Prometic™

Annual Report 2018

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Prometic is a biopharmaceutical corporation specialized in rare and orphan diseases with late stage clinical assets focused on significant unmet medical needs

Prometic's pipeline offers multiple near-term opportunities for success with late stage clinical assets derived from two proprietary drug discovery platforms targeting significant unmet medical needs.

The first platform, small molecule therapeutics, originates from insights into the role of two receptors involved in the healing process and how modulation of these promotes tissue regeneration as opposed to scarring and fibrosis. Prometic successfully tested the activity of its lead anti-fibrotic drug candidate, PBI 4050, in over 30 different preclinical models performed by either the Corporation or in collaboration with universities or institutions. PBI-4050 also successfully completed three separate phase 2 clinical trials demonstrating the translation of such results into clinical activity in patients. Prometic is now preparing to submit an Investigational New Drug Application ("IND") and on its approval, to initiate its first pivotal phase 3 clinical program for PBI 4050 in Alström syndrome ("AS") patients. PBI-4050 has been granted Orphan Drug Designation ("ODD") by the U.S. Food and Drug Administration ("FDA") and the European Medicines Agency ("EMA") for the treatment of AS as well as for the treatment of Idiopathic Pulmonary Fibrosis ("IPF"). In the UK, PBI-4050 has also been granted a PIM ("Promising Innovative Medicine") designation by the U.K. Medicines and Healthcare Products Regulatory Agency ("MHRA") for the treatment of IPF and AS. Finally, PBI-4050 has received a rare pediatric disease designation by the FDA for the treatment of AS, making it eligible to potentially receive a priority review voucher ("PRV") upon regulatory approval by the FDA.

The second platform, Plasma Protein Purification System (PPPS™) leverages Prometic's experience in bioseparation technologies used to isolate and purify biopharmaceutical proteins from human plasma. The Corporation's primary goal with respect to this second platform is to address unmet medical needs and rare diseases with therapeutic proteins not currently commercially available, such as Ryplazim™ (plasminogen) "Ryplazim™". Ryplazim™ is Prometic's first biopharmaceutical expected to be launched commercially pending the review and approval of its BLA (Biologics License Application). Ryplazim™ has been granted a rare pediatric disease designation by the FDA for the treatment of congenital plasminogen deficiency which also makes it potentially eligible to receive a priority review voucher (PRV) upon regulatory approval by the FDA. Ryplazim™ has also been granted Fast Track status by the FDA and has been granted Orphan Drug designation by both the FDA and the EMA.

"Ryplazim™ has been *granted a rare pediatric disease designation* by the FDA for the treatment of congenital plasminogen deficiency which also makes it potentially eligible to receive a *priority review voucher (PRV) upon regulatory approval by the FDA*. Ryplazim™ has also been *granted Fast Track status* by the FDA."

Pipeline of Early and Late Stage Small Molecule and Plasma-Derived Therapeutics

Product Candidates	Indications	Segment	Pre-clin	Ph 1	Ph 2	Ph 3	NDA / BLA
Priority Indications							
Ryplazim™ IV	Congenital Deficiency	Plasma-derived					
Ryplazim™ IV	Acute & Acquired Deficiency	Plasma-derived					
PBI-4050	Alström Syndrome	Small molecule					
PBI-4050	F2-F3 Liver Fibrosis/Steatosis (NASH)	Small molecule					
PBI-4050	Idiopathic Pulmonary Fibrosis	Small molecule					
PBI-4547	To be determined	Small molecule					
Development stage assets for prioritization and/or monetization							
IVIG	Primary Immunodeficiency Diseases	Plasma-derived					
Plasminogen Sc	Hard to treat wounds	Plasma-derived					

2018 Key Highlights

Small Molecule Therapeutic Highlights

Prometic hosted a Key Opinion Leader ("KOL") meeting on the topic of novel treatments for IPF in New York City in January, 2018. The meeting featured presentations by Martin Kolb, MD, PhD, McMaster University, and Gerard Criner, MD, Temple University, who discussed the treatment landscape, as well as the unmet medical need for treating patients with IPF. Prometic's management team provided a clinical overview of their two late stage clinical assets targeting IPF: PBI-4050 and Ryplazim™ and the respective role each could play in potentially treating this severe and growing unmet medical need.

Prometic also confirmed in January, 2018 that the clinical development Type C meeting held with the FDA for its orally active anti-fibrotic lead drug candidate, PBI-4050, allowed for an agreement to be reached on the design of a potential Phase 3 pivotal clinical trial for PBI 4050 in patients with IPF.

The novel anti-fibrotic mechanism of action of Prometic's small molecule drug candidate PBI-4050 was first published in the American Journal of Pathology in February 2018. The paper entitled "A Newly Discovered Antifibrotic Pathway Regulated by Two Fatty Acid Receptors: GPR40 and GPR84" provides the scientific background on the Mode-Of-Action of PBI-4050 and its analogues in modulating these. Prometic also announced in August 2018 the publication of a paper further elucidating the mechanism of action of PBI-4050 in liver fibrosis in the Journal of Pharmacology and Experimental Therapeutics. The paper entitled "PBI-4050 reduces stellate cell activation and liver fibrosis through modulation of intracellular ATP levels and LKB1-AMPK-mTOR pathway" details the antifibrotic signaling pathway modulated by PBI 4050 and examines PBI-4050's antifibrotic activity in liver fibrosis, a major cause of morbidity and mortality worldwide.

New clinical data from the ongoing Alström syndrome Phase 2 open label clinical trial being conducted in the United Kingdom was disclosed in March 2018. The clinical study reported that clinical activity and tolerability of PBI-4050 were sustained with prolonged treatment with further clinical activity in the heart and liver observed with longer treatment exposure.

PBI-4050 was granted a Rare Pediatric Disease Designation by the FDA in August 2018 for the treatment of AS. Prometic hosted a KOL meeting on PBI-4050 as a potential novel treatment for AS and as a promising therapeutic candidate for the treatment of Non-Alcoholic Steatohepatitis ("NASH") in New York City in September 2018. The meeting featured presentations by Manal F. Abdelmalek, MD, MPH (Duke University School of Medicine), and Patrick Colin, BPharm, PhD (PCC Inc.), who discussed the treatment landscape, clinical development pipeline, and unmet medical need for treating patients with AS and the Metabolic Syndrome associated conditions non-alcoholic fatty liver disease (NAFLD) and NASH.

Finally, Prometic confirmed in December 2018 its decision to formally pursue AS as a clinical indication for PBI-4050 following positive feedback received from its meetings with regulatory authorities. These meetings provided Prometic with clear clinical and regulatory guidance on the design of a pivotal placebo-controlled Phase 3 clinical trial with multiple endpoints including liver and cardiac fibrosis. An IND is currently in preparation for submission in H2 2019.

Plasma-Derived Therapeutics Highlights

Prometic announced in March 2018 that it had received a Complete Response Letter ("CRL") from the FDA arising from its review of the Ryplazim™ BLA. The FDA raised no issues regarding the clinical data but identified however, the need for Prometic to make a number of changes in the Chemistry, Manufacturing and Controls ("CMC") section requiring the implementation and validation of additional analytical assays and "in-process controls" in the manufacturing process of Ryplazim™. The FDA requested that such CMC data be submitted as an amendment to the current BLA and invited Prometic to also submit the long-term (48-week) clinical data at the same time instead of through the originally agreed upon supplemental BLA process. The FDA indicated that the submission of the new CMC data would not impact the previously granted designations, including the Priority Review Status, the Orphan Drug Designation and the Rare Pediatric Disease Designation for Ryplazim™ for the treatment of congenital plasminogen deficiency.

Prometic completed a Type C meeting with the FDA in September 2018 regarding the Corporation's proposed action plan for the implementation of additional analytical assays and in-process controls related to Ryplazim™ manufacturing process. The feedback received during the Type C meeting allowed for the finalization of the Process Performance Qualification ("PPQ") protocol in anticipation of commencing the manufacturing of additional Ryplazim™ conformance lots and filing of required BLA amendments.

New clinical data from Prometic's pivotal IVIG phase 3 clinical trial was presented in April 2018 at the Clinical immunology Society Annual Meeting in Toronto. The clinical data presented demonstrated comparable safety and efficacy data to existing commercial IVIG products without any significant drug related safety issues. Both clinical primary and secondary endpoints in adult patients suffering from primary immunodeficiencies were met and achieved.

Corporate and Operational Highlights

In November 2018:

- Prometic, extended the maturity dates of its USD $80 million (CAD $100 million) non-revolving line of credit and original issue discount notes to September 2024 with Structured Alpha LP ("SALP"), an affiliate of Thomvest.
- A corporate update related to a series of initiatives aiming at lengthening the cash runway to better position the Corporation to achieve its objectives was provided. These included a significant reduction in the Corporation's cash use for 2019, driven in part by significant growth in its bioseparation revenues and by a reduction of anticipated R&D expenditures by up to $30 million.
- Announced the closing of an At-The-Market ("ATM") equity distribution agreement with Canaccord Genuity Corp. The ATM program allows the Corporation, at its sole discretion subject to condition set for in the equity distribution agreement to issue small tranches of common shares from treasury, at prevailing prices and in appropriate market conditions.

December 2018:

- Prof. Simon Best was named Interim Chief Executive Officer. Prof. Best has served as the Chairman of the Prometic Board of Directors since May 2014 and has over 30 years of global life sciences expertise with a focus on business development, strategic planning and product commercialization. Prof. Best succeeded Mr. Pierre Laurin who stepped down from his management and board responsibilities in December 2018.

2019 – 2020 Expected Milestones

Small-Molecule Therapeutics Pipeline

PBI-4050

Initiation of Alström Syndrome Phase 3 pivotal clinical trials

*Expansion of the clinical program for F2-F3 Liver Fibrosis/NASH

Series of peer reviewed publications on MoA and efficacy

Partnering of selected indications and/or geographies

PBI-4547

*Completion of Phase 1

*Initiation of Phase 2 studies
(Steatosis/NASH and / or Orphan indication)

Plasma-derived Therapeutics Pipeline

Ryplazim™

Approval in the USA & Canada

Approval in EU

Sale of Priority Review Voucher if received

New data for future use in critical medical conditions

Major partnering deal to Commercialise Ryplazim™ in USA, EU and other selected territories

Preliminary readout of clinical data of subcutaneous plasminogen formulation for tympanic membrane perforation repair

IVIG

Awaiting analytics and documentation from Phase III study

** Subject to financing*

Message to Shareholders

Dear Shareholders,

2018 was once again a year filled with strong scientific and clinical program development achievements for Prometic. However, we failed to close the gap between the fundamental value created by these achievements and the value placed on the Corporation by the stock-market. This required a change of leadership, the adoption of a much more focussed strategy and of a clear-plan to strengthen and re-balance the Corporation's finances with equity capital.

It has been a little more than three months since I took over leadership at Prometic as interim Chief Executive Officer. In that very short period, I have empowered our senior management team to deliver key objectives and we have completed the review and prioritization of all our programs and assets. This has allowed us to:

1. Identify a range of assets with potential for monetization/ partnerships from late preclinical stages onwards
2. Engage Lazard, a prominent U.S. based Investment Bank, to review and execute potential strategic transactions for the Corporation

As a result of the review process and prioritization, our highest priorities remain the following:

- Restructure the Corporation's indebtedness and raise capital to fund immediate liquidity needs
- The earliest possible filing of amendments to BLA and receipt of new PDUFA date for Ryplazim™
- Commencement of pivotal phase 3 clinical trial of PBI-4050 in Alström syndrome
- Signing of out-licensing and partnering agreements and/ or monetization of non-core assets

The steps on the critical path towards regulatory approval for Ryplazim™ in the U.S. are as follows:

1. Development and validation of new analytical assays and in-process controls (substantially complete)
2. Finalization of process performance qualification (PPQ) protocol (in process)
3. Manufacturing of additional conformance lots
4. Fill & Finish of the conformance lots at an external CMO
5. Data analysis & preparation of required documents for FDA
6. Regulatory filing of BLA amendment documents – now likely to occur in H2 2019
7. Anticipated new PDUFA date – now likely to occur in H1 2020

Items 1. and 2. were the most research-intensive activities required of us by the FDA which is why we asked for the Type-C Meeting held in September 2018 to ensure that we were addressing these appropriately. I am pleased to report that these have been substantially completed. I am also pleased to report that Ryplazim™ has now been successfully infused more than 5,000 times in patients who participated in our clinical trial who remain on treatment and for compassionate-use treatment of named-patients with the same 100% clinical activity observed and no serious adverse events.

Ryplazim™ plasminogen

In order to further de-risk the timely commercial launch of Ryplazim™ the decision was made not to proceed with building a Prometic Sales/Marketing operation to co-promote in the U.S. This has accelerated partnering discussions with established Rare-Disease and Big-Pharma companies with the assets and capabilities already in place to deliver the fastest possible market-penetration. Lazard is running a competitive process which is well under-way. Prospective partners are reviewing the CRL and the actions we have taken to address the issues raised by the FDA as described above during due-diligence. The closure of a timely deal would be another "vote of confidence" from knowledgeable partners that Prometic remains on track for approval and launch.

We also remain on track to file an IND with the FDA for a pivotal phase 3 trial in AS in H2 2019.

The range of business development interest and options to monetize PBI-4050 and/or our substantial small-molecule portfolio is growing and I have empowered our BD Team to pursue these aggressively. The awareness and credibility of our Alström clinical data is rising rapidly and attracting interest from major pharmaceutical companies across the full gamut of fibrotic unmet medical needs and we now have early interest for several major chronic indications.

Our cash situation however, remains very challenging. We fully recognize that our financial situation has to be greatly improved in the very near short term and that failure to do so is jeopardizing the company's assets and is holding back both value creation and recognition. It is clear, given the financial situation of the Corporation, that restructuring the balance sheet will require a combination of material corporate, financial and business development transactions. The use that the Corporation was able to make of at-the-market (ATM) equity distribution during December and January was a short-term tactic and not sustainable. Restructuring the balance sheet will therefore require a series of steps, which may include:

- A major refinancing of the Structured Alpha debt and / or recapitalization transaction;
- An appropriately sized market-based equity fund raising to finance the Company to value creation catalysts – primarily, partnerships and monetization of non-core assets and the potential Rare Disease Pediatric Priority Review Voucher for Ryplazim™

Raising adequate financing requires a clear and focused plan regarding the use of proceeds to achieve optimal value-inflection within reasonable time-frames and risk parameters and we believe we now provide such clarity.

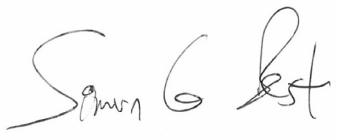
For our small-molecules, our Liver Advisory Board includes leading KOLs who advise companies with compounds with different modes-of-action to PBI-4050 that are already in the clinic, we believe that the optimal next-step is to undertake a well-designed and appropriately-sized placebo-controlled Phase 2 Proof-Of-Concept Trial for PBI-4050 in Stages 2 and 3 liver fibrosis in NASH patients where it has both the least competition and greatest clinical potential.

For our Plasma products, we will prioritise use of proceeds to optimise clinical development and commercialisation of the IV formulation used as Ryplazim™ in congenital deficiency and to expand its use judiciously into additional acute and acquired deficiencies

Our product pipeline has drug candidates targeting multiple rare diseases and significant unmet medical needs. I look at 2019 with hope and excitement as we finally get closer and closer to the commercialization of the first of these. All the necessary elements to make Prometic the commercial and financial success it can and deserves to be are within reach. Our entire staff are as strongly driven as ever by their motivation and belief that we can make a profound difference in the lives of seriously ill patients. We remain unequivocally dedicated to delivering the key enabling tasks and are confident that we are now on the right track.

My sincere thanks to all our shareholders for their patience and continuing support.

Best regards,



Prof. Simon Best,
Prometic Life Sciences Chairman of the Board and interim Chief Executive Officer.

Management Discussion & Analysis
Prometic Life Sciences Inc.
For the quarter and the year ended December 31, 2018

This Management's Discussion and Analysis ("MD&A") is intended to help the reader to better understand Prometic Life Sciences Inc.'s ("Prometic" or the "Corporation") operations, financial performance and results of operations, as well as the present and future business environment. This MD&A has been prepared as of March 29, 2019 and should be read in conjunction with Prometic's audited annual consolidated financial statements for the year ended December 31, 2018. Additional information related to the Corporation, including the Corporation's Annual Information Form, is available on SEDAR at www.sedar.com. All amounts in tables are in thousands of Canadian dollars, except where otherwise noted.

FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis of the results of operations and the financial condition may contain forward-looking statements about Prometic's objectives, strategies, financial condition, future performance, results of operations and businesses as of the date of this MD&A.

These statements are "forward-looking" because they represent Prometic's expectations, intentions, plans and beliefs about the markets the Corporation operates in and on various estimates and assumptions based on information available to its management at the time these statements are made. Without limiting the generality of the foregoing, words such as "may", "will", "expect", "believe", "anticipate", "intend", "could", "would", "estimate", "continue", "plan" or "pursue", or the negative of these terms, other variations thereof or comparable terminology, are intended to identify forward-looking statements although not all forward-looking information contains these terms and phrases. Forward-looking information is provided for the purposes of assisting the reader in understanding the Corporation and its business, operations, prospects and risks at a point in time in the context of historical and possible future developments and therefore the reader is cautioned that such information may not be appropriate for other purposes.

Actual events or results may differ materially from those anticipated in these forward-looking statements if known or unknown risks affect our business, or if our estimates or assumptions turn out to be inaccurate. Such risks and assumptions include, but are not limited to, Prometic's ability to develop, manufacture, and successfully commercialize value-added pharmaceutical products, regulatory approvals, the availability of funds and resources to pursue Research and Development ("R&D") projects, the successful and timely completion of clinical studies, our ability to take advantage of business opportunities in the pharmaceutical industry, the successful and timely completion of strategic refinancing or restructuring transactions; reliance on key personnel, collaborative partners and third parties, our patents and proprietary technology, our ability to access capital, the use of certain hazardous materials, the availability and sources of raw materials, currency fluctuations, the value of our intangible assets, negative operating cash flows, legal proceedings, uncertainties related to the regulatory process, general changes in economic conditions and other risks related to Prometic's industry. More detailed assessment of the risks that could cause actual events or results to materially differ from our current expectations can be found in the Annual Information Form under the heading "Risks and Uncertainties Related to Prometic's Business".

Although Prometic has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Therefore, there can be no assurance that forward-looking statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, the reader should not place undue reliance on forward-looking statements.

As a result, Prometic cannot guarantee that any forward-looking statement will materialize. Prometic assumes no obligation to update any forward-looking statement even if new information becomes available, as a result of future events or for any other reason, unless required by applicable securities laws and

regulations.

Prometic (www.prometic.com) is a publicly traded (TSX symbol: PLI) (OTCQX symbol: PFSCF) biopharmaceutical corporation with two drug discovery platforms focusing on unmet medical needs. The first platform (Small molecule therapeutics) stems from the insights into the interaction of two receptors which we believe are at the core of how the body heals: our small molecule drug candidates modulate these to promote tissue regeneration and scar resolution as opposed to fibrosis. One of the lead drug candidates emerging from this platform, PBI-4050, is preparing to enter pivotal phase 3 clinical trial for the treatment of Alström syndrome. The second drug discovery and development platform (plasma-derived therapeutics) leverages Prometic's experience in bioseparation technologies used to isolate and purify biopharmaceuticals from human plasma. The Corporation's primary goal with respect to this second platform is to address unmet medical needs with therapeutic proteins not currently commercially available, such as Ryplazim™ (plasminogen) ("Ryplazim™"). The Corporation also provides access to its proprietary bioseparation technologies to enable pharmaceutical companies in their production of non-competing biopharmaceuticals. Recognized as a bioseparations expert, the Corporation derives revenue from this activity through sales of affinity chromatography media which contributes to offset the costs of its own R&D investments.

We are headquartered in Laval, Quebec (Canada) and have R&D facilities in Canada, the United Kingdom ("U.K.") and the United States ("U.S."), manufacturing facilities in Canada and the Isle of Man and corporate and business development activities in Canada, the U.S., Europe and Asia.

BUSINESS UPDATE

The Corporation faces increasingly challenging financial and business conditions, including an inability to raise sufficient equity, equity-linked or debt financing to fully fund execution of its business plans and delays in the commercialization of its lead drug candidate Ryplazim™, all while undertaking significant research and development expenditures in the pursuit of its drug discovery platforms. During this period, the Corporation has explored numerous alternatives to increase shareholder value, ensure the funding of the Corporation's drug discovery platforms, service and repay its outstanding credit facilities and decrease its debt to equity leverage levels, which levels have been a major hurdle for the Corporation to secure required financing.

The Corporation originally filed a Biologics License Application ("BLA") with the U.S. Food and Drug Administration ("FDA") for its plasminogen replacement therapy, Ryplazim™, which was accepted by the FDA in October 2017. In April 2018, the FDA, via a Complete Response Letter sent to the Corporation, identified the need for the Corporation to make a number of changes in the Chemistry, Manufacturing and Controls ("CMC") section of its BLA before the FDA could consider granting approval of Ryplazim™. The FDA's action caused a delay in bringing Ryplazim™ to market. Following this setback, the Corporation worked diligently with its external consultants to develop an action plan to address the changes to the CMC section requested by the FDA, with a view to ensure that such changes would be judged satisfactory. This action plan was submitted to the FDA in August 2018. In September 2018, the Corporation had a Type C meeting with the FDA during which the FDA agreed with the Corporation's proposed action plan for the implementation of additional analytical assays and in-process controls related to the Ryplazim™ manufacturing process as confirmed in the FDA's minutes which were received by the Corporation in 2018. Having received positive feedback from the FDA, the Corporation is in the process of finalizing the process performance qualification protocol in anticipation of commencing the manufacturing of additional Ryplazim™ conformance lots. Despite the delays explained above, the Corporation remains committed and focused on obtaining the FDA's approval and bringing Ryplazim™ to market, along with its other leading drug candidates.

