



**A Heart for Life**

***Medicure Inc.***  
***Management Discussion & Analysis for the period***  
***ending August 31, 2008***

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## Message to Shareholders, October 2008

Positive results are emerging from the strategic refocusing we have undertaken over the past eight months. Though challenges remain, a new foundation for the future is being built through the extraordinary efforts of our dedicated staff.

Our commercial organization has been able to produce the company's third consecutive quarter of revenue growth. For the first time since we acquired AGGRASTAT® we have revenue growth over the same quarter in the prior fiscal year. We can now say with confidence that we have reversed an 8 year long downward trend for this clinically proven, but long unpromoted, product. As our sales and marketing team leverages AGGRASTAT®'s clinical and economic advantages into expanded sales, the potential for a profitable commercial business has returned.

**Our R&D activities have been streamlined to allow us to move ahead with new clinical programs in a prudent and cost-effective manner.** As the new fiscal year progresses, our shareholders can look forward to learning more about promising new initiatives in developing agents for lipid lowering and for use in neurological conditions.

I thank our dedicated shareholders and employees who have supported us during the past several months. While we continue to bear many effects and face challenges from the past years events, the Medicure team is optimistic about and committed to the Company's refocused commercial and clinical programs and its business plans. We ask you to join us in setting our sights forward.

Yours sincerely,

A handwritten signature in black ink that reads "Albert D. Friesen". The signature is written in a cursive, flowing style.

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



October 10, 2008

***Management's Discussion & Analysis of Financial Condition and Results of Operations  
For the Three Month Period ended August 31, 2008***

The following discussion and analysis should be read in conjunction with Medicure Inc.'s (the "Company") unaudited interim consolidated financial statements and accompanying notes. The unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. This discussion and analysis provides an update to the Managements' Discussion and Analysis and financial statements contained in our 2008 Annual Report and should be read in conjunction with these documents. All amounts are expressed in Canadian dollars unless otherwise noted. The Company's fiscal year end is May 31. The Company's independent auditors, KPMG LLP Chartered Accountants, have not reviewed the unaudited interim consolidated financial statements.

This "Management's Discussion and Analysis of Financial Condition and Operations" contains forward-looking statements and information which may not be based on historical fact, which may be identified by the words "believes," "may," "plan," "will," "estimate," "continue," "anticipates," "intends," "expects," and similar expressions and the negative of such expressions. Such forward looking statements include, without limitation, statements regarding, our intention to further advance our commercial operation and increase AGGRASTAT® product revenue, our intention to raise capital through equity or debt financings, collaborative or other arrangements with third parties or through other sources of financing, our ongoing corporate restructuring plan, our intention to discover and develop new pharmaceuticals, our intention to license the sale and distribution of any products we may commercialize to larger, international pharmaceutical companies, our plan to move forward with a clinical development program for MC-1 in chronic indications, our intention to build a pipeline of pre-clinical products over the next several years, including our drug product candidates currently at the discovery and preclinical stages of development, our evaluation of other drug candidates for potential license with the objective of further broadening our product and patent portfolio and our licensing and research collaboration discussions, from time to time, with larger pharmaceutical firms and other biotechnology firms relating to the potential development and commercialization of our product candidates.

Such forward-looking statements and information involve a number of assumptions as well as known and unknown risks, uncertainties and other factors that may cause the actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward-looking statements and information including, without limitation, the ability to meet its debt obligations, dependence on collaborative partners, sufficient working capital to meet current obligations, our ability to continue as a going concern, the competitive landscape in the markets which we compete, pricing and/or Medicare/Medicaid positioning for AGGRASTAT®, the availability of capital on acceptable terms to pursue the commercialization of AGGRASTAT® and to carry on research and development programs related to MC-1 or other products, unanticipated interruptions in our manufacturing operations, significant changes in foreign exchange rate, the impact of new discoveries and scientific information that affect the competitive positioning of AGGRASTAT® and/or its competitors, the impact of competitive products and pricing, the compliance with all long-term debt covenants and obligations, the expense and outcome of certain legal and regulatory proceedings and expense thereto, the nature of the market for MC-1 in the treatment of chronic cardiovascular and metabolic indications, the regulatory approval process leading to commercialization, fluctuations in operating results, and other risks as detailed from time to time in our filings with the SEC and the Canadian Securities Administrators, our ability to anticipate and manage the risks associated with the foregoing, contractual disagreements with third parties, the unpredictability of protection provided by our patents, the results of continuing safety and efficacy studies by industry and government agencies, the regulatory environment and decisions by regulatory bodies impacting our products, fees relating to our products and the

feasibility of additional clinical trials, the company's stage of development, lack of product revenues, the company's limited marketing experience, additional capital requirements, risks associated with the completion of clinical trials and obtaining regulatory approval to market the Company's products and the ability to protect its intellectual property;

These factors should be considered carefully and readers are cautioned not to place undue reliance on such forward-looking statements and information. The Company disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements and information contained herein to reflect future results, events or developments, except as otherwise required by applicable law. Additional risks and uncertainties relating to the Company and its business can be found in the "Risk Factors" section of its Annual Report on Form 20-F for the year ended May 31, 2008, which can be obtained on SEDAR ([www.sedar.com](http://www.sedar.com)).

## **Company Profile**

Medicure is a pharmaceutical company engaged in the research, clinical development and commercialization of human therapeutics. The Company's primary focus is on the sale of its acute care cardiovascular drug, AGGRASTAT® (tirofiban hydrochloride) in the United States and its territories through its subsidiary, Medicure Pharma Inc. The Company's research and development focus is on the clinical development of new chronic medical applications of MC-1.

The above described focus was adopted following the Company's decision in February 2008 to put on hold its primary development program, MC-1 for acute treatment of cardioprotection in Coronary Artery Bypass Graft (CABG) procedures and Acute Coronary Syndromes (ACS). This strategic change, coupled with focused capital conservation efforts to reduce overhead, have strengthened the Company's financial position. As a result, the Company announced during this quarter (on August 28, 2008) that it expects its existing working capital to be sufficient to fund its planned operations through the end of fiscal year 2009. Although these have been some very positive steps forward for the Company, its ability to continue in operation for the foreseeable future remains dependent upon the effective execution of its business development and strategic plans and on the securement of additional sources of financing. (See the Critical Accounting Estimates and Changes in Accounting Policies for further details).

### ***Commercial:***

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

Net revenue from the sale of AGGRASTAT® for the first quarter of fiscal 2009 increased 58% over the net revenue for the previous quarter and by 144% compared to the same period in fiscal 2008. This is the third consecutive quarter of growth in net revenue for the product and is the first time that Medicure has announced growth over same quarter of the previous year since it acquired AGGRASTAT® in August 2006. The growth in revenue can be attributed to a variety of factors including, but not limited to, the impact of strategic changes made to the commercial organization early in fiscal 2008, redirection of the Company's focus from MC-1 development to AGGRASTAT®, tangible results from field based sales efforts and modest expansions to the sales force over the past two quarters.

The recent progress in rebuilding AGGRASTAT®'s place in the market leads Management to anticipate additional progress through the remainder of fiscal 2009. This growth is expected to be further aided by realization of tangible returns from sales efforts carried out over the past several months, modest expansion of the sales force and the continued implementation of new strategic initiatives.

At present AGGRASTAT® sales represent approximately 1% of the total US GP IIb/IIIa receptor antagonist market, which totaled over \$500 million in 2007.

Going forward, the Company intends to explore opportunities to further expand revenue through the acquisition of other niche products that fit the commercial organization.

***Research and Development:***

The Company's primary Research and Development focus is the exploration and advancement of clinical applications of MC-1, a naturally occurring small molecule, in chronic medical conditions. The Company is also looking to generate shareholder value from its library of small-molecule antithrombotics and acute applications of MC-1.

Ongoing Research and Development activity is carefully managed and this continued investment has been reduced substantially as part of capital conservation efforts and to reflect the Company's strategic focus on AGGRASTAT®.

