GenMark Diagnostics, Inc.
Form 10-K/A
December 02, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

Amendment No. 1

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the year ended December 31, 2010

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number: 001-34753

GenMark Diagnostics, Inc.

(Exact name of registrant as specified in its charter)

Delaware	27-2053069
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
5964 La Place Court, Suite 100, Carlsbad, California	92008-8829
(Address of principal executive offices)	(Zip code)

Registrant s telephone number, including area code: 760-448-4300

Securities registered pursuant to Section 12(b) of the Act

Title of Each Class:	Name of Each Exchange on which Registered:
Common Stock, par value $0.0001 per share	The NASDAQ Stock Market LLC

(NASDAQ Global Market)

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1933, as amended. YES ¨ NO x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended. YES ¨ NO x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer x	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of June 30, 2010, the last business day of the registrant s most recent completed quarter, the aggregate market value of the common stock held by non-affiliates of the registrant was approximately $30,282,224 based on the closing sale price for the registrant s common stock on the NASDAQ Global Market on that date of $4.09 per share. This number is provided only for the purpose of this report on Form 10-K and does not

represent an admission by either the registrant or any such person as to the status of such person.

The number of outstanding shares of the registrant s common stock on March 1, 2011 was 11,728,233. The common stock is listed on the NASDAQ Global Market (trading symbol GNMK).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s definitive proxy statement for the 2011 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days after the end of the year ended December 31, 2010, are incorporated by reference in Part III of this Form 10-K.

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EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A (the Amendment) amends our Annual Report on Form 10-K for the period ended December 31, 2010, as filed with the Securities and Exchange Commission (the SEC) on March 14, 2011 (the Original Filing). The Original Filing is being amended solely to (i) correct the reporting of the license of certain intellectual property rights, which should have been recorded as both an asset and a liability in our financial statements for the period ended December 31, 2010, (ii) reclassify certain immaterial revenues and expenses in the Consolidated Statements of Operations for the year ended December 31, 2010 and related periods presented herein, with no net impact to operating income, net loss, statements of cash flows or balance sheets, as described below, and (iii) correct disclosures of repayment terms of the loan proceeds received in 2011. Accordingly, Items 6, 7, 8 and 9A of Part II of the Original Filing are hereby amended and restated in their entirety.

Subsequent to the issuance of our 2010 audited financial statements, we concluded that a contract for the license of certain intellectual property rights should have been recorded as both an asset and a liability in the financial statements for the period ended December 31, 2010. We have recorded this contract which results in an increase of $1,389,000 to intangible assets for the year ended December 31, 2010. The current and long-term portion of the liability for the contract for which payment was not due at December 31, 2010 was $695,000 and $694,000 respectively as of December 31, 2010.

Subsequent to the issuance of our 2010 audited financial statements, we further concluded that certain revenues and expenses were classified incorrectly in our Consolidated Statements of Operations for the year ended December 31, 2010, with no net impact to operating income, net loss, statements of cash flows or balance sheets. These corrections result in reductions to cost of sales of $399,000 for the year ended December 31, 2010 and corresponding increases to revenues, sales and marketing and research and development expenses. The corrections were made to reclassify freight revenue which was originally netted against freight expense, reclassify samples and freight expense to sales and marketing expense, and to allocate wages for employees spent on non-production activities to research and development and general and administrative expense from cost of sales expense.

In connection with the filing of this Amendment and pursuant to the rules of the SEC, we are including with this Amendment certain currently dated certifications on Exhibits 31 and 32 by our Chief Executive Officer and Chief Financial Officer as exhibits to this Form 10-K/A under Item 6 of Part II hereof.

Except as described above, no other changes have been made to the Original Filing. The Original Filing, as amended by this Amendment, continues to speak as of the date of the Original Filing, and we have not updated the disclosures contained therein to reflect any events which occurred at a date subsequent to the filing of the Original Filing. Accordingly, this Amendment should be read in conjunction with the Original Filing and our filings made with the SEC subsequent to the date of the Original Filing.

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Forward-Looking Statements

This Annual Report on Form 10-K/A, particularly in Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations, and the documents incorporated by reference, include forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical fact, are statements that could be deemed forward-looking statements, including, but not limited to, statements regarding our future financial position, business strategy and plans and objectives of management for future operations. When used in this Annual Report, the words believe, may, could, will, estimate, continue, anticipate, intend, expect, and similar expressions are intended to identify forward-looking statements.

We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to certain risks and uncertainties that could cause our actual results to differ materially from those reflected in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this report, and in particular, the risks discussed under the heading Risk Factors in the Original Filing and those discussed in other documents we file with the Securities and Exchange Commission. Except as required by law, we do not intend to update these forward-looking statements publicly or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this report and in the documents incorporated in this report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. Accordingly, readers are cautioned not to place undue reliance on such forward-looking statements.

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PART II.

Item 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data relates to GenMark and its consolidated subsidiaries. The selected consolidated statement of operations data presented below of GenMark for the year ended December 31, 2010 and Osmetech plc for the years ended December 31, 2009 and 2008 and the selected consolidated balance sheet data of GenMark as of December 31, 2010 and Osmetech plc as of December 31, 2009 have been derived from the audited consolidated financial statements of GenMark, which have been prepared in accordance with U.S. GAAP, included elsewhere in this Form 10-K/A.

The selected consolidated financial statements of operations data of Osmetech plc presented below for the year ended December 31, 2007 and the selected consolidated balance sheet data of Osmetech plc as of December 31, 2008 have been derived from audited consolidated financial statements of Osmetech plc, not included in this Form 10-K/A, which have been prepared in accordance with U.S. GAAP.

The selected consolidated financial statement of operations data presented below for the year ended December 31, 2006 and the selected consolidated balance sheet data as of December 31, 2007 and 2006 have been derived from unaudited consolidated financial information, not included in this Form 10-K/A, and have been prepared by GenMark in accordance with U.S. GAAP.

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The results for the periods shown below are not necessarily indicative of the results to be expected for any future periods. The selected consolidated financial data should be read together with Management s Discussion and Analysis of Financial Condition and Results of Operations and with the consolidated financial statements and unaudited condensed consolidated financial statements of GenMark and related notes included elsewhere in this prospectus.

	$0000,000,000	$0000,000,000	$0000,000,000	$0000,000,000	$0000,000,000
	2010	**2009**	**2008**	**2007**	**2006**
Consolidated Statements of Operations Data:					
Revenue:					
Product sales	$ 2,340,996	$ 910,527	$ 559,592	$ 234,099	$ 50,500
License and other revenue	222,599	87,889	87,500	107,500	41,062
Total revenue	2,563,595	998,416	647,092	341,599	91,562
Cost of sales	3,978,899	4,332,299	3,237,869	2,624,589	2,331,430
Gross loss	(1,415,304)	(3,333,883)	(2,590,777)	(2,282,990)	(2,239,868)
Operating expenses:					
Sales and marketing	4,555,156	3,181,762	3,393,665	2,220,098	905,962
Research and development	6,646,148	5,633,717	13,423,679	12,554,236	10,606,562
General and administrative	7,414,660	8,288,762	9,632,708	8,895,796	9,781,509
Total operating expenses	18,615,964	17,104,241	26,450,052	23,670,130	21,294,033
Loss from operations	(20,031,268)	(20,438,124)	(29,040,829)	(25,953,120)	(23,533,901)
Other (expense) income:					
Foreign exchange (loss) gain	(1,110)	303,523	504,921		
Interest income (expense)	(582)	33,222	420,011	1,715,211	522,293
Therapeutic Discovery Credit	1,645,292				
Total other income	1,643,600	336,745	924,932	1,715,211	522,293
Loss before income taxes	(18,387,668)	(20,101,379)	(28,115,897)	(24,237,909)	(23,011,608)
(Provision) benefit for income taxes	(15,324)	138,770	(246,736)	300,214	231,637
Net loss from continuing operations	$ (18,402,992)	$ (19,962,609)	$ (28,362,633)	$ (23,937,695)	$ (22,779,971)
Net loss per common share from continuing operations (basic and diluted)	$ (1.88)	$ (4.41)	$ (28.13)	(27.13)	$ (31.67)
Weighted average shares used in net loss per common share	9,796,588	4,526,758	1,008,386	882,325	719,378

	$0000,000,000	$0000,000,000	$0000,000,000	$0000,000,000	$0000,000,000

	As of December 31,				
	2010	2009	2008	2007	2006
Balance Sheet Data:					
Cash and cash equivalents	$ 18,329,079	$ 16,482,818	$ 8,822,458	$ 27,619,715	$ 13,874,798
Total assets	26,314,509	19,333,477	15,175,215	33,233,621	26,718,736
Long-term liabilities	1,306,932	795,334	769,237	720,355	339,144
Total liabilities	5,247,091	4,008,659	5,237,946	3,265,933	8,359,361
Accumulated deficit	(144,492,881)	(126,089,889)	(106,127,280)	(77,764,647)	(88,309,444)
Total stockholders equity	21,067,418	15,324,818	9,937,269	29,967,688	18,359,375

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Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

You should read the following in conjunction with the Selected Consolidated Financial Information and the consolidated financial statements of GenMark and the related notes thereto that appear elsewhere in this report. In addition to historical information, the following discussion and analysis includes forward looking information that involves risks, uncertainties and assumptions. Actual results and the timing of events could differ materially from those anticipated by these forward looking statements as a result of many factors, including those discussed under Risk Factors in the Original Filing . See also Special Note Regarding Forward Looking Statements included elsewhere in this filing.

Overview

GenMark Diagnostics, Inc., or GenMark, was formed by Osmetech plc, or Osmetech, in Delaware in February 2010 and had no operations prior to its initial public offering which was completed in June 2010. Immediately prior to the closing of the initial public offering, GenMark acquired all of the outstanding ordinary shares of Osmetech in a reorganization under the applicable laws of the United Kingdom. As a result of the reorganization, all of the issued ordinary shares in Osmetech were cancelled in consideration of (i) the issuance of common stock of GenMark to the former shareholders of Osmetech and (ii) the issuance of new shares in Osmetech to GenMark. Following the reorganization, Osmetech became a subsidiary controlled by GenMark, and the former shareholders of Osmetech began to hold shares of GenMark. Any historical discussion of GenMark relates to Osmetech and its consolidated subsidiaries prior to the reorganization.

We are a molecular diagnostics company focused on developing and commercializing our proprietary eSensor detection technology. Our proprietary electrochemical technology enables fast, accurate and highly sensitive detection of up to 72 distinct biomarkers in a single sample. Our XT-8 system received 510(k) clearance from the Food and Drug Administration, or FDA, and is designed to support a broad range of molecular diagnostic tests with a compact and easy-to-use workstation and self-contained, disposable test cartridges. Within 30 minutes of receipt of an amplified DNA sample, our XT-8 system produces clear and accurate results. Our XT-8 system supports up to 24 independent test cartridges, which can be run independently, resulting in a highly convenient and flexible workflow for our target customers, which are hospitals and reference laboratories.

We have developed four diagnostic tests for use with our XT-8 system and expect to expand this test menu by introducing two to four new tests annually. Our Cystic Fibrosis Genotyping Test, which detects pre-conception risks of cystic fibrosis, our Warfarin Sensitivity Test, which determines an individual s ability to metabolize the oral anticoagulant warfarin, and our Thrombophilia Risk Test, which detects an individual s increased risk of blood clots, have received FDA clearance. Our eSensor technology has demonstrated 100% accuracy in clinical studies compared to DNA sequencing in our Cystic Fibrosis Genotyping Test, our Warfarin Sensitivity Test and our Thrombophilia Risk Test. We have also developed a Respiratory Viral Panel Test, which detects the presence of major respiratory viruses and is labeled for investigational use only, or IUO. We intend to seek FDA clearance for our Respiratory Viral Panel Test in 2011. We also have a pipeline of several additional potential products in different stages of development or design, including diagnostic tests for an individual s sensitivity to Plavix, a commonly prescribed anti-coagulant, and for mutations in a gene known as K-ras, which is predictive of an individual s response rates to certain prescribed anti-cancer therapies.

We are also developing our next-generation platform, the NexGen system. We are designing the NexGen system to integrate DNA amplification with our eSensor detection technology to enable technicians using the NexGen system to be able to place a raw or minimally prepared patient sample into our test cartridge and obtain results without any additional steps. This sample to answer capability is enabled by the robust nature of our eSensor detection technology, which is not impaired by sample impurities that we believe hinder competing technologies. We are designing our NexGen system to further simplify workflow and provide powerful, cost-effective molecular diagnostics solutions to a significantly expanded group of hospitals and reference laboratories.

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Since inception, we have incurred net losses from continuing operations each year, and we expect to continue to incur losses for the foreseeable future. Our losses attributable to continuing operations for the years ended December 31, 2010, 2009 and 2008 were approximately $18.4 million, $20.0 million and $28.4 million, respectively. As of December 31, 2010, we had an accumulated deficit of $144.5 million. Our operations to date have been funded principally through sales of capital stock and sales of our previous businesses. We expect to incur increasing expenses over the next several years, principally to develop additional diagnostic tests, as well as to further increase our spending to manufacture, sell and market our products.

