

# CANGENE CORPORATION

3403 American Drive<sup>†</sup>  
Mississauga, Ontario  
L4V 1T4

## NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

TAKE NOTICE that the Annual and Special Meeting of Shareholders (the “Meeting”) of Cangene Corporation (the “Corporation”, “Cangene” or the “Company”) will be held at The Toronto Stock Exchange Broadcast Centre, 130 King Street West, The Exchange Tower, Toronto, Ontario, M5X 1J2, on Wednesday, December 5, 2007, at the hour of four fifteen o’clock in the afternoon (Toronto time) for the following purposes:

1. to receive the audited consolidated financial statements of the Corporation for its fiscal year ended July 31, 2007 and the report of the auditors thereon;
2. to increase the maximum number of directors from ten to fifteen;
3. to elect directors;
4. to appoint auditors for the ensuing year and to authorize the directors to fix the auditors’ compensation; and
5. to transact such other business as may properly come before the Meeting, or any adjournment thereof.

Accompanying this Notice is a Management Information Circular and Proxy.

DATED at Toronto, Ontario, as of October 19, 2007.

### BY ORDER OF THE BOARD

(signed)

John Langstaff

President, Chief Executive Officer and Director

### NOTES

1. Registered shareholders who are unable to attend the Meeting and beneficial shareholders are requested to sign and date the accompanying form of proxy for use at the Meeting; they should return it in the envelope provided or as otherwise instructed. Proxies to be used at the Meeting must be deposited with Computershare Investor Services Inc. not less than 48 hours, weekends and holidays excepted, preceding the Meeting or any adjournment thereof.
2. Only holders of common shares of the Corporation of record at the close of business on October 12, 2007 will be entitled to vote at the Meeting, except to the extent that a person has transferred any such shares after that date, and the transferee of those shares establishes proper ownership and requests, not later than ten days before the Meeting, that the transferee’s name be included in the list of shareholders for the Meeting, in which case, the transferee is entitled to vote those shares at the Meeting.

<sup>†</sup> Registered address at the time of printing this Notice of Meeting; this office is moving, shareholders wishing to contact the Company should check the website or e-mail Investor Relations at [ir@cangene.com](mailto:ir@cangene.com) for updated information.

**CANGENE CORPORATION**

3403 American Drive<sup>†</sup>  
Mississauga, Ontario  
L4V 1T4

**MANAGEMENT INFORMATION CIRCULAR**

**Dated October 19, 2007**

**Solicitation of Proxies**

**This Management Information Circular (the “Information Circular”) is furnished in connection with the solicitation of proxies by management of Cangene Corporation (the “Corporation”, “Cangene” or the “Company”) to be used at the Annual and Special Meeting of Shareholders (the “Meeting”) of the Corporation to be held at The Toronto Stock Exchange Broadcast Centre, 130 King Street West, The Exchange Tower, Toronto, Ontario, M5X 1J2, on Wednesday, December 5, 2007, at the hour of four fifteen o’clock in the afternoon (Toronto time) for purposes set out in the foregoing Notice of Annual and Special Meeting of Shareholders (the “Notice of Meeting”). This solicitation is made by the management of the Corporation. It will solicit proxies primarily by mail; however, proxies may also be solicited by the directors and/or officers of the Corporation at nominal cost. The cost of such solicitation will be borne by the Corporation.**

Except as otherwise stated, the information contained herein is given as of the 19th day of October, 2007.

By its registrar and transfer agent, Computershare Investor Services Inc., the Corporation has distributed copies of the Notice of Meeting, this Information Circular, a form of proxy and the 2007 annual report (collectively, the “Documents”) to registered shareholders and to clearing agencies, securities dealers, banks and trust companies or their nominees (“Intermediaries”) for distribution to shareholders of the Corporation whose shares are held by, or in the custody of, those Intermediaries (“Beneficial Shareholders”). The Intermediaries are required to forward the Documents to Beneficial Shareholders.

The solicitation of proxies from Beneficial Shareholders will be carried out by Intermediaries or by the Corporation’s registrar and transfer agent if the names and addresses of Beneficial Shareholders are provided by the Intermediaries. The cost of the solicitation will be borne by the Corporation.

<sup>†</sup> Registered address at the time of printing this Information Circular; this office is moving, shareholders wishing to contact the Company should check the website or e-mail Investor Relations at [ir@cangene.com](mailto:ir@cangene.com) for updated information.

## Proxy Voting Procedures

### Appointment and Revocation of Proxies

**A shareholder has the right to appoint a person, other than those designated in the enclosed form of proxy, to represent the shareholder and to attend and act on the shareholder's behalf at the Meeting.** To exercise that right, the shareholder may insert the name of the desired person (who need not be a shareholder) in the blank space provided on the form of proxy. Beneficial shareholders should follow the directions of their Intermediary with respect to the procedure to be followed for delivering the voting instruction form; registered shareholders should deliver the completed proxy to the office of the registrar and transfer agent of the Corporation, Computershare Investor Services Inc., 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1, not less than 48 hours, weekends and holidays excepted, prior to the time of the holding of the Meeting or any adjournment thereof. A proxy must be signed and dated by the shareholder or by the shareholder's attorney authorized in writing, or if the shareholder is a corporation, by any officer or attorney duly authorized. This proxy ceases to be valid one year from its date.

**A proxy given by a shareholder for use at the Meeting may be revoked at any time prior to its use.** In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the shareholder or the shareholder's attorney authorized in writing, or if the shareholder is a corporation under its corporate seal, by an officer or attorney thereof, and deposited at the offices of Computershare Investor Services Inc., 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1, at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof, or with the Chair of the Meeting on the day of the Meeting or any adjournment thereof, and upon either of such deposits, the proxy is revoked.

Beneficial Shareholders (shareholders whose shares are held in their broker's name) who wish to file proxies should follow the directions of their Intermediary with respect to the procedure to be followed. **Beneficial Shareholders who wish to vote in person at the Meeting must insert their own name in the space provided on the voting instruction form provided by the Intermediary, and submit their instruction form to the Intermediary in advance of the Meeting in accordance with the instructions supplied by such Intermediary. Every Intermediary has its own mailing procedures and provides its own return instructions, which should be followed carefully.**

### Exercise of Discretion by Proxies

Proxies received in favour of management will be voted and where a choice is specified, will be voted in accordance with the choice so specified in the proxy. **Unless indicated otherwise, or where no choice is specified, the shares will be voted or voted for, the matters set out in the Notice of Meeting.**

The securities represented by the proxy will be voted or withheld from voting in accordance with the instructions of the securityholder on any ballot that may be called for.

The accompanying form of proxy confers discretionary authority upon the person voting the proxy with respect to amendments or variations to matters identified in the Notice, and with respect to other matters that may properly come before the Meeting. At the time of printing this Information Circular, the management of the Corporation knows of no such amendments, variations or other matters to come before the meeting other than the matters referred to in the Notice of Meeting. **However, if other matters should properly come before the Meeting, the accompanying proxy will be voted on such matters in accordance with the best judgment of the proxy nominee.**

### **Interest of Certain Persons or Companies in Matters to be Acted Upon**

None of the Corporation's directors, senior officers, or any associate or controlled corporation of any such persons has any direct or indirect material interest in any of the matters to be acted upon at the Meeting other than the election of directors.