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

<b>Product Candidate</b>	<b>Therapeutic focus</b>	<b>Stage of Development</b>
MC-1-Chronic	Lipid lowering/metabolic syndrome	Phase II studies - planning
MC-1-Chronic	Neurological indications	Phase II studies - planning
MC-45308	Anti-thrombotic small molecules	Discovery–pursuing partnership

The lead clinical programs related to the chronic applications of MC-1 for lipid lowering and the treatment of neurological conditions, benefit from over 10 years of work that Medicure put into the advancement of this compound through Phase III human clinical testing to reduce tissue injury and improve outcomes in settings such as CABG, ACS, and stroke and improving metabolic parameters in patients with hypertension and diabetes. Over this time the Company invested substantially in numerous animal and human safety and pharmacokinetic studies, product manufacturing and formulation development, efficacy studies in chronic and acute conditions, and other laboratory and non-lab based work. The information and physical assets resulting from this are a valuable asset that will reduce costs and speed development of this same molecule for other conditions.

The development of MC-1 for use in ACS, CABG, stroke and other related acute conditions is not listed in the table above as these initiatives have been placed on hold. The Company plans to undertake a further review of MC-1's use in protecting against ischemic reperfusion injury as resources permit, and will in due course determine what if any further investigation is warranted. Information gained from the MEND CABG II study will also be used to support the investigation of alternative applications of MC-1. As a further adjustment in R&D focus, the chronic programs for development of MC-1 in fixed dose combinations with other therapeutics for metabolic syndrome (candidate referred to as MC-4262) and diabetes/hypertension (referred to as MC-4232) have been placed on hold while the Company focuses its efforts on clinical evaluation of this small molecule as a stand alone therapy for cardiovascular and non-cardiovascular conditions.

Medicure possesses a library of novel therapeutics designed and developed by its Drug Discovery program for treatment of cardiovascular and cerebrovascular diseases. This library includes a series of small molecule dual acting anticoagulant/antiplatelet compounds (including the preclinical lead, MC-45308) which may be useful in treating venous and arterial thrombosis. A number of these compounds are active at nanomolar concentrations and selectively inhibit thrombin. In addition these compounds also inhibit platelet aggregation. These compounds provide a basis for further chemical modification and optimization to the desired ratio of anticoagulant/antiplatelet activity. The dual acting anticoagulant/antiplatelet molecules have shown activity in venous and arterial models of thrombosis. Acute toxicity studies in rats also demonstrate a favorable safety profile.

### ***Critical Accounting Estimates and Changes in Accounting Policies***

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

The accompanying unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian GAAP and on a basis consistent with the Company's annual audited consolidated financial statements for the year ended May 31, 2008, except as disclosed in note 2. These unaudited interim financial statements should be read in conjunction with the May 31, 2008 audited financial statements.

The current period's financial statements include the operations of the Company for the three month period ended August 31, 2008. The financial information included herein reflects all adjustments, consisting only of normal recurring adjustments, which, in the opinion of management, are necessary for a fair presentation of the results for the interim periods presented. The results of operations for the three months ended August 31, 2008 are not necessarily indicative of the results to be expected for the full year.

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

The Company has sustained losses since its formation and has accumulated a deficit of \$138,242,074 as at August 31, 2008. In March 2008, the Company announced a corporate restructuring which included a significant reduction in number of staff and in resources allocated to certain programs. Although the company has been successful in reducing its on going cash requirements, based on the Company's operating plan, its existing working capital is not sufficient to meet the cash requirements to fund the Company's currently planned operating expenses, capital requirements, working capital requirements, long-term debt and commitments beyond the end of the 2009 fiscal year without additional sources of cash and/or deferral, or a further reduction or elimination of significant planned expenditures. The Company's plan to address the expected shortfall of working capital is to secure additional funding, increase operating revenue and further reduce operating expenses. The company is also exploring additional strategic alternatives as they present themselves. There is no certainty that the Company will be able to obtain any sources of financing on acceptable terms, or at all, or that it will increase product revenue or reduce operating expenses to the extent necessary.

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

The financial statements do not reflect adjustments that would be necessary if the "going concern" assumption were not appropriate. If the "going concern" basis was not appropriate for these financial

statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

#### *Changes in Accounting Policies*

Section 1535, *Capital Disclosures* (Section 1535), requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital, whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. Disclosure requirements pertaining to these sections are contained in note 11 to the unaudited interim consolidated financial statements.

Section 3862, *Financial Instruments - Disclosure* (Section 3862) and Section 3863, *Financial Statements - Presentation* (Section 3863) replace Section 3861, *Financial Statements - Disclosure and Presentation*, revising and enhancing disclosure requirements. Section 3863 carries forward presentation related requirements of Section 3861. Disclosure requirements pertaining to these sections are contained in note 10 to the unaudited interim consolidated financial statements.

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

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

#### *Revenue recognition*

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

Net sales reflect a reduction of gross sales at the time of initial sales recognition for estimated wholesaler chargebacks, discounts, allowances for product returns, and other rebates. In determining the amounts for these allowances and accruals, the Company uses estimates. The Company estimates chargebacks, discounts, product returns, and other rebates using the following factors: contract prices and terms with customers, estimated customer and wholesaler inventory levels, and average contractual chargeback rates.

Interest income is recognized as earned.

#### *Research and development costs*

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

### *Clinical trial expenses*

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

### *Intangible assets*

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

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

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

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

### *Income Taxes*

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

### *Stock-based compensation*

The Company has a stock option plan for its directors, management, consultants, and employees. Compensation expense is recorded for stock options issued to employees and non employees using the fair value method. The Company must calculate the fair value of stock options issued and amortize the fair value to stock compensation expense over the vesting period, and adjust the amortization for stock option forfeitures and cancellations. The Company uses the Black-Scholes model to calculate the fair value of stock options issued which requires that certain assumptions including the expected life of the option and expected volatility of the stock be estimated at the time that the options are issued. The Company amortizes the fair value using the accelerated method over the vesting period of the options,

generally a period of three years. The factors included in the Black-Scholes model are reasonably likely to change from period to period due to changes in the Company's stock price and external factors, as further stock options are issued and as adjustments are made to previous calculations for unvested stock option forfeitures and cancellations.

The stock-based compensation recorded by the Company is a critical accounting estimate because of the value of compensation recorded, the volume of the Company's stock option activity, and the many assumptions that are required to be made to calculate the compensation expense. The Black-Scholes model is not the only permitted model to calculate the fair value of stock options. A different model, such as the binomial model, as well as any changes to the assumptions made may result in a different stock compensation expense calculation. For the three month period ended August 31, 2008, the Company recorded stock compensation expense of \$11,000 (three month period ended August 31, 2007 \$136,000).

#### *Recent Accounting Pronouncements Issued But Not Yet Adopted*

The following accounting standards were issued recently by the CICA. The Company is currently evaluating the impact of these new standards on its consolidated financial statements.

In February 2008, the Accounting Standards Board confirmed that the use of International Financial Reporting Standards ("IFRS") will be required, for fiscal years beginning on or after January 1, 2011, for publicly accountable profit-oriented enterprises. After that date, IFRS will replace Canadian GAAP for those enterprises. The Company has not yet assessed the future impact of these new accounting standards on its consolidated financial statements.

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

#### **Selected Financial Information**

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

The selected financial information provided below is derived from our unaudited quarterly financial statements for each of the last eight quarters.

<i>(in thousands of CDN\$, except per share data)</i>	<b>August 31, 2008</b>	<b>May 31, 2008</b>	<b>February 28, 2008</b>	<b>November 30, 2007</b>
<b>Product sales, net</b>	<b>1,171</b>	<b>741</b>	<b>703</b>	<b>324</b>
<b>Other income</b>	<b>104</b>	<b>312</b>	<b>235</b>	<b>297</b>
<b>Selling, general and administrative</b>	<b>1,911</b>	<b>2,353</b>	<b>2,624</b>	<b>3,872</b>
<b>Research and Development</b>	<b>(511)</b>	<b>(60)</b>	<b>6,251</b>	<b>11,231</b>
<b>Interest expense</b>	<b>1,122</b>	<b>1,072</b>	<b>1,096</b>	<b>1,125</b>
<b>Foreign Exchange loss(gain)</b>	<b>1,457</b>	<b>88</b>	<b>(253)</b>	<b>57</b>
<b>Loss for the period</b>	<b>(3,009)</b>	<b>(2,705)</b>	<b>(22,675)</b>	<b>(16,940)</b>
<b>Basic and diluted loss per share</b>	<b>(0.02)</b>	<b>(0.02)</b>	<b>(0.17)</b>	<b>(0.14)</b>
	<b>August 31, 2007</b>	<b>May 31, 2007</b>	<b>February 28, 2007</b>	<b>November 30, 2006</b>
<b>Product sales, net</b>	<b>479</b>	<b>1,724</b>	<b>2,522</b>	<b>1,419</b>

