



NOTICE OF ANNUAL AND SPECIAL MEETINGS
AND JOINT MANAGEMENT INFORMATION
CIRCULAR RESPECTING THE AMALGAMATION

OF
CANADIAN MEDICAL DISCOVERIES FUND INC.
AND CANADIAN MEDICAL DISCOVERIES FUND II INC.

to be held on Thursday, November 30, 2006
The Albany Club 91 King Street East Toronto, Ontario, M5C 1G3

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS OF

CANADIAN MEDICAL DISCOVERIES FUND INC. CANADIAN MEDICAL DISCOVERIES FUND II INC.

NOTICE IS HEREBY GIVEN that Annual and Special Meetings (collectively the “Meetings” and each a “Meeting”) of the holders of Class A Shares of Canadian Medical Discoveries Fund Inc. and Canadian Medical Discoveries Fund II Inc. (collectively referred to herein as the “Funds” and, individually as a “Fund”) will be held at The Albany Club, 91 King Street East, Toronto, Ontario, M5C 1G3 on Thursday, November 30, 2006 at the hour of 1:00 p.m. and 2:30 p.m., respectively (Toronto time) for the following purposes:

- 1 in respect of each Fund, to consider and, if deemed appropriate, to pass a special resolution to approve all matters relating to the amalgamation of each of the Funds into one newly formed mutual fund entity as more particularly described in the accompanying Circular;
- 2 in respect of each Fund, to consider and, if deemed appropriate, to pass an ordinary resolution to confirm amendments to the by-laws of each of the Funds relating to meetings of shareholders, as more particularly described in the accompanying Circular;
- 3 to receive the financial statements of each Fund for the previous financial year together with the report of the auditors thereon;
- 4 to elect directors of each of the Funds;
- 5 to appoint auditors of each of the Funds and to authorize the directors to fix their remuneration; and
- 6 to transact such further and other business as may properly come before the meeting or any adjournment thereof.

This Notice is accompanied by a form of Proxy and a Circular which provides particulars of the matters set out in this Notice. Copies of the text of the proposed resolutions authorizing the above changes are set out in the accompanying Circular.

The adjourned meeting for the Canadian Medical Discoveries Fund Inc. and Canadian Medical Discoveries Fund II Inc. will take place on Thursday, December 7th, 2006 at the hour of 3:00 p.m. and 4:30 p.m. (Toronto time), respectively, at the above mentioned address.

DATED at Toronto this 16th day of October, 2006.

BY ORDER OF THE BOARD OF DIRECTORS



Dr. Serge Carrière
Chairman
Canadian Medical Discoveries Fund Inc.
Canadian Medical Discoveries Fund II Inc.

At the Meeting, shareholders of the Class A Shares are entitled to one vote per share.

Important Proxy Information: Shareholders who are unable to attend the Meetings in person can exercise their right to vote by completing, dating and signing the enclosed proxy form and returning the same in original form in the envelope provided for that purpose or by fax to 416-365-4371. In order to be voted at the Meetings, proxies must be received at least twenty-four (24) hours (excluding Saturdays, Sundays and holidays) prior to the commencement of the Meetings or any adjournment or postponement thereof, or deposited with the Chair of the Meetings prior to the commencement thereof.

GLOSSARY OF TERMS

The following is a glossary of certain defined terms used frequently throughout this Circular. The following words and phrases shall have the meanings set forth below, unless the context requires otherwise. Plural terms have singular meanings and singular terms have plural meanings where the context requires.

“Amalgamation Agreement” means the agreement between Canadian Medical Discoveries Fund Inc. and Canadian Medical Discoveries Fund II Inc. to accomplish the Amalgamation and related transactions, a summary of which is attached as Schedule “C” to this Circular;

“Amalgamation Resolution” means the form of proposed special resolutions to be placed before each of the holders of Canadian Medical Discoveries Fund Inc. Class A Shares and the holders of Canadian Medical Discoveries Fund II Inc. Class A Shares at the Meetings to effect the adoption of the Amalgamation Agreement and to approve the transactions contemplated thereunder, substantially in the form attached as Schedule “A” to this Circular, as such may be amended;

“Amalgamation” means the amalgamation of Canadian Medical Discoveries Fund Inc. and Canadian Medical Discoveries Fund II Inc. pursuant to section 181 of the CBCA as contemplated in the Amalgamation Agreement;

“CMDF Board” means the board of directors of CMDF;

“Business Day” means a day other than a Saturday, a Sunday or any other day on which the banks located in Toronto, Ontario are not open for business;

“Canadian Medical Discoveries Fund Inc. Board” means the board of directors of the Canadian Medical Discoveries Fund Inc.;

“Canadian Medical Discoveries Fund II Inc. Board” means the board of directors of the Canadian Medical Discoveries Fund II Inc.;

“CBCA” means the Canada Business Corporations Act, R.S.C. 1985, c.C-44, as amended;

“Circular” means this Joint Management Information Circular dated October 20, 2006, as such may be amended;

“Class A Shares” means the Class A Shares in the capital of either of the Funds or in CMDF;

“Class A, Series I, Shares” means the Class A, Series I, Shares of CMDF to be issued in connection with the Amalgamation to the holders Class A Shares of the Funds pursuant to the Amalgamation Agreement;

“Class A, Series II, Shares” means the Class A, Series II, Shares of CMDF to be offered by CMDF following the Amalgamation;

“Class B Shares” means the Class B Shares in the capital of either of the Funds or in CMDF;

“Class C Shares” means the Class C Shares in the capital of either of the Funds or in CMDF;

“Class C, Series I, Shares” means the Class C, Series I, Shares of the Canadian Medical Discoveries Fund II Inc.;

“CMDF Class A Shares” means the Class A, Series I, Shares and the Class A, Series II, Shares in the capital of CMDF;

“CMDF” means the company to be formed by articles of arrangement to effect the Amalgamation, which shall continue under the name “Canadian Medical Discoveries Fund Inc.”/“Fonds De Découverts Médicales Canadiennes inc.”;

“Custodian” means RBC-Dexia Investor Services Trust as the custodian of Canadian Medical Discoveries Fund Inc., Canadian Medical Discoveries Fund II Inc. and, following the Effective Date, as the custodian of CMDF;

“Effective Date” means the date which appears upon the articles of amalgamation accepted by the Director, in accordance with the CBCA, respecting the Amalgamation;

“Eligible Business” has the meaning ascribed thereto in section 12 of the Ontario Act;

“Eligible Ontario Investor” means an individual who, at the time of subscribing for Class A Shares of an LSIF Corporation, is ordinarily resident in Ontario and meets all other prescribed conditions but does not include a trust which is not a qualifying trust for the individual, as defined by subsection 127.4(1) of the Federal Act;

“Federal Act” means the Income Tax Act (Canada);

“Investment Committee” means the investment committee of the board of directors of CMDF;

“Jove” means Jove Investment Management Inc. as the investment advisor to each of Canadian Medical Discoveries Fund Inc. and Canadian Medical Discoveries Fund II Inc., and as of the Effective Date, the investment advisor to CMDF;

“Liquid Portfolio” means at any point in time, the capital raised on the sale of Class “A” Shares of an LSIF Corporation which has been invested in Reserves;

“LSIF Corporation” means a labour sponsored investment fund corporation registered as such under the Ontario Act;

“Management Agreements” means in respect of the Canadian Medical Discoveries Fund Inc., the management agreement dated December 1, 2004 between Canadian Medical Discoveries Fund Inc. and the Manager and in respect of the Canadian Medical Discoveries Fund II Inc., the management agreement dated December 27, 2001 between Canadian Medical Discoveries Fund II Inc. and the Manager;

“Manager” means Medical Discovery Management Corporation as the manager of Canadian Medical Discoveries Fund Inc., Canadian Medical Discoveries Fund II Inc. and, following the Effective Date, CMDF;

“Net Asset Value per Class A Share” refers to the amount obtained when the Net Asset Value of a Fund less the aggregate redemption value of all outstanding Class B Shares and Class C Shares of that Fund is divided by the total number of Class A Shares of that Fund outstanding;

“Net Asset Value” means the value of an LSIF Corporation’s assets minus the value of its liabilities, as determined by a manager, audit committee or an independent valuator substantially in the manner described under the heading “Valuation of Fund Investments”;

“Ontario Act” means the Community Small Business Investments Funds Act (Ontario), as amended;

“Ontario Tax Credit Certificate” means the certificate issued, pursuant to subsection 25(5) of the Ontario Act, to an Eligible Investor who has purchased Class A Shares in the capital of a LSIF Corporation;

“Performance Fee” means the performance fee charged to a Fund pursuant to the Management Agreement applicable to it;

“Portfolio Company” means a business in which the Fund has made an investment which comprises part of the Fund’s Venture Investment Portfolio;

“Portfolio Income” means all distributions or revenue received or receivable by the Fund and all realized and unrealized gains and losses on investments in all Portfolio Companies after November 30, 2004 in respect of Canadian Medical Discoveries Fund Inc. or since inception in respect of Canadian Medical Discoveries Fund II Inc., less all Performance Fees paid after November 30, 2004 in respect of Canadian Medical Discoveries Fund Inc. or since inception in respect of Canadian Medical Discoveries Fund II Inc.;

“Promoter” means PIPSC Sponsor Corp., the promoter of Canadian Medical Discoveries Fund Inc., Canadian Medical Discoveries Fund II Inc., and provided the Amalgamation is approved at the Meeting, CMDF;

“Prospectus” means in respect of Canadian Medical Discoveries Fund Inc. the Prospectus dated December 21, 2005, as amended on February 8, 2006 and October 12, 2006 and in respect of Canadian Medical Discoveries Fund II Inc. the Prospectus dated December 2, 2005 as amended and restated on December 21, 2005 and amended on February 8, 2006 and October 12, 2006;

“Quarterly Threshold Amount” is, in each fiscal quarter, the amount of Portfolio Income that, when annualized, would provide a rate of return equal to the greater of 6% and the average of the quoted 5-year Government of Canada bond rate on the first day of the fiscal quarter and the eleven immediately preceding fiscal quarters, of the average daily amount invested in the Venture Investment Portfolio;

“Quarterly Valuation” means the value of CMDF’s assets determined by the Audit and Valuation Committee on the basis of policies and procedures for determining the fair value of such assets established by the Audit and Valuation Committee on behalf of the CMDF Board, at least four times each year;

“Realized Income” is the amount by which all cash (net of commissions and other costs) received by a Fund in respect of each Portfolio Company exceeds the Fund’s cash investment in that particular Portfolio Company;

“Reserves” means “reserves” as defined in subparagraph 204.8 of the Federal Act, and deposits in or guaranteed investment certificates issued by the Province of Ontario Savings Office, all as contemplated in section 19(2) of the Ontario Act;

“RRIF” means registered retirement income funds, as defined in subsection 146.3(1) of the Federal Act;

“RRSP” means registered retirement savings plans, as defined in subsection 146(1) of the Federal Act;

“Senior Officers” means the Chairman and Chief Financial Officer of CMDF;

“Sponsor” means The Professional Institute for the Public Service of Canada;

“Threshold Amount” means the sum of all Quarterly Threshold Amounts after November 30, 2004 in respect of Canadian Medical Discoveries Fund Inc. or since inception in respect of Canadian Medical Discoveries Fund II Inc.; and

“Venture Investment Portfolio” means, at any point in time, the investments of the Fund other than investments in reserves.

FORWARD-LOOKING STATEMENTS

Statements contained herein that are not based on historical or current fact, including without limitation statements containing the words “anticipates”, “believes”, “continue”, “estimate”, “expects”, and “will” and words of similar import, constitute “forward-looking statements”. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward-looking statements. Such factors include, among others, the following: ability to attract investment capital; existing governmental regulations and changes in, or the failure to comply with, governmental regulations; general economic and business conditions; failure of investee companies to become successful, develop successful technology, obtain and retain qualified management, effectively respond to competition, effectively protect intellectual property; inability of the Funds to meet ongoing financing requirements of investee companies; ability to attract investment capital; uncertainties related to venture capital valuation; liability and other claims asserted against the Funds and investee companies of the Funds; and other factors referenced in the Funds’ filings with the Canadian securities regulators. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Funds do not assume the obligation to update any forward-looking statements.

MANAGEMENT INFORMATION CIRCULAR

PART I

1 SOLICITATION OF PROXIES

This Joint Management Information Circular is being furnished in connection with the solicitation of proxies by the management of Canadian Medical Discoveries Fund Inc. and Canadian Medical Discoveries Fund II Inc. for use at the Meetings of their respective shareholders to be held jointly at The Albany Club, 91 King Street East, Toronto, Ontario, M5C 1G3 on November 30, 2006 at 1:00 p.m. and 2:30 p.m. (Toronto time), respectively and at an adjournment or adjournments thereof for the purposes set forth in the Notice of Meeting.

If a Meeting is adjourned for any reason, the adjourned Meeting for the Canadian Medical Discoveries Fund Inc. or Canadian Medical Discoveries Fund II Inc. will take place on Thursday, December 7th, 2006 at the hour of 3:00 p.m. and 4:30 p.m. (Toronto time), respectively, at the above-mentioned address.

The solicitation of proxies will be made primarily by mail but proxies may be solicited by officers and directors of Canadian Medical Discoveries Fund Inc. and Canadian Medical Discoveries Fund II Inc. by means of telephone, facsimile or in person. The cost of solicitation will be borne by Canadian Medical Discoveries Fund Inc. and Canadian Medical Discoveries Fund II Inc. The Funds will not bear any of the costs and expenses relating to the approval or implementation of the Amalgamation. Unless otherwise stated, the information contained in this circular is given as at October 13, 2006.

2 APPOINTMENT, REVOCATION AND DEPOSIT OF PROXIES

The form of proxy forwarded to shareholders with the notice of meeting confers discretionary authority upon the proxy nominees with respect to amendments on variations of matters identified in the notice of meeting or other matters which may properly come before the meeting.

The form of proxy affords the shareholder an opportunity to specify that the shares registered in his or her name shall be voted or withheld from voting in respect of the Amalgamation, the election of directors and the appointment of auditors. This form of proxy also affords the shareholder the opportunity to specify that the shares registered in his or her name shall be voted in favour of or against the resolution authorizing the directors to fix the remuneration of the auditors.

If your Class A Shares are held in a registered retirement savings plan, registered retirement income fund or in the name of a nominee, you should complete your proxy form and deliver it in original form to Felcom Data Services Inc. (“Felcom” or the “Transfer Agent and Registrar”) at Suite 204, 26 Wellington Street East, Toronto, Ontario, M5E 1S2 or by fax to 416-365-4371.

3 APPOINTMENT OF PROXYHOLDERS

The persons named in the accompanying forms of proxy are officers of Canadian Medical Discoveries Fund Inc. or Canadian Medical Discoveries Fund II Inc. **A Canadian Medical Discoveries Fund Inc. or Canadian Medical Discoveries Fund II Inc. shareholder may appoint some other person as proxy (who need not be a shareholder or director) to attend and act on his or her behalf at the meetings either by inserting the person’s name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, delivering the completed proxy to Transfer Agent and Registrar, not later than the day preceding the day of the meeting or by depositing it with the Chairman of the meeting prior to the commencement of the meeting.**

Canadian Medical Discoveries Fund Inc. and Canadian Medical Discoveries Fund II Inc. shareholders who are unable to attend their respective meeting in person should complete and sign the enclosed proxy and return same by fax to 416-365-4371 or in original form in the enclosed envelope in order that it is received at any time up to 3:00 p.m. (Toronto time) on November 29, 2006 or 24 hours (excluding Saturday, Sunday and holidays) prior to an adjournment thereof.

4 RIGHT OF REVOCATION

Shareholders who have given a proxy may revoke it by depositing an instrument in writing, executed by them or by their attorney, at the registered office of the Fund at any time up to and including the last Business Day before the meetings or any adjournment thereof, or with the respective Chairman of such meetings as they are entitled to attend on the day of the Meetings or any adjournment thereof, or in any other manner permitted by law. A shareholder attending the Meeting has the right to vote in person and if he does so, his proxy is nullified with respect to the matters such person votes upon and any subsequent matters thereafter to be voted upon at the Meeting or any adjournment thereof.

5 VOTING OF PROXIES

The Chairmen of the Meetings may conduct a vote on any matter by a show of hands of the shareholders and proxy-holders present at the Meetings and entitled to vote thereat unless a ballot is demanded by a shareholder present at the Meetings or by a proxy-holder entitled to vote at the Meetings. Class A Shares represented by proxies may be voted by the proxy-holder on a show of hands, except where the proxy-holder has conflicting instructions from more than one shareholder, in which case, such proxy-holder will not be entitled to vote on a show of hands. In addition, shares represented by proxies will be voted or withheld from voting in accordance with the instructions of the shareholder on any ballot that may be called for upon demand for a poll by a shareholder or proxy-holder present at the Meeting or required because the number of Class A Shares represented by proxies that are to be voted against a matter is greater than 5% of the votes that could be cast at the Meeting. In either case, where a choice with respect to any matter to be acted upon has been specified in the proxy, the Class A Shares shall be voted or withheld from voting in accordance with the specifications so made.

Proxies in favour of management will be voted on any ballot that may be called for and, where instructions are given with respect to a particular matter to be acted upon, such proxies will be voted in accordance with such instructions. If no instructions are given with respect to the particular matters to be acted upon, such proxies will be voted in favour of the motions described.

Proxies in favour of management confer discretionary authority with respect to amendments or variations to the matters identified in the notice of meeting and with respect to other matters which may properly come before the meetings or any adjournment thereof. As of the date hereof, the management of Canadian Medical Discoveries Fund Inc. and Canadian Medical Discoveries Fund II Inc. know of no such amendments, variations or matters to come before the Meetings other than the matters referred to in the Notice of Meetings.

6 AUTHORIZED CAPITAL, VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

A AUTHORIZED CAPITAL

The authorized capital of each Fund consists of an unlimited number of Class A shares, 25,000 Class B shares, and an unlimited number of Class C shares issuable in series, and in respect of the Canadian Medical Discoveries Fund II Inc., an unlimited number of Class C, Series I, Shares of the Canadian Medical Discoveries Fund II Inc. The holders of Class A Shares are entitled to one (1) vote in respect of each Class A Share held at all Annual and Special Meetings of the Shareholders of the Fund and, voting as a class, are entitled to elect three (3) directors of the Fund (of a total of nine (9)). The holders of Class B Shares are entitled to one (1) vote in respect of each Class B Share held at all Annual and Special Meetings of the Shareholders of the Funds and, voting as a class, are entitled to elect six (6) directors of the Funds (of a total of nine (9)). The holders of the Class C Shares are entitled to notice of and to attend meetings of shareholders but are not entitled to vote at such meetings except as specifically required by the Canada Business Corporations Act.

B VOTING SHARES

As at October 10, 2006, approximately 28,393,983 Class A, and 1 Class B Share of Canadian Medical Discoveries Fund Inc. were issued and outstanding and 1,906,387 Class A, and 20 Class B Shares of Canadian Medical Discoveries Fund II Inc. were issued and outstanding. No Class C Shares of Canadian Medical Discoveries Fund Inc. or Class C, Series I, Shares of Canadian Medical Discoveries Fund II Inc. were issued and outstanding.

C RECORD DATE

In accordance with National Instrument 54-101 – Communication with Beneficial Owners of Securities of a Reporting Issuer, each Fund has fixed the close of business on October 13, 2006, as the record date (the “Record Date”) for the purpose of determining shareholders entitled to receive the Notice of Meeting. All shareholders of record as at the close of business on the Record Date will be entitled to vote at the Meeting except to the extent that any such shareholder has since the Record Date transferred any of his or her shares. In such case, a transferee of those shares may produce properly endorsed share certificates, or otherwise establish that he or she owns the shares and provided that he or she has demanded no later than 10 days before the Meeting that the Fund recognize the transferee as the person entitled to vote the transferred shares, such transferee will be entitled to vote his or her shares at the Meeting.