### **Voting Shares and Principal Holders Thereof**

The Corporation is authorized to issue an unlimited number of preferred shares, an unlimited number of Class A preferred shares, and an unlimited number of common shares, of which, as at October 19, 2007 – 70,500,170 common shares are issued and outstanding. Each common share of the Corporation carries the right to one vote at the Meeting. Only holders of outstanding common shares of record at the close of business on October 12, 2007 (the record date) are entitled to vote at the Meeting, except in the event that any holder of common shares transfers any such common shares after October 12, 2007, the transferee of such shares is entitled to vote such shares if such transferee produces properly endorsed share certificates or otherwise establishes that such transferee owns the shares and makes a request, not later than ten days before the Meeting, that the Corporation's transfer agent, Computershare Investor Services Inc., include such transferee's name in the list of shareholders entitled to vote at the meeting.

Voting at the Meeting shall be by show of hands, except if a shareholder or proxyholder entitled to vote at the Meeting, demands a ballot. Certain restrictions are imposed on the ability of a proxyholder to vote by show of hands where such proxyholder has conflicting instructions from more than one shareholder. A shareholder present in person or represented by proxy may demand a ballot either before or after any vote by show of hands.

To the knowledge of the directors and executive officers of the Corporation, no person beneficially owns or exercises control or direction over common shares carrying more than 10 per cent of the votes attached to common shares of the Corporation except as follows:

<u>Name and Address of Shareholder</u>	<u>Number of Shares</u>	<u>Percentage</u>
<b>The Apotex Group<sup>3</sup> Toronto, Ontario</b>	<b>42,875,787<sup>1</sup></b>	<b>61.0%</b>
<b>Natcan Investment Management Inc. Montreal, Quebec</b>	<b>7,063,428<sup>2</sup></b>	<b>10.0%</b>

(1) As at October 19, 2007

(2) As at September 30, 2007

(3) The Apotex Group includes: Apotex Inc., which holds 57,315 common shares of Cangene Corporation; Apotex Holdings Inc., which holds 24,500,493 common shares of Cangene Corporation; Sherman Foundation, which holds 17,395,822 common shares of Cangene Corporation and Apotex Foundation, which holds 787,157 common shares of Cangene Corporation. The Apotex Group is indirectly controlled by Bernard Sherman through the Bernard and Honey Sherman Family Trust, of which he is the Trustee. Bernard Sherman is a director and President of Sherman Foundation and Apotex Foundation, and as such controls the Foundation's shareholdings indirectly. Bernard Sherman also holds 135,000 common shares of Cangene Corporation directly.

## Shareholder Proposals

Pursuant to Section 137 of the *Canada Business Corporations Act* (“CBCA”), any notice of a Shareholder proposal intended to be raised at the fiscal 2008 Annual Meeting of Shareholders of the Corporation must be submitted to the Corporation at its registered office, to the attention of the Secretary, on or before July 18, 2008 [NOTE: as of October 19, 2007, Cangene expects that the address of its registered office will change prior to the July 18, 2008 deadline, a Shareholder wishing to submit a proposal should check the Company’s website or send an e-mail to [ir@cangene.com](mailto:ir@cangene.com) to confirm the correct address], to be considered for inclusion in the Management Information Circular for the fiscal 2008 Annual Meeting of the Shareholders.

It is the position of the Corporation that Shareholder proposals need be recognized only if made in accordance with the foregoing and the provisions of the CBCA.

## Particulars of Matters to be Acted Upon at the Meeting

### Increase to the Maximum Number of Directors

Management is seeking shareholder approval to increase the maximum number of directors from ten to fifteen. As noted below, management intends to nominate nine persons for election as directors. It is the view of management that the maximum of ten directors currently contained in the Articles of the Corporation is unduly restrictive. The Corporation wishes to be in a position to attract qualified persons to sit on the Board from time to time, and by increasing the maximum allowable number of directors, it will have greater flexibility to do so. The Board of Directors is empowered to determine the number of directors to be elected, which may vary from time to time, within the stated minimum and maximum. The Board is currently seeking qualified persons as potential new members, although it is not anticipated that such individuals will be identified and proposed as director nominees for election at the Meeting.

This proposed amendment must be passed by a special resolution of at least two thirds of the votes cast by shareholders of the Corporation entitled to vote at this meeting. Management recommends the approval of this resolution, and proxies that do not otherwise specify will be voted IN FAVOUR of the resolution.

### Election of Directors

Each director holds office until the earlier of his retirement or resignation, or until the next Annual Meeting of Shareholders at which directors are elected. In the absence of instructions to the contrary, the common shares represented by proxy will be voted for the nominees herein listed. The Board has no Executive Committee; members of the Audit, Governance and Nominating, and Compensation Committees are identified in the later Corporate Governance section.

Management proposes the following nine persons as nominees for election as directors to continue in office until the next succeeding annual meeting of the shareholders, or until their successors are elected or appointed.

**Management does not contemplate that any of the nominees will be unable to serve as a director. However, in the event that prior to the Meeting any of the director nominees herein listed becomes unable to serve as director, it is intended that discretionary authority shall be exercised by the person named in the proxy as proxy nominee to vote the common shares represented by proxy for the election**

**of any other person or persons as directors, unless the shareholder who has given such proxy has directed that the shares be withheld from voting in the election of any of the directors.**

The following table sets forth the name of each person proposed to be nominated by management for election as director, the position such person holds within the Corporation if applicable, the present principal occupation or employment of each such person, the date on which such person was first elected as a director of the Corporation and the number of voting securities of the Corporation beneficially owned, directly or indirectly, or over which control or direction is exercised by each person.

<b>Name, Current Office, Position within the Corporation, and Province/State and Country of Residence</b>	<b>Director Since</b>	<b>Number of Shares Held at Present<sup>1</sup></b>	<b>Principal Occupation or Employer and its Principal Business</b>
R. Craig Baxter <sup>2</sup> Director Ontario, Canada	November 1, 1995	81,050	President, Apotex Holdings Inc. Apotex Holdings Inc. is a Canadian pharmaceutical company and is a member of the Apotex Group
Jeremy Desai <sup>4</sup> Director Ontario, Canada	December 6, 2006	nil	Executive Vice President R&D, Apotex Inc. Apotex Inc. is a Canadian pharmaceutical company and is a member of the Apotex Group
Brenda Drinkwalter <sup>3,4</sup> Director Ontario, Canada	December 6, 2006	5,000	Principal, Brenda Drinkwalter & Associates, a consulting firm that advises clients on business strategy, including communications and stakeholder relations
Jack Kay Director and Chair of the Board Ontario, Canada	November 1, 1995	143,000	President and Chief Operating Officer, Apotex Inc. Apotex Inc. is a Canadian pharmaceutical company and is a member of the Apotex Group
John Langstaff President, CEO and Director Manitoba, Canada	November 1, 1995	247,676 <sup>5</sup>	President and Chief Executive Officer, Cangene Corporation
J. Robert Lavery <sup>2</sup> Director Manitoba, Canada	June 1, 2004	10,000	President, Shaunnara ULC Shaunnara is a privately held investment management company
Michael Spino <sup>3</sup> Director Ontario, Canada	November 1, 1995	50,000	President, ApoPharma Inc. ApoPharma is part of the Apotex Group and is responsible for the discovery and development of innovative drugs
Jerry Treppel <sup>2,4</sup> Director New Jersey, USA	January 29, 2003	nil	General Partner and fund manager, Wheaten HealthCare Partners LP and a Principal of Wheaten Capital Management LLC. Wheaten HealthCare Partners is a market neutral hedge fund that invests in the worldwide healthcare industry
John Vivash <sup>3</sup> Director Ontario, Canada	June 8, 2005	12,000	President, CEO and Director of Tesseract Financial Inc. Tesseract Inc. is a financial services company, founded by Mr. Vivash in 1989

- (1) The Corporation has relied upon information provided by the named persons as to their respective shareholdings in the Corporation; share holdings are as at October 19, 2007
- (2) Member of Audit Committee
- (3) Member of Governance and Nominating Committee
- (4) Member of Compensation Committee
- (5) Includes shares held in an automatic employee share purchase plan; the balance held in this plan was 4,283 at July 5, 2007, the most recent statement date

**At least five years of employment history for each director nominee is as follows:**

R. Craig Baxter is President of Apotex Holdings Inc., prior to that he was President of Apotex International, Inc. and Executive Vice President of Apotex Inc. for more than five years. Mr. Baxter has been employed with Apotex since May 1985. He serves as a director of Cargojet Income Trust (TSX-listed).