Other income	306	448	467	287
Selling, general and administrative	3,224	3,805	3,425	2,658
Research and Development	11,238	10,217	6,518	3,816
Interest expense	538	599	614	597
Foreign Exchange loss(gain)	29	779	(152)	90
Loss for the period	(15,083)	(13,999)	(8,365)	(6,093)
/Basic and diluted loss per share	(0.13)	(0.12)	(0.08)	(0.06)

The overall quarterly loss for the three month period ended August 31, 2008 is fairly consistent with the quarterly loss for the three month period ended May 31, 2008 however the result for the period ended August 31, 2008 included a foreign exchange loss of \$1.5 million. The impact of this foreign exchange loss was partly offset by the company's efforts to conserve capital and reduce costs where possible. With the support of our clinical partners and service providers we were able to secure a recovery on certain research and development costs. The Company's increasing quarterly losses during the first three quarters of fiscal 2008 were the result of the Phase 3 MEND-CABG II clinical trial which was completed in February 2008. In addition, the Company recorded an impairment charge of \$13.1 million during the third quarter of 2008 as more fully described under "Impairment of Intangible Assets" below. The significant decline in the quarterly loss during the first quarter of 2009 and fourth quarter of fiscal 2008 was the result of the completion of this trial and the corporate restructuring announced in March 2008. The Company's increasing quarterly losses in fiscal 2007 relates primarily to the initiation and enrollment of patients in the Phase 3 MEND-CABG II clinical trial in the second quarter of fiscal 2007. The operations of the Company are not subject to any material seasonality or cyclicity factors.

## Results of Operations

### Revenue

The change in revenue for the three months ended August 31, 2008 and August 31, 2007 is reflected in the following table:

<i>(in thousands of CDN\$)</i>	Three Months Ended		
	FY 2009	FY 2008	Increase (Decrease)
Product sales, net	1,171	479	692

Net product sales reflect gross sales less estimated wholesaler chargebacks, returns and discounts at the time of initial sale. The Company currently sells AGGRASTAT® to drug wholesalers. These wholesalers subsequently sell AGGRASTAT® to the hospitals where health care providers administer the drug to patients. Wholesaler management decisions to increase or decrease their inventory of AGGRASTAT® may result in sales of AGGRASTAT® to wholesalers that do not track directly with demand for the product at hospitals.

Net product sales are higher for the three month period ended August 31, 2008 as compared to the same period in fiscal 2008. The Company started reconfiguring its commercial operations during the first quarter of fiscal 2008 and continued the transition throughout fiscal 2008. The Company had recognized that the initial commercial structure, which consisted of a contract sales organization (CSO) was not optimal as the Company was not able to maintain sufficient control and direction of the sales organization and has since transitioned to an internally managed and more cost effective operation. The company believes it has started realizing the benefits of this strategy. Product sales are driven by hospital demand and in turn by the level of orders from pharmaceutical wholesalers. Part of the company's reconfiguring has been an effort to increase hospital demand and working with our wholesalers with the hopes of driving up demand even further.

### *Cost of goods sold*

The change in cost of goods sold for the three months ended August 31, 2008 and August 31, 2007 is reflected in the following table:

<i>(in thousands of CDN\$)</i>	Three Months Ended		
	FY 2009	FY 2008	Increase
Cost of goods sold	67	37	30

Cost of goods sold represents direct product costs associated with AGGRASTAT®. Amortization of the related acquired AGGRASTAT® intangible assets is separately discussed below.

The increase in cost of goods sold was due to the increase in sales volumes.

### *Selling, general and administrative*

Selling, general and administrative expenses include salaries and related costs for those employees not directly involved in research and development. The expenditures are required to support sales and marketing efforts of AGGRASTAT® and ongoing business development and corporate stewardship activities. The balance also includes professional fees such as legal, audit, investor and public relations.

The change in selling, general and administrative expenditures for the three months ended August 31, 2008 and August 31, 2007 are reflected in the following table:

<i>(in thousands of CDN\$)</i>	Three Months Ended		
	FY 2009	FY 2008	Increase (Decrease)
Selling, general, and administrative expenditures – AGGRASTAT®	1,118	2,121	(1,003)
Selling, general, and administrative expenditures – Other	793	1,103	(310)
Total selling, general, and administrative expenditures	1,911	3,224	(1,313)

Selling, general and administrative expenditures - AGGRASTAT® decreased during the three month period ended August 31, 2008 as compared to the same period in fiscal 2008 due to the restructuring of the commercial operations as discussed above which resulted in selling and logistics expenses being reduced by \$980. Selling, general and administrative expenditures - other decreased during the three month period ended August 31, 2008 as compared to the same period in fiscal 2008 due to a reduced level of staff which resulted as part of the restructuring in the fourth quarter of fiscal year 2008.

### *Research and Development*

Research and development expenditures include costs associated with the Company's clinical development and preclinical programs including salaries, research centre costs and monitoring costs. The Company expenses all research and development costs. Prepaid research and development costs are deferred, and represent advance payments under contractual arrangements for clinical activity outsourced to research centres.

The change in research and development expenditures for the three months ended August 31, 2008 and August 31, 2007 are reflected in the following table:

<i>(in thousands of CDN\$)</i>	Three Months Ended		
	FY 2009	FY 2008	Increase (Decrease)
Clinical trial programs	(616)	10,657	(11,273)
Pre-clinical programs	46	459	(413)
Other research and development costs	59	122	(63)
Total Research and Development expenditures	(511)	11,238	(11,749)

Research and development expenditures decreased significantly during the three month period ending August 31, 2008 as compared to the same period in fiscal 2008 as expected. The Phase 3 MEND-CABG II study was completed in the third quarter of fiscal 2008 and there are no other Phase 3 studies planned for this fiscal year. Pre-clinical and other research and development costs are also planned to be lower during Fiscal 2009 as the company focuses on its commercial product and only on selected research and development programs. During the quarter the company, and with the support of our clinical partners and service providers, was able to secure a recovery on some of the research and development costs.

### **Clinical Trial Programs**

As clinical products move towards commercialization, the investment in clinical development increases significantly. The investment associated with phase 3 clinical trials is generally substantially greater than that for phase 2 trials. This results from the increased numbers of clinical sites and patients that are required for phase 3 trials. The investment in the clinical products is expensed for accounting purposes and was the key driver of the Company's losses in Fiscal 2008.

No Phase 3 clinical trials are planned for Fiscal 2009.

#### ***MC-1 CABG Program***

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

During the first quarter of fiscal 2009 we continued our efforts to secure our financial future by addressing costs associated with the MEND CABG II clinical program. With the support of our clinical partners and service providers, this effort has made a material impact on improving our financial position.

Cost incurred during the fiscal 2008 year related to regulatory activity, patient costs, monitoring costs, laboratory tests, manufacturing costs and administration cost. The company did not incur any of these costs during the first quarter of 2009 and in fact was able to secure a recovery of some of these costs with the support of our clinical partners and service providers.

For the three month period ended August 31, 2008, total expenditures for the MEND-CABG program were (\$640,000) as compared to \$10,649,000 for the same period in fiscal 2008.

#### ***MC-1 Chronic Program***

Medicure's lead development programs involve new chronic applications of MC-1 in lipid lowering and treatment of neurological conditions. The Company is moving forward in a cost conservative manner to advance preclinical studies and has begun to develop plans for future clinical studies. Clinical plans have not yet been finalized and studies will not be moved forward until sufficient resources are obtained and clinical costs can be minimized such that management is confident in the Company's financial ability to complete them.

Cost incurred during the current quarter related to data analysis and planning for future clinical development.

For the three month period ended August 31, 2008, total expenditures for the MC-1 Chronic program were \$24,000, as compared to \$7,000 in fiscal 2008.

### Preclinical Programs

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

#### *Amortization*

The change in amortization for the three months ended August 31, 2008 and August 31, 2007 is reflected in the following table:

<i>(in thousands of CDN\$)</i>	Three Months Ended		
	FY 2009	FY 2008	Increase (Decrease)
Amortization	237	802	(565)

Amortization decreased during the three month period ending August 31, 2008 and is expected to be lower throughout the year as a result of the write-down in intangibles in the third quarter of Fiscal 2008. The majority of amortization expense in both periods relates to the amortization of AGGRASTAT® intangibles.