During the past two years, the Corporation has pursued a series of initiatives to extend its cash runway to better position the Corporation to achieve its objectives. These include the implementation of cost-control measures, such as a significant reduction in the Corporation's cash use in 2019, attributable to significant growth in its bioseparation revenues and a reduction of research and development expenditures by approximately $30 million, as compared to 2018 levels. In November 2018, the Corporation also secured an extension of the maturity dates of all of the Corporation's outstanding debt with Structured Alpha LP ("SALP") to September 2024 (the "Term Extension"), a step intended to facilitate equity and equity-linked capital raising initiatives. In addition, on November 28, 2018, the Corporation entered into an At-the-Market ("ATM") equity distribution agreement with Canaccord Genuity Corp acting as agent (the "Standby Equity Agreement"), enabling the Corporation, subject to the conditions set forth in the Standby Equity Agreement and other restrictions, to issue tranches of Common Shares from treasury, at prevailing prices and in appropriate market conditions with an aggregate gross sales amount of up to approximately $31 million for a sixteen-month period.

Over the course of 2018, the Corporation also pursued non-dilutive funding initiatives, including potential commercial and partnering transactions to strengthen its financial position, as well as equity and equity-related financing initiatives with multiple financial institutions, including U.S. and Canadian investment banking firms, institutional investors, public sector pension plans and financial institutions. The Corporation has been unsuccessful in obtaining any capital from these initiatives. Despite these efforts, other than the limited use of the ATM and the exercise of warrants by a significant shareholder in February 2018, the Corporation's sole source of financing for nearly two years has been from its main secured creditor, SALP, through several debt financings.

On December 19, 2018, the Corporation's previous Chief Executive Officer, Pierre Laurin stepped down, and Professor Simon Best was named interim Chief Executive Officer with a specific mandate to restructure the Corporation's operations and stabilize its capital structure and liquidity, including the identification of options available to the Corporation in light of its financial difficulties and the evaluation of various financing alternatives for the Corporation.

In 2019, the combination of volatile capital markets, difficult operating conditions, delays in obtaining FDA approval for the Ryplazim™ BLA, the size of SALP's existing debt position and the strength of SALP's associated security rights made it impossible for the Corporation to raise equity, equity-linked or additional debt financing. The solicitation of numerous financial institutions and discussions with certain of the Corporation's existing stakeholders with respect to a broad range of potential transactions did not result in the proposal or closing of any viable financing proposal. During this period, the Corporation has continued to implement a number of restructuring measures identified in 2018 with the objective of improving future earnings, reducing ongoing operating costs and enhancing the Corporation's ability to raise financing.

In February 2019, the Corporation engaged Lazard Frères & Co LLC ("Lazard"), a global financial advisory and asset management firm, to review and execute two key strategic transactions for the Corporation, one of which aimed to raise non-dilutive capital from a licensing partnership for one of the Corporation's late-stage assets and the other consisting of the trade-sale of some of the Corporation's non-core operations. While Lazard has made promising initial progress in building competitive processes for these, no transaction is expected to close before the end of the second quarter of 2019.

Despite having pursued numerous financing alternatives unsuccessfully, the Corporation continues to explore initiatives to address its near- and long-term funding requirements. The Corporation believes that any such initiative must include a refinancing, restructuring and/or recapitalization of the Corporation's indebtedness to SALP and a significant equity financing to bridge the Corporation to value creation catalysts – primarily, partnerships and monetization of non-core assets and the potential Rare Disease Pediatric Priority Review Voucher ("PRV") for Ryplazim™.

The following have been designated as the highest near-term priorities for 2019:

- The restructuring of the Corporation's debt and raising capital
- The earliest possible submission of responses to address the FDA questions about the Ryplazim™ BLA.
- The filing and approval of an Investigational New Drug application ("IND") to enable the commencement of the pivotal phase 3 clinical trial of PBI-4050 in Alström Syndrome.
- The signing of out-licensing and partnering agreements for late stage assets and/or the monetization of non-core assets

Prometic's operations are divided into three distinct business operating segments: Small molecule therapeutics, plasma-derived therapeutics and bioseparations. The following provides more detail on each of these.

Please refer to "Liquidity and Contractual Obligations" below for additional information.

Small molecule therapeutics segment

The business model for the small molecule therapeutics segment is to develop promising proprietary drug candidates such as PBI-4050 for rare or orphan indications, then partner or out-license rights to commercialize these with well-established global pharmaceutical companies where and when appropriate. The Corporation also plans to enter into partnerships for other larger medical indications and/or for geographical regions which would require substantial commercial reach and resources. It is not, at this stage, Prometic's intention to independently undertake late-stage pivotal (phase 3) clinical trials in larger indications, such as Idiopathic Pulmonary Fibrosis ("IPF"), Chronic Kidney Disease ("CKD") or Non Alcoholic Steatohepatitis ("NASH") without the support of a strategic venture or big pharma partner.

The Corporation's current focus is on the development of its lead anti-fibrotic drug candidate PBI 4050 to obtain regulatory approval for the treatment of Alström Syndrome ("AS") and so potentially receive a Priority Review Voucher upon approval. PBI-4050 has received orphan drug designation by the FDA and the European Medicines Agency ("EMA") for this indication, as well as a rare pediatric disease designation by the FDA. The Corporation has met with the FDA and EMA to discuss the regulatory pathway and is now actively working with specialist Alström care centers and with Alström patient advocacy groups in the U.S. and Europe with a view to commencing pivotal phase 3 studies in Q2 2019.

AS is an ultra-rare disease and an unmet medical need. According to the National Organization for Rare Disorders ("NORD"), this severe fibrosis condition affects approximately 1,200 patients globally and therefore the clinical program under discussion with the regulatory agencies will be pursued by Prometic independently.

Fibrosis and Mechanism of Action

The small molecule therapeutics segment has a pipeline of product candidates which leverage the discovery of the linked role of two receptors involved in the regulation of the healing process. Following an injury, the body has the ability to repair damaged tissues. However, if an injury is chronic or recurrent in nature, healthy tissue regeneration may be replaced by aberrant fibrotic processes or fibrosis. Fibrosis is characterized by the excessive accumulation of extracellular matrix ("ECM") in damaged or inflamed tissues and is a common pathological outcome of many inflammatory and metabolic diseases. Numerous clinical conditions can lead to organ fibrosis and loss of organ function; in many cases persistent inflammation leads to the aberrant fibrotic response. The production of various profibrotic cytokines and growth factors by inflammatory cells such as macrophages results in the recruitment and activation of

ECM-producing myofibroblasts. There is currently a major unmet need for therapies that are able to effectively target the pathophysiological pathways involved in fibrosis. Notable examples of medical conditions where fibrosis is central to loss of organ function include, AS, NASH, IPF and CKD.

Prometic has demonstrated that the "up-regulation" of receptor GPR40 concomitant with the "down-regulation" of receptor GPR84 promotes the normal healing process as opposed to promoting the fibrotic process. Prometic's drug candidates have a dual mode-of-action as agonists ("stimulators") of GPR40 and antagonists ("inhibitors") of GPR84. A number of manuscripts have been submitted for publication now that the Corporation has filed a sufficiently broad range of patents to fully protect its portfolio of drug candidates that modulate these two receptors. The first manuscript entitled "A Newly Discovered Antifibrotic Pathway Regulated by Two Fatty Acid Receptors: GPR40 and GPR84" was published on February 16, 2018 in the American Journal of Pathology. Other peer-reviewed articles recently published include manuscripts entitled "Fatty acid receptor modulator PBI-4050 inhibits kidney fibrosis and improves glycemic control" published in the Journal of Clinical Investigation on May 17, 2018 and "PBI-4050 reduces stellate cell activation and liver fibrosis through modulation of intracellular ATP levels and LKB1-AMPK-Mtor pathway" published on August 9, 2018 in the Journal of Pharmacology and Experimental Therapeutics.

The activity of drug candidates such as PBI-4050 has been observed in over 30 different preclinical models performed by the Corporation and by other institutions using PBI-4050 in their own animal models, including Vanderbilt University, University of Ottawa, Université de Montréal, McMaster University and the Montreal Heart Institute. PBI-4050 has also successfully completed three separate phase 2 clinical trials supporting the translation of such results into biologic activity in humans and helping pave the way for the upcoming initiation of a pivotal phase 3 clinical program. While the small molecule therapeutics segment has several promising drug candidates, management has thus far focused its efforts on the lead candidate PBI-4050, which has demonstrated favorable safety and tolerability profiles in hundreds of human subjects.

PBI-4050, Prometic's Lead Small Molecule Compound and Regulatory Designations
PBI-4050 has been granted Orphan Drug Designation by the FDA and the EMA for the treatment of AS as well as for the treatment of IPF. PBI-4050 has also been granted a PIM (Promising Innovative Medicine) designation in the U.K. by the Medicines and Healthcare products Regulatory Agency (''MHRA") for the treatment of IPF and AS. Finally, PBI-4050 has also been granted rare pediatric disease designation by the FDA for the treatment of AS, which makes it potentially eligible to receive a priority review voucher upon regulatory approval by the FDA.

PBI 4050 - Alström Syndrome
AS is a rare inherited autosomal recessive syndrome characterized by the onset of obesity in childhood or adolescence, type 2 diabetes with severe insulin resistance, dyslipidemia, hypertension and severe multi-organ fibrosis, involving the heart, liver, and kidney. The most common cause of death is heart failure with dilated cardiomyopathy due to progressive cardiac fibrosis, while fibrosis leading to liver failure is also responsible for a large number of deaths. AS is also characterized by a progressive loss of vision and hearing and by short stature. Prometic is currently investigating the effects of PBI-4050 in AS patients in an open label, phase 2, clinical study in the U.K.

AS includes many of the features of metabolic syndrome, including obesity, Type 2 diabetes with insulin resistance, liver steatosis ("fatty liver"), and liver fibrosis. Non-alcoholic fatty liver disease ("NAFLD") is the manifestation of metabolic syndrome in the liver. Due to a worldwide obesity epidemic, NAFLD now affects 20–30% of the global population. Only a small minority of patients with NAFLD will develop more aggressive liver diseases with inflammation and fibrosis, such as NASH, however since the number of patients with NAFLD is so large, NASH has become the most common cause of severe liver disease worldwide. In AS, the progression of liver steatosis to fibrosis is much more aggressive than in "typical" metabolic syndrome patients.

The on-going AS study is an open-label, single-arm, phase 2 clinical trial at Queen Elizabeth Hospital, Birmingham, which is the specialty center for AS for the U.K. The patients are treated with PBI-4050 (800 mg) once daily and undergo intensive investigation to document the effects of PBI-4050 on the progressive organ fibrosis, including magnetic resonance imaging of the liver and of the heart. Each patient is evaluated against their individual results at study entry, as well as against their historical trend when available. The study initially enrolled 12 patients, eight of whom are continuing in the study. With continuing review of the study results, the Data Safety Monitoring Board ("DSMB") and the MHRA have agreed to multiple extensions of the study. All eight subjects have now completed more than 2 years of treatment with PBI-4050. In addition to preliminary evidence of efficacy observed on liver fibrosis, the analysis of interim cardiac MRI data also indicates a reduction of cardiac fibrosis. PBI-4050's safety and tolerability profile has been confirmed over this extended period without any serious drug related adverse events recorded.

The Corporation has met with the FDA and EMA to present the results of the study and to discuss the regulatory pathway and is now actively working with specialist Alström centers and with Alström patient advocacy groups in the US and Europe with a plan to commence its PBI-4050 treatment of AS pivotal phase 3 studies in Q2 2019.

PBI-4050 – Other Indications
Liver steatosis (fatty liver) is very common in AS subjects from childhood onwards and has a high rate of progression to liver fibrosis much higher than the rate seen in the general population with typical metabolic syndrome and NAFLD progressing to fibrosis NASH. The Corporation has reviewed the results obtained in the ongoing open-label phase 2 studies of PBI-4050 in AS and believes that these results strongly support a potential benefit of PBI-4050 in "typical" NASH patients. Prometic is therefore planning a randomized placebo-controlled phase 2 study of PBI-4050 in NASH to be initiated later in the year following successful financing.

In IPF, the Corporation was pleased to obtain IND approval from the FDA to commence a PBI-4050 pivotal phase 3 clinical trial for this indication and their agreement on the design of such a trial. However, whilst several major pharmaceutical companies have confirmed their potential interest in partnering PBI-4050 for this indication during the past year, their recent feedback is that they would not be prepared to take on the risks and costs of such a phase 3 clinical program without the prior completion by the Corporation of a randomized, placebo-controlled, phase 2b trial sufficiently powered to confirm both its relative efficacy vs. standard-of-care and the optimal dose to maximize said efficacy. Despite the additional time and investment required, Prometic continues to believe that PBI-4050 is still well-placed to achieve regulatory approval in due course as a first line therapy for IPF. Prometic is therefore developing a protocol for a randomized, placebo-controlled, phase 2b study of PBI-4050 in IPF to be initiated later in the year following successful financing.

Advancing analogue PBI-4547 into Clinical Development
The Corporation also plans to begin phase 1 clinical studies of its next promising small molecule, PBI-4547. In preclinical studies PBI-4547 has been demonstrated to address many of the fundamental aspects of metabolic syndrome. Among other actions, it encourages ß-oxidation of fatty acids, thus leading to fat being "burned" rather than laid down as subcutaneous or visceral fat. The required pre-clinical toxicology studies are in progress, and phase 1 clinical trials will commence as soon as they are completed.

Plasma-derived therapeutics segment

The plasma-derived therapeutics segment includes our proprietary plasma-derived therapeutics platform, Plasma Protein Purification System (PPPS™), which enables the development of our pipeline of biopharmaceutical candidates. This is achieved by leveraging our proprietary affinity ligand technology, which enables a highly-efficient extraction and purification process of therapeutic proteins from human plasma.

The Corporation's primary goal with respect to this platform is to develop and launch treatments for unmet medical needs and rare diseases via therapeutic proteins not currently commercially available, such as Ryplazim™. Ryplazim™ is the first biopharmaceutical expected to be launched commercially pending the review and approval of its BLA by the FDA. Ryplazim™ has been granted Orphan Drug designation by both the FDA and the EMA for the treatment of congenital plasminogen deficiency and has also been granted Fast Track status by the FDA.

Ryplazim™ has been granted a rare pediatric disease designation by the FDA for the treatment of congenital plasminogen deficiency which also makes it eligible to potentially receive a priority review voucher upon regulatory approval.

Lead Drug Product Candidate – Ryplazim ™

Ryplazim™ for the treatment of congenital plasminogen deficiency is the first biopharmaceutical expected to be launched commercially pending the review and approval of the amendments to its BLA required by the FDA following receipt of a Complete Response Letter, in April 2018, to the original BLA. The corporation expects to file the BLA amendment in H2 2019.

Plasminogen is a naturally occurring protein that is synthesized by the liver and circulates in the blood. Activated plasminogen, plasmin, is a fundamental component of the fibrinolytic system and is the main enzyme involved in the lysis of blood clots and clearance of extravasated fibrin. Plasminogen is therefore vital in wound healing, and has other important functions in cell migration, tissue remodeling, angiogenesis, and embryogenesis.

The most common and visible lesion associated with plasminogen deficiency is ligneous conjunctivitis, which is characterized by thick, woody (ligneous) growths on the conjunctiva of the eye, and if left untreated, can lead to corneal damage and blindness. Ligneous growths tend to recur after surgical excision, thereby requiring multiple surgeries. While ligneous conjunctivitis is the most common lesion, congenital plasminogen deficiency is a multi-system disease that can also affect the ears, sinuses, tracheobronchial tree, genitourinary tract, and gingiva. Tracheobronchial lesions can result in respiratory failure. Hydrocephalus has also been reported in children with severe hypoplasminogenemia, apparently related to the deposition of fibrin in the cerebral ventricular system.

Patients with congenital plasminogen deficiency have a life-long inability to produce sufficient plasminogen. However, patients who have normal plasminogen levels may develop an acute, acquired deficiency when they suffer certain acute illnesses. Our first priority is to provide a treatment for congenital plasminogen deficiency and once commercially approved, to explore other indications for the same IV formulation of Ryplazim™ such as acquired plasminogen deficiency in critical care settings such as thrombolytic disorders, acute exacerbations in IPF and ex-vivo applications such as the conditioning of donor organs prior to transplantation.

There is also significant further potential to leverage the same plasminogen active pharmaceutical ingredient as an injectable sub-cutaneous formulation to promote the healing of hard-to-treat wounds such as tympanic membrane perforation.

In a pivotal phase 2/3 clinical trial for the treatment of congenital plasminogen deficiency, Ryplazim™ met its primary and secondary endpoints following the intravenous administration of Ryplazim™ to 10 patients for 12 weeks. In addition to being well tolerated and without any drug related serious adverse events, the phase 2/3 clinical trial achieved a 100% success rate for its primary end point, namely, a targeted increase in the plasma level of plasminogen immediately prior to the next infusion ("trough level"). Moreover, all patients who had active visible lesions when enrolled in the trial had complete healing of all lesions within weeks of treatment, a 100% patient response rate for this secondary end point.

An additional 36 weeks clinical data from this trial demonstrated that maintenance treatment with Ryplazim™ prevented the recurrence of lesions in the 10 patients for a total of 48 weeks. Since then, and

as of March 2019, over 5,000 Ryplazim™ infusions have been administered with no safety or tolerability issues related to this longer-term dosing and still no recurrence of lesions.
On March 28, 2018, Prometic provided an update on the status of the U.S. Food and Drug Administration review of its BLA for Ryplazim™. The current BLA filing includes the clinical data on 10 patients with 12 weeks of data for an accelerated regulatory pathway. The original guidance from the FDA was for Prometic to submit such long-term clinical data in a supplemental BLA in order to secure full licensure in 2019. Full licensure would provide for the long-term efficacy and safety data to be included in the prescribing information of Ryplazim™ which would further support Prometic's claims of the strong health economics benefit associated with the use of Ryplazim™. The Corporation continues to supply Ryplazim™ to those patients enrolled in the original clinical trials.

The FDA's review of the BLA raised no issues regarding the clinical data required for the accelerated approval. The FDA did, however, identify the need for Prometic to make a number of changes in the CMC section. These require the implementation and validation of additional analytical assays and "in-process controls" in the manufacturing process of Ryplazim™. Once completed and validated, Prometic is required to manufacture additional Ryplazim™ conformance batches to confirm the effectiveness of these process changes.

The FDA requested that such CMC data be submitted as an amendment to the current BLA and has invited Prometic to also submit the long-term (48-week) clinical data at the same time. This will allow the FDA to consider granting full-licensure under the current BLA.

The FDA has indicated that the submission of the new CMC data will not impact the previously granted designations, including the Priority Review Status, the Orphan Drug Designation and the Rare Pediatric Disease Designation for Ryplazim™ for the treatment of congenital plasminogen deficiency.

The Corporation announced in October 2018 the successful completion of a Type C meeting during which the FDA agreed with its proposed action plan for the implementation of additional analytical assays and in-process controls related to Ryplazim™ manufacturing process. As a result of the feedback received during that Type C meeting, the Corporation is now finalizing the Process Performance qualification ("PPQ") protocol in anticipation of commencing the manufacturing of additional Ryplazim™ conformance lots. The Corporation continues to interact with the FDA regarding the filing of its BLA amendment. It has also engaged external consultants to assist with this process.

The critical path towards regulatory approval for Ryplazim™ in the U.S. is as follows:

1. Development and validation of new analytical assays and in-process controls (substantially complete)
2. Finalization of PPQ protocol (in process)
3. Manufacturing of additional conformance lots
4. Fill & Finish at external Contract Manufacturing Organization ("CMO")
5. Data analysis & preparation of required documents for FDA
6. Regulatory filing of BLA amendment documents – now likely to take place in H2 2019
7. Anticipated new PDUFA date – now likely to take place in H1 2020

The Corporation decided to sell the excess plasma it had built up in anticipation of increased production activity that would have followed the approval of the BLA, therefore releasing an important amount of the cash tied up in its raw materials inventory. The Corporation completed plasma sales in Q2, Q3 & Q4 for $14.0 million, $5.7 million and $3.1 million respectively.

Other Plasma-Derived Therapeutics
Prometic has developed processes to recover and purify several other proteins from plasma including Intravenous Immunoglobulin ("IVIG"), Inter-alpha-Inhibitor-Proteins, fibrinogen, alpha1 antitrypsin, and C1 esterase Inhibitor.

Prometic has now completed the required clinical package for IVIG required for a future BLA submission to the FDA. New clinical data from Prometic's pivotal IVIG phase 3 clinical trial was presented in April 2018 at the Clinical Immunology Society annual meeting in Toronto. This demonstrated comparable safety and efficacy data to existing commercial IVIG products without any significant drug related safety issues. Both clinical primary and secondary endpoints in adult patients suffering from primary immunodeficiencies were met and achieved. Completion of a robust CMC package for IVIG prior to filing a BLA still requires substantial work, time and investment.

In the meantime, the Corporation's research has determined that plasminogen – either in IV formulation and/or as an SC injectable has the potential to address a much larger market opportunity than originally expected. This has motivated strong partnering interest for Ryplazim™ and it is therefore clear that, beyond securing a regulatory approval by the FDA, the Corporation needs to prioritize manufacturing capacity planning to meet the volume demands of any potential partner. IVIG and selected further proteins remain in our pipeline. However, the advanced stage of development and economics of Ryplazim™ support a compelling case to focus all the available resources of the plasma-derived therapeutics segment on this therapeutic family to optimize its launch and growth. This, combined with the significant work determined to be required on the CMC section of an IVIG BLA, has caused the Corporation to suspend, during Q4 2018, all future activity on IVIG. This will result in a material delay to the commercialization of IVIG. Following this assessment, the Corporation performed an impairment test on the IVIG cash-generating unit which includes assets of several of the group companies such as NantPro Biosciences LLC ("NantPro"), Prometic Bioproduction Inc. (our Laval plant), and Prometic Biotherapeutics Inc. (our Rockville, Maryland research center). The Corporation usually uses discounted cash flow models to perform such tests; certain assets require an annual test in accordance with International Financial Reporting standards ("IFRS"). When performing this test as of December 31, 2018, Prometic could not include any of the cash inflows in this calculation, as this isn't permitted under IFRS due to the uncertainty of new cash inflows starting beyond five years. The impairment test therefore resulted in a fair value of $Nil and the Corporation recorded a material impairment in Q4 2018 on several assets including the NantPro license, IVIG manufacturing equipment and other assets for a total of $149.0 million.

Impairment losses may be reversed in the future if there are significant changes that affect the cash-generating unit in the future.

