants to, the Audit and Finance Committee. The Audit and Finance Committee has the power to create specific

sub-committees with all of the power to conduct or authorize investigations into any matters within the scope of the mandate of the sub-committee, with full access to all books, records, facilities and personnel of the Company, its auditors and its legal advisors.

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

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

MEMBERSHIP

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

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

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

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

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

RESPONSIBILITIES

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

Frequency of Meetings

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

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

Reporting Responsibilities

Provide to the Board of Directors proper Committee minutes.

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

Charter Evaluation

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

Whistleblower Mechanism

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

Legal Responsibilities

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

INDEPENDENT AUDITOR

Nominations

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

Compensation and Evaluation

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

Approval in Advance of Related Party Transactions

Pre-approval of all “related party transactions,” which are transactions or loans between the Corporation and a related party involving goods, services, or tangible or intangible assets that are (1) material to the Corporation 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 Corporation, a company controlled by any of those parties or a family member of any of those parties.

Engagement Procedures for Audit and Non-audit Services

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

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

Financial information systems design and implementation consulting services;

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

Actuarial services;

Internal audit outsourcing services;

Any management or human resources function;

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

Legal services;

Expert services related to the auditing service;and

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

Hiring Practices

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

Independence Test

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

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

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

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

Audit and Finance Committee Meetings

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

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

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

Restrictions

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

OTHER PROFESSIONAL CONSULTING SERVICES

Engagement Review

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

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

AUDIT AND REVIEW PROCESS AND RESULTS

Scope

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

Review Process and Results

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECURITIES REGULATORY FILINGS

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

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

RISK ASSESSMENT

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

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

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

ADOPTION OF CHARTER

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

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

The Committee has developed a policy to govern the Corporation'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 Corporation'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 Officers' suggestions regarding the salaries and incentive compensation for senior officers of the Corporation. 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 and Corporate Governance Committee can be found on our website at www.medicure.com.

D. Employees

In addition to the individuals disclosed in Section A. Directors and Senior Management of this item, CanAm has a staff of twenty five research scientists, technicians and staff dedicated solely to the Corporation's research and development activities.

E. Share Ownership

With respect to the persons referred to above in Section B. Compensation, the following table discloses the number of shares (each share possessing identical voting rights), stock options held and percent of the shares outstanding held by those persons at May 31, 2005.

Title of Class	*Identity of Person or Group*	*Amount Owned*	*Percentage of Class*
Common shares	Dr. Albert D. Friesen[(1)] Winnipeg, Manitoba	7,660,915[(1)]	11.5%

1) Dr. Albert Friesen holds 417,900 shares personally or in an RRSP. The rest of the shares are held by ADF Family Holding Corp., a private company wholly-owned by Dr. Friesen, his wife Mrs. Leona M. Friesen, and CentreStone Ventures Limited Partnership Fund (the "Fund"). Dr. Friesen is the CEO of the Fund.

Incentive Stock Options

The following table discloses the stock options beneficially held by the aforementioned persons, as of May 31, 2005. The stock options are for shares of Common Stock of the Corporation.

Name of Person	Number of Shares Subject to Issuance	Exercise Price per Share	Expiry Date
Dr. Albert D. Friesen	100,000	$1.63	January 5, 2009
Dr. William Cochrane	125,000 25,000	$1.10 $1.10	December 15, 2007 August 12, 2008
Dr. Arnold Naimark	100,000 50,000	$1.10 $1.10	December 15, 2007 August 12, 2008
Gerald P. McDole	100,000	$1.63	January 16, 2009
Derek G. Reimer	90,000 30,000	$0.80 $1.63	February 4, 2007 January 5, 2009
Moray Merchant	100,000 100,000	$1.65 $1.12	September 22, 2008 August 23, 2009
Dawson Reimer	20,000 30,000	$1.10 $1.63	August 12, 2008 January 5, 2009

The Corporation 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 five 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. Each option entitles the holder thereof to purchase one (1) Common Share of the Corporation 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 Corporation's Common Shares are listed for trading.

The number of Common Shares allocated to the Plan, the exercise period for the options (not to exceed five years), and the vesting provisions for the options will be determined by the board of directors of the

Corporation from time to time. The aggregate number of shares reserved for issuance under the Plan, together with any other employee stock option plans, options for services and employee stock purchase plans, will not exceed 4,700,000 of the issued and outstanding Common Shares. In addition, the aggregate number of shares reserved for issuance to any one person shall not exceed five percent (5%) of the issued and outstanding Common Shares.

The Common Shares issued pursuant to the exercise of options, when fully paid for by a participant, are not included in the calculation of Common Shares allocated to or within the Plan. Should a participant cease to be eligible due to the loss of corporate office (being that of an officer or director) or employment, the option shall cease for varying periods not exceeding 90 days. Loss of eligibility for consultants is regulated by specific rules imposed by the directors when the option is granted to the appropriate consultant. The Plan also provides that estates of deceased participants can exercise their options for a period not exceeding one year following death. The Corporation may propose to amend the Plan at the next Annual General and Special Meeting. Any proposed changes will be fully disclosed in the 2005 Proxy Circular. The final form of the amendment will not be know until the conclusion of the Annual General and Special Meeting.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

As of May 31, 2005, the following table sets forth the beneficial ownership of the Corporation's common shares by each person known by the Corporation to own beneficially more than 5% of the issued and outstanding common shares of the Corporation. 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 Corporation, has been furnished by the respective nominees individually. CDS & Company, Toronto, Ontario is a brokerage clearing house that owns 63,822,322 (95.5%) of common shares of the Corporation on behalf of beneficial owners. The Corporation 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[2] Winnipeg, Manitoba	7,660,915[1]	11.5%
Common shares	Leeward Hedge Funds Inc. [3]	4,581,500[3]	6.9%

Notes:

(1) Amount of shares as of May 31, 2005.

(2) Dr. Albert Friesen holds 417,900 shares personally or in an RRSP. The rest of the shares are held by ADF Family Holding Corp., a private company wholly-owned by Dr. Friesen, his wife Mrs. Leona M. Friesen, and CentreStone Ventures Limited Partnership Fund (the “Fund”). Dr. Friesen is the CEO of the Fund.

(3) Leeward Hedge Funds Inc. exercises control or direction over, on behalf of accounts fully managed by it, including Leeward Bull & Bear L.P., Leeward Offshore Bull & Bear Fund and Leeward Offshore Bull & Bear Fund (U.S.), an aggregate of 4,581,500 common shares of the Corporation.

As of July 12, 2005, there were 293 shareholders of record in the United States holding a total of 1,561,966 common shares of the Corporation.

To the best of the Corporation'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, 2005, the total number of issued and outstanding common shares of the Corporation beneficially owned by the directors and executive officers of the Corporation as a group was 7,927,150 (or 11.9% of common

shares).

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

B. Related Party Transactions

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

On October 1, 2001, a two-year consulting contract was entered into with A.D. Friesen Enterprises Ltd., a corporation owned by Dr. Friesen. This agreement, which was subsequently amended on February 1, 2002, paid A.D. Friesen Enterprises Ltd. an annual salary of $150,000 payable in monthly installments. Upon expiration of this agreement on September 30, 2003 a new consulting contract was entered into with A.D. Friesen Enterprises Ltd. for an annual salary of $175,000. This salary is reviewed annually by the Board. Dr. Friesen is also eligible for grants of incentive stock options and bonuses, if certain objectives between the Board and Dr. Friesen are met, as determined by the Board. During the year ended May 31, 2005, the Corporation paid a total of $175,000 to A.D. Friesen Enterprises Ltd. During the year ended May 31, 2004, the Corporation paid a total of $166,667 to A.D. Friesen Enterprises Ltd. For the year ended May 31, 2003, the Corporation paid a total of $150,000 to A.D. Friesen Enterprises Ltd.

Dr. Friesen, a director, the Chairman, the President and the Chief Executive Officer of the Corporation also owns a leasing company, Waverley Business and Science Centre Inc. which entered into a lease with the Corporation as of March 1, 2002. Pursuant to this agreement, the Corporation leases approximately 4,000 square feet of office space from Waverley Business and Science Centre Inc. for minimum annual rental payments of $44,264. The agreement is for a five year term.

Dr. Naranjan Dhalla, the Chief Scientific Officer of the Corporation, is the principal scientist responsible for discovering the cardiovascular benefits of MC-1. He is also a significant shareholder of the

Corporation. As an employee of the University of Manitoba he will receive 25% of any royalties the university may receive in respect to the License Agreement. In addition, Dr. Dhalla entered into a consulting agreement with the Corporation effective January 18, 1998 wherein Dr. Dhalla agreed to perform certain consulting services to the Corporation and which contract remains in effect as at the date hereof. The Corporation is currently paying Dr. Dhalla $40,000 per annum for these services through a contract with CanAm Bioresearch Inc.