#### *Interest and Other Income*

The change in interest expense for the three months ended August 31, 2008 and August 31, 2007 is reflected in the following table:

<i>(in thousands of CDN\$)</i>	Three Months Ended		
	FY 2009	FY 2008	Increase (Decrease)
Interest and Other Income	104	306	(202)

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

#### *Interest Expense*

The change in interest expense for the three months ended August 31, 2008 and August 31, 2007 is reflected in the following table:

<i>(in thousands of CDN\$)</i>	Three Months Ended		
	FY 2009	FY 2008	Increase (Decrease)
Interest expense	1,122	538	584

The increase in interest expense in the three month period ended August 31, 2008 as compared to fiscal 2008 is primarily due to interest on the US\$25 million in long-term debt that the Company secured in the second quarter of fiscal 2008.

*Foreign Exchange Loss (Gain)*

The change in the foreign exchange loss (gain) for the three months ended August 31, 2008 and August 31, 2007 is reflected in the following table:

<i>(in thousands of CDN\$)</i>	Three Months Ended		
	FY 2009	FY 2008	Increase
Foreign exchange loss (gain)	1,457	29	1,428

The foreign exchange loss in the first quarter of fiscal 2009 is due to an increase in a strengthening of the U.S. dollar relative to the Canadian dollar in the period and as a result of holding more U.S. dollar denominated debt as compared to the same time in fiscal 2008.

As at August 31, 2008, the Company has approximately US\$16.4 million in U.S. denominated cash and cash equivalents and restricted cash compared with US\$37.0 million in long-term debt. At August 31, 2007 the Company had approximately US\$16.2 million in U.S. denominated cash and cash equivalents compared with US\$14.4 million in long-term debt.

*Loss for the Period*

The consolidated net loss for the three months ended August 31, 2008 and August 31, 2007 is reflected in the following table:

<i>(in thousands of CDN\$ except per share data)</i>	Three Months Ended		
	FY 2009	FY 2008	Increase (Decrease)
Loss	3,008	15,083	(12,075)
Loss per share	0.02	0.13	(0.11)

The consolidated net loss for the three month period ended August 31, 2008 resulted mainly from interest expense and the foreign exchange loss. The decrease in the loss in the first quarter in fiscal 2009 compared to the same period in fiscal 2008 is primarily the result of the reduction in Research and Development costs and administration costs offset by higher interest costs and the foreign exchange loss.

**Liquidity and Capital Resources**

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

Cash used in operating activities for the first quarter of fiscal 2009 was \$4.9 million, compared to \$11.3 million for the same period in fiscal 2008 as a result of the reduction in the net loss of \$12.1 offset by the use of \$5.7 million to fund working capital requirements.

Cash used in financing activities in the first quarter of fiscal 2009 was \$Nil, compared to \$1.5 million for the same period in fiscal 2008. The net financing outflow in the first quarter of fiscal 2008 resulted from making principal repayments on the term loan facility.

At August 31, 2008 the Company had cash and cash equivalents totaling \$6,893,000, as well as \$12,744,000 of restricted cash, as compared to \$11,905,000 of cash and cash equivalents as well as \$11,916,000 of restricted cash as of May 31, 2008.

Based on the Company's operating plan, its existing working capital is not sufficient to meet the cash requirements to fund the Company's currently planned operating expenses, capital requirements, working capital requirements, long-term debt obligations and commitments beyond the 2009 fiscal year without additional sources of cash and/or deferral, reduction or elimination of significant planned expenditures. The Company's plan to address the expected shortfall of working capital is to secure additional funding and to increase operating revenue and reduce operating expenses. There is no certainty that the Company will be able to obtain any sources of financing on acceptable terms, or at all, or that it will increase product revenue or reduce operating expenses to the extent necessary.

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

As at October 10, 2008, the Company had 130,307,552 common shares outstanding and 7,302,960 and 15,961,271 options and warrants outstanding, respectively, to purchase common shares.

### Contractual Obligations

As at August 31, 2008 and in the normal course of business the Company has obligations to make future payments, representing contracts and other commitments that are known and committed as follows:

<i>(in thousands of CDN\$)</i>	Contractual Obligations Payment Due By Fiscal Period						
	Total	2009	2010	2011	2012	2013	Thereafter
Long-term debt obligations <sup>1</sup>	\$39,294	\$2,124	\$10,620	-	\$883	\$1,843	\$23,824
Purchase Agreement Commitments <sup>2</sup>	2,671	324	485	648	809	405	-
<b>Total</b>	<b>\$41,965</b>	<b>\$2,448</b>	<b>\$11,105</b>	<b>648</b>	<b>\$1,692</b>	<b>\$2,248</b>	<b>\$23,824</b>

<sup>1</sup> In September 2007, the Company entered into a debt financing agreement with Birmingham Associates Ltd. (Birmingham), an affiliate of Elliott Associates, L.P. (Elliott) for a US\$25 million up-front cash payment. Under the terms of the agreement, Birmingham will receive a payment based on a percentage of AGGRASTAT® net sales. Birmingham is entitled to a return of 20 percent on the first US\$15 million in AGGRASTAT® revenues, 17.5 percent on the next US\$10 million, 15 percent on the next \$5 million and 5 percent thereafter, subject to an escalating minimum annual return, until May 31, 2020. The minimum annual returns start at US\$2.5 million in 2008 and escalate to US\$6.9 million in 2017. The total minimum payments over the life of the agreement aggregate US\$49.7 million.

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

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

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

Long-term debt obligations reflect principal repayment obligations (excluding interest payments) over the term of this debt. The long-term debt obligations of the Birmingham agreement equal the total minimum annual payments over the term of the agreement discounted using an effective interest rate of 13.3%.

In addition to the contractual obligations disclosed above, the Company and its wholly-owned subsidiaries, have ongoing research and development agreements with third parties in the ordinary course of business. The agreements include the research and development of MC-1 and its related compounds.

In addition, as at August 31, 2008, the Company has committed to fund up to a maximum of \$26,231,000 in research and development activities under two development agreements with contract research organizations. The timing of expenditures and payments is largely at the discretion of the Company and the agreements may be terminated at any time provided thirty (30) days notice is provided.

As at August 31, 2008, the Company has provided a research advance of \$200,000 (May 31, 2008 - \$200,000) to one of the third parties disclosed above, which is non-interest bearing, unsecured and repayable on demand.

### **Guarantees**

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

### **Royalties**

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

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

### **Off-balance sheet arrangements**

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

### **Financial Instruments**

The Company is exposed to market risks related to changes in interest rates and foreign currency exchange rates. The fair values of cash and cash equivalents, accounts receivable, restricted cash, research advance and accounts payable and accrued liabilities approximate their carrying values due to their short term to maturity. The fair value of the long-term debt approximates its carrying value as it has a variable interest rate and the borrowing arrangement is comparable to current market terms and conditions for similar debt. The Company does not believe that its results of operations or cash flows would be materially affected by sudden change in market interest rates. The Company has not entered into any futures or forward contracts as at August 31, 2008. The Company is subject of foreign exchange rate changes that could have a material effect on the future operating results or cash flows.

(Expressed in \$U.S.)	August 31, 2008	May 31, 2008
Cash and cash equivalents	\$ 4,277,639	\$ 7,454,830
Accounts receivable	684,891	524,432
Restricted cash	12,000,000	12,000,000
Accounts Payable and accrued liabilities	(3,127,641)	(4,832,260)
Long term debt	(37,000,000)	(37,000,000)
<b>Net</b>	<b>\$(23,165,111)</b>	<b>\$ (21,852,998)</b>

Based on the above net exposures as at August 31, 2008, assuming that all other variables remain constant, a 5% appreciation or deterioration of the Canadian dollar against the U.S. dollar would result in a decrease/increase of approximately \$1,100,000 in the Company's net losses.

### **Related Party Transactions**

During the three month periods ended August 31, 2008 and August 31, 2007 the Company paid companies controlled by a director, a total of \$88,000 and \$81,000, respectively, for office rent, supplies and consulting fees.

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

### **Outlook**

The Company's strategic focus in fiscal 2009 will be to continue sales and marketing efforts of AGGRASTAT®, and evaluate development opportunities for MC-1 in chronic cardiovascular as well as non cardiovascular indications, secure additional sources of funding and to continue to focus on cost savings measures.

The Company expects to continue to incur operating losses throughout fiscal 2009 as it proceeds with implementing its strategic focus. Research and development expenses are expected to be significantly lower in fiscal 2009 as compared to fiscal 2008. Sales and marketing expenses are expected to be comparable to fiscal 2008 with some increase in revenue from sales of AGGRASTAT®.