Jeremy Desai was promoted to Executive Vice President R&D of Apotex Inc. in April 2006. Prior thereto, he had been Senior Vice President R&D at Apotex since joining the company in January 2003. Prior to that, he had been Vice President R&D at IVAX Pharmaceuticals U.K. since June 2001.

Brenda Drinkwalter is Principal of Brenda Drinkwalter & Associates; she advises clients on areas of business strategy, including communications and stakeholder relations. From 1999 to 2004 she was Senior Vice President Corporate Affairs, Canada and Latin America Region, and Global Privacy Coordinator at IMS Health Limited, a leading provider of health business intelligence and strategic consulting services.

Jack Kay is President and COO of Apotex Inc. Prior thereto, he was Executive Vice President of Apotex Inc. He joined Apotex in 1982. Mr. Kay serves on the board of Helix BioPharma Corp., a TSX and Frankfurt Stock Exchange-listed company.

John Langstaff has been President and Chief Executive Officer of Cangene since November 1, 1995.

J. Robert Lavery, a Chartered Accountant, is President of Shaunnara ULC, an investment management company he has owned since forming the company in 1977. In December 2003, he retired from his 26-year position as President and CEO of Winpak Ltd., a company he co-founded in 1977. He remains on the board of Winpak and all its subsidiary companies. Winpak Ltd. manufactures and distributes high-quality packaging materials and innovative packaging machines. The company's products are used primarily for the protection of perishable foods, beverages and pharmaceuticals, and in medical applications. Mr. Lavery is also on the board of ENSIS Growth Fund Inc. (OTC).

Michael Spino was appointed President of ApoPharma Inc. in January 2004; prior thereto he was Senior Vice President – Scientific Affairs of Apotex Inc., a position he held for more than five years. Dr. Spino joined Apotex in 1991.

Jerry Treppel is General Partner and fund manager at Wheaten HealthCare Partners LP and a Principal of Wheaten Capital Management LLC in the United States. He was Managing Director of Equity Research at Banc of America Securities, LLC from June 1999 until June 2002. Mr. Treppel is on the board of Akorn, Inc. (Nasdaq<sup>®</sup>-listed).

John Vivash is President and CEO of Tesseract Financial Inc., positions he's held since founding the financial services company in 1989. Prior to that he held various senior positions during his lengthy career in the investment community. Mr. Vivash is on the board of Draxis Health Inc. (TSX- and Nasdaq<sup>®</sup>-listed)

With the exception of Jerry Treppel, all the nominees are residents of Canada.

## **Corporate Bankruptcies**

Jerry Treppel was a director of Able Laboratories, Inc., a public company in the United States, which filed a petition to re-organize under *Chapter 11 of the United States Bankruptcy Code* on July 18, 2005. Mr. Treppel is no longer on Able's board of directors. The assets of Able were subsequently acquired by Sun Pharmaceutical Inc. (a wholly owned subsidiary of Sun Pharmaceutical Industries Ltd.).

J. Robert Lavery is a director and chairman of 2980304 Canada Inc. (formerly Jazz Golf Equipment Inc.), a public company currently listed as an NEX company on the TSX Venture Exchange. In October 2006, the company made a proposal under the *Bankruptcy and Insolvency Act* (Canada), which involved the sale of all the company's assets to a newly formed company that was wholly owned by its main shareholder, ENSIS Growth Fund Inc. The proposal received court approval and was subsequently approved by the creditors of the company.

## **Corporate Governance Disclosure (Form 58-101F1) for fiscal 2007**

Cangene's Board of Directors ("the Board") believes that sound corporate governance practices are essential to the well being of the Company and its shareholders, and that these practices should be reviewed regularly to ensure that they are appropriate. The Board has recently reviewed the guidelines for effective corporate governance contained in *National Policy 58-201 – Corporate Governance Guidelines* ("NP 58-201") and the disclosure requirements of *National Instrument 58-101 – Disclosure of Corporate Governance Practices* ("NI 58-101") issued by the Canadian securities regulators. Although there have been no substantive changes to these documents since the date of Cangene's last annual filings, the Company is aware of the Canadian Securities Administrators ("CSA") Staff Notice 58-304 which provides notice that the CSA intends to undertake a broad review of these documents and to publish their findings, together with proposed amendments, for comment in 2008. The following discussion of the activities of the Board and its committees is designed to provide the disclosure required by NI 58-101. The Board believes that the Company's corporate governance practices satisfy the current recommendations contained within NP 58-201. The Governance and Nominating Committee of the Board will continue to monitor proposed changes to this legislation.

### **Board of Directors fiscal 2007**

#### Independent Directors are:

- Brenda Drinkwalter
- J. Robert Lavery
- Jerry Treppel
- John Vivash

#### Non-independent Directors and basis for determination are:

- R. Craig Baxter – President of Apotex Holdings Inc., which is part of the Apotex Group, Cangene's majority shareholder
- Jeremy Desai – Executive Vice President R&D of Apotex Inc., which is part of the Apotex Group
- Jack Kay – President and COO of Apotex Inc., which is part of the Apotex Group
- John Langstaff – President and CEO of Cangene Corporation
- Michael Spino – President of ApoPharma Inc.; ApoPharma is also part of the Apotex Group

A majority of the Company's directors are not independent. Cangene is a controlled company since Bernard Sherman controls 61% of its outstanding shares, both through control of member companies in the Apotex Group and through direct holdings. Because Cangene has a significant shareholder, the Board is composed to represent share ownership. The non-independent directors were appointed by the significant shareholder, and the independent directors represent all shareholders, with specific concern for the interests of the minority group. The Board relies significantly on the input from independent directors to facilitate its exercise of independent judgment in carrying out its responsibilities. In any matters where a conflict of interest is declared by one or more directors, and the Board determines that such directors could or could appear to influence the outcome of such matters to the detriment of any other public shareholders, such directors will not be eligible to vote on such matters, and such matters will be approved by a majority of the remaining directors.

As a controlled company, Cangene is closely monitoring developments that may affect the independence requirements as they apply to controlled companies based on the following statement that was made by the Canadian Securities Administrators in the preamble to NP 58-201:

“We do, however, understand that some parties have concerns about how this Policy and *National Instrument 58-101 – Disclosure of Corporate Governance Practices* affect controlled companies. Accordingly, we intend, over the next year, to carefully consider these concerns in the context of a study to examine the governance of controlled companies. We will consult market participants in conducting the study. After completing the study, we will consider whether to change how this Policy and *National Instrument 58-101* treat controlled companies.”