D SPECIAL AND ORDINARY RESOLUTIONS

A special majority of at least sixty-six and two-thirds per cent of all of the votes cast either in person or by proxy by the Class A shareholders of a Fund voting together is necessary in order to pass the special resolution approving the Amalgamation listed as the first matter of business in the

Notice of Meeting. A simple majority of the votes cast either in person or by proxy is sufficient to pass the matters specified in items 2, 4, 5 and 6 in the Notice of Meeting by ordinary resolution. In the case of an equality of votes, the Chairman of the Meeting will not be entitled to a second or casting vote. The Sponsor holds all of the Class B Shares of each of the Funds and will execute written resolutions approving the Amalgamation prior to the Meeting and will vote as it chooses in respect of items 2, 4, 5 and 6 in the Notice of Meeting.

E PRINCIPAL HOLDERS

To the knowledge of the directors and officers of each Fund, no person beneficially owns or exercises control or direction over more than 10% of the Class A Shares of the Funds. As of the date hereof, the directors and senior officers of the Funds as a group owned less than 1% of the issued and outstanding Class A Shares of either Fund.

The following table sets forth the only persons who, to the knowledge of the directors and officers of each Fund, beneficially own or exercise control or direction over more than 10% of the Class B Shares, the approximate number of Class B Shares controlled or directed by each person and the percentage of the Class B Shares of the Funds represented by the number of Class B Shares so owned, controlled or directed.

Name of Shareholder	Canadian Medical Discoveries Fund Inc. Number of Class B Shares	Canadian Medical Discoveries Fund II Inc. Number of Class B Shares	Percentage of Class
The Professional Institute of the Public Service of Canada	1	20	100%

7 PARTICULARS OF MATTERS TO BE ACTED UPON

The purpose of this Meeting is to consider, and if thought advisable, pass ordinary resolutions of the shareholders authorizing the: (a) election of directors of each of the Funds; and (b) appointment of the auditors of each of the Funds. The other purpose of the Meeting of the Funds is to consider and, if thought advisable, to pass special resolutions by the shareholders of each Fund, approving all of the matters that are necessary to effect an Amalgamation of each of the Funds allowing them to continue as a labour-sponsored venture capital corporation under the Tax Act.

A ELECTION OF DIRECTORS

Each Fund has a board of nine (9) directors, three (3) of whom are to be elected by the holders of the Class A Shares while the remaining six (6) are to be elected by the holders of the Class B Shares. The Sponsor, which owns all of the issued and outstanding Class B Shares, has agreed to support for election as directors of the Funds three (3) directors nominated by the sponsor, three (3) directors nominated by the Manager of the Funds, and the nomination of three (3) other directors acceptable to each of them. The Sponsor has agreed to support for election as directors of the Funds those directors nominated below.

The present term of office of each current director will expire immediately prior to the election of directors at the Annual Meeting of the shareholders. It is proposed that each of the persons whose name appears hereunder be elected as a director of the Funds to serve until the close of the next Annual Meeting of the shareholders or until his or her successor is elected or appointed. It is intended that on any ballot that may be called for relating to the election of directors by the holders of the Class A Shares, the shares represented by proxies in favour of management nominees will be voted in favour of the election of such persons as directors of the Funds, unless a shareholder has specified in his or her proxy that the shareholder's shares are to be withheld from voting in the election of directors. In the event that any vacancies occur in the slate of such nominees, it is intended that discretionary authority shall be exercised to vote the shares represented by such proxies in favour of the election of such other person or persons as directors nominated in accordance with the best judgment of management.

The name, municipality of residence, office and principal occupation over the past five years of each of the directors of each Fund who are nominated for election as directors by the holders of the Class A Shares are set out below:

Name and Municipality of Residence	Office and Period of Service	Principal Occupation
Dr. Serge Carrière ^{(1) (2) (3) (4)} Vaudreuil sur le lac, Québec	Director since September 20, 1994; Chairman since October 13, 2005	President, Simrec Consultant Group since January 2004; Scientific Director, North America, Servier Canada from January 1998 to January 2004
Senator, Dr. Wilbert J. Keon ^{(1) (2) (3) (4)} Ottawa, Ontario	Director since September 21, 1999	Founding Director General, University of Ottawa Heart Institute; Member of the Senate of Canada

Name and Municipality of Residence	Office and Period of Service	Principal Occupation
Dr. Mark Pearson ⁽²⁾ Bellevue, Washington	Director since August 17, 2005	Chief Executive Officer, NeuroMedix Inc. since November 2005; President and Chief Executive Officer, Protana Inc. since April 2005; Vice President for Corporate Development & Strategy, MDS Inc. from February 2002 to June 2005; Senior executive positions with MDS Proteomics, Ocata, Molecumetics., Darwin Molecular, Du Pont Merck Pharmaceuticals, E.I. du Pont de Nemours

The name, municipality of residence, office and principal occupation over the past five years of each of the directors of each Fund who are nominated for election as directors by the holders of the Class B Shares are set out below:

Name and Municipality of Residence	Office and Period of Service	Principal Occupation
Michèle Demers ^{(1) (3) (4)} Ottawa, Ontario	Director since February 6, 2006	President, The Professional Institute for the Public Service of Canada since January 2005; prior thereto Vice-President
Steven J. Hawkins ^{(2) (3) (4)} Oakville, Ontario	Director since 2006, President and Chief Executive Officer since September 20, 2006	Managing Partner, Fairway Asset Management Corp. since 2005; From 2000 to 2005, Vice-President, Compliance for AMG Canada and Senior Vice-President, Compliance and Risk Management and Chief Investment Officer for First Asset Investment Management Inc.
Gordon A. McMillan Oakville, Ontario	Director since 2006	Chairman, Fairway Asset Management Corp., Managing Director, Impax Management Limited; From 2002 to 2005 Chief Executive Officer, NGB Management Inc.; From 2000 to 2003, Chief Executive Officer, Skylon Capital Corp.
John R. Anderson C.A. ⁽¹⁾ Toronto, Ontario	Director since August 17, 2005	President, Chief Executive Officer and Chief Financial Officer, LPBP Inc. since May 2004; Chief Financial Officer, Impax Energy Services Ltd.; Independent Financial Consultant; Chief Financial Officer, Energenius Inc. between August 2000 and December 2001
Jean-Pierre Morency ^{(1) (3)} Québec City, Québec	Director since December 16, 2004	Retired since January 2004, prior to which he was a Defence Scientist, Department of National Defence, Government of Canada since 1968
Dr. J.R. Jocelyn Paré Ottawa, Ontario	Director since September 20, 2006	Chief of the Green Technologies, Environmental Technology Centre (ETC), Ottawa. Head, Analytical Programs, ETC, Environmental Canada

⁽¹⁾ member of Audit and Valuation Committee

⁽²⁾ member of Investment Committee

⁽³⁾ member of Governance Committee

⁽⁴⁾ member of Special Strategic Committee

I Management Agreement

The Manager renders management services to each Fund in connection with the day-to-day operations of the Fund, in a manner consistent with the policies determined from time to time by the board of directors of the Funds, pursuant to a management agreement in respect of the Canadian Medical Discoveries Fund Inc. dated December 1, 2004 between Canadian Medical Discoveries Fund Inc. and the Manager and pursuant to a management agreement in respect of the Canadian Medical Discoveries Fund II Inc. dated December 27, 2001 between Canadian Medical Discoveries Fund II Inc. and the Manager.

Pursuant to the Management Agreements, the Manager provides, or arranges to provide, among other things, the following:

- (a) administration and management of the affairs of each Fund;
- (b) office accommodation, office facilities, personnel and other usual office services necessary for carrying on the business of each Fund;
- (c) supervision of any investment adviser(s) and all other service providers retained by each Fund;

- (d) assistance in the formulation of the investment objectives, restrictions and procedures of each Fund, the evaluation of potential investments, the negotiation of terms and conditions of any investment and the monitoring of such investments; and
- (e) on behalf of each Fund, the services of such agents as may be appropriate.

Prior to December 1, 2004 the Manager provided the same services to Canadian Medical Discoveries Fund Inc. pursuant to a management agreement dated December 1, 1994.

Prior to January, 2006, MDS Capital Corp. ("MDS Capital") was retained by the Manager to assist the Manager in performing some of its duties, including the identification, screening and analysis of investment opportunities for each Fund. As of October 5, 2006, Jove has been retained by the Manager to assist the Manager in performing some of its duties, including the identification, screening and analysis of investment opportunities for each Fund.

In consideration for the services provided by the Manager under the Management Agreements, each Fund agreed to pay to the Manager an annual management fee of 3.0% of the Net Asset Value of that Fund. Management fees are calculated and accrued daily and are payable monthly. For the fiscal year ended August 31, 2006, excluding the Goods and Services Tax, Canadian Medical Discoveries Fund Inc. paid the Manager \$7,207,567.07 and Canadian Medical Discoveries Fund II Inc. paid the Manager \$655,773.85 in management fees pursuant to the applicable Management Agreement. For the period from September 1, 2006 to September 30, 2006, excluding the Goods and Services Tax, Canadian Medical Discoveries Fund Inc. paid the Manager \$475,578.25 and Canadian Medical Discoveries Fund II Inc. paid the Manager \$35,997.61 in management fees pursuant to the applicable Management Agreement.

In addition, the Manager is entitled to a quarterly Performance Fee equal to 25% of all Realized Income earned from each Portfolio Company, calculated at the end of each fiscal quarter of each Fund in respect of Realized Income received in that quarter. Before a Performance Fee is earned with respect to a full or partial disposition of a particular Portfolio Company, that Fund must have first fully recouped an amount equal to all cash that Fund invested in that Portfolio Company.

All earned but unpaid Performance Fees are paid by the Fund to the Manager within thirty days following the end of each fiscal quarter of the Fund except that:

- (a) before such Performance Fees are paid, the Portfolio Income at the end of the particular fiscal quarter must exceed the Threshold Amount calculated as at the end of the fiscal quarter; and
- (b) in the event that, after the payment of all such Performance Fees, the Portfolio Income at that time would then be reduced below the Threshold Amount calculated as at the end of that fiscal quarter, then the amount of Performance Fees that are paid at that time shall be limited to the amount that permits the Portfolio Income to meet the Threshold Amount calculated as at the end of that fiscal quarter.

No Performance Fee has been paid or is payable to the Manager by the Funds as of the fiscal year ended August 31, 2006.

The Management Agreement for Canadian Medical Discoveries Fund Inc. has an initial term of proximately 10 years expiring on December 31, 2014, which term is automatically extended on each anniversary date for a term of one year, thus maintaining a continuous 10 year term, provided that either party may terminate further automatic extensions by providing 60 days notice to the others prior to the next anniversary date, and the Fund may, in the event of a default, terminate the Management Agreement. The Management Agreement for Canadian Medical Discoveries Fund II Inc. has an initial term expiring on December 31, 2011, and automatically renews thereafter for successive five (5) year periods, provided that either party may terminate at the end of the relevant term by providing one year paid notice to the other, and the Fund may, in the event of a default, terminate the Management Agreement. The Funds are required under their Management Agreements to indemnify the Manager for any liability that may arise in connection with the provision of services to the Funds provided that the Manager has accepted in good faith with a view to the best interests of that Fund and exercised a degree of care, diligence and skill that a reasonable person would exercise in comparable circumstances, and has not acted negligently or fraudulently.

II Directors and Officers of the Manager

The name, municipality of residence, office and principal occupation of each of the directors and officers of the Manager are as follows:

Name and Municipality of Residence	Office	Principal Occupation
Philip Armstrong Aurora, Ontario	Director	President, Chief Executive Officer and Director, Jovian Capital Corporation (since 2003); Director, Jove (since 2003); previously, Chairman, Jovian Capital Corporation (2001 – 2003)

Name and Municipality of Residence	Office	Principal Occupation
Mark Arthur Toronto, Ontario	Director	Executive Vice-President, Director, Jovian Capital Corporation; September 2002 to May 2003 self-employed. Prior thereto, President and Chief Executive Officer of RBC Global Investment Management Inc. and its predecessor companies
Steven J. Hawkins Oakville, Ontario	Director, President and Chief Executive Officer	Managing Partner, Fairway Asset Management Corp. since 2005; From 2000 to 2005, Vice-President, Compliance for AMG Canada and Senior Vice-President, Compliance and Risk Management and Chief Investment Officer for First Asset Investment Management Inc.
Gordon A. McMillan Oakville, Ontario	Director and Chairman	Chairman, Fairway Asset Management Corp., Managing Director, Impax Management Limited; From 2002 to 2005 Chief Executive Officer, NGB Management Inc.; From 2000 to 2003, Chief Executive Officer, Skylon Capital Corp.
Jason Mackey Toronto, Ontario	Chief Financial Officer	Chief Financial Officer, Jovian Capital Corporation; Chief Financial Officer, MGI Securities Inc. since 2000

III Ownership of the Manager

The Manager is an indirect wholly owned subsidiary of Fairway Asset Management Corp. ("Fairway"). The issued and outstanding shares in the capital of Fairway are owned, beneficially and of record, in respect of holdings exceeding 10% of any class of outstanding voting securities, as follows: 49% by Jovian Asset Management Inc. ("Jovian Asset"), 14.4% by the McMillan Foundation and 20.9% by Baker Co. Jovian Asset is a wholly owned subsidiary of Jovian Capital Corporation ("Jovian"). Jovian is a publicly-traded company listed on the TSX Venture Exchange (JVN). Jovian is a holding and management company with interests in a variety of financial service firms specializing in wealth and asset management. The Jovian group of companies operates as a national financial services organization with approximately \$12.0 billion of client assets. The Jovian group of companies provides wealth accumulation, asset protection and service solutions under a number of consumer brands. Jovian provides overall structure, strategic direction and management oversight, as well as economies of scale to each of its related companies.

Subject to the approval of the Canadian securities regulatory authorities, Jovian Asset will acquire all of the outstanding voting securities of Fairway and Jovian will, through its ownership of Jovian Asset, control the Manager. It is anticipated that this change of control will, subject to the above noted approvals, be completed in December of 2006.

IV Executive Compensation

Each Fund has eight (8) officers, none of whom received compensation from the Fund for acting in such capacity.

Directors of the Fund (other than directors who are also officers or directors of the Manager) are entitled to receive an annual fee of \$7,000 plus a fee of \$1,000 per day for each board or board committee meeting attended, except that in the case of attendance by telephone the fee is \$500 per day. Drs. Carrière, Keon, Pearson and Rogers (former director) and Messrs Anderson, Hindle (former director), Lockie (former director) and Morency, and Ms. Demers each received the following fees, respectively, for services rendered to the Fund. Mr. Hindle and Ms. Demers declined to receive a fee personally and have directed that such fees be paid by each Fund to the Sponsor's scholarship program. This program has accordingly received \$20,500 in respect of the fiscal year ending August 31, 2006.

Directors	Compensation	
	Canadian Medical Discoveries Fund Inc.	Canadian Medical Discoveries Fund II Inc.
Dr. Serge Carrière ⁽²⁾	\$23,132.50	\$16,782.50
Senator Dr. Wilbert J. Keon	\$20,750.00	\$15,750.00
Dr. Mark Pearson	\$14,250.00	\$11,750.00
John Anderson	\$5,730.76	\$5,730.76
Steve Hindle ⁽¹⁾	\$7,250.00	\$3,250.00

Directors	Compensation	
	Canadian Medical Discoveries Fund Inc.	Canadian Medical Discoveries Fund II Inc.
Richard Lockie	None	None
Jean Pierre Morency	\$17,500	\$13,500
Dr. Ian Henry Rogers	\$3,250	\$2,250
Michèle Demers ⁽¹⁾	\$5,000	\$5,000
Steven J. Hawkins	None	None
Gordon A. McMillan	None	None

⁽¹⁾ Paid to Sponsor's scholarship program

⁽²⁾ Dr. Carriere also indirectly received \$157,750, not including GST, in respect of the financial year ending August 31, 2006 pursuant to consulting arrangements with the Manager in relation to services provided to Canadian Medical Discoveries Fund Inc. and Canadian Medical Discoveries Fund II Inc.

Following the Amalgamation, the directors of CMDF other than directors who are also officers or directors of the Manager) will be entitled to receive an annual fee of \$12,000 plus a fee of \$1,500 per day for each board or board committee meeting attended, except that in the case of attendance by telephone the fee is \$1,000 per day. Additionally, the Chairman of each committee will be entitled to an annual fee of \$7,000. The Chairman of the board shall be entitled to an all inclusive annual fee of \$75,000.

V Indebtedness of Officers and Directors

No present or proposed director or officer and none of their respective associates or affiliates is or has been indebted to the Funds at any time.

VI Interest of Insiders in Material Transactions

Pursuant to the Management Agreement, the Manager has been retained as manager of the Funds and will receive certain management fees. Mr. Steve Hawkins, Gordon McMillan, and Jason MacKey, who are directors and/or officers of the Fund, are also directors and/or officers of the Manager.

The Manager has retained Jove to assist the Manager in identifying, screening and analyzing eligible investments. Jovian Asset will, through its control of Jove and its ownership interest in the Manager, benefit from the fees paid by the Funds to the Manager. Please refer to "Ownership of the Manager" on page 7.

B APPOINTMENT OF AUDITORS

At the Annual Meeting, the shareholders of each Fund will be called upon to appoint auditors to serve until the next Annual Meeting of that Fund and to authorize the Board of Directors to fix the remuneration of the auditors so appointed.

Management proposes to nominate Ernst & Young LLP, Chartered Accountants, of Toronto, Ontario as the auditors of the Funds to hold office until the close of the next Annual Meeting of Shareholders. Ernst & Young LLP is the present auditor of the Funds and was first appointed auditor of Canadian Medical Discoveries Fund Inc. at the Annual and Special Meeting of Shareholders held on January 7, 2003. Ernst & Young LLP is the present auditor of the Canadian Medical Discoveries Fund II Inc. and was first appointed auditor of its predecessor fund, CMDF Venture Fund Inc. on December 10, 2001. It is intended that on any ballot that may be called relating to the appointment of auditors and the fixing of their remuneration by the directors, the shares represented by proxies in favour of management nominees will be voted in favour of the appointment of Ernst & Young LLP as auditors of each Fund and the fixing of their remuneration by the directors, unless a shareholder has specified in his or her proxy that his or her shares are to be withheld from voting for the appointment of auditors or voted against authorizing the directors to set their remuneration.

C THE AMALGAMATION

I Funds Participating in the Amalgamation

The Canadian Medical Discoveries Fund Inc. is a corporation incorporated under the laws of Canada on October 7, 1994, and the Canadian Medical Discoveries Fund II Inc. is a corporation amalgamated under the laws of Canada as of August 31, 2002. Since those dates, the industry has seen considerable upheaval resulting, in part, from certain legislative and regulatory changes that impact labour-sponsored investment funds in particular. As a result, there has been considerable consolidation within the market.

II Terms of the Amalgamation

It is proposed that on the Effective Date, the Funds will amalgamate pursuant to section 181 of the CBCA and continue thereafter as a registered labour-sponsored venture capital corporation pursuant to the Federal Act and as a labour-sponsored investment fund corporation pursuant to the

Ontario Act under the name “Canadian Medical Discoveries Fund Inc.”/“Fonds de Découvertes Médicales Canadiennes inc.”, hereinafter referred to as CMDF. If approved, the Effective Date of the Amalgamation is expected to be on or about November 30, 2006.

On the Effective Date holders of Class A Shares of Canadian Medical Discoveries Fund Inc. or Canadian Medical Discoveries Fund II Inc. will be entitled to receive, in exchange for those shares, a number of Class A, Series I, Shares in the capital of CMDF that is equal to the closing Net Asset Value of their Class A Shares from the Business Day prior to the Effective Date (the number of Shares held multiplied by the closing Net Asset Value per Class A Share on the Business Day prior to the Effective Date) divided by \$10. Holders of Class B Shares of Canadian Medical Discoveries Fund Inc. or Canadian Medical Discoveries Fund II Inc. will be entitled to receive, in exchange for those shares, an equivalent number of Class B Shares in the capital of CMDF

There are no issued and outstanding Class C Shares of Canadian Medical Discoveries Fund Inc. or Canadian Medical Discoveries Fund II Inc. and the Funds do not intend to issue any new Class C Shares prior to the Amalgamation.