It continues to be the Company's plan to explore partnership opportunities for the clinical development and commercialization of MC-1 Chronic, MC-1 Acute and its preclinical antithrombotic program. Such a partnership could provide funding for research and development in the respective program and a license agreement for the sale and distribution of the Company's lead product in return for milestone payments and any future product royalties.

The Company believes it has sufficient resources to fund operations to the end of the 2009 fiscal year. However, funding requirements may vary depending on a number of factors including the progress of the Company's research and development programs, the securing of a partnership, the revenues generated and expenses resulting from the Company's AGGRASTAT® operations, the results of preclinical studies and clinical trials and changes in the focus and direction of the Company's product development projects.

Depending upon the results of the Company's AGGRASTAT® operations, research and development programs and the availability of financial resources, the Company could decide to accelerate, terminate, or cut back on certain 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.

Based on the Company's operating plan, its existing working capital is not sufficient to meet the cash requirements to fund the Company's currently planned operating expenses, capital requirements, working capital requirements, long-term debt obligations and commitments beyond the end of the 2009 fiscal year without additional sources of cash and/or further deferral, reduction or elimination of significant planned expenditures. The Company's plan to address the expected shortfall of working capital is to increase operating revenue and continue to reduce operating expenses and to secure additional funding through partnerships and/or equity financing. There is no certainty that the Company will be able to obtain sources of financing on acceptable terms, or at all or that it will increase product revenue or reduce operating expenses to the extent necessary.

### **Internal Controls over Financial Reporting**

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles ("GAAP"). **The Company reported a material weakness in the design of its internal control over financial reporting as part of its May 31, 2008 year end reporting in connection with its reconciliation from Canadian GAAP to United States GAAP, as discussed in the MD&A for the year ended May 31, 2008. The Company is continuing to address this weakness.**

There were no changes to the Company's internal controls over financial reporting during the three months ended August 31, 2008, which have materially affected, or are reasonable likely to materially affect the Company's internal controls over financial reporting.

### **Additional Information**

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

### **Risks and Uncertainty**

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

In the near-term, a key driver of revenues will be our ability to achieve market penetration of AGGRASTAT®. At the present time we are not prepared to provide a forecast level of revenues that we will realize from sales of AGGRASTAT® or from the other products that we may successfully develop and commercialize. We are therefore not prepared to estimate when we will achieve profitability, if at all.

The Company's business, financial condition and results of operations will depend to a large extent on its ability to obtain additional financing which may not be available under favorable terms, if at all (See Note 1 to the Company's Consolidated Financial Statements). Based on the Company's operating plan, its existing working capital is not sufficient to meet the cash requirements to the fund the Company's currently planned operating expenses, capital requirements, working capital requirements, long-term debt obligations and commitments beyond the 2009 fiscal year without additional sources of cash and/or

further deferral, reduction or elimination of significant planned expenditures. The Company's plan to address the expected shortfall of working capital is to increase operating revenue and reduce operating expenses and to secure additional funding through partnerships and/or equity financing. There is no certainty that the Company will be able to obtain any sources of financing on acceptable terms, or at all or that it will increase product revenue. These consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is significant doubt about the appropriateness of the use of the going concern assumption because the company has experienced operating losses and cash outflows from operations since incorporation. The Company's financial statements do not reflect adjustments to the carrying values of the assets and liabilities which may be required should the Company be unable to continue as a going concern.

The ability of the Company to arrange such financing in the future and its ability to meet its obligations under outstanding debt financing arrangements will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. If the Company's capital resources are exhausted and adequate funds are not available, it may have to further reduce 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 Company to relinquish rights to certain of its technologies or products.

Additional risks and uncertainties relating to the Company and its business can be found in the "Risk Factors" section of its Annual Report on Form 20-F for the year ended May 31, 2008, which can be obtained on SEDAR ([www.sedar.com](http://www.sedar.com)).

Interim Consolidated Financial Statements  
(Expressed in Canadian dollars)

## **MEDICURE INC.**

Three months ended August 31, 2008  
(Unaudited)

Prepared by Management without review by the Company's auditor.

# MEDICURE INC.

Interim Consolidated Balance Sheets  
(Expressed in Canadian dollars)  
(Unaudited)

	August 31, 2008	May 31, 2008
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 6,892,682	\$ 11,904,930
Accounts receivable	1,196,188	884,343
Inventories	762,831	316,359
Research advance (note 8)	200,000	200,000
Prepaid expenses	1,111,914	1,097,104
	<u>10,163,615</u>	<u>14,402,736</u>
Property and equipment (note 4)	122,115	132,887
Restricted cash (note 3)	12,744,000	11,916,000
Intangible assets (note 5)	8,214,956	8,353,610
	<u>\$ 31,244,686</u>	<u>\$ 34,805,233</u>

## Liabilities and Shareholders' Deficiency

Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,033,555	\$ 7,174,474
Current portion of long-term debt (note 6)	2,124,000	1,986,000
	<u>6,157,555</u>	<u>9,160,474</u>
Long-term debt (note 6)	34,641,274	32,200,919
Shareholders' deficiency:		
Capital stock (note 7)	116,014,623	116,014,623
Warrants	9,094,635	9,094,635
Contributed surplus	3,578,673	3,568,055
Deficit	(138,242,074)	(135,233,473)
	<u>(9,554,143)</u>	<u>(6,556,160)</u>

Nature of operations and going concern assumption (note 1)  
Commitments and contingencies (note 8)

	<u>\$ 31,244,686</u>	<u>\$ 34,805,233</u>
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See accompanying notes to consolidated financial statements.

On behalf of the Board:

Signed "Dr. A.D. Friesen" Director

Signed "Mr. Kishore Kapoor" Director

# MEDICURE INC.

Interim Consolidated Statements of Operations and Comprehensive Loss  
(Expressed in Canadian dollars)  
(Unaudited)

For the three months ended

	August 31, 2008	August 31, 2007
Revenue:		
Product sales, net	\$ 1,170,859	\$ 478,739
Expenses:		
Cost of goods sold, excluding amortization	67,820	36,758
Selling, general and administrative	1,911,223	3,223,590
Research and development (note 8)	(511,459)	11,237,618
Amortization	237,399	801,984
	1,704,983	15,299,950
Loss before the undernoted	(534,124)	(14,821,211)
Other expenses (income):		
Interest and other	(104,066)	(306,244)
Interest expense	1,121,894	538,147
Foreign exchange loss, net	1,456,649	29,435
	2,474,477	261,338
Loss and comprehensive loss	\$ (3,008,601)	\$ (15,082,549)
Basic and diluted loss per share	\$ (0.02)	\$ (0.13)
Weighted average number of common shares used in computing basic and diluted loss per share	130,307,552	116,379,726

See accompanying notes to consolidated financial statements.

# MEDICURE INC.

Interim Consolidated Statements of Shareholders' Equity (Deficiency)  
(Expressed in Canadian dollars)  
(Unaudited)

For the three months ended

	August 31, 2008	August 31, 2007 Restated (note 2(c))
<b>Capital stock:</b>		
Balance, beginning of period	\$ 116,014,623	\$ 109,102,397
Adoption of financial instrument standards (note 2(c))	—	(6,425,336)
Exercise of options for cash	—	90,241
<b>Balance, end of period</b>	<b>116,014,623</b>	<b>102,767,302</b>
<b>Warrants:</b>		
Balance, beginning of period	9,094,635	—
Adoption of financial instrument standards (note 2(c))	—	6,425,336
<b>Balance, end of period</b>	<b>9,094,635</b>	<b>6,425,336</b>
<b>Contributed surplus:</b>		
Balance, beginning of period	3,568,055	3,035,024
Stock-based compensation	10,618	136,352
Options exercised - transferred to capital stock	—	(30,241)
<b>Balance, end of period</b>	<b>3,578,673</b>	<b>3,141,135</b>
<b>Deficit:</b>		
Balance, beginning of period	(135,233,473)	(77,830,952)
Loss and comprehensive loss for the period	(3,008,601)	(15,082,549)
<b>Balance, end of period</b>	<b>(138,242,074)</b>	<b>(92,913,501)</b>
<b>Shareholders' equity (deficiency)</b>	<b>\$ (9,554,143)</b>	<b>\$ 19,420,272</b>

See accompanying notes to consolidated financial statements.

