MEDICURE INC
Form F-10
December 29, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM F-10

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

MEDICURE INC.

(Exact name of Registrant as specified in its charter)

Not Applicable
(Translation of Registrant s name into English (if applicable))

Canada
(Province or other jurisdiction of incorporation or organization)

2836
(Primary Standard Industrial Classification Code Number (if applicable))

Not Applicable
(I.R.S. Employer Identification Number (if applicable))

4 1200 Waverley Street
Winnipeg, Manitoba
Canada R3T 0P4
Telephone: (204) 487-7412
(Address and telephone number of Registrant s principal executive offices)

Corporation Service Company
1090 Vermont Avenue N.W.
Washington, D.C. 20005
Telephone: (800) 927-9800
(Name, address (including zip code) and telephone number (including area code)
of agent for service in the United States)

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Derek G. Reimer
Medicure Inc.
4 1200 Waverley Street
Winnipeg, Manitoba
Canada R3T 0P4
(888) 435-2220

Approximate date of commencement of proposed sale of the securities to the public
from time to time after the effective date of this Registration Statement.

Province of Manitoba, Canada
(Principal jurisdiction regulating this offering (if applicable))

It is proposed that this filing shall become effective (check appropriate box below):

A. [ ] upon filing with the Commission, pursuant to Rule 467(a) (if in connection with an offering being made contemporaneously in the United States and Canada).

B. [X] at some future date (check appropriate box below)

1. [ ] pursuant to Rule 467(b) on (*date*) at (*time*) (designate a time not sooner than 7 calendar days after filing).

2. [ ] pursuant to Rule 467(b) on (*date*) at (*time*) (designate a time 7 calendar days or sooner after filing) because the securities regulatory authority in the review jurisdiction has issued a receipt or notification of clearance on (*date*).

3. [ ] pursuant to Rule 467(b) as soon as practicable after notification of the Commission by the Registrant or the Canadian securities regulatory authority of the review jurisdiction that a receipt or notification of clearance has been issued with respect hereto.

4. [X] after the filing of the next amendment to this Form (if preliminary material is being filed).

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to the home jurisdiction s shelf prospectus offering procedures, check the following box. [X]

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	**Amount to be registered**(1)	**Proposed maximum offering price per Common Share**	**Proposed maximum aggregate offering price**	**Amount of registration fee**
Common Shares, no par value	19,923,044	$1.23(2)	$24,505,344.12	$2,622.07
Common Share, no par value, issuable upon exercise of warrants	3,984,608	$1.70	$6,773,833.60	$724.80
Total	23,907,652		$32,673,790.80	$3,346.87

(1) Pursuant to Rule 416 under the Securities Act of 1933, as amended, includes an indeterminate number of additional shares to prevent dilution in the event of stock splits, stock dividends or similar events.

(2) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(c) of the Securities Act of 1933, as amended, based on the average of the high and low prices of the Registrant s common shares on the AMEX on December 27, 2006.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registration statement shall become effective as provided in Rule 467 under the Securities Act of 1933 or on such date as the Commission, acting pursuant to Section 8(a) of the Act, may determine.

PART I

INFORMATION REQUIRED TO BE DELIVERED TO OFFEREES OR PURCHASERS

Subject to Completion, dated December 28, 2006.

A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in ***the Provinces of Manitoba and Ontario*** *but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus is not complete and may have to be amended. These securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.*

Base Shelf Prospectus

This short form prospectus is referred to as a short form base shelf prospectus and has been filed under legislation in the Provinces of Manitoba and Ontario that permits certain information about these securities to be determined after this short form prospectus has become final and that permits the omission from this short form prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities.

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. ***Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada.*** *Copies of the documents incorporated herein by reference may be obtained on request without charge from Derek G. Reimer, Corporate Secretary of Medicure Inc. at 4-1200 Waverley Street, Winnipeg, Manitoba R3T 0P4 (telephone: (204) 487-7412), and are also available electronically at www.sedar.com.*

Preliminary Short Form Prospectus dated December 28, 2006

Secondary Offering

MEDICURE INC.

23,907,652 Common Shares

An aggregate of 19,923,044 common shares (the Shares) of Medicure Inc. and 3,984,608 common share purchase warrants, each warrant entitling the holder to purchase one common share of Medicure Inc. at a price of US$1.70 (the Warrants), were issued and sold on a private placement basis to the Selling Shareholders (as defined below) on December 22, 2006 and December 28, 2006 at an issue price of US$1.30 for each unit composed of one share and one fifth Warrant (the Private Placement). This short form prospectus may be used by the selling shareholders identified under the section entitled Selling Shareholders below (the Selling Shareholders) in connection with offers to resell in the United States, Ontario and Manitoba the Shares, the common shares of Medicure Inc. issuable upon the exercise of the Warrants (the Warrant Shares) and any securities issued or issuable upon any stock split, dividend or other distribution, recapitalization or similar event (together with the Shares and the Warrant Shares, the Common Shares) through December 22, 2011, the fifth anniversary of the closing date of the Private Placement. We have agreed in a registration rights agreement between the Selling Shareholders and us to bear all fees and expenses in connection with the registration and sale of the Common Shares by the Selling Shareholders. See Plan of Distribution .

Our common shares currently trade under the symbol MPH on the Toronto Stock Exchange (TSX) and under the symbol MCU on the American Stock Exchange (AMEX). The last reported sale prices of our common shares on the TSX and the AMEX on December 27, 2006 were CDN$1.44 and US$1.25 per share, respectively.

Investing in our common shares involves risks. Please carefully consider the Risk Factors section beginning on page 5 of this short form prospectus.

It is not possible at the present time to determine the price to the public in any sale of the Common Shares by the Selling Shareholders as the Common Shares may be offered in negotiated transactions or otherwise, at varying prices determined at the time of the sale or at negotiated prices. In

addition, the Common Shares may be offered from time to time through ordinary brokerage transactions on the TSX or the AMEX. See Plan of Distribution .

We will not receive any of the proceeds from the resale of the Common Shares by any of the Selling Shareholders. We will, however, receive the proceeds from any exercise of the Warrants.