Upon completion of the Amalgamation, approximately 93% and 7% of the then outstanding CMDF Class A, Series I, Shares will be owned by the former holders of Canadian Medical Discoveries Fund Inc. Class A Shares and Canadian Medical Discoveries Fund II Inc. Class A Shares, respectively, and the Sponsor will own all of the outstanding CMDF Class B Shares.

The Funds have agreed that until the Effective Date, they will not engage in any business, enterprise or other activity outside the normal course of business as presently conducted by them and will take all necessary action to give effect to the transactions contemplated by the Amalgamation Agreement. Each of the Funds has agreed that they shall use all reasonable efforts to satisfy each of the conditions precedent to the completion of the Amalgamation set out in the Amalgamation Agreement. The Funds have also agreed to cooperate with each other in using all reasonable efforts to obtain the approval of their respective shareholders, any regulatory or governmental authority and any third party whose approval, consent or waiver is required to complete the transactions contemplated by the Amalgamation Agreement.

III Reasons for the Amalgamation

The Manager of each Fund considers the Amalgamation to be advantageous to the shareholders of each Fund for the following reasons:

- (a) CMDF will offer each Fund greater capital resources to make investments as appropriate opportunities arise. CMDF's larger capital resources will permit it to maximize shareholder value by providing the companies in which it invests with the ability to meet their full growth potential;
- (b) CMDF will offer the Funds the opportunity to be part of an LSIF Corporation with greater resources, thereby realizing greater economies of scale and lowering the cost of administration per shareholder;
- (c) CMDF will offer the Fund's shareholders investment objectives which are substantially similar to the investment objectives of each Fund; and
- (d) CMDF will provide Canadian Medical Discoveries Fund II Inc. significantly greater portfolio liquidity to fund future redemption requests.

Based on the foregoing, the board of directors of each Fund believes that the Amalgamation is in the best interests of each Fund and their shareholders.

IV Conditions to Completion of Amalgamation

The respective obligations of each party to the Amalgamation Agreement to complete the transactions contemplated therein, and to file Articles of Amalgamation to give effect to the Amalgamation, are subject to the fulfillment of certain conditions on or before the Effective Date, including the following:

- (a) the Amalgamation must be approved by not less than two-thirds of the shareholders present or represented by proxy at the Meetings of the Funds; and,
- (b) all consents and approvals required, necessary or desirable for the completion of the Amalgamation shall have been obtained or received, each in a form acceptable to each of the Funds, acting reasonably.

Notwithstanding that approvals may be obtained from the shareholders of Canadian Medical Discoveries Fund Inc. and Canadian Medical Discoveries Fund II Inc., the Directors of each of Canadian Medical Discoveries Fund Inc. and Canadian Medical Discoveries Fund II Inc. may, in their discretion elect to not proceed with the Amalgamation.

The Manager is responsible for all costs and expenses incurred in connection with the proposed transaction, including expenses of advisors, agents and other representatives, incurred at any time in connection with pursuing or consummating the proposed Amalgamation.

V Termination

The Amalgamation Agreement may be terminated and the Amalgamation may be abandoned: (i) upon the mutual consent of the Funds; (ii) by either party acting unilaterally upon the failure of the other party to satisfy one or more of the conditions contained in the Amalgamation Agreement and summarized above, which condition has not been waived by the party entitled to the benefit of such condition; or (iii) by either party acting unilaterally after December 31, 2006.

In addition to the foregoing, the Amalgamation Agreement may be terminated at any time prior to the Effective Date if, notwithstanding the best efforts of the Funds, the holders of Class A Shares of either Fund do not approve the Amalgamation.

VI Regulatory Approvals and Filings

The completion of the Amalgamation is, pursuant to the Ontario Act, subject to the approval of the Ministry of Finance (Ontario) and, pursuant to National Instrument 81-102 – Mutual Funds, subject to the approval of the securities regulatory authorities of each province and territory of Canada.

VII Board Recommendations

The board of directors of each of the Funds has approved the Amalgamation, has determined that the proposed Amalgamation is in the best interests of each Fund's shareholders, and recommends the approval and adoption of the resolution approving the Amalgamation.

VIII Class A Shareholder Approval

Approval of the Amalgamation by the holders of Class A Shares requires that the special resolution approving the Amalgamation be passed at each Fund's Meeting. The special resolution will authorize the directors of the Funds to abandon the Amalgamation if, in their discretion, they deem it fit to do so. Please see "Special and Ordinary Resolutions" on page 3.

The text of this special resolution is attached hereto as part of Schedule "A". Quorum at the Meeting of holders of Class A Shares for each Fund is two or more shareholders present in person or by proxy, provided that the resolutions approving the amendments to the Funds' by-laws are confirmed.

IX Class B Shareholder Approval

The Sponsor, as holder of all of outstanding Class B Shares has executed written resolutions approving the Amalgamation.

X Dissenting Shareholders' Rights

Pursuant to the provisions of section 190 of the CBCA, a shareholder is entitled to send to a Fund a written objection to the resolution approving the Amalgamation. A shareholder who complies with the dissent procedure of section 190 of the CBCA is entitled to be paid the fair value, expected to be the Net Asset Value, of the Class A Shares held by him or her in respect of which he or she dissents, as determined at the close of business on the day before the resolution approving the Amalgamation was passed, minus repayment of the federal and provincial tax credits and applicable early redemption fees. The dissent procedure of section 190 of the CBCA is summarized in Schedule "B" (which utilizes terms defined herein) and shareholders who may wish to dissent are referred to such Schedule "B", as failure by such shareholder to adhere strictly to the requirements of section 190 of the CBCA may result in the loss of the shareholder's rights under that section.

Each shareholder who might desire to exercise these rights of dissent should carefully consider and comply with the provisions of section 190 of the CBCA and consult with his or her legal advisor.

XI Legal Matters and Legal Proceedings

Certain legal matters in connection with the Amalgamation will be passed upon on behalf of the Funds by Borden Ladner Gervais LLP.

There are no legal proceedings material to which either Fund is a party or to which any of its property is subject, and no such proceedings are known to be contemplated.

XII Material Contracts

The Funds have entered or will enter into the Amalgamation Agreement dated October 5, 2006 between Canadian Medical Discoveries Fund Inc. and Canadian Medical Discoveries Fund II Inc. which is considered material to investors. A summary of the material terms of the foregoing contract is attached to this Circular as Schedule "C".

D BY-LAWS

I Canadian Medical Discoveries Fund Inc.

At the annual and special meeting, the shareholders of Canadian Medical Discoveries Fund Inc. will be asked to consider and, if thought advisable, to confirm, with or without amendment, By-Law No. 4. By-Law No. 4 of the Corporation, which was enacted October 12, 2006 by the directors of Canadian Medical Discoveries Fund Inc., replaced By-law No. 3 of Canadian Medical Discoveries Fund Inc. which dealt with the required quorum for meetings of shareholders.

By-Law No. 3 provided that a quorum for shareholders' meetings was at least two individuals, each entitled to vote at a meeting of shareholders either personally or as a proxy, and representing not less than two (2%) percent in number of the outstanding shares of Canadian Medical Discoveries Fund Inc. carrying voting rights at such meeting. During the last year several years it has become increasingly difficult to obtain quorum. In order

to minimize the risk of a meeting of shareholders of the Canadian Medical Discoveries Fund Inc. having to be adjourned for failure in quorum, the Board of Canadian Medical Discoveries Fund Inc. enacted By-Law No. 4 to delete the requirement that shareholders present or represented at a meeting hold at least two (2%) percent in number of the shares of the Fund having voting rights at the meeting and replaced it with a requirement that at least two shareholders having voting rights at the meeting be present or represented.

The text of this ordinary resolution is attached hereto as part of Schedule "A". By-Law No. 4 is currently in effect and will remain in effect provided it is confirmed by shareholders of Canadian Medical Discoveries Fund Inc. at the meeting. In order to be confirmed, the resolution must be approved by a majority of votes cast by the holders of the Class A Shares and Class B Shares, voting together as a single class, present in person or represented by proxy at the meeting.

II Canadian Medical Discoveries Fund II Inc.

At its meeting, the shareholders of Canadian Medical Discoveries Fund II Inc. will be asked to consider and, if thought advisable, to confirm, with or without amendment, By-Law No. 2. By-Law No. 2 of the Corporation, which was enacted October 12, 2006 by the directors of Canadian Medical Discoveries Fund II Inc., replaced Article 2(b) of By-law No. 1 of Canadian Medical Discoveries Fund II Inc. which dealt with the required quorum for meetings of shareholders.

Article 2(b) of By-Law No. 1 provided that a quorum for shareholders' meetings was at least two individuals, each entitled to vote at a meeting of shareholders either personally or as a proxy, and representing not less than two (2%) percent in number of the outstanding shares of Canadian Medical Discoveries Fund II Inc. carrying voting rights at such meeting. During the last year several years it has become increasingly difficult to obtain quorum. In order to minimize the risk of a meeting of shareholders of the Canadian Medical Discoveries Fund II Inc. having to be adjourned for failure in quorum, the Board of Canadian Medical Discoveries Fund II Inc. enacted By-Law No. 2 to delete the requirement that shareholders present or represented at a meeting hold at least two (2%) percent in number of the shares of the Fund having voting rights at the meeting and replaced it with a requirement that at least two shareholders having rights at the meeting be present or represented.

The text of this ordinary resolution is attached hereto as part of Schedule "A". By-Law No. 2 is currently in effect and will remain in effect provided it is confirmed by shareholders of Canadian Medical Discoveries Fund II Inc. at the meeting. In order to be confirmed, the resolution must be approved by a majority of votes cast by the holders of the Class A Shares and Class B Shares, voting together as a single class, present in person or represented by proxy at the meeting.

E OTHER MATTERS WHICH MAY COME BEFORE THE MEETING

Management of the Funds know of no matters to come before any of the meetings of holders of Class A Shares other than as set forth in the notices of meeting. If any other matters which are not known to management should properly come before the Meetings, the persons named on the enclosed forms of proxy are authorized to vote in accordance with their discretion on such matters.

PART II

1 CMDF, THE AMALGAMATED FUND

The information contained in this Part relates to CMDF, as it will be provided the Amalgamation is approved at the Meeting and completed. CMDF will be managed in a manner which is substantially similar to the predecessor Funds. Generally, this summary will only highlight those features of CMDF which are different than those of the Funds. Please refer to the Prospectus of your Fund for further information about your Fund. You may obtain a copy of your Fund's Prospectus free of charge by contacting the Manager or by downloading from www.cmdf.com or www.sedar.com.

If approved at the Meeting:

- (a) CMDF will be a corporation subsisting under the Canada Business Corporations Act created by articles of amalgamation to be dated on or about November 30, 2006, following the amalgamation of Canadian Medical Discoveries Fund Inc. and Canadian Medical Discoveries Fund II Inc. The registered office of CMDF will be at BCE Place, 181 Bay Street, Suite 3740, P.O. Box 750, Toronto, Ontario, M5J 2T3.
- (b) CMDF will be registered as a labour-sponsored investment fund corporation under the Community Small Business Investment Funds Act and, as a result of such registration, will be prescribed as a labour-sponsored venture capital corporation under the Income Tax Act (Canada).
- (c) CMDF Class A Shares will be issued as Research Oriented Investment Funds ("ROIFs") pursuant to the Ontario Act in accordance with notices Canadian Medical Discoveries Fund Inc. and Canadian Medical Discoveries Fund II Inc. delivered to the Ontario Minister of Finance which were effective as of January 1, 2002.
- (d) The directors of CMDF will be authorized to issue Class A Shares in series. The holders of Class A Shares of the Funds will receive CMDF Class A, Series I, Shares pursuant to the terms of the Amalgamation. CMDF intends to offer CMDF Class A, Series II, Shares following the Amalgamation.
- (e) CMDF will be designed to make venture capital investments in eligible Canadian health sciences businesses with the objective of achieving long-term capital appreciation. See "INVESTMENT OBJECTIVES AND STRATEGY", and Schedule "E" "CMDF PRO FORMA VENTURE PORTFOLIO".

2 THE SPONSOR

A GENERAL

The Sponsor is the sponsor of the Funds. Provided the Amalgamation is approved at the Meeting, the Sponsor will be the sponsor of CMDF.

The Promoter is the promoter of the Funds and was incorporated under the Canada Business Corporations Act by articles of incorporation dated September 20, 1994, and is a wholly-owned subsidiary of the Sponsor. The registered office of the Promoter is 250 Chemin Tremblay Road, Ottawa, Ontario K1G 3J8.

B RELATIONSHIP WITH CMDF

Provided the Amalgamation is approved at the Meeting, the Sponsor will hold all the issued and outstanding Class B Shares of CMDF. These Class B Shares will have a nominal stated capital and a nominal aggregate redemption price and the holder of the Class B Shares will be entitled to elect two-thirds of the directors of CMDF or, where there are no holders of Class A Shares, all of the directors of CMDF. The Sponsor's ownership of the Class B Shares of CMDF is required in order to qualify for registration as a labour-sponsored venture capital corporation under the Federal Act and as a labour-sponsored investment fund corporation under the Ontario Act.

CMDF will have nine directors. The Sponsor will be entitled to elect six of the nine directors and the holders of Class A Shares will be entitled to elect three of the nine directors. The Sponsor has agreed to support for election three directors nominated by the Sponsor, three directors nominated by the Manager, and the nomination of three other directors selected from a list of no less than six individuals recommended by the Manager acceptable to the Sponsor and the Manager. Immediately following the Amalgamation, it is expected that the nine directors will be the same individuals who are currently directors of the Funds. The Manager has agreed with the Sponsor to engage in certain co-operative activities in support of the Sponsor and the Sponsor's membership from time to time as may be determined by the Manager and the Sponsor annually.

The Manager will pay the Sponsor an annual fee equal to 0.10% of NAV of CMDF's Class A, Series I, Shares. The Sponsor is also entitled to be reimbursed by the Manager for all reasonable costs and expenses incurred in relation to CMDF and in relation to maintaining the Sponsor as a valid and subsisting corporate entity. CMDF will also pay the Sponsor an annual fee equal to 0.25% of the NAV of the CMDF's Class A, Series II, Shares which will be distributed following the Amalgamation.

3 INVESTMENT OBJECTIVES AND FORM OF INVESTMENTS

A INVESTMENT OBJECTIVES

CMDF's fundamental investment objective will be to achieve long-term capital appreciation through investment in eligible Canadian businesses engaged in the health sciences sector, with emphasis on those businesses involved in the Testing and Development, or Production and Commercialization stages of development. Please see "DEVELOPMENT STAGES IN THE HEALTH SCIENCES SECTOR" for details on these stages of development.

The health sciences sector encompasses a broad range of scientific disciplines and industries that relate to or have an impact on health care including, without limitation, life sciences, biotechnology, diagnostics, medical devices, drug discovery and development, health care delivery services and e-health. CMDF will invest the Venture Investment Portfolio in a wide variety of these sectors as well as businesses with products, technologies or services in different stages of development. (See "DEVELOPMENT STAGES IN THE HEALTH SCIENCES SECTOR" and Schedule "E" to this document "CMDF PRO FORMA VENTURE PORTFOLIO").

B FORM OF INVESTMENTS

The form of CMDF's investments will be negotiated taking into account the investment criteria and guidelines of CMDF, the recommendations and instructions of the Investment Committee, the long-term requirements of the investee company(ies) and tax considerations. CMDF's investments will take the form of debt or equity, or debt or equity together with warrants to acquire shares or participation in cash flow or earnings. Certain investments may involve a combination of these instruments. See Schedule "E" to this document "CMDF PRO FORMA VENTURE PORTFOLIO")

C DEVELOPMENT STAGES IN THE HEALTH SCIENCES SECTOR

With respect to health science research and resulting technologies, the Manager has identified four distinct stages of development:

- (i) **Academic Research and Early Discovery:** Academic research in the health sciences occurs principally within universities, hospitals and research institutes. Such institutions have been a significant source of intellectual property and new product concepts for the biopharmaceutical and other health care related industries. Discovery research at this stage of development requires not only funding, but also considerable management advice.
- (ii) **Commercialization of Research:** Once a discovery has been protected and the research refined, the health business enters the next stage of development which is the commercialization of the research. It is at this stage of development that the health business seeks to transform the research into an actual product or service. A characteristic of businesses at this stage of development remains the absence of development funding and the need for managerial expertise.

- (iii) **Testing and Development:** This stage is primarily characterized by further product or service development as well as clinical testing of an existing product and the seeking of regulatory approvals by the health business. Businesses which have successfully reached this stage of development are attractive candidates for an initial public offering of securities. Although such businesses continue to require capital, they typically have developed management experience and are viewed favourably by the investment community for funding.
- (iv) **Production and Commercialization:** Businesses at this stage of development are the more mature health businesses which are involved in the actual production and marketing of products, technologies or services. Businesses at this stage of development are usually publicly traded or have access to funding to meet their cash flow requirements, and have experienced management.

D INVESTMENT PROCESS

I Identifying Opportunities

The board of directors of CMDF, the Manager, and Jove all have a network of contacts within the Canadian medical research community and Canadian and international health companies as well as with provincial and regional bodies involved in the health science sector. CMDF will draw on these contacts in order to source investment opportunities. CMDF also expects to receive proposals from other investors seeking to syndicate investment opportunities.

II Evaluating Investments

The time, effort and expertise required to complete the assessment and due diligence process is substantial.

Jove will leverage its team of investment professionals to evaluate the potential of investment proposals. In concert with this process, the Manager will review the excellence of the research and uniqueness of the discoveries associated with selected proposals. The Managers analyses combined with Jove's insights will provide key input to CMDF's Investment Committee.

The selection criteria for CMDF's investments will be the same as that of the Funds. Please refer to the Prospectus of your Fund for a detailed description of the selection criteria.

Pending investment into Eligible Businesses, CMDF's liquid portfolio will be invested into a combination of high-quality, short-term, government and corporate debt obligations and a diversified portfolio of equity and equity-related securities of primarily public health science companies.

In selecting fixed income securities for CMDF, Jove assesses such aspects as economic growth, inflation, fiscal and monetary policy, interest rate outlook and credit ratings. For equity positions Jove assesses, amongst other factors they believe to be relevant, economic, industry and company specific information to project growth prospects, and the relative value of companies on a risk-reward basis, to seek to determine companies offering superior growth, as well as the financial statistics of companies to determine if a security is attractively priced. As the investment advisor to CMDF, Jove will determine the allocation of the Liquid Portfolio between debt and equity or equity related securities. The percentages of CMDF's Liquid Portfolio invested in each asset class will be adjusted on an ongoing basis based on Jove's outlook for the markets for each asset class.

Jove may also purchase securities through, of, or issued by related parties for the Liquid Portfolio, however such securities must be consistent with CMDF's investment objective and confirm with CMDF's investment restrictions. The Liquid Portfolio will be invested in compliance with the Ontario Act and the Federal Act.

4 INVESTMENT RESTRICTIONS AND POLICIES

A STATUTORY INVESTMENT RESTRICTIONS

CMDF will be subject to the same investment restrictions contained in the Ontario Act as the Funds. The investment restrictions contained in the articles of CMDF will be the same as those found in the articles of the Funds. All the investment restrictions and policies that applied to the Funds will apply to CMDF. Please refer to the Prospectus of your Fund for a complete summary of the investment restrictions and policies of the Fund.

5 INVESTMENT IMPLEMENTATION AND MONITORING

A CMDF BOARD AND INVESTMENT COMMITTEE

I CMDF Board

The CMDF Board will meet periodically to receive reports from the Manager in respect of the business and affairs of CMDF, consider investment policies and procedures adopted by the Manager or recommended by the Manager to the Board for approval and generally review the performance of the Manager in light of the contractual obligations of the Manager to CMDF. The CMDF Board, as a whole, as opposed to the committee of directors constituted in respect of investment matters described below, will not generally participate in specific investment or divestment decisions taken in respect of CMDF. See "MANAGEMENT OF CMDF".