Bioseparations segment

Prometic's Bioseparations segment is known for its expertise in bioseparation, specifically for large-scale purification of biologics and the elimination of pathogens. These technologies are being used by several industry leaders. Prometic has also leveraged its own industry leading affinity technology to develop a highly efficient extraction and purification process of therapeutic proteins from human plasma in order to develop best-in-class therapeutics. The Bioseparations segment supplies the affinity resins to the Plasma-derived therapeutics segment and also to our licensees and other third-party customers. The Corporation 2018 sales exceeded $21 million, which represents a 35% increase over 2017 revenues, and the Corporation anticipates moderate revenue growth for 2019.

This growth is due to a number of factors, including the expansion of manufacturing activities by existing clients who utilize Prometic's products in their production processes, the adoption of products by new clients, the introduction of new products, and the continuing expansion of the market for bioseparation products. The ongoing manufacturing expansion of the Isle of Man facility will enable the company to manufacture over 35,000 liters of chromatography adsorbents annually, with a potential sales value exceeding $133 million per annum. This additional manufacturing capacity will be used to meet the growing demand for the segment's products, and to provide the resins required for Prometic's own PPPS™ plasma protein manufacturing operations.

SENIOR MANAGEMENT CHANGE

The Board of Directors of the Corporation named Prof. Simon Best as Interim Chief Executive Officer, effective December 19, 2018. Prof. Best has been the Chairman of the Prometic Board of Directors since May 2014 and has over 30 years of global life sciences expertise with a focus on business development, strategic planning and product commercialization.

Dr. Best succeeded Mr. Pierre Laurin who stepped down from his management and board responsibilities.

The Corporation also announced the appointment of Mr. Zachary Newton of Structured Alpha LP, an affiliate of Thomvest, to the Board of Directors filling the vacancy created when Mr. Bruce Wendel was appointed to his ongoing Executive role as Chief Business Development Officer.

EVENTS SUBSEQUENT TO YEAR-END 2018

Management and the Board of Directors are engaged in a comprehensive strategy to improve the financial and business conditions of the Corporation and, in January 2019, commenced a process to explore and evaluate potential strategic alternatives focused on maximizing shareholder value, including potential acquisitions, joint ventures, strategic alliances, or other Merger and Acquisition (“M&A”) or capital markets transactions as well as any other transaction or alternative available to the Corporation. Concurrently, Management and the Board of Directors have been actively exploring diverse opportunities to bring forward cash flows to repay debt and fund working capital requirements.

In January 2019, the corporation issued 12,568,600 Restricted Share Units (“RSU”) to key staff at a grant price of $0.30 which will vest over a one-year period. The purpose of this grant was to help retain key employees pending the successful strengthening of the Corporation’s balance sheet.

In conjunction with the strategic review and liquidity concerns, in February 2019, the Board of Directors formed a special committee of independent directors to oversee the strategic review process (the "Special Committee"). The Special Committee meets regularly and oversees the work of Management and the Corporation’s financial and legal advisors in respect of such mandate.

In February 2019, the Corporation engaged Lazard, a global financial advisory and asset management firm, to review and execute key strategic transactions focused on maximizing shareholder value. These transactions could include, among other things, the out-licensing of drug candidates and monetization of non-core assets.

The Corporation has not set a timetable for this process, and there can be no assurance that a transaction will be entered into or consummated, or, if a transaction is undertaken, as to its terms, structure or timing. The Corporation does not expect to make further public comment regarding these matters unless and until the Board has approved a specific transaction or has concluded its review of strategic alternatives.

In February and March 2019, the Corporation secured two additional tranches for a total of US$15.0 million from SALP, under the existing US dollar non-revolving credit facility agreement (“Credit Facility”), subject to compliance with applicable covenants and servicing obligations. In exchange, the Corporation agreed to reduce the exercise price of Warrants #9 exercisable for Series A Preferred Shares of the Corporation from $1 per warrant to $0.156 per warrant and to immediately issue those warrants which otherwise would have been issued in March 2019. Consequently, 19,401,832 warrants with a term of eight years were issued on February 22, 2019. The Corporation drew US$10.0 million ($13.2 million) and US$5.0 million ($6.7 million) on February 22 and March 22, 2019, respectively.

During Q1 2019, the Corporation issued 12,870,600 common shares under the ATM for total cash proceeds of $4.1 million.

Please refer to “Liquidity and Contractual Obligations” below for additional information.

On March 31, 2019, Ms. Kory Sorenson resigned from Prometic’s Board of Directors.

FINANCIAL PERFORMANCE

Amounts in tables are expressed in thousands of Canadian dollars, except per share amounts.

Results of operations

The consolidated statement of operations for the quarter and year ended December 31, 2018 compared to the same periods in 2017 are presented in the following table.

	Quarter ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
Revenues	$ 10,597	$ 6,596	$ 47,374	$ 39,115
Expenses				
Cost of sales and other production expenses	7,582	2,428	38,002	10,149
Research and development expenses	21,141	28,202	91,666	100,392
Administration, selling and marketing expenses	10,663	8,781	31,532	31,441
Bad debt expense	-	20,491	-	20,491
Loss (gain) on foreign exchange	3,913	(1,427)	4,681	(726)
Finance costs	6,558	2,639	22,060	7,965
Loss (gain) on extinguishments of liabilities	(34,904)	-	(33,626)	4,191
Change in fair value of financial instruments measured at FVPL	1,000	-	1,000	-
Impairment losses	149,952	-	149,952	-
Share of losses of an associate	-	-	22	-
Net loss before income taxes	$ (155,308)	$ (54,518)	$ (257,915)	$ (134,788)
Income tax recovery:				
Current	(2,269)	(4,913)	(6,204)	(3,165)
Deferred	(11,725)	(7,959)	(13,815)	(11,587)
	(13,994)	(12,872)	(20,019)	(14,752)
Net loss	$ (141,314)	$ (41,646)	$ (237,896)	$ (120,036)
Net loss attributable to:				
Owners of the parent	(102,953)	(38,279)	(195,366)	(109,731)
Non-controlling interests	(38,361)	(3,367)	(42,530)	(10,305)
	$ (141,314)	$ (41,646)	$ (237,896)	$ (120,036)
Loss per share				
Attributable to the owners of the parent				
Basic and diluted	$ (0.14)	$ (0.05)	$ (0.27)	$ (0.16)
Weighted average number of outstanding shares (in thousands)	718,539	709,928	716,208	683,954

Revenues

Total revenues for the year ended December 31, 2018 were $47.4 million compared to $39.1 million during the comparative period of 2017, which represents an increase of $8.3 million. Total revenues for the quarter ended December 31, 2018 were $10.6 million compared to $6.6 million during the comparative period of 2017, representing an increase of $4.0 million.

Revenues in 2018 and 2017 included revenues from the sale of goods, development services and rental while 2017 also includes milestone and licensing revenues. Revenues from the sale of goods, services, licensing and milestone achievements may vary significantly from period to period.

The following table provides the breakdown of total revenues by source for the quarter and year-ended December 31, 2018 compared to the corresponding period in 2017.

	Quarter ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
Revenues from the sale of goods	$ 10,283	$ 5,479	$ 45,584	$ 16,461
Milestone and licensing revenues	-	-	-	19,724
Revenues from the rendering of services	267	880	1,291	1,930
Rental revenue	47	237	499	1,000
	$ 10,597	$ 6,596	$ 47,374	$ 39,115

Revenues from the sale of goods were $45.6 million during the year ended December 31, 2018 compared to $16.5 million during the corresponding period of 2017, representing an increase of $29.1 million. The increased sales revenues for 2018 were mainly due to $22.8 million in sales of normal source plasma which occurred in the second, third and fourth quarters of 2018. The Corporation decided to sell this inventory as a result of the change in the production forecast due to the delay of the BLA approval for Ryplazim™. The remainder of the increase of $6.3 million for the year is mainly due to an increase in third party sales in the Bioseparations segment by approximately 35%. This strong growth is a result of a number of factors including the expansion of manufacturing activities by existing clients, the adoption of products by new clients and the introduction of new products.

Revenues from the sale of goods were $10.3 million during the fourth quarter of 2018 compared to $5.5 million during the corresponding period of 2017, representing an increase of $4.8 million which was due to sales of $3.1 million of normal source plasma and an increase in third party bioseparations sales of $1.7 million.

Service revenues were $1.3 million during the year ended December 31, 2018 compared to $1.9 million for the corresponding period of 2017, representing a decrease of $0.6 million and $0.3 million during the fourth quarter of 2018 compared to $0.9 million during the corresponding period of 2017, representing a decrease of $0.6 million. The service revenues for 2018 and 2017 were generated mainly in our Bioseparations segment.

For the year ended December 31, 2018, the Corporation has not earned any milestone and licensing revenues, while during the third quarter of the year ended December 31, 2017, the Corporation recognized revenues of $19.7 million, generated by the Small molecule therapeutics segment and pertaining to a licensing agreement signed with Jiangsu Renshou Pharmaceutical Co, Ltd,(“JRP”) an affiliate of Shenzhen Royal Asset Management Co., LTD (“SRAM”), regarding the licensing of the Chinese rights to its small molecules PBI-4050, PBI-4547 and PBI-4425. Having not received the licensing and milestone revenues within the specified payment terms, Prometic opted to terminate the licensing agreement in March 2018, thereby resulting in the return of all the rights previously conferred under the licensing agreement back to Prometic. During the fourth quarter of 2017, the Corporation wrote-off the accounts receivable and reversed the withholding taxes expected to be paid on this transaction to bad debt expense.

Cost of sales and production

Cost of sales and production were $38.0 million during the year ended December 31, 2018 compared to $10.1 million for the corresponding period in 2017, representing an increase of $27.9 million. Cost of sales and production for the quarter ended December 31, 2018 were $7.6 million compared to $2.4 million for the corresponding period in 2017, representing an increase of $5.2 million. The majority of the increase is due to the sales of normal source plasma in 2018 which overall was sold slightly below its carrying amount on a cumulative basis for the year but generated a slight profit during the fourth quarter of 2018. The remainder

of the increase in both periods is mostly explained by the increase in products sold by the Bioseparations segment.

Research and development expenses

The R&D expenses for the quarter and the year ended December 31, 2018 compared to the same periods in 2017 broken down into its two main components are presented in the following table.

	Quarter ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
Manufacturing and purchase cost of therapeutics used for R&D activities	$ 10,451	$ 10,911	$ 38,621	$ 34,703
Other research and development expenses	10,690	17,291	53,045	65,689
Total research and development expenses	$ 21,141	$ 28,202	$ 91,666	$ 100,392

R&D expenses were $91.7 million during the year ended December 31, 2018 compared to $100.4 million for the corresponding period in 2017, representing a decrease of $8.7 million. R&D expenses were $21.1 million during the quarter ended December 31, 2018 compared to $28.2 million for the corresponding period in 2017, representing a decrease of $7.1 million.

R&D expenses include the manufacturing cost of plasma-derived and small molecule therapeutics to be used in clinical trials and for the development of our production processes. The plasma-derived therapeutics are produced at the Laval plant and the Winnipeg CMO while the small molecule therapeutics are manufactured by a third party for Prometic. Most of this expense comes from the plasma-derived therapeutics segment. The manufacturing cost of these therapeutics was $38.6 million during the year ended December 31, 2018 compared to $34.7 million during the year ended December 31, 2017, representing an increase of $3.9 million. The manufacturing cost of plasma-derived and small molecule therapeutics to be used in clinical trials and for the development of our production processes was $10.5 million during the three months ended December 31, 2018 compared to $10.9 million during the corresponding period of 2017, representing a decrease of $0.5 million.

In 2018, there was a reduction in production activities at the Laval plant while the facility focuses on addressing comments received by the FDA following their audit at the end of 2017 as part of the review of the BLA for Ryplazim™. This resulted in a reduction in overall manufacturing expenses for Plasma-derived therapeutics, however since there was no commercial production in 2018, none of these expenses were capitalized to inventories compared to 2017. In addition, the plasminogen inventory that was on hand as of the previous year end was expensed throughout the current year as the timeline for re-submitting the BLA became clearer. It became evident that a portion of the inventory would be used for additional process testing runs while the balance would be used to supply the patients who were part of the clinical trials while awaiting commercial approved product. The reduction in plasminogen inventory capitalized more than offset the overall reduction in manufacturing expenses, thus causing an increase in the manufacturing cost of therapeutics used for R&D activities for the year ended December 31, 2018 compared to the corresponding period of 2017. When comparing the fourth quarter of 2018 to the same period in 2017, there is a slight decrease.

Other R&D expenses were $53.0 million during the year ended December 31, 2018 compared to $65.7 million for the corresponding period in 2017, representing a decrease of $12.6 million, and $10.7 million during the quarter ended December 31, 2018 compared to $17.3 million for the corresponding period in 2017, representing a decrease of $6.6 million. The reduction in the clinical trial and pre-clinical research expenses in both the Small molecules and Plasma-derived therapeutics segments were partially offset by additional spending in the implementation and validation of additional analytical assays and “in-process” controls in the manufacturing of Ryplazim™.

Administration, selling and marketing expenses
Administration, selling and marketing expenses were $31.5 million during the year ended December 31, 2018 compared to $31.4 million for the corresponding period in 2017, representing an increase of $0.1 million. The increase is mainly due to the increase in severance compensation which was partially offset by a decline in marketing expense.

Administration, selling and marketing expenses were $10.7 million during the quarter ended December 31, 2018 compared to $8.8 million for the corresponding period in 2017, representing an increase of $1.9 million. The increase is mainly due to the increase in severance compensation.

Bad debt expense
There was no bad debt expense during the year and the quarter ended December 31, 2018 compared to $20.5 million for the corresponding periods in 2017. The prior year expense is due to the write-off, affecting the fourth quarter of 2017, of the amounts due from JRP in regards to a license agreement. The licensee having not remitted funds associated with the license fee and initial milestone payment within the specified payment terms was consequently in breach of the agreement. As a result, the Corporation was in a position to exercise its contractual rights and opted to terminate the agreement in March 2018, thereby returning all the rights previously conferred under the license agreement back to Prometic.

Share-based payments expense
Share-based payments expense represents the expense recorded as a result of stock options and restricted stock units issued to employees and board members. This expense has been recorded as follows:

	Quarter ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
Cost of sales and other production expenses	$ 128	$ 71	$ 299	$ 370
Research and development expenses	1,008	1,280	2,295	4,150
Administration, selling and marketing expenses	2,603	1,220	4,128	4,142
	$ 3,739	$ 2,571	$ 6,722	$ 8,662

Share-based payments expense was $6.7 million during the year ended December 31, 2018 compared to $8.7 million during the corresponding period of 2017, representing a decrease of $1.9 million. These variations are mainly explained by the fact that there were less RSU that vested during the year ended December 31, 2018 compared to the corresponding period 2017.

Share-based payments was $3.7 million during the quarter ended December 31, 2018 compared to $2.6 million during the corresponding period of 2017, representing an increase of $1.2 million. The increase is mainly due to an additional charge of $1.2 million during the fourth quarter of 2018, in anticipation that the vesting of certain awards might be accelerated as part of termination benefits still being negotiated at the end of the year.

The RSU expense may vary significantly from period to period as certain milestones are met, changes in likelihood occur as projects advance, and the timelines to achieve the milestones before expiry advance.

Finance costs
Finance costs were $22.1 million for the year ended December 31, 2018 compared to $8.0 million during the corresponding period of 2017, representing an increase of $14.1 million. Finance costs were $6.6 million for the quarter ended December 31, 2018 compared to $2.6 million during the corresponding period of 2017, representing an increase of $3.9 million. This increase reflects the higher level of debt during the year ended December 31, 2018 compared to the same period of 2017 reflecting the amounts drawn on the Credit Facility agreement and the increase in the Original Issue Discount (“OID”) balances. as well as the higher implicit financing rate, when considering the stated interest and the warrants issued, demanded by our lender over the years.

Loss (gain) on extinguishments of liabilities

On November 14, 2018, the Corporation and the holder of the debt modified the terms of the four loan agreements subject to compliance with covenants and debt servicing obligations, to extend the maturity date of the Credit Facility from November 30, 2019 to September 30, 2024 and all three OID loans from July 31, 2022 to September 30, 2024. Interest on amounts outstanding on the Credit Facility will continue to be payable quarterly at an annual rate of 8.5% during the period of the extension. As of July 31, 2022, the OID loans will be restructured into cash paying loans bearing interest at an annual rate of 10%, payable quarterly. The outstanding face values of the OID loans at that date will become the principal amounts of the restructured loans. As additional consideration for the extension of the maturity dates, Prometic agreed to cancel 100,117,594 existing warrants (Warrants #3 to 7) and issue replacement warrants to the holder of the long-term debt, bearing a term of 8 years and exercisable at a per share price equal to $1.00. The exact number of warrants to be granted was to be set at a number that will result in the holder of the long-term debt having a 19.99% fully-diluted ownership level in Prometic upon grant of the warrants to be issued no later than March 15, 2019. On November 30, 2018, Warrants #3 to 7 were cancelled and 128,056,881 warrants to purchase common shares ("Warrants #8"), representing a portion of the replacement warrants, were issued. At the end of the agreed upon measurement period for calculating the number of new warrants to be issued, Prometic will issue the remaining replacement warrants under a new series of warrants ("Warrants #9"), which will give the holder the right to acquire preferred shares. The holder of the long-term debt also obtained the Corporation's best efforts to support the election of a second representative of the lender to on the Board of directors of the Corporation, and the extension of the security to the royalty agreement.

Management assessed the changes made to the previous agreements and determined that the modification should be accounted for as an extinguishment of the previous loans and the recording of new loans at their fair value determined as of the date of the modification. The carrying amount of the previous loans of $155.1 million were derecognized followed by the recognition of the fair value of the modified loans of $107.7 million which were determined using a discounted cash flow model with a market interest rate of 20.1%. Any fees incurred with this transaction were expensed, including legal fees and the difference in fair value between the warrants that were cancelled, and the new warrants issued.

In addition, the fees incurred in regards of the Credit Facility that were previously recorded in the consolidated statement of financial position as other long-term assets and were being amortized and recognized in the consolidated statement of operations over the original term of the Credit Facility were expensed.

The modification resulted in the recording of a gain on extinguishment of liabilities of $34.9 million; the impacts of the different aspects of this transaction are detailed in the following table.

Extinguishment of previous loans	$	(155,055)
Expensing of deferred financing fees on Credit Facility		3,245
Recognition of modified loans		107,704
Expensing of increase in the fair value of the warrants		8,778
Warrants proceeds		(10)
Expensing of legal fees incurred with the debt modification		434
	$	(34,904)

Also in 2018 and 2017, SALP, the holder of the long-term debt, used the set off of principal right in the loan agreements, to settle various amounts due to the Corporation under a royalty purchase agreement in 2018 and its participation in a private placement in 2017.

On July 6, 2017, the face value of the third OID loan was reduced by $8.6 million, from $39.2 million to $30.6 million. The reduction of $8.6 million is equivalent to the value of 5,045,369 common shares issued at the agreed price of $1.70. The difference of $4.2 million between the adjustment to the carrying value of

the loan of $4.1 million and the amount recorded for the shares issued of $8.3 million was recognized as a loss on extinguishment of liabilities.

In August and September 2018, the face value of the second OID loan was reduced by $3.9 million from $21.2 million to $17.3 million, in settlement of $3.9 million due by SALP under the royalty agreement. The carrying amount of the loan was reduced by $2.6 million and a loss on extinguishment of liabilities of $1.3 million.

Impairment losses

As a result of various events affecting the Corporation during 2018, including; 1) the delay of the commercial launch of Ryplazim™ following the identification by the FDA of a number of changes required in the CMC section of the BLA submission for congenital plasminogen deficiency, 2) the Corporation's limited financial resources since Q4 2018, which significantly delayed manufacturing expansion plans and resulted in the Corporation focusing its resources on refiling the Ryplazim™ BLA as soon as possible; 3) the recognition of the larger than anticipated commercial opportunities for Ryplazim™, and 4) the change in executive leadership in Q4, the Corporation modified its strategic plans in Q4 to focus all available plasma-derived therapeutic segment resources on the manufacturing and development of Ryplazim™ for the treatment of congenital plasminogen deficiency and other indications.

These changes and their various impacts prompted Management to perform an impairment test of the IVIG cash generating unit, which includes assets such as the licenses held by NantPro and Prometic Biotherapeutics Inc., manufacturing equipment located at our Canadian manufacturing facilities and the CMO facility at December 31, 2018, and to review whether other assets pertaining to follow-on proteins might be impaired.

In regards to the IVIG cash generating unit ("CGU"), the substantial work, time and investment required and limited resources available to complete a robust CMC package for IVIG prior to filing a BLA, and the reduction of the forecasted IVIG production capacity at all plants will significantly delay the commercialisation of IVIG compared to previous timelines. As a result, cash inflows beginning beyond 2023 were not considered in the calculation of the value in use impairment test due to the inherent uncertainty in forecasting cash flows beyond a five-year period. As a result, the value in use for the IVIG CGU was $Nil. Management also evaluated the fair value less cost to sell and determined that this value also approximated $Nil.

Consequently, impairment losses for the totality of the carrying amounts of the NantPro license and a second license acquired in January 2018, giving the rights to use Masterplasma IVIG clinical data and the design plans for a plant with a production capacity in excess of current needs, of $141.0 million and $1.6 million, respectively, were recorded. An impairment was also recorded on the option to purchase equipment in the amount of $0.7 million since the likelihood of exercising this option is low in view of the current manufacturing and production plans. Finally, an impairment of $5.7 million was recorded on IVIG production equipment, to reduce their value to the fair value less cost to sell.

Management also reviewed the carrying amount of other assets pertaining to the follow-on proteins the Corporation has acquired, since the resources for further advancement of these assets are currently limited due to the focus on Ryplazim™. As a result, the Corporation recorded an impairment on its investment in an associate of $1.2 million. The uncertainty of future cash flows for therapeutics that have not yet commenced phase 1 clinical trials was an important consideration in making this estimate.

Impairment losses recorded on these assets (excluding the convertible debt) totalling $150.0 million for the year and quarter ended December 31, 2018 are summarized below.

		2018
Impairment on IVIG CGU:		
Intangible assets	$	142,609
Fixed assets		5,689
Option to purchase equipment		653
	$	148,951
Impairment on Prothera:		
Investment in an associate	$	1,182
Deferred revenue		(181)
	$	1,001
	$	149,952

Change in fair value of financial instruments measured at fair value through profit and loss
At the same time and for the same reasons as the recording of the impairment on the investment in associate, the fair value of the investment in the convertible debt of ProThera was also reduced to $Nil at December 31, 2018 resulting in a loss in fair value of $1.2 million.