Financial Results Overview

Revenue

Revenue from continuing operations includes product sales, principally of our eSensor Cystic Fibrosis Genotyping Test and, to a lesser extent, our Warfarin Sensitivity Test, for use with our XT-8 system and our predecessor eSensor 4800 System. We primarily place our XT-8 system with customers through a reagent rental agreement, under which customers commit to purchasing minimum quantities of test cartridges over a period of one to three years. We also offer our XT-8 system for sale, however, for the year ended December 31, 2010, we had sold only ten XT-8 systems to customers which included the sale of thirteen analyzers.

Revenue also includes licensing revenue from the out-licensing of our electrochemical detection technology. In addition, revenue generated from service agreements recognized using the proportional performance method of accounting is included in this category. We may enter into additional sub-licenses of our technology generating additional revenue, but do not anticipate that this will provide a significant portion of our future revenue.

Our growth plans focus on both reagent rental agreements and system sales of our current XT-8 system and our next-generation NexGen system that is currently under development. We plan to expand our base of customers and systems as well as adding more tests for use with our systems. We believe these developments will drive accelerated use of our test cartridges, which we expect to be our primary source of revenue.

Cost of Sales

Cost of sales includes the cost of materials, direct labor and manufacturing overhead costs used in the manufacture of our consumable test kits for our XT-8 system and our predecessor eSensor 4800 System, including royalties on product sales. Cost of sales also includes depreciation on revenue generating systems that have been placed with our customers under a reagent rental agreement, and amortization of licenses related to our test cartridges.

Our XT-8 systems are procured from a contract manufacturer and generally capitalized as fixed assets and depreciated on a straight line basis over their useful life as a charge to cost of sales. We expect our costs of sales to increase as we place additional XT-8 systems and manufacture and sell an increasing menu of accompanying diagnostic tests.

We manufacture our test cartridges in our facility and have significant capacity for expansion. This underutilized capacity results in a high cost of sales relative to revenue, resulting in a gross loss. We believe cost of sales as a percentage of revenue will decrease as our sales of test cartridges grow.

Sales and Marketing Expenses

Sales and marketing include those costs associated with our direct sales force, sales management, marketing, technical support and business development departments. These expenses primarily consist of salaries, commissions, benefits, share-based compensation, travel, advertising and promotions. We expect sales and marketing costs to increase as we scale up our commercial efforts to drive an increased customer base.

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Research and Development Expenses

Research and development expenses primarily include expenses related to the development of our XT-8 system and its predecessor eSensor 4800 System, including the detection system and the test cartridges. These expenses also included clinical study expenses incurred in the process of preparing for FDA clearance for these systems and test cartridges. The expenses primarily consisted of salaries, benefits, share-based compensation costs, outside design and consulting services, laboratory supplies, contract research organizations, clinical study supplies and facility costs.

We expense all research and development costs in the periods in which they are incurred. We expect research and development costs to increase as we develop more advanced systems and increase the development of new tests for our XT-8 system.

General and Administrative Expenses

Our general and administrative expenses include our executive, accounting and finance, information technology, legal, intellectual property, human resource and investor relations departments. These expenses consist primarily of salaries, benefits, share-based compensation costs, independent auditor costs, legal fees, consultants, travel, insurance, relocation, and public company expenses such as stock transfer agent fees and listing fees for AIM and NASDAQ.

Foreign Exchange Gains and Losses

Transactions in currencies other than the functional currency are translated at the prevailing rates on the dates of the transaction. Foreign exchange gains and losses arise from differences in exchange rates during the period between the date a transaction denominated in a foreign currency is consummated and the date on which it is settled or translated. Exchange gains and losses also included those arising on cash balances held by Osmetech denominated in currencies other than its functional currency, the British pound. Since the initial public offering, the functional currency of GenMark has been the U.S. dollar.

Interest Income (expense)

Interest income (expense) includes interest earned on our cash and cash equivalents less interest accrued on other liabilities.

Benefit (Provision) for Income Taxes

We account for income taxes in accordance with ASC Topic 740, *Income Taxes*. Under ASC Topic 740, deferred taxes are provided on an asset and liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss carryforwards. Deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and the tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Critical Accounting Polices and Significant Judgments and Estimates

Revenue

We recognize revenue from product sales and contract arrangements, net of discounts and sales related taxes. We recognize revenue from product sales when there is persuasive evidence that an arrangement exists, delivery has occurred, the price is fixed or determinable and collectability is reasonably assured. Where applicable, all revenue is stated net of sales taxes and trade discounts.

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We offer customers the choice to either purchase a system outright or to receive a system free of charge in exchange for an annual minimum purchase commitment for test cartridges. When a system is sold, revenue is generally recognized upon shipment of the unit. When a system is placed free of charge under a reagent rental agreement, we retain title to the equipment and the system remains capitalized on the balance sheet under property and equipment. Under our reagent rental agreements, we retain the right to access or replace the systems at any time and our customers pay an additional system rental fee for each test cartridge purchased. The reagent rental fee varies based on the monthly volume of test cartridges purchased.

We sell our durable systems and disposable test cartridges through a direct sales force in the United States. Components are individually priced and can be purchased separately or together. The system price is not dependent upon the purchase of any amount of disposable test cartridges. Revenue on system and test cartridge sales is recognized upon shipment, which is when title and the risk of loss and rewards of ownership have been transferred to the customer and there are no other post-shipment obligations.

During the year ended December 31, 2010, we sold ten XT-8 systems to customers which included the sale of thirteen analyzers.

Revenue related to royalties received from licenses is recognized evenly over the contractual period to which the license relates. Revenue from service agreements is recognized using the proportional performance method of accounting.

Shipping and handling costs are expensed as incurred and included in cost of product sales. In those cases where we bill shipping and handling costs to customers, the amounts billed are classified as revenue.

Property and Equipment

Property, equipment and leasehold improvements are recorded at cost and depreciated using the straight-line method over the assets estimated useful lives, which are noted below. We generally capitalize our XT-8 systems, and previously the predecessor eSensor 4800 systems, and provide these to customers for no charge. Each category of property and equipment is analyzed to determine its useful life. We look at the manufacturers estimates of useful life and adjust these for actual experience in our operating environment. Useful lives are reviewed periodically and shortened if circumstances dictate a change.

Machinery and laboratory equipment	3 - 5 years
Systems at customer location	3 years
Office equipment	2 - 4 years
Leasehold improvements	over the shorter period of the life of the lease or the useful economic life of the asset

During 2009, our estimate of the useful life of our systems was changed from five years to three years. This estimate was revised due to a change in our strategy to accelerate the development of our next-generation system and did not have a significant impact on the results for the period.

Impairment of Long-Lived Assets

We assess the recoverability of long-lived assets, including intangible assets and systems at customer locations by periodically evaluating the carrying value of such assets whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If impairment is indicated, we write down the carrying value of the asset to the estimated fair value. This fair value is usually determined based on an estimate of future discounted cash flows. The primary cause for us to consider systems at customer locations for impairment is evidence that customers are not ordering the minimum quantities set forth in their reagent rental agreement. For impairment of systems at customers locations, which are assessed separately for each customer, we analyze the recoverability based on historical and estimated future sales of test cartridges to each customer. In

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the year ended December 31, 2010, no impairment charges were recorded. In the year ended December 31, 2009, we recorded an impairment against systems of $865,389, which was recorded within cost of sales ($665,718), sales and marketing ($129,712) and research and development ($69,959).

Share-Based Compensation

We have granted our options with an exercise price equal to the closing price of GenMark s common stock on the NASDAQ Global Market on each grant date. We use the Black-Scholes option-pricing model as the method for determining the estimated fair value of stock options. The Black-Scholes model requires the use of highly subjective and complex assumptions which determine the fair value of share-based awards, including the option s expected term and the price volatility of the underlying stock. These assumptions include:

Expected Term. Our expected term represents the period that our share-based awards are expected to be outstanding and is determined by evaluating past experience.

Expected Volatility. Expected volatility represents the volatility in our stock price expected over the expected term of the option.

Expected Dividend. The Black-Scholes valuation model calls for a single expected dividend yield as an input. We assumed no dividends as we have never paid dividends and have no current plans to do so.

Risk-Free Interest Rate. The risk-free interest rate used in the Black-Scholes valuation method is based on published government rates in effect at the time of grant for periods corresponding with the expected term of option.

Estimated Forfeitures. The estimated forfeiture rate is determined based on our historical forfeiture rates. We will monitor actual expenses and periodically update the estimate.

Valuation. Our board of directors determined the fair value of our common stock to be equivalent to the closing prices on the NASDAQ Global Market. GenMark s shares trade on the NASDAQ on a daily basis and reflect prices that investors are willing to pay for GenMark s shares.

Income Taxes

Our income tax expense, deferred tax assets and liabilities and reserves for unrecognized tax benefits reflect management s best assessment of estimated future taxes to be paid. We are subject to income taxes in both the United States and the United Kingdom. Significant judgments and estimates are required in determining the consolidated income tax expense.

We believe that it is more likely than not that the benefit from certain U.S. federal and U.S. state net operating loss carryforwards will not be realized. In recognition of this risk, we have provided a valuation allowance of approximately $13.1 million on the deferred tax assets relating to these net operating loss carryforwards and other deferred tax assets. If our assumptions change and we determine we will be able to realize these net operating losses, the tax benefits relating to any reversal of the valuation allowance on deferred tax assets at December 31, 2010 will be accounted for as a reduction of income tax expense.

Changes in tax laws and rates could also affect recorded deferred tax assets and liabilities in the future. Management is not aware of any such changes that would have a material effect on our results of operations, cash flows or financial position.

We recognize tax liabilities in accordance with ASC Topic 740 and we adjust these liabilities when our judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which they are determined.

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Recent Accounting Pronouncements

In October 2009, authoritative guidance was provided on revenue arrangements with multiple deliverables. The guidance amended the accounting standards for multiple deliverable revenue arrangements to: (i) provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and how the consideration should be allocated; (ii) require an entity to allocate revenue in an arrangement using estimated selling prices (ESP) of deliverables if a vendor does not have vendor-specific objective evidence of selling price (VSOE) or third-party evidence of selling price (TPE); and (iii) eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method.

Arrangements that contain multiple deliverables include sales of systems and test cartridges. These are accounted for as separate units of accounting if the following criteria are met: (i) the delivered item or items have value to the customer on a standalone basis and (ii) for an arrangement that includes a general right of return relative to the delivered item(s), delivery or performance of the undelivered item(s) is considered probable and substantially in our control. The Company considers a deliverable to have standalone value if the item is sold separately or if the item could be resold by the customer. The Company s revenue arrangements generally do not include a right of return relative to delivered products. The Company sold its first systems in 2010. The Company elected to early adopt the new accounting guidance because it is able to meet the new separation criteria and has applied it to all applicable revenue arrangements entered into or materially modified beginning January 1, 2010.

Results of Operations 2010 compared to 2009

Revenue

Revenue increased $1.6 million, or 157%, to $2.6 million for the year ended December 31, 2010 compared to $998,000 for the year ended December 31, 2009. Product sales increased $1.4 million, or 157%, to $2.3 million for the year ended December 31, 2010 compared to $911,000 for the year ended December 31, 2009. License and other revenue increased $135,000 to $223,000, or 153%, for the year ended December 31, 2010, due to increased service revenue and shipping fees, compared to $88,000 for the year ended December 31, 2009. The increase in product revenue was primarily driven by increased reagent revenues as well as system sales and other product revenue and was due to an increase in our installed base of systems and an expanded menu of tests available for sale. License revenue increased predominantly due to a collaboration agreement executed in conjunction with a clinical trial for Warfarin.

Cost of Sales and Gross Loss

Cost of sales decreased $353,000, or 8%, to $4.0 million for the year ended December 31, 2010 compared to $4.3 million for the year ended December 31, 2009. This improvement was primarily the result of higher revenue and better capacity utilization, with lower facility costs and an increased allocation of costs to research and development. Gross loss decreased $1.9 million or 58% to $1.4 million for the year ended December 31, 2010 compared to a gross loss of $3.3 million in 2009.

Sales and Marketing

Sales and marketing expense increased $1.4 million, or 43% to $4.6 million for the year ended December 31, 2010, compared to $3.2 million for the year ended December 31, 2009. The increase was driven by higher payroll costs. We built our direct sales force during 2010 and expect these costs to increase during 2011 and beyond.

Research and Development

Research and development expense increased $1.0 million, or 18%, to $6.6 million for the year ended December 31, 2010 compared to $5.6 million for the year ended December 31, 2009. The increase was due to higher payroll costs, including relocation and recruiting fees and increased usage of project supplies.