C. Interests of Experts and Counsel

Not applicable

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements or Other Financial Information

Financial Statements

Attached hereto are the consolidated financial statements of the Corporation for the years ended May 31, 2005, 2004 and 2003 . The consolidated financial statements including related notes are accompanied by the report of our independent registered public accounting firm, KPMG LLP.

Legal Proceedings

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

Dividend Policy

The Corporation 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 Corporation will determine if and when dividends should be declared and paid in the future based upon the Corporation's financial position at the relevant time. All of the Corporation's Shares are entitled to an equal share of any dividends declared and paid.

B. Significant Changes

Since May 31, 2005, the date of the most recent financial statements, no significant changes have occurred with the exception of the following:

a) i) On August 19, 2005, the Corporation raised gross proceeds of $4,684,950 (before share issuance costs of approximately $440,000) through a private placement to investors of 5,205,500 common shares and warrants to purchase an additional 2,602,750 shares of common stock. The purchase price of the common shares is $0.90 per share, and the warrants are exercisable for a period of five years at an exercise price of $1.18 per share. The financing increased the Corporation's cash and cash equivalents to approximately $8,450,000 at August 19, 2005.

ITEM 9. THE OFFERING AND LISTING

A. Offer and Listing Details

The Corporation's common shares are listed and traded on The Toronto Stock Exchange under the symbol “MPH” and The American Stock Exchange under the symbol “MCU”. The historical trading data for the common shares of the Corporation on the above-mentioned exchanges is set out below.

Fiscal Period/Year Ended	TSX High ($)	TSX Low ($)	Amex (1) High ($US)	Amex (1) Low ($US)
May 31, 2005	1.87	0.65	1.37	0.57
May 31, 2004	2.85	0.73	2.14	1.10
May 31, 2003	1.13	0.20	N/A	N/A
May 31, 2002	1.24	0.40	N/A	N/A
May 31, 2001	3.45	0.95	N/A	N/A
May 31, 2000	8.00	0.48	N/A	N/A
Fiscal Quarter Ended				
May 31, 2005	1.20	0.65	0.95	0.57
February 28, 2005	1.09	0.78	0.89	0.62
November 30, 2004	1.24	0.80	1.00	0.65
August 31, 2004	1.82	1.10	1.37	0.85
May, 31, 2004	2.73	1.42	2.06	1.10
February 29, 2004	2.85	1.19	2.14	1.60
November 30, 2003	1.84	1.20	N/A	N/A
August 31, 2003	1.39	0.73	N/A	N/A
May 31, 2003	0.99	0.64	N/A	N/A
February 28, 2003	1.13	0.23	N/A	N/A
November 30, 2002	0.30	0.20	N/A	N/A
August 31, 2002	0.52	0.215	N/A	N/A
Month				
June 2005	1.04	0.84	0.83	0.66
May 2005	1.20	0.82	0.95	0.67
April 2005	0.84	0.72	0.67	0.59
March 2005	0.90	0.65	0.71	0.57
February 2005	0.90	0.78	0.75	0.62
January 2005	1.09	0.86	0.89	0.70

Note:

(1) The Corporation commenced trading on the American Stock Exchange on February 17, 2004.

B. Markets

The Corporation's common shares were listed on The Canadian Venture Exchange under the symbol “MPH”, from November 29, 1999 to March 14, 2002. The common shares and Class A common shares commenced trading on the Toronto Stock Exchange on March 15, 2002 and on the American Stock Exchange on February 17, 2004. On March

1, 2003 all of the issued and outstanding Class A common shares – totalling 1,280,000 shares – were converted into common shares of the Corporation on the basis of one common share for each Class A common shares in accordance with the Corporation's Articles of Continuance. The Class A common shares were identical in all respects to the common shares, except that the holders were eligible for the Manitoba Equity Tax Credit until February 28, 2003.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable

B. Memorandum and Articles of Association

1. Objects and Purposes of the Corporation

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

2. Directors

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

Section 4.14 of By-Law No.1 of the Corporation (the "By-Law") provides that a director shall not be disqualified by reason of his office from contracting with the Corporation 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 Corporation 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 Corporation and shall have been approved by the directors or shareholders of the Corporation 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 Corporation 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 Corporation;

ii) issue, reissue, sell or pledge debt obligations of the Corporation, 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 Corporation 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 Corporation, owned or subsequently acquired, to secure any obligation of the Corporation.

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

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 Corporation provide that the Corporation 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 Corporation 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 Corporation. Subject to the rights, privileges, restrictions and conditions attached to any other class of shares of the Corporation, 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 Corporation and are entitled to share equally in the remaining property of the Corporation upon liquidation, dissolution or winding-up of the Corporation.

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 Corporation, whether voluntary or involuntary, or any other return of capital or distribution of the assets of the Corporation 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 Corporation 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 Corporation 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 Corporation are entitled to examine, during its usual business hours, the Corporation’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 Corporation may obtain a list of shareholders upon payment of a reasonable fee and sending an affidavit to the Corporation 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 Corporation, an offer to acquire shares of the Corporation or any other matter relating to the affairs of the Corporation.

Under the Act, shareholders of the Corporation may apply to a court having jurisdiction directing an investigation to be made of the Corporation. If it appears to the court that the formation, business or affairs of the Corporation 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 Corporation.

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 75% of the votes cast.

The Corporation is organized under the laws of Canada. The Corporation's directors, officers, and affiliates of the Corporation, as well as the experts named in this registration statement, are residents of Canada and, to the best of the Corporation's knowledge, all or a substantial portion of their assets and all of the Corporation's assets are located outside of the United States. As a result, it may be difficult for shareholders of the Corporation in the United States to effect service of process on the Corporation or these persons above within the United States, or to realize in the United States upon judgments rendered against the Corporation or such persons. Additionally, a shareholder of the Corporation should not assume that the courts of Canada (i) would enforce judgments of U.S. courts obtained in actions against the Corporation 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 Corporation 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 50 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 Corporation carrying voting rights. At any meeting of shareholders, every person shall be entitled to vote who, at the time of the taking of a vote (or, if there is a record date for voting, at the close of business on such record date) is entered in the register of shareholders as the holder of one or more shares carrying the right to vote at such meeting, subject to the provisions of the Act.

6. Ownership of Securities

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

7. Change in Control of Corporation

No provision of the Corporation's articles of association, charter or By-Law would have the effect of delaying, deferring, or preventing a change in control of the Corporation, and operate only with respect to a merger, acquisition or corporate restructuring of the Corporation or any of its subsidiaries.

8. Ownership Threshold

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

The U.S. rules governing the ownership threshold above which shareholder ownership must be disclosed are more stringent than those discussed above. Section 13 of the Exchange Act imposes reporting requirements on persons who acquire beneficial ownership (as such term is defined in the Rule 13d-3 under the Exchange Act) of more than 5 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.

C. Material Contracts

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

a) Employment Agreement dated September 22, 2003 between Moray Merchant and the Corporation.
b) Development Agreement between Medicure International Inc. and Clinical Development Research Institute Inc.(CDRI) dated July 2, 2004, wherein CDRI agreed to conduct research and development activities for Medicure International.
c) Amendment to Employment Agreement dated April 5, 2005 between A.D. Friesen Enterprises Ltd. and the Corporation.
d) Amendment to Employment Agreement dated April 5, 2005 between Moray Merchant and the Corporation.
e) Amendment to Employment Agreement dated April 5, 2005 between Dawson Reimer and the Corporation.
f) Amendment to Employment Agreement dated April 5, 2005 between Derek Reimer and the Corporation.
g) Amendment dated July 8, 2005 to the Development Agreement between Medicure International Inc. and CanAm Bioresearch Inc.

D. Exchange Controls

There is no law or government decree of regulation in Canada that restricts the export or import of capital, or that affects the remittance of dividends, interest or other payments to a non-resident holder of Common Shares, other than

withholding tax requirements. See "Item 7 Taxation."

There is no limitation imposed by Canadian law or by the articles or other charter documents of the Corporation on the right of a non-resident to hold or vote the Common Shares or the Class A common

shares of the Corporation, other than as provided in the Investment Canada Act, as amended (the "Investment Act").

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

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

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

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

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

(a) an acquisition of Common Shares of the Corporation by any person if the acquisition were made in the ordinary course of that person's business as a trader or dealer in securities;

(b) an acquisition of control of the Corporation in connection with the realization of security granted for a loan or other financial assistance and not for any purpose related to the provisions of the Investment Act; and

(c) an acquisition of control of the Corporation by reason of an amalgamation, merger, consolidation or corporate reorganization following which the ultimate direct or indirect control in fact of the Corporation, through the ownership of voting interests, remains unchanged.

E. Taxation

Considerations for Canadian Holders

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 Corporation, 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 Corporation, 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 Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation at any time within five years preceding the particular time.

A holder of shares of the Corporation 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 CORPORATION, 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 CORPORATION.