To date, no changes have been proposed to NI 58-101 or NP 58-201 with respect to the treatment of controlled companies, although it is anticipated that this matter will be given further consideration in the broad review recently announced in CSA Staff Notice 58-304.

The following directors are currently directors of other reporting issuers:

- R. Craig Baxter – Cargojet Income Trust (TSX-listed)
- Jack Kay – Helix BioPharma Corp. (TSX and Frankfurt Stock Exchange-listed)
- J. Robert Lavery – Winpak Ltd. (TSX-listed) and ENSIS Growth Fund Inc. (OTC)
- Jerry Treppel – Akorn, Inc. (Nasdaq<sup>®</sup>-listed).
- John Vivash – Draxis Health Inc. (TSX and Nasdaq<sup>®</sup>-listed)

The four independent directors held informal meetings in 2007 on a regular basis without the presence of the non-independent directors or management.

The Chair of the Board, Mr. Kay, is not an independent director. However, he is not a member of management, and other than interests arising from shareholdings, is considered an unrelated director. The Governance and Nominating Committee considered the need to appoint a lead director during the recent fiscal year and has concluded that the independent members of the Board have sufficient leadership and direction through the Governance and Nominating Committee.

The following shows the attendance record of each director at all Board and Committee meetings held either since the beginning of Cangene's most recently completed financial year or during the period when that person was a member of Cangene's Board and Board Committee as applicable:

<b>Director</b>	<b>Board Meetings Attended</b>	<b>Committee Meetings Attended</b>
R. Craig Baxter	4/4	5/5 <sup>1</sup>
Jeremy Desai	2/2 <sup>1</sup>	4/4 <sup>1</sup>
Brenda Drinkwalter	2/2 <sup>1</sup>	7/7 <sup>1</sup>
Jack Kay	4/4	1/1 <sup>2</sup>
John Langstaff	4/4	n/a <sup>3</sup>
J. Robert Lavery	4/4	5/5 <sup>1</sup>
Bernard Sherman	1/1 <sup>4</sup>	n/a <sup>3</sup>
Michael Spino	4/4	3/4
Jerry Treppel	4/4	9/9
John Vivash	4/4	4/4

- 1 Jeremy Desai and Brenda Drinkwalter were elected to the Board part way through the fiscal year, on December 6, 2006. Jeremy Desai was appointed to the Compensation Committee and Brenda Drinkwalter was appointed to the Compensation, and Governance and Nominating Committees on March 14, 2007. J. Robert Lavery and Craig Baxter stepped down from the Compensation Committee on March 14, 2007.
- 2 Jack Kay resigned from the Governance and Nominating Committee on March 14, 2007 in order to allow for new membership and to focus on the role of Board Chair.
- 3 Barry Sherman and John Langstaff did not sit on any Board committees during fiscal 2007.
- 4 Barry Sherman resigned from the Board on October 24, 2006.

The Board has formed three committees to establish an appropriate governance structure. The following is a summary of the Committee meetings held during the 2007 fiscal year:

<b>Board Committee</b>	<b>Number of Meetings Held</b>
Audit	4
Governance and Nominating	4
Compensation	5

### **Board of Directors' Mandate**

The Board participates in and assumes responsibility for corporate stewardship, directing management and overseeing the operation of the business. The Board directly assesses corporate performance and creation of shareholder value. The mandate of the Board includes the following responsibilities:

- adopting a strategic planning process;
- reviewing and approving strategic and operating plans on an annual basis;
- identifying the principal risks of the business and ensuring management has implemented appropriate systems to manage these risks;
- implementing measures to satisfy itself of the integrity of the Company's executive officers and monitoring compliance of executive officers and all employees with the Standards of Business Ethics (see page 10);
- planning succession for senior management, including reviewing and approving selection and compensation;

- adopting a communication and disclosure policy including reviewing and approving annual and continuous disclosure documents and filings;
- ensuring measures exist to obtain direct feedback from external stakeholders;
- overseeing the Company's systems of internal control and management information systems;
- establishing authorization levels for management, and reviewing and approving significant transactions or decisions that have not been delegated to management.

### **Position Descriptions**

The Board has directly discussed the roles and responsibilities of the Board Chair and the Chair of each Board committee, and is satisfied that the individuals understand the respective roles for each such position. The Governance and Nominating Committee has developed written position descriptions for the Board Chair and the Committee Chair positions.

A position description has been developed for the CEO that clearly delineates management's responsibilities. It requires that corporate objectives and goals be established and that the CEO be responsible for achieving them. The Board approves the corporate goals and objectives in conjunction with the strategic plan and monitors the CEO's performance in achieving these goals.

### **Orientation and Continuing Education**

The Governance and Nominating Committee selects nominees for the Board who are experienced in business management and corporate governance and, in most instances, who have special expertise in an area of strategic interest to the Company. The Company provides orientation by providing new members of the Board with the opportunity to visit the Company's facilities, as well as providing detailed background materials including historical public information, strategic plans, financial and operating plans and budgets, current policies of the Company, and information about ongoing developments in the industry areas within which the Company operates.

During fiscal 2007, the Governance and Nominating Committee submitted, and the Board subsequently approved, the recommendation to make a formal continuing education program available to Board members; however, participation in the program is voluntary. The program allows any member of the Board to enrol in a formal program for director education at the expense of the Company. Subsequent to the end of the fiscal year, all Board members have been enrolled in the Institute of Corporate Directors, and certain Board members have applied to begin formal continuing education through this institution. All members receive regular newsletters and current information regarding the evolving state of corporate governance practices in Canada.

### **Ethical Business Conduct**

In 2005, the Company adopted a formal corporate Standards of Business Ethics (the "Code") in light of its continued commitment to honesty and integrity in the conduct of its business. The Code applies to all employees, officers and directors of the Company. A copy of the Code is available on the Company's website ([www.cangene.com](http://www.cangene.com)) in the Investor Relations section under the sub-section *Corporate Governance* and on the SEDAR website at [www.sedar.com](http://www.sedar.com).

The Board, through management, has implemented a process to familiarize current employees with the Code and ensure that new employees receive the same guidance at initial orientation. All new directors and employees are required to certify that they have read and understood the Code, and they agree to comply with it. Directors, officers and other employees are reminded to review the Code, including any amendments, at least annually.

The Board monitors compliance with the Code by monitoring a third-party, confidential reporting system employed by Cangene, which allows employees to report suspected or alleged violations of the Code. The Chair of the Audit Committee has access to review all reports filed on the system. The Board also receives quarterly reports from executive management regarding any allegations of unethical conduct. Executive officers and senior management are expected to declare any conflicts of interest or any other situation that could represent a potential violation of the Code. Any waiver of the requirements to comply with the Code granted to an executive officer of the Company requires Board approval.

Board members must declare if they have a conflict of interest when considering transactions and agreements. Independent Board members are given a specific forum to identify and discuss potential conflicts of interest in material transactions or agreements involving a director or an officer. Any waiver of the requirements to comply with the Code granted to a director of the Company must be approved by the Board.

#### **Assessments/Performance of the Board of Directors**

Board effectiveness is assessed by the Board as a whole, and it gives consideration to the operation of the committees, the adequacy of information given to directors, the quality of communication between the Board and management, and the strategic direction and processes used. The performance of the Board is linked to the Corporation's success in implementing the strategic plan.

During 2007, the Governance and Nominating Committee developed and presented a formal assessment process to the Board, and recommended its adoption in order to assess the effectiveness of individual Board members, committees of the Board and the Board in its entirety. The Board has not yet formally approved this process, but is currently working through a pilot of the assessment process and anticipates its full implementation in fiscal 2008.

