



**NOTICE TO SHAREHOLDERS
OF
CANADIAN MEDICAL DISCOVERIES FUND INC.
CANADIAN MEDICAL DISCOVERIES FUND II INC.**

Medical Discovery Management Corporation (“**MDMC**” or the “**Manager**”) is the manager of Canadian Medical Discoveries Fund Inc. (“**CMDf**”) and Canadian Medical Discoveries Fund II Inc. (“**CMDf II**”, and together with **CMDf**, the “**Funds**”). This notice is being provided to you in compliance with applicable securities regulations requiring 60-day notification to shareholders of the Funds regarding a change of control of the Manager. **Please note, however, there is nothing you need to do in response to this notice.**

MDS Capital Corp. (“**MDSCC**”) has entered into an agreement with Stilco Investments Limited (“**Stilco**”), whereby MDSCC will acquire all of the shares of MDMC that are owned by Stilco (the “**Transaction**”) thereby becoming the sole shareholder of MDMC. Stilco is controlled by Dr. Calvin R. Stiller, who is resigning as Chairman and Chief Executive Officer of MDMC and the Funds. It is currently anticipated that the Transaction will become effective on or after October 1, 2005 after all requisite regulatory requirements have been met, including approval from securities regulators.

MDSCC currently owns 50% of the shares of MDMC. It has assisted in the management of the Funds since their inception, beginning with CMDf in 1994. Upon completion of the Transaction, MDSCC will become the sole owner and operator of MDMC and will continue to manage the Funds under the existing management agreements and fee arrangements. Management expects minimal changes in the day-to-day operations of the Funds following completion of the Transaction.

Management views the increased involvement of MDSCC as a positive development for shareholders of CMDf and CMDf II, with the opportunity for MDSCC to further leverage its substantial experience in managing investment funds to create shareholder value. MDSCC and its affiliates operate one of the largest venture capital companies in North America focussed exclusively on private health care and life sciences companies (including those involved in pharmaceuticals, biotechnology, medical services and information technology) at both early and later stages of development. MDSCC provides capital by raising funds in public retail and private institutional funds. With approximately \$1 billion Canadian in assets under management, MDSCC and its affiliates currently manage or provide services to seven funds.

Please call us at (416) 213-4686 or e-mail us at information@cmdf.com should you have any questions regarding this notice. We thank you for your support and continued investment in the Funds.

DATED: August 3, 2005.

**MEDICAL DISCOVERY MANAGEMENT
CORPORATION**, as manager of
Canadian Medical Discoveries Fund Inc. and
Canadian Medical Discoveries Fund II Inc.

By: 

Name: Donna Takacs
Title: Vice-President Marketing