II Investment Committee

The CMDF Board will establish an Investment Committee initially comprised of four directors of CMDF, two of whom will be neither directors nor officers of the Manager. The Investment Committee will be responsible on behalf of the Board for reviewing the analysis of eligible health and life sciences businesses performed by, or on behalf of, the Manager, providing investment advice and recommendations in light of such analysis, and making all investment and divestment decisions for CMDF. In addition, the Investment Committee will be responsible on behalf of the CMDF Board for making decisions with respect to investment of the Liquid Portfolio of CMDF. The Investment Committee will also periodically review and approve investment policies and procedures adopted by the Manager for use in respect of CMDF.

The approval of the Investment Committee will be obtained by the affirmative vote of a majority of the directors on the Committee. It is intended that at all times at least two directors independent of the Manager and Jove will be appointed members of the Investment Committee. See “MANAGEMENT OF CMDF”.

B THE MANAGER AND INVESTMENT ADVISOR

The success of CMDF will depend upon its ability to identify, evaluate and invest in the most attractive investment opportunities. CMDF will rely on the expertise of the Manager and its investment advisor, Jove.

I The Manager

The Manager will be responsible for screening Eligible Businesses which meet CMDF’s investment criteria and analyzing the scientific and commercial potential of the research conducted by or the product or service of the Eligible Business, including the evaluation of scientific discoveries. In addition, the Manager assists the Investment Committee in structuring and implementing investment transactions approved by the Investment Committee. The Manager will also be responsible for refining the investment strategy, criteria and policies of CMDF. To assist it in performing its duties, the Manager has retained Jove at the expense of the Manager.

The Manager will, on an ongoing basis, monitor CMDF’s portfolio of investments in eligible health sciences businesses, which will include evaluating scientific and commercial performance and other key performance indicators. In addition, where appropriate, representatives of the Manager and/or Jove, will participate on the board of directors of eligible health sciences businesses and provide management advice, expertise and assistance in the exploitation of research, products or services. Neither the Manager nor its directors, officers or employees will make an investment in, nor enter into any arrangement whereby they receive a fee or benefit from an investee business, without the consent of the CMDF Board. The Manager will complement its own capabilities by retaining Jove to act as investment advisor to CMDF.

II The Investment Advisor

Jove has been retained by the Manager to assist it in screening and analyzing appropriate investment and divestment opportunities. In addition, Jove will assist CMDF in monitoring its investments and providing management, financial and other assistance to portfolio investments. Remuneration payable to Jove for such services is the sole responsibility of the Manager.

Jove is an indirect wholly-owned subsidiary of Jovian and is part of the Jovian group of companies. Jovian indirectly owns, a non-controlling interest in the Manager, and therefore Jove and the Manager may be related.

III Non-Exclusivity of Services

The services of the Manager and Jove are not exclusive to CMDF. The Manager currently manages, and Jove provides investment management services to, other labour sponsored venture capital corporations. Jove also manages or provides services to other investment funds. As a result, the Manager and Jove are required to exercise discretion in allocating investment and divestment opportunities among CMDF and such other funds. In doing so, the Manager and Jove will consider the investment objectives and compliance with legislated investment requirements of CMDF and the other funds as well as any other factors which in their discretion are relevant in the circumstances. Exceptions to this general policy described above will be approved by the Investment Committee.

MGI Securities Inc. (“MGI”) is a registered securities dealer and Rice Financial Group Inc. (“Rice”) is a registered mutual fund dealer through which shares of CMDF may be purchased and are related to the Manager and Jove through direct and indirect ownership interests in all of the parties by Jovian. MGI, Rice and Jove are wholly owned subsidiaries of Jovian which currently owns 49% of the voting securities of the Manager. Jovian has exercised an option to purchase the remaining 51% of the voting securities of the Manager and this transaction, subject to the approval of the Canadian securities regulatory authorities, is currently expected to be completed in December 2006.

6 VALUATION OF INVESTMENTS

A AUDIT AND VALUATION COMMITTEE

The CMDF Board will establish an Audit and Valuation Committee comprised of at least three directors. The CMDF Board will delegate responsibility for determining the value of CMDF’s investments to the Audit and Valuation Committee as set out below. A majority of the members of the Audit and Valuation Committee will be independent of the Manager and of the Sponsor.

B VALUATION OF ASSETS

The Audit and Valuation Committee will, among other things, determine the Quarterly Valuation of CMDF's assets quarterly and Senior Officers will update the Quarterly Valuation on each business day. In this respect, the Audit and Valuation Committee and Senior Officers will act for CMDF in the same way they acted for the Funds. Please refer to the Prospectus of the Funds for a complete summary of the Audit and Valuation Committee, Quarterly Valuations and daily valuations.

Senior Officers and the Audit and Valuation Committee will employ a valuation criteria which seeks to estimate the fair value of each investment made. The valuation criteria employed by the Funds will be used for CMDF. Please refer to the Prospectus of the Funds for a complete summary of the valuation criteria.

I Independent Valuation

CMDF is required to undertake to the Minister of Finance (Ontario) that the value of its Class A Shares will be determined on an annual basis by means of a valuation carried out by an independent qualified person. CMDF intends to satisfy this requirement by obtaining, on an annual basis, an independent valuation of the Net Asset Value of CMDF. This valuation will be conducted by an independent qualified person, likely a chartered business valuator on staff with CMDF's external auditors.

C NET ASSET VALUE OF CMDF

The Net Asset Value per applicable series of Class A Shares will be determined on each business day by subtracting the stated capital of the Class B Shares and the aggregate amount of CMDF's liabilities applicable to the particular series from the aggregate of: (a) the value of CMDF's assets attributable to the CMDF Class A, Series I, Shares or Class A, Series II, Shares being valued for which a published market exists on the basis of the valuation of such assets as of the relevant date; (b) the value of CMDF's assets attributable to the CMDF Class A, Series I, Shares or Class A, Series II, Shares for which no published market exists on the basis of the valuation of such assets which is as of that date; (c) any unamortized balance of sales commissions and expenses attributable to the CMDF Class A, Series I, Shares or Class A, Series II, Shares (see "OPERATING EXPENSES"); and (d) the book value of any other assets of CMDF attributable to the CMDF Class A, Series I, Shares or Class A, Series II, Shares (collectively, the "Series Net Asset Values"). The Audit and Valuation Committee must approve the Series Net Asset Values of CMDF at least four times each year (February, May, August and November) and the Senior Officers will determine the Series Net Asset Values of CMDF during the intervening period.

The Series Net Asset Values per Class A, Series I Share or Class A, Series II, Share will be the amount obtained by dividing the applicable Series Net Asset Value of CMDF as of a particular date by the total number of Class A, Series I, Shares or Class A, Series II, Shares, as applicable, outstanding on that date. CMDF will publish the Net Asset Values per Class A, Series I Share and Class A, Series II, Share in the financial press including The National Post and The Globe and Mail. Following the Amalgamation, the initial Net Asset Value per Class A, Series I, Share of CMDF will be \$10.00 and the Net Asset Value per Class A, Series II, Share will initially be \$10.00.

The Series Net Asset Value per Class A, Series I, Share and Series Net Asset Value per Class A, Series II, Share as determined in the foregoing manner from time to time may differ from the prices at which shareholders may sell (subject to the restrictions on transfer) Class A Shares to third party purchasers.

7 PURCHASE OF CLASS A SHARES

A GENERAL

Other than shares issued to holders of Class A Shares of the Canadian Medical Discoveries Fund Inc. on Amalgamation, no Class A, Series I, Shares of CMDF will be issued. Subsequent to Amalgamation, all purchases by holders of Class A, Series I, Shares will be made in Class A, Series II, Shares. Class A, Series II, Shares may be purchased by an investor at the Net Asset Value per Class A Series II Share determined as at the end of the business day on which CMDF receives a purchase order in form acceptable to it. Subscriptions must normally be received by CMDF prior to 4:00 p.m. (Eastern time) in order to be priced at the Net Asset Value per Class A Series II Share for that day and, if received after that time, will be priced at the Net Asset Value per Class A Series II Share on the following business day. The minimum initial investment in Class A Series II Shares of CMDF is \$1,000 and all subsequent investments in Class A Series II Shares of CMDF must be in increments of \$500. CMDF may waive minimum initial and subsequent subscription amounts in order to accommodate pre-authorized contribution plans established by registered dealers.

All subscriptions for Class A Series II Shares are subject to acceptance or rejection by CMDF and the right is reserved to reject any subscription. All sales of Class A Series II Shares must be made through registered dealers. CMDF will not accept a purchase order placed directly by an investor. The decision to accept or reject any subscription for Class A Series II Shares will be made promptly and in any event within two business days of receipt in good order of the subscription by CMDF. In the event that a subscription for Class A Series II Shares is rejected, all money received with the subscription will be returned immediately to the applicant.

Pending the issuance of Class A Series II Shares, the amount of the subscription price accompanying subscriptions will be held in trust for the subscribers by CMDF. Interest earned on funds held in trust will accrue for the account of CMDF. Share certificates will not be provided unless requested by investors.

Although CMDF expects to continue the offering of Class A Series II Shares at prices equal to the Net Asset Value per Class A Series II Share from time to time, CMDF may suspend offering Class A Series II Shares and recommence offering Class A Series II Shares at any time CMDF deems appropriate in its sole discretion. For example, CMDF may suspend the offering of Class A Series II Shares at any time when CMDF determines that it has more funds on hand than it can invest in suitable investments within a reasonable period of time and may recommence the offering at such time as sufficient investment opportunities are available.

Subscriptions must be submitted through a registered dealer. Your dealer will be paid a 6% commission on the gross proceeds received on your subscription for Class A Series II Shares and will receive an ongoing service fee paid at an annual rate of 0.50% of the average daily Net Asset Value of Class A Series II Shares held by you, for as long as you maintain your investment in those shares.

Your dealer was paid a 6% commission on the gross proceeds received on subscription for Class A Shares of the Funds. Your dealer will receive an ongoing service fee paid at an annual rate of 0.50% of the average daily Net Asset Value of CMDF's Class A, Series I, Shares held by you after the Amalgamation.

This fee is intended to reduce the expenses of such dealers associated with communicating on an ongoing basis with their clients who hold Class A Shares with respect to investments made by CMDF and the investment strategies and performance of CMDF. The payment of this type of service fee is consistent with normal industry practice. Canadian Medical Discoveries Fund II Inc. currently pays dealers a service fee on the same terms and conditions. Canadian Medical Discoveries Fund Inc. did not previously pay such a service fee.

8 REDEMPTION OF CLASS A SHARES

The redemption procedures, policies and fees of CMDF will be the same as the Funds. The redemption fee applicable to you in respect of your investment in Class A Shares will continue to apply to your investment in Class A Series II Shares of CMDF. Please refer to the Prospectus of your Fund for a complete summary of the redemption procedures, policies and fees of your Fund.

9 SHAREHOLDER FINANCIAL REPORTING

Procedures and policies regarding shareholder financial reporting of CMDF will be the same as the Funds. Please refer to the Prospectus of your Fund for a complete summary of the shareholder financial reporting procedures and policies of the Fund. The Manager will provide, or cause to be provided, certain shareholder and administrative services to CMDF, including services relating to marketing, processing of orders, maintaining shareholder records (including a register of transfers of Class A Series II Shares) and preparing shareholder reporting information, among other services. CMDF will pay the Manager a fee of 0.85% per annum of the Net Asset Value of CMDF for all such services provided, including such shareholder and administrative services. Such fees are calculated and paid monthly by CMDF in arrears, and are calculated and accrued based on the average daily Net Asset Value of CMDF for that month. Prior to October 10, 2006, these services were provided to the Funds by Talvest (LSVC) Inc. on the same basis. The Manager has retained Felcom to provide shareholder record keeping and reporting services as well as accounting services in respect of the Funds pursuant to an agreement dated October 10, 2006. Felcom is an indirect wholly-owned subsidiary of Jovian and is part of the Jovian group of companies. Jovian indirectly owns, a non-controlling interest in the Manager, and therefore Felcom and the Manager are related.

10 OPERATING EXPENSES

CMDF will pay all of its operating expenses, including legal, audit and valuation costs, custodial fees, administration costs, directors' fees, sales commissions, service fees, marketing expenses, the fees payable to the Manager and other expenses out of working capital, which includes income earned on investments and the shareholders' capital of CMDF, among other things. See "MANAGEMENT COMPENSATION", "SHAREHOLDER FINANCIAL REPORTING" and "INVESTMENT IMPLEMENTATION AND MONITORING".

The nature of the investments to be made by CMDF requires a greater commitment to investment analysis, due diligence investigations and post-investment monitoring than investment in most other securities. In addition, the cost to determine the value of CMDF's assets for which no published market exists will be greater than valuation costs for mutual funds which invest primarily in listed securities. Consequently, the operating expenses of CMDF will be higher than many mutual funds and other pooled investment vehicles.

A change in the basis of calculation of certain fees or expenses incurred by CMDF may result in an increase in charges to CMDF. Where CMDF is acting at arm's length to the person or company charging the fee or expense, the basis of calculation may be changed in a manner which results in an increase in charges to CMDF without the need for approval of such change by the holders of Class A Shares. In such circumstances, holders of Class A Shares will be sent written notice at least 60 days prior to the effective date of any change that could result in increased charges to CMDF.

CMDF has received an exemption from a National Instrument governing mutual fund sales practices from the Ontario Securities Commission in order to permit CMDF to pay directly marketing expenses, inclusive of co-operative advertising programs, sales commissions and service fees.

Subject to limits agreed to by the CMDF Board, CMDF intends to amortize commissions paid on sales of Class A Shares by Canadian Medical Discoveries Fund Inc. and Canadian Medical Discoveries Fund II Inc., net of related income taxes, against retained earnings, on a straight line basis over a period of eight years, but service fees will be expensed as incurred.

Following the Amalgamation, the Manager will be responsible for managing the relationships with registered dealers selling the Class A, Series II, Shares and will pay a 6% sales commission to such dealers in respect of sales of Class A, Series II, Shares. Such sales commission cost will not be charged to nor amortized by CMDF. However, CMDF will pay the Manager a monthly fee equal to 0.096% of the original issue price of the Class A, Series II, Shares issued and outstanding during that month (the “Distribution Services Fee”). The Distribution Services Fee will be paid to the Manager for eight years following the sale of each Class A, Series II, Share.

11 USE OF PROCEEDS

The proceeds raised by CMDF will be used for investing in eligible Canadian health businesses, investing in high-quality, liquid government and corporate debt obligations and other reserves, and general working capital of CMDF. All operating expenses of CMDF will be paid out of CMDF's working capital. Any capital gains and interest and other investment income earned on CMDF's investments will accrue to the benefit of CMDF.

12 MANAGEMENT OF CMDF

A OFFICERS AND DIRECTORS

The name, municipality of residence, office and principal occupation of each of the directors and officers of CMDF are set out below:

Name and Municipality of Residence	Office ⁽¹⁾	Principal Occupation ⁽²⁾
Dr. Serge Carrière Vaudreuil sur le lac, Québec	Director and Chairman	President, Simrec Consultant Group
Senator, Dr. Wilbert J. Keon Ottawa, Ontario	Director	Member of the Senate of Canada
Dr. Mark Pearson Bellevue, Washington	Director	Chief Executive Officer, NeuroMedix Inc.
Michèle Demers Ottawa, Ontario	Director	President, The Professional Institute of the Public Service of Canada
Steven J. Hawkins Oakville, Ontario	Director, President and Chief Executive Officer	Managing Partner, Fairway Asset Management Corp.
Gordon A. McMillan Oakville, Ontario	Director	Chairman, Fairway Asset Management Corp. Managing Director, Impax Management Limited
John R. Anderson C.A. Toronto, Ontario	Director	Chief Financial Officer, General Partner, Impax Management Limited
Jean-Pierre Morency Québec City, Québec	Director	Retired
Dr. J.R. Jocelyn Paré Ottawa, Ontario	Director	Chief of Green Technologies, Environmental Technology Centre (ETC); Head, Analytical Programs, ETC, Environmental Canada
Jacques Ippersiel Toronto, Ontario	Vice-President, Operations	Vice-President, Investment Operations, Fairway Capital Management Corporation
Dale E. Patterson Toronto, Ontario	Executive Vice-President, Government Relations and Regulatory Affairs	Executive Vice-President, Government Relations and Regulatory Affairs, Canadian Medical Discoveries Fund Inc.
Jason Mackey Toronto, Ontario	Chief Financial Officer	Chief Financial Officer, Jovian

⁽¹⁾ For information on the membership of the various committees of the Board, see “PARTICULAR MATTERS TO BE ACTED UPON - ELECTION OF DIRECTORS” at page 4.

⁽²⁾ For a description for the past five years see “PARTICULAR MATTERS TO BE ACTED UPON - ELECTION OF DIRECTORS” at page 4.

From time to time, a director of CMDF may face a potential conflict in connection with certain matters relevant to CMDF. For example, a director or a director's employer may have business relationships with Eligible Businesses in which CMDF is considering investing or have a conflict due to such director's involvement in the Manager. Where such conflicts arise, the director will be required to disclose the conflict of interest and, where appropriate, abstain from participating in the decision. CMDF is restricted under the Ontario Act from investing in Eligible Businesses which do not deal at arm's length with any of the directors of CMDF.

B THE MANAGER

The Manager is a corporation incorporated under the Business Corporations Act (Ontario) on August 26, 1994, having its registered office at BCE Place, 181 Bay Street, Suite 3740, P.O. Box 750, Toronto, Ontario, M5J 2T3. Pursuant to the Management Agreement, the Manager will be responsible for managing and administering the affairs of CMDF, including the maintenance of shareholder records and the preparation of shareholder reporting information, providing investment analysis and recommendations, monitoring the performance of CMDF's investments, the appointment and supervision of service providers, and the appointment of a custodian in respect to CMDF's portfolio securities, among other things.

For information on the directors and officers of the Manager see "PARTICULARS OF MATTERS TO BE ACTED UPON - ELECTION OF DIRECTORS - DIRECTORS AND OFFICERS OF THE MANAGER".

MGI Securities Inc. and Rice Financial Group Inc. are registered dealers through which shares of CMDF may be purchased and are related to the Manager and Jove through indirect ownership interests in all of the parties by Jovian. Felcom is the registrar and transfer agent for the Class A Shares of CMDF. MGI, Rice, Felcom and Jove are wholly owned subsidiaries of Jovian which currently owns 49% of the voting securities of the Manager. Jovian, indirectly, has exercised an option to purchase the remaining 51% of the voting securities of the manager and this transaction, which, subject to the approval of the Canadian securities regulatory authorities, is currently expected to be completed in December 2006.

C THE INVESTMENT ADVISOR

Jove has been retained by the Manager to assist it in screening and analyzing appropriate investment and divestment opportunities pursuant to the Investment Management Agreement. In addition Jove will assist CMDF in monitoring its investments and providing management, financial and other assistance to portfolio investments. Jove is a wholly-owned subsidiary of Jovian. Jovian indirectly owns a non-controlling interest in the Manager, and therefore Jove and the Manager may be considered to be related.

The name, municipality of residence and principal occupation of each of the directors and officers of the Jove are set forth below:

Name and Municipality of Residence	Office	Principal Occupation
Philip Armstrong Aurora, Ontario	Director	President, Chief Executive Officer and Director, Jovian (since 2003); Director, Jove (since 2003); previously, Chairman, Jovian (2001 – 2003)
Mark Arthur Toronto, Ontario	President, Chief Executive Officer, Chief Compliance Officer and a Director	Executive Vice-President, Director, Jovian; September 2002 to May 2003 self-employed. Prior thereto, President and Chief Executive Officer of RBC Global Investment Management Inc. and its predecessor companies
Jason Mackey Toronto, Ontario	Chief Financial Officer, Secretary and Treasurer	Chief Financial Officer, Jovian; Chief Financial Officer, MGI Securities Inc. since 2000
Adam Felesky Toronto, Ontario	Vice President	President, BetaPro Management Inc.; previously, Partner, Bradbrooke Capital Holdings Inc. (2003 to 2004); Associate, JP Morgan Securities Inc. (2001 to 2003); Analyst, JP Morgan Securities Canada Inc. (2000 to 2001)
Michael Cross, Ph.D.* Morrison, Ontario	Senior Vice President, Venture Investments	Senior Vice President, Venture Investments, Jove; previously, Chief Operating Officer, Viventia Biopharma (2004 to 2006); Vice President, MDS Capital Corp (1996 to 2003)

Name and Municipality of Residence	Office	Principal Occupation
Donna Parr* Toronto, Ontario	Senior Vice President, Venture Investments	Senior Vice President , Venture Investments, Jove; previously, President of Crimson Capital (2002 to 2006); Senior Portfolio Manager, Private Equity, Ontario Municipal Employees Retirement Board (OMERS) (1990 and 2002)
Hemanth J. Varghese, Ph.D.* Toronto, Ontario	Assistant Vice President & Senior Investment Analyst	Assistant Vice President & Senior Investment Analyst, Jove; Director of Pre-clinical Imaging and Corporate Development, Robarts Research Institute (2005 to 2006); Senior Business Development Associate, Robarts Research Institute (2002-2005)

* Subject to regulatory approval

The following is a brief biographical description of the officers and employees of Jove who will be involved with the investment advisory services provided to CMDF:

Michael Cross, Ph.D. is Senior Vice President, Venture Investments of Jove. In this capacity, Dr. Cross has responsibility for providing investment management services to investment products managed by Jove, including portfolio and investee company analysis and structuring and negotiating investments and all ancillary activities necessary to complete investments and build value and liquidity.