Warrants #9, that the Corporation committed to issue to SALP as part of the debt modification that occurred in November 2018, do not meet the definition of an equity instrument since the underlying preferred shares qualify as a liability instrument and therefore must be accounted for as a financial liability and carried at fair value through profit and loss. The estimated fair value of these warrants between November 14, 2018, the date of the modification, and as December 31, 2018 declined resulting in a gain of $0.2 million for the year and quarter ended December 31, 2018.

Income taxes
The Corporation recorded a current income tax recovery of $6.2 million during the year ended December 31, 2018 compared to $3.2 million for the corresponding period of 2017, representing an increase of $3.0 million. The increase is principally due to the increase in refundable R&D tax credits in the U.K. The current income tax recovery was $2.3 million during the quarter ended December 31, 2018 compared to $4.9 million for the corresponding period of 2017, representing a decrease of $2.6 million. The decrease is mainly due to timing of the recognition of R&D tax credits for the U.K. in 2017 versus 2018.

The Corporation recorded a deferred income tax recovery of $13.8 million during the year ended December 31, 2018 compared to $11.6 million for the corresponding period of 2017, representing an increase of $2.2 million. The Corporation recorded a deferred income tax recovery of $11.7 million during the quarter ended December 31, 2018 compared to $8.0 million for the corresponding period of 2017, representing an increase of $3.8 million.

During the first three quarters of 2018 and during the quarters of 2017, the Corporation recorded income tax recoveries from the recognition of deferred tax assets pertaining to the unused tax losses attributable to Prometic as a partner in NantPro, our partnership with NantPharma to develop and commercialise IVIG for the U.S. market. During the fourth quarter of 2017, there was a significant increase in the deferred income tax recovery recorded due to the change in the US federal income tax rate from 35% to 21%, producing a significant decrease in the deferred tax liability that was recognized in the business combination of NantPro. During the fourth quarter of 2018, following the impairment of the NantPro license, the deferred tax liability of $27.5 million for that asset was reversed and the deferred tax assets of $14.6 million relating to the unused tax losses were derecognized.

Net loss

The Corporation incurred a net loss of $237.9 million during the year ended December 31, 2018 compared to a net loss of $120.0 million for the corresponding period of 2017, representing an increase in the net loss of $117.9 million. The net loss in 2018 is higher mainly due to the non-cash impairment losses of $150.0 million and the increase in finance cost of $14.1 million in the year ended December 31, 2018 compared to the corresponding period of 2017. This was partially offset by the recognition of a gain on extinguishments of liabilities of $33.6 million during the year ended December 31, 2018 compared to a loss on extinguishments of liabilities of $4.2 million for the corresponding period in 2017. Also offsetting the increase in loss was the fact that no bad debt expense was recorded in 2018 while a $20.5 million expense was recorded in the previous year.

The Corporation incurred a net loss of $141.3 million during the quarter ended December 31, 2018 compared to a net loss of $41.6 million for the corresponding period of 2017, representing an increase in net loss of $99.7 million. The increase was mainly generated by the impairment losses of $150.0 million recorded during the quarter ended December 31, 2018 which were partially offset by the gain on extinguishment of liabilities of $34.9 million recorded in the same period compared to the bad debt expense of $20.5 million recorded on the JRP receivable during the corresponding period of 2017. The increase in finance costs by $3.9 million during the quarter ended December 31, 2018 compared to the corresponding period in 2017 was also partially offset by a reduction in R&D expenses of $7.1 million.

EBITDA analysis

The Adjusted EBITDA for the Corporation for the quarters and the years ended December 31, 2018 and 2017 are presented in the following tables:

	Quarter ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
Net loss	$ (141,314)	$ (41,646)	$ (237,896)	$ (120,036)
Adjustments to obtain Adjusted EBITDA				
Loss (gain) on foreign exchange	3,913	(1,427)	4,681	(726)
Finance costs	6,558	2,639	22,060	7,965
Loss (gain) on extinguishments of liabilities	(34,904)	-	(33,626)	4,191
Change in fair value of financial instruments measured at FVPL	1,000	-	1,000	-
Impairment losses	149,952	-	149,952	-
Share of losses of an associate	-	-	22	-
Income tax recovery	(13,994)	(12,872)	(20,019)	(14,752)
Depreciation and amortization	1,402	1,310	5,458	4,576
Share-based payments expense	3,739	2,571	6,722	8,662
Adjusted EBITDA	$ (23,648)	$ (49,425)	$ (101,646)	$ (110,120)

Adjusted EBITDA is a non-GAAP measure that is not defined or standardized under IFRS and it is unlikely to be comparable to similar measures presented by other companies. Prometic believes that Adjusted EBITDA provides additional insight in regards to the cash used in operating activities on an on-going basis. It also reflects how management analyzes performance and compares its performance against other companies. In addition, we believe that Adjusted EBITDA is a useful measure as some investors and analysts use EBITDA and similar measures to compare Prometic against other companies.

Total Adjusted EBITDA was $(101.6) million for the year ended December 31, 2018 compared to $(110.1) million for the comparative period of 2017, representing an increase in Adjusted EBITDA of $8.5 million. This increase is caused mainly by the decrease in R&D expenditures of $8.7 million during the year ended December 31, 2018 compared to the corresponding period in 2017. The licensing agreement with JRP had no net impact on the Adjusted EBITDA for the year ended December 31, 2017.

Total Adjusted EBITDA was $(23.6) million for the quarter ended December 31, 2018 compared to $(49.4) million for the comparative period of 2017, representing an increase in Adjusted EBITDA of $25.8 million. This increase in Adjusted EBITDA is mainly explained by the bad debt expense of $20.5 million recorded during the quarter ended December 31, 2017 compared none being recorded during the corresponding period in 2018. A decrease in R&D expenses of $7.1 million between both periods explains the remainder of the increase in Adjusted EBITDA.

Segmented information analysis

For the year ended December 31, 2018 and 2017

The loss for each segment and the net loss before income taxes for the total Corporation for the years ended December 31, 2018 and 2017 are presented in the following table:

For the year ended December 31, 2018	Small molecule therapeutics	Plasma-derived therapeutics	Bioseparations	Reconciliation to statement of operations	Total
External revenues	$ -	$ 24,492	$ 22,741	$ 141	$ 47,374
Intersegment revenues	-	29	319	(348)	-
Total revenues	-	24,521	23,060	(207)	47,374
Cost of sales and other production expenses	-	25,297	12,929	(224)	38,002
Manufacturing and purchase cost of therapeutics used for R&D activities	1,692	37,061	-	(132)	38,621
R&D - Other expenses	14,234	31,727	7,084	-	53,045
Administration, selling and marketing expenses	3,468	10,445	2,947	14,672	31,532
Segment profit (loss)	$ (19,394)	$ (80,009)	$ 100	$ (14,523)	$ (113,826)
Loss (gain) on foreign exchange					4,681
Finance costs					22,060
Loss (gain) on extinguishments of liabilities					(33,626)
Change in fair value of financial instruments measured at FVPL					1,000
Impairment losses					149,952
Share of losses of an associate					22
Net loss before income taxes					$ (257,915)
Other information					
Depreciation and amortization	$ 480	$ 3,644	$ 919	$ 415	$ 5,458
Share-based payment expense	1,270	1,524	322	3,606	6,722

For the year ended December 31, 2017	Small molecule therapeutics	Plasma-derived therapeutics	Bioseparations	Reconciliation to statement of operations	Total
External revenues	$ 19,724	$ 2,490	$ 16,802	$ 99	$ 39,115
Intersegment revenues	-	39	1,566	(1,605)	-
Total revenues	19,724	2,529	18,368	(1,506)	39,115
Cost of sales and other production expenses	-	4,014	7,877	(1,742)	10,149
Manufacturing and purchase cost of therapeutics used for R&D activities	1,755	32,764	-	184	34,703
R&D - Other expenses	17,426	40,960	7,301	2	65,689
Administration, selling and marketing expenses	3,633	13,539	2,719	11,550	31,441
Bad debt expense	20,491	-	-	-	20,491
Segment profit (loss)	$ (23,581)	$ (88,748)	$ 471	$ (11,500)	$ (123,358)
Loss (gain) on foreign exchange					(726)
Finance costs					7,965
Loss (gain) on extinguishments of liabilities					4,191
Net loss before income taxes					$ (134,788)
Other information					
Depreciation and amortization	$ 428	$ 2,880	$ 907	$ 361	$ 4,576
Share-based payment expense	1,509	2,269	394	4,490	8,662

Small molecule therapeutics segment
During Q3 2017, the segment recognized $19.7 million in milestone and licensing revenues for a licensing agreement signed with JRP, an affiliate of SRAM, whereas no revenues were recorded in 2018. As previously mentioned, during Q4 2017, the Corporation wrote-off the related accounts receivable since the license agreement was subsequently terminated by Prometic. The net impact of this transaction was effectively $Nil for the year ended December 31, 2017.

Other R&D expenses declined by $3.2 million during the year ended December 31, 2018 compared to the previous year reflecting the lower spending on pre-clinical studies carried out during 2018. The segment loss for Small molecule therapeutics was $19.4 million during the year ended December 31, 2018 compared to a $23.6 million loss during the corresponding period, a decrease of $4.2 million.

Plasma-derived therapeutic segment
The revenues for the Plasma-derived therapeutics segment are usually generated from the sales of specialty plasma to third parties, the provision of services to licensees and rental revenues. During the year ended December 31, 2018, the segment sold $19.7 million of normal source plasma which it had not done in the previous years. This was a result of the change in the production forecast due to the delay of the BLA approval for Ryplazim™, the Corporation decided to sell excess normal source plasma inventory it had at the beginning of the year and that it was contractually obligated to purchase during the year. The Corporation was also able to reduce its purchasing commitments from 2018 to 2022. The normal source plasma sold during the year ended December 31, 2018 was sold at a value slightly below its carrying amount, generating a negative margin of $0.7 million. The remainder of the sales in 2018 pertain to specialty plasma products.

The manufacturing cost of plasma-derived therapeutics used for R&D activities was higher during the year ended December 31, 2018 at $37.1 million compared to $32.8 million during the corresponding period of 2017, representing an increase of $4.3 million. In 2018, there was a reduction in production activities at the Laval plant while the facility focuses on addressing comments received by the FDA following their audit at the end of 2017 as part of the review of the BLA for Ryplazim™. This resulted in a reduction in overall manufacturing expenses for Plasma-derived therapeutics, however since there was no commercial production in 2018, none of these expenses were capitalized to inventories compared to 2017. In addition, the plasminogen inventory that was on hand as of the previous year end was expensed throughout the current year as the timeline for re-submitting the BLA became clearer. It became evident that a portion of the inventory would be used for additional process testing runs while the balance would be used to supply clinical trial patients until commercially approved product is available. The reduction in plasminogen inventory capitalized more than offset the overall reduction in manufacturing expenses, thus causing an increase in the manufacturing cost of therapeutics used for R&D activities for the year ended December 31, 2018 compared to the corresponding period of 2017.

Other R&D expenses were $31.7 million during the year ended December 31, 2018 compared to $41.0 million during the corresponding period of 2017 representing a decrease of $9.2 million. The decrease is mainly due to the reduction in the clinical trial and pre-clinical research expenses which were partially offset by additional spending in relation to the implementation and validation of additional analytical assays and “in-process” controls in the manufacturing of Ryplazim™. The plasminogen congenital deficiency clinical trial and the adult cohort of the IVIG clinical trial were substantially completed in 2017. During the current year, the IVIG clinical trial for pediatric cohort was ongoing and nearing its completion towards the end of 2018 with the last patient receiving their last dose in the first quarter of 2019. This was partially offset by slightly higher compensation expense reflecting the hiring of some of the staff that will be required to operate our Buffalo plasma collection center.

Administration, selling and marketing expenses decreased by $3.1 million during the year ended December 31, 2018 compared to the corresponding period in 2017 mainly due to a reduction in commercial launch preparation expenses for Ryplazim™. Additionally, the administrative support that the segment

receives from head office decreased compared to previous year as activities were reduced or postponed due to the delay in the anticipated commercialization.

Overall, the segment loss for Plasma-derived therapeutics of $80.0 million during the year ended December 31, 2018 compared to $88.7 million during the corresponding period of 2017, represents a decrease of $8.7 million.

Bioseparations segment

The revenues for the Bioseparations segment are generated mainly from the sales of goods, by providing resin development services to external customers and from its transactions with the Plasma-derived therapeutics segment. Revenues for the segment were $23.1 million during the year ended December 31, 2018, an increase of $4.7 million compared to the corresponding period of 2017, comprising an increase of $5.9 million in revenues from third parties and a decrease $1.2 million of intersegment revenues. This strong growth in third party sales is due to several factors including the expansion of manufacturing activities by existing clients who utilize Prometic's products in their production processes, the adoption of products by new clients and the introduction of new products. The higher external sales revenue in Great British Pounds ("GBP") was compounded by a higher CAD/GBP exchange rate this year compared to the same period in 2017. The decline in intersegment revenues was due to less demand from the Plasma-derived therapeutic segment resulting from a reduction in their production activities.

Revenues from the sale of goods is composed of different products and the margins on individual products vary significantly. Several products are custom designed for specific customers. Since key customers tend to place significant orders that may not be repeated on a yearly basis, the sales for individual products are quite variable. This is compounded by the fact that a high proportion of sales in a given period usually come from a limited number of customers. If larger customers purchase higher margin product or lower margin product, it creates volatility in the total margins and the cost of goods sold from period to period. In addition, the size of the orders affects the batch size used in production, and larger batch sizes typically result in higher gross margins.

The cost of sales and other production expenses increased versus previous year mainly due to the increase in sales volume and offset partially by a decrease in margins as a higher proportion of sales were for lower margin products. Other R&D expenses and Administration, selling and marketing costs remained relatively stable year over year.

The Bioseparations segment generated a slight profit of $0.1 million during the year ended December 31, 2018 compared to a profit of $0.5 million during the corresponding period in 2017.

For the quarters ended December 31, 2018 and 2017

The loss for each segment and the net loss before income taxes for the total Corporation for quarters ended December 31, 2018 and 2017 are presented in the following tables.

For the quarter ended December 31, 2018	Small molecule therapeutics	Plasma-derived therapeutics	Bioseparations	Reconciliation to statement of operations	Total
External revenues	$ -	$ 3,344	$ 7,218	$ 35	$ 10,597
Intersegment revenues	-	8	-	(8)	-
Total revenues	-	3,352	7,218	27	10,597
Cost of sales and other production expenses	-	3,230	4,376	(24)	7,582
Manufacturing and purchase cost of therapeutics used for R&D activities	(59)	10,496	-	14	10,451
R&D - Other expenses	2,587	6,033	2,071	(1)	10,690
Administration, selling and marketing expenses	698	2,128	704	7,133	10,663
Segment profit (loss)	$ (3,226)	$ (18,535)	$ 67	$ (7,095)	$ (28,789)
Loss (gain) on foreign exchange					3,913
Finance costs					6,558
Loss (gain) on extinguishments of liabilities					(34,904)
Change in fair value of financial instruments measured at FVPL					1,000
Impairment losses					149,952
Net loss before income taxes					$ (155,308)
Other information					
Depreciation and amortization	$ 130	$ 920	$ 192	$ 160	$ 1,402
Share-based payment expense	691	735	132	2,181	3,739

For the quarter ended December 31, 2017	Small molecule therapeutics	Plasma-derived therapeutics	Bioseparations	Reconciliation to statement of operations	Total
External revenues	$ -	$ 425	$ 6,138	$ 33	$ 6,596
Intersegment revenues	-	12	107	(119)	-
Total revenues	-	437	6,245	(86)	6,596
Cost of sales and other production expenses	(533)	1,119	1,984	(142)	2,428
Manufacturing and purchase cost of therapeutics used for R&D activities	341	10,566	-	4	10,911
R&D - Other expenses	4,867	10,571	1,853	-	17,291
Administration, selling and marketing expenses	841	4,267	794	2,879	8,781
Bad debt expense	20,491	-	-	-	20,491
Segment profit (loss)	$ (26,007)	$ (26,086)	$ 1,614	$ (2,827)	$ (53,306)
Loss (gain) on foreign exchange					(1,427)
Finance costs					2,639
Net loss before income taxes					$ (54,518)
Other information					
Depreciation and amortization	$ 118	$ 823	$ 271	$ 98	$ 1,310
Share-based payment expense	492	717	103	1,259	2,571

Small molecule segment

The segment loss for Small molecule therapeutics was $3.2 million during the quarter ended December 31, 2018 compared to a loss of $26.0 million for the corresponding period in 2017, representing a decrease in loss of $22.8 million. The decrease in loss is essentially because the fourth quarter results for 2017 include the write-off of the license and milestone revenues pertaining to a licensing agreement signed with JRP, an affiliate of SRAM during the third quarter of 2017. The royalty expense initially recorded was subsequently reversed in Cost of sales.

The reduction in other R&D expenditures of $2.3 million during the quarter ended December 31, 2018 compared to the corresponding period, is mainly due to the reduction in pre-clinical studies expenses.

Plasma-derived therapeutics segment

The increase in net sales of the segment during the quarter ended December 31, 2018 compared to the corresponding period of 2017 was due to a $3.1 million sale of normal source plasma as part of the segment's inventory management plan. This transaction generated a gross margin of $0.3 million.

The cost of manufacturing the therapeutics used in R&D activities remained at similar levels over both periods. Other R&D expenses declined by $4.5 million during the quarter ended December 31, 2018 compared to the corresponding period of 2017, mainly due to a decrease in clinical trial expenditures reflecting the fact that the IVIG clinical trial for the pediatric cohort is nearing completion at the end of 2018 whereas towards the end of last year, the adult cohort still had some patients receiving doses and most of the pediatric cohort had started their participation in the trial. There was also less expenses in regards to the plasminogen congenital deficiency trial during the fourth quarter of 2018 as the main trial supporting the BLA filing was completed in 2017.

Administration, selling and marketing expenses declined by $2.1 million during the quarter ended December 31, 2018 compared to the corresponding period in 2017 mainly due to a reduction in marketing expenses.

The segment loss for Plasma-derived therapeutics was $18.5 million during the quarter ended December 31, 2018 compared to a loss of $26.1 million for the corresponding period in 2017, representing a decrease in loss of $7.6 million. The decrease in loss is mainly due to the decrease in other R&D and Administration, selling and marketing expenses.

Bioseparations segment

Revenues for the segment increased by $1.0 million for the quarter ended December 31, 2018 compared to the corresponding period of 2017. Since a higher portion of the sales in the current period was for lower margin products, the sales for the fourth quarter of 2018 contributed less to the segment's profit than those during the fourth quarter of 2017 and the Bioseparations segment made a higher profit in that period.

Financial condition

The consolidated statements of financial position at December 31, 2018 and December 31, 2017 are presented in the following table followed by a discussion of the key changes in the statement of financial position between both dates.

	December 31, 2018	December 31, 2017
Cash	$ 7,389	$ 23,166
Accounts receivable	11,882	6,839
Income tax receivable	8,091	4,116
Inventories	12,028	36,013
Prepaids	1,452	2,141
Total current assets	40,842	72,275
Long-term income tax receivable	117	108
Other long-term assets	411	8,663
Capital assets	41,113	45,254
Intangible assets	19,803	156,647
Deferred tax assets	606	926
Total assets	$ 102,892	$ 283,873
Accounts payable and accrued liabilities	$ 31,855	$ 29,954
Advance on revenues from a supply agreement	-	1,901
Current portion of long-term debt	3,211	3,336
Deferred revenues	507	829
Warrant liability	157	-
Total current liabilities	35,730	36,020
Long-term portion of deferred revenues	170	-
Long-term portion of operating and finance lease inducements and obligations	1,850	2,073
Other long-term liabilities	5,695	3,335
Long-term debt	122,593	83,684
Deferred tax liabilities	-	15,330
Total liabilities	$ 166,038	$ 140,442
Share capital	$ 583,117	$ 575,150
Contributed surplus	21,923	16,193
Warrants	95,296	73,944
Accumulated other comprehensive loss	(1,252)	(1,622)
Deficit	(755,688)	(541,681)
Equity (negative equity) attributable to owners of the parent	(56,604)	121,984
Non-controlling interests	(6,542)	21,447
Total equity (negative equity)	(63,146)	143,431
Total liabilities and equity	$ 102,892	$ 283,873

Cash

Cash, decreased by $15.8 million at December 31, 2018 compared to December 31, 2017. Cash balances are directly influenced by the timing and size of financing events and operating revenues and expenditures. Cash flows and liquidity are discussed in detail further in the liquidity section.

Accounts receivable

Accounts receivable increased by $5.0 million at December 31, 2018 compared to December 31, 2017 reflecting the higher sales during the fourth quarter of 2018 compared to those in the corresponding period of 2017.

Income tax receivable
Current income tax receivable increased by $4.0 million at December 31, 2018 compared to December 31, 2017 as the Corporation recognized additional amounts it recently claimed in regards to prior year refundable R&D tax credits on operations in the U.K. in addition to the allowable credits for 2018.

Inventories
Inventories decreased by $24.0 million at December 31, 2018 compared to December 31, 2017 principally due to the significant reduction in plasma inventory which declined by $17.5 million. In 2018 Prometic sold excess normal source plasma no longer required in near term operations and used the plasminogen work in progress inventory that existed at the December 31, 2017 for process testing runs and to supply participants in the plasminogen congenital deficiency clinical trials while they await for commercially available product. No plasminogen commercial lots were manufactured in 2018 and therefore no work in progress inventories were capitalized.

Other long-term assets and investment in an associate
Other long-term assets decreased by $8.3 million at December 31, 2018 compared to December 31, 2017. The decrease is mainly due to the collection of a $1.9 million long-term receivable that was acquired as part of the Telesta Therapeutics Inc. business combination, the reclass of $1.2 million of equity investment in accordance with IFRS 9 to the investment in an associate (see below) and the expensing of all the capitalized deferred financing costs following the debt modification that occurred November 2018, resulting in the extinguishment of the previously recorded debt together with any fees still carried on the statement of financial position. In addition to this, the fair value of the investment in convertible debt of ProThera was evaluated to approximate $Nil at December 31, 2018 and the decline in fair value was recorded during the fourth quarter of 2018.