All of the Selling Shareholders are incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or reside outside of Canada. Although each of the Selling Shareholders has appointed or will appoint Medicure Inc. at 4-1200 Waverley Street, Winnipeg, Manitoba R3T 0P4, and Lang Michener LLP at Suite 2500, 181 Bay Street Toronto, Ontario M5J 2T7, as its agents for service of process in the Provinces of Manitoba and Ontario, respectively, it may not be possible for investors to collect from the Selling Shareholders judgments obtained in Canadian courts predicated on the civil liability provisions of securities legislation.

No underwriter, as defined under Canadian securities legislation, has been involved in the preparation of this short form prospectus or performed any review of the contents of this short form prospectus.

This offering is made by a foreign issuer that is permitted, under a multijurisdictional disclosure system adopted by the United States, to prepare this prospectus in accordance with the disclosure requirements of its home country, Canada. Prospective investors should be aware that such requirements are different from those of the United States. Financial statements included or incorporated herein, if any, have been prepared in accordance with Canadian generally accepted accounting principles, and are subject to Canadian auditing and auditor independence standards, and thus may not be comparable to financial statements of United States companies.

Prospective investors should be aware that the acquisition of the securities described herein may have tax consequences both in the United States and in Canada. Such consequences for investors who are resident in, or citizens of, the United States may not be described fully herein.

The enforcement by investors of civil liabilities under the federal securities laws may be affected adversely by the fact that Medicure Inc. is incorporated or organized under the laws of a foreign country, that some or all of its officers and directors may be residents of a foreign country, that some or all of the experts named in the registration statement may be residents of a foreign country, and that all or substantial portion of the assets of Medicure Inc. and said persons may be located outside the United States.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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Only the information contained or incorporated by reference in this short form prospectus should be relied upon. We have not authorized any other person to provide different information. If anyone provides different or inconsistent information, it should not be relied upon. The Common Shares may not be offered or sold in any jurisdiction where the offer or sale is not permitted. It should be assumed that the information appearing in this short form prospectus and the documents incorporated by reference is accurate only as of their respective dates. Our business, financial condition, results of operation and prospects may have changed since those dates.

Some of the information concerning economic and industry trends is based upon or derived from information provided by industry sources. We believe that such information is accurate and that the sources from which it has been obtained are reliable. However, we cannot guarantee the accuracy of such information and have not independently verified the assumptions upon which projections of future trends are based.

The use of the term significant or significantly when describing clinical and preclinical results in this short form prospectus refers to statistical significance , where there is a 5% probability or less that the result happened by random chance.

In this short form prospectus, unless stated otherwise, Medicure , the Corporation , we , us , and our to Medicure Inc. and its wholly-owned subsidiaries, Medicure International Inc., Medicure Pharma Inc. and Medicure Europe Limited.

TRADEMARKS

AGGRASTAT® is a registered trademark of Medicure**.**

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We caution readers that certain important factors (including, without limitation, those set forth in this short form prospectus or in documents incorporated or deemed to be incorporated by reference herein) may affect our actual results and could cause such results to differ materially from any forward-looking statements that may be deemed to have been made in this short form prospectus or in documents incorporated or deemed to be incorporated by reference herein, or that are otherwise made by us or on our behalf. For this purpose, any statements contained in this short form prospectus or in documents incorporated or deemed to be incorporated by reference herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the generality of the foregoing, words such as may, except, believe, anticipate, intend, could, estimate, or continue, or the negative or of comparable terminology, are intended to identify forward-looking statements.

Specifically, this short form prospectus and the documents incorporated by reference in this short form prospectus contain forward-looking statements regarding:

- our intention to focus on the discovery and development of 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 pivotal Phase III clinical development program for MC-1;
- our plan to move forward with a clinical development program for MC-4232;
- our intention to build a pipeline of pre-clinical products over the next several years, including our drug product candidates currently at the discovery, preclinical and Phase I stages of development;
- our evaluation of other cardiovascular and cerebrovascular 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 involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Important factors that could cause such differences include, among other things, the risk factors discussed in this short form prospectus. See Risk Factors .

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We are under no duty to update any of the forward-looking statements contained in this short form prospectus or in documents incorporated or deemed to be incorporated by reference herein after the date of this short form prospectus to conform such forward-looking statements to our actual results.

As used herein, unless otherwise stated, the term year refers to fiscal year. Unless otherwise stated, the information contained herein is at December 28, 2006.

ENFORCEABILITY OF CERTAIN CIVIL LIABILITIES

We are a Canadian corporation with our principal place of business in Canada. Some of our directors and officers and some of the experts named in this short form prospectus are residents of Canada and all or a substantial portion of our assets and the assets of such persons may be located outside the United States. Consequently, it may be difficult for United States investors to effect service of process

within the United States upon us or our directors or officers, or to realize in the United States upon judgments of courts of the United States predicated upon civil liabilities under the United States Securities Act of 1933, as amended (the Securities Act). Investors should not assume that Canadian courts would enforce judgments of United States courts obtained in actions against us or such persons predicated upon the civil liability provisions of the United States federal securities laws or the securities or blue sky laws of any state within the United States or would enforce, in original actions, liabilities against us or such persons predicated upon the United States federal securities or any such state securities or blue sky laws.

RISK FACTORS

Investing in our common shares involves risks. You should carefully consider the risks described below and the other information in this short form prospectus or incorporated by reference in this short form prospectus before investing in our common shares. The risks and uncertainties described below are not the only ones we may face. Additional risks and uncertainties that we are unaware of, or that we currently deem to be immaterial, may also become important factors that affect us. If any of the following risks actually occurs, our business, financial condition or results of operations could be materially adversely affected, with the result that the trading price of our common shares could decline and you could lose all or part of your investment.

