

## **MATERIAL CHANGE REPORT**

### ITEM 1: REPORTING ISSUER

MDS Inc.  
100 International Blvd.  
Toronto, Ontario  
M9W 6J6

### ITEM 2: DATE OF MATERIAL CHANGE

February 24, 2000

### ITEM 3: PRESS RELEASE

MDS Inc. ("MDS") issued a press release with respect to the material change on February 24, 2000. A copy of the press release is attached.

### ITEM 4: SUMMARY OF MATERIAL CHANGE

MDS announced that it has made an offer to purchase all of the outstanding Common Shares of Phoenix International Life Sciences Inc. ("Phoenix") for consideration of \$16.00 per Common Share, consisting of, at the election of Phoenix shareholders, \$16.00 cash or 0.4 MDS shares for each Phoenix Common Share. The maximum cash component of the MDS offer is \$373.3 million and the maximum number of MDS shares that will be issued is 6.2 million. The offer is valued at approximately \$500 million. The Phoenix Board of Directors has agreed to recommend the MDS offer, which is expected to be mailed shortly and will expire on the 22<sup>nd</sup> day after it is mailed.

### ITEM 5: FULL DESCRIPTION OF MATERIAL CHANGE

MDS announced that it has made an offer to purchase all of the outstanding Common Shares of Phoenix for consideration of \$16.00 per Common Share, consisting of, at the election of Phoenix shareholders, \$16.00 cash or 0.4 MDS shares for each Phoenix Common Share. The maximum cash component of the MDS offer is \$373.3 million and the maximum number of MDS shares that will be issued is 6.2 million. The offer is valued at approximately \$500 million. The Phoenix Board of Directors has agreed to recommend the MDS offer, which is expected to be mailed shortly and will expire on the 22<sup>nd</sup> day after it is mailed.



IT IS AN OFFENCE FOR A PERSON TO MAKE A STATEMENT IN A DOCUMENT REQUIRED TO BE FILED OR FURNISHED UNDER THE ACT OR THIS REGULATION THAT AT THE TIME AND IN THE LIGHT OF THE CIRCUMSTANCES UNDER WHICH IT IS MADE, IS A MISREPRESENTATION.

**FOR IMMEDIATE RELEASE**

**MDS INC. OFFERS TO PURCHASE  
PHOENIX INTERNATIONAL LIFE SCIENCES INC.**

February 24, 2000 -- MDS Inc. today announced its intent to acquire Phoenix International Life Sciences Inc. in a transaction worth Cdn\$500 million.

The acquisition, if completed, would result in a combined organization with the scale and market presence needed to better serve global pharmaceutical and biotechnology customers. The combined contract research organization (CRO) would be the fifth largest in the world.

"Together, we would have the critical mass necessary to ensure that we remain at the forefront of this rapidly growing global business," said John Rogers, MDS President and Chief Executive Officer. MDS is currently a leader in the early-stage drug discovery field. Phoenix International provides a wide spectrum of support and services at all stages of drug discovery and development up to proof of concept.

"Bringing together the two operations would enhance our ability to compete, making us stronger and opening up new opportunities," Rogers added.

The contract research business is estimated to be between \$8 and 10 billion world-wide, and is growing rapidly.

The Boards of both MDS and Phoenix International view the proposed deal as an excellent 'fit' between two complementary operations. "We became interested in Phoenix International because we saw the synergies," said Rogers. "This proposed acquisition is all about growth. It would provide an impetus for more investment, increased research and development, and an expansion of knowledge-based jobs both in Canada and the rest of the world."

MDS is offering to purchase all of the outstanding common shares of Phoenix International for Cdn\$16.00 per share, consisting of, at the election of Phoenix International shareholders, Cdn\$16.00 cash or 0.4 MDS shares for each Phoenix share. The maximum cash component of the offer is \$373.3 million and the maximum number of MDS shares that will be issued is 6.2 million.

- More -

**MDS Announces Intent to Acquire Phoenix  
February 24, 2000**

**Page 2**

The cash or share component payable to Phoenix International shareholders may be pro-rated depending on the aggregate election of all Phoenix shareholders. For example, if all Phoenix International shareholders elect to receive all cash, each shareholder would receive \$12 cash and 0.1 of an MDS share, per Phoenix International share. If all Phoenix International shareholders elect to receive shares, each shareholder would receive \$8 cash and 0.2 of an MDS share, per Phoenix International share.

The MDS offer to Phoenix International shareholders expires 21 days following the Circular (soon to be released). The proposed acquisition is also subject to regulatory approval.

Phoenix shareholders are urged to read the Circular when it is available. The Circular will be available on the website of the Canadian Securities Administrators at [www.sedar.com](http://www.sedar.com) and on the website of the Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov). This press release does not constitute an offer to sell or a solicitation of an offer to buy any of the MDS shares. The offer will be made only by means of the Circular.

MDS Inc. (TSE: MDS.A, MDS.B) is a \$1.2-billion health and life sciences company headquartered in Toronto. It employs more than 8,500 highly skilled people at its global operations on four continents.

Montreal-based Phoenix International (TSE: PHX; NASDAQ: PHXI) operates in 19 countries, and has approximately 2,400 employees world-wide.

- 30 -

For further information, contact:

Gary Goertz  
MDS Executive Vice-President and Chief Financial Officer  
416-675-6777 ext. 4177

Sharon Mathers  
MDS Director of Investor Relations & External Communications  
416-675-6777 ext. 2695

Gilbert Godin  
Vice President & General Manager  
MDS NeoPharm  
450-435-2425 ext. 272