#### **Audit Committee**

The Audit Committee is responsible for reviewing Cangene's financial reporting procedures and internal controls, as well as communicating regularly with the Company's external auditors. The Committee is also responsible for reviewing and approving the quarterly financial statements, and the related management's discussion and analysis, and earnings news releases. The Committee reviews the annual financial statements and related management's discussion and analysis, and earnings news release, and makes recommendations to the full Board of Directors before their approval.

In reviewing the annual and quarterly financial statements of the Company, the Audit Committee discusses the quality of the accounting principles, the reasonableness of significant judgments and the clarity of disclosure in the financial statements. In addition, the Committee discusses with the external auditors the overall scope, plan and results of their audit. The Committee also reviews Canadian audit committee regulations and best practices to ensure alignment with the intent of such regulations and practices.

The Board has approved an Audit Committee Charter that details the role and responsibilities of the Committee (the Charter is included as Appendix B to Cangene's 2007 Annual Information Form and is available on the SEDAR website at [www.sedar.com](http://www.sedar.com)).

In addition to reviewing and approving interim filings, and reviewing annual filings, additional responsibilities of the Audit Committee include:

- recommending the external auditor to be nominated for approval at the annual meeting of the shareholders, as well as the compensation to be paid to the external auditor;
- overseeing the work of the external auditor;
- pre-approving all non-audit services to be provided to the Company by the external auditor;
- ensuring that adequate procedures are in place for review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements and periodically assessing the adequacy of those procedures;
- establishing and maintaining procedures for the confidential, anonymous submission and treatment of complaints from employees and others regarding accounting, internal accounting controls, or auditing matters; and
- reviewing and approving the Company's hiring practices regarding partners and employees, and former partners and employees of the present and former external auditors of the Company.

Cangene's Audit Committee is chaired by Mr. Lavery and includes Mr. Baxter and Mr. Treppel. Mr. Lavery and Mr. Treppel are independent directors as defined under *Multilateral Instrument 52-110 – Audit Committees* ("MI 52-110") and do not receive any compensation from the Company, directly or indirectly, other than for service as a member of the Board and its committees. Mr. Baxter is exempt from the independence requirement by virtue of section 3.3(2) of MI 52-110. All members of the Audit Committee are financially literate as defined under MI 52-110.

As well as the Audit Committee Charter (referenced earlier), further information about the Company's Audit Committee can be found in Cangene's 2007 Annual Information Form, filed on the SEDAR website at [www.sedar.com](http://www.sedar.com).

### **Governance and Nominating Committee**

The Board has a Governance and Nominating Committee, which is responsible for developing and maintaining the Company's corporate governance practices and nominating potential new directors to the Board as a whole.

The Board has approved a Charter for the Governance and Nominating Committee that specifies the purpose of this Committee, which is to assist the Board with its oversight responsibility by:

- identifying and selecting potential nominees for the Board, including considering the competencies and skills that the Board should possess, and the competencies and skills of existing directors and any potential new candidates;
- monitoring Board size and composition, and suggesting changes in this respect where appropriate;
- annually recommending members for election or re-election to the Board;
- developing the Company's approach to governance issues and making recommendations to the Board in the area of corporate governance practices;
- preparing and reviewing with the Board an annual performance evaluation of the effectiveness of individual Board members, committees and the Board as a whole;
- developing and recommending to the Board standards to be applied to assess material relationships between the Company and its directors in accordance with conflict of interest standards;

- reviewing and revising as appropriate, in accordance with best practices and legal requirements, the Company's Standard of Business Ethics for directors, officers and employees, as well as the Company's Disclosure Policy;
- monitoring compliance with any Board mandated minimum shareholding requirements and monitoring attendance by directors at Board and Committee meetings; and
- reviewing the Governance and Nominating Committee Charter, and charters of the Board and the other committees of the Board, periodically, and recommending changes in either scope or content to the Board.

The Governance and Nominating Committee selects nominees for the Board who are experienced in business management and corporate governance, and, in most instances, who have special expertise in an area of strategic interest to the Company. The Governance and Nominating Committee considers the skill-set of the existing Board in assessing the complementary competencies and skills required from a new member. The Governance and Nominating Committee takes into account both the independence and financial literacy of nominees, when considering what roles such nominees may play with respect to Board committees.

The Governance and Nominating Committee is not composed entirely of independent directors. Mr. Vivash, the Chair of this Committee, is an independent director. Brenda Drinkwalter is also an independent director. Dr. Spino is not an independent director due to his relationship with Apotex; however, he is an unrelated director as defined in the former TSX guidelines. Mr. Vivash, in his role as the Chair of this Committee, has the authority to convene a separate meeting of the independent directors to review and discuss proposals dealing with governance issues before making recommendations about such issues to the Board. In order to ensure an objective nomination process, the Board as a whole must unanimously approve the addition of a new member.

### **Compensation Committee**

The Compensation Committee oversees overall corporate policy with respect to compensation and benefits, and makes recommendations regarding the compensation of directors and executive management, among other things.

The Board has approved a Charter for the Compensation Committee. The Charter specifies the purpose of this Committee, which is to assist the Board with its oversight responsibilities by reviewing and reporting on:

- compensation for the members of the Board of Directors and committees thereof, including determining whether the form of compensation adequately and realistically reflects the responsibilities and risks of the positions, and recommending changes where applicable;
- management's succession plans for executive officers, with special emphasis on the CEO's succession, including development plans and career planning for potential successors;
- recommendations to the Board for the corporate objectives that the CEO and other executive officers are responsible for meeting and for which performance will be monitored in assessing the effectiveness;
- performance of the CEO and other executive officers relative to stated objectives;
- total compensation plans for the CEO including determining whether the form of compensation adequately and realistically reflects the responsibilities and risks of the position while taking into consideration input from the entire Board regarding CEO performance;

- compensation strategy and compensation policies for executive officers and other levels of management, as proposed by the CEO;
- compensation plans for executive officers, annual adjustments thereto, design and administration of short and long-term incentive plans, benefits or other perquisites as proposed by the CEO;
- any employment, termination, special employment contracts or other similar arrangements with executive officers of the Company, including any contracts relating to a change in control as well as any commitments to executive development programs;
- significant new or modifications proposed to the Company's pay or benefit plans, or significant changes in organizational structure relating to the human resource function; and
- compliance by the Company and its subsidiaries with all applicable employment and labour legislation.

The Compensation Committee reviews the form and adequacy of director's compensation at least annually and makes any recommendations for changes to the Board as a whole. In making recommendations to the Board, the Committee takes into account the types of compensation and the amounts paid to directors of comparable, publicly traded Canadian companies. Historically, the majority of compensation received by the Company's Board was in the form of stock options. However, on October 12, 2005, the Board adopted a new phantom-stock incentive plan and a new stock ownership plan to replace the existing stock option plan. The Board has decided that no further stock options will be granted under the stock option plan; however, the plan will continue at least until all remaining outstanding options have been exercised or cancelled, or have expired or been forfeited. The phantom-stock incentive plan and the stock ownership plan are designed to link the performance of directors, executive officers and other management employees to longer-term company performance.