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General and Administrative

General and administrative expense decreased $874,000, or 11%, to $7.4 million for the year ended December 31, 2010 compared to $8.3 million for year ended December 31, 2009. The decline was due to reduced facility costs and professional fees offset by relocation costs related to our move from Pasadena to Carlsbad.

Foreign Exchange

We incurred a foreign exchange loss for the year ended December 31, 2010 of $1,000 as compared to a gain of $304,000 for the year ended December 31, 2009. The gain was due to the settlement of U.S. dollar liabilities during the year as the U.S. dollar weakened against the British pound combined with the benefit of maturing U.S. dollar forward contracts which were held by us during the period. There were few foreign exchange transactions during 2010.

Interest Income (Expense)

Interest income (expense), declined $34,000 to $1,000 net interest expense for the year ended December 31, 2010 compared to $33,000 net interest income for the year ended December 31, 2009, due to lower cash balances during the year as well as increased expense on a tax liability.

Other Income (Therapeutic Discovery Credit)

We recorded other income related to the Therapeutic Discovery Credit of $1.6 million for the year ended December 31, 2010. In July 2010, we applied for certification of qualified investments eligible for credits and grants under the qualifying therapeutic discovery project program for the years ended December 31, 2009 and December 31, 2010. The $1.6 million in grant applications were for expenses incurred in 2010 and 2009. The company received $561,000 for 2009 expenses and $1.1 million for 2010 expenses.

These development projects included the NexGen system (formerly the AD-8 system), K-ras mutation cancer treatment, Plavix Sensitivity Drug, Warfarin Sensitivity Test, Thrombophilia Risk Test, Respiratory Viral Panel and Cystic Fibrosis Genotyping. In November 2010, we were notified that we were awarded a total of $1.6 million under the program. As of December 31, 2010, the Company recorded the $1.6 million tax credit as an Other Current Assets on the Balance Sheet with a corresponding credit to Other Income on the Consolidated Statement of Operations.

Benefit (Provision) for Income Taxes

A tax provision of $15,000 was recorded for the year ended December 31, 2010, compared to a tax benefit of $139,000 for the year ended December 31, 2009. The amount of the 2010 tax provision consists primarily of state income taxes. During 2009, a benefit was recognized relating to a carry-back of tax losses to prior years following the enactment of the Worker, Homeownership and Business Assistance Act of 2009.

Results of Operations 2009 compared to 2008

Revenue

Revenue increased $351,000, or 54%, to $998,000 for the year ended December 31, 2009 compared to $647,000 for year ended December 31, 2008. Product sales increased $351,000 or 63% to $911,000 for the year ended December 31, 2009 compared to $560,000 for the year ended December 31, 2008. License revenue of $88,000 for the year ended December 31, 2009 was equivalent compared to the year ended December 31, 2008. License revenue was predominantly attributable to annual maintenance and minimum royalties from existing licensees.

Product sales consisted solely of test cartridge sales, which are only available for purchase through reagent rental agreements or through negotiated purchase orders following purchase of an XT-8 system. The increase in

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revenue for 2009 was driven by sales of our Cystic Fibrosis Genotyping Test which replaced the predecessor Cystic Fibrosis Carrier Detection Test following FDA clearance of the test in July 2009. Revenue growth was hampered during this period by the lack of sufficient capital and the use of a distributor-based sales effort instead of a direct sales force for a major portion of the year ended December 31, 2009. Distributors generally do not dedicate substantial time to educate customers and monitor the evaluation of high technology new products which we believe adversely impacted our sales.

Cost of Sales

Cost of sales increased $1.1 million, or 34%, to $4.3 million for the year ended December 31, 2009 compared to $3.2 million for the year ended December 31, 2008. The increase was due to $666,000 in impairment charges for systems, and $549,000 in impairment charges for intangibles, partially offset by lower expenses for manufacturing support and temporary labor as production processes improved.

Sales and Marketing

Sales and marketing expense decreased $212,000, or 6% to $3.2 million for the year ended December 31, 2009, compared to $3.4 million for the year ended December 31, 2008. The decrease was driven by lower salaries and travel expenses partially offset by $381,000 for a one-time market research study in 2009, relocation of the newly hired commercial team and increased depreciation of XT-8 systems used in marketing evaluations. During 2009, we changed our estimate of the useful life of systems used for marketing purposes from five years to three years, which increased our depreciation for 2009 compared to 2008 by $38,000, and we recorded an impairment charge of $130,000 for certain demonstration units.

Research and Development

Research and development expense declined $7.8 million, or 58%, to $5.6 million for the year ended December 31, 2009 compared to $13.4 million for the year ended December 31, 2008. The decline was due to a substantial reduction in research and development headcount and expenses in 2009 after the completion of the XT-8 system development. We also consolidated our Rockland, Massachusetts and Menlo Park, California research facilities into our headquarters in Pasadena, California.

General and Administrative

General and administrative expense decreased $1.3 million, or 14%, to $8.3 million for the year ended December 31, 2009 compared to $9.6 million for year ended December 31, 2008. The decline was due to costs during 2008 related to our fund raising activities.

Foreign Exchange

Foreign exchange gain declined $201,000, or 40%, to $304,000 for the year ended December 31, 2009 compared to $505,000 for the year ended December 31, 2008. The gain was due to the settlement of U.S. dollar liabilities during the year as the U.S. dollar weakened against the British pound combined with the benefit of maturing U.S. dollar forward contracts which were held by us during the period.

Interest Income

Interest income declined $387,000, or 92% to $33,000 for the year ended December 31, 2009 compared to $420,000 for the year ended December 31, 2008, due to lower cash balances and declining interest rates in 2009.

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Benefit (Provision) for Income Taxes

A tax benefit of $139,000 was recorded for the year ended December 31, 2009, compared to a tax provision of $247,000 for the year ended December 31, 2008. During 2009, a benefit was recognized relating to a carry-back of tax losses to prior years following the enactment of the Worker, Homeownership and Business Assistance Act of 2009. During 2008, a tax provision was recorded due to amendments made to the research and development tax credit claimed in prior periods.

Liquidity and Capital Resources

To date we have funded our operations primarily from the sale of our common stock, proceeds from sale of a business and revenues. We have incurred net losses from continuing operations each year and have not yet achieved profitability.

At December 31, 2010, we had $18.2 million of working capital, including $18.3 million in cash and cash equivalents. Net cash used in operations increased $3.5 million to $18.9 million for the year ended December 31, 2010 compared to $15.4 million for the year ended December 31, 2009, primarily due to the recording of the $1.6 million Therapeutic Discovery Credit receivable in 2010, impairment losses recorded in 2009 and a build-up of inventory due to the relocation of the manufacturing facility in 2010. Net cash used in investing activities increased $801,000 to $1.9 million for the year ended December 31, 2010 compared to $1.1 million for the year ended December 31, 2009 due to more purchases of capital assets, primarily XT-8 systems used for reagent rental programs and leasehold improvements for our new manufacturing facility.

Net cash provided by financing activities decreased $1.5 million for the year ended December 31, 2010 to $22.6 million, compared to $24.1 million for the year ended December 31, 2009 due to a slightly smaller fund raise in 2010 as compared to 2009.

In March 2010, we entered into a loan and security agreement with Square 1 Bank, pursuant to which we obtained a credit facility consisting of a revolving line of credit in the amount of up to $2 million and an equipment term loan in the amount of up to $2 million. Based upon certain financial covenants, interest on the revolving line of credit will be either (i) the greater of (a) the bank s prime rate (3.25% as of December 31, 2010) plus 2.75%, or (b) 6%; or (ii) the greater of (a) the bank s prime rate plus 3.75%, or (b) 7%. In addition, based upon certain financial covenants, interest on the equipment term loan will be either (i) the greater of (a) the bank s prime rate plus 3.25%, or (b) 6.50%; or (ii) the greater of (a) the bank s prime rate plus 4.25%, or (b) 7.50%. The revolving line matures in July 2011 and the term loan matures in July 2013. As of December 31, 2010, the Company had not drawn any funds under this loan and security agreement.

In March 2011, the loan and security agreement was amended, whereby the line of credit availability was increased by $1 million to $3 million and the maturity was extended to July 2012. The term loan was modified to allow invoices up to 360 days to qualify to be submitted for credit extension. There were no other changes to these two loans.

An additional loan was made available under the amended loan and security agreement for up to $1 million to finance equipment purchases. Based upon certain financial covenants, interest on this equipment term loan will be either (i) the greater of (a) the bank s prime rate plus 3.25%, or (b) 6.50%; or (ii) the greater of (a) the bank s prime rate plus 4.25%, or (b) 7.50%. This term loan matures March 2014.

As of March 11, 2011, the Company had no outstanding loans on the line of credit and had drawn $2 million to finance 2010 equipment purchases and tenant improvements to its Carlsbad facility against the original term loan. Interest-only payments at the rate of 6.5% are due monthly from the date of each initial equipment advance until July 12, 2011. Initial equipment advances that are then outstanding are payable in 24 equal monthly installments of principal, plus all accrued and unpaid interest, beginning on August 12, 2011 and continuing on the same day of each month thereafter through July 12, 2013.

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We believe that our current cash and cash equivalents, our borrowing capacity, and the proceeds from our initial public offering will be sufficient to fund our business for at least the next 12 months. We expect capital outlays and operating expenditures to increase over the next several years as we grow our customer base and revenues, expand our research and development, commercialization and manufacturing activities. The amount of additional capital we may need to raise depends on many factors, including:

- the level of revenues and the rate of revenue growth;
- the level of expenses required to expand our sales and marketing activities;
- the number of systems placed on a reagent rental basis;
- the level of research and development investment required to maintain and improve our technology;
- the costs of filing, prosecuting, defending and enforcing patent claims and other intellectual property rights;
- competing technological and market developments;
- our need to acquire or license complementary technologies or acquire complementary businesses; and
- changes in regulatory policies or laws that affect our operations.

We can not be certain that additional capital will be available when and as needed or that our actual cash requirements will not be greater than anticipated. If we require additional capital at a time when investment in diagnostics companies or in the marketplace in general is limited due to the then prevailing market or other conditions, we may not be able to raise such funds at the time that we desire, on acceptable terms, or at all. In addition, when we raise additional funds through the issuance of equity or convertible debt securities, the percentage ownership of our stockholders could be significantly diluted, and these newly issued securities may have rights, preferences or privileges senior to those of existing stockholders. When we obtain additional debt financing, a substantial portion of our operating cash flow may be dedicated to the payment of principal and interest on such indebtedness, and the terms of the debt securities issued could impose significant restrictions on our operations. If we raise additional funds through collaborations and licensing arrangements, we might be required to relinquish significant rights to our technologies or products, or grant licenses on terms that are not favorable to us.

Contractual Obligations

As of December 31, 2010, we had contractual obligations relating to our facilities leases as follows:

		Payments due by period			
Contractual Obligations	**Total**	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
Operating lease obligations (1)	$ 4,703,084	$ 992,471	$ 1,746,464	$ 1,253,871	$ 710,278

(1) Included in these amounts are our facilities leases. We enter into operating leases in the ordinary course of business with respect to facilities. Our lease agreements have fixed payment terms based on the passage of time. Certain facility leases require payment of

maintenance and real estate taxes. Our future operating lease obligations could change if we exit certain contracts or if we enter into additional operating leases.

In addition to the obligations in the table above, we periodically purchase systems from a contract manufacturer. In order to guarantee delivery, we issue purchase orders each 90 day period for delivery of systems during that period. At December 31, 2010, we had outstanding purchase orders for $27,860 worth of systems.

Additionally, approximately $487,000 of unrecognized tax benefits, including accrued interest and penalties of $105,000, have been recorded as liabilities and we are uncertain as to if or when such amounts may be settled.

In November 2009, we renegotiated our lease on our 25,000 square foot headquarters facility in Pasadena, California that lowered our rent and accelerated the termination of that lease to June 30, 2010.

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On October 20, 2010, we entered into a licensing agreement for intellectual property. The agreement requires minimum payments of 1.0 million in four equal installments over two years and contains provisions for additional licensing fees of 1.25 million and additional royalties based on related product sales. The license terminates upon election by us as defined or termination of every patent and application of patent right included in the agreement or other material breach as defined in the contract.

In March 2008, we exercised our option to extend the operating lease of the premises at our approximately 8,400 square-foot manufacturing facility in Pasadena, California, for a three-year period from August 1, 2008 until July 31, 2011 at a rental cost of $21,558 per month. On February 8, 2010, we entered into a seven-year and seven-month lease for a new 31,098 square foot facility in Carlsbad, California. The facility is part of a three-building office and research and development project located at 5964 La Place Court, Carlsbad, California, and the project totals 158,733 rentable square feet. Monthly rental payments are $48,260 and increases 3% annually. We also pay our pro-rata share of the building and project maintenance, property tax, management and other costs subject to certain limitations. We have paid a $55,000 security deposit and provided a $500,000 standby letter of credit as security for the future rent as well as for up to $2.0 million in landlord funded tenant improvements. The lease also provides for expansion rights and rights of first refusal for expansion within our building, subject to certain limitations.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

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Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRMS

To the Board of Directors and Stockholders of

GenMark Diagnostics, Inc.