Previous to Jove, Michael had lead operational responsibilities as COO of a public oncology company where he helped bring an anticancer product into worldwide pivotal clinical trials. In addition, Dr. Cross was Managing Director of a contract manufacturing organization that he helped build and provide liquidity to its shareholders. From 1996 to 2003, Dr. Cross held a variety of senior positions at MDS and MDS Capital Corp. He was most recently Vice President of the protein analysis division of MDS where he was responsible for various financial, operational and business development activities. Prior to this, Dr. Cross was an investment manager of MDS Capital, where he was responsible for completing early-stage investment activities, and participating at the Board of Directors and the Executive Committee levels of investee companies.

Before joining MDS, Dr. Cross spent seven years with the Department of National Defence, including serving as a Post-Doctoral Fellow with the Trauma and Physiology Group, Defence Research Agency in Toronto. Dr. Cross received both his Masters in Business Administration and his Doctorate in Philosophy from the University of Toronto. Dr. Cross' doctoral work focused on the neural control of growth hormone secretion during different physiologic states and the hormone's influence on metabolism and the immune system.

Donna Parr, MBA, MA-IR is Senior Vice President, Venture Investments of Jove. She has over 20 years of experience in merchant banking, venture capital, private debt, and corporate banking and has served on a number of boards. Recently Donna was President of Crimson Capital, a private equity consultant which had contracts with Canada Pension Plan, Paul Capital, Northwater Capital, and TD Capital amongst others. Between 1990 and 2002 she was with Ontario Municipal Employees Retirement Board (OMERS) involved in making private equity, venture capital, and private debt investments. She headed the Direct Equity team for OMERS between 1998 and 2002. Before joining OMERS, Donna worked in mergers and acquisitions for Trivest Insurance Network (Trilon) and for Canadian Corporate Funding Limited, a Canadian merchant bank. Donna started her career with Continental Illinois Bank in Chicago and Toronto. Donna holds an MBA degree from York University and Masters and Honours degrees in International Relations from the University of Toronto with studies in France and Africa. She helped found and is currently active in AceTech Ontario (the Academy of Technology CEOs) and Canadian Women in Private Equity and is on the Finance Committee of the Ontario Heart and Stroke Foundation.

Hemanth J. Varghese, Ph.D. is an Assistant Vice President & Senior Investment Analyst for Jove. Prior to joining Jove, Dr. Varghese was the Director of Pre-clinical Imaging and Corporate Development at the Robarts Research Institute in London Ontario. He has over four years of experience in managing early stage technology portfolios in the life sciences, and was active in the commercialization of novel healthcare technologies. He earned his doctorate in Medical Biophysics at the University of Western Ontario and has completed Level I of the CFA program. During his studies he was a recipient of a CIHR doctoral scholarship and has published several peer reviewed articles in the field of cancer metastasis.

Benjamin Matthews, BSc(Hons), MS recently joined Jove after spending the last four years managing a wide range of biotechnology portfolios in the University Industry Liaison Office and Technology Transfer Department at the University of British Columbia. Prior to that, Mr. Matthews was a consultant for the Canadian Institutes of Health Research, Millennium Research Group, and the Hospital for Sick Children.

D MANAGEMENT COMPENSATION

I Remuneration of Directors and Officers

Directors of CMDF (other than directors who are also officers or directors of the Manager) will be entitled to receive an annual fee of \$12,000 plus a fee of \$1,500 per day for each board or board committee meeting attended, except that in the case of attendance by telephone the fee

is \$1,000 per day. Additionally, the Chairman of each committee will be entitled to an annual fee of \$7,000. The Chairman of the board shall be entitled to an all inclusive annual fee of \$75,000.

The Chairman of the board also receives an annual consulting fee of \$75,000 from the Manager in relation to services provided to CMDF.

Each director and officer of CMDF is granted an indemnity in respect of any liability and all costs, charges and expenses sustained or incurred by such director or officer in respect of any action, suit or proceeding to the fullest extent permitted pursuant to the Canada Business Corporations Act. CMDF carries insurance for its directors and officers.

II Management Fees

Pursuant to the Management Agreement, the Manager will receive a management fee of 3.0% per annum of the Net Asset Value of CMDF. Management fees are calculated and paid monthly in arrears, based on the average daily Net Asset Value of CMDF for that month.

In addition, the Manager is entitled to a quarterly performance fee, which is intended to recognize the significant management assistance the Manager provides in light of the nature of CMDF's investment objectives and policies (See "INVESTMENT OBJECTIVES AND FORM OF INVESTMENTS", "INVESTMENT RESTRICTIONS AND POLICIES" and "INVESTMENT IMPLEMENTATION AND MONITORING"). The quarterly Performance Fee is equal to 25% of all Realized Income earned from each Portfolio Company, calculated at the end of each fiscal quarter of CMDF in respect of Realized Income received in that quarter. Before a Performance Fee is earned with respect to a full or partial disposition of a particular Portfolio Company, CMDF must have first fully recouped an amount equal to all cash CMDF has invested in that Portfolio Company.

All earned but unpaid Performance Fees are paid by CMDF to the Manager within thirty days following the end of each fiscal quarter of CMDF, except that:

- (a) before such Performance Fees are paid, the Portfolio Income at the end of the particular fiscal quarter must exceed the Threshold Amount calculated as at the end of that fiscal quarter; and
- (b) in the event that, after the payment of all such Performance Fees, the Portfolio Income at that time would then be reduced below the Threshold Amount calculated as at the end of that fiscal quarter, then the amount of Performance Fees that are paid at that time shall be limited to the amount that permits the Portfolio Income to meet the Threshold Amount calculated as at the end of that fiscal quarter.

Incentive arrangements similar to the Performance Fee are common in the venture capital industry. The Manager considers the Performance Fee to be appropriate given the investment objectives and strategies of CMDF, which are modeled after the venture capital industry. CMDF believes that it needs to provide the Performance Fee as it must compete with other venture capital funds to attract and retain suitable professionals to assist CMDF in carrying out its objectives and mandate. The Performance Fee is designed to ensure that the Manager will receive the Performance Fee only in circumstances where the investment portfolio meets a minimum level or threshold rate of return. The threshold benchmark used in calculating the Performance Fee permits a more appropriate calculation than would be provided by other widely available standard indexes (which reflect performance of public companies), given that CMDF's mandate and policy to invest in Eligible Businesses in the health science sector requires it to invest primarily in private companies.

The Management Agreement has an initial term of approximately 10 years expiring in 2016, and is automatically renewed for one (1) year terms thereafter, provided that either party may terminate at the end of the relevant term by providing 1 year prior notice to the other party, and CMDF may, in the event of a default by the Manager, terminate the Management Agreement. CMDF is required under the Management Agreement to indemnify the Manager for any liability that may arise in connection with the provision of services to CMDF provided that the Manager has acted in good faith with a view to the best interests of CMDF, has exercised a degree of care, diligence and skill that a reasonable person would exercise in comparable circumstances, and has not acted negligently or fraudulently.

CMDF is responsible for all direct costs and expenses incurred in the operation of the CMDF, including director's fees, management fees, insurance, legal, audit, custodial and valuation costs, Liquid Portfolio management, marketing expenses, sales commissions and service fees. The Manager is responsible for any fees paid to Jove under the Investment Management Agreement. The Investment Management Agreement provides that Jove will receive a substantial portion of any Performance Fees paid to the Manager in addition to 2% of the Net Assets of CMDF per annum, paid monthly in arrears. See "OPERATING EXPENSES".

CMDF will pay the Manager a monthly Distribution Services Fee equal to 0.096% of the original issue price of the Class A, Series II, Shares issued and outstanding during that month. The Distribution Services Fee will be paid to the Manager for eight years following the sale of each Class A, Series II, Share. See "OPERATING EXPENSES". No Distribution Services Fee shall be payable in respect of Class A, Series I, Shares.

13 COMPARISON OF SHAREHOLDER RIGHTS BEFORE AND AFTER AMALGAMATION

A GENERAL

The CMDF Class A Shares have essentially the same characteristics of the Class A Shares of Canadian Medical Discoveries Fund Inc. and the Class A Shares of Canadian Medical Discoveries Fund II Inc.

The following is a summary of the material provisions attaching to each class of shares of CMDF. These provisions derive principally from the requirements of the Federal Act and the Ontario Act.

B CMDF CLASS A SHARES

I Issue

CMDF shall issue the Class A Shares only to eligible investors and to such other persons as may be permitted by the Federal Act, Ontario Act and any other applicable legislation from time to time. A request to purchase Class A Shares received after a particular time on a Business Day determined from time to time by CMDF will be deemed to have been received on the next following Business Day. Directors will be authorized to issue multiple series of Class A Shares.

II Transfer

CMDF shall not register in the securities register of CMDF or otherwise recognize a transfer of a Class A Share, by the original purchaser or by a registered retirement savings plan or registered income fund under which the original purchaser or the original purchaser's spouse is the annuitant, except where CMDF is notified in writing that:

- (a) the transfer is to the original purchaser, a spouse of the original purchaser or a trust governed by a registered retirement savings plan or registered retirement income fund under which the original purchaser or the spouse of the original purchaser is the annuitant;
- (b) the transfer is occurring as a consequence of the death of the original purchaser;
- (c) that the transfer is occurring at a time when the original purchaser became disabled and permanently unfit for work or terminally ill after the Class A Shares were issued and before the transfer; or
- (d) the Class A Share is being transferred in accordance with such other conditions as may be prescribed for purposes of the Federal Act, Ontario Act, or any other legislation having application and approved by the directors.

III Redemption by Holders

- (a) Subject to subsection (c), the holders of the Class A Shares who are entitled to do so in accordance with subsection (b) may require CMDF to redeem all or any of the Class A Shares registered in the name of the holder in the securities registers of CMDF by delivering, by courier, priority post, telecommunications facility or in such other manner as CMDF may from time to time determine, to CMDF at its registered office, or to such other person or place as CMDF may from time to time determine, the certificate(s), if any were issued, representing the Class A Shares that the holder wishes to have CMDF redeem together with a request in writing in the form specified by CMDF from time to time, duly completed by the holder, specifying the number of Class A Shares (represented by the certificate(s), if any) that the holder wishes CMDF to redeem.

Upon receipt by it of the certificate(s), if any, and the request, CMDF shall redeem the Class A Shares that the holder wishes CMDF to redeem by paying the Redemption Price (as such term is defined in CMDF's articles of amalgamation) therefore to the holder on or within fifteen (15) Business Days of the Redemption Date (as such term is defined in CMDF's articles of amalgamation) by cheque payable at any branch of the CMDF's banker.

The Class A Shares that a holder wishes CMDF to redeem shall be redeemed on the Redemption Date and, from and after the Redemption Date, such Class A Shares shall cease to be entitled to dividends and the holder shall not be entitled to exercise any of the rights of a holder of Class A Shares in respect thereof unless CMDF does not pay the Redemption Price therefor to the holder, in which event the rights of the holder in respect of such shares shall remain unaffected.

Notwithstanding any other provision contained in this section hereof, CMDF may suspend the right of the holders of Class A Shares to redeem Class A Shares and/or delay the Redemption Date in respect of any redemption for the whole or any part of any period during which the consent of the securities regulatory authorities of each province and territory of Canada (together with such other consents as may be considered by CMDF in its discretion necessary or appropriate under the Federal Act, Ontario Act and any other applicable legislation) has been obtained.

- (b) A holder of Class A Share in respect of which an Information Return (as such term is defined in CMDF's articles of amalgamation) has been issued may request CMDF to redeem such Class A Shares if the holder of the Class A Shares requests CMDF, in writing, to redeem them as provided for herein and the holder has satisfied all other conditions, if any, of the Federal Act, Ontario Act and any other applicable legislation, and

I where the holder is the original purchaser of the Class A Shares and CMDF is notified in writing that,

- a) the original purchaser has become disabled and permanently unfit for work since acquiring the Class A Shares, or is terminally ill, or
- b) the original purchaser wishes CMDF to redeem the Class A Shares within 60 days after the day on which the Class A Shares were issued to the original purchaser, and the Information Return issued to the original purchaser in respect of such Class A Shares has been returned to CMDF;

- II where the Class A Shares are held by an individual who notifies CMDF in writing that the Class A Shares have devolved on the individual as a consequence of the death of,
 - a) a shareholder of CMDF; or
 - b) an annuitant under a trust governing a registered retirement savings plan or registered retirement income fund that was a holder of the Class A Shares;
- III where the Class A Shares are held as an investment by a registered retirement savings plan or a registered retirement income fund under which the original purchaser or the original purchaser's spouse is the annuitant and,
 - a) the original purchaser has died and CMDF is so notified in writing; or
 - b) where the original purchaser is living, CMDF is notified in writing that the original purchaser has, after acquiring the Class A Shares, become disabled and permanently unfit for work, or is terminally ill;
- IV the redemption occurs more than eight years after the date on which the Class A Shares were issued;
- V the redemption occurs on or within eight years after the date on which the Class A Shares were issued in circumstances other than those described in paragraph (i), (ii) or (iii) of subsection (b) herein, and
 - a) the holder of the Class A Shares receives an amount on the redemption that does not exceed the amount that otherwise would have been payable on the redemption less an amount equal to 15% or, if a percentage has been prescribed the prescribed percentage, of the lesser of (i) the amount of equity capital as defined in the Ontario Act received by CMDF on the original issue of the Class A Shares, or (ii) the amount that would otherwise have been payable on the redemption, and
 - b) CMDF remits to the applicable authority an amount equal to the amount required to be deducted under clause (A) of paragraph (b)(v) in the calculation of the amount receivable by the holder of the Class A Shares on the redemption; and
 - c) the holder and CMDF have satisfied such conditions as may be prescribed or required for the purposes of the Federal Act, and any other applicable legislation, including the withholding of any labour sponsored venture capital corporation tax credits and income tax amounts; and
- VI where, in a year, CMDF issues the Class A Shares as a research oriented investment fund (as defined in the Ontario Act) and the redemption occurs on or within eight years after the date on which the Class A Shares were issued in circumstances other than those described in paragraph (i), (ii) or (iii) of subsection (b) herein, and
 - a) the holder of such Class A Shares receives an amount on the redemption that does not exceed the amount that would otherwise have been payable on the redemption less 20%, or such other percentage as may be prescribed, of the lesser of, (i) the value of the consideration received by CMDF on the issuance of the Class A Shares, or (ii) the amount that would otherwise have been payable on the redemption of the Class A Shares, and
 - b) CMDF remits to the Minister of Finance (Ontario) an amount equal to the amount required under clause (A) of paragraph (b) (vi) to be deducted from the amount otherwise payable on redemption of the Class A Shares; and
 - c) the holder and CMDF have satisfied such conditions as may be prescribed or required for the purposes of the Federal Act, and any other applicable legislation, including the withholding of any labour sponsored venture capital corporation tax credits and income tax amounts; or
- VII in any other circumstances where the redemption is permitted for the purposes of the Ontario Act, or any other applicable legislation and is not prohibited by the Ontario Act, and approved by the directors.
 - a) A holder of Class A Shares in respect of which an Information Return has not been issued may request CMDF to redeem the shares at any time.
 - b) In any fiscal year, CMDF shall not be required to, but may at its option, redeem Class A Shares having an aggregate Redemption Price exceeding 20% of the Net Asset Value of CMDF as at the last day of the preceding fiscal year.
 - c) All requests to redeem Class A Shares shall be dealt with by CMDF in the order that they are received by it. Any Class A Shares which CMDF has not redeemed in a particular fiscal year shall, subject to subsection (a), be redeemed in the following financial year before CMDF redeems any other Class A Shares that it has been requested to redeem and shall, for such purpose, be deemed to have been received by CMDF on the first day of the following fiscal year in the order that they were originally received by it. For greater certainty, the 20% redemption limitation referred to in subsection (d) shall apply in all fiscal years, including a fiscal year in which redemption of Class A Shares has been suspended.
 - d) The directors may from time to time establish requirements, not contrary to applicable securities legislation, the Federal Act, Ontario Act or other applicable legislation, as to procedures to be followed and documents to be delivered with respect to redemption of Class A Shares.

IV Dividends

The holders of Class A Shares shall be entitled to receive dividends and CMDF shall pay dividends thereon, as and when declared by the directors out of moneys properly applicable to the payment of dividends, in such amount and in such form as the directors may from time to time determine, provided that no dividends shall be declared or paid unless contemporaneously therewith the same dividend per share is declared or paid on the

Class C Shares. CMDF may declare such dividends on the Class A Shares and the Class C Shares (if any) from time to time out of monies legally available for dividends as may be appropriate. Except as described below, CMDF does not anticipate declaring any dividends for several years from the date of first issuing Class A Shares.

CMDF intends to capitalize at least annually certain amounts of its interest and other investment income (other than dividends in respect of taxable Canadian corporations) and capital gains to the extent necessary to obtain a refund of the tax otherwise payable on its taxable capital gains and to reduce the tax otherwise payable by it on its interest and other investment income (other than dividends in respect of taxable Canadian corporations). Such capitalization will be effected by increasing the stated capital of the Class A Shares and Class C Shares (if any) on a pro rata basis. If and to the extent that CMDF increases the stated capital of the Class A Shares, a holder of Class A Shares will be deemed to have received a dividend equal to the amount of the stated capital increase in respect of his or her Class A Shares even though the holder will not receive a cash distribution from CMDF. The amount of the deemed dividend will increase the adjusted cost base of the Class A Share to the holder.

V Voting Rights

The holders of Class A Shares shall be entitled to receive notice of and attend all meetings of shareholders of CMDF and, except for meetings at which only holders of shares of a different class or series are entitled to vote separately as a class or series, shall have one vote at any such meeting for each Class A Share held.

VI Election of Directors

The holders of Class A Shares shall be entitled as a class, together with any holders of voting series of Class C Shares, to elect the number of directors representing the total number of directors less the number of directors that the holders of the Class B Shares are entitled to elect.

VII Dissolution

The Class A Shares rank equally share for share with the Class C Shares on any Dissolution Event. On any Dissolution Event, the holders of the Class A Shares shall be entitled to receive the remaining property and assets of CMDF applicable to their particular series after payment of all liabilities of CMDF and after the holders of shares of any other class having priority have received all amounts to which they are entitled in accordance with the provisions attaching thereto.