Risks Relating to the Business

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

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

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

We have incurred net losses every year since inception in 1997. As of May 31, 2006, the date of our last audited financial statements, we had an accumulated deficit of CDN$46,127,566. As of August 31, 2006, the end of our most recent fiscal quarter, our unaudited financial statements reflect an accumulated deficit of CDN$49,373,246. We incurred net losses of CDN$12,607,074 for the year ended May 31, 2006, CDN$14,865,910 for the year ended May 31, 2005, CDN$5,989,086 for the year ended May 31, 2004, CDN$4,193,688 for the year ended May 31, 2003 and CDN$3,875,087 for the year ended May 31, 2002. As of August 31, 2006, the end of our most recent fiscal quarter, our unaudited financial statements reflected a net loss for the three months then ended of CDN$3,245,680.

We anticipate that our losses will not only continue for the foreseeable future but will increase significantly, principally from expenditures relating to our research and development efforts and clinical trials. The long-term profitability of our operations is uncertain, and may never occur. Our long-term profitability will be directly related to our ability to develop a commercially viable drug product or products. This in turn depends on numerous factors, including the following:

a) the success of our research and development activities, including our drug discovery, preclinical and clinical development programs;
b) obtaining Canadian and United States regulatory approvals to market MC-1 and MC-4232, our lead products;
c) the ability to contract for the manufacture of our products according to schedule and within budget, given that we have no experience in large scale manufacturing;
d) the ability to successfully prosecute and defend our patents and other intellectual property; and
e) the ability to successfully market the Corporation s products including the Corporation s launch of AGGRASTAT® Injection (tirofiban hydrochloride), given that it has no experience in marketing.

If we do achieve profitability, we may not be able to sustain or increase profitability in the future.

We may never receive regulatory approval in Canada, the United States or abroad for any of our products developed. Therefore, we may not be able to sell any therapeutic products developed.

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

With the exception of AGGRASTAT®, all of our products are currently in the research and development stages. We may never have another commercially viable drug product approved for marketing. To obtain regulatory approvals for our products and to achieve commercial success, human clinical trials must demonstrate that the products are safe for human use and that they show efficacy. Even our most clinically advanced product, MC-1, only recently entered critical Phase III clinical trials. Unsatisfactory results obtained from a particular study or clinical trial relating to one or more of our products may cause the Corporation to reduce or abandon its commitment to that program.

If we fail to successfully complete our clinical trials, we will not obtain approval from the Canadian Therapeutic Products Directorate, formerly the Canadian Health Protection Branch (TPD), or from the U.S. Food and Drug Administration (FDA), to market our leading product, MC-1 or our second clinical candidate, MC-4232. Regulatory approvals also may be subject to conditions that could limit the market for MC-1 or MC-4232 or make either product or both products more difficult or expensive to sell than anticipated. Also, regulatory approvals may be revoked at any time, including for failure to comply with regulatory requirements or poor performance of MC-1 or MC-4232 in terms of safety and effectiveness.

Our business, financial condition and results of operations may be adversely affected if we fail to obtain regulatory approvals in Canada, the United States and abroad to market and sell MC-1 or MC-4232 or any current or future drug products, including any limitations imposed on the marketing of such products.

We may not be able to hire or retain the qualified scientific, technical and management personnel we require.

We have a contract with CanAm Bioresearch Inc. (CanAm) and Clinical Development Research Institute Inc. (CDRI) to perform for us a significant amount of our research and development activities. Because of the specialized scientific nature of our business, the loss of services of CanAm may require us to attract and retain replacement qualified scientific, technical and management personnel.

Competition in the biotechnology industry for such personnel is intense and we may not be able to hire or retain a sufficient number of qualified personnel, which may compromise the pace and success of our research and development activities.

Also, certain of our management personnel are officers and/or directors of other companies, some publicly-traded, and will only devote part of their time to us. We do not have key person insurance in effect in the event of a loss of any management, scientific or other key personnel. The loss of any such personnel could pose serious challenges for us.

We face substantial technological competition from many biotechnology companies with much greater resources, and we may not be able to effectively compete.

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

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

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

Our success will depend partly on our ability to enter into and to maintain various arrangements with corporate partners, licensors, licensees and others for the research, development, clinical trials, manufacturing, marketing, sales and commercialization of our products. These relationships will be crucial to our intention to license to or contract with larger, international pharmaceutical companies the manufacturing, marketing, sales and distribution of any products we may commercialize for production. To date, we have not entered into any such arrangements and may never be able to establish such arrangements on favourable terms. There can be no assurance that any licensing or other agreements will be established on favourable terms, if at all. The failure to establish successful collaborative arrangements with respect to certain products may negatively impact our ability to develop and commercialize those products, and may adversely affect our business, financial condition and results of operations.

We have licensed certain technologies relating to products under development and may enter into future licensing agreements. Our current licensing agreements contain provisions allowing the licensors to terminate such agreements if we become insolvent or breach the terms and conditions of the licensing agreements without rectifying such event of default in accordance with the agreement terms.

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

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

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

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

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

Substantial cash payments may be required under the terms of our borrowings upon an event of default or change of control. Such cash payments may leave us with little or no working capital in our business or make us insolvent.

In August 2006, we entered into a term loan financing facility totaling approximately US$15.84 million with a syndicate of lenders, led by Merrill Lynch Capital Canada Inc., and including Silicon Valley Bank and Oxford Finance Corporation (the Credit Facility). Under the Credit Facility, our lenders may require that all or a portion of the principal amount of the Credit Facility be repaid in cash upon the occurrence of various customary events of default (subject to certain cure periods), including but not limited to:

- the failure to pay principal, fees and/or interest due under the Credit Facility;
- the suspension of our common shares from trading on the TSX and AMEX;
- the issuance of any judgments or orders against us for the payment of money (not paid or fully covered by insurance) in an aggregate amount in excess of US$375,000;
- any material default under any indebtedness of ours in an aggregate principal amount exceeding US$375,000;

- any breach of any term of the credit and security agreement under which the Credit Facility was extended or in any other document delivered pursuant thereto;
- a default under any guarantee of the Credit Facility;
- an unpermitted payment by any obligor under the Credit Facility on account of any debt that has been subordinated to the Credit Facility;
- the occurrence of any fact, event or circumstance that could reasonably be expected to result in a material adverse effect; and
- actual or anticipated (such anticipation by the lenders to be based on their reasonable judgment based on information received from the Corporation) breach of certain financial covenants (including a requirement that a minimum additional working capital is required to be raised by the Corporation by February 28, 2007 through a collaborative partnership or equity issuance and that the Corporation achieve certain minimum net revenue targets from the sale of AGGRASTAT® as at March 31, 2007 and subsequently December 31 of each year during the term of the Credit Facility.