We have audited the accompanying consolidated balance sheet of GenMark Diagnostics, Inc. and subsidiaries (the Company) (formerly Osmetech plc and subsidiaries) as of December 31, 2010, and the related consolidated statements of operations, comprehensive loss, stockholders equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on the consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2010, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE, LLP

San Diego, CA

March 11, 2011

(December 2, 2011 as to Note 14)

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To the Board of Directors and Stockholders of

Osmetech plc

London, United Kingdom

We have audited the accompanying consolidated balance sheet of Osmetech plc and subsidiaries (the Company) as of December 31, 2009, and the related consolidated statements of operations, comprehensive income (loss), stockholders equity, and cash flows for each of the two years in the period ended December 31, 2009. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Osmetech plc and subsidiaries as of December 31, 2009, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE LLP

St. Albans, United Kingdom

March 19, 2010

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GenMark Diagnostics, Inc.

Consolidated Balance Sheets as of December 31, 2010 and 2009

	As of December 31, 2010	2009
Current assets		
Cash and cash equivalents	$ 18,329,079	$ 16,482,818
Accounts receivable net	677,648	169,842
Inventories net	896,809	136,967
Other current assets	2,193,160	992,181
Total current assets	22,096,696	17,781,808
Property and equipment net	2,702,478	1,381,618
Intangible assets net	1,459,980	170,051
Other long-term assets	55,355	
Total assets	$ 26,314,509	$ 19,333,477
Current liabilities		
Accounts payable	$ 823,242	$ 1,504,905
Accrued compensation	1,171,989	822,388
Other current liabilities	1,944,928	886,032
Total current liabilities	3,940,159	3,213,325
Other non-current liabilities	1,306,932	795,334
Total liabilities	5,247,091	4,008,659
Commitments and contingencies See note 6		
Stockholders equity		
Ordinary shares, £0.23 ($0.3634 as of December 31, 2009) par value; -0- and 7,101,928 shares issued and outstanding as of December 31, 2010 and December 31, 2009, respectively		2,573,857
Deferred shares, £0.0099 ($0.01709 as of December 31, 2009) par value; -0- and 689,478,300 shares issued and outstanding as of December 31, 2010 and December 31, 2009, respectively		11,780,709
Common stock, $.0001 par value; 100,000,000 authorized; 11,728,233 and -0- issued and outstanding as of December 31, 2010 and December 31, 2009, respectively	1,172	
Preferred stock, $0.0001 par value; 5,000,000 authorized, none issued		
Additional paid-in capital	166,009,084	127,475,450
Accumulated deficit	(144,492,881)	(126,089,889)
Accumulated other comprehensive loss	(449,957)	(415,309)
Total stockholders equity	21,067,418	15,324,818
Total liabilities and stockholders equity	$ 26,314,509	$ 19,333,477

The accompanying notes are an integral part of these consolidated financial statements.

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GenMark Diagnostics, Inc.

Consolidated Statements of Operations

For the Years ended December 31, 2010, 2009 and 2008

	$(29,520,340)	$(29,520,340)	$(29,520,340)
	Year ended December 31,		
	2010	**2009**	**2008**
Revenue			
Product revenue	$ 2,340,996	$ 910,527	$ 559,592
License and other revenue	222,599	87,889	87,500
Total revenue	2,563,595	998,416	647,092
Cost of sales	3,978,899	4,332,299	3,237,869
Gross loss	(1,415,304)	(3,333,883)	(2,590,777)
Operating expenses			
Sales and marketing	4,555,156	3,181,762	3,393,665
Research and development	6,646,148	5,633,717	13,423,679
General and administrative	7,414,660	8,288,762	9,632,708
Total operating expenses	18,615,964	17,104,241	26,450,052
Loss from operations	(20,031,268)	(20,438,124)	(29,040,829)
Other income			
Foreign exchange gain (loss)	(1,110)	303,523	504,921
Interest income (expense)	(582)	33,222	420,011
Therapeutic discovery credit	1,645,292		
Total other income	1,643,600	336,745	924,932
Loss before income taxes	(18,387,668)	(20,101,379)	(28,115,897)
(Provision) benefit for income taxes	(15,324)	138,770	(246,736)
Net loss	$ (18,402,992)	$ (19,962,609)	$ (28,362,633)
Net loss per share, basic and diluted	$ (1.88)	$ (4.41)	$ (28.13)
Weighted average number of shares outstanding	9,796,588	4,526,758	1,008,386

Consolidated Statements of Comprehensive Loss For the Years ended December 31, 2010, 2009 and 2008			
Net loss	$ (18,402,992)	$ (19,962,609)	$ (28,362,633)
Foreign currency translation adjustment	(34,648)	(93,682)	(1,157,707)
Comprehensive loss	$ (18,437,640)	$ (20,056,291)	$ (29,520,340)

The accompanying notes are an integral part of these consolidated financial statements.

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GenMark Diagnostics, Inc.

Consolidated Statements of Stockholders Equity

For the Years ended December 31, 2010, 2009 and 2008

	Ordinary Shares		Deferred Stock							
	Shares	Par value	Shares	Par value	Common Stock Shares	Par value	Additional paid-in capital	Accumulated other compreh-ensive income (loss)	Accumulated deficit	Total
Balance January 1, 2008	203,056,639	$ 360,439	689,478,300	$ 11,780,709		$	$ 94,755,107	$ 836,080	$ (77,764,647)	$ 29,967,688
Share-based compensation related to stock options							(256,219)			(256,219)
Exercise of share options	60,000	119					22,840			22,959
Issuance of ordinary shares, net of offering expenses	688,490,518	1,006,504					8,716,677			9,723,181
Foreign currency translation adjustment								(1,157,707)		(1,157,707)
Net loss									(28,362,633)	(28,362,633)
Balance December 31, 2008	891,607,157	$ 1,367,062	689,478,300	$ 11,780,709		$	$ 103,238,405	$ (321,627)	$ (106,127,280)	$ 9,937,269
Share-based compensation related to share options							1,311,033			1,311,033
Issuance of ordinary shares, net of offering expenses	741,836,194	1,206,795					22,926,012			24,132,807
Foreign currency translation adjustment								(93,682)		(93,682)
Net loss									(19,962,609)	(19,962,609)
Balance December 31, 2009	1,633,443,351	$ 2,573,857	689,478,300	$ 11,780,709		$	$ 127,475,450	$ (415,309)	$ (126,089,889)	$ 15,324,818
Share-based compensation related to share options							1,552,871			1,552,871
Exercise of share options	4,964,403	7,482								7,482
Reorganization	(1,638,407,754)	(2,581,339)	(689,478,300)	(11,780,709)	7,128,233	712	14,361,336			

Issuance of common stock, net of offering expenses			4,600,000	460	22,619,427			22,619,887
Foreign currency translation adjustment						(34,648)		(34,648)
Net loss							(18,402,992)	(18,402,992)
Balance December 31, 2010	$	$	11,728,233	$ 1,172	$ 166,009,084	$ (449,957)	$ (144,492,881)	$ 21,067,418

The accompanying notes are an integral part of these financial statements.

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GenMark Diagnostics, Inc.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2010, 2009 and 2008

	$(19,962,609)	$(19,962,609)	$(19,962,609)
	Year ended December 31,		
	2010	**2009**	**2008**
Cash flows from operating activities			
Net loss	$ (18,402,992)	$ (19,962,609)	$ (28,362,633)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation and amortization	1,063,311	1,569,074	1,157,655
Loss from disposal of property and equipment		8,462	31,335
Impairment losses		1,505,642	
Share-based compensation	1,552,871	1,311,033	(256,219)
Changes in operating assets and liabilities:			
Accounts receivable	(507,806)	(51,068)	(21,056)
Inventories	(651,130)	1,227,383	(736,121)
Other current assets	(1,404,305)	315,985	(172,491)
Accounts payable	(1,058,342)	(857,307)	1,365,330
Accrued and other current liabilities	547,670	(510,168)	825,595
Net cash used in operating activities	(18,860,723)	(15,443,573)	(26,168,605)
Cash flows from investing activities			
Proceeds from the sale of property and equipment and intangible assets		10,000	160,000
Purchases of property and equipment	(1,859,877)	(1,068,671)	(1,592,715)
Net cash used in investing activities	(1,859,877)	(1,058,671)	(1,432,715)
Cash flows from financing activities			
Proceeds from the issuance of ordinary shares and common stock	27,600,000	24,132,807	9,723,182
Costs incurred in conjunction with initial public offering	(4,990,937)		
Proceeds from stock option exercises	4,734		22,959
Net cash provided by financing activities	22,613,797	24,132,807	9,746,141
Effect of foreign exchange rate changes	(46,936)	29,797	(942,078)
Net increase (decrease) in cash and cash equivalents	1,846,261	7,660,360	(18,797,257)
Cash and cash equivalents Beginning of year	16,482,818	8,822,458	27,619,715
Cash and cash equivalents End of year	$ 18,329,079	16,482,818	$ 8,822,458
Supplemental cash flow disclosures:			
Cash received for income taxes	$ 5,049	$ 181,162	$ 391,086

Cash received for interest	$ 25,025	$ 33,222	$ 420,011
Noncash investing and financing activities:			
Reclassification of deposits on systems in other current assets, and inventory to property and equipment in 2010 and 2009, respectively	$ 288,962	$ 256,909	
IPO Costs incurred but not paid	$ 103,626		
VAT tax refund related to IPO costs recorded but not received	$ 114,450		
Transfer of systems from property and equipment into inventory	$ 108,712		
Fixed asset acquisitions included in accounts payable	$ 275,799		
Intellectual property acquisition included in accrued expenses	$ 1,389,000		

The accompanying notes are an integral part of these consolidated financial statements.

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GenMark Diagnostics, Inc.

Notes to Consolidated Financial Statements

1. Organization and basis of presentation

GenMark Diagnostics, Inc. (the Company or GenMark) is a molecular diagnostics company focused on developing and commercializing the Company s proprietary e-sensor technology. On February 12, 2010, the Company was established to serve as the parent company of Osmetech plc (Osmetech) upon a corporate reorganization and initial public offering (IPO). On June 3, 2010, the Company completed an IPO for 4,600,000 shares. Immediately prior to the completion of the IPO, the Company underwent a corporate reorganization whereby the ordinary shares of Osmetech were exchanged by its shareholders for the common stock of the Company on a 230 for 1 basis.

As the reorganization was deemed to be a transaction under common control, GenMark accounted for the reorganization in a manner similar to a pooling-of-interests, meaning:

(i) assets and liabilities were carried over at their respective carrying values;

(ii) common stock was carried over at the nominal value of the shares issued by GenMark;

(iii) additional paid-in capital represented the difference between the nominal value of the shares issued by GenMark, and the total of the additional paid-in capital and nominal value of Osmetech s shares cancelled pursuant to the reorganization; and

(iv) the accumulated deficit represented the aggregate of the accumulated deficit of Osmetech and GenMark.

Once the reorganization became effective, all stock options granted under the Osmetech plc 2003 U.S. Equity Compensation Plan, Long Term Incentive Awards and all warrants issued were exchanged for options and warrants exercisable for the common stock of the Company.

The preferred stock may be issued from time to time in one or more series.

In these consolidated financial statements, the Company means Osmetech when referring to periods prior to the IPO.

Subsequent events have been evaluated through December 2, 2011, being the date that the financial statements were available to be issued.

The accompanying financial statements have been prepared on a going-concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred net losses from operations since its inception and has an accumulated deficit of $144,492,881 at December 31, 2010. Cash and cash equivalents at December 31, 2010 were $18,329,079.

Management expects operating losses to continue through the foreseeable future until the Company has expanded its product offering and consequently increased its product revenues to an extent to cover the fixed cost base of the business. The Company s management has prepared cash flow forecasts which indicate, based on the current cash resources available and the availability of credit facilities of up to $4,000,000, that the Company has sufficient capital to fund its operations for at least the next twelve months.

The accompanying consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles and applicable regulations of the Securities and Exchange Commission (SEC). The Company s operating results for the year ended December 31, 2010 are not necessarily indicative of the results that may be expected for any future periods.

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Principles of Consolidation The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less, at date of purchase, to be cash equivalents. The majority of these funds are held in interest-bearing money market and bank checking accounts. Interest income is recorded on the accrual basis as earned.

Receivables

Accounts receivable consists of amounts due to the Company for sales to customers and are recorded net of an allowance for doubtful accounts. Prior to 2010, the Company did not reserve or write-off any receivables.