C CMDF CLASS B SHARES

CMDF shall issue the Class B Shares only to one or more Sponsor(s). The holder of Class B Shares shall not be entitled to receive dividends. The holder of the Class B Shares shall be entitled to receive notice of and attend all meetings of shareholders of CMDF and, except for meetings at which only holders of shares of a different class or series are entitled to vote separately as a class or series, shall have one vote at any such meeting for each Class B Share held. The holder of the Class B Shares shall be entitled to elect that number of directors representing two-thirds of the total number of directors of CMDF (or, if that number is not a whole number, the next greatest whole number of directors). The particular majority number of directors shall be determined by the directors from time to time. If there are no holders of Class A Shares, the holder of Class B Shares shall be entitled to elect all the directors of CMDF. Subject to applicable law, CMDF may redeem any of the then outstanding Class B Shares on payment for each share to be redeemed of an amount (the "Class B Redemption Price") equal to the original price per share for such Class B Shares. If a part only the Class B Shares represented by any certificate, if any, are to be redeemed, a new certificate representing the balance of such shares shall be issued to the holder upon require thereof at the expense of CMDF upon presentation and surrender of the first mentioned certificate, if any. Class B Shares redeemed by the CMDF shall not be cancelled but may be reissued from time to time. On any Dissolution Event, the holder of Class B Shares shall be entitled to receive an amount equal to the amount received by CMDF as consideration for the issue of the Class B Shares, before any assets are distributed to the holders of the Class A Shares and Class C Shares.

D CMDF CLASS C SHARES

The Class C Shares are issuable in series, each series consisting of such number of shares as may be determined by the directors of CMDF. The holders of the Class C Shares are entitled to receive dividends in cash or in species at the discretion of the directors, providing that the same dividends are paid on Class A Shares. On the liquidation, dissolution or winding-up of CMDF or other distribution of the assets of CMDF for the purpose of winding up its affairs ("dissolution"), the holders of Class A Shares and Class C will be entitled to share on a pro rata basis all the assets of CMDF remaining after payment of all liabilities of CMDF and after payment of the amount received by CMDF as consideration for the issue of Class B Shares. Except as otherwise provided, the rights, privileges, restrictions and conditions attaching to each series of Class C Shares, including voting rights and redemption rights, shall be determined by the directors, subject to the prior approval of the applicable authorities where required. Please refer to "CMDF Class A Shares - (iv) Dividends" for details on the Class C dividend policy.

E PRINCIPAL HOLDERS OF CMDF SECURITIES

Immediately following the Amalgamation, approximately 20,750,000 CMDF Class A, Series I, Shares will be issued and outstanding. The directors and senior officers of CMDF, as a group, and the directors and senior officers of the Manager, as a group, will beneficially own, directly or indirectly, less than 1% of such issued and outstanding CMDF Class A, Series I, Shares.

All of the issued and outstanding CMDF Class B Shares of CMDF will be owned, beneficially and of record, by the Sponsor.

14 ELIGIBILITY FOR INVESTMENT

A LABOUR-SPONSORED INVESTMENT FUND

CMDF will be registered as a labour-sponsored venture capital corporation pursuant to the Federal Act and as a labour-sponsored investment fund corporation under the Ontario Act.

In the opinion of Borden Ladner Gervais LLP, so long as CMDF is and continues to be either registered as a labour-sponsored venture capital corporation pursuant to the Federal Act or as a labour-sponsored investment fund corporation under the Ontario Act, the Class A Shares will be qualified investments for trusts governed by RRSPs and RRIFs unless the annuitant is a designated shareholder of CMDF. In general, a designated shareholder is a person who is or is related to, a person who, alone or together with non-arm's length persons, owns not less than 10% of the issued shares of any class of the capital stock of CMDF, or any other corporation related to CMDF. However, an annuitant will not be considered to be a designated shareholder if the cost to the annuitant, and persons not dealing at arm's length with the annuitant, of shares in CMDF, or any other corporation related to CMDF, is less than \$25,000.

Furthermore, provided that CMDF is either registered as a labour-sponsored venture capital corporation pursuant to the Federal Act or as a labour-sponsored investment fund corporation under the Ontario Act at the time that Class A Shares are acquired by a trust governed by an RRSP or RRIF, the Class A Shares will be qualified investments for such trust at any time, if immediately after the time the Class A Shares were acquired by the RRSP or the RRIF, the annuitant was not a connected shareholder of CMDF. In general, a connected shareholder is a person who, alone or together with non-arm's length persons, owns not less than 10% of the issued shares of any class of the capital stock of CMDF, or any other corporation related to CMDF. However, an annuitant will not be considered to be a connected shareholder if the annuitant deals at arm's length with CMDF and the cost to the annuitant, and persons not dealing at arm's length with the annuitant, of shares in CMDF, or any other corporation related to CMDF, is less than \$25,000. See applicable "INCOME TAX CONSIDERATIONS".

B CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

I Introduction

In the opinion of Borden Ladner Gervais LLP, counsel to Canadian Medical Discoveries Fund Inc. and Canadian Medical Discoveries Fund II Inc., the following summary presents fairly the principal Canadian federal income tax considerations generally applicable to those holders of Canadian Medical Discoveries Fund Inc. Class A Shares and Canadian Medical Discoveries Fund II Inc. Class A Shares (sometimes hereafter generally referred to as "the Class A Shares") who will receive CMDF Class A Shares pursuant to the Amalgamation and who, for the purposes of the Federal Act, are individuals (other than trusts that are not qualifying trusts) resident in Canada, hold such Canadian Medical Discoveries Fund Inc. Class A Shares and Canadian Medical Discoveries Fund II Inc. Class A Shares as capital property and will hold such CMDF Class A Shares as capital property and deal at arm's length with Canadian Medical Discoveries Fund Inc., Canadian Medical Discoveries Fund II Inc. and CMDF. Generally, Class A Shares will be capital property to the holder thereof unless the holder is a trader or dealer in securities or has acquired the Class A Shares as part of an adventure in the nature of trade. For purposes of this summary, it is assumed that CMDF is an LSIF Corporation and will be a prescribed labour sponsored venture capital corporation under the Federal Act at the Effective Date and continuously thereafter.

This summary is based on the current provisions of the Federal Act, the Regulations under the Federal Act (the "Tax Regulations") and counsel's understanding of the current administrative practices of the Canada Revenue Agency. This summary also takes into account all specific proposals to amend the Federal Act and the Tax Regulations publicly announced by or on behalf of the federal Minister of Finance prior to the date hereof. There can be no assurance that such legislative amendments will be enacted as proposed, if at all. This summary does not otherwise take into account or anticipate any changes in law, whether by judicial, governmental or legislative action.

This summary is of a general nature only and is not exhaustive of all possible federal income tax considerations. This summary does not take into account foreign country tax legislation or considerations. This summary is not intended to be, nor should it be construed to be, legal or tax advice to any particular holder of Class A Shares. Therefore, holders of Class A Shares should consult their own tax advisors with respect to their individual circumstances.

II Exchange of Canadian Medical Discoveries Fund Inc. Class A Shares for CMDF Class A Shares

A holder of Canadian Medical Discoveries Fund Inc. Class A Shares who receives CMDF Class A, Series I, Shares on the Amalgamation will be deemed for the purposes of the Federal Act:

- (a) to have disposed of his or her Canadian Medical Discoveries Fund Inc. Class A Shares for proceeds of disposition equal to the aggregate of the adjusted cost base of such shares immediately before the amalgamation; and
- (b) to have acquired the CMDF Class A, Series I, Shares at a cost equal to the aggregate of the adjusted cost base to such holder of the Canadian Medical Discoveries Fund Inc. Class A Shares immediately before the Amalgamation.

III Exchange of the Canadian Medical Discoveries Fund II Inc. Class A Shares for CMDF Class A Shares

A holder of Canadian Medical Discoveries Fund II Inc. Class A Shares who received CMDF Class A, Series I, Shares on the Amalgamation will be deemed for the purposes of the Federal Act:

- (a) to have disposed of his or her Canadian Medical Discoveries Fund II Inc. Class A Shares for proceeds of disposition equal to the aggregate of the adjusted cost base of such shares immediately before the Amalgamation; and
- (b) to have acquired the CMDF Class A, Series I, Shares at a cost equal to the aggregate of the adjusted cost base to such holder of the Canadian Medical Discoveries Fund II Inc. Class A Shares immediately before the Amalgamation.

IV Federal and Provincial Tax Credits

The Federal Act provides that on an amalgamation of LSIF Corporations, each of the new shares issued by the new corporation (CMDF) shall have been deemed to have been issued at the time the predecessor corporations issued the replaced shares. The holders of Canadian Medical Discoveries Fund Inc. Class A Shares and Canadian Medical Discoveries Fund II Inc. Class A Shares who exchange such shares for CMDF Class A, Series I, Shares will not be required to repay their provincial tax credit at the time of the Amalgamation. Provided that no repayment of provincial tax credits is required, holders of Canadian Medical Discoveries Fund II Inc. Class A Shares and Canadian Medical Discoveries Fund Inc. Class A Shares will not be required to repay the federal labour sponsored funds tax credit (the "Tax Credit") at the time of the Amalgamation.

DISSENTING SHAREHOLDERS

Holders of Canadian Medical Discoveries Fund Inc. Class A Shares and Canadian Medical Discoveries Fund II Inc. Class A Shares are permitted to dissent from the Amalgamation pursuant to the provisions of section 190 of the CBCA (see "Dissenting Shareholders' Rights"). A holder who dissents will be entitled, in the event the Amalgamation becomes effective, to be paid by CMDF the fair value, expected to be the Net Asset Value, of the Class A Shares held by such holder determined as at the close of business on the day before the resolution approving the Amalgamation was passed. Where a shareholder dissents from an amalgamation and receives a cash payment for his shares from the amalgamated corporation, the shareholder is considered to have realized proceeds of disposition equal to the amount of the payment received by the holder, rather than a deemed dividend. The proceeds of disposition will be reduced by the amount withheld from the proceeds and paid by CMDF to the applicable authority as a return of the provincial tax credit, the amount withheld and paid to the Receiver General for Canada as a return of the federal tax credit and applicable early redemption fees.

Dissenting shareholders are strongly urged to consult their own tax advisors.

C ONTARIO INCOME TAX CONSIDERATIONS

I Introduction

In the opinion of Borden Ladner Gervais LLP, counsel to Canadian Medical Discoveries Fund Inc. and Canadian Medical Discoveries Fund II Inc., the following summary presents fairly the principal Ontario income tax considerations generally applicable to those holders of Canadian Medical Discoveries Fund Inc. Class A Shares and Canadian Medical Discoveries Fund II Inc. Class A Shares who will receive CMDF Class A, Series I, Shares pursuant to the Amalgamation and who, for the purposes of the Income Tax Act (Ontario), are individuals (other than trusts that are not qualifying trusts) resident in Ontario, hold their Canadian Medical Discoveries Fund Inc. Class A Shares and Canadian Medical Discoveries Fund II Inc. Class A Shares as capital property and will hold such CMDF Class A, Series I, Shares as capital property and deal at arm's length with Canadian Medical Discoveries Fund Inc., Canadian Medical Discoveries Fund II Inc. and CMDF. Generally, CMDF Class A, Series I, Shares will be capital property to the holder thereof unless the holder is a trader or a dealer in securities or has acquired the CMDF Class A, Series I, Shares as part of an adventure in the nature of trade. For the purposes of this summary, it is assumed that CMDF will be a LSIF Corporation.

This summary is based upon the current provisions of the Ontario Act and Ontario income tax legislation, the regulations under such statutes, counsel's understanding of the current administrative and assessing practices published by the Ontario taxation authorities and specific proposals for amendments to such legislation and the regulations under such legislation announced prior to the date hereof, but does not take into account or anticipate any other changes in law, whether by judicial, governmental or legislative action. **This summary assumes that proposals for amendments to the legislation will be enacted as proposed; no assurances however can be provided in that regard.**

This summary does not take into account foreign tax legislation or considerations.

This summary is of a general nature only and is not exhaustive of all possible provincial or territorial income tax considerations. This summary is not intended to be, nor should it be construed to be, legal or tax advice to any particular purchaser. Therefore, prospective purchasers should consult their own tax advisers with respect to their individual circumstances.

II Ontario Taxation of the Fund

For the purposes of provincial or territorial corporate income tax, CMDF's aggregate income will be attributed to, and taxable in, those provinces or territories in which it is earned. Notwithstanding the foregoing, none of the income of CMDF will be subject to tax in a particular province or territory unless CMDF carries on business in such province or territory through a permanent establishment as defined in the provincial or territo-

rial corporate tax statute applicable to that particular province or territory. Counsel has been advised by management of CMDF that CMDF does not intend at this time to carry on business through a permanent establishment in any province other than the province of Ontario. Subject to this assumption, all of CMDF's aggregate income will be attributable to, and taxable in, the Province of Ontario. The taxation of CMDF under the Corporations Tax Act (Ontario) will generally parallel the taxation of CMDF under the Federal Act.

III Ontario Income Tax Considerations

An investment in Class A Shares of CMDF by an individual (other than a trust which is not a qualifying trust) resident in Ontario is eligible for a non-refundable provincial tax credit equal to 20% of the cost of Class A Shares (the "Ontario Tax Credit"). The maximum annual Ontario Tax Credit is \$1,000 in respect of the individual's aggregate purchases of Class A Shares and any other shares issued by labour-sponsored investment fund corporations as defined in the Ontario Act and would be obtained upon the purchase of Class A Shares costing \$5,000. In order to maintain its registration under the Ontario Act, CMDF must meet certain requirements relating to its investment activities including meeting minimum investment levels in Ontario businesses (see "ONTARIO PENALTY TAXES POTENTIALLY APPLICABLE TO THE FUND"). An individual is eligible for the Ontario Tax Credit under certain circumstances where the purchaser of the Class A Shares is a qualifying trust for the individual. A qualifying trust is a trust governed by an RRSP of which the individual or his or her spouse or Common Law Partner is the annuitant. On September 30, 2005, the government of Ontario announced its intention to phase out the LSIF tax credit. Investors who purchase LSIF shares will have the opportunity to receive an Ontario Tax Credit until the end of the 2010 tax year.

The Ontario tax treatment of a holder of Class A Shares is generally similar to the individual's tax treatment under the Federal Act discussed herein.

IV Ontario Penalty Taxes Potentially Applicable to the Fund

CMDF will be subject to a penalty tax under the Ontario Act if it fails to maintain (above a minimum level for some and below a maximum level for others) its investments in eligible Ontario businesses (minimum and maximum eligible investments requirements). For a summary of those investment requirements see "INVESTMENT RESTRICTIONS AND POLICIES". If CMDF is not in compliance with the minimum and maximum eligible investment requirements, the Minister of Finance (Ontario) may stop issuing, or order CMDF to stop issuing, Tax Credit Certificates, until CMDF provides proof to the satisfaction of the Minister of Finance (Ontario) that CMDF is in compliance with the minimum and maximum eligible investment requirements. CMDF may be entitled to a rebate of Ontario penalty tax if CMDF is able to demonstrate subsequent compliance with the investment requirements in the manner prescribed in the Ontario Act.

In addition, if CMDF fails to comply with the undertaking it has given to the Minister of Finance (Ontario) with respect to holding the requisite amount of investments in research businesses or fails to meet the requirements imposed by the Ontario Act for qualification as an ROIF in any year it purports to qualify as an ROIF, CMDF would be required to pay to the Minister of Finance (Ontario) a penalty equal to 10% of the amount of equity capital received by CMDF during that year from residents of Ontario on the issue of Class A Shares.

V Revocation of Registration Under the Ontario Act

The Minister of Finance (Ontario) may revoke the registration of CMDF under the Ontario Act if it:

- does not comply with the restrictions in its Articles relating to redemptions, retractions and transfers of Class A Shares;
- fails to maintain the minimum level of eligible investments;
- does not comply with the requirements of the Ontario Act, or the regulations thereunder;
- in the opinion of the Minister of Finance (Ontario) is conducting its business and affairs in a manner contrary to the spirit and intent of the Ontario Act.

If the Ontario registration of CMDF is revoked, CMDF must pay to the Minister of Finance (Ontario) an amount equal to the total of all Ontario Tax Credits in respect of all outstanding Class A Shares that were issued in the eight years immediately preceding the date of the revocation of the registration. If the fair market value of such Class A Shares on the date of revocation is less than the actual issue price of the Class A Shares, the amount to be paid by CMDF is reduced to the amount that is determined if the amount of the tax credit was calculated on the amount that is equal to such fair market value.

The Minister of Finance (Ontario) must give notice to CMDF of any proposal to revoke its registration. CMDF would have an opportunity, within 60 days of the notice of proposal, to correct any default and to appeal any revocation of its registration. Investments in Class A Shares made after the revocation of its Ontario registration will not entitle purchasers to receive Ontario Tax Credits. Revocation of CMDF's registration under the Ontario Act will cause it to no longer be prescribed under the Federal Act.

VI Exchange of Canadian Medical Discoveries Fund Inc. Class A Shares for CMDF Class A, Series I, Shares

For Ontario income tax purposes, holders of Canadian Medical Discoveries Fund Inc. Class A Shares who receive CMDF Class A, Series I, Shares on the Amalgamation will generally receive the same treatment as described above under "Canadian Federal Income Tax Considerations".

VII Exchange of Canadian Medical Discoveries Fund II Inc. Class A Shares for CMDF Class A, Series I, Shares

For Ontario income tax purposes, holders of Canadian Medical Discoveries Fund II Inc. Class A Shares who receive CMDF Class A, Series I, Shares on the Amalgamation will generally receive the same treatment as described above under “Canadian Federal Income Tax Considerations”.

VIII Tax Credits

Holders of Canadian Medical Discoveries Fund Inc. Class A Shares and Canadian Medical Discoveries Fund II Inc. Class A Shares who exchange such shares for CMDF Class A, Series I, Shares will not be required to repay their Ontario Tax Credit at the time of the Amalgamation.

IX Dissenting Shareholders

Holders of Canadian Medical Discoveries Fund II Inc. Class A Shares and Canadian Medical Discoveries Fund Inc. Class A Shares who dissent will be generally entitled to the same tax treatment as described above under “Canadian Federal Income Tax Considerations”. Dissenting shareholders are urged to consult their own tax advisors.

X Taxation of CMDF

The taxation of CMDF under the Corporations Tax Act (Ontario) will generally parallel the taxation of Canadian Medical Discoveries Fund Inc. and Canadian Medical Discoveries Fund II Inc. under the Federal Act.

15 AUDITORS, REGISTRAR, TRANSFER AGENT AND CUSTODIAN

The auditors of CMDF will be Ernst & Young LLP, Chartered Accountants, 222 Bay Street, P.O. Box 251, Toronto Dominion Centre, Toronto, Ontario M5K 1J7.

Felcom will be the registrar and transfer agent for the Class A Shares of CMDF. See “Shareholder Financial Reporting”. Felcom’s address is 26 Wellington Street East, Suite 204, Toronto, Ontario, M5E 1S2.

RBC-Dexia Investor Services Trust will be the Custodian of the portfolio securities of CMDF pursuant to an agreement originally dated October 1, 1999.

16 LEGAL MATTERS AND LEGAL PROCEEDINGS

Certain legal matters in connection with this Circular will be passed upon on behalf of Canadian Medical Discoveries Fund Inc., the Manager and Canadian Medical Discoveries Fund II Inc. by Borden Ladner Gervais LLP.

There are no legal proceedings material to Canadian Medical Discoveries Fund Inc. or Canadian Medical Discoveries Fund II Inc. to which Canadian Medical Discoveries Fund Inc. or Canadian Medical Discoveries Fund II Inc. is a party or to which any of its property is subject, and no such proceedings are known to be contemplated.

17 INTEREST OF CERTAIN PERSONS IN THE AMALGAMATION

Pursuant to the Management Agreement, the Manager has been retained as manager and administrator of CMDF, Canadian Medical Discoveries Fund Inc. and Canadian Medical Discoveries Fund II Inc. and receives certain management fees. See “Medical Discovery Management Corporation” and “Management Fees and Other Expenses”.

18 RISK FACTORS

The following may be considered as risk factors pertaining either to an investment in CMDF Class A Shares, or pertaining to the Amalgamation. These are the same risk factors applicable to investments in Canadian Medical Discoveries Fund Inc. and Canadian Medical Discoveries Fund II Inc.

A NATURE OF INVESTMENT

The business of CMDF is to make investments in eligible health science businesses engaged in research, development and commercialization of products and services and small and medium-sized Canadian health and life science businesses. There is no assurance that suitable investments will be found. There is no guarantee that an investment in Class A Shares will earn a specified rate of return or any return in the short or the long-term. An investment in Class A Shares is only appropriate for investors able to make a long-term commitment and with the capacity to absorb a loss of some or all of their investment.