# MEDICURE INC.

Interim Consolidated Statements of Cash Flows  
(Expressed in Canadian dollars)  
(Unaudited)

For the three months ended

	August 31, 2008	August 31, 2007
Cash provided by (used in):		
Operating activities:		
Loss for the period	\$ (3,008,601)	\$ (15,082,549)
Adjustments for:		
Amortization of property and equipment	12,338	19,397
Amortization of intangible assets	225,061	782,587
Amortization of deferred debt issue expenses	81,200	61,623
Stock-based compensation	10,618	136,352
Unrealized foreign exchange loss (gain)	1,669,155	(202,272)
Change in the following:		
Accounts receivable	(311,845)	1,261,983
Inventories	(446,472)	37,155
Prepaid expenses	(14,810)	(219,136)
Accounts payable and accrued liabilities	(3,140,919)	1,946,998
	(4,924,275)	(11,257,862)
Investing activities:		
Acquisition of property and equipment	(1,566)	(4,562)
Acquisition of intangible assets	(86,407)	(229,800)
	(87,973)	(234,362)
Financing activities:		
Issuance of common shares and warrants, net of share issue costs	—	60,000
Repayments of long-term debt	—	(1,530,912)
	—	(1,470,912)
Decrease in cash and cash equivalents	(5,012,248)	(12,963,136)
Cash and cash equivalents, beginning of period	11,904,930	31,770,320
Cash and cash equivalents, end of period	\$ 6,892,682	\$ 18,807,184
Supplementary information:		
Cash transactions:		
Interest paid	\$ 1,411,416	\$ 500,825
Interest received	26,001	292,193

See accompanying notes to consolidated financial statements.

# MEDICURE INC.

Interim Notes to Consolidated Financial Statements  
(Expressed in Canadian dollars)  
(Unaudited)

Three months ended August 31, 2008

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## 1. Nature of operations and going concern assumption:

Medicure Inc. (the Company) is a biopharmaceutical company focused on the discovery and development of therapeutics for various large-market, unmet cardiovascular needs. The Company has the U.S. rights to the commercial product, AGGRASTAT® Injection (tirofiban hydrochloride) in the United States and its territories (Puerto Rico, U.S. Virgin Islands, and Guam). AGGRASTAT®, a glycoprotein GP IIb/IIIa receptor antagonist, is used for the treatment of acute coronary syndrome (ACS) including unstable angina, which is characterized by chest pain when one is at rest, and non-Q-wave myocardial infarction.

The Company's primary research and development focus is on the clinical development of new chronic medical applications of MC-1. The Company is also looking to generate shareholder value from its library of small-molecule antithrombotics and acute applications of MC-1.

The accompanying unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") and on a basis consistent with the Company's annual audited consolidated financial statements for the year ended May 31, 2008, except as disclosed in note 2. These unaudited interim consolidated financial statements do not include all note disclosures required by Canadian GAAP for annual financial statements, and therefore should be read in conjunction with the May 31, 2008 audited financial statements.

The current period's financial statements include the operations of the Company for the three month period ended August 31, 2008. The financial information included herein reflects all adjustments, consisting only of normal recurring adjustments, which, in the opinion of management, are necessary for a fair presentation of the results for the interim periods presented. The results of operations for the three month period ended August 31, 2008 are not necessarily indicative of the results to be expected for the full year.

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

# MEDICURE INC.

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

Three months ended August 31, 2008

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## 1. Nature of operations and going concern assumption (continued):

The Company has sustained losses since its formation and has accumulated a deficit of \$138,242,074 as at August 31, 2008. In March 2008, the Company announced a corporate restructuring which included a significant reduction in number of staff and in resources allocated to certain programs. Although the company has been successful in reducing its ongoing cash requirements, based on the Company's operating plan, its existing working capital is not sufficient to meet the cash requirements to fund the Company's currently planned operating expenses, capital requirements, working capital requirements, long-term debt and commitments beyond the end of the 2009 fiscal year without additional sources of cash and/or deferral, or a further reduction or elimination of significant planned expenditures. The Company's plan to address the expected shortfall of working capital is to secure additional funding, increase operating revenue and further reduce operating expenses. The company is also exploring additional strategic alternatives as they present themselves. There is no certainty that the Company will be able to obtain any sources of financing on acceptable terms, or at all, or that it will increase product revenue or reduce operating expenses to the extent necessary.

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

## 2. Significant accounting policies:

### a) Significant accounting policies

These unaudited interim consolidated financial statements are prepared following accounting policies consistent with the Company's audited annual consolidated financial statements and notes thereto for the year ended May 31, 2008, except for the following accounting policies adopted by the Company.

The following Handbook Sections, released by the Canadian Institute of Chartered Accountants were adopted prospectively by the Company on June 1, 2008:

Section 1535, *Capital Disclosures* (Section 1535), requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital, whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. Disclosure requirements pertaining to this section are contained in note 11 to the unaudited interim consolidated financial statements.

# MEDICURE INC.

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

Three months ended August 31, 2008

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## 2. Significant accounting policies (continued):

Section 3862, *Financial Instruments - Disclosure* (Section 3862) and Section 3863, *Financial Statements - Presentation* (Section 3863) replace Section 3861, *Financial Statements - Disclosure and Presentation*, revising and enhancing disclosure requirements. Section 3863 carries forward presentation related requirements of Section 3861. Disclosure requirements pertaining to these sections are contained in note 10 to the unaudited interim consolidated financial statements.

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

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

### b) Future accounting changes

The following accounting standards were issued recently by the CICA. The Company is currently evaluating the impact of these new standards on its consolidated financial statements:

- (i) In February 2008, the Accounting Standards Board confirmed that the use of International Financial Reporting Standards ("IFRS") will be required, for fiscal years beginning on or after January 1, 2011, for publicly accountable profit-oriented enterprises. After that date, IFRS will replace Canadian GAAP for those enterprises. The Company will adopt IFRS effective June 1, 2011 and has not yet assessed the future impact of these new accounting standards on its consolidated financial statements.

# MEDICURE INC.

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

Three months ended August 31, 2008

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## 2. Significant accounting policies (continued):

(ii) Section 3064, *Goodwill and Intangible Assets*, amends the standards for recognition, measurement, presentation and disclosure of intangible assets for profit-oriented enterprises. These standards are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. Standards concerning goodwill are unchanged from previous standards.

### c) Standards adopted prior year

On June 1, 2007, the Company prospectively adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1530, *Comprehensive Income* (Section 1530), CICA Handbook Section 3855, *Financial Instruments - Recognition and Measurement* (Section 3855), CICA Handbook Section 3861, *Financial Instruments - Disclosure and Presentation* (Section 3861), CICA Handbook Section 3865, *Hedges* (Section 3865), and CICA Handbook Section 3251, *Equity* (Section 3251). These new accounting standards, which apply to fiscal years beginning on or after October 1, 2006, provide comprehensive requirements for the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied.

Upon adoption of these new standards, the Company reallocated \$6,425,336 for warrants issued in prior fiscal years from common shares based on their fair values under the Black-Scholes model.

## 3. Restricted cash:

As at August 31, 2008, the Company has \$12,744,000 (US\$12,000,000) (May 31, 2008 – \$11,916,000) in restricted cash, which is cash on deposit to secure the Merrill Lynch Financial Services Inc. (formerly Merrill Lynch Capital Canada Inc.) term loan facility (note 6). The term loan facility matures on February 1, 2010.

# MEDICURE INC.

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

Three months ended August 31, 2008

## 4. Property and equipment:

August 31, 2008	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 151,951	\$ 140,929	\$ 11,022
Furniture, fixtures and equipment	186,076	74,983	111,093
Leasehold improvements	20,671	20,671	–
	<u>\$ 358,698</u>	<u>\$ 236,583</u>	<u>\$ 122,115</u>

May 31, 2008	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 151,565	\$ 137,827	\$ 13,738
Furniture, fixtures and equipment	184,896	65,747	119,149
Leasehold improvements	20,671	20,671	–
	<u>\$ 357,132</u>	<u>\$ 224,245</u>	<u>\$ 132,887</u>

## 5. Intangible assets:

August 31, 2008	Cost, net of impairment	Accumulated amortization	Net book value
Patents	\$ 11,350,300	\$ 4,213,692	\$ 7,136,608
Trademark	1,534,440	617,845	916,595
Customer list	270,784	109,031	161,753
	<u>\$ 13,155,524</u>	<u>\$ 4,940,568</u>	<u>\$ 8,214,956</u>

May 31, 2008	Cost, net of impairment	Accumulated amortization	Net book value
Patents	\$ 11,263,893	\$ 4,021,700	\$ 7,242,193
Trademark	1,534,440	589,736	944,704
Customer list	270,784	104,071	166,713
	<u>\$ 13,069,117</u>	<u>\$ 4,715,507</u>	<u>\$ 8,353,610</u>

As described in note 6, certain intangible assets are pledged as security against long-term debt.