The Corporation has an investment in common shares of ProThera over which management estimates it has significant influence since August 2018. As such, ProThera is considered an associate and consequently, the equity investment is accounted for using the equity method. Following this determination, an amount of $1.2 million representing the investment in common shares of ProThera that was previously presented under other long-term assets was reclassified as an investment in an associate. During the fourth quarter of 2018 the Corporation recorded a full impairment of this investment.

Capital assets
Capital assets decreased by $4.1 million at December 31, 2018 compared to December 31, 2017. The decrease is mainly due to the impairment of IVIG equipment to its fair value less cost to sell during the fourth quarter of 2018.

Intangible assets
The carrying amount of intangible assets was $19.8 million at December 31, 2018 compared to $156.6 million at December 31, 2017, a decrease of $136.8 million. The decrease is mainly due the impairment loss of $142.6 million on IVIG intangible assets during the fourth quarter of 2018 as mentioned earlier.

Accounts payable and accrued liabilities
Accounts payable and accrued liabilities increased by $1.9 million at December 31, 2018 compared to December 31, 2017, despite the reduction of operating expenditures as aging of supplier invoices increased due to the limited liquidity position.

Advance on revenues from a supply agreement
The advance on revenues from a supply agreement was repaid in full during the quarter ended September 30, 2018 which puts an end to this arrangement.

Long-term debt
The carrying amount of the long-term debt was $125.8 million at December 31, 2018 compared to $87.0 million at December 31, 2017, an increase of $38.8 million. The increase is primarily due to the US$60.0 million drawn on the Credit Facility which occurred throughout the year and from the interest accretion during the year causing increases in the carrying amount of the long-term debt of $71.7 million and $18.9 million, respectively. Following modifications to the terms of the four loan agreements in November 2018 whereby the terms of the loans were all extended to September 30, 2024, the Corporation proceeded to account for this transaction as the extinguishment of pre-modification loans and a recognition of the loans under the modified terms. The net impact of the modifications was a decrease in the carrying amount of these loans by $47.4 million.

Warrant liability
A warrant liability of $0.3 million was recognized as consideration for the modification of the terms of the loan agreements. The Corporation has a commitment to issue warrants, referred to as Warrants #9, to SALP on or before March 15, 2019. At December 31, 2018, these warrants were not issued and the exact number of warrants to be issued will be based on the number of warrants necessary to increase the ownership of SALP to 19.99% of the common shares on a fully diluted basis at the date of issuance. The warrants are exercisable at a price of $1 per share and will expire eight years after their date of issuance. The Warrants #9 do not meet the definition of an equity instrument since the underlying preferred shares qualify as a liability instrument, and therefore they must be accounted for as a financial instrument carried at Fair Value through Profit and Loss ("FVPL"). At December 31, 2018, the fair value of warrant liability declined to $0.2 million.

Deferred tax liabilities
Deferred tax liabilities decreased by $15.3 million at December 31, 2018 compared to December 31, 2017 mainly due to the reversal of the deferred tax liabilities pertaining to the NantPro license on which an impairment was recorded during the fourth quarter of 2018. This was partially offset by the reversal of previously recognized deferred tax assets relating to unused tax losses attributable to Prometic has a partner in NantPro.

Share Capital
Share capital increased by $8.0 million at December 31, 2018 compared to December 31, 2017 mainly due to the issuance of common shares for the acquisition of the non-controlling shareholders 13% interest in Prometic Bioproduction Inc. in exchange for 4,712,422 common shares at $3.6 million and the acquisition of licenses and an option to buy equipment, the total valued at $2.0 million. The remainder of the increase is due to the issuance of shares from the ATM agreement and the exercise of stock options.

Contributed surplus
Contributed surplus increased by $5.7 million at December 31, 2018 compared to December 31, 2017. The increase is principally due to the recognition of share-based payment expense of $6.7 million during the year ended December 31, 2018, partially offset by the exercise of stock options and share issued pursuant to the restricted share unit plan.

Warrants
Warrants increased by $21.4 million at December 31, 2018 compared to December 31, 2017 mainly due to the issuance of 4,000,000 warrants valued at $1.7 million for the acquisition of a license, the recognition of the fair value of the 34,000,000 Warrants #7, for a value $11.2 million, which were issued on November 30, 2017 pursuant to entering into a Credit Facility agreement and vested during the year as the Corporation drew on the Credit Facility, and the increase in fair value of the warrants given to SALP as part of the November 2018 debt modification of $8.4 million.

Non-Controlling Interests ("NCI")

Non-controlling interests decreased by $28.0 million at December 31, 2018 compared to December 31, 2017. The variation in the NCI between December 31, 2018 and December 31, 2017 is shown below:

Balance at December 31, 2017	$	21,447
Share in losses		(42,530)
Share in Prometic's funding of NantPro		2,892
Derecognition of the NCI in Prometic Bioproduction Inc.		11,649
NCI balance at December 31, 2018	$	(6,542)

In April 2018, the Corporation and the non-controlling shareholders of Prometic Bioproduction Inc. entered into an agreement whereby Prometic would acquire the non-controlling shareholders 13% interest in the subsidiary in exchange for 4,712,422 common shares of the Corporation. The difference of $15.3 million between the value of the equity issued in payment of the 13% ownership acquired of $3.6 million and the value of the total net liabilities attributed to the NCI at the date of the transaction of $11.6 million that was derecognized from the statement of financial position, was recognized in the deficit to reflect Prometic's increase in the ownership of the subsidiary.

During the fourth quarter of 2018, an impairment loss of $141.0 million was recorded on the NantPro license of which the share of the loss of the non-controlling interest in NantPro was $38.1 million.

Cash flow analysis

The consolidated statements of cash flows for the year ended December 31, 2018 and the comparative period in 2017 are presented below.

	Year ended December 31,	
	2018	2017
Cash flows used in operating activities	(82,454)	$ (122,573)
Cash flows from financing activities	72,158	117,452
Cash flows from (used in) investing activities	(5,859)	1,119
Net change in cash during the year	(16,155)	(4,002)
Net effect of currency exchange rate on cash	378	(638)
Cash, beginning of the year	23,166	27,806
Cash, end of the year	7,389	$ 23,166

Cash flow used in operating activities decreased by $40.1 million during the year ended December 31, 2018 compared to the same period in 2017. The decrease is due mainly as a result of inflows from the sale of normal source plasma in 2018, the utilisation of other inventories which had been capitalized at December 31, 2017, the reduced spending in clinical and pre-clinical studies and marketing, and a reduction in plasminogen inventory build that occurred in 2017 in preparation for commercialisation.

Cash flows from financing activities decreased by $45.3 million during the year ended December 31, 2018 compared to the same period in 2017. Although the proceeds received from the issuance of debt and warrants under the Credit Facility during 2018 were higher by $28.4 million than in 2017, there were small proceeds from shares issued under the ATM facility and no proceeds from the exercise of future investment rights in 2018 whereas future investment rights and proceeds from share issuances contributed $74.2 million in financing in 2017.

Through December 31, 2018, the Company has issued a total of 1,946,000 common shares at an average price of $0.39 per share under the ATM for aggregate gross proceeds of $0.8 million and total net proceeds of $0.7 million.

Cash flows from investing activities decreased by $7.0 million during the year ended December 31, 2018 compared to the same period in 2017. In 2017, the Corporation sold marketable securities and short-term investments of $11.1 million while there was no such sale in 2018. This decrease in inflows was partially offset by a reduction in payments for the acquisition of capital assets.

LIQUIDITY AND CONTRACTUAL OBLIGATIONS

During the year, the Corporation was faced with delays to certain expected high-value milestones which resulted in a significant shortfall in the cash inflows it had anticipated would support its R&D activities in 2018 and 2019. The Corporation had also believed that it would have started selling Ryplazim™ by now which would have made a significant contribution to its financial situation.

Since the beginning of 2018, the Corporation has monitored its risk of shortage of funds by monitoring forecasted and actual cash flows and maturity dates of existing financial liabilities and commitments and has actively managed its capital to ensure a sufficient liquidity position to finance its operations, including cost of revenue, general and administrative expenses, working capital as well as R&D and overall capital expenditures. Over the last few quarters, the Corporation has identified and undertaken a number of restructuring measures with the objective of improving future earnings, reducing ongoing operating costs and enhancing the Corporation's ability to raise financing.

Despite these initiatives, the Corporation fully utilized the existing Credit Facility by the end of 2018. The Corporation actively attempted to close different financing transactions during 2018 but was unsuccessful. It became clear over the course of the year, that the maturity of the Credit Facility in November 2019 and the OID loans in July 2022 were a concern for future investors. As such it became imperative that the Corporation extend the maturity dates of its loans. In November 2018, the Corporation and SALP modified the Credit Facility and loan agreements to extend their maturity to September 2024, subject to compliance with applicable covenants and servicing obligations. It also implemented an ATM equity distribution agreement to provide short-term operating funds however these are not sufficient facilities to finance long term goals, resulting in a financial position that needs to be rapidly improved. At December 31, 2018, the Corporation’s working capital is a surplus of $5.5 million.

In February and in March 2019, SALP agreed to extend an aggregate principal amount of up to US$15 million under the loan facility entered into with SALP in November 2017, structured by way of a US$10 million first tranche and a US$5 million second tranche, which the Corporation drew on February 22 and March 22, 2019, respectively.

Looking ahead, there are several transactions that may generate additional cash inflows that will support the ongoing operation expenditures such as:

- on March 14, 2018, the Corporation filed a final shelf prospectus valid for a period of 25 months that would enable a variety of equity financing transactions up to an aggregate of $250.0 million;
- use of existing ATM facility that may provide up to an additional $30.0 million in financing from January 2019 to March 2020 subject to trading restrictions and market liquidity;
- the Corporation is in ongoing discussions with potential licensees of its drug pipeline. Any such discussions may lead to the conclusion of a licensing transaction which could generate a combination of licensing, milestone and royalty revenues; and
- The Corporation is currently involved in negotiating equity and equity-linked financing instruments and in the context of a potential debt restructuring continues to pursue other financing opportunities.

As at March 31, 2019, the Corporation was not in breach of its covenants under its credit facilities with SALP, as a result of a waiver obtained by the Corporation as at March 20, 2019, wherein SALP confirmed that the breached covenants will not be deemed to constitute an event of default. SALP also agreed to

defer the payment of interest that was originally due under the terms of the existing credit facilities with SALP on March 31, 2019 to a later date in April 2019.

Management and the Board of Directors are engaged in a comprehensive strategy to improve the financial and business conditions of the Corporation and, in January 2019, commenced a process to explore and evaluate potential strategic alternatives focused on maximizing shareholder value, including potential acquisitions, joint ventures, strategic alliances, other M&A or capital markets transaction as well as any other transaction or alternative available to the Corporation. Concurrently, Management and the Board of Directors have been actively exploring opportunities to bring forward cash flow to repay debt and fund working capital requirements and, in February 2019, engaged Lazard, a global financial advisory and asset management firm, to review and execute two key strategic transactions for the Corporation to raise non-dilutive capital from a licensing partnership for one of the Corporation's late-stage assets and the trade sale of some non-core operations. While Lazard has made promising initial progress in building competitive processes for these, no transaction is expected to close before the end of the Q2 of 2019.

In conjunction with the strategic review and liquidity concerns, in February 2019, the Board of Directors formed a Special Committee of independent directors to oversee the strategic review process (the "Special Committee"). The Special Committee meets regularly and oversees the work of Management and the Corporation’s financial and legal advisors in respect of such mandate.

Longer term refinancing of its credit facilities, raising of additional capital, licensing partnership and/or trade sale of some of the Corporation’s non-core operations to make bulk payments to repay debt, if successful, would potentially alleviate any significant doubt on the Corporation's ability to continue as a going concern. Without an alternative lender and/or additional capital, the Corporation does not have sufficient working capital to repay the principal balance on maturity of the Corporation's outstanding debt with SALP. In the event that refinancing is unable to be secured, and/or the licensing partnership or contemplated trade sale fail to materialize to repay debt, the Corporation will work with SALP to obtain maturity extensions and potentially forbearance agreements of the terms of the loans, however, same cannot be guaranteed to be provided and the potential results if they are not, include foreclosure or forced liquidation and/or seeking creditor protection.

The Special Committee continues to review possible strategic alternatives, however there can be no guarantee that the review will result in a transaction or satisfy any liquidity concerns relating to the Corporation's ability to continue as a going concern. However, the risks and uncertainties associated with obtaining alternative financing raise significant doubt as to the ability of the Corporation to meet its obligations as they become due, and accordingly, the appropriateness of the use of the accounting principles applicable to a going concern.

Despite the Corporation’s efforts to obtain the necessary funding, there can be no assurance of its access to further financing. Therefore, the use of the going concern assumption, on which the annual audited consolidated financial statements as at December 31, 2018 are prepared, may not be appropriate as Prometic’s main activities continue to be in the R&D stage and during the 12 months ended December 31, 2018, the Corporation incurred a net loss of $237.9 million and used $82.5 million in cash for its operating activities, while at December 31, 2018, the current assets net of current liabilities is a surplus of $5.5 million. These circumstances indicate the existence of a material uncertainty that may cast significant doubt about the Corporation’s ability to continue as a going concern without a significant restructuring and/or financing. The annual audited consolidated financial statements for the quarter and twelve months ended December 31, 2018 do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Corporation be unable to continue as a going concern. Such adjustments could be material.

Financial obligations

The timing and expected contractual outflows required to settle the financial obligations of the Corporation recognized in the consolidated statement of financial position at December 31, 2018 are presented in the table below:

			Contractual Cash flows			
At December 31, 2018	Carrying amount	Payable within 1 year	2 - 3 years	Later than 4 years	Total
Accounts payable and accrued liabilities [1]	$ 26,011	$ 26,011	$ -	$ -	$ 26,011
Long-term portion of royalty payment obligations	3,009	-	3,469	354	3,823
Long-term license acquisition payment obligation	1,363	-	1,363	-	1,363
Long-term portion of other employee benefit liabilities	993	-	993	-	993
Long-term debt [2]	125,804	12,588	18,776	268,261	299,625
	$ 157,180	$ 38,599	$ 24,601	$ 268,615	$ 331,815

[1] Excluding $5.8 million for current portion of operating and finance lease inducement and obligations.

[2] Under the terms of the OID loans and the non-revolving line of credit, the holder of Warrants #2, 8 and 9 may decide to cancel a portion of the face values of these loans as payment upon the exercise of these warrants. The maximum repayment due on these loans has been included in the above table.

In addition to the above, the Corporation must make the following payments under finance lease agreements that became effective during the year ended December 31, 2018:

	Within 1 year	2 - 5 years	Total
Future minimum lease payments	$ 415	$ 485	$ 900

Commitments

CMO Lease

In May 2015, the Corporation signed a long-term manufacturing contract with a third party which provides the Corporation with additional manufacturing capacity ("the CMO contract"). The payments under the CMO contract cover the use of the production facility, a specified number of direct and indirect labour hours and the related overhead expense during a minimum of 20 weeks per year, until 2030. The term of the agreement will be automatically extended after the initial term for successive terms of five years, unless a notification of termination is produced by one of the parties. The annual minimum payments under the agreement are subject to escalation annually calculated as the greatest of 3% or the Industrial Product Price / Pharmaceutical and Medicine Manufacturing index under the North American Industry Classification System. The annual payments are also subject to an adjustment calculated as 50% of the exchange rate between the U.S. dollar and the Canadian dollar at December 31st of each year.

The following table represent the future minimum operating lease payment as of December 31, 2018:

	Within 1 year	2 - 5 years	Later than 5 years	Total
Future minimum operating lease payment	$ 3,572	$ 15,393	$ 28,271	$ 47,236

The above payments include non-lease elements pertaining to the arrangement as it was impracticable to separate the operating expenses from the lease payment.

Other Leases

The Corporation has total commitments in the amount of $27.7 million under various operating leases for the rental of offices, production plant, laboratory space and office equipment. The payments for the coming years and thereafter are as follows:

2019	$	4,043
2020		4,162
2021		3,710
2022		3,626
2023 and thereafter		12,200
	$	27,741

Royalties

SALP, the long-term debt holder, a company who has significant influence over the Corporation, has a right to receive a 2% royalty on future revenues relating to patents existing as of the date of the agreement of PBI-1402 and analogues, including PBI-4050. The obligation under this royalty agreement is secured by all the assets of the Corporation until the expiry of the last patent anticipated in 2033.

In the normal course of business, the Corporation enters into license agreements for the market launching or commercialization of products. Under these licenses, including the ones mentioned above, the Corporation has committed to pay royalties ranging generally between 0.5% and 15.0% of net sales from products it commercializes and 3% of license revenues in regards to certain small-molecule therapeutics.

Other commitments

In connection with the CMO contract, the Corporation has committed to a minimum spending between $7.0 million and $9.0 million each year from 2019 to 2030 (the end of the initial term). As of December 31, 2018, the remaining payment commitment under the CMO contract was $97.7 million or $50.5 million after deduction of the minimum lease payments under the CMO contract disclosed above.

The Corporation has entered into multiple plasma purchase agreements whereby it has committed to purchase varying volumes of plasma until December 31, 2022. As at December 31, 2018, total commitment are as follows:

2019	$	8,853
2020		20,281
2021		30,422
2022		5,152
2023 and thereafter		-
	$	64,708

In February 2019, the Corporation renegotiated the purchase commitment with one of its suppliers reducing the commitment for 2019, 2020 and 2021 by $5.0 million, $10.1 million and $15.1 million, respectively. Any plasma purchased under these agreements, if in excess of short-term requirements, would be available for sale on the spot market.

SELECTED ANNUAL INFORMATION

The following table presents selected audited annual information for the years ended December 31, 2018, 2017 and 2016.

	2018	2017	2016
Revenues	$ 47,374	$ 39,115	$ 16,392
Net loss attributable to owners of the parent	(195,366)	(109,731)	(100,807)
Net loss per share attributable to owners of the parent (basic and diluted)	(0.27)	(0.16)	(0.17)
Total assets	103,036	283,873	265,294
Total long-term financial liabilities	$ 126,965	$ 86,735	$ 45,106

The mix and the amounts generated from the four main sources of revenues of the Corporation, namely revenues from the sale of goods, milestone and licensing revenues, revenues from the rendering of services and rental revenue has shown a lot of variability over the last three years. Revenues from the sales of goods increased by $3.6 million in 2017 compared to 2016 whereas they have increased by $29.1 million during 2018. The important increase in sales of goods in 2018 was mainly due to the sale of excess inventories of normal sources plasma, which are not anticipated to reoccur. Milestone and licensing revenues were $19.7 million in 2017. There were no milestone and licensing revenues earned in 2016 or 2018. Revenues from the rendering of services revenues decreased from $3.4 million in 2016 to $1.9 million in 2017 and then decreased to $1.3 million in 2018. Finally, the Corporation earned incidental rental revenues in all three years.

The net loss attributable to the owners of the parent increased significantly by $85.6 million from 2017 to 2018 due to the impact of two key events: 1) the recording of impairment losses totalling $150.0 million which were partially offset by 2) the recognition of a gain on extinguishments of liabilities of $33.6 million following the modifications to the Credit Facility and OID loans in November 2018. R&D expenses declined by $8.7 million or 8% from the previous year while financing cost increased by $14.1 million.

The net loss attributable to the owners of the parent increased by $8.9 million from 2016 to 2017 mainly due to the increase in the R&D expenses by $12.8 million reflecting an increase in the number of employees involved in the clinical trials, regulatory processes and other research activities. The milestone and licensing revenues recorded during the year ended December 31, 2017 were written-off entirely effectively negating the contribution of those revenues.

The net loss per share on a basic and diluted basis reflects the changes in the net loss attributable to the owner of the parent but also the increasing number of common shares outstanding from year to year. In 2017 and 2016 basic and diluted net loss per share remained at similar level despite the increase in net loss since because of the important increase in the weighted average number of outstanding shares which went from 598 million in 2016 to 684 million in 2017. In 2018 basic and diluted net loss per share increased significantly in line with the net loss attributable to owners of the parent.

Total assets increased by $18.6 million from $265.3 million at December 31, 2016 to $283.9 million at December 31, 2017 mainly due to the build-up of inventory in preparation of the commercial launch of plasminogen. Total assets decreased to $103.0 million at December 31, 2018 mainly due to the impairment losses recognized on intangible assets, namely the NantPro license, the reduction in inventories and cash.

Long-term financial liabilities increased by $41.6 million between 2016 and 2017 mainly due mainly due to the increase in debt reflecting the drawdown on the Credit Facility and the increase in the carrying value of the long-term debt by $18.4 million following issuance of the third OID loan in April 2017 pursuant to a financing transaction with SALP. From 2017 to 2018 long-term financial liabilities increased by $40.2 million mainly due to the increase in debt of $71.7 million from the drawdowns on the Credit Facility. This increase

was partially offset by the impact of the debt repayment terms modification which reduced the long-term debt by $47.4 million.

SUMMARY OF QUARTERLY RESULTS

The following table presents selected quarterly financial information for the last eight quarters:

		Net loss attributable to the owners of the parent	
Quarter ended	Revenues	Total	Per share basic & diluted
December 31, 2018	$ 10,597	$ (102,953)	$ (0.14)
September 30, 2018	12,330	(28,472)	(0.04)
June 30, 2018	20,155	(32,270)	(0.05)
March 31, 2018	4,292	(31,671)	(0.04)
December 31, 2017	6,596	(38,279)	(0.05)
September 30, 2017	24,034	(15,542)	(0.02)
June 30, 2017	3,619	(29,513)	(0.04)
March 31, 2017	4,866	(26,397)	(0.04)

Revenues from period to period may vary significantly as these are affected by the timing and shipment of orders for goods as well as the timing of the delivery of research services under agreements. Revenues are also impacted by the timing of signing licensing agreements, the achievement of milestones established in these agreements and how these revenues are recognized for accounting purposes. The timing of the revenue and expense recognition can cause significant variability in the results from quarter to quarter.

Revenues were $4.9 million during the quarter ended March 31, 2017, which represents an increase of $0.8 million compared to the previous quarter ended December 31, 2016. R&D and administration, selling and marketing expense were at $24.4 million and $6.9 million, respectively, both decreasing compared to the fourth quarter of 2016. The decline in R&D expense were mainly due to lower clinical trial expenses and a reduction in the cost of manufacturing therapeutics used for R&D activities as our Plasma-derived therapeutics segment started manufacturing plasminogen for commercial purposes, and these costs were capitalized in inventories.

