



CANADIAN MEDICAL DISCOVERIES FUND INC.

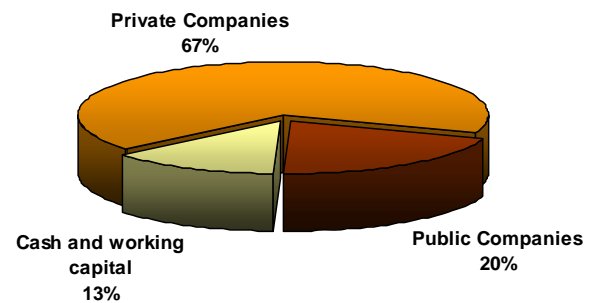
Manager's Comments**Canadian Medical Discoveries Fund – May 31, 2007**

For the quarter ending May 31, 2007, the Fund made some opportunistic partial exits from its positions in Systems Xcellence (SXC-T), Transition Therapeutics (TTH-T) and Excel-Tech (NRV-T) with proceeds of approximately \$10 million. The fund then made approximately \$5 million of follow-on investments in 5 private companies: Agrisoma, Cytochroma and NeuroMed Pharmaceuticals, NYSA Membrane and Twinstrand Therapeutics. The investment management team continues with its priorities of reducing the number of companies in the Fund (6 in the past 9 months), and enhancing value with the existing portfolio companies. In addition, they continue to progress them towards liquidity events and to focus investing activity on later stage companies with a shorter investment horizon and a higher probability of positive returns.

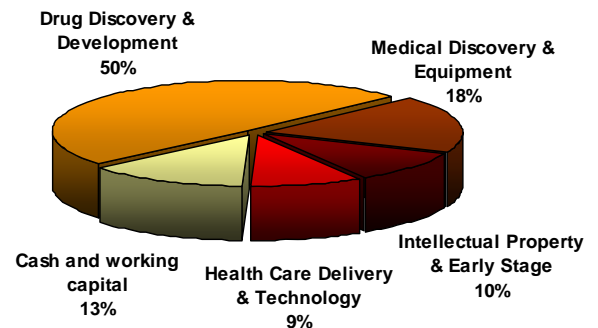
During the quarter ended May 31, 2007, the Fund was down approximately 3% as compared to the previous quarter due primarily to the under performance of some of the Funds' publicly-traded securities. In addition there was some foreign exchange impact from the strengthening CAD versus the US Dollar and the Euro. Biotech stocks continued to lag all the major equity market indexes with small cap biotechs underperforming in particular. CMDF's portfolio was in line with this trend. Systems Xcellence (SXC-T) and MethylGene (MYG-T) each continued to create positive value in the Fund while names like Spectral Diagnostics (SDI-T), Luminex (LMNX-Q)(which acquired TM Bioscience) and Transition Therapeutics (TTH-T) all dropped in value. SDX and TTH were simply digesting and consolidating the big gains of Q4 and Q1 despite only positive announcements.

The investment manager continues to be very positive on CMDF's performance for the remainder of 2007 because of the promise in the private company portfolio. Several of these companies have made significant progress within the developmental cycle and have positioned themselves well for liquidity events that should enhance shareholder value. With the continued strength of biotech M&A activity so far in 2007, in the opinion of the investment manager, this bodes extremely well for these companies and a significant portion of the CMDF portfolio patiently waiting for the market to recognize the value in biotech.

Portfolio Investment Composition
as at May 31, 2007



Portfolio Composition by Industry Sector
as at May 31, 2007



Compliments of:



CANADIAN MEDICAL DISCOVERIES FUND INC.

Select CMDF Portfolio Company Highlights



A biopharmaceutical company developing a completely new class of therapeutics to treat and prevent human inflammatory disorders

- Lead compound successfully completed the first dose level in a Phase 2 clinical trial for the treatment of vascular inflammation in patients with Acute Coronary Syndromes (ACS).
- Strong pipeline of 5 compounds in preclinical development and a robust discovery program.
- Significant progress made by the Company its clinical, pre-clinical and discovery programs.
- Outstanding independent preclinical animal results with next compound being compared to three leading anti-inflammatory products.



Develops a comprehensive array of countermeasures to bioterrorism

- PharmAthene is the first technology incubator focused solely on Homeland Security.
- Main clinical program awarded a US\$220mm contract from the US Dept. of Defence in Oct 2006.
- Second program, Valortim, is expected to be funded fully by DoD, HHS, DHS in H1 2007.
- Currently completing a reverse IPO transaction via a SPAC vehicle, with approximately \$70mm in cash on hand to drive operations and M&A. The transaction is expected to close in July 2007.



Develops therapeutics to prevent and treat the clinical consequences of diseases and disorders related to vitamin D deficiency

- Advanced portfolio of new products targeting vitamin D deficiency and secondary hyperparathyroidism in patients with moderate to severe chronic kidney disease and end-stage renal disease.
- Eight candidates undergoing clinical investigation.
- Enrollment of patients in a Phase II clinical trial of CTA018 Cream for chronic plaque psoriasis completed.
- Recently completed financings totaling approximately \$24 million and successfully settled a lawsuit with Genzyme Corporation.

Canadian Medical Discoveries Fund Inc.

Summary of Investment Portfolio
As at May 31, 2007

| Top 25 Investments | % of Net Assets |
|--|-----------------|
| Systems Xcellence Inc. | |
| Viron Therapeutics Inc. | |
| Targanta Therapeutics (Ontario) Corp. | |
| Geminx Biotechnologies Inc. | |
| Resonant Medical Technologies Inc. | |
| University Medical Discoveries Inc. | |
| Cytochroma Canada Inc. | |
| ActivBiotics (Ontario) Inc. | |
| Praxim SA | |
| Ambit Biosciences Canada Corp. | |
| NeuroMed Pharmaceuticals Ltd. | |
| Protiva Biotherapeutics Inc. | |
| Spectral Diagnostics Inc. | |
| PharmAthene Canada Inc. | |
| Transition Therapeutics Inc. | |
| Luminex Corporation | |
| MedTech Partners Inc. | |
| MedInnova Partners Inc. | |
| Twinstrand Therapeutics Inc. | |
| 2056273 Ontario Inc. | |
| ViOptix Canada Inc. | |
| Trillium Therapeutics Inc. | |
| Inimex Pharmaceuticals Inc. | |
| MethylGene Inc. | |
| Agrisoma Biosciences | |
| Top 25 Investments | 79.09 |
| Other Investments | 7.51 |
| Cash, cash equivalents and other working capital | 13.40 |
| Total Net Assets | 100.00 |

The investment portfolio may change due to ongoing portfolio transactions of the investment fund. Quarterly updates are available within 60 days of each quarter end.

For more information, please visit us at
www.cmdf.com

Important information about the fund is contained in its prospectus. Please obtain a prospectus from a local dealer and read it carefully before investing. This investment may not be suitable for all investors. Some conditions apply. Commissions, trailing commissions, management fees and expenses all may be associated with this investment. This fund is not guaranteed, its value changes frequently and past performance may not be repeated. Tax credits on amount invested include 15% federal and up to 20% provincial available on the first \$5,000 invested. Shares must be held for eight years to keep the tax credits. Tax rates are based on June 2006 personal income tax rates. RRSP tax savings assumes the marginal rate applies to the full amount of the deduction. RRSP tax savings are available on any RRSP eligible investments and tax is payable on all amounts withdrawn from RRSPs. RRSP Tax savings will vary based on an individual's marginal tax rate.