# MEDICURE INC.

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

Three months ended August 31, 2008

## 6. Long-term debt:

	August 31, 2008	May 31, 2008
Birmingham long-term debt (a)	\$ 24,177,381	\$ 22,460,084
Merrill Lynch Business Financial Services Inc. (formerly Merrill Lynch Capital Canada Inc.) term loan facility (b)	12,587,893	11,726,835
	36,765,274	34,186,919
Current portion of long-term debt (b)(ii)	(2,124,000)	(1,986,000)
	\$ 34,641,274	\$ 32,200,919

Principal repayments to maturity by fiscal year are as follows:

2009	\$ 2,124,000
2010	10,620,000
2011	-
2012	882,196
2013	1,843,447
Thereafter	23,824,357
	39,294,000
Less deferred debt issue expenses (net of accumulated amortization of \$619,758)	(2,528,726)
	\$ 36,765,274

(a) In September 2007, the Company entered into a debt financing agreement with Birmingham Associates Ltd. (Birmingham), an affiliate of Elliott Associates, L.P. (Elliott) for proceeds of US\$25 million. Under the terms of the agreement, Birmingham will receive a payment based on a percentage of AGGRASTAT® net sales. Birmingham is entitled to a return of 20 percent on the first US\$15 million in AGGRASTAT® revenues, 17.5 percent on the next US\$10 million, 15 percent on the next US\$5 million and 5 percent thereafter, subject to an escalating minimum annual return, until May 31, 2020. The minimum annual returns start at US\$2.5 million in 2008 and escalate to US\$6.9 million in 2017. The total minimum payments over the life of the agreement aggregate US\$49.7 million. The annual minimum payments are reflected in the effective interest rate calculation of the debt.

# MEDICURE INC.

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

Three months ended August 31, 2008

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## 6. Long-term debt (continued):

As disclosed in note 7(d), the Company issued 1,000,000 warrants associated with the debt financing agreement. The warrants were valued at \$809,344 based on the fair value of the options at the date of issue using the Black-Scholes option pricing model. The warrants have been recorded in shareholders' equity. The Company recorded a long-term debt liability of \$24,213,256, representing the residual value of the proceeds received under the debt agreement. The Company also incurred debt issuance costs of \$1,727,902, which it has recorded as a discount on the debt. The imputed effective interest rate is 13.3 percent.

Birmingham has the option to convert its rights based on AGGRASTAT® to MC-1 within six months after MC-1's commercialization, if achieved. Upon conversion to MC-1, Birmingham is entitled to a return of 10 percent on the first US\$35 million in MC-1 revenues, 5 percent on the next US\$40 million in MC-1 revenues and 3 percent thereafter, subject to a minimum annual return of US\$2.6 million until May 31, 2020. Birmingham would receive payments based on MC-1 revenues until December 31, 2024, unless a novel patent is obtained for MC-1, which could extend the period of payments.

Birmingham's participation rights are secured by a first security interest in the intellectual property rights of the Company in AGGRASTAT® and MC-1 (subject to certain specified MC-1 lien release terms), the proceeds derived from the commercialization of AGGRASTAT® and MC-1 (including without limitation any royalties receivable derived from any licensing of AGGRASTAT® and MC-1 to any third party and accounts receivable from the sale of AGGRASTAT® and MC-1 products), all intellectual, proprietary and other rights (including without limitation contractual promotion and licensing rights and benefits) associated with, or derived from, AGGRASTAT® and MC-1, as well as shares in Medicure Pharma Inc. and Medicure International Inc.

During the 30 day period following the date on which the U.S. Food and Drug Administration shall have first approved MC-1 for sale to the public, the Company may elect to terminate AGGRASTAT® or MC-1 Debt Payment rights with the payment, prior to the end of such 30 day period, of US\$70 million to Birmingham.

In addition, upon the approval of MC-1 for a second indication, the Company may once again elect to terminate AGGRASTAT® or MC-1 debt payment rights with the payment, prior to the end of such 30 day period, of US\$120 million to Birmingham. The termination options represent an embedded derivative as defined in CICA Handbook Section 3855 - *Financial Instruments - Recognition and Measurement*. As of August 31, 2008, the estimated fair value of the termination options is nil.

# MEDICURE INC.

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

Three months ended August 31, 2008

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## 6. Long-term debt (continued):

- (b) In August 2006, the Company obtained a term loan facility maturing February 1, 2010, from Merrill Lynch Business Financial Services Inc. (Merrill) (formerly Merrill Lynch Capital Canada Inc.), Silicon Valley Bank and Oxford Finance Corporation. Interest is payable monthly at one-month LIBOR plus 6.5 percent per annum.

In conjunction with the Birmingham debt financing transaction described above, the Company agreed to amendments to certain of the covenants provided for in the credit agreement under which:

- (i) the Company maintains a deposit of US\$12 million in a cash collateral account held by Merrill, for the benefit of Merrill and the lenders (note 3).
- (ii) the Company is not required to make any principal repayments on the term loan before maturity, except that the term loan lenders at their option, can require the Company to immediately repay US\$2.0 million after September 17, 2008.

The term loan facility is secured by a subordinate security interest to Birmingham in the intellectual property rights of and related commercialization proceeds receivable by the Company in AGGRASTAT® and MC-1, the shares of Medicure Pharma Inc. and Medicure International Inc., and a first security interest in all remaining financial, physical, and intangible assets of the Company and its subsidiaries.

## 7. 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.

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

Three months ended August 31, 2008

## 7. Capital stock (continued):

(b) Shares issued and outstanding are as follows:

	Number of shares	\$
<i>Common shares:</i>		
Balance at May 31, 2008	130,307,552	116,014,623
Balance at August 31, 2008	130,307,552	116,014,623

(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 ten percent of the outstanding common shares of the Company at any time. The stock options generally are subject to vesting over a period up to three years and have a maximum term of ten years.

A summary of the Company's stock options is as follows:

	Three Months ended August 31, 2008		Year ended May 31, 2008	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of period	6,717,683	\$ 0.87	4,235,528	\$ 1.52
Granted	—	—	4,435,649	0.46
Exercised	—	—	(80,000)	0.75
Cancelled or expired	(739,723)	1.42	(1,873,494)	1.31
Balance, end of period	5,977,960	\$ 0.82	6,717,683	\$ 0.87
Options exercisable, end of period	1,949,362		2,318,028	

# MEDICURE INC.

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

Three months ended August 31, 2008

## 7. Capital stock (continued):

	August 31, 2008	May 31, 2008
Weighted average fair value per unit of options granted during the period at market value on grant date	\$ —	\$ 0.28

Options outstanding at August 31, 2008 consist of the following:

Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Options outstanding weighted average exercise price	Number exercisable
\$ 0.09 - 1.95	5,727,960	8.48 years	\$ 0.75	1,699,362
1.99 - 2.48	250,000	2.09 years	2.44	250,000
	5,977,960	8.21 years	\$ 0.82	1,949,362

The compensation expense related to stock options granted under the stock option plan during fiscal 2009 aggregated \$10,618 (2008 - \$563,272). 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:

	2009	2008
Expected option life	6.8 years	6.8 years
Risk-free interest rate	3.99%	3.99%
Dividend yield	—	—
Expected volatility	62.27%	63.19%

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.

# MEDICURE INC.

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

Three months ended August 31, 2008

## 7. Capital stock (continued):

### (d) Warrants:

Issue (Expiry date)	Original granted	Exercise price per share	May 31, 2007	Granted (Exercised) (Cancelled)*	May 31, 2008	Granted (Exercised) (Cancelled)*	August 31, 2008
104,110 units (August 19, 2008)	104,110	\$ 1.18	104,110		104,110	(104,110)*	–
2,602,750 units (August 19, 2010)	2,602,750	1.18	2,602,750		2,602,750	–	2,602,750
4,000,000 units (May 9, 2011)	4,000,000	US 2.10	4,000,000		4,000,000	–	4,000,000
3,984,608 units (December 22, 2011)	3,984,608	US 1.70	3,984,608		3,984,608	–	3,984,608
1,000,000 units (December 31, 2016)	1,000,000	US 1.26	–		1,000,000	–	1,000,000
4,373,913 units (October 5, 2012)	4,373,913	US 1.50	–		4,373,913	–	4,373,913

The warrants, with the exception of the warrants expiring on December 31, 2016, were issued together with common shares either under prospectus offerings or private placements with the net proceeds allocated to common shares and warrants based on their relative fair values using the Black-Scholes model. The warrants expiring on December 31, 2016 were issued with the debt financing agreement in September 2007, as disclosed in note 6(a).