The Compensation Committee has reviewed individual and Company performance annually, and has obtained compensation surveys of executive compensation from independent sources and recommended compensation for the executive officers. The Board reviews and approves such recommended compensation. Based on past surveys of executive compensation in several Canadian biotechnology companies, the Committee and the Board believe that the base salaries for Cangene's executive officers are competitive. As noted above, historically, a significant component of compensation received by the Company's executive officers was in the form of stock options; however, the Board has adopted a phantom-stock incentive plan and a stock ownership plan to replace the existing stock option plan.

Late in fiscal 2007, the Compensation Committee engaged an independent compensation consultant, Aon Corporation, to complete a comprehensive analysis of both director and executive compensation in order to provide the Board with updated recommendations. This analysis is still underway, and is expected to conclude with final recommendations by no later than the end of the second quarter of fiscal 2008.

The Compensation Committee comprises a majority of independent directors, as Mr. Treppel chairs this committee and Ms. Drinkwalter and Mr. Desai are members.

## Statement of Executive Compensation (Form 51-102F6)

### Summary Compensation Table

The following table sets forth the compensation of each of the persons who, during the fiscal year ended July 31, 2007, was or acted in the capacity of, the Corporation's Chief Executive Officer, Chief Financial Officer and the three<sup>1,2,3</sup> other most highly compensated executive officers (the "Named Executive Officers" or "NEOs") for services rendered by such persons to the Corporation for that year.

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation <sup>6</sup>			All Other Compensation (\$)
		Salary (\$)	Bonus <sup>4</sup> (\$)	Other Annual Compensation <sup>5</sup> (\$)	Awards		Payouts	
					Securities Under Options Granted (#)	Shares or Units Subject to Resale Restrictions (\$)	LTIP Payouts (\$)	
John Langstaff, President and CEO	2007	312,987	98,494	9,390	nil	nil	nil	1,187 <sup>7</sup>
	2006	262,650	25,760	7,880	nil	nil	nil	1,051 <sup>7</sup>
	2005	257,599	64,063	7,728	nil	nil	nil	1,050 <sup>7</sup>
Michael Graham Chief Financial Officer <sup>1</sup>	2007	203,883	46,680	6,117	nil	nil	nil	1,144 <sup>7</sup>
	2006	175,818	18,063	5,275	nil	nil	nil	352 <sup>7</sup>
	2005	145,962	nil	1,592	nil	nil	nil	nil
John McMillan, Vice President – Commercial Development <sup>2</sup>	2007	208,995	45,102	6,270	nil	nil	nil	nil
	2006	183,717	21,877	5,511	nil	nil	nil	nil
	2005	176,784	43,725	5,303	nil	nil	nil	200 <sup>8</sup>
William Bees, Senior Vice President – Operations	2007	233,437	47,680	7,003	nil	nil	nil	nil
	2006	194,215	23,127	5,826	nil	nil	nil	nil
	2005	186,886	46,012	5,607	nil	nil	nil	nil
Grant McClarty <sup>3</sup> , Vice President – Research and Development	2007	110,769	nil	692	nil	nil	nil	nil
Andrew Storey, Vice President – Quality Assurance/ Clinical & Regulatory Affairs	2007	208,995	45,102	6,270	nil	nil	nil	nil
	2006	183,717	21,877	5,511	nil	nil	nil	nil
	2005	176,784	43,525	5,303	nil	nil	nil	nil
Wendy Johnson <sup>3</sup>	2007	25,245	47,680	757	nil	nil	nil	nil
	2006	194,215	23,127	5,826	nil	nil	nil	nil
	2005	186,886	46,012	5,607	nil	nil	nil	nil

- Notes:**
- (1) Michael Graham joined Cangene as CFO, effective September 20, 2004
  - (2) John McMillan took over as interim CFO, effective March 1, 2004 until Michael Graham was appointed in September 2004. Mr. McMillan was also promoted from General Manager to VP Commercial Development at that time.
  - (3) Dr. Grant McClarty joined Cangene as Vice President Research and Development effective January 24, 2007, replacing Dr. Wendy Johnson who is on a long-term medical leave of absence. Wendy Johnson was Vice President – Research and Development during fiscal 2005, 2006 and a portion of 2007.
  - (4) The Corporation has a short-term incentive program ("STIP") in place for its management. Under the plan, performance-related compensation will be paid as a cash bonus to be calculated when annual performance measures are evaluated.
  - (5) Contributions to an employee group pension plan.
  - (6) The Board approved a phantom-stock incentive plan on October 12, 2005 (see discussion beginning on page 18).
  - (7) Company contribution to employee share purchase plan
  - (8) Employee referral bonus

## Securities Authorized for Issuance under Equity Compensation Plans

### Equity Compensation Plan Information for the fiscal year ended July 31, 2007

Plan Category	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans <sup>1</sup>
Equity compensation plans approved by securityholders <sup>2</sup>	1,939,300	\$8.28	1,209,550

(1) The Board has decided not to issue further options under this plan

(2) The Company has no equity compensation plans not approved by securityholders

### **Stock Option Plan (the "Plan")**

#### Purpose of the Plan

The Plan was designed to encourage the interest of officers, directors and employees of the Corporation and its subsidiaries in the growth and development of the Corporation by providing them with the opportunity, through share options, to acquire an increased proprietary interest in the Corporation. In October 2005, the Board approved the implementation of a new phantom-stock incentive plan that replaces this stock option plan as the primary long-term incentive plan; however, the Plan remains in effect while previously issued options remain outstanding.

#### Administration

The Plan shall be administered by the Board, or if appointed, by a special committee of directors appointed by the Board pursuant to the rules of procedure fixed by the Board.

#### Granting of Options

The Board has decided not to grant any further options under this plan.

#### Shares subject to the Plan

In 1997, shareholders voted to increase the number of shares issuable under the Plan to 4,000,000. These available shares were nominally apportioned as to 2,800,000 to the employees' portion, and 1,200,000 to the directors' portion of the Plan. At the end of fiscal 1999, the Board of Directors agreed to remove the category designation so that a greater number of options could be made available to employees for granting in fiscal 2000. Since the options were in a single plan and the category designation was an internal differentiation, this change did not require the approval of shareholders.

In 1999, shareholders approved a further increase in the number of shares issuable under the Plan to 8,000,000.

#### Vesting and expiry

Options are exercisable as to 25% of the shares represented by such options in the fiscal year of the grant and are exercisable as to an additional 25% in each of the three following fiscal years. Options issued to non-

employee directors expire five years from the date of grant, and options issued to employees expire eight years from the date of grant.

### Pricing

The Board or its Committee fixed the option price on shares subject to the Plan when such options were granted. The price was not less than the arithmetic average of the daily high and low board-lot trading prices on the TSX for the five days immediately prior to the date of the grant.

No options were granted to directors or named executive officers during the fiscal year ended July 31, 2007, and no outstanding options were re-priced.

The following table sets out option exercises during the year ended July 31, 2007, as well as the number of exercisable/unexercisable options held as at July 31, 2007 by the Named Executive Officers.