Upon the occurrence and during the continuance of an event of default, the interest rate on the Credit Facility will be increased by 1.5% . The lenders under the Credit Facility may also require all or a portion of the Credit Facility be redeemed in cash upon a change of control. We have not established a sinking fund for payment of the Credit Facility, nor do we anticipate doing so.

Our substantial debt could impair our financial condition. We are highly leveraged and have substantial debt service obligations.

As of August 31, 2006, we had approximately US$15.84 million of principal indebtedness outstanding under the Credit Facility that bears interest at a floating rate at one-month LIBOR plus 6.5% per annum. This substantial indebtedness could have important consequences for us. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions;
- impair our ability to obtain additional financing in the future for working capital needs, capital expenditures or general corporate purposes;
- require us to dedicate a significant portion of our existing cash and proceeds from any future financing transactions to the payment of principal and interest on our debt, which would reduce the funds available for our operations;
- limit our flexibility in planning for, or reacting to, changes in the business and the industry in which we operate; and
- place us at a competitive disadvantage compared to our competitors that have less debt.

Despite current indebtedness levels and the terms of the Credit Facility, we may still be able to incur substantially more debt. This could further exacerbate the risks associated with our substantial leverage.

Despite current indebtedness levels and the terms of the Credit Facility, we may still be able to incur substantial additional indebtedness in the future. Under the Credit Facility, we are permitted to incur, among other types of indebtedness, indebtedness that is subordinate to the Credit Facility. If new debt is added to our current debt levels, the related risks that we now face could increase.

We do not have manufacturing or marketing experience and may never be able to successfully manufacture or market our products.

We have no experience in large-scale manufacturing and in marketing or selling our products and may never be able to successfully manufacture and market our products. If the TPD or FDA approves MC-1, MC-4232 or any other of our products, we intend to contract with and rely on third parties to manufacture, market and sell our products. Accordingly, the quality, timing and ultimately the commercial success of such products may be outside our control. Failure of or delay by a third party manufacturer of our products to comply with good manufacturing practices or similar quality control regulations or satisfy regulatory inspections may have a material adverse effect on our future prospects. Failure of or delay by a third party in the marketing or selling of our products likewise may have a material adverse effect on our future prospects.

We have limited product liability insurance and may not be able to obtain adequate product liability insurance in the future.

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

If we are unable to successfully protect our proprietary rights, our competitive position will be adversely affected.

Our success will depend partly on our ability to obtain and protect our patents and protect our proprietary rights in unpatented trade secrets.

We own or jointly own 37 United States patents. We have additional pending United States patent applications. Our pending and any future patent applications may not be accepted by the United States Patent and Trademark Office or any other jurisdiction in which applications may be filed. Also, processes or products that may be developed by us in the future may not be patentable.

The patent protection afforded to biotechnology and pharmaceutical companies is uncertain and involves many complex legal, scientific and factual questions. There is no clear law or policy involving the degree of protection afforded under patents. As a result, the scope of patents issued to us may not

successfully prevent third parties from developing similar or competitive products. Competitors may develop similar or competitive products that do not conflict with our patents. Litigation may be commenced by us to prevent infringement of our patents. Litigation may also commence against us to challenge our patents that, if successful, may result in the narrowing or invalidating of such patents. It is not possible to predict how any patent litigation will affect our efforts to develop, manufacture or market our products. However, the cost of litigation to prevent infringement or uphold the validity of any patents issued to us may be significant, in which case our business, financial condition and results of operations may suffer. Patents provide protection for only a limited period of time, and much of such time can occur well before commercialization commences.

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

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

Our success will depend partly on our ability to operate without infringing upon the patents and other proprietary rights of third parties. We are not currently aware that any of our products or processes infringe the proprietary rights of third parties. However, despite our best efforts, we may be sued for infringing on the patent or other proprietary rights of third parties at any time in the future.

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

We are, and in the future may become, subject to additional stringent governmental regulations and if we are unable to comply with them, our business may be materially harmed.

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

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

We are unable to predict the extent of future government regulations or industry standards. However, it should be assumed that government regulations or standards will increase in the future. New

regulations or standards may result in increased costs, including costs for obtaining permits, delays or fines resulting from loss of permits or failure to comply with regulations.

Our products may not gain market acceptance, and as a result we may be unable to generate significant revenues.

We do not currently have the required clinical data and results to successfully market our product candidates in any jurisdiction; future clinical or preclinical results may be negative or insufficient to allow us to successfully market any of our product candidates; and obtaining needed data and results may take longer than planned, and may not be obtained at all.

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

We may not achieve our projected development goals in the time frames we announce and expect.

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

Our business involves the use of hazardous material, which requires us to comply with environmental regulations.

Although we do not currently manufacture commercial quantities of our products, we produce limited quantities of such products for our clinical trials. Our research and development processes involve the controlled storage, use, and disposal of hazardous materials and hazardous biological materials. We are subject to laws and regulations governing the use, manufacture, storage, handling, and disposal of such materials and certain waste products. Although we believe that our safety procedures for handling and disposing of such materials comply with the standards prescribed by such laws and regulations, the risk of accidental contamination or injury from these materials cannot be completely eliminated. In the event of such an accident, we could be held liable for any damages that result, and any such liability could exceed our resources. There can be no assurance that we will not be required to incur significant costs to comply with current or future environmental laws and regulations, or that our business, financial condition, and results of operations will not be materially or adversely affected by current or future environmental laws or regulations.

Our insurance may not provide adequate coverage with respect to environmental matters.

Environmental regulation could have a material adverse effect on the results of our operations and our financial position.

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

We will need to raise additional capital through the sale of our securities, resulting in dilution to our existing shareholders. Such funds may not be available, adversely affecting our operations.