Revenues were $3.6 million during the quarter ended June 30, 2017 as a result of lower sales of affinity resins. R&D was stable at $24.5 million and administration, selling and marketing expenses at $8.1 million was higher by $1.1 million.

Revenues were $24.0 million during the quarter ended September 30, 2017 mainly driven by licensing and milestone revenues following the signing of a small molecule licensing agreement which resulted in $19.7 million of revenue for the Corporation. R&D and administration, selling and marketing expense were $23.2 million and $7.7 million respectively, remaining at similar levels to the prior quarter. A non-cash loss on extinguishments of liabilities of $4.2 million was recorded as the holder of the long-term debt decided to reduce the face value of the loan in consideration of the shares they received pursuant to a private placement that occurred in July 2017.

Revenues during the quarter ended December 31, 2017 were $6.6 million, of which the majority was driven by product sales and service revenues from the Bioseparations segment. Research and development and administration, selling and marketing expense were $28.2 million and $8.8 million respectively. The increase in R&D costs of $5.0 million compared to the previous quarter is mainly due to higher expense relating to cost of therapeutics to be used in clinical trials, an increase in the external cost incurred in running the trials and higher salary and benefit expenses. Administration, selling and marketing expenses were slightly higher by $1.1 million principally due to higher salary and benefit expenses. During the quarter, the Corporation recognized a bad debt expense of $20.5 million, effectively offsetting the milestone and licensing revenues earned during the previous quarter.

Revenues were $4.3 million during the quarter ended March 31, 2018 of which $3.8 million came from product sales. Cost of sales and other production expenses were high reflecting lower margins on the products sold during the period and an inventory write-off on a portion of the plasma held in inventory to net realisable value in advance of a sales transaction to take place during the next quarter but for which the selling price had been settled in advance. R&D expenses at $22.4 million were lower by $5.8 million and administration, selling and marketing expenses also declined by $1.1 million compared to the previous quarter. Financing cost increased to $4.2 million reflecting the higher debt level and the higher borrowing cost of the Credit Facility.

Revenues during the quarter ended June 30, 2018 were $20.2 million, of which the majority was driven by a $14.0 million sale of plasma. Sales of product from the Bioseparations segment made up most of the remaining revenues reflecting strong sales for that segment. Cost of sales and other production expenses were $16.4 million reflecting the sale of plasma. R&D expenses at $24.0 million increased slightly over the previous quarter while administration, selling and marketing expense decreased slightly to $6.9 million. Financing cost increased to $6.3 million reflecting the continuous increase in the debt level and the higher borrowing cost of the Credit Facility.

Revenues during the quarter ended September 30, 2018 were $12.3 million, which were equally driven by sales from Plasma-derived therapeutics and Bioseparations segments. Sales from the Plasma-derived segment included normal source plasma in the amount of $5.7 million. Cost of sales and other production expenses were $9.2 million. R&D expenses at $24.1 million were similar to the previous quarter while administration, selling and marketing expenses decreased slightly to $6.2 million. Financing cost at $5.9 million, continued to increase reflecting the higher debt level as the Corporation continued to draw on the Credit Facility.

Revenues during the quarter ended December 31, 2018 were $10.6 million, which was driven by strong sales from the Bioseparations segment and another sale of normal source plasma of $3.1 million in Plasma-derived therapeutics segment. Cost of sales and other production expenses were $7.6 million. R&D expenses decreased slightly to $21.1 million while administration, selling and marketing expenses increased to $8.8 million, impacted by severance expenses. Financing cost increased to $6.6 million reflecting the higher debt level and the higher borrowing cost of the Credit Facility. During the quarter, a gain on extinguishment of liabilities of $34.9 million was recorded as a result of the modifications to the Corporation's long-term debt. Impairments, mainly pertaining to IVIG assets totalling $150.0 million were recognized following changes to the strategic plans which will delay the commercialisation of IVIG significantly.

OUTSTANDING SHARE DATA

The Corporation is authorized to issue an unlimited number of common shares. At March 29, 2019, 739,130,546 common shares, 22,532,954 options to purchase common shares, 30,994,925 restricted share units and 153,611,386 warrants to purchase common shares were issued and outstanding.

TRANSACTIONS BETWEEN RELATED PARTIES

The former CEO has a share purchase loan outstanding in the amount of $400,000 at December 31, 2018 and 2017. The loan bears interest at prime plus 1% and has a maturity date of the earlier of (i) March 31, 2019 or (ii) 30 days preceding a targeted NASDAQ or NYSE listing date of Prometic's shares. During the year ended December 31, 2018, the Corporation earned interest revenues in the amount of $19,000 and at December 31, 2018, the unpaid interest was $31,000.

SIGNIFICANT JUDGMENTS AND CRITICAL ACCOUNTING ESTIMATES

Significant judgments

Accounting for loan modifications – When the terms of a loan are modified, management must evaluate whether the terms of the loan are substantially different in order to determine the accounting treatment. If they are considered to be substantially different, the modification will be accounted for as a derecognition of the carrying value of the pre-modified loan and the recognition of a new loan at its fair value. Otherwise, the changes will be treated as a modification which will result in adjusting the carrying amount to the present value of the modified cash flows using the original effective interest rate of the loan instrument. In assessing whether the terms of a loan are substantially different, Management performs an analysis of the changes in the cash flows under the previous agreement and the new agreement and also considers other modifications that have no cash flow impacts. In the context of the simultaneous modification to the terms of several loans with the same lender, Management uses judgment to determine if the cash flow analysis should be performed on the loans in aggregate or individually. Judgment is also used to evaluate the relative importance of additional rights given to the lender such as additional Board of Director seats and the extension of the term of the security compared to the quantitative analysis.

Revenue recognition – The Corporation does at times enter into revenue agreements which provide, among other payments, up-front and milestone payments in exchange for licenses and other access to intellectual property. It may also enter into several agreements simultaneously that are different in nature such as license agreements, R&D services, supply and manufacturing agreements. In applying the IFRS 15 revenue recognition model, management may be required to apply, depending on the contracts, significant judgment including the identification of performance obligations.

Determining whether performance obligations are distinct involves evaluating whether the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer. Once the distinct performance obligations are identified, management must then determine if each performance obligation is satisfied at a point in time or over time. For license agreements, this requires management to assess the level of advancement of the intellectual property being licensed.

Functional currency – The functional currency of foreign subsidiaries is reviewed on an ongoing basis to assess if changes in the underlying transactions, events and conditions have resulted in a change. During the years ended December 31, 2018 and 2017 no changes were deemed necessary. This assessment is also performed for new subsidiaries. When assessing the functional currency of a foreign subsidiary, management's judgment is applied in order to determine, amongst other things, the primary economic environment in which an entity operates, the currency in which the activities are funded and the degree of autonomy of the foreign subsidiary from the reporting entity in its operations and financially. Judgment is also applied in determining whether the inter-company loans denominated in foreign currencies form part of the parent Corporation's net investment in the foreign subsidiary. Considering such loans as part of the net investment in the foreign subsidiary results in foreign currency translation gains or losses from the translation of these loans being recorded in other comprehensive loss instead of the statement of operations.

Going concern - In assessing whether the going concern assumption is appropriate and whether there are material uncertainties that may cast significant doubt about the Corporation's ability to continue as a going concern, management must estimate future cash flows for a period of at least twelve months following the end of the reporting period by considering relevant available information about the future. Management has considered a wide range of factors relating to expected cash inflows such as product sales, whether the Corporation will obtain regulatory approval for commercialization of therapeutics, licensing and milestone revenues and potential sources of debt and equity financing including the exercise of in-the-money warrants and options. Management has also estimated expected cash outflows such as operating and capital expenditures and debt repayment schedules, including the ability to delay uncommitted expenditures. These cash flow estimates are subject to uncertainty.

Estimates and assumptions

Assessing the recoverable amount of long-lived assets – In determining the value in use and the fair value less cost to sell for the IVIG CGU, which includes the NantPro license, an intangible asset not yet available for use that must be tested for impairment annually or when indicators of impairment arise. Management must make estimates and assumptions regarding the estimated future cash flows and their timing including the amount and timing of the capital expenditure investments necessary to increase manufacturing capacities and to bring the facilities to Good Manufacturing Practices ("GMP") standards, when production capacities will come on-line, production costs, market penetration and selling prices for the Corporation's therapeutics and, the date of approval of the therapeutic for commercial sale. The future cash flows are estimated using a five-year projection of cash flows before taxes which are based on the most recent budgets and forecasts available to the Corporation. If the projections include revenues in the fifth year, then this year is extrapolated, using an expected annual growth rate. The estimated cash flows are then discounted to their net present value using a pre-tax discount rate that includes a risk premium specific to the line of business. During the year ended December 31, 2018, the Corporation recorded several impairments and the details are provided in note 24 Impairment losses of the consolidated financial statements for the year ended December 31, 2018.

Expense recognition of restricted share units – The RSU expense recognized, for which performance conditions have not yet been met, is based on an estimation of the probability of successful achievement of a number of performance conditions, many of which depend on research, regulatory process and business development outcomes which are difficult to predict, as well as the timing of their achievement. The final expense is only determinable when the outcome is known.

Fair value of financial instruments – The individual fair values attributed to the different components of a financing transaction, are determined using valuation techniques. Management uses judgment to select the methods used to determine certain inputs/assumptions used in the models and the models used to perform the fair value calculations in order to determine 1) the values attributed to each component of a transaction at the time of their issuance, 2) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis and 3) for disclosing the fair value of financial instruments subsequently carried at amortized cost. When the determination of the fair value of a new loan is required, discounted cash flow techniques, which include, inputs that are not based on observable market data and inputs that are derived from observable market data are used. When determining the appropriate discount rates to use, Management seeks comparable interest rates where available. If unavailable, it uses those considered appropriate for the risk profile of a corporation in the industry.

The fair value estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

Valuation of deferred income tax assets – To determine the extent to which deferred income tax assets can be recognized, management estimates the amount of probable future taxable profits that will be available against which deductible temporary differences and unused tax losses can be utilized.

Management exercises judgment to determine the extent to which realization of future taxable benefits is probable, considering the history of taxable profits, budgets and forecasts and availability of tax strategies.

CHANGES IN ACCOUNTING POLICIES AND INITIAL ADOPTION

The accounting policies used in the consolidated financial statements are consistent with those applied by the Corporation in its December 31, 2017 audited annual consolidated financial statements except for the amendments to certain accounting standards which are relevant to the Corporation and were adopted by the Corporation as of January 1, 2018 as described below.

IFRS 9, *Financial Instruments – Recognition and Measurement*

IFRS 9 replaces the provisions of IAS 39, Financial Instruments – Recognition and Measurement, and provides guidance on the recognition, classification and measurement of financial assets and financial liabilities, the derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Corporation adopted IFRS 9 as of January 1, 2018 and the new standard has been applied retrospectively in accordance with the transitional provisions of IFRS 9. The following table presents the carrying amount of financial assets held by Prometic at December 31, 2017 and their measurement category under IAS 39 and the new model under IFRS 9.

	IAS 39		IFRS 9	
	Measurement category	Carrying amount	Measurement category	Carrying amount
Cash	FVPL	$ 23,166	Amortized cost	$ 23,166
Trade receivables	Amortized cost	1,796	Amortized cost	1,796
Other receivables	Amortized cost	397	Amortized cost	397
Restricted cash	FVPL	226	Amortized cost	226
Long-term receivables	Amortized cost	1,856	Amortized cost	1,856
Equity Investments	Cost	1,228	FVPL	1,228
Convertible debt	Cost	87	FVPL	87

There has been no impact caused by the new classification of financial assets under IFRS 9. The classification of all financial liabilities at amortized cost remains unchanged as well as their measurement resulting from their classification.

Under IFRS 9, modifications to financial assets and financial liabilities, shall be accounted for by recalculating the present value of the modified contractual cashflows at the original effective interest rate and the adjustment shall be recognized as a gain or loss in profit or loss. Under IAS 39, the impact of modifications was recognized prospectively over the remaining term of the debt.

The adoption of the accounting for modifications under the new standard has resulted in the restatement of the opening deficit and the long-term debt at January 1, 2018 as follows:

Deficit	$ 110
Long-term debt	(110)

IFRS 15, *Revenue from contracts with customers*

IFRS 15 replaces IAS 11, *Construction Contracts*, and IAS 18, *Revenue* and related interpretations and represents a new single model for recognition of revenue from contracts with customers. The model features a five-step analysis of transactions to determine the nature of an entity's obligation to perform and whether, how much, and when revenue is recognized.

The Corporation adopted IFRS 15 as of January 1, 2018 and the new standard has been applied retrospectively using the modified retrospective approach, where prior periods are not restated and the cumulative effect of initially applying this standard is recognised in the opening deficit balance on January 1, 2018. The Corporation has also availed itself of the following practical expedients:

- the standard was applied retrospectively only to contracts that were not completed on January 1, 2018; and
- for contracts that were modified before January 1, 2018, the Corporation analysed the effects of all modifications when identifying whether performance obligations were satisfied, determining the transaction price and allocating the transaction price to the satisfied or unsatisfied performance obligations.

There has been no impact of the adoption of IFRS 15 as at January 1, 2018 and for the year end December 31, 2018.

IFRIC 22, *Foreign Currency Transactions and Advance Consideration ("IFRIC 22")*
IFRIC 22 addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) and on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018. The Corporation adopted IFRIC 22 retrospectively on January 1, 2018. The adoption of the standard did not have a significant impact on the financial statements.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The IFRS accounting standards and interpretations that the Corporation reasonably expects may have a material impact on the disclosures, the financial position or results of operations of the Corporation when applied at a future date are presented below. The Corporation intends to adopt these standards when they become effective.

IFRS 16, *Leases* ("IFRS 16")
In January 2016, the International Accounting Standards Board issued IFRS 16, a new standard that replaces IAS 17, *Leases.* IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is less than 12 months, or the underlying asset has a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating leases and finance leases being retained. The adoption of IFRS 16 is mandatory and will be effective for the Corporation's fiscal year beginning on January 1, 2019. The Corporation will adopt IFRS 16 using the modified retrospective approach. The Corporation expects to recognize a material amount of right-of-use assets and lease liabilities however, the net impact on opening deficit is not expected to be material since Prometic has elected the option to measure the right-of-use assets at an amount equal to the lease liability at the date of the transition, adjusted for any prepaid and liability existing at the date of transition. The transition to IFRS 16 will not have any impact on the Corporation's debt covenants since, as part of the November 14, 2018 debt modification, its debt covenant ratio has been modified to exclude the lease liability as part of the computation. The Corporation is in the process of completing its evaluation of the impact of adopting IFRS 16 on its consolidated financial statements.

FINANCIAL INSTRUMENTS

Use of financial instruments
The financial instruments that are used by the Corporation result from its operating and investing activities, namely in the form of accounts receivables and payables, and from its financing activities, usually in the issuance of long-term debt. The Corporation does not use financial instruments for speculative purposes

and has not issued or acquired derivative financial instruments for hedging purposes. The following table presents the carrying amounts of the Corporation's financial instruments at December 31, 2018 and 2017.

	2018	2017
Financial assets		
Cash	$ 7,389	$ 23,166
Trade receivable	7,371	2,193
Restricted cash	245	226
Long-term receivables	142	1,856
Equity investments in scope of IFRS 9	24	1,228
Convertible debt	-	87
Financial liabilities		
Trade payable	21,097	19,333
Wages and benefits payable	1,975	6,839
Settlement fee payable	102	190
Royalty payment obligations	3,077	2,963
License acquisition payment obligation	2,726	-
Advance on revenues from a supply agreement	-	1,901
Warrant liability	157	-
Long-term debt	125,804	87,020

Impact of financial instruments in the consolidated statements of operations

The following line items in the consolidated statement of operations for the years ended December 31, 2017 and 2018 include income, expense, gains and losses relating to financial instruments:

- Bad debt expense;
- finance costs;
- foreign exchange gains and losses;
- loss (gain) on extinguishments of liabilities;
- fair value variation of warrant liability; and
- change in fair value of financial assets measured at FVPL.

Financial risk management

The Corporation has exposure to credit risk, liquidity risk and market risk. The Corporation's Board of Directors has the overall responsibility for the oversight of these risks and reviews the Corporation's policies on an ongoing basis to ensure that these risks are appropriately managed.

i) Credit risk:

Credit risk is the risk of financial loss to the Corporation if a customer, partner or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's cash, investments, receivables and share purchase loan to a former officer. The carrying amount of the financial assets represents the maximum credit exposure.

The Corporation mitigates credit risk through its reviews of new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. The Corporation evaluates at each reporting period, the lifetime expected credit losses of its accounts receivable balances based on the age of the receivable, credit history of the customers and past collection experience.

In 2017, the Corporation recorded bad debt expense of $20.5 million in regard to the JRP license agreement during the fourth quarter and the year ended December 31, 2017.

ii) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. The Corporation manages its liquidity risk by continuously monitoring forecasts and actual cash flows. The Corporation's current liquidity situation is discussed in the liquidity and contractual obligation section of this MD&A.

iii) Market risk:
Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Corporation's income or the value of its financial instruments.

a) Interest risk:
The majority of the Corporation's debt is at a fixed rate, therefore there is limited exposure to changes in interest payments as a result of interest rate risk.

b) Foreign exchange risk:
The Corporation is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Corporation operates in the United States, Isle of Man and the United Kingdom and a portion of its expenses incurred are in U.S. dollars and in GBP. The majority of the Corporation's revenues are in U.S. dollars and in GBP which serve to mitigate a portion of the foreign exchange risk relating to the expenditures. Financial instruments potentially exposing the Corporation to foreign exchange risk consist principally of cash, short-term investments, receivables, trade and other payables, advance on revenues from a supply agreement and the amounts drawn on the Credit Facility. The Corporation manages foreign exchange risk by holding foreign currencies to support forecasted cash outflows in foreign currencies.

RISK FACTORS

For a detailed discussion of risk factors which could impact the Corporation's results of operations and financial position, other than those risks pertaining to the financial instruments, please refer to the Corporation's Annual Information Form filed on www.sedar.com

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure Controls and Procedures
The Corporation maintains disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in its reports filed under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

The Corporation's CEO and CFO have evaluated, or caused the evaluation of, under their supervision, the design and operating effectiveness of the Corporation's disclosure controls and procedures. Based upon the evaluation, the CEO and CFO have concluded that the Corporation's disclosure controls and procedures were effective as of December 31, 2018.

Internal control over Financial Reporting
Internal controls over financial reporting (ICFR) are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Due to its inherent limitation, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

The Corporation's CEO and CFO are responsible for establishing and maintaining adequate ICFR. They have evaluated, or caused the evaluation of, under their supervision, the design and operating effectiveness of the Corporation's ICFR as of December 31, 2018 based on the framework established in Internal Control – Integrated Framework (2013) by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, the CEO and CFO concluded that the Corporation's ICFR were effective as of December 31, 2018.

Change in Internal Controls over Financial Reporting
In accordance with the National Instrument 52-109, the Corporation has filed certificates signed by the CEO and CFO that, among other things, report on the design of disclosure controls and procedures and the design of ICFR as at December 31, 2018.

There have been no changes in the Corporation's ICFR that occurred during the quarter ended December 31, 2018 that have materially affected or are reasonably likely to materially affect its ICFR.

Audited annual consolidated financial statements of
Prometic Life Sciences Inc.
For the years ended December 31, 2018 and 2017

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Prometic Life Sciences Inc.

We have audited the consolidated financial statements of Prometic Life Sciences Inc. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of operations, consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Group incurred a net loss of $237.9 million and used $82.5 million in cash for its operating activities. These conditions together with others indicated in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information included

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditors' report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditors' report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. The engagement partner on the audit resulting in this independent auditor's report is Georgia Tournas.

Ernst & Young LLP [1]

Montreal, Canada
April 1,2019

[1] CPA auditor, CA, public accountancy permit no. A123806

PROMETIC LIFE SCIENCES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In thousands of Canadian dollars)

At December 31		2018		2017
ASSETS (note 13)				
Current assets				
Cash	**$**	**7,389**	$	23,166
Accounts receivable (note 5)		**11,882**		6,839
Income tax receivable		**8,091**		4,116
Inventories (note 6)		**12,028**		36,013
Prepaids		**1,452**		2,141
Total current assets		**40,842**		72,275
Long-term income tax receivable		**117**		108
Other long-term assets (note 7)		**411**		8,663
Capital assets (note 8)		**41,113**		45,254
Intangible assets (note 9)		**19,803**		156,647
Deferred tax assets (note 25)		**606**		926
Total assets	**$**	**102,892**	$	283,873
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (note 11)	**$**	**31,855**	$	29,954
Advance on revenues from a supply agreement (note 12)		**-**		1,901
Current portion of long-term debt (note 13)		**3,211**		3,336
Deferred revenues		**507**		829
Warrant liability (note 14)		**157**		-
Total current liabilities		**35,730**		36,020
Long-term portion of deferred revenues		**170**		-
Long-term portion of operating and finance lease inducements and obligations (note 15)		**1,850**		2,073
Other long-term liabilities (note 16)		**5,695**		3,335
Long-term debt (note 13)		**122,593**		83,684
Deferred tax liabilities (note 25)		**-**		15,330
Total liabilities	**$**	**166,038**	$	140,442
EQUITY				
Share capital (note 17a)	**$**	**583,117**	$	575,150
Contributed surplus (note 17b)		**21,923**		16,193
Warrants (note 17c)		**95,296**		73,944
Accumulated other comprehensive loss		**(1,252)**		(1,622)
Deficit		**(755,688)**		(541,681)
Equity (negative equity) attributable to owners of the parent		**(56,604)**		121,984
Non-controlling interests (note 18)		**(6,542)**		21,447
Total equity (negative equity)		**(63,146)**		143,431
Total liabilities and equity	**$**	**102,892**	$	283,873

Commitments (note 29), Subsequent event (note 32)

The accompanying notes are an integral part of the consolidated financial statements.