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market and include direct labor, materials, and manufacturing overhead. The Company periodically reviews inventory for evidence of slow-moving or obsolete parts, and writes inventory down to market. This write down is based on management s reviews of inventories on hand, compared to estimated future usage and sales, shelf-life assumptions, and assumptions about the likelihood of obsolescence. During 2009, due to a change in business strategy, the Company changed the intention to sell its systems, and determined that the systems would be placed at customer sites pursuant to reagent rental agreements. Therefore, $256,909 was transferred from inventory to property and equipment-net.

Property and Equipment-net

Property, equipment and leasehold improvements are recorded at cost and depreciated using the straight-line method over the assets estimated useful lives, which are:

Machinery and laboratory equipment	3 - 5 years
Systems at customer locations	3 years
Office equipment	2 - 4 years
Leasehold improvements	over the shorter period of the life of the lease or the useful economic life of the asset

Maintenance and repair costs are expensed as incurred.

Intangible Assets

Intangible assets are comprised of licenses or sublicenses to technology covered by patents owned by third parties, and are amortized on a straight-line basis over the expected useful lives of these assets, generally five to twenty years. Amortization of licenses begins upon the Company obtaining FDA clearance to sell products containing the licensed technology and is recorded in cost of sales.

Impairment of Long-Lived Assets

The Company assesses the recoverability of long-lived assets, including intangible assets, by periodically evaluating the carrying value whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If impairment is indicated, the Company writes down the carrying value of the asset to its estimated fair value. This fair value is primarily determined based on estimated discounted cash flows.

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Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the notes thereto. The Company s significant estimates included in the preparation of the financial statements are related to inventories, plant and equipment, intangible assets, certain accrued liabilities related to the Company s former facilities and share-based compensation. Actual results could differ from those estimates.

Revenue Recognition

The Company recognizes revenue from product sales and contract arrangements, net of discounts and sales related taxes. The Company recognizes revenue from product sales when there is persuasive evidence that an arrangement exists, delivery has occurred, the price is fixed or determinable and collectability is reasonably assured. Where applicable, all revenue is stated net of sales taxes and trade discounts.

The Company s XT-8 systems are placed free of charge with customers in exchange for an annual minimum purchase commitment of products from the customer, while the Company retains the right to access or replace the systems at any time. Therefore, the systems remain capitalized on the balance sheet. Revenue from sales of the test cartridges and related products are recognized when the risks and rewards of ownership are transferred to the customer, which is generally at the time of product shipment.

Revenues related to royalties received from licenses are recognized evenly over the contractual period to which the license relates. Services provided are recognized evenly over the contractual period to which the services relate.

Shipping and handling costs are expensed as incurred and included in cost of product sales. In those cases where the Company bills shipping and handling costs to customers, the amounts billed are classified as revenue.

Product Warranties

The Company generally offers a one-year warranty for its systems sold to customers and provides for the estimated cost of the product warranty at the time the system sale is recognized. Factors that affect the Company s warranty reserves include the number of units sold, historical and anticipated rates of warranty repairs and the cost per repair. The Company periodically assesses the adequacy of the warranty reserve and adjusts the amount as necessary. Because there were no system sales in 2009 or 2008, the product warranty reserve has been zero prior to 2010.

Product warranty reserve activity for the year ended December 31, 2010 is as follows:

	2010
Beginning balance	$
Provisions	25,000
Ending balance	$ 25,000

Research and Development Costs

Research and development costs are expensed as incurred.

Income Taxes

The Company accounts for deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is provided to reduce deferred tax assets to the amount management believes will, more likely than not, be recovered.

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A tax position that is more likely than not to be realized is measured at the largest amount of tax benefit that is greater than 50% likely of being realized upon settlement with the taxing authority that has full knowledge of all relevant information. Measurement of a tax position that meets the more likely than not threshold considers the amounts and probabilities of the outcomes that could be realized upon settlement using the facts, circumstances and information available at the reporting date.

Share-Based Compensation

The Company recognizes share-based compensation expense related to share options and warrants issued to employees and directors in exchange for services. The compensation expense is based on the fair value of the share-based compensation utilizing various assumptions regarding the underlying attributes of the options and shares. The estimated fair value of options granted, net of forfeitures expected to occur during the vesting period, is amortized as compensation expense on an accelerated basis to reflect the vesting as it occurs. The share-based compensation expense is recorded in cost of sales, sales and marketing, research and development and general and administrative expenses based on the employee s respective function. The expense is derived from the Black-Scholes Option Pricing Model that uses several judgment based variables to calculate the expense. The inputs include the expected life of the option or warrant, the expected volatility and other factors.

Fair Value of Financial Instruments

The carrying amount of the Company s financial instruments, including cash and cash equivalents, accounts receivable and accounts payable approximate their fair values.

Foreign Currency Translation

During 2010, the Company changed its functional currency from the British Pound to the U.S. Dollar. Prior to this change, monetary assets and liabilities of the Company s entities outside of the U.S. were translated into U.S. dollars based on foreign currency exchange rates in effect at the end of each period, and revenues and expenses were translated at weighted average exchange rates during the periods. Gains or losses resulting from these foreign currency translations of the Company s assets and liabilities were recorded in accumulated other comprehensive income in the consolidated balance sheets.

Transactions in foreign currencies were translated into the relevant functional currency at the rate of exchange prevailing at the date of the transaction. Foreign currency transaction gains (losses), which are included in the results of operations, totaled $(1,110), $303,523 and $504,921, for the years ended December 31, 2010, 2009, and 2008, respectively, and relate primarily to transactions denominated in U.S. dollars which were undertaken by Osmetech.

Derivative Financial Instruments

In 2008, derivative financial instruments were used principally in the management of foreign currency and interest rate exposures and were recorded in the consolidated balance sheets at fair value. Derivative instruments not designated as hedges were marked-to-market at the end of 2008 with the results included in results of operations. The effect on earnings was not material. The Company did not use derivative financial instruments in 2010 or 2009.

Net Loss Per Common Share

Basic net loss per share is computed by dividing loss available to common shareholders (the numerator) by the weighted average number of common shares outstanding during the period (the denominator). Shares issued during the period and shares reacquired during the period are weighted for the portion of the period that they were outstanding. Diluted loss per share is calculated in a similar way to basic loss per share except that the denominator is increased to include the number of additional shares that would have been outstanding if the dilutive potential shares had been issued unless the effect would be anti-dilutive. As the Company had a net loss in each of the periods presented, basic and diluted net loss per ordinary share are the same.

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The computations of diluted net loss per share for the years ended December 31, 2010, 2009 and 2008 did not include the effects of the following options and warrants to acquire ordinary stock which were outstanding as of the end of each year as the inclusion of these securities would have been anti-dilutive.

	0,000,000	0,000,000	0,000,000
	Year Ended December 31,		
	2010	2009	2008
Share options	1,107,920	993,214	108,590
Warrants	88,317	220,791	
Restricted Stock	204,115		
	1,400,352	1,214,005	108,590

Segment Information

The Company operates in one reportable segment, and substantially all of the Company s operations and assets are in the United States of America.

Concentration of Risk

The Company had sales to customers representing greater than 10% of the total as follows:

	0,0,00	0,0,00	0,0,00
	Year Ended December 31,		
	2010	2009	2008
Customer A	12%		
Customer B		15%	13%
Customer C		12%	23%
Customer D		11%	
Customer E			18%

The Company s XT-8 system is manufactured by a single source supplier that specializes in contract design and manufacturing of electronic and electromechanical devices for medical use.

Comprehensive Income (Loss)

U.S. GAAP requires that all components of comprehensive income (loss), including net income (loss), be reported in the financial statements in the period in which they are recognized. Comprehensive income (loss) is defined as the change in equity during a period from transactions and other events and circumstances from non-owner sources, including accumulated translation adjustments. The Company reports comprehensive income (loss) as a separate component of stockholders equity.

Recent Accounting Pronouncements

In October 2009, authoritative guidance was provided on revenue arrangements with multiple deliverables. The guidance amended the accounting standards for multiple deliverable revenue arrangements to: (i) provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and how the consideration should be allocated; (ii) require an entity to allocate revenue in an arrangement using estimated selling prices (ESP) of deliverables if a vendor does not have vendor-specific objective evidence of selling price (VSOE) or third-party evidence of selling price (TPE); and (iii) eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method.

Arrangements that contain multiple deliverables include sales of systems and test cartridges. These are accounted for as separate units of accounting if the following criteria are met: (i) the delivered item or items have value to

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the customer on a standalone basis and (ii) for an arrangement that includes a general right of return relative to the delivered item(s), delivery or performance of the undelivered item(s) is considered probable and substantially in our control. The Company considers a deliverable to have standalone value if the item is sold separately or if the item could be resold by the customer. The Company s revenue arrangements generally do not include a right of return for delivered products.

The Company sold its first systems in the year ended December 31, 2010. The Company elected to early adopt the new accounting guidance because it is able to meet the new separation criteria and has applied it to all applicable revenue arrangements entered into or materially modified beginning January 1, 2010. The adoption of the new guidance had an immaterial effect on the financial statements and on loss per share for the year ended December 31, 2010.

The adoption of this guidance did not result in a change in the Company s units of accounting or in how the Company allocates arrangement consideration to its units of accounting, as the arrangements to which the new accounting guidance is applicable were first entered into during the year ended December 31, 2010.

3. Intangible assets

Intangible assets, consisting of purchased intellectual property, as of December 31, 2010 and 2009 comprise the following:

	$2,566,690	$2,566,690	$2,566,690	$2,566,690	$2,566,690	$2,566,690
	December 31, 2010			December 31, 2009		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Patents and trademarks	$ 438,032	$ (438,032)	$	$ 438,032	$ (438,032)	$
Intellectual property	877,140	(877,140)		877,140	(877,140)	
Licenses	2,640,518	(1,180,538)	1,459,980	1,251,518	(1,081,467)	170,051
	$ 3,955,690	$ (2,495,710)	$ 1,459,980	$ 2,566,690	$ (2,396,639)	$ 170,051

Licenses have a weighted average remaining amortization period of 10.2 years as of December 31, 2010. Amortization expense for intangible assets amounted to $68,247, $164,662 and $105,455 for the years ended December 31, 2010, 2009, and 2008, respectively. Additionally, during 2009, licenses that were used for the manufacture of certain of the Company s consumables were impaired due to the Company outsourcing this manufacturing process. This resulted in an impairment charge of $549,148 charged to cost of sales. In addition, an impairment of $91,105 was recorded as a general and administrative expense. Estimated future amortization expense for these licenses is as follows:

Years Ending December 31,	
2011	$ 81,236
2012	81,236
2013	81,236
2014	81,236
2015	81,236
Thereafter	1,053,800
Total	$ 1,459,980

4. Share-based compensation

The Company recognizes share-based compensation expense related to share options, warrants and restricted stock issued to employees and directors in exchange for services. The compensation expense is based on the fair value of the awards, which are determined by utilizing various assumptions regarding the underlying attributes of the options and shares. The estimated fair value of options granted and restricted stock, net of

forfeitures expected to occur during the vesting period, is amortized as compensation expense on a straight line basis over the period the vesting occurs. The share-based compensation expense is recorded in cost of sales, sales and marketing, research and development and general and administrative expenses based on the employee s

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respective function. The option and warrant-related expense is derived from the Black-Scholes Option Pricing Model that uses several judgment based variables to calculate the expense. The inputs include the expected life of the option or warrant, the expected volatility and other factors. The compensation expense related to the restricted stock is calculated as the difference between the fair market value of the stock on the date of grant, less the cost to acquire the shares, which is $0.0001 per share.

On June 3, 2010, the Company exchanged all of the outstanding options under the Osmetech plc 2003 U.S. Equity Compensation Plan (the U.S. Plan) for options under the 2010 Equity Incentive Plan (the Plan). The options were exchanged using an exchange ratio of 230 options to purchase shares of Osmetech plc to one share of the Company and was accounted for as a modification of the share-based payment arrangement. There was no additional compensation cost recorded related to the exchange as there was no change in the economic value of the options exchanged.

Employee participation is at the discretion of the compensation committee or senior management of the Company. All options are exercisable at a price equal to the average closing quoted market price of the Company s shares on the NASDAQ on the date of grant and generally vest between 1 and 4 years.

Options are generally exercisable for a period up to 10 years after grant and are forfeited if the employee leaves the Company before the options vest. As of December 31, 2010, 687,965 shares remained available for future grant of awards under the Plan. Restricted stock grants reduce the amount of stock options available for grant under the 2010 Plan and are excluded from the table below.