We have limited financial resources and have financed our operations through the sale of securities, primarily common shares. We have significant on-going cash expenses and no ability to generate cash from operations. To meet our on-going cash needs we will need to continue our reliance on the sale of such securities for future financing, resulting in dilution to our existing shareholders. Our long-term capital requirements may be notably significant and will depend on many factors, including continued scientific progress in its product discovery and development program, progress in its pre-clinical and clinical evaluation of products and product candidates, time and expense associated with filing, prosecuting and enforcing our patent claims and costs associated with obtaining regulatory approvals. In order to meet such capital requirements, we will consider contract fees, collaborative research and development arrangements, public financing or additional private financing (including the issuance of additional equity securities) to fund all or a part of particular programs.

Our business, financial condition and results of operations will depend on our ability to obtain additional financing which may not be available under favourable terms, if at all. Our ability to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as our business performance. If our capital resources are exhausted and adequate funds are not available, we may have to reduce substantially or eliminate expenditures for research and development, testing, production and marketing of its proposed products, or obtain funds through arrangements with corporate partners that require us to relinquish rights to certain of our technologies or products.

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

As of August 31, 2006, we had 96,136,465, common shares issued and outstanding. A further 3,468,361 common shares are issuable upon exercise of outstanding stock options and another 6,706,860 common shares are issuable upon exercise of share purchase warrants, all of which may be exercised in the future resulting in dilution to our shareholders. Since August 31, 2006, the Corporation granted an additional 925,500 stock options pursuant to the stock option plan. Our stock option plan allows for the issuance of stock options to purchase up to a maximum of 7,200,000 common shares at any time. The common shares to be issued upon exercise of the outstanding options and warrants will be freely tradable and not subject to any hold period when issued.

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

Risks Relating to this Offering

Our common shares may experience extreme price and volume volatility which may result in losses to our shareholders.

On December 27, 2006, our common shares closed at a price of CDN$1.44 on the TSX and US$1.25 on the AMEX. For the period from December 1, 2005 to November 30, 2006, the high and low trading prices of our common shares on the TSX were CDN$2.37 and CDN$0.82, respectively, with a total trading volume of 61,018,000 shares. For the period from December 1, 2005 to November 30, 2006, the high and low trading prices of our common shares on the AMEX were US$2.07 and US$1.16, respectively, with a total trading volume of 30,299,900.

Daily trading volume on the TSX of our common shares for the period from December 1, 2005 to November 30, 2006 has fluctuated, with a high of 4,283,000 shares and a low of 24,300 shares, averaging approximately 242,135 shares. Daily trading volume on the AMEX in our common shares for the period from December 1, 2005 to November 30, 2006 has fluctuated with a high of 3,207,600 and a low of 3,800, averaging approximately 120,238. Accordingly, the trading price of our common shares may be subject to wide fluctuations in response to a variety of factors including announcement of material events by us such as the status of required regulatory approvals for our products, competition by new products or new innovations, fluctuations in our operating results, general and industry-specific economic conditions and developments pertaining to patent and proprietary rights. The trading price of our common shares may be subject to wide fluctuations in response to a variety of factors and/or announcements concerning such factors, including:

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

In addition, the securities markets in the United States and Canada have recently experienced a high level of price and volume volatility, and the market price of securities of biotechnology companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. In addition, because of the limited public float, there may be limited liquidity for our common shares. It is expected that such fluctuations in price and limited liquidity will continue in the foreseeable future which may make it difficult for a shareholder to sell shares at a price equal to or above the price at which the shares were purchased.

There may not be an active, liquid market for our common shares.

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

If there are substantial sales of our common shares, the market price of our common shares could decline.

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

We may be unable to meet our obligations under the outstanding Credit Facility.

As of August 31, 2006, we had approximately US$15.84 million of principal indebtedness outstanding under the Credit Facility, which bears interest at one-month LIBOR plus 6.5 percent per annum. The term of the Credit Facility is over 42 months, with interest due and payable at commencement of the loan payable on the first day of the month. Commencing in June 2007, principal is payable monthly on a straight-line amortization schedule over 33 consecutive monthly installments. There is no guarantee that we will be able to meet our obligations under the Credit Facility.

We have no history of paying dividends, do not intend to pay dividends in the foreseeable future and may never pay dividends.

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

We are likely to be classified as a passive foreign investment company for United States income tax purposes, which could have significant and adverse tax consequences to United States holders of our common shares.

We were a passive foreign investment company (PFIC) in the 2005 taxable year and we believe there is a significant likelihood that we will be classified as a PFIC in the 2006 taxable year and possibly in subsequent years. Our classification as a PFIC could have significant and adverse tax consequences for United States holders of our common shares. It may be possible for United States holders of our common shares to mitigate these consequences by making a so-called qualified electing fund election. (See Certain Income Tax Consequences below.)

We have adopted a shareholder rights plan.

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

THE CORPORATION

We are a biotechnology drug discovery, research and development company focused on the development of drugs for cardiovascular (heart) diseases and cerebrovascular (stroke) diseases. We were incorporated by a Certificate of Incorporation issued pursuant to the provisions of *The Corporations Act* (Manitoba) on September 15, 1997. We were continued from Manitoba to Alberta by a Certificate of Continuance issued pursuant to the provisions of the *Business Corporations Act* (Alberta) on December 3, 1999. On December 22, 1999, we amalgamated with Lariat Capital Inc. pursuant to a Certificate of Amalgamation issued pursuant to the provisions of the *Business Corporations Act* (Alberta) under the name Medicure Inc. Lariat Capital Inc. was formed as a Junior Capital Pool company, as defined by, and under the rules of the Alberta Stock Exchange with the expressed intent of acquiring a project or company through a reverse take over. With the exception of this intent and the associated search for potential acquisitions, Lariat Capital Inc. had no substantial prior business activities. We were continued from Alberta to the federal jurisdiction by a Certificate of Continuance issued pursuant to the provisions of the

Canada Business Corporations Act on February 23, 2000.

Our registered office is located at the 30th Floor, 360 Main Street, Winnipeg, Manitoba, Canada R3C 4G1 and our principal office is located at 4-1200 Waverley Street, Winnipeg, Manitoba, Canada, R3T 0P4.