Investments of the kind to be made by CMDF, by their nature, involve a longer commitment than that typical for other types of investments. Many such investments require between seven to ten years in order to mature and generate the returns expected by investors. Furthermore, despite diversification of CMDF’s investment portfolio for purposes of distributing risk, the investments of CMDF are likely to mature at different times creating an irregular pattern in the Net Asset Value per Class A Share. In addition, certain of the investments may not mature and generate the returns expected, or indeed provide for a recoupment of the capital invested. As well, losses on unsuccessful investments are often realized before gains on successful investments are realized.

Although CMDF is a mutual fund, many of the rules designed to protect investors who purchase securities of mutual funds will not apply to it. In particular, rules directed at ensuring liquidity and diversification of investments and certain other restrictions and practices normally applicable to mutual funds do not apply. One of the effects of this is that CMDF cannot guarantee its ability to honour all redemption requests made by holders of Class A Shares when the request is received. See “RISK FACTORS - REDEMPTION”. CMDF will take positions in the entities in which it invests which are larger than the positions other mutual funds would take thereby increasing the potential loss per investment. However, this is consistent with investment in small and medium-sized businesses and permits CMDF to obtain rights (for example in shareholders’ agreements) which it believes are essential for the protection of minority interests. See “INVESTMENT OBJECTIVES AND FORM OF INVESTMENTS” and “INVESTMENT OPPORTUNITY AND PROCESS”.

Venture capital investment in eligible Canadian health and life science businesses according to the investment restrictions and policies applicable to CMDF requires a greater commitment to investment analysis and monitoring than investments in most other securities. In addition, the cost to determine the value of CMDF’s assets for which no published market exists will be greater than valuation costs for mutual funds which invest primarily in listed securities. Consequently, the operating expenses of CMDF may be substantially higher than those of many mutual funds and other pooled investment vehicles.

B INDUSTRY CONCENTRATION

Since the focus of CMDF is on investments in companies engaged in or providing services to the health sciences sector, the Net Asset Value of CMDF may be more volatile than that of portfolios with a more conventional diversified investment focus. The value of the investment portfolio of CMDF may fluctuate as a result of factors affecting the health and life science sectors generally.

C MANAGEMENT AND TRACK RECORD

Investors must rely upon the business judgement, expertise and integrity of the CMDF Board, the Manager and its directors and officers, and Jove. Management of CMDF, including the Investment Committee, and the Manager are not required to obtain and have not obtained registration as an advisor under provincial securities legislation. CMDF itself has no track record of investment in this area, although members of the CMDF Board have experience as directors of Canadian Medical Discoveries Fund Inc., which was established in 1994. The Manager also has experience as the manager of Canadian Medical Discoveries Fund Inc.

Holders of Class A Shares are entitled to elect only a minority of the directors of CMDF (currently three of nine). The Sponsor is entitled to elect six of nine directors at the annual meeting of CMDF. See “COMPARISON OF SHAREHOLDER RIGHTS BEFORE AND AFTER AMALGAMATION”.

D NON-EXCLUSIVITY OF MANAGEMENT SERVICES

The services of the Manager are not exclusive to CMDF. Following the Amalgamation, the Manager will also manage other labour sponsored venture capital corporations. The Manager also manages or provides services to other investment funds. As a result, the Manager is required to exercise discretion in allocating investment and divestment opportunities among CMDF and such other funds, although CMDF and the Manager have agreed on a general policy for allocating opportunities. See “INVESTMENT IMPLEMENTATION AND MONITORING - NON-EXCLUSIVITY OF SERVICES”.

E EXTERNAL FACTORS

The Net Asset Value of CMDF is based on the value of the securities and investments in CMDF’s portfolio and therefore the value of the Class A Shares will increase or decrease with the value of such investments. The value of the securities and investments will fluctuate with general economic conditions including the level of interest rates, corporate earnings, economic activity, the Canadian dollar and other factors. Eligible health science businesses, by virtue of their size and stage of development, will be affected more than larger, more mature entities by external events, including downturns in general economic conditions.

F HEALTH SCIENCE RISK FACTORS

Many of the businesses that CMDF will invest in are developing products or services which will require significant additional development, testing and investment prior to any final commercialization. There can be no assurance that such products will be successfully developed, proved to be safe and effective in clinical trials, receive applicable regulatory approvals, or be capable of being produced in commercial quantities at reasonable costs, or that any of the products or services will be successfully marketed. The likelihood of the long-term success of CMDF must be considered in light of the expenses, difficulties and delays frequently encountered in connection with the development of new technology, and the competitive and regulatory environments of the biotechnology industry.

G VALUATIONS

CMDF will offer Class A, Series II, Shares at the Net Asset Value per Class A, Series II, Share determined each business day. These values will be based on estimates of the fair value of CMDF’s assets for which there is, in most cases, no published market. This valuation process is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for the investments. To the extent that these valuations are too high, new shareholder investment will provide a benefit to existing investors; similarly, to the extent these valuations are too low, existing investors will suffer a dilution in the value of their shares.

H LACK OF LIQUIDITY

No market exists at present through which the Class A Shares may be sold and none is expected to develop. There are restrictions on the transfer and redemption of Class A Shares. See “COMPARISON OF SHAREHOLDER RIGHTS BEFORE AND AFTER AMALGAMATION”. Consequently, holders of Class A Shares may not be able to sell their Class A Shares and Class A Shares may not be accepted as collateral for loans.

I REDEMPTIONS

It is difficult for CMDF to project with any certainty how many holders of Class A Shares will seek to redeem their shares at anytime. In any financial year CMDF will not be required to redeem Class A Shares having an aggregate redemption price exceeding 20% of the Net Asset Value of CMDF as of the last day of the preceding financial year and may suspend redemptions for substantial periods of time in such circumstances. Where a redemption request is not honoured in one year, it will be made as of the first day of the next financial year of CMDF subject to the 20% limit referred to above. Although CMDF intends to maintain at all times sufficient liquid assets (including short term investments, bonds and readily marketable equity securities) to honour redemption requests up to such 20% limit, it cannot guarantee that it will be able to honour all redemption requests at the time they are made. CMDF's ability to satisfy redemption requests on an ongoing basis will be influenced by a variety of factors, including the level of redemption requests experienced by CMDF, the effect of such requests upon the liquid assets of CMDF, and the ability of it to generate and retain liquid assets.

J NON-COMPLIANCE WITH INVESTMENT REQUIREMENTS

CMDF will be subject to special taxes and penalties if it does not comply with the investment requirements of the Federal Act, Ontario Act, and any other applicable legislation. See “INCOME TAX CONSIDERATIONS”. The investment performance of CMDF may be adversely affected if it becomes subject to such special taxes and penalties or if its registration is revoked.

K STATUS OF THE FUND AS A RESEARCH ORIENTED INVESTMENT FUND

There can be no assurances that CMDF will be able to meet the criteria established by the Ontario Act to qualify as a ROIF. If CMDF fails to so qualify in any year, it will be required to pay a penalty. See “INCOME TAX CONSIDERATIONS”.

L REVOCATION OF REGISTRATION

CMDF's registration under the Ontario Act may be revoked if it does not comply with the investment requirements in the Ontario Act. If CMDF's registration under the Ontario Act is revoked, persons who acquire Class A Shares after the revocation will not be eligible for the Ontario Tax Credit or the Federal Tax Credit. See “INCOME TAX CONSIDERATIONS - REVOCATION OF REGISTRATION”.

M LEGISLATIVE CHANGES

Changes may be introduced to federal, provincial or territorial legislation providing for tax credits for investment in registered labour sponsored venture capital corporations and related matters. If such changes are unfavourable, CMDF's ability to attract future investment could be impaired. As a result, the availability of funds for investment by CMDF could be reduced, thereby decreasing CMDF's ability to fulfill its investment objectives.

N DERIVATIVES RISK

CMDF may from time to time use or invest in derivative instruments consistent with its investment objectives and as permitted by applicable securities rules and regulations. The use of derivatives involves certain risks, including the following: (i) The price of a derivative might not reflect the true value of the underlying holding. (ii) The other party in the derivative contract might not be able to meet its obligations. (iii) In some circumstances, the counterparty to a derivative contract may hold some of CMDF's assets on deposit as collateral in the contract, which increases the risk as another party is then responsible for the safekeeping of the assets. (iv) The price of a derivative can be distorted and trading in a derivative may be interrupted if trading in its underlying security is halted. This would make it difficult for CMDF to close out its positions. (v) There is no guarantee that CMDF will be able to complete a derivative contract when it needs to. This could prevent CMDF from making a profit or limiting a loss. (vi) Hedging with derivatives may not always achieve the intended results, as hedging instruments rely on historical or anticipated correlations to predict the impact of certain events, which may or may not occur and, if they occur, may not have the predicted effect. (vii) It is difficult to hedge against trends that the market has already anticipated.

19 MATERIAL CONTRACTS

CMDF or the Manager will have entered into the following contracts, all of which are material to investors:

- (a) the Management Agreement referred to under “MANAGEMENT COMPENSATION - MANAGEMENT FEES”;
- (b) the Custodian Agreement referred to under “AUDITORS, REGISTRAR, TRANSFER AGENT AND CUSTODIAN”;
- (c) the Investment Management Agreement with Jove. See “THE INVESTMENT ADVISOR”; and
- (d) the Amalgamation Agreement referred to under “the Amalgamation”.

Copies of the foregoing contracts may be inspected during regular business hours at the principal place of business of CMDF in Toronto.

CERTIFICATE

The contents and the sending of the notice of meeting and this Joint Management Information Circular have been approved by the boards of directors of each of Canadian Medical Discoveries Fund Inc. and Canadian Medical Discoveries Fund II Inc.

DATED this 16th day of October, 2006.

By order of the board of directors of Canadian Medical Discoveries Fund Inc.,



Dr. Serge Carrière
Chairman

By order of the board of directors of Canadian Medical Discoveries Fund II Inc.,



Dr. Serge Carrière
Chairman

SCHEDULE "A"

RESOLUTIONS

CANADIAN MEDICAL DISCOVERIES FUND INC.

SPECIAL RESOLUTION OF THE CLASS A SHAREHOLDERS CANADIAN MEDICAL DISCOVERIES FUND INC. - AMALGAMATION

BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

- 1 The amalgamation (the "Amalgamation") of Canadian Medical Discoveries Fund Inc. ("CMDFI") and Canadian Medical Discoveries Fund II Inc. ("CMDFI") pursuant to section 181 of the Canada Business Corporations Act, substantially as set forth in the amalgamation agreement (the "Amalgamation Agreement") made as of September 20, 2006 between CMDFI and CMDFI (collectively, the "Funds"), a summary of the material terms of which is attached as Schedule "C" to the Joint Management Information Circular of the Funds dated October 20, 2006 (the "Circular") is hereby authorized and approved together with the investment objectives and fee structure of the amalgamated fund, as described in the Circular;
- 2 The Amalgamation Agreement, the actions of the directors of CMDFI in approving the Amalgamation and the actions of any officers of Canadian Medical Discoveries Fund Inc. in executing and delivering the Amalgamation Agreement are hereby confirmed, ratified, authorized, approved and adopted;
- 3 Notwithstanding that this special resolution has been passed and the Amalgamation adopted by the shareholders of CMDFI or that the Amalgamation has been approved by the Ontario Superior Court of Justice, the directors of CMDFI are hereby authorized and empowered: (i) to amend the Amalgamation Agreement to the extent permitted by the Amalgamation Agreement; and (ii) not to proceed with the Amalgamation at any time prior to the endorsement by the director appointed under the Canada Business Corporations Act of a certificate of amalgamation giving effect to the Amalgamation, without the further approval of the shareholders of CMDFI; and
- 4 Any officer or director of CMDFI is hereby authorized and directed to execute and deliver, for and on behalf of CMDFI, all documents and to perform and to do all acts or things as such person may, in his or her discretion, may consider necessary or desirable to give full effect to the foregoing resolutions, including, without limitation, the execution and the filing of articles of amalgamation in respect of the Amalgamation with Industry Canada.

ORDINARY RESOLUTION OF THE CLASS A SHAREHOLDERS CANADIAN MEDICAL DISCOVERIES FUND INC. - CONFIRMING BY-LAW NO. 4

BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:

- 1 By-Law No. 4 of CMDFI, as follows, is hereby confirmed:

By-Law No. 3 of the Corporation is hereby repealed and the following substituted therefor:

(a) Quorum, Voting and Adjournments

Two or more individuals present, each of whom is entitled to vote at a meeting of shareholders, either personally or as the proxy of a shareholder or as the individual authorized by a body corporate or association that is a shareholder entitled to vote thereat shall constitute a quorum for a meeting of the shareholders of the Corporation or any class of them respectively.

If at any such meeting a quorum is not present within thirty minutes after the time appointed for the meeting, then the meeting shall be adjourned to such date being not less than seven days later. At such adjourned meeting the holders of shares carrying voting rights who are present or represented shall constitute a quorum thereat and may transact the business for which the meeting was originally called notwithstanding that such quorum is not present throughout the meeting.

If there is only one shareholder that shareholder present in person or by proxy constitutes a meeting."

CANADIAN MEDICAL DISCOVERIES FUND II INC.

SPECIAL RESOLUTION OF THE CLASS A SHAREHOLDERS OF CANADIAN MEDICAL DISCOVERIES FUND II INC.

- AMALGAMATION

BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

- 1 The amalgamation (the "Amalgamation") of Canadian Medical Discoveries Fund Inc. ("CMDFI") and Canadian Medical Discoveries Fund II Inc. ("CMDFII") pursuant to section 181 of the Canada Business Corporations Act, substantially as set forth in the amalgamation agreement (the "Amalgamation Agreement") made as of September 20, 2006 between CMDFI and CMDFII (collectively, the "Funds"), a summary of the material terms of which is attached as Schedule "C" to the Joint Management Information Circular of the Funds dated October 20, 2006 (the "Circular"), is hereby authorized and approved together with the investment objectives and fee structure of the amalgamated fund, as described in the Circular;
- 2 The Amalgamation Agreement, the actions of the directors of CMDFII in approving the Amalgamation and the actions of any officers of Canadian Medical Discoveries Fund Inc. in executing and delivering the Amalgamation Agreement are hereby confirmed, ratified, authorized, approved and adopted;
- 3 Notwithstanding that this special resolution has been passed and the Amalgamation adopted by the shareholders of CMDFII or that the Amalgamation has been approved by the Ontario Superior Court of Justice, the directors of CMDFII are hereby authorized and empowered: (i) to amend the Amalgamation Agreement to the extent permitted by the Amalgamation Agreement; and (ii) not to proceed with the Amalgamation at any time prior to the endorsement by the director appointed under the Canada Business Corporations Act of a certificate of amalgamation giving effect to the Amalgamation, without the further approval of the shareholders of CMDFII; and
- 4 Any officer or director of CMDFII is hereby authorized and directed to execute and deliver, for and on behalf of CMDFII, all documents and to perform and to do all acts or things as such person may, in his or her discretion, may consider necessary or desirable to give full effect to the foregoing resolutions, including, without limitation, the execution and the filing of articles of amalgamation in respect of the Amalgamation with Industry Canada.

ORDINARY RESOLUTION OF THE CLASS A SHAREHOLDERS CANADIAN MEDICAL DISCOVERIES FUND INC.

- CONFIRMING BY-LAW NO. 2

BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:

- 1 By-Law No. 2 of CMDFII, as follows, is hereby confirmed:

Article 2(b) of By-Law No. 1 of the Corporation is hereby repealed and the following substituted therefor:

(a) Quorum, Voting and Adjournments

Two or more individuals present, each of whom is entitled to vote at a meeting of shareholders, either personally or as the proxy of a shareholder or as the individual authorized by a body corporate or association that is a shareholder entitled to vote thereat shall constitute a quorum for a meeting of the shareholders of the Corporation or any class of them respectively.

If at any such meeting a quorum is not present within thirty minutes after the time appointed for the meeting, then the meeting shall be adjourned to such date being not less than seven days later. At such adjourned meeting the holders of shares carrying voting rights who are present or represented shall constitute a quorum thereat and may transact the business for which the meeting was originally called notwithstanding that such quorum is not present throughout the meeting.

If there is only one shareholder that shareholder present in person or by proxy constitutes a meeting."

SCHEDULE “B”

SHAREHOLDER DISSENT RIGHTS

A holder of Canadian Medical Discoveries Fund Inc. Class A Shares or Canadian Medical Discoveries Fund II Inc. Class A Shares is entitled to be paid the fair value of his or her shares if articles of arrangement authorized by the special resolution approving the Amalgamation become effective and the provisions of subsection 190 of the CBCA are complied with by such holder. The fair value of such shares will be determined as of the close of business on the day before the special resolution in respect of which a shareholder dissents is adopted. The following is a brief summary of the procedure to be followed by a shareholder who wishes to exercise a right to dissent under subsection 190 of the CBCA.

A dissenting shareholder is required to send a written objection to the special resolution in respect of which such shareholder dissents to Canadian Medical Discoveries Fund Inc., in the case of a holder of Canadian Medical Discoveries Fund Inc. Class A Shares, or Canadian Medical Discoveries Fund II Inc., in the case of a holder of Canadian Medical Discoveries Fund II Inc. Class A Shares (the “Applicable Fund”), at or before the applicable shareholder meeting. A vote against any special resolution or an abstention does not constitute a written objection. Within 10 days after the special resolution in respect of which a shareholder dissents is adopted by the shareholders, the Applicable Fund must so notify the dissenting shareholder who is then required, within 20 days after receipt of such notice (or if such shareholder does not receive such notice within 20 days after learning of the adoption of such special resolution), to send to the Applicable Fund a written notice containing such shareholder’s name and address, the number and class of shares in respect of which such shareholder dissents and a demand for payment of the fair value of such shares and, within 30 days after sending such written notice, to send to the Applicable Fund or its transfer agent the appropriate share certificate or certificates (if issued to such dissenting shareholder). If the action contemplated in the special resolution in respect of which a shareholder dissents becomes effective, the Applicable Fund is required to determine the fair value of the shares and to make a written offer to pay such amount to the dissenting shareholder not later than seven (7) days after the later of the day the special resolution is adopted or the day the Applicable Fund receives written notice including a demand for payment. If such offer is not made within 50 days, the Applicable Fund may apply to the court to fix the fair value of the shares. Alternatively, the dissenting shareholder may apply to the court to fix the fair value of the shares within 20 days after the failure of the Applicable Fund to apply to the court to fix the fair value of the shares. There is no obligation on the Applicable Fund to apply to the court. If an application is made by any party, the dissenting shareholder will be entitled to be paid the amount fixed by the court which may be greater or less than the value of his or her Canadian Medical Discoveries Fund Inc. Class A Shares or Canadian Medical Discoveries Fund II Inc. Class A Shares as applicable.

The foregoing summary does not purport to be a comprehensive statement of the procedures to be followed by a dissenting shareholder who seeks payment of the fair value of such shareholder’s shares of the Applicable Fund. The provisions of section 191 of the CBCA require strict adherence to the procedures established therein and failure to do so may result in the loss of all dissent rights. Accordingly, each shareholder who might desire to exercise dissent rights should carefully consider and comply with the provisions of section 191 of the CBCA and should consult a legal adviser.

SCHEDULE "C"

AMALGAMATION AGREEMENT SUMMARY

The following outlines the material terms of the Amalgamation Agreement between the Funds. The full Amalgamation Agreement may be obtained from www.sedar.com.

On the Effective Date, anticipated to be November 30, 2006, the Funds will amalgamate pursuant to section 181 of the CBCA and continue thereafter as one corporation under the name "Canadian Medical Discoveries Fund Inc."/"Fonds de Découvertes Médicales Canadiennes inc." (herein "CMDF") and will be registered as a labour-sponsored venture capital corporation pursuant to the Federal Act and as a labour-sponsored investment fund corporation pursuant to the Ontario Act. CMDF shall possess all the property, rights, privileges and franchises and shall be subject to all liabilities, including civil, criminal and quasi-criminal, and all contracts, disabilities and debts of each of the Funds. CMDF's registered office shall be BCE Place, 181 Bay Street, Suite 3740, P.O. Box 750, Toronto, Ontario M5J 2T3.