Considerations for U.S. holders

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following summarizes the principal Canadian federal income tax considerations applicable to the holding and disposition of Common Shares of the Corporation by a holder of one or more Common Shares (the "U.S. Holder") who is a resident in the United States and holds common shares solely as capital property. This summary is based on the Canadian Tax Act, and on the current provisions of the Canada - U.S. Income Tax Convention, 1980 (the "Treaty"). It has been assumed that all currently proposed amendments to the Canadian Tax Act will be enacted as proposed and that there is no other relevant change in any governing law.

Every U.S. Holder is liable to pay a Canadian withholding tax on every dividend that is or is deemed to be paid or credited to the U.S. Holder on the U.S. Holder's Common Shares. Under the Treaty, the rate of withholding tax is, if the U.S. Holder is a company that owns at least 10% of the voting stock of the Corporation and beneficially owns the dividend, 5% and in any other case 15%, of the gross amount of the dividend.

Pursuant to the Canadian Tax Act, a U.S. Holder will not be subject to Canadian capital gains tax on any capital gain realized on an actual or deemed disposition of a Common Share, including a deemed disposition on death, provided either that the U.S. Holder did not hold the Common Share as capital property used in carrying on a business in Canada, or that neither the U.S. Holder nor persons with whom the U.S. Holder did not deal at arm's length alone or together owned 25% or more of the issued shares of any class of the Corporation at any time in the five years immediately preceding the disposition.

Subject to certain limited exceptions, a U.S. Holder who otherwise would be liable for Canadian capital gains tax in consequence of an actual or deemed disposition of a Common Share will generally be exempted for Canadian tax under the Treaty. Any holder who is a former resident of Canada may have different Canadian tax considerations and should obtain specific tax advice.

UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following summary is a general discussion of the material United States federal income tax considerations to U.S. holders of shares of the Corporation under current law. It does not discuss all the tax consequences that may be relevant to particular holders in light of their circumstances or to holders subject to special rules, such as tax-exempt organizations, qualified retirement plans, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, broker-dealers, non-resident alien individuals or foreign corporations whose ownership of shares of the Corporation is not effectively connected with the conduct of a trade or business in the United States, shareholders who acquired their stock through the exercise of employee stock options or otherwise as compensation, shareholders who hold their stock as ordinary assets and not capital assets and any other non-U.S. holders.

The following discussion is based upon the sections of the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations, published Internal Revenue Service ("IRS") rulings, published administrative positions of the IRS and court decisions that are currently applicable, any or all of which could be materially and adversely changed, possibly on a retroactive basis, at any time. This discussion does not consider the potential effects, both adverse and beneficial, of any recently proposed legislation that, if enacted, could be applied, possibly on a retroactive basis, at any time. The following discussion is not intended to be, nor should it be construed to be, legal or tax advice to any holder or prospective holder of shares of the Corporation and no opinion or representation with respect to the United States federal income tax consequences to any such holder or prospective holder is made. Accordingly, holders and prospective holders of shares of the Corporation should consult their own tax advisors about the federal, state, local,

estate and foreign tax consequences of purchasing, owning and disposing of shares of the Corporation.

U.S. Holders

As used herein, a "U.S. Holder" includes a holder of shares of the Corporation who is a citizen or resident of the United States, a corporation created or organized in or under the laws of the United States or of any political subdivision thereof, any entity that is taxable as a corporation for U.S. tax purposes and any other person or entity whose ownership of shares of the Corporation is effectively connected with the conduct of a trade or business in the United States. A U.S. Holder does not include persons subject to special provisions of federal income tax law, such as tax exempt organizations, qualified retirement plans, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, broker-dealers, nonresident alien individuals or foreign corporations whose ownership of shares of the Corporation is not effectively connected with conduct or trade or business in the United States, shareholders who acquired their stock through the exercise of employee stock options or otherwise as compensation and shareholders who hold their stock as ordinary assets and not as capital assets.

Distributions on Shares of the Corporation

U.S. Holders receiving dividend distributions (including constructive dividends) with respect to shares of the Corporation are required to include in gross income for United States federal income tax purposes the gross amount of such distributions to the extent that the Corporation has current or accumulated earnings and profits as defined under U.S. federal tax law, without reduction for any Canadian income tax withheld from such distributions. Such Canadian tax withheld may be credited, subject to certain limitations, against the U.S. Holder's United States federal income tax liability or, alternatively, may be deducted in computing the U.S. Holder's United States federal taxable income by those who itemize deductions. (See more detailed discussion at "Foreign Tax Credit" below). To the extent that distributions exceed current or accumulated earnings and profits of the Corporation, they will be treated first as a return of capital up to the U.S. Holder's adjusted basis in the shares and thereafter as gain from the sale or exchange of the shares. Preferential tax rates for net capital gains are applicable to a U.S. Holder that is an individual, estate or trust. There are currently no preferential tax rates for long term capital gains for a U.S. Holder that is a corporation.

Dividends paid on the shares of the Corporation will not generally be eligible for the dividends received deduction provided to corporations receiving dividends from certain United States corporations. A U.S. Holder that is a corporation may, under certain circumstances, be entitled to a 70% deduction of the United States source portion of dividends received from the Corporation (unless the Corporation qualifies as a "foreign personal holding company" or a "passive foreign investment company", as defined below) if such U.S. Holder owns shares representing at least 10% of the voting power and value of the Corporation. The availability of this deduction is subject to several complex limitations that are beyond the scope of this discussion.

In the case of foreign currency received as a dividend that is not converted by the recipient into U.S. dollars on the date of receipt, a U.S. Holder will have a tax basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Generally, any gain or loss recognized upon a subsequent sale or other disposition of the foreign currency, including the exchange for U.S. dollars, will be ordinary income or loss. However, for tax years after 1997, an individual whose realized foreign exchange gain does not exceed U.S. $200 will not recognize that gain, to the extent that there are not expenses associated with the transaction that meet the requirement for deductibility as a trade or business expense (other than travel expenses in connection with a business trip or as an expense for the production of income).

Foreign Tax Credit

A U.S. Holder who pays (or has withheld from distributions) Canadian income tax with respect to the ownership of shares of the Corporation may be entitled, at the option of the U.S. Holder, to either a deduction or a tax credit for such foreign tax paid or withheld. Generally, it will be more advantageous to claim a credit because a credit reduces

United States federal income taxes on a dollar-for-dollar basis, while a deduction merely reduces the taxpayer's income subject to tax. This election is made on a year-by-year basis and applies to all foreign taxes paid by (or withheld from) the U.S. Holder during that year. There are significant and complex limitations that apply to the credit, among which is the general limitation that the credit cannot exceed the proportionate share of the U.S. Holder's United States federal

income tax liability that the U.S. Holder's foreign source income bears to his or its worldwide taxable income. In the determination of the application of this limitation, the various items of income and deduction must be classified into foreign and domestic sources. Complex rules govern this classification process. There are further limitations on the foreign tax credit for certain types of income such as "passive income", "high withholding tax interest", "financial services income", "shipping income", and certain other classifications of income. The availability of the foreign tax credit and the application of the limitations on the credit are fact specific and holders and prospective holders of shares of the Corporation should consult their own tax advisors regarding their individual circumstances.

Disposition of Shares of the Corporation

A U.S. Holder will recognize a gain or loss upon the sale of shares of the Corporation equal to the difference, if any, between (i) the amount of cash plus the fair market value of any property received, and (ii) the shareholder's tax basis in the shares of the Corporation. This gain or loss will be a capital gain or loss if the shares are a capital asset in the hands of the U.S. Holder, and will be a short-term or long-term capital gain or loss depending upon the holding period of the U.S. Holder. Gains and losses are netted and combined according to special rules in arriving at the overall capital gain or loss for a particular tax year. Deductions for net capital losses are subject to significant limitations. Corporate capital losses (other than losses of corporations electing under Subchapter S of the Code) are deductible to the extent of capital gains. Non-corporate taxpayers may deduct net capital losses, whether short-term or long-term, up to U.S. $3,000 a year (U.S. $1,500 in the case of a married individual filing separately). For U.S. Holders which are individuals, any unused portion of such net capital loss may be carried over to be used in later tax years until such net capital loss is thereby exhausted. For U.S. Holders which are corporations (other than corporations subject to Subchapter S of the Code), an unused net capital loss may be carried back three years from the loss year and carried forward five years from the loss year to be offset against capital gains until such net capital loss is thereby exhausted.

Other Considerations

In the following circumstances, the above sections of this discussion may not describe the United States federal income tax consequences resulting from the holding and disposition of shares of the Corporation.

Foreign Personal Holding Company

If at any time during a taxable year more than 50% of the total combined voting power or the total value of the Corporation's outstanding shares is owned, directly or indirectly, by five or fewer individuals who are citizens or residents of the United States and 60% (50% in subsequent years) or more of the Corporation's gross income for such year was derived from certain passive sources, the Corporation would be treated as a "foreign personal holding company". In that event, U.S. Holders that hold shares of the Corporation (on the earlier of the last day of the Corporation's tax year or the last date on which the Corporation was a foreign personal holding company) would be required to include in gross income for such year their allowable portions of such passive income to the extent the Corporation does not actually distribute such income.