RECENT DEVELOPMENTS

Acquisition of AGGRASTAT®

On August 9, 2006, we announced that we acquired the exclusive rights in the United States (U.S.) to AGGRASTAT® Injection (tirofiban hydrochloride) from MGI PHARMA, INC. for cash consideration of US$19 million plus the purchase of existing inventory. AGGRASTAT®, a glycoprotein IIb/IIIa inhibitor, is used for the treatment of acute coronary syndrome including unstable angina and non-Q-wave myocardian infarction.

Developed by Merck & Co., Inc. (Merck), AGGRASTAT® was launched in the U.S. in 1998 and is currently available in 82 countries worldwide. Merck continues to market AGGRASTAT® outside the U.S., including Europe. Merck sold the U.S. rights to AGGRASTAT® to Guilford Pharmaceuticals Inc. in 2003, which was subsequently acquired by MGI PHARMA in 2005.

Under the terms of the purchase agreement, the Corporation will make certain royalty payments to Merck based on net sales of AGGRASTAT® in the U.S, beginning in January 2007. The calculation of royalties is based on a sliding scale dependent on reaching certain net sales milestones and ranges between 5% to 20% of net sales as defined in the license agreement.

To finance the acquisition, the Corporation entered into a senior secured term loan totaling US$15.84 million, repayable over 42 months, with a syndicate of lenders, led by Merrill Lynch Capital Canada Inc. and including Silicon Valley Bank and Oxford Finance Corporation. Interest is payable on the first day of each month at an interest rate of one-month LIBOR plus 6.5% per annum. Commencing

in June 2007, principal is payable monthly on a straight-line amortization schedule over 33 consecutive monthly instalments.

On October 11, 2006, we launched our sales and marketing organization in the U.S. to support AGGRASTAT®. The initial team of twenty individuals has extensive experience in acute cardiovascular medicine and hospital based sales and consists of medical science liaisons, national account managers, regional managers and cardiovascular hospital specialty sales representatives. The Corporation entered into an agreement with a third party to provide contract sales and marketing services for its U.S. operations.

Duke and Montreal Heart to Lead MEND-CABG II Study

On August 16, 2006, we announced that the Duke Clinical Research Institute (DCRI) and the Montreal Heart Institute (MHI) agreed to lead the Phase III coronary artery bypass graft (CABG) study with MC-1. The study, entitled MEND-CABG II will enroll up to 3,000 CABG patients from over 120 sites throughout North America and Europe. The principal investigators for MEND-CABG II will be Dr. Robert Harrington, Professor of Medicine, and Director of Cardiovascular Clinical Trials at DCRI and Dr. Michel Carrier, Director of Cardiovascular Surgery Program at MHI. Dr. Harrinton and Dr. Carrier are recognized worldwide for their leadership and expertise in cardiovascular clinical research, and we have benefited from their experience in the design of MEND CABG II. We announced the commencement of enrollment in MEND-CABG II in November 2006.

Merck & Co., Inc Acquires Right of First Refusal

In conjunction with the AGGRASTAT® acquisition, Merck acquired the non-North American right of first refusal on future product opportunities combining MC-1 with AGGRASTAT®.

New Appointment to Board of Directors

On July 13, 2006, we announced that Kishore Kapoor, CA joined our board of directors. Mr. Kapoor is presently a director of Manitoba Telecom Services Inc., a public company listed on the Toronto Stock Exchange. From November 2003 to June 2005, Mr. Kapoor was Executive Vice President Corporate Development of Loring Ward International Ltd., which was formed to hold the U.S. operations of Assante Coporation. As one of the founders of Assante Corporation, Mr. Kapoor was its Executive Vice President Corporate Development from March 1994 to November 2003. Prior to founding Assante Corporation, Mr. Kapoor was a tax partner with KPMG LLP. In his 14 years with KPMG LLP, he specialized in offering clients advice on tax, corporate finance, mergers and acquisitions, and development of corporate strategy in a wide range of industries, including those in the biotechnology sector.

Two New Vice Presidents Added to Senior Mangement

On August 14, 2006, we announced that Jan-Ake Westin was appointed as our Vice President of Clinical Development. Mr. Westin possesses extensive clinical trial management experience, including senior management positions with clinical research organizations i3 Research and Innovus Research Inc. Mr. Westin also has extensive pharmaceutical experience, including senior clinical research and director level roles with Astra Pharma Inc., Pharmacia & Upjohn Inc., and Pfizer/Pharmacia Corporation. Mr. Westin will lead Medicure s MEND-CABG II team, while working closely with DCRI and MHI on the implementation of this Phase III study.

On July 12, 2006, we announced that Charles Gluchowski, PhD., has been appointed as our Vice President of Research and Development. Dr. Gluchowski has held executive and senior scientific

positions with several established and start-up life sciences companies including: Allergan, Inc., Synaptic Pharmaceutical Corp. (now part of Lundbeck), Ribogene, Inc., Questcor Pharmaceuticals, Inc., Ceretek, LLC, and most recently CTI Molecular Imaging (now part of Siemens).

Special Protocol Assessment with the FDA for Phase III MEND-CABG II Study

On December 12, 2006, we announced the completion of a Special Protocol Assessment (SPA) agreement with the FDA for the Phase III MEND-CABG II study. This single confirmatory Phase III study for registration will evaluate the cardioprotective effects of the Corporation s FDA fast tracked product, MC-1, in approximately 3,000 patients undergoing coronary artery bypass graft surgery. The SPA provides official confirmation form the FDA that the Phase III protocol is appropriately designed to form the basis of a new drug application submission.

USE OF PROCEEDS

The proceeds from the sale of the Common Shares offered pursuant to this short form prospectus are solely for the account of the Selling Shareholders. Accordingly, we will not receive any proceeds from the sale of the Common Shares by the Selling Shareholders. We will, however, receive the proceeds from any exercise of the Warrants.