CMDF shall be authorized to issue: (a) an unlimited number of Amalg Fund Class A Shares issuable in series of which two series shall initially be designated, being (i) an unlimited number of Class A, Series I, shares and (ii) an unlimited number of Class A, Series II, shares; (b) 25,000 Amalg Fund Class B Shares; and (c) an unlimited number of Amalg Fund Class C Shares issuable in series.

On the Effective Date, holders of Class A Shares of Canadian Medical Discoveries Fund Inc. or Canadian Medical Discoveries Fund II Inc. will be entitled to receive, in exchange for those shares, a number of Class A, Series I, Shares in the capital of CMDF that is equal to the closing Net Asset Value of their Class A Shares from the Business Day prior to the Effective Date (the number of Shares held multiplied by the closing Net Asset Value per Class A Share on the Business Day prior to the Effective Date) divided by \$10. Following the Amalgamation, CMDF will commence offering Class A, Series II, Shares.

Holders of Class B Shares of Canadian Medical Discoveries Fund Inc. or Canadian Medical Discoveries Fund II Inc. will be entitled to receive, in exchange for those shares, an equivalent number of Class B Shares in the capital of CMDF.

The initial directors of CMDF shall be those directors of Canadian Medical Discoveries Fund Inc. in office immediately before the Effective Date, until their respective successors have been duly elected or appointed.

The by-laws of CMDF shall be the by-laws of Canadian Medical Discoveries Fund Inc. immediately before the Effective Date.

The financial year of CMDF shall end on August 31 of each year.

The auditors of CMDF shall be Ernst & Young LLP, the present auditors of the Funds.

The Funds have agreed that until the Effective Date, they will not engage in any business, enterprise or other activity outside the normal course of business as presently conducted by them and will take all necessary action to give effect to the transactions contemplated by the Amalgamation Agreement. Each of the Funds has agreed that they shall use all reasonable efforts to satisfy each of the conditions precedent to the completion of the Amalgamation set out in the Amalgamation Agreement. The Funds have also agreed to cooperate with each other in using all reasonable efforts to obtain the approval of their respective shareholders, any regulatory or governmental authority and any third party whose approval, consent or waiver is required to complete the transactions contemplated by the Amalgamation Agreement.

SCHEDULE "D"

PROFORMA STATEMENT OF NET ASSETS OF CMDF

The following is a pro forma statement of net assets for the amalgamated CMDF derived from the August 31, 2006 financial statements of Canadian Medical Discoveries Fund Inc. and Canadian Medical Discoveries Fund II Inc. which are available from www.sedar.com and are included in this mailing.

PROFORMA STATEMENT OF NET ASSETS

[in \$thousands except per share amounts and number of shares]

As at August 31, 2006	CMDF	CMDF II	PRO FORMA TOTAL
ASSETS AND LIABILITIES			
ASSETS			
Venture investments, at estimated fair value	162,551	10,750	173,301
Marketable securities, at estimated fair value	30,289	3,941	34,230
Cash	765	123	888
Accounts receivable and other assets	188	23	211
	193,793	14,837	208,630
LIABILITIES			
Accounts payable and accrued liabilities	1,258	158	1,416
Redemptions payable	103	9	112
Income taxes payable	25	2	27
	1,386	169	1,555
Net assets, at market value	192,407	14,668	207,075
Percentage of NAV	92.9%	7.1%	100.0%
Class A Shares outstanding (Note 1)	28,534,252	1,906,583	20,707,500
Net Asset Value per Class A Share	\$6.74	\$7.69	\$10.00

Note 1: Pro Forma shares outstanding assumes a reset of the NAV per share to \$10

SCHEDULE "E"

CMDF PRO FORMA VENTURE PORTFOLIO AS OF AUGUST 31, 2006

Name and Address of Issuer	Name and Address of Issuer	Number of Shares or Par Value	Type and Percentage of Securities of any Class Owned by CMDF	Cost of Investment as a Percentage of CMDF's Net Assets
2056273 Ontario Inc. Toronto, ON	2056273 Ontario Inc is a holding company for DC Bio Corp. shares.	100	Common	50.0% 1.7%
ActivBiotics (Ontario) Inc. Toronto, ON	ActivBiotics is a company engaged in the development and commercialization of antibacterials for the treatment of acute and chronic disease.	9,727,626	Cl. C Non-Voting Pref Shares	50.0% 3.0%
		40	Cl. A voting Shares	25.0% 0.0%
AdipoGenix (Canada) Inc. Toronto, ON	AdipoGenix is a biopharmaceutical company developing novel therapeutics for the treatment of obesity and related conditions.	10	Common	50.0% 0.0%
		6,081,500	Convertible Debenture	100% 2.9%
Adnavance Technologies Inc. Saskatoon, SK	Adnavance is an early stage technology company developing metallic DNA for application in life sciences and nanotechnology markets.	3,290,514	Cl. A Pref Shares	30.5% 1.0%
		3,161,874	Warrants	75.0% 0.0%
Aegera Therapeutics Inc. Montreal, QC	Aegera is a biotechnology company focusing on signal transduction and apoptosis with a primary therapeutic focus in cancer and neurodegenerative diseases.	4,615,510	Cl. A Pref Shares	33.9% 2.4%
		414,106	Cl. D Pref Shares	2.0% 0.2%
		441,113	Common	9.9% 0.1%
Agrisoma Bioscience Burnaby, BC	Agrisoma is a biotechnology company developing a chromosome-based gene delivery and expression technology in plant systems.	673,638	Common	34.8% 1.0%
Ambit Biosciences (Canada) Corporation Toronto, ON	Ambit is a biopharmaceutical company developing small molecule neuroprotectants for the treatment of stroke and other CNS disorders.	4	Cl. A Shares	50.0% 0.0%
		11,628,107	Cl. C Shares	50.0% 3.0%

Name and Address of Issuer	Name and Address of Issuer	Number of Shares or Par Value	Type and Percentage of Securities of any Class Owned by CMDF	Cost of Investment as a Percentage of CMDF's Net Assets	
Cytochroma Inc. Markham, ON	Cytochroma Inc is a biopharmaceutical company specializing in the identification of important enzymes that are involved in key metabolic processes.	700,000	Cl. A Pref Shares	33.3%	0.3%
		400,000	Cl. B Pref Shares	4.6%	0.6%
		1,452,000	Convertible Debenture	9.7%	0.7%
DC Bio Corp. Halifax, NS	DC Bio is focused on the development of RNA-based ex vivo dendritic cell vaccine technology for application to cancer and diseases associated with chronic viral infections.	1,100,000	Convertible Debenture	100%	0.5%
Excel-Tech Ltd. Oakville, ON	Excel-Tech is a manufacturer of high-end, technologically advanced neuromuscular and neurophysiological instruments.	1,352,465	Common	7.1%	1.4%
GeminX Biotechnologies Inc. Montreal, QC	GeminX is engaged in the discovery, development and commercialization of novel therapeutics to treat cancer.	7,136,641	Series A Pref Shares	13.4%	4.1%
		945,274	Cl. B Pref Shares	3.8%	0.6%
		408,117	Warrants	3.0%	0.0%
Inimex Pharmaceuticals Inc. Vancouver, BC	Inimex Pharmaceuticals is a company focused on developing medicines that selectively augment the innate immune system.	4,900,038	Special Voting Shares	100%	0.0%
		500,000	Convertible Debenture	28.6%	0.2%
Inimex Veterinary Research Ltd. Saskatoon, SK	Inimex Veterinary Research is the animal health affiliate of Inimex Pharmaceuticals Inc.	4,900,038	Cl. A Pref Shares	100%	1.0%
IsoTis SA Irvine, CA	IsoTis SA develops innovative natural and synthetic bone graft substitutes.	2,956,638	Common	4.2%	4.0%
LifeMark Health Limited Partnership Calgary, AB	LifeMark is one of Canada's largest providers of physiotherapy, rehabilitation and occupational health services.	33,030	Limited Partnership Units	1.2%	0.2%
LPBP Inc. Toronto, ON	LPBP is a company with investments in health science focused partnerships, managed by other companies.	350,331	Cl. A Common	0.4%	0.0%

Name and Address of Issuer	Name and Address of Issuer	Number of Shares or Par Value	Type and Percentage of Securities of any Class Owned by CMDF	Cost of Investment as a Percentage of CMDF's Net Assets
MEF Finance Corp. Toronto, ON	MEF Finance was established to provide equipment financing for customers of Evolved Digital Systems Inc.	50	Common	50.0% 0.0%
MedInnova Partners Inc. Halifax, NS	MedInnova is a technology incubator company that identifies and develops novel, patentable technologies that meet large, unmet needs in the life and health sciences marketplace.	10,500,000 50,000	Cl. B Pref Shares Common	100% 50.0% 5.1% 0.0%
MedTech Partners Inc. Ottawa, ON	MedTech develops and commercializes intellectual property of early-stage technologies from universities and research institutions.	13,000,000 50,000	Pref Cl. A Shares Common	100% 50.0% 6.3% 0.0%
MethylGene Inc. Montreal, QC	MethylGene is a biopharmaceutical company focused in the areas of cancer and infectious diseases.	709,699	Common	2.3% 1.4%
NPS Pharmaceuticals Inc. Parsippany, NJ	NPS Pharma is engaged in the discovery, development, and commercialization of therapeutic small molecules and recombinant proteins.	6,900 1,296 27,000	Common CAD Options USD Options	0.0% 0.0% 0.5% 0.1% 0.0% 0.0%
Network Health Inc. Calgary, AB	Network Health is a provider of health-related services in a number of centres across Canada.	707,681 707,681	Cl. A Common Cl. B Common	4.8% 4.8% 0.6% 0.0%
NeuroMed Pharmaceuticals Ltd. Vancouver, BC	Neuromed develops small organic molecule blockers targeting calcium channels for use in treatment of neurological and cardiovascular disorders.	2,693,835 160,057 120,043 625,000 543,478 1,232,713 12,544	Canadian Special Voting Stock Series B-1 Exch Shares Series B-2 Exch Shares Series C-1 Exch Shares Series C-2 Exch Shares Series D Exch Shares Common Exch Shares	5.7% 4.9% 5.0% 8.2% 8.2% 17.0% 0.6% 0.0% 0.3% 0.2% 0.4% 0.4% 1.0% 0.0%

Name and Address of Issuer	Name and Address of Issuer	Number of Shares or Par Value	Type and Percentage of Securities of any Class Owned by CMDF	Cost of Investment as a Percentage of CMDF's Net Assets	
NeuroMed Pharmaceuticals Inc. Conshohocken, PA	Neuromed Pharmaceuticals Inc. is a US affiliate of Neuromed Pharmaceuticals Ltd.	160,057	Series B-1 Special Voting Stock	4.9%	0.0%
		120,043	Series B-2 Special Voting Stock	5.0%	0.0%
		625,000	Series C-1 Special Voting Stock	8.2%	0.0%
		543,478	Series C-2 Special Voting Stock	8.2%	0.0%
		1,232,713	Series D special Voting Stock	17.0%	0.0%
		12,544	Common Special Voting Stock	0.6%	0.0%
Neuroscience Development Inc. Toronto, ON	Neuroscience Development Inc. funds early-stage proof-of-principle companies emerging from the neuroscience community.	1,700,000	Cl. A Pref Shares	100%	0.8%
		50,000	Common	50.0%	0.0%
NYSA Membrane Technologies Inc. Burlington, ON	NYSA has a membrane-based platform technology that improves the safety of the separation processes required to purify proteins and other compounds.	13,055	Cl. A Pref Shares	0.4%	0.3%
Painceptor Pharma (Ontario) Corporation Ottawa, ON	Painceptor Pharma (Ontario) is the Ontario affiliate of Painceptor Pharma Corporation	5,973,333	Cl. A Pref Exch Shares	11.7%	1.1%
		4,177,154	Cl. B Pref Exch Shares	15.9%	0.8%
		1,388,418	Cl. C Pref Exch Shares	16.5%	0.3%
Painceptor Pharma Corporation St. Laurent, QC	Painceptor Pharma. is a biopharmaceutical company focused on drug development for the treatment of acute and chronic pain.	5,973,333	Cl. A Special Voting Shares	11.7%	0.0%
		4,177,154	Cl. B Special Voting Shares	15.9%	0.0%
		1,388,418	Cl. C Special Voting Shares	16.5%	0.0%
PharmAthene Canada Inc. Saint-Laurent, QC	PharmAthene, was formed to developing biodefense products. PharmAthene is dedicated to the development of biotherapeutics to address biological pathogens and chemicals that may be used as weapons of bioterror.	2,591,654	Cl. C Pref Shares	14.8%	1.4%
		2,000,000	Convertible Debenture	20.0%	1.1%
		1,243,994	Warrants	23.6%	0.0%

Name and Address of Issuer	Name and Address of Issuer	Number of Shares or Par Value	Type and Percentage of Securities of any Class Owned by CMDF	Cost of Investment as a Percentage of CMDF's Net Assets	
Praxim SA	Praxim SA is a Computer Assisted Surgery (CAS) company focused on the emerging market of orthopedics.	191,556	Series 1 Pref Shares	31.2%	2.4%
La Tronche, France		130,000	Series 2 Pref Shares	20.0%	0.7%
Protiva Biotherapeutics Inc.	Protiva Biotherapeutics Inc is a biotechnology company developing therapies based on a proprietary systemic, non-viral DNA or RNA-delivery platform. Protiva Biotherapeutics Inc. is in clinical testing of its first DNA-delivered protein therapeutic against skin cancer and is emerging as a leader in siRNA delivery, one of the most promising approaches to modulate gene expression.	8,999,995	Series 1 Cl. A Pref Shares	18.7%	0.9%
Burnaby, BC		5,999,994	Series 2 Cl. A Pref Shares	21.3%	0.6%
		1,099,991	Series 5 Cl. A Pref Shares	20.3%	0.1%
		900,000	Convertible Debenture	22.1%	0.4%
		378,666	Promissory Note (11/30/06)	22.1%	0.2%
		750,000	Promissory Note (05/31/07)	27.9%	0.4%
	1,642,856	Warrants	20.6%	0.0%	
Renovis Inc.	Renovis is a biopharmaceutical company focused on the discovery, development and commercialization of drugs to treat neurological diseases and disorders.	202,548	Common	0.7%	1.3%
San Francisco, CA					
Resonant Medical Inc.	Resonant Medical is a medical imaging company that has developed a 3D ultrasound hardware /software platform to image tumors during radiotherapy treatment.	235,849	Series A Pref Shares	6.0%	0.2%
Montreal, QC					
Resonant Medical Technologies Inc.	Resonant Medical Technologies Inc is an Ontario affiliate of Resonant Medical Inc.	2,594,339	Cl. A Exch Shares	100%	2.7%
Toronto, ON		851,063	Cl. B Pref Exch Shares	100%	1.0%
SMC Ventures Inc.	SMC Ventures was involved in biotechnology products in the areas of orthopedics, neurosurgery and oral maxillofacial surgery.	622,450	Cl. A Common	11.3%	0.0%
Vancouver, BC					
Spectral Diagnostics Inc.	Spectral is a developer of innovative technologies for comprehensive disease management.	4,483,992	Common	18.6%	1.4%
Toronto, ON		2,312,500	Promissory Note	98%	0.9%
		462,500	Warrants	9.3%	0.0%

Name and Address of Issuer	Name and Address of Issuer	Number of Shares or Par Value	Type and Percentage of Securities of any Class Owned by CMDF	Cost of Investment as a Percentage of CMDF's Net Assets	
Star Bio Investments Inc. Saskatoon, SK	Star Bio operates is a holding company for investments and licenses previously held by Star Biotech Inc.	158,580	Common	3.0%	1.9%
Systems Xcellence Inc. Milton, ON	Systems Xcellence develops, markets and supports proprietary electronic transaction processing for the healthcare management industry.	1,035,086	Common	6.0%	1.9%
T2C2/Bio Limited Partnership Montreal, QC	T2C2 is a limited partnership established to focus on early stage seed investments in biotechnology and information technology.	5,000	Limited Partnership Units	14.3%	2.4%
Targanta Therapeutics Inc. St. Laurent, QC	Targanta Therapeutics Inc. is a subsidiary of Targanta Therapeutics Corp.	1,375,758 1,831,050 500,000 291,250 1,750,000	Cl. A Pref Exch Shares Cl. B Pref Exch Shares Common Convertible Promissory Note (CDN) Convertible Promissory Note (USD)	58.6% 15.1% 16.5% 16.7% 8.6%	0.6% 0.5% 0.5% 0.1% 1.0%
Targanta Therapeutics Corp. Indianapolis, IN	Targanta Therapeutics is a discovery company employing a proprietary genomic approach to discover novel targets for the development of new antibiotics.	1,375,758 1,831,050 500,000	Series A Special Voting Shares Series B Special Voting Shares Common Special Voting Shares	58.6% 16.4% 16.5%	0.0% 0.0% 0.0%
Tm Bioscience Corporation Toronto, ON	TM is a genomics company developing proprietary DNA-based technologies for application in biochips, diagnostics and genomic analysis.	5,828,264 540 12,424 1,421,919	Common Deferred Common Shares Options Warrants	12.2% 0.0% 5.7% 6.1%	4.1% 0.0% 0.0% 0.0%
Transition Therapeutics Inc. Toronto, ON	Transition is an integrated biopharmaceutical company with a proprietary state-of-the-art drug discovery engine and drug development program for multiple diseases.	3,686,967	Common	2.3%	1.0%

Name and Address of Issuer	Name and Address of Issuer	Number of Shares or Par Value	Type and Percentage of Securities of any Class Owned by CMDF	Cost of Investment as a Percentage of CMDF's Net Assets	
Trillium Therapeutics Inc. Toronto, ON	Trillium is a biotech company focused on the development and commercialization of immune modulating therapies in such areas as hepatitis and cancer.	1,879,700	Cl. A Pref Shares	18.5%	1.2%
		1,000,000	Common	16.0%	0.4%
		563,910	Warrants	18.5%	0.0%
Twinstrand Therapeutics Inc. Burnaby, BC	Twinstrand specializes in the development of recombinant therapeutics for the treatment of human diseases.	866,330	Series 1 Cl. C Pref Shares	32.9%	0.7%
		125,190	Series 1 Cl. D Pref Shares	32.9%	0.1%
		1,377,779	Series 2 Cl. C Pref Shares	31.6%	1.2%
		110,000	Series 2 Cl. D Pref Shares	33.0%	0.1%
		754,703	Warrants	32.1%	0.0%
University Medical Discoveries Inc. Toronto, ON	UMDI purchases interests in intellectual property developed at Canadian universities, hospitals and research institutes.	149,000,000	Pref Shares	100%	7.2%
		1,000,000	Common	50.0%	0.0%
ViOptix Canada Inc. Toronto, ON	ViOptix Canada Inc. is an affiliate of ViOptix, Inc.	9,104,524	Cl. C Pref Shares	50.0%	1.6%
		1,991,700	Convertible Debt (CAD)	50.0%	1.0%
		75,000	Prom Note (USD)	50.0%	0.0%
		400	Cl. A Voting Shares	40.0%	0.0%
ViOptix Inc. Fremont, CA	ViOptix is a developer of non-invasive medical devices to measure oxygen level in tissue, for use in surgery, peripheral vascular disease, and wound management.	1	Series X Pref Shares	100%	0.0%
Viron Therapeutics Inc. London, ON	Viron is developing a unique set of protein-based therapeutics for diseases, inflammation associated with cardiovascular disease and transplantation.	997,729	Cl. A Pref	31.7%	3.4%
Working Ventures CMDF Queen's Scientific Breakthrough Fund Inc. Kingston, ON	This CSBIF invests in enterprises formed by Queen's researchers looking to protect, commercialize research discoveries.	137,952	Cl. A Pref	25.2%	1.0%
Xillix Ltd. Richmond, BC	Xillix develops medical imaging devices using autofluorescence imaging for cancer detection.	5,000,000	Convertible Debenture	100%	2.4%



181 BAY STREET, SUITE 3740, TORONTO, ONTARIO M5J 2T3
WWW.CMDF.COM