Foreign Investment Company

If 50% or more of the combined voting power or total value of the Corporation's outstanding shares are held, directly or indirectly, by citizens or residents of the United States, United States domestic partnerships or corporations, or estates or trusts other than foreign estates or trusts (as defined by the Code Section 7701 (a)(31)), and the Corporation is found to be engaged primarily in the business of investing, reinvesting, or trading in securities, commodities, or any interest therein, it is possible that the Corporation might be treated as a "foreign investment company" as defined in Section 1246 of the Code, causing all or part of any gain realized by a U.S. Holder selling or exchanging shares of the Corporation to be treated as ordinary income rather than capital gain.

Passive Foreign Investment Company

As a foreign corporation with U.S. Holders, the Corporation could potentially be treated as a passive foreign investment company ("PFIC"), as defined in Section 1296 of the Code, if 75% or more of its gross income in a taxable year is passive income, or the average percentage of the Corporation's assets (by value) during the taxable year which produce passive income or which are held for production of same is at least 50%. Passive income is generally defined to include gross income in the nature of dividends, interest, royalties, rents and annuities; excess of gains over losses from certain transactions in any commodities not arising *inter alia* from a PFIC whose business is actively involved in such commodities; certain foreign currency gains; and other similar types of income. U.S. Holders owning shares of a PFIC are subject to an additional tax and to an interest charge based on the value of deferral of tax for the period during which the shares of the PFIC are owned, in addition to treatment of any gain realized on the disposition of shares of the PFIC as ordinary income rather than as a capital gain. However, if the U.S. Holder makes a timely election to treat a PFIC as a qualified electing fund ("QEF") with respect to such shareholder's interest therein, the above-described rules generally will not apply. Instead, the electing U.S. Holder would include annually in his gross income his pro rata share of the PFIC's ordinary earnings and any net capital gain regardless of whether such income or gain was actually distributed. A U.S. Holder of a QEF can, however, elect to defer the payment of United States federal income tax on such income inclusions. Special rules apply to U.S. Holders who own their interests in a PFIC through intermediate entities or persons.

Effective for tax years of U.S. Holders beginning after December 31, 1997, U.S. Holders who hold, actually or constructively, marketable stock of a foreign corporation that qualifies as a PFIC may elect to mark such stock to the market (a "mark-to-market election"). If such an election is made, such U.S. Holder will not be subject to the special taxation rules of PFIC described above for the taxable years for which the mark-to-market election is made. A U.S. Holder who makes such an election will include in income for the taxable year an amount equal to the excess, if any, of the fair market value of the shares of the Corporation as of the close of such tax year over such U.S. Holder's adjusted basis in such shares. In addition, the U.S. Holder is allowed a deduction for the lesser of (i) the excess, if any, of such U.S. Holder's adjusted tax basis in the shares over the fair market value of such shares as of the close of the tax year, or (ii) the excess, if any of (A) the mark-to-market gains for the shares in the Corporation included by such U.S. Holder for prior tax years, including any amount which would have been included for any prior year but for Section 1291 interest on tax deferral rules discussed above with respect to a U.S. Holder, who has not made a timely QEF election during the year in which he holds (or is deemed to have held) shares in the Corporation and the Corporation is a PFIC ("Non-Electing U.S. Holder"), over (B) the mark-to-market losses for shares that were allowed as deductions for prior tax years. A U.S. Holder's adjusted tax basis in the shares of the Corporation will be increased or decreased to reflect the amount included or deducted as a result of mark-to-market election. A mark-to-market election will apply to the tax year for which the election is made and to all later tax years, unless the PFIC stock ceases to be marketable or the IRS consents to the revocation of the election.

The IRS has issued proposed regulations that, subject to certain exceptions, would treat as taxable certain transfers of PFIC stock by a Non-Electing U.S. Holder that are generally not otherwise taxed, such as gifts, exchanges pursuant to corporate reorganizations, and transfers at death. Generally, in such cases, the basis of the Corporation's shares in the hands of the transferee and the basis of any property received in the exchange for those shares would be increased by the amount of gain recognized. A U.S. Holder who has made a timely QEF election (as discussed below) will not be taxed on certain transfers of PFIC stock, such as gifts, exchanges pursuant to corporate reorganizations, and transfers at death. The transferee's basis in this case will depend on the manner of the transfer. The specific tax effect to the U.S. Holder and the transferee may vary based on the manner in which the shares of the Corporation are transferred. Each U.S. Holder should consult a tax advisor with respect to how the PFIC rules affect their tax situation.

Shareholder Election

These adverse tax consequences may be avoided, if the U.S. Holder has elected to treat the PFIC as a QEF with respect to that U.S. Holder effective for each of the PFIC's taxable years beginning on or after January 1, 1987, which include any portion of the U.S. Holder's holding period.

The procedure a U.S. Holder must comply with in making an effective QEF election will depend on whether the year of election is the first year in the U.S. Holder's holding period in which the Corporation is a PFIC. If the U.S. Holder makes a QEF election in such first year (i.e. a timely QEF election), then the U.S. Holder may make the QEF election by simply filing the appropriate documents at the time the U.S. Holder files his tax return for such first year. If, however, the Corporation qualified as a PFIC in a prior year, then in addition to filing documents, the U.S. Holder must generally recognize gain as if it had sold the QEF stock on the first day of the taxable year in which the QEF election is made, if (i) the U.S. Holder holds stock in the PFIC on that day, and (ii) the U.S. Holder can establish the fair market value of the PFIC stock on that day. The U.S. Holder will treat that deemed sale transaction as a disposition of PFIC stock and will, thereafter, be subject to the rules described below applicable to U.S. shareholders of a QEF.

In general, U.S. shareholders of a QEF are taxable currently on their pro rata share of the QEF's ordinary income and net capital gain regardless of whether such income or gain was actually distributed. A U.S. Holder of a QEF can, however, elect to defer the payment of United States federal income tax on such income inclusions.

Mark to Market Election

Effective for tax years of U.S. Holders beginning after December 31, 1997, U.S. Holders who hold, actually or constructively, marketable stock of a foreign corporation that qualifies as a PFIC may elect to mark such stock to the market (a "mark-to-market election"). If such an election is made, such U.S. Holder will not be subject to the special taxation rules of PFIC described above for the taxable years for which the mark-to-market election is made. A U.S. Holder who makes such an election will include in income for the taxable year an amount equal to the excess, if any, of the fair market value of the shares of the Corporation as of the close of such tax year over such U.S. Holder's adjusted basis in such shares. In addition, the U.S. Holder is allowed a deduction for the lesser of (i) the excess, if any, of such U.S. Holder's adjusted tax basis in the shares over the fair market value of such shares as of the close of the tax year, or (ii) the excess, if any of (A) the mark-to-market gains for the shares in the Corporation included by such U.S. Holder for prior tax years, including any amount which would have been included for any prior year but for Section 1291 interest on tax deferral rules discussed above with respect to a U.S. Holder, who has not made a timely QEF election during the year in which he holds (or is deemed to have held) shares in the Corporation and the Corporation is a PFIC ("Non-Electing U.S. Holder"), over (B) the mark-to-market losses for shares that were allowed as deductions for prior tax years. A U.S. Holder's adjusted tax basis in the shares of the Corporation will be increased or decreased to reflect the amount included or deducted as a result of mark-to-market election. A mark-to-market election will apply to the tax year for which the election is made and to all later tax years, unless the PFIC stock ceases to be marketable or the IRS consents to the revocation of the election.

The PFIC and QEF election rules are complex. U.S. Holders should consult a tax advisor regarding the availability and procedure for making the QEF election as well as the applicable method for recognizing gains or earnings and profits under the foregoing rules.

Controlled Foreign Corporation

If more than 50% of the voting power of all classes of stock or the total value of the stock of the Corporation is owned, directly or indirectly, by citizens or residents of the United States, United States domestic partnerships and corporations or estates or trusts other than foreign estates or trusts, each of whom own 10% or more of the total combined voting power of all classes of stock of the Corporation ("United States shareholder"), the Corporation could be treated as a "controlled foreign corporation" under Subpart F of the Code. This classification would effect many complex results including the required inclusion by such United States shareholders in income of their pro rata share of "Subpart F income" (as specially defined by the Code) of the Corporation. If the Corporation is both a PFIC and controlled foreign corporation, the Corporation will generally not be treated as a PFIC with respect to United States

shareholders of the controlled foreign corporation. This rule generally will be effective for taxable years of the Corporation ending with or within such taxable years of United States shareholders. In addition, under Section 1248 of the Code, a gain from the sale or exchange of shares by a U.S. Holder

who is or was a United States shareholder at any time during the five year period ending with the sale or exchange is treated as ordinary dividend income to the extent of earnings and profits of the Corporation attributable to the stock sold or exchanged. Because of the complexity of Subpart F, and because it is not clear that Subpart F would apply to the U.S. Holders of shares of the Corporation, a more detailed review of these rules is outside of the scope of this discussion.