SELLING SHAREHOLDERS

We are registering the Common Shares covered by this short form prospectus on behalf of the Selling Shareholders named in the table below. On December 19, 2006 and December 22, 2006, we entered into securities purchase agreements with the Selling Shareholders, pursuant to which we sold an aggregate of 19,923,044 Shares and 3,984,608 Warrants in the Private Placement. The Private Placement was completed on December 22, 2006 and December 28, 2006. This short form prospectus covers the offer and sale by the Selling Shareholders of up to all of the 23,907,652 Common Shares issued to the Selling Shareholders pursuant to such securities purchase agreements (including the Warrant Shares issuable upon the exercise of the Warrants). We are registering the Common Shares to permit the Selling Shareholders to resell the Common Shares. The Selling Shareholders are not under any obligation to sell all or any portion of their Common Shares, nor are the Selling Shareholders obligated to sell any of their securities immediately after the date of this prospectus.

The table below lists in the first column the Selling Shareholders. The second column lists the number of Common Shares being offered for sale by the Selling Shareholders under this prospectus, assuming the exercise of all Warrants. The third column lists the total number of common shares owned by each Selling Shareholder prior to this Offering, assuming the exercise of all Warrants. The fourth column assumes the sale of all of the Common Shares offered by the Selling Shareholders pursuant to this prospectus. Beneficial ownership is determined in accordance with the rules of the SEC and includes voting and investment power with respect to the securities. Except as indicated by footnote, the Selling Shareholders have sole voting and investment power with respect to the Common Shares. Except as otherwise disclosed below, the Selling Shareholders do not have, and have not within the past three years had, any position, office or other material relationship with us.

Percentage of beneficial ownership is based on 120,157,450 of our common shares outstanding on December 21, 2006, giving effect to the sale of 23,907,652 Common Shares to the Selling Shareholders in the Private Placement (including the potential issuance of up to 3,984,608 Warrant Shares assuming full exercise of the Warrants).

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Name of Selling Shareholder[1]	Number of Common Shares being offered[2]	Common Shares owned prior to this Offering[2]		Common Shares owned after this Offering[2]	
		Number	Percent	Number	Percent
Optimum Small Cap Growth	444,084	444,084	0.37%	0	0%
Wanger US Smaller Companies	1,776,120	1,776,120	1.48%	0	0%
Wanger US Small Cap	4,428,360	4,428,360	3.69%	0	0%
Columbia Acorn USA	4,428,360	4,428,360	3.69%	0	0%
Federated Kaufmann Small Cap Fund, a Portfolio of Equity Funds	1,206,332	1,206,332	1.00%	0	0%
American Skandia Trust Federated Aggressive Growth Portfolio	639,822	639,822	0.53%	0	0%
Nite Capital LP	461,538	846,154	0.38%	384,616	0.32%
ProMed Partners, L.P.	304,632	304,632	0.25%	0	0%
ProMed Partners II, L.P.	14,442	14,442	0.01%	0	0%
ProMed Offshore Fund, Ltd.	50,166	50,166	0.04%	0	0%
ProMed Offshore Fund II, Ltd.	1,015,380	1,015,380	0.85%	0	0%
Rockmore Investment Master Fund Limited	461,538	461,538	0.38%	0	0%
Sigma Capital Associates, LLC[3]	1,200,000	1,400,000	1.17%	200,000	0.17%
WHI Growth Fund Q.P., L.P.	1,846,152	1846,152	1.54%	0	0%
Panacea Fund, LLC	461,544	561,544	0.47%	100,000	0.08%
Monsun AS	600,000	0	0%	0	0%
Lars H. Hoie	4,569,182	4,769,182	3.97%	200,000	0.17%

(1) All shares indicated below are owned both of record and beneficially by the selling shareholder except for the shares held by Federated Kaufmann Small Cap Fund, American Skandia Trust Federated Aggressive Growth Portfolio and Lars H. Hoie which are owned beneficially only.

(2) Although the Selling Shareholders have not expressed a specific intention as to the number of our Common Shares to be sold, the table shows the ownership that would result if all such Selling Shareholders Common Shares purchased under the Private Placement, including the Warrant Shares, were sold. Any common shares owned by the Selling Shareholders that are not registerable common shares pursuant to the Private Placement are not assumed to be sold.

(3) With respect to 200,000 of our common shares beneficially owned by Sigma Capital Associates, LLC, Sigma Capital Management LLC maintains investment and voting power over such securities pursuant to an investment management agreement but disclaims beneficial ownership.

CONSOLIDATED CAPITALIZATION

There have been no material changes to the share and loan capital of the issuer since August 31, 2006 other than the Private Placement.

Capital	Outstanding as at May 31, 2006 (audited)	Outstanding as at August 31, 2006 before giving effect to the Private Placement (unaudited)	Outstanding as at August 31, 2006 after giving effect to the Private Placement[1] (unaudited)
Capital Stock	CDN$81,226,634	CDN$81,255,734	CDN$111,150,144
Contributed Surplus	2,070,670	2,243,165	2,243,165
Deficit	(46,127,566)	(49,373,246)	(49,373,246)
Total	CDN$37,169,738	CDN$34,125,653	CDN$64,020,063
Number of Common Shares	96,046,465	96,136,465	116,059,509[2]

(1) Before deducting expenses of the Private Placement and this short form prospectus, estimated at CDN$2.45 million and excluding 113,333 Common Shares issued since August 31, 2006 upon the exercise of stock options granted by us.

(2) Excluding the potential issuance of 3,984,608 Warrant Shares.

DESCRIPTION OF COMMON SHARES

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

CERTAIN INCOME TAX CONSIDERATIONS

U.S. Federal Income Tax Consequences

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

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

No legal opinion from U.S. legal counsel or ruling from the Internal Revenue Service (the IRS) has been requested, or will be obtained, regarding the U.S. federal income tax consequences of the acquisition, ownership, and disposition of Common Shares. This summary is not binding on the IRS, and

the IRS is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary. In addition, because the authorities on which this summary is based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the positions taken in this summary.