The following table summarizes stock option activity during the year ended December 31, 2010:

	Number of shares	Weighted average exercise price (translated to dollars)
Outstanding at December 31, 2009	993,214	$ 6.96
Granted	429,300	5.29
Exercised	(21,589)	0.37
Cancelled	(293,005)	(5.48)
Outstanding at December 31, 2010	1,107,920	$ 6.40
Exercisable at December 31, 2010	437,399	$ 7.16

The weighted average fair value of options granted during 2010, 2009 and 2008 was $5.29, $3.68 and $27.37, respectively. The intrinsic value of options exercised in 2010, 2009 and 2008 was $136,157, $0 and $3,116, respectively. No options were exercised in 2009. As of December 31, 2010, there were 992,565 options that are vested or expected to vest and these options have a remaining weighted average contractual term of 8.56 years, and an aggregate intrinsic value of $0. Options that are exercisable as of December 31, 2010 have a remaining weighted average contractual term of 7.52 years, and an aggregate intrinsic value of $0.

Valuation of Share-Based Awards The Black-Scholes option pricing model was used for estimating the grant date fair value of stock options granted during the years ended December 31, 2010, 2009 and 2008 with the following assumptions:

	Year Ended December 31,		
	2010	2009	2008
Expected volatility (%)	70.0	66.7	49.0
Expected life (years)	5.91	0.4	3.0
Risk free rate (%)	2.1	2.2	4.6

Expected dividend yield (%)	0	0	0

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Share Warrants During 2009, the Company issued warrants to purchase 132,475 of Osmetech s ordinary shares with an exercise price of £4.60 per share, and warrants to purchase 88,317 of Osmetech s ordinary shares with an exercise price of £6.90 per share to a director for services to the Company in connection with the share offering completed in 2009. Pursuant to the terms of the warrant, the warrant to purchase 132,475 was cancelled upon the closing of the IPO. At the same time, the warrant to purchase 88,317 of Osmetech s ordinary shares was converted to a warrant to purchase 88,317 shares of the Company s common stock at an exercise price of $9.98. These warrants were fully vested and exercisable upon issue, and shall continue to be exercisable up to and including the earlier to occur of (i) 60 days after the director leaving the Company s board of directors (for whatever reason) and (ii) June 30, 2012.

Additionally, Osmetech s deferred shares, which were created at the time of a 10-for-1 consolidation of ordinary shares on September 30, 2005 are excluded from basic and diluted net loss per ordinary share. Management considers these shares to be of minimal value. The deferred shares do not entitle the holder to payment of any dividend or other distribution or to receive notice or attend or vote at any general meeting of Osmetech. The deferred shares are non transferable. In the event of a return of assets on winding up of Osmetech, the deferred shareholders receive 1 pence in respect of their shareholding in its entirety.

During the year ended December 31, 2010, the company granted 161,329 shares of restricted stock to two board members.

The restricted stock granted to the Interim Chief Executive Officer vests over the twelve month period ending July 2011 and the restricted stock granted to our new board member vests over the four year period of his board of director s duties and over the twelve month period ending August 2011, for his initial and annual board compensation grants, respectively.

Share-Based Compensation Share-based compensation, was recognized in the consolidated statements of operations as follows:

	Year Ended December 31,		
	2010	2009	2008
Cost of sales	$ 18,916	$ 19,364	$ 23,243
Sales and marketing	260,823	37,344	44,826
Research and development	162,065	48,409	58,107
General and administrative	1,111,067	1,205,916	(382,395)
	$ 1,552,871	$ 1,311,033	$ (256,219)

No share-based compensation was capitalized during the periods presented, and there was no unrecognized tax benefit related to share-based compensation for the years ended December 31, 2010, 2009 and 2008. During 2008, the Company determined that certain performance based criteria for options previously issued to certain executives would not be met. Accordingly, all expenses that had previously been recognized were reversed. No other options with performance based conditions have been outstanding during the periods presented. At December 31, 2010, the estimated total remaining unamortized compensation expense, net of forfeitures, associated with share-based awards was $2,728,305 which is expected to be recognized over a weighted-average period of 1.42 years.

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5. Income Taxes

The components of loss before income taxes were as follows:

	Year Ended December 31,		
	2010	**2009**	**2008**
Domestic (U.S. Entities)	$ (18,387,668)	$ (18,332,641)	$ (25,585,488)
Foreign (Non U.S. Entities)	0	(1,768,738)	(2,530,409)
	$ (18,387,668)	$ (20,101,379)	$ (28,115,897)

The components of the income tax expense (benefit) for continuing operations are as follows for the years ended December 31:

	$(18,387,660	$(18,387,660	$(18,387,660
	2010	**2009**	**2008**
Current expense (benefit):			
U.S. Provision	$	$ (165,339)	$
State	15,324	2,872	8,583
Foreign (Non-U.S. entities)			180,023
Total Current	15,324	(162,467)	188,606
Non-current expense			
U.S. Provision			
State		23,697	58,130
Foreign (Non-U.S. Entities)			
Total Non-current expense		23,697	58,130
Deferred expense			
U.S. Provision			
State			
Foreign (Non-U.S. Entities)			
Total Deferred Expense			
Total Expense	$ 15,324	$ (138,770)	$ 246,736

The components of net deferred income taxes consist of the following as of December 31:

	$(18,387,66	$(18,387,66	$(18,387,66
	2010	**2009**	**2008**
Current deferred income tax assets (liabilities):			
Compensation Accruals	$ 676,350	$ 82,262	$ 95,135
Accruals and Reserves	304,704	568,189	837,665

State Tax Provision	10,587	1,251	8,099
Federal Benefit of State UTP	165,580		
Valuation allowance	(1,157,221)	(651,702)	(940,899)
Total current deferred income taxes			
Noncurrent deferred income tax assets (liabilities):			
Depreciation and Amortization	960,808	1,068,097	(98,712)
Intercompany Interest Expense	1,980,233	2,140,075	2,006,305
NOL and Credits	8,996,736	34,941,648	26,949,147
Valuation allowance	(11,937,777)	(38,149,820)	(28,856,740)
Total noncurrent deferred income taxes			
Net deferred income taxes	$	$	$

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A reconciliation of income tax (expense) / benefit for continuing operations to the amount computed by applying the statutory federal income tax rate (the federal rate has been utilized as the Company s main operation are taxed at the federal rate) to the loss from continuing operations is summarized as follows:

	2010	2009	2008
U.S. Federal statutory income tax rate	34.0%	34.0%	34.0%
Permanent Differences	0.4%	(0.1%)	(1.8%)
State Taxes	(0.1%)	(0.1%)	(0.2%)
Effect of non-U.S. Operations	(0.0%)	(0.5%)	(0.5%)
Effective Rate Change non- U.S.	(0.0%)	(0.7%)	(2.1%)
Valuation allowance	(34.4%)	(31.9%)	(30.3%)
Total tax provision	(0.1%)	0.7%	(0.9%)

As of December 31 2010, the Company had net operating loss carryforwards of approximately $77.9 million and $72.6 million for federal and state income tax purposes, respectively. These may be used to offset future taxable income and will begin to expire in varying amounts through 2030. In addition, the Company has non-U.S. net operating loss carryforwards of $30.4 million. Because the Company intends to restructure its operations during 2011, the non-U.S. net operating losses and other deferred tax assets have been removed from the Company s table of deferred income taxes above.

Internal Revenue Code Section 382 places a limitation on future utilization of the federal and state net operating losses, to the extent that the Company incurs an ownership change as defined by Section 382. The Company has determined that it has experienced multiple ownership changes under Section 382. Management has estimated that approximately $24.7 million and $9.5 million of federal and state net operating losses, respectively, can be utilized in the future based on limitations that it has calculated under Section 382. As of December 31, 2010 approximately $10 million of federal net operating losses are available immediately. Additionally, federal net operating losses ranging from $0.2 million to $2.3 million become available each year. Management is currently analyzing alternative positions and additional factual information that may increase the amount of net operating losses that could subsequently be utilized up to $41.6 million and $24.7 million of federal and state net operating losses, respectively. To the extent that this additional information becomes available and could increase net operating losses available for use, the Company would adjust its deferred tax assets accordingly, with a corresponding adjustment to its valuation allowance. Utilization of net operating losses is also dependent upon sufficient taxable income generated within the appropriate carryforward periods.

The Company has established a full valuation allowance for its deferred tax assets due to uncertainties that preclude it from determining that it is more likely than not that the Company will be able to generate sufficient taxable income to realize such assets. Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to utilize the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative loss incurred over the three year period ended December 31, 2010. Such objective evidence limits the ability to consider other subjective evidence such as our projections for future growth. Based on this evaluation, as of December 31, 2010, a valuation allowance of $13.1 million has been recorded in order to measure only the portion of the deferred tax asset that more likely than not will be realized. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or if objective negative evidence in the form of cumulative losses is no longer present and additional weight may be given to subjective evidence such as our projections for growth.

The Company adopted certain provisions of ASC 740, Income Taxes (previously reported as Interpretation No. 48 *Accounting for Uncertainty in Income Taxes an* interpretation *of FASB Statement No. 109),* which contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate

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the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not, that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount, which is more than 50% likely of being realized upon ultimate settlement. Income tax positions must meet a more likely than not recognition threshold at the effective date to be recognized upon the adoption of ASC 740 and in subsequent periods. This interpretation also provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Upon adoption of ASC 740 on January 1, 2007, the Company did not have any unrecognized tax benefits. In accordance with the adoption, a reconciliation of the beginning and ending amount of unrecognized tax benefits, exclusive of accrued interest and penalties, is as follows:

	2010	2009	2008
Balance at January 1	$ 382,000	$ 382,000	$ 382,000
Additions based on tax positions related to the current year			
Additions for tax positions of prior years			
Reductions for tax positions of prior years			
Lapse of statute			
Settlements			
Balance at December 31	$ 382,000	$ 382,000	$ 382,000

At December 31, 2010 and 2009, the Company classified $486,770 and $463,000, respectively, of total unrecognized tax benefits, which includes accrued interest and penalties of $104,770 and $81,000 for 2010 and 2009, respectively, as a component of other long-term liabilities. This represents the amount of unrecognized tax benefits that would, if recognized, reduce the Company s effective income tax rate in any future periods. The Company does not expect its unrecognized tax benefits to change significantly over the next 12 months. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense.

The Company is subject to taxation in the UK, US and various states jurisdictions. As of December 31, 2010 the Company s tax years after 2007 are subject to examination by the UK tax authorities. Except for net operating losses generated in prior years carrying forward to the current year, as of December 31, 2010, the Company is no longer subject to U.S. federal, state, local or foreign examinations by tax authorities for years before 2006.

6. Commitments and Contingencies

The Company has various operating lease agreements for its office, manufacturing, warehousing and laboratory space. Rent and operating expenses charged were $958,607, $1,124,655 and $1,228,173 for the years ended December 31, 2010, 2009, and 2008, respectively. Pursuant to the Company s lease agreements, a portion of the monthly rental has been deferred. The balance deferred as at December 31, 2010 and 2009 was $133,542 and $186,949, respectively.

Annual future minimum obligations for operating leases as of December 31, 2010 are as follows:

Years Ending December 31,	Operating leases
2011	$ 992,471
2012	565,362
2013	582,155
2014	598,947
2015	617,606
Thereafter	1,346,543
Total minimum lease payments	$ 4,703,084

Also, on October 20, 2010, we entered into a licensing agreement for intellectual property. The agreement requires minimum payments of 1.0 million in four equal installments over two years and contains provisions for additional licensing fees of 1.25 million and additional royalties based on related product sales. The license terminates upon election by us as defined or termination of every patent and application of patent right included in the agreement or other material breach as defined in the contract.

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7. Inventory

Inventory on hand as of December 31, 2010 and 2009 was comprised of the following:

	00,000,000 2010	00,000,000 2009
Raw materials	$ 396,956	$ 38,973
Work-in-process	103,013	31,062
Finished goods	396,840	66,932
	$ 896,809	$ 136,967

The increase in raw materials and finished goods inventory is due to incremental revenue growth and inventory build-up in anticipation of the move of the manufacturing facility from Pasadena, California, to Carlsbad, California.

8. Property and Equipment, net

Property and equipment was comprised of the following as of December 31, 2010 and 2009:

	2010	2009
Property and equipment at cost:		
Plant and machinery	$ 2,451,775	$ 2,201,033
Rental systems	2,821,665	2,073,082
Office equipment	1,541,544	1,079,214
Leasehold improvements	597,523	74,394
Total property and equipment at cost	7,412,507	5,427,723
Less accumulated depreciation	(4,710,029)	(4,046,105)
Net property and equipment	$ 2,702,478	$ 1,381,618

The depreciation expense amounted to $995,064, $1,404,412 and $1,052,200 for the years ended December 31, 2010, 2009 and 2008 respectively.

During 2010, $288,962 of deposits on systems were transferred from other current assets to property and equipment, net. During 2009, $256,909 of systems were transferred out of finished goods inventory into property and equipment, net. These transfers were as a result of a change in the Company s strategy from outright sales of systems to placing systems with customers for no initial charge and recovering that cost through the sale of test cartridges pursuant to reagent rental agreements.