F. Dividends and Paying Agents

Not applicable

G. Statement by Experts

Not applicable

H. Documents on Display

The documents described herein may be inspected at the head office of Corporation at 4 – 1200 Waverley Street, Winnipeg, Manitoba, Canada R3T 0P4, during normal business hours.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE RISK

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

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

FOREIGN EXCHANGE RISK

The Corporation's primary currency of operations is the Canadian dollar. To date the Corporation 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.

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

The Corporation carried out an evaluation, under the supervision and with the participation of the Corporation's management, including the Corporation's chief executive officer and its chief financial officer, of the effectiveness of the design and operation of the Corporation's disclosure controls and

procedures pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, the Corporation's chief executive officer and its chief financial officer concluded that the Corporation's disclosure controls and procedures as of a date that is within 90 days of the date of filing of this Form 20-F are effective in alerting, on a timely basis, material information relating to the Corporation that is to be publicly disclosed.

There have been no changes in the Corporation's internal controls over financial reporting identified in connection with the evaluation described in the preceding paragraph that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

ITEM 16. RESERVED

Not applicable

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

As of May 31, 2005, Dr. William A. Cochrane, a non-employee director, was a member of the audit committee of the Corporation. The board of directors of the Corporation has determined that Dr. Cochrane (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 Amex Company Guide and Rule 10A-3 of the Exchange Act. In addition, all members of the audit committee are considered financially literate under applicable Canadian laws.

ITEM 16B. CODE OF ETHICS

On August 23, 2004, the Corporation adopted a written Code of Business Conduct and Ethics (“Code of Ethics”) that applies to the Corporation’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 Corporation’s employees live up to high ethical standards. A copy of the Code of Ethics is maintained on the Corporation’s website at www.medicure.com.

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

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

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

(a) Audit fees	**2005**	**2004**
	$26,240	$31,545

(b) Audit-related fees	**2005**	**2004**
	$ -	$ -

(c) Tax fees - No compensation was paid to KPMG for tax compliance, tax advice and tax planning in fiscal 2005 or 2004.

(d) All other fees	**2005**	**2004**
	$13,200	$1,000

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

Not applicable

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

Not applicable

PART III

ITEM 17. FINANCIAL STATEMENTS

The consolidated financial statements were prepared in accordance with Canadian GAAP and are presented in Canadian dollars. There are material measurement differences between United States and Canadian GAAP. A reconciliation of the consolidated financial statements to United States GAAP is set forth in Note 9 of the notes to the consolidated financial statements.

The consolidated financial statements are in the following order:

1. Report of Independent Registered Public Accounting Firm;
2. Consolidated Balance Sheets;
3. Consolidated Statements of Operations and Deficit;
4. Consolidated Statements of Cash Flows; and
5. Notes to Consolidated Financial Statements.

Consolidated Financial Statements of

MEDICURE INC.

(A Development Stage Enterprise)

Years ended May 31, 2005, 2004 and 2003

KPMG LLP
Chartered Accountants
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Canada

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Directors of Medicure Inc.

We have audited the consolidated balance sheets of Medicure Inc. (a Development Stage Enterprise) as at May 31, 2005 and 2004 and the consolidated statements of operations and deficit and cash flows for each of the years in the three year period ended May 31, 2005 and for the cumulative period from inception on September 15, 1997 to May 31, 2005. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the company as at May 31, 2005 and 2004 and the results of its operations and its cash flows for each of the years in the three year period ended May 31, 2005 and for the period from inception on September 15, 1997 to May 31, 2005, in conformity with Canadian generally accepted accounting principles.

As discussed in note 2(f) to the consolidated financial statements, the company changed its method of accounting for stock-based compensation in fiscal 2004.

Canadian generally accepted accounting principles vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in note 9 to the consolidated financial statements.

Signed “**KPMG LLP**”

Chartered Accountants

Winnipeg, Canada

June 30, 2005, except as to note 10, which is as of August 19, 2005

KPMG LLP, a Canadian limited liability partnership is the Canadian member firm of KPMG International, a Swiss cooperative

MEDICURE INC.

(A Development Stage Enterprise)

Consolidated Balance Sheets
(Expressed in Canadian dollars)

	May 31, 2005	May 31, 2004
Assets		
Current assets:		
Cash and cash equivalents	$ 7,590,918	$ 19,954,386
Accounts receivable	469,766	278,097
Research advance (note 6)	200,000	200,000
Prepaid expenses	398,204	910,337
	8,658,888	21,342,820
Property and equipment (note 3)	81,002	66,202
Patent costs, net of accumulated amortization of $101,859 (2004 - $71,981)	1,332,969	976,690
	$ 10,072,859	$ 22,385,712
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,732,754	$ 817,575
Shareholders’ equity:		
Capital stock (note 4):		
Authorized:		
Unlimited number of common voting shares		
Unlimited number of class A common voting shares		
Unlimited number of preferred shares		
Issued:		
66,826,660 common voting shares (2004 – 66,646,660)	39,864,296	39,731,296
Contributed surplus [note 4(c)]	996,301	491,423
Deficit accumulated during the development stage	(33,520,492)	(18,654,582)
	7,340,105	21,568,137
Nature of operations (note 1)		
Commitments and contingency (note 6)		
Subsequent events [notes 4(d), 6 and 10]		

	$ 10,072,859	$ 22,385,712

See accompanying notes to consolidated financial statements.

MEDICURE INC.

(A Development Stage Enterprise)

Consolidated Statements of Operations and Deficit
(Expressed in Canadian dollars)

	Year ended May 31, 2005	Year ended May 31, 2004	Year ended May 31, 2003	Cumulative from inception on September 15, 1997 to May 31, 2005
Revenue:				
Interest and other income	$ 459,197	$ 445,461	$ 241,281	$ 1,547,217
Expenses:				
General and administrative	2,256,499	1,958,222	1,284,225	8,008,971
Research and development (note 6)	13,564,069	4,435,320	3,117,619	27,841,620
Research and development - government assistance	–	–	–	(261,741)
Research and development - investment tax credits	(553,335)	–	–	(741,647)
Amortization	57,874	41,005	33,125	220,506
	15,325,107	6,434,547	4,434,969	35,067,709
Loss for the period	(14,865,910)	(5,989,086)	(4,193,688)	(33,520,492)
Deficit accumulated during the development stage, beginning of period	(18,654,582)	(12,665,496)	(8,471,808)	–
Deficit accumulated during the development stage, end of period	$ (33,520,492)	$ (18,654,582)	$ (12,665,496)	$ (33,520,492)
Basic and diluted loss per share	$ (0.22)	$ (0.11)	$ (0.11)	
Weighted average number of common shares used in computing basic and diluted loss per share	66,717,715	55,738,716	37,118,889	

See accompanying notes to consolidated financial statements.

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MEDICURE INC.

(A Development Stage Enterprise)

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended May 31, 2005	Year ended May 31, 2004	Year ended May 31, 2003	Cumulative from inception on September 15, 1997 to May 31, 2005
Cash provided by (used in):				
Operating activities:				
Loss for the period	$ (14,865,910)	$ (5,989,086)	$ (4,193,688)	$ (33,520,492)
Adjustments for:				
Amortization of property and equipment	27,996	23,026	22,270	118,647
Amortization of patent costs	29,878	17,979	10,855	101,859
Stock-based compensation	504,878	386,048	105,375	996,301
Change in the following:				
Accounts receivable	(191,669)	(198,553)	72,881	(445,120)
Prepaid expenses	512,133	(855,289)	34,827	(398,204)
Research advance	–	–	–	(200,000)
Investment tax credit receivable	–	–	–	35,770
Accounts payable and accrued liabilities	1,915,179	463,667	(35,755)	2,708,445
	(12,067,515)	(6,152,208)	(3,983,235)	(30,602,794)
Investing activities:				
Acquisition of property and equipment	(42,796)	(21,731)	(5,196)	(199,649)
Cash of acquired business at acquisition	–	–	–	727,005
Patent costs	(386,157)	(231,205)	(265,417)	(1,414,220)
	(428,953)	(252,936)	(270,613)	(886,864)
Financing activities:				
Issuance of common shares, net of share issue costs	133,000	22,229,074	43,286	38,381,912
Change in due to related parties	–	–	–	698,664
	133,000	22,229,074	43,286	39,080,576
Increase (decrease) in cash and cash equivalents	(12,363,468)	15,823,930	(4,210,562)	7,590,918

Cash and cash equivalents, beginning of period	19,954,386	4,130,456	8,341,018	–
Cash and cash equivalents, end of period	$ 7,590,918	$ 19,954,386	$ 4,130,456	$ 7,590,918
Non-cash transactions:				
Interest paid during the period	$ –	$ –	$ –	$ 10,306
Value assigned to shares issued as consideration for acquisition of Medicure, net of cash acquired of $727,005	–	–	–	755,379

See accompanying notes to consolidated financial statements.

MEDICURE INC.