Scope of this Summary

Authorities

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

U.S. Holders

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

Non-U.S. Holders

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

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

This summary does not address the U.S. federal income tax consequences of the acquisition, ownership, and disposition of Common Shares to U.S. Holders that are subject to special provisions under the Code, including the following U.S. Holders: (a) U.S. Holders that are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) U.S. Holders that are financial institutions, insurance companies, real estate investment trusts, or regulated investment companies; (c) U.S. Holders that are dealers in securities or currencies or U.S. Holders that are traders in securities that elect to apply a mark-to-market accounting method; (d) U.S. Holders that have a functional currency other than the U.S. dollar; (e) U.S. Holders that are liable for the alternative minimum tax under the Code; (f) U.S. Holders that own Common Shares as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one

position; (g) U.S. Holders that acquired Common Shares in connection with the exercise of employee stock options or otherwise as compensation for services; (h) U.S. Holders that hold Common Shares other than as a capital asset within the meaning of Section 1221 of the Code; or (i) U.S. Holders that own (directly, indirectly, or constructively) 10% or more of the total combined voting power of all classes of shares of the Corporation entitled to vote. U.S. Holders that are subject to special provisions under the Code, including U.S. Holders described immediately above, should consult their own tax advisors regarding the U.S. federal income tax consequences of the acquisition, ownership, and disposition of Common Shares.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds Common Shares, the U.S. federal income tax consequences of the acquisition, ownership, and disposition of Common Shares to such partnership and the partners of such partnership generally will depend on the activities of the partnership and the status of such partners. Partners of entities that are classified as partnerships for U.S. federal income tax purposes should consult their own tax advisors regarding the U.S. federal income tax consequences of the acquisition, ownership, and disposition of Common Shares.

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

This summary does not address any U.S. federal tax consequences other than U.S. federal income tax consequences, or any U.S. state and local or (except as specifically discussed below in Canadian Federal Income Tax Considerations for United States Residences) foreign tax consequences to U.S. Holders of the acquisition, ownership, and disposition of Common Shares. Each U.S. Holder should consult its own tax advisor regarding the U.S. state and local, U.S. federal estate and gift, and foreign tax consequences of the acquisition, ownership, and disposition of Common Shares.

U.S. Federal Income Tax Consequences of the Acquisition, Ownership, and Disposition of Common Shares

Distributions on Common Shares

General Taxation of Distributions

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

Reduced Tax Rates for Certain Dividends

For taxable years beginning before January 1, 2011, a dividend paid by the Corporation generally will be taxed at the preferential tax rates applicable to long-term capital gains if (a) the Corporation is a qualified foreign corporation (as defined below), (b) the U.S. Holder receiving such dividend is an individual, estate, or trust, and (c) such dividend is paid on Common Shares that have been held by such U.S. Holder for at least 61 days during the 121-day period beginning 60 days before the ex-dividend date.

The Corporation generally will be a qualified foreign corporation under Section 1(h)(11) of the Code (a QFC) if (a) the Corporation is incorporated in a possession of the U.S., (b) the Corporation is eligible for the benefits of the Canada-U.S. Tax Convention, or (c) the Common Shares are readily tradable on an established securities market in the U.S. However, even if the Corporation satisfies one or more of such requirements, the Corporation will not be treated as a QFC if the Corporation is a passive foreign investment company (as defined below) for the taxable year during which the Corporation pays a dividend or for the preceding taxable year. In 2003, the U.S. Department of the Treasury (the Treasury) and the IRS announced that they intended to issue Treasury Regulations providing procedures for a foreign corporation to certify that it is a QFC. Although these Treasury Regulations have not yet been issued, the Treasury and the IRS have confirmed their intention to issue these Treasury Regulations. It is expected that these Treasury Regulations will obligate persons required to file information returns to report a dividend paid by a foreign corporation as a dividend from a QFC if the foreign corporation has, among other things, certified under penalties of perjury that the foreign corporation was not a passive foreign investment company for the taxable year during which the foreign corporation paid the dividend or for the preceding taxable year.

As discussed below, the Corporation expects that it will be a passive foreign investment company for its current taxable year, and the Corporation expects that it will be a passive foreign investment company for one or more subsequent taxable years. (See Additional Rules that May Apply to U.S. Holders Passive Foreign Investment Corporation below). Accordingly, the Corporation does not expect to be a QFC for its current taxable year, and the Corporation may not be a QFC for subsequent taxable years.

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

Distributions Paid in Foreign Currency

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

Dividends Received Deduction

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

Disposition of Common Shares

A U.S. Holder will recognize gain or loss on the sale or other taxable disposition of Common Shares in an amount equal to the difference, if any, between (a) the amount of cash plus the fair market value of any property received and (b) such U.S. Holder s adjusted tax basis in the Common Shares sold or otherwise disposed of. Subject to the passive foreign investment company rules discussed below,

any such gain or loss generally will be capital gain or loss, which will be long-term capital gain or loss if the Common Shares are held for more than one year.

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

Foreign Tax Credit

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

Complex limitations apply to the foreign tax credit, including the general limitation that the credit cannot exceed the proportionate share of a U.S. Holder s U.S. federal income tax liability that such U.S. Holder s foreign source taxable income bears to such U.S. Holder s worldwide taxable income. In applying this limitation, a U.S. Holder s various items of income and deduction must be classified, under complex rules, as either foreign source or U.S. source. In addition, this limitation is calculated separately with respect to specific categories of income (including passive income, high withholding tax interest, financial services income, general income, and certain o categories of income). Gain or loss recognized by a U.S. Holder on the sale or other taxable disposition of Common Shares generally will be treated as U.S. source for purposes of applying the foreign tax credit rules. Dividends received on the Common Shares generally will be treated as foreign source and generally will be categorized as passive income or, in the case of certain U.S. Holders, financial services income for purposes of applying the foreign tax credit rules. However, for taxable years beginning after December 31, 2006, the foreign tax credit limitation categories are reduced to passive category income and general category income (and the other categories of income, including financial services income, are eliminated). The foreign tax credit rules are complex, and each U.S. Holder should consult its own tax advisor regarding the foreign tax credit rules.

Information Reporting; Backup Withholding Tax

Payments made within the U.S., or by a U.S. payor or U.S. middleman, of dividends on, or proceeds arising from the sale or other taxable disposition of, Common Shares generally will be subject to information reporting and backup withholding tax, at the rate of 28