	(s) *Paul Mesburis*	(s) *Simon Best*
On behalf of the Board	Director	Director

PROMETIC LIFE SCIENCES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands of Canadian dollars)

Years ended December 31,		2018		2017
Revenues (note 20)	**$**	**47,374**	$	39,115
Expenses				
Cost of sales and other production expenses (note 6)		**38,002**		10,149
Research and development expenses (note 21a)		**91,666**		100,392
Administration, selling and marketing expenses		**31,532**		31,441
Bad debt expense (note 20)		**-**		20,491
Loss (gain) on foreign exchange		**4,681**		(726)
Finance costs (note 21b)		**22,060**		7,965
Loss (gain) on extinguishments of liabilities (note 13)		**(33,626)**		4,191
Change in fair value of financial instruments measured at FVPL (notes 7, 14)		**1,000**		-
Impairment losses (note 24)		**149,952**		-
Share of losses of an associate (note 10)		**22**		-
Net loss before income taxes	**$**	**(257,915)**	$	(134,788)
Income tax recovery (note 25)		**(20,019)**		(14,752)
Net loss	**$**	**(237,896)**	$	(120,036)
Net loss attributable to:				
Owners of the parent		**(195,366)**		(109,731)
Non-controlling interests (note 18)		**(42,530)**		(10,305)
	$	**(237,896)**	$	(120,036)
Loss per share				
Attributable to the owners of the parent Basic and diluted	**$**	**(0.27)**	$	(0.16)
Weighted average number of outstanding shares (in thousands)		**716,208**		683,954

The accompanying notes are an integral part of the consolidated financial statements.

PROMETIC LIFE SCIENCES INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands of Canadian dollars)

Years ended December 31,		2018		2017
Net loss	**$**	**(237,896)**	$	(120,036)
Other comprehensive income				
Items that may be subsequently reclassified to profit and loss:				
Change in unrealized foreign exchange differences on translation of financial statements of foreign subsidiaries		**370**		342
Total comprehensive loss	**$**	**(237,526)**	$	(119,694)
Total comprehensive loss attributable to:				
Owners of the parent		**(194,996)**		(109,389)
Non-controlling interests		**(42,530)**		(10,305)
	$	**(237,526)**	$	(119,694)

The accompanying notes are an integral part of the consolidated financial statements.

PROMETIC LIFE SCIENCES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In thousands of Canadian dollars)

	Equity (negative equity) attributable to owners of the parent							
	Share capital $	Contributed surplus $	Warrants $	Foreign currency translation reserve $	Deficit $	Total $	Non-controlling interests $	Total equity (negative equity) $
Balance at January 1, 2017	480,237	12,919	64,201	(1,964)	(423,026)	132,367	26,976	159,343
Net loss	-	-	-	-	(109,731)	(109,731)	(10,305)	(120,036)
Foreign currency translation reserve	-	-	-	342	-	342	-	342
Issuance of shares (note 17a)	61,450	-	-	-	-	61,450	-	61,450
Share-based payments expense (note 17b)	-	8,662	-	-	-	8,662	-	8,662
Exercise of stock options (note 17b)	811	(330)	-	-	-	481	-	481
Shares issued pursuant to restricted share unit plan (note 17b)	5,058	(5,058)	-	-	-	-	-	-
Exercise of future investment rights (note 17d)	27,594	-	(6,542)	-	-	21,052	-	21,052
Issuance of warrants (note 17c)	-	-	16,285	-	-	16,285	-	16,285
Share and warrant issuance cost (note 17a,c)	-	-	-	-	(4,148)	(4,148)	-	(4,148)
Effect of funding arrangements on non-controlling interest (note 18)	-	-	-	-	(4,776)	(4,776)	4,776	-
Balance at December 31, 2017	575,150	16,193	73,944	(1,622)	(541,681)	121,984	21,447	143,431
Impact of adopting IFRS 9 (note 4a)	-	-	-	-	110	110	-	110
Balance at January 1, 2018 - restated	**575,150**	**16,193**	**73,944**	**(1,622)**	**(541,571)**	**122,094**	**21,447**	**143,541**
Net loss	**-**	**-**	**-**	**-**	**(195,366)**	**(195,366)**	**(42,530)**	**(237,896)**
Foreign currency translation reserve	**-**	**-**	**-**	**370**	**-**	**370**	**-**	**370**
Issuance of shares (note 17a)	**6,340**	**-**	**-**	**-**	**-**	**6,340**	**-**	**6,340**
Share-based payments expense (note 17b)	**-**	**6,722**	**-**	**-**	**-**	**6,722**	**-**	**6,722**
Exercise of stock options (note 17b)	**1,073**	**(438)**	**-**	**-**	**-**	**635**	**-**	**635**
Shares issued pursuant to restricted share unit plan (note 17b)	**554**	**(554)**	**-**	**-**	**-**	**-**	**-**	**-**
Issuance of warrants (note 17c)	**-**	**-**	**21,352**	**-**	**-**	**21,352**	**-**	**21,352**
Share and warrant issuance cost	**-**	**-**	**-**	**-**	**(581)**	**(581)**	**-**	**(581)**
Effect of changes in the ownership of a subsidiary and funding arrangements on non-controlling interests (note 18)	**-**	**-**	**-**	**-**	**(18,170)**	**(18,170)**	**14,541**	**(3,629)**
Balance at December 31, 2018	**583,117**	**21,923**	**95,296**	**(1,252)**	**(755,688)**	**(56,604)**	**(6,542)**	**(63,146)**

The accompanying notes are an integral part of the consolidated financial statements.

PROMETIC LIFE SCIENCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of Canadian dollars)

Years ended December 31,		2018		2017
Cash flows used in operating activities				
Net loss for the year	**$**	**(237,896)**	$	(120,036)
Adjustments to reconcile net loss to cash flows used in operating activities :				
Finance costs and foreign exchange		**25,282**		8,787
Change in operating and finance lease inducements and obligations		**2,565**		2,391
Carrying value of capital and intangible assets disposed		**513**		563
Share of losses of an associate (note 10)		**22**		-
Change in fair value of financial instruments measured at FVPL (notes 7, 14)		**1,000**		-
Impairment losses (note 24)		**149,952**		-
Loss (gain) on extinguishments of liabilities (note 13)		**(33,626)**		4,191
Deferred income taxes (note 25)		**(13,815)**		(11,587)
Share-based payments expense (note 17b)		**6,722**		8,662
Depreciation of capital assets (note 8)		**4,086**		3,632
Amortization of intangible assets (note 9)		**1,372**		944
		(93,823)		(102,453)
Change in non-cash working capital items		**11,369**		(20,120)
	$	**(82,454)**	$	(122,573)
Cash flows from financing activities				
Proceeds from share issuances (note 17a)		**751**		53,125
Proceeds from debt and warrant issuances (note 13)		**79,105**		50,717
Repayment of principal on long-term debt (note 13)		**(3,184)**		(3,454)
Repayment of interest on long-term debt (note 13)		**(3,934)**		(163)
Exercise of options (note 17b)		**635**		481
Exercise of future investment rights (note 17d)		**-**		21,052
Payments of principal under finance lease		**(245)**		-
Debt, share and warrants issuance costs		**(970)**		(4,306)
	$	**72,158**	$	117,452
Cash flows from (used in) investing activities				
Additions to capital assets		**(3,786)**		(7,688)
Additions to intangible assets		**(1,342)**		(2,395)
Proceeds from the sale of marketable securities and short-term investments		**-**		11,063
Acquisition of convertible debt (note 7b)		**(955)**		-
Additions to other long-term assets		**-**		(63)
Interest received		**224**		202
	$	**(5,859)**	$	1,119
Net change in cash during the year		**(16,155)**		(4,002)
Net effect of currency exchange rate on cash		**378**		(638)
Cash, beginning of the year		**23,166**		27,806
Cash, end of the year	**$**	**7,389**	$	23,166

The accompanying notes are an integral part of the consolidated financial statements.

1. Nature of operations and going concern

Prometic Life Sciences Inc. ("Prometic" or the "Corporation"), incorporated under the Canada Business Corporations Act, is a publicly traded (TSX symbol: PLI) (OTCQX symbol: PFSCF), biopharmaceutical Corporation with two drug discovery platforms focusing on unmet medical needs. The first platform (Small molecule therapeutics) stems from the insights into the interaction of two receptors which Prometic believes are at the core of how the body heals: our lead small molecule drug candidate PBI-4050, modulates these to promote tissue regeneration and scar resolution as opposed to fibrosis. The second drug discovery and development platform (Plasma-derived therapeutics) leverages Prometic's experience in bioseparation technologies used to isolate and purify biopharmaceuticals from human plasma. The Corporation's primary goal with respect to this second platform is to address unmet medical needs with therapeutic proteins not currently commercially available, such as Ryplazim™ (plasminogen) ("Ryplazim™"). The Corporation also provides access to its proprietary bioseparation technologies to enable pharmaceutical companies in their production of non-competing biopharmaceuticals.

The Corporation's head office is located at 440, Boul. Armand-Frappier, suite 300, Laval, Québec, Canada, H7V 4B4. Prometic has Research and Development ("R&D") facilities in the U.K., the U.S. and Canada, manufacturing facilities in the Isle of Man and Canada and business development activities in Canada, the U.S. and Europe.

The consolidated financial statements for the year ended December 31, 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis, which presumes the Corporation will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the ordinary course of business. The use of this assumption may not be appropriate as Prometic's main activities continue to be in the R&D stage and during the year ended December 31, 2018, the Corporation incurred a net loss of $237.9 million, a net loss before income taxes and impairments of $108.0 million and used $82.5 million in cash for its operating activities, while at December 31, 2018, the current assets net of current liabilities is a surplus of $5.5 million and the negative equity attributable to the shareholders' of Prometic is $56.2 million.

With the delay of the anticipated launch of its most advanced product, Ryplazim™, the Corporation had to finance its R&D activities via various sources. To date, the Corporation has financed its activities through the sale of products in the Bioseparations segment, collaboration arrangements and licensing arrangements, the issuance of debt and equity, operational restructuring as well as investment tax credits. Prometic is currently actively involved in negotiating equity financing initiatives and continues to be in licensing discussions with potential partners. Despite the Corporation's efforts to obtain the necessary funding, there can be no assurance of its access to further financing. As at December 31, 2018, the Corporation had cash on hand of $7.4 million. In February 2019, the holder of the long-term debt agreed to extend the US$ non-revolving credit facility ("Credit Facility") by an additional US$15 million which the Corporation drew in February and March 2019, receiving the equivalent of $19,854 in additional financing. This additional financing, together with cash on hand will be sufficient to finance the Corporation's operating requirements until April 2019.These circumstances indicate the existence of a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Corporation be unable to continue as a going concern. Such adjustments could be material.

2. Significant Accounting Policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and were authorized for issue by the Board of Directors on April 1, 2019.

PROMETIC LIFE SCIENCES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended on December 31, 2018 and 2017
(In thousands of Canadian dollars)

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for the convertible debt, equity investments and the warrant liability which have been measured at fair value.

Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is also the parent corporation's functional currency.

Basis of consolidation

The consolidated financial statements include the accounts of Prometic Life Sciences Inc., and those of its subsidiaries. The Group's subsidiaries at December 31, 2018 and 2017 are as follows:

Name of subsidiary	Segment activity	Place of incorporation and operation	Proportion of ownership interest held by the group	
			2018	2017
Prometic Biosciences Inc.	Small molecule therapeutics	Quebec, Canada	**100%**	100%
Prometic Bioproduction Inc.	Plasma-derived therapeutics	Quebec, Canada	**100%**	87%
Prometic Bioseparations Ltd	Bioseparations	Isle of Man, British Isles	**100%**	100%
Prometic Biotherapeutics Inc.	Plasma-derived therapeutics	Delaware, U.S.	**100%**	100%
Prometic Biotherapeutics Ltd	Plasma-derived therapeutics	Cambridge, United Kingdom	**100%**	100%
Prometic Manufacturing Inc.	Bioseparations	Quebec, Canada	**100%**	100%
Pathogen Removal and Diagnostic Technologies Inc.	Bioseparations	Delaware, U.S.	**77%**	77%
NantPro Biosciences, LLC	Plasma-derived therapeutics	Delaware, U.S.	**73%**	73%
Prometic Plasma Resources Inc.	Plasma-derived therapeutics	Winnipeg, Canada	**100%**	100%
Prometic Plasma Resources USA Inc.	Plasma-derived therapeutics	Delaware, U.S.	**100%**	100%
Prometic Pharma SMT Holdings Limited	Small molecule therapeutics	Cambridge, United Kingdom	**100%**	100%
Prometic Pharma SMT Limited	Small molecule therapeutics	Cambridge, United Kingdom	**100%**	100%
Telesta Therapeutics Inc.	Plasma-derived therapeutics	Quebec, Canada	**100%**	100%
Telesta Pharma Inc.	N/A	Quebec, Canada	**N/A ***	100%
Telesta Therapeutics IP Inc.	N/A	Quebec, Canada	**N/A ***	100%
Econiche Corp	Plasma-derived therapeutics	Ontario, Canada	**N/A ***	100%

* dissolved

The Corporation consolidates investees when, based on the evaluation of the substance of the relationship with the Corporation, it concludes that it controls the investees. The Corporation controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of the subsidiaries are prepared for the same reporting period as the parent corporation, using consistent accounting policies. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

When a subsidiary is not wholly-owned the Corporation recognizes the non-controlling interests' share of the net assets and results of operations in the subsidiary. When the proportion of the equity held by non-controlling interests' changes without resulting in a change of control, the carrying amount of the controlling and non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiary. In these situations, the Corporation recognizes directly in equity the effect of the change in ownership of a subsidiary on the non-controlling interests. Similarly, after picking up its share of the operating losses, the non-controlling interest is adjusted for its share of the equity contribution made by Prometic that does not modify the interest held by either party. The offset to this adjustment is recorded in the deficit. The effect of these transactions are presented in the statement of changes in equity.

Financial instruments

Recognition and derecognition

Financial instruments are recognized in the consolidated statement of financial position when the Corporation becomes a party to the contractual obligations of the instrument. On initial recognition, financial instruments are recognized at their fair value plus, in the case of financial instruments not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition or issue of financial instruments. Financial assets are subsequently derecognized when payment is received in cash or other financial assets or if the debtor is discharged of its liability.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing liability is replaced by another from the same creditor on substantially different terms, or the terms of the liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of operations.

Classification

Subsequent to initial recognition, financial instruments are measured according to the category to which they are classified, which are: financial instruments classified as FVPL, financial instruments designated as FVPL, fair value through other comprehensive income ("FVOCI") financial assets, or amortised cost. Financial instruments are subsequently measured at amortized cost, unless they are classified as FVOCI or FVPL or designated as FVPL, in which case they are subsequently measured at fair value.

The classification of financial asset debt instruments is driven by the Corporation's business model for managing the financial assets and their contractual cash flow characteristics. Assets that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVPL. For other equity instruments, on the day of acquisition the Corporation can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVOCI instead of FVPL. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL (such as instruments held for trading or derivatives) or the Corporation has opted to measure them at FVPL.

Currently, the Corporation classifies cash, trade receivables, other receivables, restricted cash as financial assets measured at amortized cost and trade payables, wages and benefits payable, settlement fee payable, royalty payment obligations, license acquisition payment obligations, other long-term liabilities and long-term debt as financial liabilities measured at amortized cost.

Currently, the Corporation classifies equity investments and convertible debt as financial assets at FVPL and warrant liability as a financial liability at FVPL.

Impairment of financial assets

The expected credit losses associated with its debt instruments carried at amortized cost is assessed on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Corporation applies the simplified approach permitted by IFRS 9, which requires lifetime expected losses to be recognized from initial recognition of the receivables.

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Financial instrument accounting policy used before the adoption of IFRS 9, *Financial instruments* ("IFRS 9") on January 1, 2018

Prior to January 1, 2018, the Corporation applied IAS 39 Financial instruments. The accounting policy and classification of the financial instruments applied under that standard is detailed in the following paragraphs.

i) Financial assets and financial liabilities at fair value through profit and loss
Cash, marketable securities and restricted cash are respectively classified as fair value through profit and loss. They are measured at fair value and changes in fair value are recognized in the consolidated statements of operations. Directly related transaction costs are recognized in the consolidated statements of operations.

ii) Loans and receivables
Cash equivalents, short-term investments, trade receivables, other receivables and long-term receivables are classified as loans and receivables. They are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method.

iii) Available-for-sale financial assets
Investments in common or preferred shares of private corporations are classified as available-for-sale and are measured at cost since their fair value cannot be measured reliably.

iv) Financial liabilities
Trade payable, wages and severances payable, other employee benefit liabilities, settlement fee payable, royalty payment obligation, other long-term liabilities, advance on revenues from a supply agreement and long-term debt are classified as other financial liabilities. They are measured at amortized cost using the effective interest method.

Credit facility fees are recorded in deferred financing cost and are amortized into finance cost over the term of the Credit Facility.

Impairment of investments
When there has been a significant or prolonged decline in the value of an investment, the investment is written down to recognize the loss.

Inventories

Inventories of raw materials, work in progress and finished goods are valued at the lower of cost and net realizable value. Cost is determined on a first in, first out basis. The cost of manufactured inventories comprises all costs that are directly attributable to the manufacturing process, such as raw materials, direct labour and manufacturing overhead based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated selling costs except for raw materials for which it is determined using replacement cost.

Capital assets

Capital assets are recorded at cost less any government assistance, accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as described below.

Capital asset	Period
Buildings and improvements	20 years
Leasehold improvements	The lower of the lease term and the useful life
Production and laboratory equipment	5 - 20 years
Furniture	5 - 10 years
Computer equipment	3 - 5 years
Assets held under financing leases	The lower of the lease term and the useful life

The estimated useful lives, residual values and depreciation methods are reviewed annually with the effect of any changes in estimates accounted for on a prospective basis. The gain or loss arising on the disposal or retirement of a capital asset is determined as the difference between the sales proceeds and its carrying amount and is recognized in profit or loss.

Government assistance

Government assistance programs, including investment tax credits on research and development expenses, are reflected as reductions to the cost of the assets or to the expenses to which they relate and are recognized when there is reasonable assurance that the assistance will be received and all attached conditions are complied with.

Intangible Assets

Intangible assets include acquired rights such as licenses for product manufacturing and commercialization, donor lists, external patent costs and software costs. They are carried at cost less accumulated amortization. Amortization commences when the intangible asset is available for use and is calculated over the estimated useful lives of the intangible assets acquired using the straight-line method. The maximum period used for each category of intangible asset are presented in the table below. The estimated useful lives and amortization method are reviewed annually, with the effect of any changes in estimates being accounted for on a prospective basis. The amortization expense is recognized in the consolidated statements of operations in the expense category consistent with the function of the intangible assets.

Intangible asset	Period
Licenses and other rights	30 years
Donor lists	10 years
Patents	20 years
Software	5 years

Impairment of tangible and intangible assets

At the end of each reporting period, the Corporation reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If impairment indicators exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. For intangible assets not yet available for use, an impairment test is performed annually at November 30, until amortization commences, whether or not there are impairment indicators. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit (CGU) which represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets, groups of assets or CGUs to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, the corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

An impairment loss is recognized when the carrying amount of an asset or a CGU exceeds its recoverable amount by the amount of this excess. An impairment loss is recognized immediately in profit or loss in the period during which the loss is incurred. Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount; on reversal of an impairment loss, the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss.

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Investment in an associate

Investments in associates are accounted for using the equity method. An associate is an entity over which the Corporation has significant influence. Under the equity method, the investment in the associate is carried on the consolidated statement of financial position at cost plus post acquisition changes in the Corporation's share of net assets of the associate.

The consolidated statement of operations reflects the Corporation's share of the results of operations of the associate. Adjustments are made for any inconsistencies between the Corporation's and the associate's accounting policies before applying the equity method. Adjustments are also made to account for depreciable assets based on their fair values at the acquisition date of the investment and for any impairment losses recognized by the associate. When there has been a change recognised directly in the equity of the associate, the Corporation recognises its share of any change. Profits and losses resulting from transactions between the Corporation and the associate are recognized in the Corporation's consolidated financial statements only to the extent of the unrelated investors' interests in the associate.

If the Corporation's share of cumulative losses of an associate equals or exceeds its interest in the associate, the Corporation discontinues recognising its share of further losses. After the interest in an associate is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the Corporation has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Corporation resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

At each balance sheet date, management considers whether there is objective evidence of impairment in associates. If there is such evidence, management determines the amount of impairment to record, if any, in relation to the associate.

When the level of influence over an associate changes either following a loss of significant influence over the associate, or the obtaining of control over the associate or when an investment in a financial asset accounted for under IFRS 9 becomes subject to significant influence, the Corporation measures and recognises its investment at its fair value. Any difference between the carrying amount of the associate at the time of the change in influence and the fair value of the investment, and proceeds from disposal if any, is recognised in profit or loss.

Revenue recognition

To determine revenue recognition for contracts with customers, we perform the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. We only apply the five-step model to contracts when it is probable that we will collect the consideration we are entitled to in exchange for the goods or services we transfer. At contract inception, we assess the goods or services promised within each contract, determine those that are performance obligations, and assess whether each promised good or service is distinct. We then recognize as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

Sale of goods
Revenue from sale of bioseparation or plasma products is recognized when the terms of a contract with a customer have been satisfied. This occurs when:

- The control over the product has been transferred to the customer; and
- The product is received by the customer or transfer of title to the customer occurs upon shipment.

Following delivery, the customer bears the risks of obsolescence and loss in relation to the goods. Revenue is recognized based on the price specified in the contract, net of estimated sales discounts and returns.

Rendering of services

Revenues from contracted services are generally recognized as the performance obligations are satisfied over time, and the related expenditures are incurred pursuant to the terms of the agreement. Contract revenue is recognized on a percentage of completion basis based on key milestones contained within the contract.

Unbilled revenues and deferred revenues

If the Corporation has recognized revenues but has not issue an invoice, the entitlement is recognized as a contract asset and is presented in the statement of financial position as unbilled revenues. When the amounts are invoiced, then the amounts are transferred into trade receivables. If the Corporation has received payments prior to satisfying its performance obligation, the obligation is recognized as a contract liability and is presented in the statement of financial position as deferred revenues.

Licensing fees and milestone payments

Under IFRS 15, the Corporation determines whether the Corporation's promise to grant a license provides its customer with either a right to access the Corporation's intellectual property ("IP") or a right to use the Corporation's IP. A license will provide a right to access the intellectual property if there is significant development of the intellectual property expected in the future whereas for a right to use, the intellectual property is to be used in the condition it is at the time the license is signed. Revenue from a license that provide a customer the right to use the Corporation's IP is recognized at a point in time when the transfers to the licensee is completed and the license period begins. Revenue from a license that provide access the Corporation's IP over a license term are considered to be a performance obligation satisfied over time and, therefore, revenue is recognized over the term of the license arrangement. Milestone payments are immediately recognized as licensing revenue when the condition is met, if the milestone is not a condition to future deliverables and collectability is reasonably assured. Otherwise, they are recognized over the remaining term of the agreement or the performance period.