### Aggregated Option Exercises during the Fiscal Year Ended July 31, 2007 and Fiscal Year-End Option Values

NEO Name	Common Shares Acquired on Exercise (#)	Aggregate Value Realized (\$)	Number of Unexercised Options at July 31, 2007		Value of Unexercised In-the-Money Options at July 31, 2007 <sup>1</sup>	
			Exercisable (#)	Unexercisable (#)	Exercisable (\$)	Unexercisable (\$)
John Langstaff, President and CEO	30,000	93,900	275,500	nil	211,840	nil
Michael Graham, Chief Financial Officer	nil	nil	nil	nil	nil	nil
John McMillan, Vice President – Commercial Development	29,100	79,734	128,500	nil	61,440	nil
William Bees, Senior Vice President – Operations	37,700	122,525	145,500	nil	61,440	nil
Grant McClarty <sup>2</sup> , Vice President – Research and Development	nil	nil	nil	nil	nil	nil
Andrew Storey, Vice President – Quality Assurance/ Clinical & Regulatory Affairs	46,700	184,709	115,700	nil	45,056	nil
Wendy Johnson <sup>2</sup>	nil	nil	145,500	nil	61,440	nil

(1) Closing price on July 31, 2007 was \$7.53 on the Toronto Stock Exchange

(2) Dr. Grant McClarty joined Cangene as Vice President Research and Development effective January 24, 2007, replacing Dr. Wendy Johnson who is on a long-term medical leave of absence.

## **Employee Share Purchase Plan**

An Employee Share Purchase Plan was instituted in January 2001. The purpose of the plan is to make ownership of Company shares accessible to all employees. Generally, it is open to all full-time, permanent and contract employees who have been employed by Cangene longer than one year; participation in the plan is entirely optional. Employees may elect to contribute up to 5% of their gross salary or a maximum of \$10,000 per year, whichever is lower. The Company contributes an additional amount equivalent to 20% of the employee's contribution, and pays all fees and commissions on the purchase of shares in the plan. The plan administrator will purchase common shares of the Corporation through the facilities of the Toronto Stock Exchange or other stock exchange on which the shares may be listed. Employees will be responsible for any fees and arrangements related to the sale of such shares.

## **Phantom-Stock Incentive Plan ("PSIP")**

On October 12, 2005 the Board adopted the phantom-stock incentive plan ("PSIP").

### Purpose of the PSIP

The PSIP was designed to provide a long-term incentive to align the interests of directors, officers and certain management employees with the long-term success and strategic direction of the Company. As a secondary objective, the Company sought to implement a plan that had the potential to reduce the dilution to external shareholders and allow for tax deductibility of the related compensation expense.

### PSIP Administration

Participation in the PSIP is optional and shall be administered by the Board, or if appointed, by a special committee of directors appointed by the Board pursuant to the rules of procedure fixed by the Board. Participation is limited to directors, officers and certain management employees, requires participation in the stock ownership plan, and is subject to Board approval.

### Granting of Phantom-Stock Units

The PSIP is intended to replace the existing option plan and was implemented retroactively, effective August 1, 2004. The Board approved an initial grant of 1,025,311 units (including 126,000 units that were granted to directors), retroactive to August 1, 2004. Subsequent grants to employees under the PSIP may be made annually, based upon certain corporate financial performance criteria, and entirely at the discretion of the Board. Based on the financial performance criteria for fiscal 2005, no additional award of phantom-stock units was made to employees on August 1, 2005. Non-employee Board members receive a fixed number of phantom-stock units annually, regardless of the Company's financial performance, but subject to Board approval. Accordingly, 122,500 phantom-stock units with a grant price of \$6.99 were granted to non-employee board members effective August 1, 2005. The Board approved a grant to employees and directors participating in the plan of 673,462 phantom-stock units (including 122,500 granted to directors) with a grant price of \$8.42, effective August 1, 2006. Subsequent to the fiscal 2007 year-end, the Board approved a grant of approximately 877,687 phantom-stock units (including 140,000 granted to directors) with a grant price of \$7.09, effective August 1, 2007.

The following table summarizes information about phantom-stock units outstanding as at July 31, 2007:

Grant price	Fiscal year of grant	Number of units outstanding	Weighted-average remaining contractual life	<i>in thousands of Canadian dollars</i>	
				<b>Liability at July 31, 2007</b>	Liability at July 31, 2006
\$ 8.76	2005	950,679	0.3 years	\$ —	\$ 554
6.99	2006	122,500	1.3	<b>226</b>	206
8.42	2007	636,759	2.3	—	—
<b>\$ 6.99–8.76</b>		<b>1,709,938</b>	<b>1.1 years</b>	<b>\$ 226</b>	<b>\$ 760</b>

## **Pricing**

Phantom-stock units will be granted at a base price that is a percentage of the weighted-average market price of Cangene's common shares on the Toronto Stock Exchange for the 90-day period immediately preceding the date of grant, subject to Board approval. The Board, at its discretion, has the authority under the terms of the plan, to discount the base price to improve the initial incentive value of any year's grant. Phantom-stock units will be valued on the maturity date (the "Maturity price") based on the weighted-average market price of Cangene's common shares on the Toronto Stock Exchange for the 90-day period immediately preceding the maturity date.

### Maturity and Awards

Phantom-stock units will mature on a date that is three years and ninety days after the date of grant. Holders of units in the PSIP will receive cash awards on the maturity date equal to any increase in value of the phantom-stock units, calculated as the number of units multiplied by the difference between the Maturity price and the base price. If the Maturity price of the phantom units is less than the base price, the units will mature with no cash award payable to any holder.

### Vesting and Early Award

The PSIP provides for vesting of the phantom-stock units at a rate of 25% annually, with the first 25% of units becoming vested immediately on the date of grant, and an additional 25% vesting on each anniversary of the date of grant for the following three years. Early cash awards would be triggered in the event of and determined at the date of retirement, death or termination without cause, and calculated based on the number of vested units multiplied by the difference between market price on the applicable date and the base price. Market price for any such date is defined as the weighted-average market price on the TSX for the 90-day period immediately preceding the applicable date of retirement, death or termination without cause.

## **Stock Ownership Plan**

On October 12, 2005 the Board also adopted a stock ownership plan, retroactive to August 1, 2004. This plan requires that directors, officers and certain management employees who elect to participate in the PSIP acquire and hold a minimum, pre-determined dollar value of Cangene common shares, based on original purchase price, by a target date that is six years from the effective date of the plan (or six years from the date a new participant is enrolled in the plan). Participants in the plan will be credited for any shares acquired and owned on the effective date, as well as credited for shares issued upon the exercise of stock options after the effective date. Other than for shares issued upon the exercise of stock options, participants will acquire the shares necessary to comply with the minimum requirement through share purchases made in the public

market. Employees will be able to utilize the Company's existing employee share purchase plan, within the limits defined in that plan, to acquire part or all of the common shares necessary to meet the requirements of the stock ownership plan. The Board, either directly or through a Board committee, will monitor compliance with the plan requirements.

### **Employment Agreements**

The Corporation has not entered into employment agreements with any of the Named Executive Officers.

### **Report on Executive Compensation**

Cangene wishes to attract and retain highly qualified executives, motivate performance and align the interests of its management team with that of its shareholders. Compensation for management, including the Named Executive Officers, currently comprises a base salary plus participation in the Company's phantom-stock incentive plan (see "Phantom-Stock Incentive Plan") and stock ownership plan (see "Stock Ownership Plan"), and bonuses (short-term incentive program; STIP) that are subject to personal and corporate performance measures. The level of compensation is determined by the individual's seniority, position and contribution, and by the financial performance of the Company relative to annual corporate goals, which were set at the beginning of the fiscal year by the CEO.

The Compensation Committee of the Board has reviewed individual and Company performance annually and recommended compensation for the CEO. The Compensation Committee also reviews and approves the compensation recommendations made by the CEO regarding the Named Executive Officers. The Board reviews and approves the recommendations of the Compensation Committee for both the CEO and other NEOs' compensation.