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended May 31, 2005, 2004 and 2003

1. Nature of operations:

The company is engaged in the discovery and development of cardiovascular therapeutics and is currently in the research and development phase of its lead product, MC-1. To date, the company has no products currently in commercial production or use. Accordingly, the company is considered to be a development stage enterprise for accounting purposes. Since September 15, 1997, the date of inception of the company through to May 31, 2005, the company has expended approximately $26,838,000 net of government assistance and investment tax credits, which aggregate approximately $1,003,000, on the research and development of MC-1 and other compounds.

To date, the company has financed its cash requirements primarily through share issuances, investment tax credits, government grants and interest income. The success of the company is dependent on its ability to obtain sufficient funds to conduct its clinical trials and to successfully commercialize its products. Subsequent to May 31, 2005, the company received financing commitments as disclosed in note 10.

2. Significant accounting policies:

(a) Basis of presentation:

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada (Canadian GAAP). The measurement principles applied are also in conformity, in all material respects, with accounting principles generally accepted in the United States of America (U.S. GAAP) except as described in note 9 to the consolidated financial statements.

These financial statements have been prepared on a consolidated basis to include the accounts of the company and its wholly-owned subsidiary, Medicure International Inc. All significant inter-company transactions and balances have been eliminated.

(b) Cash and cash equivalents:

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

MEDICURE INC.

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements (continued)
(Expressed in Canadian dollars)

Years ended May 31, 2005, 2004 and 2003

2. Significant accounting policies (continued):

(c) Property and equipment:

Property and equipment are stated at cost. Amortization is recorded over the estimated useful life of the assets at the following rates:

Asset	Basis	Annual Rate
Computer equipment	Straight-line	25%
Office equipment	Diminishing balance	20%
Scientific equipment	Diminishing balance	20%
Leasehold improvements	Straight-line	20%

(d) Patents:

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.

(e) Impairment of long-lived assets:

On a regular basis, management reviews the valuation of long-lived assets, which includes property and equipment and patent costs, taking into consideration any events and circumstances which may impact recoverable value. Section 3063 of the CICA Handbook, *Impairment of Long-Lived Assets,* prescribes rigorous principles for the recognition, measurement and disclosure of any impairment of long-lived assets. Management has reviewed the carrying value of the long-lived assets using this guidance and determined no impairment currently exists.

(f) Stock-based compensation:

The company has a stock option plan [note 4(c)] for its directors, management, consultants and employees. During fiscal 2004, the company adopted the new recommendations of the CICA Handbook Section 3870, *Stock-based Compensation and Other Stock-based Payments* for awards granted under its stock option plan to directors, management and employees, effective June 1, 2003. The company had previously adopted the recommendations, as required, for awards granted under its stock option plan to non-employees effective June 1, 2002.

MEDICURE INC.

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements (continued)
(Expressed in Canadian dollars)

Years ended May 31, 2005, 2004 and 2003

2. Significant accounting policies (continued):

This standard and the amendments require that the fair value method of accounting for stock- based compensation is used to account for all awards of stock or stock options and compensation cost is recognized over the vesting period of the options. The fair value of direct awards is determined based on the quoted market price of the company's common shares and the fair value of stock options and other stock-based payments is determined using the Black- Scholes option pricing model. For stock options granted to June 1, 2003, no compensation expense was recognized when stock or stock options were issued to employees, management and directors. There were no stock options issued to employees, management and directors during fiscal 2003. As permitted, the company has applied this change prospectively; accordingly, results from prior years have not been restated.

For the year ended May 31, 2004, the adoption of this new recommendation resulted in an increase in the loss for the year of $181,603 and an offsetting increase to contributed surplus due to the recognition of the fair value of options granted to employees, from that which would have been otherwise recognized.

(g) Government assistance and investment tax credits:

Government assistance toward current expenses is recorded as a reduction against the related expenses in the period they 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 development expenditures are recognized in the period the qualifying expenditure is made, providing there is reasonable assurance of recoverability. Investment tax credits receivable are recorded at their net realizable value.

Investment tax credits are only available on research and development expenditures incurred directly by the company.

(h) Research and development:

All costs of research activities are expensed in the period in which they are incurred. Development costs are charged as an expense in the period incurred unless a development project meets stringent criteria for cost deferral and amortization. No development costs have been deferred to date.

MEDICURE INC.

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements (continued)
(Expressed in Canadian dollars)

Years ended May 31, 2005, 2004 and 2003

2. Significant accounting policies (continued):

(i) 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. When realization of future income tax assets does not meet the more likely than not criterion, a valuation allowance is provided for the difference.

(j) Net earnings (loss) per share:

Basic earnings (loss) per share is computed using the weighted average number of shares outstanding during the year including contingently issuable shares where the contingency has been resolved. The diluted per share amounts are calculated based on the weighted average number of common shares outstanding during the period, plus the effect of dilutive common share equivalents such as options and warrants. This method requires that diluted per share amounts be calculated using the treasury stock method, as if all the common share equivalents, where the average market price for the period exceeds the exercise price had been exercised at the beginning of the reporting period, or at the date of issue, if later, as the case may be, and that the funds obtained thereby were used to purchase common shares of the company at the average trading price of the common shares during the period.

(k) Foreign currency translation:

Current assets and current liabilities in foreign currencies have been translated into Canadian dollars at the rates of exchange in effect at the balance sheet date. Income and expense transactions are translated at actual rates of exchange during the year. Exchange gains and losses are included in loss for the year.

MEDICURE INC.

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements (continued)
(Expressed in Canadian dollars)

Years ended May 31, 2005, 2004 and 2003

2. Significant accounting policies (continued):

(l) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. Property and equipment:

May 31, 2005		Cost		Accumulated amortization		Net book value
Computer equipment	$	75,737	$	56,332	$	19,405
Office equipment		41,398		8,048		33,350
Scientific equipment		63,822		43,679		20,143
Leasehold improvements		18,693		10,589		8,104
	$	199,650	$	118,648	$	81,002

May 31, 2004		Cost		Accumulated amortization		Net book value
Computer equipment	$	60,924	$	40,045	$	20,879
Office equipment		13,415		4,664		8,751
Scientific equipment		63,822		39,092		24,730
Leasehold improvements		18,693		6,851		11,842
	$	156,854	$	90,652	$	66,202

4. 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.

MEDICURE INC.

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements (continued)
(Expressed in Canadian dollars)

Years ended May 31, 2005, 2004 and 2003

4. Capital stock (continued):

(b) Shares issued and outstanding are as follows:

	Number of shares		Amount
Common shares:			
Balance at May 31, 2002	37,088,864	$	16,079,309
Exercise of options for cash	126,000		25,200
Refund of portion of share issue costs	–		5,936
Exercise of warrants for cash	15,000		12,150
Conversion of class A common shares	1,280,000		1,379,627
Balance at May 31, 2003	38,509,864		17,502,222
Private placement for cash on June 26, 2003 net of share issue costs of $608,960	8,997,632		7,039,408
Exercise of warrants for cash	18,464,164		14,692,251
Exercise of options for cash	675,000		497,415
Balance at May 31, 2004	66,646,660		39,731,296
Exercise of options for cash	180,000		133,000
Balance at May 31, 2005	66,826,660	$	39,864,296

(c) Options:

The company has a stock option plan which is administered by the Board of Directors of the company with stock options granted to directors, management, employees and consultants as a form of compensation. The number of common shares reserved for issuance of stock options is limited to a maximum of 4,700,000 common shares of the company at any time. The stock options are subject to vesting over a period up to three years.

MEDICURE INC.

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements (continued)
(Expressed in Canadian dollars)

Years ended May 31, 2005, 2004 and 2003

4. Capital stock (continued):

A summary of the company's stock option plan is as follows:

	2005		2004		2003	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Balance, beginning of year	2,307,033	$ 1.11	2,137,033	$ 0.85	1,973,033	$ 1.05
Granted	1,075,000	1.18	935,000	1.44	505,000	0.74
Exercised	(180,000)	0.74	(675,000)	0.74	(126,000)	0.20
Cancelled or expired	(829,700)	1.10	(90,000)	1.18	(215,000)	2.33
Balance, end of year	2,372,333	$ 1.17	2,307,033	$ 1.11	2,137,033	$ 0.85
Options exercisable, end of year	977,334		1,327,032		1,690,700	

Options outstanding at May 31, 2005 consist of the following:

Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Options outstanding weighted average exercise price	Number exercisable
$0.70 - 1.65	2,247,333	3.0 years	$1.10	852,334
2.45 - 2.50	125,000	4.0 years	2.49	125,000
	2,372,333		$1.17	977,334

The compensation expense related to stock options granted under the stock option plan during fiscal 2005 aggregated $504,878 (2004 - $386,048; 2003 - $105,375).

The compensation expense was determined based on the fair value of the options at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2005	2004	2003
Expected option life	4.0 years	5.0 years	5.0 years
Risk-free interest rate	3.61%	3.89%	4.81%
Dividend yield	–	–	–
Expected volatility	70.57%	77.30%	81.18%

MEDICURE INC.