In 2009, due to the anticipated acceleration of the release of future generations of the Company s products, in particular the NexGen system, the Company assessed all systems for impairment. For systems placed with customers the carrying amount was written down to fair value based on the projected discounted net cash flows to be generated from the sale of test cartridges. Systems that were not expected to generate any future revenues were impaired to $0. The Company recorded an aggregate impairment charge of $865,389 of which $665,718 was charged to cost of sales in respect of systems placed with customers, $69,959 was charged to research and development expenses in respect of systems being used for research purposes, and $129,712 was charged to sales and marketing expenses in respect of systems being used for demonstration purposes only. Additionally in 2009, the Company revised the estimated useful life of systems from 5 to 3 years, although this did not result in a material increase in the depreciation charge during the year.

9. Employee Benefit Plan

The Company has a 401(k) tax-deferred savings plan, whereby eligible employees may contribute a percentage of their eligible compensation. Company contributions are discretionary. Including administrative fees, the

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expense was $78,572, $172,668 and $304,449 for the years ended December 31, 2010, 2009 and 2008, respectively. Additionally, the Company has made contributions to other defined contribution plans on behalf of its employees amounting to $0, $58,004 and $98,325 for the years ended December 31, 2010, 2009 and 2008, respectively. These other defined contribution plans were terminated in 2010.

10. Fair Value of Financial Instruments

The Company s financial instruments consist of cash equivalents, accounts receivable, and accounts payable. The carrying amounts of accounts receivable and accounts payable are considered reasonable estimates of their fair value, due to the short maturity of these instruments.

Accounting literature provides a fair value hierarchy, which classifies fair value measurements based on the inputs used in measuring fair value. These inputs include: Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs for which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Cash and cash equivalents: The carrying amounts reported in the balance sheets for cash and cash equivalents are stated at their fair market value. Cash and cash equivalents are classified as Level 1.

Foreign exchange contracts: The Company does not use derivative financial instruments for speculative or trading purposes. Prior to 2009, the Company entered into foreign exchange forward contracts to hedge certain balance sheet exposures and intercompany balances against movement in foreign exchange rates. Gains and losses on the foreign exchange contracts were included in interest and other income, net, which offset foreign exchange gains or losses from revaluation of foreign currency-denominated balance sheet items and intercompany balances.

The foreign exchange forward contracts required the Company to exchange foreign currencies to U.S. dollars or vice versa, and generally mature in one month or less. As of December 31, 2010, 2009 and 2008, the Company had outstanding foreign exchange forward contracts with aggregate notional amounts of $0, $0 and $6.0 million, respectively, which had remaining maturities of less than six months. The fair value recorded on the consolidated balance sheets for foreign exchange contracts is not material.

Non-recurring measurements: The Company measures the fair value of its long-lived assets on a periodic basis when it appears that there may be requirement to do so, such as an indication of impairment. During the year ended December 31, 2009, impairment indicators required that an assessment of the fair value of certain intangible assets and systems. These fair value measurements were done on the basis of unobservable Level 3 inputs, for which little or no market data exists. These inputs included the assumptions of future cash flows related to the items, and a discount rate applied to these cash flows. The assumed cash flows were projected based on management s best estimates for the remaining net cash flows for each item over its the estimated remaining useful life. Due to the relatively short-term period of future cash flows on these items, the use of a discount rate did not have a material impact on the valuation of these items. Impairments recorded during the period as a result of these fair value measurements were $640,253 for intangible assets (note 3), and $865,389 on the laboratory systems (note 8).

There were no transfers of items between Levels 1, 2 or 3.

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11. Other current assets and liabilities, and other non-current liabilities consisted of the following as of December 31, 2010 and 2009:

	2010	2009
Other current assets		
Therapeutic discovery credit receivable	$ 1,645,292	$
Deposits and prepaid expenses	290,920	344,558
Tax receivable	256,948	
Other		647,623
Total	$ 2,193,160	$ 992,181
Other non-current assets		
Deposit	$ 55,355	$
Total	$ 55,355	$
Other current liabilities		
Accrued professional fees	$ 350,097	$ 544,524
Rental related liabilities	330,424	188,070
Accrued warranties	179,594	
Accrued liability for intellectual property license	695,000	
Other	389,813	153,438
Total	$ 1,944,928	$ 886,032
Other non-current liabilities		
Liability pertaining to uncertain tax position	$ 486,770	$ 463,000
Tax payable	10,516	
Accrued liability for intellectual property license	694,000	
Rental related liabilities	115,646	332,334
Total	$ 1,306,932	$ 795,334

In July 2010, the Company applied for certification of qualified investments eligible for credits and grants under the qualifying therapeutic discovery project program for the years ending December 31, 2009 and December 31, 2010. The $1.6 million in grant applications were for $561,000 of expenditures in 2009 and $1.1 million of expenditures in 2010.

These development projects included the NexGen System (formerly the AD-8 system), K-ras mutation cancer treatment, Plavix Sensitivity Drug, Warfarin Sensitivity Test, Thrombophilia Risk Test, Respiratory Viral Panel and Cystic Fibrosis Genotyping. In November 2010, the company was notified that it had been awarded a total of $1.6 million under the program. As of December 31, 2010, the Company recorded the $1.6 million tax credit as an Other Current Assets on the Balance Sheet with a corresponding credit to Other Income on the Consolidated Statement of Operations.

In February 2011, the Company requested payment from the U.S. Department of Treasury, and $1.6 million in cash was received.

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12. Selected Quarterly Financial Data (Unaudited)

The following selected quarterly financial data has been updated for the immaterial reclasses to the 2010 information as discussed in Note 14 to the Consolidated Financial Statements.

	2010 Quarters (in thousands, except per share data)			
	First	Second	Third	Fourth
Total revenue	$ 410	$ 665	$ 684	$ 804
Gross loss	$ (89)	$ (85)	$ (439)	$ (802)
Loss from operations	$ (4,847)	$ (5,142)	$ (4,924)	$ (5,118)
Net loss	$ (4,849)	$ (5,137)	$ (4,917)	$ (3,500)
Per share data:				
Net loss per common share basic and diluted	$ (0.68)	$ (0.60)	$ (0.42)	$ (0.30)

	2009 Quarters (in thousands, except per share data)			
	First	Second	Third	Fourth
Total revenue	$ 188	$ 249	$ 255	$ 306
Gross loss	$ (1,186)	$ (484)	$ (506)	$ (1,158)
Loss from operations	$ (4,628)	$ (4,264)	$ (5,648)	$ (5,898)
Net loss	$ (4,144)	$ (4,267)	$ (5,653)	$ (5,628)
Per share data:				
Net loss per common share basic and diluted	$ (1.14)	$ (1.08)	$ (1.13)	$ (1.07)

13. Subsequent Events

In March 2010, the Company entered into a loan and security agreement with Square 1 Bank, pursuant to which the Company obtained a credit facility consisting of a revolving line of credit in the amount of up to $2 million and an equipment term loan in the amount of up to $2 million. Based upon certain financial covenants, interest on the revolving line of credit will be either (i) the greater of (a) the bank s prime rate (3.25% as of December 31, 2010) plus 2.75%, or (b) 6%; or (ii) the greater of (a) the bank s prime rate plus 3.75%, or (b) 7%. In addition, based upon certain financial covenants, interest on the equipment term loan will be either (i) the greater of (a) the bank s prime rate plus 3.25%, or (b) 6.50%; or (ii) the greater of (a) the bank s prime rate plus 4.25%, or (b) 7.50%. The revolving line matures in July 2011 and the term loan matures in July 2013. As of December 31, 2010, the Company had not drawn any funds under this loan and security agreement.

In March 2011, the loan and security agreement was amended, whereby the line of credit availability was increased by $1 million to $3 million and the maturity was extended to July 2012. The term loan was modified to allow invoices up to 360 days to qualify to be submitted for credit extension. There were no other changes to these two loans.

An additional loan was made available under the amended loan and security agreement for up to $1 million to finance equipment purchases. Based upon certain financial covenants, interest on this equipment term loan will be either (i) the greater of (a) the bank s prime rate plus 3.25%, or (b) 6.50%; or (ii) the greater of (a) the bank s prime rate plus 4.25%, or (b) 7.50%. This term loan matures March 2014.

As of March 11, 2011, the Company had no outstanding loans on the line of credit and had drawn $2 million to finance 2010 equipment purchases and tenant improvements to its Carlsbad facility against the original term loan. Interest-only payments at the rate of 6.5% are due monthly from the date of each initial equipment advance until July 12, 2011. Initial equipment advances that are then outstanding are payable in 24 equal monthly installments of principal, plus all accrued and unpaid interest, beginning on August 12, 2011 and continuing on the same day of each month thereafter through July 12, 2013.

14. Unrecorded licensing agreement and reclassifications

Subsequent to the issuance of the 2010 audited financial statements, the Company concluded that a contract for the license of certain intellectual property rights should have been recorded as both an asset and a liability in the financial statements for the periods ended December 31, 2010. The Company has recorded this contract which results in an increase of $1,389,000 to intangible assets for the year ended December 31, 2010

.The current and long-term portion of the liability for the contract as of December 31, 2010 was $695,000 and $694,000, respectively.

Subsequent to the issuance of the 2010 audited financial statements, the Company further concluded that certain revenues and expenses were classified incorrectly in its Consolidated Statements of Operations for the past periods presented herein, with no net impact to operating income, net loss, statements of cash flows or balance sheets. The Company has corrected these immaterial misstatements. These corrections result in reductions to cost of sales of $399,000 in the year ending December 31, 2010, and corresponding changes to revenues, sales and marketing, general and administrative and research and development expenses.

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The following tables reconcile the As Reported financial statements with the As Corrected financial statements.

GENMARK DIAGNOSTICS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	As Reported December 31, 2010	Adjustments	As Corrected December 31, 2010
Current assets			
Cash and cash equivalents	$ 18,329,079		$ 18,329,079
Accounts receivable, net	677,648		677,648
Inventories	896,809		896,809
Other current assets	2,193,160		2,193,160
Total current assets	22,096,696		22,096,696
Property and equipment, net	2,702,478		2,702,478
Intangible assets, net	70,980	1,389,000	1,459,980
Other long-term assets	55,355		55,355
Total assets	$ 24,925,509	$ 1,389,000	$ 26,314,509
Current liabilities			
Accounts payable	$ 823,242		$ 823,242
Accrued compensation	1,171,989		1,171,989
Other current liabilities	1,249,928	695,000	1,944,928
Total current liabilities	3,245,159	695,000	3,940,159
Long-term liabilities			
Loan payable			
Other non-current liabilities	612,932	694,000	1,306,932
Total liabilities	$ 3,858,091	$ 1,389,000	$ 5,247,091
Stockholders equity			
Preferred stock, $0.0001 par value; 5,000,000 authorized, none issued			
Common stock, $0.0001 par value; 100,000,000 authorized 11,728,233 issued and outstanding	1,172		1,172
Additional paid-in capital	166,009,084		166,009,084
Accumulated deficit	(144,492,881)		(144,492,881)
Accumulated other comprehensive loss	(449,957)		(449,957)
Total stockholders equity	21,067,418		21,067,418
Total liabilities and stockholders equity	$ 24,925,509	$ 1,389,000	$ 26,314,509

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GENMARK DIAGNOSTICS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	As Reported Year Ended December 31, 2010	Adjustments Year Ended December 31 2010	As Corrected Year Ended December 31, 2010
Product Revenue	$ 2,340,996	$	$ 2,340,996
License and other revenue	163,872	58,727	222,599
Total revenue	2,504,868	58,727	2,563,595
Cost of sales	4,377,701	(398,802)	3,978,899
Gross loss	(1,872,833)	(457,529)	(1,415,304)
Operating expenses			
Sales and marketing	4,282,521	272,635	4,555,156
General and administrative	7,353,802	60,858	7,414,660
Research and development	6,522,112	124,036	6,646,148
Total operating expenses	18,158,435	457,529	18,615,964
Loss from operations	(20,031,268)		(20,031,268)
Other income			
Other income (expense)	(1,110)		(1,110)
Interest income (expense)	(582)		(582)
Therapeutic Discovery Credit	1,645,292		1,645,292
Total other income	1,643,600		1,643,600
Loss before income taxes	(18,387,668)		(18,387,668)
Provision for income taxes	15,324		15,324
Net loss	$ (18,402,992)		$ (18,402,992)
Net loss per share, basic and diluted	$ (1.88)		$ (1.88)
Weighted average number of shares outstanding	9,796,588		9,796,588
Condensed consolidated statements of comprehensive loss three and six months ended June 30, 2011 and 2010			
Net loss	$ (18,402,992)		$ (18,402,992)
Foreign currency translation adjustment	(34,648)		(34,648)
Comprehensive loss	$ (18,437,640)		$ (18,437,640)

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ITEM 9A. CONTROLS AND PROCEDURES
Evaluation of Disclosure Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended (Exchange Act), is recorded, processed, summarized and reported within the timelines specified in the SEC s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives, and in reaching a reasonable level of assurance management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Prior to the filing of our original Annual Report on Form 10-K for the year ended December 31, 2010 and under the supervision and with the participation of our management, including our Interim Chief Executive Officer, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (the Evaluation) at a reasonable assurance level as of the last day of the period covered by this report. Based upon the Evaluation, our Interim Chief Executive Officer had concluded that our disclosure controls and procedures were effective at the reasonable assurance level. Subsequently, during the second quarter of 2011, we identified that some prior members of our finance and accounting department did not follow our internal control over financial reporting procedures. Specifically, members of our finance and accounting personnel did not effectively coordinate with members of our business development team regarding the terms of a license agreement. As a result of this failure, we failed to record certain intellectual property rights as both an asset and liability and, as a result, misstated our intangible assets and accrued liabilities in the periods identified in the Explanatory Note to this Amendment No. 1 on Form 10-K/A. In addition, in the second quarter of 2011, we identified that some prior members of our finance team misclassified a number of operating expenses as costs of sales and misclassified the current portion of a loan payable as long term debt. We believe that these misstatements and misclassifications, although immaterial to the prior periods in which they occurred, resulted from a deficiency in our internal control over financial reporting existing during these prior periods which constituted a material weakness in our internal control over financial reporting. Although the material weakness existed as of the fiscal year ended December 31, 2010, and as of the first quarter ended March 31, 2011, we did not discover the material weakness in our internal control over financial reporting until the second quarter of 2011, after the respective filing dates of our annual and quarterly reports. As a result of this discovery, our Chief Executive Officer and Chief Financial Officer have now concluded that our disclosure controls and procedures were not effective as of December 31, 2010.