Based on a survey of executive compensation in several Canadian biotechnology companies, the Compensation Committee and the Board believe the base salaries for Cangene's executive officers are competitive. In order to reward both superior individual and corporate performance, executive compensation is largely supplemented by performance bonuses. Executive bonus awards are typically based 50% on achievement of pre-established individual goals and 50% on achievement of Company financial goals.

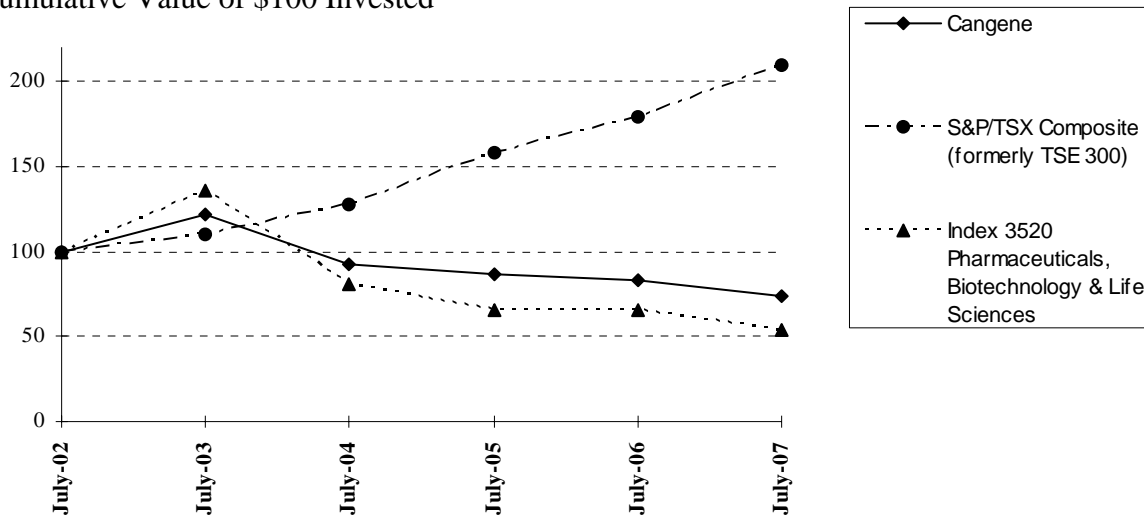
Late in fiscal 2007, the Compensation Committee engaged an independent compensation consultant, Aon Corporation, to complete a comprehensive analysis of both director and executive compensation in order to provide the Board with updated recommendations. This analysis is still underway, and is expected to conclude with final recommendations by no later than the end of the second quarter of fiscal 2008.

Cangene's executive officers are entitled to participate in the Company's employee share purchase plan and receive other benefits on the same basis as other employees of the Corporation. The executive officers and certain other levels of employees may also elect to participate in the stock ownership plan which establishes minimum shareholding requirements for the participants and is considered to further align the interests of these officers and employees with long-term shareholder value.

In addition, executive officers as well as certain other levels of employees who elect to participate in the stock ownership plan may therefore elect to participate in the Company's PSIP, which the Company believes aligns compensation with long-term stock price performance and shareholder value. The Board approved all stock option grants in the past and now approves the grants of phantom-stock units. Future grants of units to employees under the PSIP are based directly upon the Company meeting certain financial performance objectives.

## Stock Performance Graph

Cumulative Value of \$100 Invested



## Compensation of Directors

The Board has a Compensation Committee (discussed earlier in “Corporate Governance Disclosure”, beginning on page 13)

Each member of the Board receives a \$25,000 annual retainer. In addition, committee members receive \$5,000 annually per committee. The chair of the Audit Committee receives an additional \$5,000 annual retainer and the chairs of the other two committees each receive an additional \$2,500 annual retainer. All of the Board compensation is paid quarterly. Non-employee directors also receive a fixed number of phantom-stock units annually. Late in fiscal 2007, the Compensation Committee engaged an independent compensation consultant, Aon Corporation, to complete a comprehensive analysis of both director and executive compensation in order to provide the Board with updated recommendations. This analysis is still underway, and is expected to conclude with final recommendations by no later than the end of the second quarter of fiscal 2008.

## Directors’ and Officers’ Insurance

The Corporation has purchased directors’ and officers’ liability insurance with a policy limit of \$25,000,000 per occurrence, subject to a deductible of \$100,000 per occurrence. Under this insurance coverage, the Corporation would be reimbursed for payments made under corporate indemnity provisions on behalf of its directors, officers and certain other employees, and individual directors, officers and others would be reimbursed for losses arising during the performance of their duties for which they are not indemnified by the Corporation. Protection is provided to directors, officers and certain other employees for acts, errors or omissions done or committed during the course of their duties. Excluded from coverage under the policy are illegal acts and those acts that result in personal profit. The annual premium paid by the Corporation in respect of the directors, officers and certain other employees as a group is \$156,667.

## Indebtedness of Directors, Executive Officers and Senior Officers

As at October 19, 2007, there was no indebtedness owing to the Corporation by any of its past or present executive officers, senior officers or directors.

### **Interest of Informed Persons in Material Transactions**

As disclosed in previously filed disclosure documents that are available on the SEDAR website ([www.sedar.com](http://www.sedar.com)), including Cangene's 2007 annual report, the Corporation has a number of material agreements with companies within the Apotex Group, and, in addition, the Apotex Group and Cangene participated in a share offering that closed December 14, 2006. Four of the director nominees herein listed are employed by the Apotex Group. Other than these previously disclosed matters, and matters set forth above under the headings "Executive Compensation" and "Compensation of Directors", no informed person or proposed director, or an associate or affiliate of an informed person, had any material interest, direct or indirect, in any material transaction entered into by the Corporation during the fiscal year ended July 31, 2007.

### **Appointment of Auditors**

Management proposes to nominate Ernst & Young LLP, Chartered Accountants, the Corporation's existing auditors (for more than five years), as auditors of the Corporation with compensation to be fixed by the directors, to hold office until the next annual meeting of shareholders.

### **Management Contracts**

No management functions of Cangene or its subsidiaries were performed by other than directors or executive officers of the Company or its subsidiaries.

### **Additional Information**

Additional information relating to Cangene is available on the SEDAR website at [www.sedar.com](http://www.sedar.com) or on the Company's website at [www.cangene.com](http://www.cangene.com). Alternatively, securityholders may obtain copies of the Company's 2007 annual report, financial statements, management's discussion and analysis, or additional public information from the Investor Relations Department at [ir@cangene.com](mailto:ir@cangene.com) [NOTE: at the time of printing this Information Circular, Cangene's Investor Relations Department's direct telephone number is (905) 405-2900 and the office is located at 3403 American Drive, Mississauga, Ontario, L4V 1T4. This office is moving—the mailing address and possibly the telephone number will change. Securityholders wishing to contact the Company should check the website at [www.cangene.com](http://www.cangene.com) or send an e-mail to the address given above for updated information].

\* \* \*

Management knows of no matters to come before the Meeting other than those referred to in the Notice of Meeting. **However, should any other matters properly come before the Meeting, the common shares represented by the proxies solicited hereby will be voted on such matters in accordance with the best judgment of the persons voting the common shares represented by the proxies.**

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made. The undersigned hereby certify that the contents and the sending of this Information Circular have been approved by the Directors of the Corporation.

**DATED:** October 19, 2007

(signed)  
John Langstaff  
President and Chief Executive Officer

(signed)  
John McMillan  
Corporate Secretary and Vice President,  
Commercial Development