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements (continued)
(Expressed in Canadian dollars)

Years ended May 31, 2005, 2004 and 2003

4. Capital stock (continued):

The cost of stock-based payments that are fully vested and non-forfeitable at the grant date is measured and recognized at that date. For awards that vest at the end of the vesting period, compensation cost is recognized on a straight-line basis over the vesting period. For awards that vest on a graded basis, compensation cost is recognized on a pro rata basis over the vesting period from the date of issuance.

(d) Warrants:

Issued (Expiry date)	Original granted	Exercise price per share	May 31, 2003	Granted (Exercised) (Cancelled)*	May 31, 2004	Granted (Exercised) (Cancelled)*	May 31, 2005
18,461,537 warrants (December 20, 2003)	18,461,537	$0.65 - 0.81	18,446,537	(18,336,733) (109,804)*	–	–	–
Private placements:							
629,834 units (June 26, 2005)	629,834	1.00	–	629,834 (127,431)	502,403	–	502,403

The warrants were all issued together with common shares either under prospectus offerings or private placements with the fair value of the consideration received under the offerings allocated to the common shares issued. On June 26, 2005, warrants totaling 502,403 remained unexercised and were cancelled by the company.

(e) Escrowed shares:

As at May 31, 2005, the company's transfer agent held nil (2004 - 5,670,236) common shares pursuant to a performance escrow agreement. During the fiscal year ended May 31, 2005, the transfer agent released 5,670,236 common shares as the company had met all required performance conditions pursuant to the performance escrow agreement as of May 31, 2003.

MEDICURE INC.

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements (continued)
(Expressed in Canadian dollars)

Years ended May 31, 2005, 2004 and 2003

5. Income taxes:

Significant components of the company's future tax assets and liabilities are as follows:

	2005	2004
Future tax assets:		
Research and development expenses deductible in future periods for income tax purposes	$ 1,572,000	$ 197,000
Investment tax credits	1,002,000	76,000
Share issue costs	234,000	394,000
Operating losses carried forward	1,340,000	2,240,000
Other	110,000	93,000
	4,258,000	3,000,000
Less valuation allowance	(4,258,000)	(3,000,000)
	$ –	$ –

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

	Year ended May 31, 2005	Year ended May 31, 2004	Year ended May 31, 2003
Loss for the year:			
Canadian	$ 1,796,998	$ 1,633,921	$ 991,657
Foreign	13,068,912	4,355,165	3,202,031
	$ 14,865,910	$ 5,989,086	$ 4,193,688

	Year ended May 31, 2005	Year ended May 31, 2004	Year ended May 31, 2003
Canadian federal and provincial income taxes recovery at 37.1% (2004 - 37.1%; 2003 -			

42.6%)	$ 5,518,000	$ 2,223,000	$ 1,787,000
Foreign tax rate differential	(4,524,000)	(1,508,000)	(1,285,000)
Permanent differences	(196,000)	(150,000)	(47,000)
Change in statutory rates	(68,000)	(284,000)	(40,000)
Valuation allowance	(730,000)	(281,000)	(415,000)
	$ –	$ –	$ –

At May 31, 2005, the company has Canadian and Foreign unutilized operating losses carried forward for income tax purposes of $1,854,778 and $26,090,997, respectively. These losses are available to be applied against taxable income of future years up to fiscal 2015.

MEDICURE INC.

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements (continued)
(Expressed in Canadian dollars)

Years ended May 31, 2005, 2004 and 2003

6. Commitments and contingency:

(a) The company and its wholly-owned subsidiary, Medicure International Inc., 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 and its related compounds. During the year ended May 31, 2005, the company incurred an aggregate of $8,984,509 (2004 - $3,953,118; 2003 - $3,058,946) in expenditures under these agreements which is included in research and development expenses in the statement of operations. Expenditures incurred from inception of the agreements to May 31, 2005 total $21,382,128. As at May 31, 2005, the company is committed to fund a further $2,047,682 related to clinical research agreements with clinical research organizations (CROs) and clinical sites. The contracts with the 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 is also liable for the payment of certain pass through costs. As part of these trials, the company also entered into agreements with the clinical sites participating in the trials. These agreements require payments over the course of the study based on various activities being completed by the site, such as patient visits and various testing and measurement activities required per the study protocol. A significant portion of the amounts due to the sites for these activities is not payable until after the completion of the trial. In addition, the company has committed to fund a further $3,805,366 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. Subsequent to May 31, 2005, the company amended a development agreement with a third party such that a further $5,000,000 was committed in maximum direct research and development expenditures.

As at May 31, 2005, the company has provided a research advance of $200,000 (2004 - $200,000) to one of the third parties disclosed above, which is non-interest bearing, unsecured and repayable on demand.

MEDICURE INC.

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements (continued)
(Expressed in Canadian dollars)

Years ended May 31, 2005, 2004 and 2003

6. Commitments and contingency (continued):

The company periodically enters into research agreements with third parties that include indemnification provisions customary in the industry. These guarantees generally require the company to compensate the other party for certain damages and costs incurred as a result of claims arising from research and development activities undertaken on behalf of the company. In some cases, the maximum potential amount of future payments that could be required under these indemnification provisions could be unlimited. These indemnification provisions generally survive termination of the underlying agreement. The nature of the indemnification obligations prevents the company from making a reasonable estimate of the maximum potential amount it could be required to pay. Historically, the company has not made any indemnification payments under such agreements and no amount has been accrued in the accompanying financial statements with respect to these indemnification obligations.

The company has granted royalties to a third party based on future commercial sales of MC-1, aggregating 3 percent on net sales. To date, no royalties are due and/or payable.

(b) The company leases its premises under an operating lease. Minimum annual rental payments to the end of the lease term are as follows:

2006	$	44,264
2007		33,198
	$	77,462

The annual lease payments are exclusive of maintenance, property taxes, insurance and other operating costs.

7. Related party transactions:

During the year ended May 31, 2005, the company paid companies controlled by a director, a total of $243,548 (2004 - $228,794; 2003 - $193,485) for office rent, property and equipment, 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.

MEDICURE INC.

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements (continued)
(Expressed in Canadian dollars)

Years ended May 31, 2005, 2004 and 2003

8. Financial instruments:

The fair values of cash and cash equivalents, accounts receivable, research advance and accounts payable and accrued liabilities approximate their carrying values due to their short term to maturity.

9. Reconciliation of generally accepted accounting principles:

The company prepares its consolidated financial statements in accordance with Canadian GAAP the measurement principles of which, as applied in these consolidated financial statements, conform in all material respects to U.S. GAAP, except as follows:

(a) Patents:

Under Canadian GAAP, the patent costs which relate to products which are subject to research and development activities and have not yet received regulatory approval are included as an asset on the balance sheet. Under U.S. GAAP, amounts paid for intangible assets used solely in research and development activities with no alternative future use should be expensed. As a result of this difference, under U.S. GAAP, the patent costs would have been recorded as a component of research and development expense in the year of incurrence. The effect of this difference is that for the years ended May 31, 2005, 2004 and 2003, research and development expense would have increased by $386,157, $231,205 and $265,417, respectively. Under U.S. GAAP, the amortization expense to be added back is $29,878 for the year ended May 31, 2005 (2004 - $17,979; 2003 - $10,855).

(b) Scientific equipment:

Scientific equipment acquired solely for research and development activities has been capitalized and amortized over its useful life for Canadian GAAP purposes. Under U.S. GAAP, the cost of this equipment would be charged to research and development expense as incurred as it does not have alternative future use. There were no additions to scientific equipment during the years ended May 31, 2005, 2004 and 2003. Amortization of the scientific equipment for Canadian GAAP would be added back to the loss for the period for U.S. GAAP reconciliation purposes. The amortization to be added back for the years ended May 31, 2005, 2004 and 2003 is $4,587, $5,715 and $7,037, respectively.

MEDICURE INC.

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements (continued)
(Expressed in Canadian dollars)

Years ended May 31, 2005, 2004 and 2003

9. Reconciliation of generally accepted accounting principles (continued):

(c) Stock options – stock-based compensation costs:

For reconciliation purposes to U.S. GAAP, the company has elected to follow the fair value method in accounting for its employee, management and director stock options since inception of the company. Under U.S. GAAP, stock-based compensation to non-employees must be recorded at fair value of the options granted. For stock-based compensation granted to non- employees subsequent to June 1, 2002 and to employees, directors and management subsequent to June 1, 2003, the accounting is consistent under both Canadian GAAP and U.S. GAAP.

The company uses the Black-Scholes option pricing model to determine the fair value of all options granted. This compensation expense would be amortized over the appropriate vesting periods. For purposes of reconciliation to U.S. GAAP, the company would record an additional compensation expense for the years ended May 31, 2005, 2004 and 2003 of approximately $8,392, $25,588 and $129,900, respectively.