Remediation of Material Weakness

Unrelated to the discovery of the material weakness, we had previously hired a new Chief Executive Officer, Chief Financial Officer and Controller to lead our finance and accounting departments. Each of these individuals understands our system of internal controls, including our post-closing procedures which are designed to ensure our financial statements are prepared in accordance with generally accepted accounting principles. These new hires have also provided proper guidance and training on our internal control procedures to other finance and accounting personnel, many of which are also new hires. As a result, we have enhanced communication among our finance and accounting personnel and the personnel from our other departments. We believe these new hires will remediate the material weakness and that the financial statements included in this report fairly present, in all material respects, our financial condition, results of operations and cash flows for the periods presented. No material weakness will be considered remediated, however, until any remedial procedures that we take have operated for an appropriate period, have been tested and management has concluded that they are operating effectively. In addition, we reviewed our processes and procedures for our internal control over financial reporting and we did not identify any additional controls with similar deficiencies. We have reviewed our assessment of the material weakness and our remediation and the status of its implementation and effectiveness with our audit committee.

Exemption from Management s Report on Internal Control Over Financial Reporting for the Fiscal Year Ended December 31, 2010

This annual report does not include a report of management s assessment regarding internal control over financial reporting or an attestation report of the Company s registered public accounting firm due to a transition period established by rules of the SEC for newly public companies.

Changes in Internal Control Over Financial Reporting

Except as otherwise discussed above, there has been no change in our internal control over financial reporting that occurred in the period covered by this report that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART III.

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULE

1. Financial Statements: See Index to Consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K/A.

2. Exhibits: The exhibits listed in the accompanying index to exhibits are filed or incorporated by reference as part of this Annual Report on Form 10-K/A.

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SIGNATURES

Pursuant to the requirements of the Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, on December 2, 2011.

GENMARK DIAGNOSTICS, INC.

By: /s/ Hany Massarany
Name: Hany Massarany
Title: **Chief Executive Officer**

(principal executive officer)
December 2, 2011

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INDEX TO EXHIBITS

Exhibit Number	Description of Exhibits
1.1	Form of Underwriting Agreement. (incorporated by reference to our Registration Statement on Form S-1 (File No. 333-165562) filed with the Commission on May 13, 2010).
3.1	Certificate of Incorporation (incorporated by reference to our Registration Statement on Form S-1 (File No. 333-165562) filed with the Commission on March 19, 2010).
3.2	By-Laws (incorporated by reference to our Registration Statement on Form S-1 (File No. 333-165562) filed with the Commission on March 19, 2010).
4.1	Form of Warrant (incorporated by reference to our Registration Statement on Form S-1 (File No. 333-165562) filed with the Commission on May 13, 2010).
10.1	Lease between The Campus Carlsbad, LLC and Clinical Micro Sensors, Inc. dba Osmetech Molecular Diagnostics, dated February 8, 2010 (incorporated by reference to our Registration Statement on Form S-1 (File No. 333-165562) filed with the Commission on March 19, 2010).
10.2	Commercial Lease Agreement between Collis P. and Howard Huntington Memorial Hospital Trust and Osmetech Technology Inc., dated March 24, 2008 (incorporated by reference to our Registration Statement on Form S-1 (File No. 333-165562) filed with the Commission on March 19, 2010).
10.3	First Amendment to Commercial Lease Agreement between Collis P. and Howard Huntington Memorial Hospital Trust and Osmetech Technology Inc., dated February 1, 2009 (incorporated by reference to our Registration Statement on Form S-1 (File No. 333-165562) filed with the Commission on April 20, 2010).
10.4	Second Amendment and Termination of Commercial Lease Agreement between Collis P. and Howard Huntington Memorial Hospital Trust and Osmetech Technology Inc., dated November 1, 2009 (incorporated by reference to our Registration Statement on Form S-1 (File No. 333-165562) filed with the Commission on April 20, 2010).
10.5	Commercial Lease Agreement between Kandamerica, Inc., and Osmetech Inc., dated August 1, 2005 (incorporated by reference to our Registration Statement on Form S-1 (File No. 333-165562) filed with the Commission on April 20, 2010).
10.6	Amendment to Commercial Lease Agreement between Kandamerica, Inc., and Osmetech Inc., dated March 12, 2008 (incorporated by reference to our Registration Statement on Form S-1 (File No. 333-165562) filed with the Commission on April 20, 2010).
10.7	License Agreement by and between California Institute of Technology and Clinical Micro Sensors, Inc. dba Osmetech Molecular Diagnostics, dated February 8, 1995 (incorporated by reference to our Registration Statement on Form S-1 (File No. 333-165562) filed with the Commission on May 21, 2010). ++
10.8	Amended and Restated License Agreement by and between President and Fellows of Harvard College and Clinical Micro Sensors, Inc. dba Osmetech Molecular Diagnostics, dated July 14, 1997 (incorporated by reference to our Registration Statement on Form S-1 (File No. 333-165562) filed with the Commission on May 21, 2010). ++
10.9	Exclusive License Agreement by and between Marshfield Clinic and Clinical Micro Sensors, Inc. dba Osmetech Molecular Diagnostics, dated October 15, 2007 (incorporated by reference to our Registration Statement on Form S-1 (File No. 333-165562) filed with the Commission on May 25, 2010). ++

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Exhibit Number	Description of Exhibits
10.10	Non-Exclusive Patent License Agreement by and between the University of Washington and Clinical Micro Sensors, Inc. dba Osmetech Molecular Diagnostics, dated February 28, 2007 (incorporated by reference to our Registration Statement on Form S-1 (File No. 333-165562) filed with the Commission on May 21, 2010).++
10.11	Amended and Restated Chemically Modified Enzymes Kit Patent License Agreement by and between Roche Molecular Systems, Inc., F. Hoffman-La Roche Ltd., and Clinical Micro Sensors, Inc. dba Osmetech Molecular Diagnostics, dated February 27, 2008 (incorporated by reference to our Registration Statement on Form S-1 (File No. 333-165562) filed with the Commission on May 21, 2010).++
10.12	Non-Exclusive License Agreement by and between The Johns Hopkins University and Clinical Micro Sensors, Inc. dba Osmetech Molecular Diagnostics, dated December 29, 2006 (incorporated by reference to our Registration Statement on Form S-1 (File No. 333-165562) filed with the Commission on May 25, 2010).++
10.13	License Agreement by and between the Regents of the University of Michigan, HSC Research and Development Limited Partnership and Clinical Micro Sensors, Inc. dba Osmetech Molecular Diagnostics, dated March 15, 2006 (incorporated by reference to our Registration Statement on Form S-1 (File No. 333-165562) filed with the Commission on May 21, 2010).++
10.14	License Agreement by and between HSC Research and Development Limited Partnership and Clinical Micro Sensors, Inc. dba Osmetech Molecular Diagnostics, dated March 15, 2006 (incorporated by reference to our Registration Statement on Form S-1 (File No. 333-165562) filed with the Commission on May 25, 2010).++
10.15	2010 Equity Incentive Plan (incorporated by reference to our Registration Statement on Form S-1 (File No. 333-165562) filed with the Commission on April 20, 2010). +
10.16	Form of Stock Option Agreement (incorporated by reference to our Registration Statement on Form S-1 (File No. 333-165562) filed with the Commission on April 20, 2010).+
10.17	Form of Director and Officer Indemnification Agreement (incorporated by reference to our Registration Statement on Form S-1 (File No. 333-165562) filed with the Commission on March 19, 2010).+
10.18	Executive Employment Agreement, dated January 1, 2010, by and between Osmetech Technology Inc. and Jon Faiz Kayyem (incorporated by reference to our Registration Statement on Form S-1 (File No. 333-165562) filed with the Commission on March 19, 2010).+
10.19	Executive Employment Agreement, dated November 30, 2009, by and between Clinical Micro Sensors, Inc. dba Osmetech Molecular Diagnostics and Steven Kemper (incorporated by reference to our Registration Statement on Form S-1 (File No. 333-165562) filed with the Commission on March 19, 2010).+
10.20	Executive Employment Agreement, dated January 1, 2010, by and between Osmetech Technology Inc., and Pankaj Singhal (incorporated by reference to our Registration Statement on Form S-1 (File No. 333-165562) filed with the Commission on March 19, 2010).+
10.21	Executive Employment Agreement, dated March 1, 2010, by and between Osmetech Technology Inc. and John Bellano (incorporated by reference to our Registration Statement on Form S-1 (File No. 333-165562) filed with the Commission on March 19, 2010).+
10.22	Compromise Agreement, dated August 10, 2009, by and between Osmetech plc and James White (incorporated by reference to our Registration Statement on Form S-1 (File No. 333-165562) filed with the Commission on March 19, 2010).+

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Exhibit

Number	Description of Exhibits
10.23	Compromise Agreement, dated March 10, 2010, by and between Osmetech plc and David Sandilands (incorporated by reference to our Registration Statement on Form S-1 (File No. 333-165562) filed with the Commission on March 19, 2010).+
10.24	Loan and Security Agreement, dated March 12, 2010, by and among Square 1 Bank and Osmetech Technology Inc., Clinical Micro Sensors, Inc. dba Osmetech Molecular Diagnostics, and GenMark Diagnostics, Inc. (incorporated by reference to our Registration Statement on Form S-1 (File No. 333-165562) filed with the Commission on March 19, 2010).
10.25	First Amendment to Loan and Security Agreement, dated August 17, 2010, by and among Square 1 Bank and Osmetech Technology, Inc., Clinical Micro Sensors, Inc. dba Osmetech Molecular Diagnostics, and GenMark Diagnostics, Inc.+++
10.26	Second Amendment to Loan and Security Agreement, dated August 17, 2010, by and among Square 1 Bank and Osmetech Technology, Inc., Clinical Micro Sensors, Inc. dba Osmetech Molecular Diagnostics, and GenMark Diagnostics, Inc.+++
10.27	Third Amendment to Loan and Security Agreement, dated August 17, 2010, by and among Square 1 Bank and Osmetech Technology, Inc., Clinical Micro Sensors, Inc. dba Osmetech Molecular Diagnostics, and GenMark Diagnostics, Inc.+++
10.28	Manufacturing Services Agreement, dated February 1, 2007, by and between Aubrey Group, Inc. and Clinical Micro Sensors, Inc. dba Osmetech Molecular Diagnostics (incorporated by reference to our Registration Statement on Form S-1 (File No. 333-165562) filed with the Commission on April 20, 2010).++
10.29	First Amendment to Manufacturing Services Agreement, dated May 7, 2009, by and between Aubrey Group, Inc. and Clinical Micro Sensors, Inc. dba Osmetech Molecular Diagnostics (incorporated by reference to our Registration Statement on Form S-1 (File No. 333-165562) filed with the Commission on April 20, 2010).
21.1	List of Subsidiaries (incorporated by reference to our Registration Statement on Form S-1 (File No. 333-165562) filed with the Commission on May 13, 2010).
23.1	Consent of Deloitte & Touche LLP (US).
23.2	Consent of Deloitte LLP (UK).
31.1	Certification of principal executive officer pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended
31.2	Certification of principal financial officer pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended
32.1	Certification of the principal executive officer and principal financial officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. section 1350

\+ Management Compensation Plan
++ Confidential Treatment Granted
+++ Previously filed as an exhibit to GenMark Diagnostics, Inc. s. Annual Report on Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2010