The warrants expiring on May 9, 2011, December 22, 2011, October 5, 2012, and December 31, 2016 may be exercised, upon certain conditions being met, on a cashless basis based on a formula described in the warrant agreements.

### (e) Shareholder rights plan:

The Company has a shareholder rights plan, the primary objective of which is to ensure, to the extent possible, that all shareholders of the Company are treated fairly in connection with any takeover offer for the Company and to ensure that the Board of Directors is provided with sufficient time to evaluate unsolicited takeover bids and to explore and develop alternatives to maximize shareholder value.

# MEDICURE INC.

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

Three months ended August 31, 2008

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## 8. Commitments and contingencies:

### (a) Commitments:

As at August 31, 2008 and in the normal course of business we have obligations to make future payments, representing contracts and other commitments that are known and committed.

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	Purchase agreement commitments
<hr/>	
Contractual obligations payment due by fiscal period ending May 31:	
2009	\$ 324,000
2010	485,000
2011	648,000
2012	809,000
2013	405,000
	<hr/>
	\$ 2,671,000

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The Company entered into manufacturing and supply agreements to purchase a minimum quantity of AGGRASTAT® from a third party totaling a minimum of \$2,671,000 over the term of the agreement, which expires in fiscal 2013.

In September 2007 the Company entered into a debt financing agreement for a US\$25 million upfront cash payment. The minimum annual payments start at US\$2.5 million in 2008 and escalate to US\$6.9 million in 2017 and continue until May 31, 2020. The cumulative minimum annual payments (from 2008 to 2020) under the agreement aggregate US\$49.7 million.

# MEDICURE INC.

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

Three months ended August 31, 2008

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## 8. Commitments and contingencies (continued):

In addition to the contractual obligations disclosed above, the Company and its wholly-owned subsidiaries have ongoing research and development agreements with third parties in the ordinary course of business. The agreements include the research and development of MC-1 and its related compounds:

- (i) Contracts with clinical research organizations (CROs) are payable over the terms of the trials and timing of payments is largely dependent on various milestones being met, such as the number of patients recruited, number of monitoring visits conducted, the completion of certain data management activities, trial completion, and other trial-related activities. As at August 31, 2008, the Company has no outstanding commitments related to clinical research agreements with CROs.
- (ii) As at August 31, 2008, the Company has committed to fund a further \$26,231,091 in research and development activities under two development agreements with 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 30 days notice is provided. As at August 31, 2008, the Company has provided a research advance of \$200,000 (2008 - \$200,000) to one of these organizations, which is non-interest bearing, unsecured and repayable on demand.

### (b) Guarantees:

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

### (c) Royalties:

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

# MEDICURE INC.

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

Three months ended August 31, 2008

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## 8. Commitments and contingencies (continued):

The above royalty commitments exclude any obligations to Birmingham pursuant to the debt financing agreement (note 6).

## 9. Related party transactions:

During the three months ended August 31, 2008 and August 31, 2007, the Company paid companies controlled by a director a total of \$87,503 and \$81,253, respectively for office rent, supplies, property and equipment 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.

## 10. Financial instruments:

The Company has classified its financial instruments as follows:

	August 31, 2008	May 31, 2008
Financial assets:		
Cash and cash equivalents (Held-for-trading)	\$ 6,892,682	\$ 11,904,930
Accounts receivable and research advances (Loans and receivables)	1,396,188	1,084,343
Restricted cash (Held-for-trading)	12,744,000	11,916,000
	<hr/>	<hr/>
	\$ 21,032,870	\$ 24,905,273
Financial liabilities:		
Accounts payable and accrued liabilities (Other financial liabilities)	\$ 4,033,555	\$ 7,174,474
Long-term debt (Other financial liabilities)	36,765,274	34,186,919
	<hr/>	<hr/>
	\$ 40,798,829	\$ 41,361,393

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The company has determined that the carrying values of its short-term financial assets and liabilities, including cash and cash equivalents, accounts receivable and research advances, restricted cash and accounts payable and accrued liabilities, approximates their fair value because of the relatively short periods to maturity of these instruments. The fair value of the long-term debt approximates its carrying value as it has a variable interest rate and the borrowing arrangement is comparable to current market terms and conditions for similar debt. The Company has entered into no futures or forward contracts as at August 31, 2008.

# MEDICURE INC.

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

Three months ended August 31, 2008

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## 10. Financial Instruments (continued):

The Company's financial instruments are exposed to certain financial risk, including credit risk, liquidity and market risk.

### (a) Credit risk:

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

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

The company is subject to a concentration to credit risk related to its accounts receivable as they primarily are amounts owing from three customers. At August 31, 2008, the outstanding accounts receivable were within normal payment terms and the Company had recorded no allowance for doubtful accounts.

### (b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The company manages its liquidity risk by continuously monitoring forecasted and actual cash flows, as well as anticipated investing and financing activities and to insure, as far as possible, that it will have sufficient liquidity to meet its liability when due and to fund further operations. See note 1 for future discussions.

The majority of the Company's accounts payable and accrued liabilities are due within the current operating period. For long-term debt repayments see note 6.

### (c) Market risk:

Market risk is the risk that changes in market prices, such as foreign currency and interest rates will affect the Company's earnings or the value of the financial instruments held.

# MEDICURE INC.

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

Three months ended August 31, 2008

## 10. Financial Instruments (continued):

### (i) Currency risk:

Currency exchange rate risk is the risk that the fair value of future cash flows for financial instruments will fluctuate because of the change in foreign exchange rates. The Company is exposed to currency risks primarily due to its U.S. dollar denominated cash and cash equivalents, restricted cash, accounts payable and accrued liabilities and long-term debt. The Company has not entered into any forward foreign exchange contracts.

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

(Expressed in \$U.S.)	August 31, 2008	May 31, 2008
Cash and cash equivalents	\$ 4,277,639	\$ 7,454,830
Accounts receivable	684,891	524,432
Restricted cash	12,000,000	12,000,000
Accounts payable and accrued liabilities	(3,127,641)	(4,832,260)
Long term debt	(37,000,000)	(37,000,000)
Net	<u>\$(23,165,111)</u>	<u>\$(21,852,998)</u>

Based on the above net exposures as at August 31, 2008, assuming that all other variables remain constant, a 5% appreciation or deterioration of the Canadian dollar against the U.S. dollar would result in a decrease/increase of approximately \$1,100,000 in the Company's net loss.

### (ii) Interest rate risk:

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk arising primarily from fluctuation in interest rates on its cash and cash equivalents, restricted cash and its long-term debt with Merrill Lynch which all have interest rates that fluctuate based on current market rates.

# MEDICURE INC.

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

Three months ended August 31, 2008

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## 10. Financial Instruments (continued):

An increase in 100 basis points in interest rates during the three month period August 31, 2008, with all other variables held constant, would have decreased equity and increased the net loss by approximately \$15,000. The Birmingham debt has been excluded due to the nature of the interest payments as described in Note 6.

## 11. Management of capital:

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern (see note 1) and to provide capital to pursue the development and commercialization of its products.

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

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issuances, granting of stock options, the issue of debt or by undertaking other activities as deemed appropriate under the specific circumstance. The Company's overall strategy with respect to capital risk management remains unchanged from the year ended May 31, 2008.

As described in Note 6(b) the Company is required to maintain US\$12 million in a cash collateral account to be held by Merrill, for the benefit of Merrill and the lenders.

## 12. Segmented information:

The Company considers that it operates in one business segment, the biopharmaceutical industry. Substantially all of the Company's assets and operations are located in Canada, the United States and Barbados. During the three month ended August 31, 2008, 100 percent of product revenues were generated from sales of AGGRASTAT® in the United States.

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

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	August 31, 2008	May 31, 2008
Canada	\$ 202,791	\$ 205,904
Barbados	8,045,988	8,184,642
United States	88,292	95,951

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