(d) Escrowed common shares:

Under Canadian GAAP, common shares of the company under escrow arrangements are included in capital stock at the time of issuance based on the total number of shares issued and the issuance price. No additional compensation expense is recorded when the common shares are released from escrow. Under U.S. GAAP, the common shares of the company that were previously held in escrow on a time release basis are accounted for in the same manner as under Canadian GAAP. A compensation expense however, would be recorded under U.S. GAAP, upon eligibility for release of the escrowed common shares of the company, where the release is based on performance conditions being met. The compensation expense would be accounted for as the difference between the market value of the company’s common shares at the time the common shares are eligible for release from escrow and the price paid per common share at the time of issuance multiplied by the number of common shares released from escrow. To May 31, 2003, performance conditions on all of the common shares under escrow had been met with performance conditions on 1,825,537 of the common shares under escrow met during fiscal 2003. For purposes of reconciliation to U.S. GAAP, the company would record an additional compensation expense for the years ended May 31, 2005, 2004 and 2003 of nil, nil and $684,500, respectively.

MEDICURE INC.

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements (continued)
(Expressed in Canadian dollars)

Years ended May 31, 2005, 2004 and 2003

9. Reconciliation of generally accepted accounting principles (continued):

(e) Recent accounting pronouncements:

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity* (SFAS No. 150). SFAS No. 150 requires that certain financial instruments issued in the form of shares that are mandatorily redeemable as well as certain other financial instruments be classified as liabilities in the financial statements. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003. The adoption of SFAS No. 150 did not and is not expected to have a material effect on the company's consolidated financial statements.

In addition, the FASB and Emerging Issues Task Force (EITF) have issued a variety of interpretations including the following interpretation with wide applicability:

- Financial Interpretation No. 46 (FIN 46R), *Consolidation of Variable Interest Entities*, which addresses the consolidation of variable interest entities. The interpretation was effective to the company for U.S. GAAP purposes for the year ended May 31, 2004. To date, the adoption of FIN 46R has not impacted the company's consolidated financial statements.

(f) Summary:

The impact of measurement differences to U.S. GAAP on the consolidated statement of operations and deficit are as follows:

	Year ended May 31, 2005	Year ended May 31, 2004	Year ended May 31, 2003	Cumulative from inception on September 15, 1997 to May 31, 2005
Loss for the period, Canadian GAAP	$ (14,865,910)	$ (5,989,086)	$ (4,193,688)	$ (33,520,492)
Adjustments for the following:				
Stock-based compensation (c)	(8,392)	(25,588)	(129,900)	(1,203,880)
Patent costs (a)	(386,157)	(231,205)	(265,417)	(1,414,280)

Amortization of patent costs (a)	29,878	17,979	10,855	101,859
Scientific equipment (b)	–	–	–	(63,822)
Amortization of scientific equipment (b)	4,587	5,715	7,037	43,679
Escrowed common share compensation (d)	–	–	(684,500)	(15,061,500)
Loss for the period, U.S. GAAP	$ (15,225,994)	$ (6,222,185)	$ (5,255,613)	$ (51,118,436)
Basic and diluted loss per share, U.S. GAAP	$ (0.23)	$ (0.11)	$ (0.14)	
Weighted average number of common shares outstanding	66,717,715	55,738,716	37,118,889	

MEDICURE INC.

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements (continued)
(Expressed in Canadian dollars)

Years ended May 31, 2005, 2004 and 2003

9. Reconciliation of generally accepted accounting principles (continued):

The impact of measurement differences to U.S. GAAP on the consolidated statements of cash flows are as follows:

	Year ended May 31, 2005	Year ended May 31, 2004	Year ended May 31, 2003	Cumulative from inception on September 15, 1997 to May 31, 2005
Operating activities	$ (12,453,672)	$ (6,383,413)	$ (4,248,652)	$ (32,080,896)
Investing activities	(42,796)	(21,731)	(5,196)	591,238

The impact of measurement differences to U.S. GAAP described above would result in consolidated balance sheet items as follows:

	2005	2004
Property and equipment	$ 60,859	$ 41,472
Capital stock and contributed surplus	57,105,431	56,459,161
Deficit accumulated during the development stage	(51,118,438)	(35,892,444)

10. Subsequent event:

On August 19, 2005, the company raised gross proceeds of $4,684,950 (before share issuance costs of approximately $440,000) through a private placement of 5,205,000 common shares and warrants to purchase an additional 2,602,750 common shares. The purchase price of the common shares is $0.90 per share, and the warrants are exercisable for a period of five years at an exercise price of $1.18 per share. As additional compensation to the placement agent, the company issued warrants to purchase 104,110 common shares exercisable at $1.18 per share. These warrants expire on August 19, 2008.

11. Comparative figures:

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the current year financial statements.

Other Schedules

Information required pursuant to Schedule 21.12 -04 of Regulation S-X has been disclosed on page 5. **See Item 3A – Selected Financial Information.**

Information required pursuant to Schedule 21.12 -09 of Regulation S-X is not applicable.

ITEM 18. FINANCIAL STATEMENTS

Not applicable.

ITEM 19. EXHIBITS

The exhibits are in the following order:

1. *Articles of Incorporation and Bylaws:*

   i) Medicure's Articles of Incorporation dated September 15, 1997 [1];
      (a) Lariat's Articles of Incorporation dated June 3, 1997 [1];
      (b) Medicure's Certificate of Continuance from Manitoba to Alberta dated December 3, 1999 [1];
      (c) Certificate of Amalgamation for Medicure and Lariat dated December 22, 1999 [1];
      (d) Medicure's Certificate of Continuance from Alberta to Canada dated February 23, 2000 [1];
      (e) Amended Certificate of Continuance and Articles of Continuance dated February 20, 2003 [3].

   ii) Bylaws**;

4. *Material Contracts and Agreements*:

   a) Escrow Agreement dated February 12, 1999 among the Corporation, Montreal Trust Company of Canada, and certain shareholders of the Corporation [1];

   b) Performance Based Escrow Agreement, as amended, dated as of November 23, 1999 among the Corporation, Montreal Trust Company of Canada and certain shareholders of the Corporation [1];

   c) Timed Release Escrow Agreement, as amended, dated as of November 23, 1999 among the Corporation, Montreal Trust Company of Canada and certain shareholders of the Corporation [1];

   d) Edstrom Escrow Agreement, dated as of November 5, 1999 among the Corporation, Montreal Trust Company of Canada and Dr. Daryle Edstrom [1];

   e) License Agreement between Medicure and the University of Manitoba 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") [1];

   f) Transfer Agency Agreement between Montreal Trust Company of Canada and the Corporation 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];

g) Medicure International Licensing Agreement between the Corporation and Medicure International Inc. dated June 1, 2000, wherein the Corporation granted Medicure International Inc a license with regard to certain intellectual property [1];

h) 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 [1];

i) Amendment to the Consulting Services Agreement dated February 1, 2002 between A.D. Friesen Enterprises Ltd. and the Corporation whereby consulting services will be provided to the Corporation by Dr. Albert D. Friesen [2];

j) Stock Option Plan approved February 4, 2002 [3];

k) Employment Agreement with Derek G. Reimer dated February 4, 2002 [3];

l) Employment Agreement with Moray Merchant dated September 22, 2003 [3];

m) Amendment dated March 1, 2002 to the Development Agreement between Medicure International Inc. and CanAm Bioresearch Inc**;

n) Amendment dated August 7, 2003 to the Development Agreement between Medicure International Inc. and CanAm Bioresearch Inc [3];

o) Amendment to the Consulting Services Agreement dated October 1, 2003 between A. D. Friesen Enterprises Ltd. and the Corporation whereby consulting services will be provided to the Corporation by Dr. Albert D. Friesen [4];

p) Employment Agreement with Dawson Reimer dated October 1, 2001 [4];

q) Development Agreement between Medicure International Inc. and Clinical Development Research Institute Inc.(CDRI) dated July 2, 2004, wherein CDRI agreed to conduct research and development activities for Medicure International [4];

r) Amendment to Employment Agreement dated April 5, 2005 between A.D. Friesen Enterprises Ltd. and the Corporation**;

s) Amendment to Employment Agreement dated April 5, 2005 between Moray Merchant and the Corporation**;

t) Amendment to Employment Agreement dated April 5, 2005 between Dawson Reimer and the Corporation**;

u) Amendment to Employment Agreement dated April 5, 2005 between Derek Reimer and the Corporation**.

v) Amendment dated July 8, 2005 to the Development Agreement between Medicure International Inc. and CanAm Bioresearch Inc **;

11. Code of Ethics[4];

12. a) Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 **.

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

13. a) 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 Corporation's Form 20-F registration statement filed on January 30, 2001.

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

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

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

** Filed Herewith

SIGNATURE PAGE

Pursuant to the requirements of Section 12 of the *Securities Exchange Act of 1934,* the Corporation 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: August 19, 2005

ON BEHALF OF THE CORPORATION,
MEDICURE INC.

per:

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