Rental revenue

The Corporation accounts for the lease with its tenant as an operating lease when the Corporation has not transferred substantially all of the risks and benefits of ownership of its property. Revenue recognition under an operating lease commences when the tenant has a right to use the leased asset, and the total amount of contractual rent to be received from the operating lease is recognized on a straight-line basis over the term of the lease. Rental revenue also includes recoveries of operating expenses and property taxes.

Revenue recognition accounting policy used before the adoption of IFRS 15, *Revenue from contracts with customers* ("IFRS 15") on January 1, 2018

The Corporation earns revenues from research and development services, license and milestone fees, sale of goods and leasing arrangements, which may include multiple elements. The individual elements of each agreement are divided into separate units of accounting, if certain criteria are met. The applicable revenue recognition method is then applied to each unit. Otherwise, the applicable revenue recognition criteria are applied to combined elements as a single unit of accounting.

Rendering of services

Revenues from research and development services are recognized using the proportional performance method. Under this method, revenues are recognized proportionally with the degree of completion of the services under the contract when it is probable that the economic benefits will flow to the Corporation and revenue and costs associated with the transaction can be measured reliably.

Licensing fees and milestone payments

Certain license fees are comprised of up-front fees and milestone payments. Up-front fees are recognized over the estimated term during which the Corporation maintains substantive obligations. Milestone payments are recognized as revenue when the milestone is achieved, customer acceptance is obtained and the customer is obligated to make performance payments. Certain license arrangements require no continuing involvement by the Corporation. Non-refundable license fees are recognized as revenue when the Corporation has no further involvement or obligation to perform under the arrangement, the fee is fixed or determinable and collection of the amount is reasonably assured.

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Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Corporation has transferred to the customer the significant risks and rewards of ownership of the goods;
- the Corporation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is reduced for estimated customer returns and other similar allowances. Amounts received in advance of meeting the revenue recognition criteria are recorded as deferred revenue on the consolidated statements of financial position.

Rental revenue

The Corporation accounts for the lease with its tenant as an operating lease when the Corporation has not transferred substantially all of the risks and benefits of ownership of its property. Revenue recognition under an operating lease commences when the tenant has a right to use the leased asset, and the total amount of contractual rent to be received from the operating lease is recognized on a straight-line basis over the term of the lease. Rental revenue also includes recoveries of operating expenses and property taxes.

Research and development expenses

Expenditure on research activities is recognized as an expense in the period during which it is incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditures attributable to the intangible asset during its development.

To date, the Corporation has not capitalized any development costs.

Research and development expenses presented in the consolidated statement of operations comprise the costs to manufacture the plasma-derived therapeutics used in pre-clinical tests and clinical trials. It also includes the cost of therapeutics used in the PBI-4050 clinical trials, external consultants supporting the clinical trials and pre-clinical tests, employee compensation and other operating expenses involved in research and development activities. Finally, it includes the cost of developing new bioseparation products.

Foreign currency translation

Transactions and balances

Transactions in foreign currencies are initially recorded by the Corporation and its entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. All differences are taken to the consolidated statements of operations. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates when the initial transactions took place.

Group companies

The assets and liabilities of foreign operations are translated into Canadian dollars at the rate of exchange prevailing at the reporting date and their statements of operations are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognised in other comprehensive loss. On disposal of a foreign operation, the component of other comprehensive loss relating to that particular foreign operation is recognised in the consolidated statement of operations and comprehensive loss.

Income taxes

The Corporation uses the liability method of accounting for income taxes. Deferred income tax assets and liabilities are recognized in the consolidated statement of financial position for the future tax consequences attributable to differences between the consolidated financial statements carrying values of existing assets and liabilities and their respective income tax bases. Deferred income tax assets and liabilities are measured using income tax rates expected to apply when the assets are realized or the liabilities are settled. The effect of a change in income tax rates is recognized in the year during which these rates change. Deferred income tax assets are recognized to the extent that it is probable that future tax profits will allow the deferred tax assets to be recovered.

Share-based payments

The Corporation has a stock option plan and a restricted share unit plan. The fair value of stock options granted is determined at the grant date using the Black-Scholes option pricing model, and is expensed over the vesting period of the options. Awards with graded vesting are considered to be multiple awards for fair value measurement. The fair value of Restricted Share Units ("RSU") is determined using the market value of the Corporation's shares on the grant date. The expense associated with RSU awards that vest over time are recognized over the vesting period. When the vesting of RSU is dependent on meeting performance targets as well as a service requirement, to determine the expense to recognize over the vesting period, the Corporation will estimate the outcome of the performance targets and revise those estimates until the final outcome is determined. An estimate of the number of awards that are expected to be forfeited is also made at the time of grant and revised periodically if actual forfeitures differ from those estimates.

The Corporation's policy is to issue new shares upon the exercise of stock options and the release of RSU for which conditions have been met.

Earnings per share (EPS)

The Corporation presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the year. Diluted EPS is determined by adjusting the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise warrants, stock options and RSU. For the years ended December 31, 2018 and 2017, all warrants, stock options and RSU were anti-dilutive since the Corporation reported net losses.

Share and warrant issue expenses

The Corporation records share and warrant issue expenses as an increase to the deficit.

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3. Significant accounting judgments and estimation uncertainty

The preparation of these consolidated financial statements requires the use of judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures. The uncertainty that is often inherent in estimates and assumptions could result in material adjustments to assets or liabilities affected in future periods.

Significant judgments

Accounting for loan modifications – When the terms of a loan are modified, management must evaluate whether the terms of the loan are substantially different in order to determine the accounting treatment. If they are considered to be substantially different, the modification will be accounted for as a derecognition of the carrying value of the pre-modified loan and the recognition of a new loan at its fair value. Otherwise, the changes will be treated as a modification which will result in adjusting the carrying amount to the present value of the modified cash flows using the original effective interest rate of the loan instrument. In assessing whether the terms of a loan are substantially different, Management performs an analysis of the changes in the cash flows under the previous agreement and the new agreement and also considers other modifications that have no cash flow impacts. In the context of the simultaneous modification to the terms of several loans with the same lender, Management uses judgment to determine if the cash flow analysis should be performed on the loans in aggregate or individually. Judgment is also used to evaluate the relative importance of additional rights given to the lender such as additional Board of Director seats and the extension of the term of the security compared to the quantitative analysis.

Revenue recognition – The Corporation does at times enter into revenue agreements which provide, among other payments, up-front and milestone payments in exchange for licenses and other access to intellectual property. It may also enter into several agreements simultaneously that are different in nature such as license agreements, R&D services, supply and manufacturing agreements. In applying IFRS 15 *Revenues* recognition model, management may be required to apply, depending on the contracts, significant judgment including the identification of performance obligations.

Determining whether performance obligations are distinct involves evaluating whether the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer. Once the distinct performance obligations are identified, management must then determine if each performance obligation is satisfied at a point in time or over time. For license agreements, this requires management to assess the level of advancement of the intellectual property being licensed.

Functional currency – The functional currency of foreign subsidiaries is reviewed on an ongoing basis to assess if changes in the underlying transactions, events and conditions have resulted in a change. During the years ended December 31, 2018 and 2017 no changes were deemed necessary. This assessment is also performed for new subsidiaries. When assessing the functional currency of a foreign subsidiary, management's judgment is applied in order to determine, amongst other things, the primary economic environment in which an entity operates, the currency in which the activities are funded and the degree of autonomy of the foreign subsidiary from the reporting entity in its operations and financially. Judgment is also applied in determining whether the inter-company loans denominated in foreign currencies form part of the parent Corporation's net investment in the foreign subsidiary. Considering such loans as part of the net investment in the foreign subsidiary results in foreign currency translation gains or losses from the translation of these loans being recorded in other comprehensive loss instead of the statement of operations.

Going concern - In assessing whether the going concern assumption is appropriate and whether there are material uncertainties that may cast significant doubt about the Corporation's ability to continue as a going concern, management must estimate future cash flows for a period of at least twelve months following the end of the reporting period by considering relevant available information about the future. Management has considered a wide range of factors relating to expected cash inflows such as product sales, whether the Corporation will obtain regulatory approval for commercialization of therapeutics, licensing and milestone revenues and potential sources of debt and equity financing including the exercise of in-the-money warrants and options. Management has also estimated expected cash outflows such as operating and capital expenditures and debt

repayment schedules, including the ability to delay uncommitted expenditures. These cash flow estimates are subject to uncertainty.

Estimates and assumptions

Assessing the recoverable amount of long-lived assets – In determining the value in use and the fair value less cost to sell for the Intravenous Immuglobuline ("IVIG") cash generating unit, which includes the NantPro license, an intangible asset not yet available for use that must be tested for impairment annually or when indicators of impairment arise, Management must make estimates and assumptions regarding the estimated future cash flows and their timing including the amount and timing of the capital expenditure investments necessary to increase manufacturing capacities and to bring the facilities to Good Manufacturing Practices ("GMP") standards, when production capacities will come on-line, production costs, market penetration and selling prices for the Corporation's therapeutics and, the date of approval of the therapeutic for commercial sale. The future cash flows are estimated using a five-year projection of cash flows before taxes which are based on the most recent budgets and forecasts available to the Corporation. If the projections include revenues in the fifth year, then this year is extrapolated, using an expected annual growth rate. The estimated cash flows are then discounted to their net present value using a pre-tax discount rate that includes a risk premium specific to the line of business. During the year ended December 31, 2018, the Corporation recorded several impairments and the details are provided in note 24.

Expense recognition of restricted share units – The RSU expense recognized for which the performance conditions have not yet been met, is based on an estimation of the probability of successful achievement of a number of performance conditions, many of which depend on research, regulatory process and business development outcomes which are difficult to predict, as well as the timing of their achievement. The final expense is only determinable when the outcome is known.

Fair value of financial instruments – The individual fair values attributed to the different components of a financing transaction, are determined using valuation techniques. Management uses judgment to select the methods used to determine certain inputs/assumptions used in the models and the models used to perform the fair value calculations in order to determine, 1) the values attributed to each component of a transaction at the time of their issuance, 2) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis and 3) for disclosing the fair value of financial instruments subsequently carried at amortized cost. When the determination of the fair value of a new loan is required, discounted cash flow techniques which includes inputs that are not based on observable market data and inputs that are derived from observable market data are used. When determining the appropriate discount rates to use, Management seeks comparable interest rates where available. If unavailable, it uses those considered appropriate for the risk profile of a corporation in the industry.

The fair value estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

Valuation of deferred income tax assets – To determine the extent to which deferred income tax assets can be recognized, management estimates the amount of probable future taxable profits that will be available against which deductible temporary differences and unused tax losses can be utilized. Management exercises judgment to determine the extent to which realization of future taxable benefits is probable, considering the history of taxable profits, budgets and forecasts and availability of tax strategies.

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4. Change in standards, interpretations and accounting policies

a) Adoption of new accounting standards

The accounting policies used in these annual consolidated financial statements are consistent with those applied by the Corporation in its December 31, 2017 annual consolidated financial statements except for the amendments to certain accounting standards which are relevant to the Corporation and were adopted by the Corporation as of January 1, 2018 as described below.

IFRS 9, *Financial Instruments – Recognition and Measurement*
IFRS 9 replaces the provisions of IAS 39*, Financial Instruments – Recognition and Measurement* and provides guidance on the recognition, classification and measurement of financial assets and financial liabilities, the derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Corporation adopted IFRS 9 as of January 1, 2018 and the new standard has been applied retrospectively in accordance with the transitional provisions of IFRS 9. The following table presents the carrying amount of financial assets held by Prometic at December 31, 2017 and their measurement category under IAS 39 and the new model under IFRS 9.

	IAS 39		IFRS 9	
	Measurement category	Carrying amount	Measurement category	Carrying amount
Cash	FVPL	$ 23,166	Amortized cost	$ 23,166
Trade receivables	Amortized cost	1,796	Amortized cost	1,796
Other receivables	Amortized cost	397	Amortized cost	397
Restricted cash	FVPL	226	Amortized cost	226
Long-term receivables	Amortized cost	1,856	Amortized cost	1,856
Equity Investments	Cost	1,228	FVPL	1,228
Convertible debt	Cost	87	FVPL	87

There has been no impact caused by the new classification of financial assets under IFRS 9. The classification of all financial liabilities at amortized cost remains unchanged as well as their measurement resulting from their classification.

Under IFRS 9, modifications to financial assets and financial liabilities, shall be accounted for by recalculating the present value of the modified contractual cashflows at the original effective interest rate and the adjustment shall be recognized as a gain or loss in profit or loss. Under IAS 39, the impact of modifications was recognized prospectively over the remaining term of the debt.

The adoption of the accounting for modifications under the new standard has resulted in the restatement of the opening deficit and the long-term debt at January 1, 2018 as follows:

Deficit	$ 110
Long-term debt	(110)

IFRS 15, *Revenue from contracts with customers*
IFRS 15 replaces IAS 11, *Construction Contracts*, and IAS 18, *Revenue* and related interpretations and represents a new single model for recognition of revenue from contracts with customers. The model features a five-step analysis of transactions to determine the nature of an entity's obligation to perform and whether, how much, and when revenue is recognized.

The Corporation adopted IFRS 15 as of January 1, 2018 and the new standard has been applied retrospectively using the modified retrospective approach, where prior periods are not restated and the cumulative effect of initially applying this standard is recognised in the opening deficit balance on January 1, 2018. The Corporation has also availed itself of the following practical expedients:

- the standard was applied retrospectively only to contracts that were not completed on January 1, 2018; and

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- for contracts that were modified before January 1, 2018, the Corporation analysed the effects of all modifications when identifying whether performance obligations were satisfied, determining the transaction price and allocating the transaction price to the satisfied or unsatisfied performance obligations.

There has been no impact of the adoption of IFRS 15 as at January 1, 2018 and for the year end December 31, 2018.

IFRIC 22, *Foreign Currency Transactions and Advance Consideration* ("IFRIC 22")
IFRIC 22 addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) and on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018. The Corporation adopted IFRIC 22 retrospectively on January 1, 2018. The adoption of the standard did not have a significant impact on the financial statements.

b) New standards and interpretations not yet adopted

Standards and interpretations issued but not yet effective up to the date of the Corporation's consolidated financial statements are listed below. This listing of standards and interpretations issued are those that the Corporation reasonably expects might have an impact on disclosures, financial position or performance when applied at a future date. The Corporation intends to adopt these standards when they become effective.

IFRS 16, *Leases* ("IFRS 16")
In January 2016, the IASB issued IFRS 16, a new standard that replaces IAS 17, *Leases*. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is less than 12 months or the underlying asset has a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating leases and finance leases being retained. The adoption of IFRS 16 is mandatory and will be effective for the Corporation's fiscal year beginning on January 1, 2019. The Corporation will adopt IFRS 16 using the modified retrospective approach. The Corporation expects to recognize a material amount of right-of-use assets and lease liabilities. However, the net impact on opening deficit is not expected to be material since Prometic has elected the option to measure the right-of-use assets at an amount equal to the lease liability at the date of the transition, adjusted for any prepaid and liability existing at the date of transition. The Corporation is in the process of completing its evaluation of the impact of adopting IFRS 16 on its consolidated financial statements.

5. Accounts receivable

		December 31, 2018		December 31, 2017
Trade receivables	**$**	**7,051**	$	1,796
Tax credits and government grants receivable		**3,737**		3,883
Sales taxes receivable		**774**		763
Other receivables		**320**		397
	$	**11,882**	$	6,839

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6. Inventories

		December 31, 2018		December 31, 2017
Raw materials	$	**5,428**	$	24,075
Work in progress		**3,740**		10,090
Finished goods		**2,860**		1,848
	$	**12,028**	$	36,013

During the year ended December 31, 2018, inventories sold in the amount of $33,431 were recognized as cost of sales and production ($6,594 for the year ended December 31, 2017). Inventory write-downs of $3,009, also included in cost of sales and other production expenses, were recorded during the year ended December 31, 2018 ($246 for the year ended December 31, 2017). Of the amount recorded during the year ended December 31, 2018, $1,522 pertains to a net realizable value write-down taken on raw materials as the Corporation sold some plasma for an amount which was below the carrying cost of the inventory.

7. Other long-term assets

		December 31, 2018		December 31, 2017
Restricted cash (a)	$	**245**	$	226
Long-term receivables		**142**		1,856
Deferred financing costs		**-**		5,266
Equity investments in scope of IFRS 9		**24**		1,228
Convertible debt (b)		**-**		87
	$	**411**	$	8,663

a) Restricted Cash

Restricted cash is composed of a guaranteed investment certificate, bearing interest at 0.35% per annum (at December 31, 2017, bearing interest at 0.35%), pledged as collateral for a letter of credit to a landlord which automatically renews until the end of the lease.

b) Convertible Debt

At December 31, 2018, the Corporation has invested $1,181 (US$ 866,000) in convertible debt of Prothera Biologics Inc. (“ProThera”). The convertible debt is convertible at the option of the issuer or the holder into preferred shares of ProThera (see note 10), denominated in U.S. dollars and earning interest at 8.0% per annum, to be received at the date of maturity which is January 3, 2020.

The transactions during the year ended December 31, 2018 and 2017 and the carrying value of the convertible debt at December 31, 2018 and 2017 were as follows:

		2018		2017
Balance at January 1,	$	**87**	$	84
Additions		**955**		-
Interest income		**61**		11
Foreign exchange revaluation		**78**		(8)
Change in fair value of financial instruments measured at FVPL (note 24)		**(1,181)**		-
Balance at December 31,	$	**-**	$	87

On January 3, 2019, the principal of the loan and the interest outstanding at December 31, 2018 were converted into preferred shares of ProThera Biologics, Inc. (“ProThera”) by the issuer.

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c) Option to purchase equipment

The Corporation acquired an option to purchase equipment located in Europe in January 2018 which purchase was settled by the issuance of common shares as described in note 17a. An impairment loss of $653 was subsequently recorded for the full value of the option (note 24).

8. Capital assets

	Land and Buildings	Leasehold improvements	Production and laboratory equipment	Furniture and computer equipment	Total
Cost					
Balance at January 1, 2017	$ 4,501	$ 11,145	$ 32,063	$ 2,831	$ 50,540
Additions	38	1,587	5,321	806	7,752
Disposals	-	-	(680)	(90)	(770)
Effect of foreign exchange differences	-	92	83	8	183
Balance at December 31, 2017	**$ 4,539**	**$ 12,824**	**$ 36,787**	**$ 3,555**	**$ 57,705**
Additions	**28**	**2,977**	**2,396**	**279**	**5,680**
Disposals	**-**	**-**	**(452)**	**(58)**	**(510)**
Effect of foreign exchange differences	**-**	**233**	**154**	**10**	**397**
Balance at December 31, 2018	**$ 4,567**	**$ 16,034**	**$ 38,885**	**$ 3,786**	**$ 63,272**
Accumulated depreciation					
Balance at January 1, 2017	$ 27	$ 3,106	$ 5,227	$ 987	$ 9,347
Depreciation expense	192	580	2,221	639	3,632
Disposals	-	-	(521)	(84)	(605)
Effect of foreign exchange differences	-	40	35	2	77
Balance at December 31, 2017	**$ 219**	**$ 3,726**	**$ 6,962**	**$ 1,544**	**$ 12,451**
Depreciation expense	**195**	**641**	**2,511**	**739**	**4,086**
Disposals	**-**	**-**	**(146)**	**(36)**	**(182)**
Impairments	**-**	**-**	**5,689**	**-**	**5,689**
Effect of foreign exchange differences	**-**	**54**	**55**	**6**	**115**
Balance at December 31, 2018	**$ 414**	**$ 4,421**	**$ 15,071**	**$ 2,253**	**$ 22,159**
Carrying amounts					
At December 31, 2018	**$ 4,153**	**$ 11,613**	**$ 23,814**	**$ 1,533**	**$ 41,113**
At December 31, 2017	4,320	9,098	29,825	2,011	45,254

As at December 31, 2018, there are $8,322 and $6,610 of production and laboratory equipment and leasehold improvements, respectively, net of government grants, that are not yet available for use and for which depreciation has not started ($10,219 and $3,524 as of December 31, 2017).

Certain investments in equipment are eligible for government grants. The government grants receivable are recorded in the same period as the eligible additions and are credited against the capital asset addition. During the year ended December 31, 2018, the Corporation recognized $2 ($231 during the year ended December 31, 2017) in government grants.

As at December 31, 2018, production and laboratory equipment includes assets under finance leases with a net carrying amount of $1,044 ($1,131 as at December 31, 2017).

An impairment loss of $5,689 was recorded on certain equipment during the year ended December 31, 2018 (note 24).

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9. Intangible assets

	Licenses and other rights	Patents	Software	Total
Cost				
Balance at January 1, 2017	$ 153,603	$ 6,102	$ 1,451	$ 161,156
Additions	963	742	757	2,462
Disposals	-	(593)	-	(593)
Effect of foreign exchange differences	6	95	5	106
Balance at December 31, 2017	**$ 154,572**	**$ 6,346**	**$ 2,213**	**$ 163,131**
Additions	**5,512**	**639**	**1,145**	**7,296**
Disposals	**-**	**(332)**	**(68)**	**(400)**
Effect of foreign exchange differences	**698**	**344**	**(4)**	**1,038**
Balance at December 31, 2018	**$ 160,782**	**$ 6,997**	**$ 3,286**	**$ 171,065**
Accumulated amortization				
Balance at January 1, 2017	$ 3,293	$ 1,930	$ 446	$ 5,669
Amortization expense	197	458	289	944
Disposals	-	(195)	-	(195)
Effect of foreign exchange differences	7	57	2	66
Balance at December 31, 2017	**$ 3,497**	**$ 2,250**	**$ 737**	**$ 6,484**
Amortization expense	**556**	**448**	**368**	**1,372**
Disposals	**-**	**(177)**	**(38)**	**(215)**
Impairments	**142,609**	**-**	**-**	**142,609**
Effect of foreign exchange differences	**694**	**317**	**1**	**1,012**
Balance at December 31, 2018	**$ 147,356**	**$ 2,838**	**$ 1,068**	**$ 151,262**
Carrying amounts				
At December 31, 2018	**$ 13,426**	**$ 4,159**	**$ 2,218**	**$ 19,803**
At December 31, 2017	151,075	4,096	1,476	156,647

On January 29, 2018, the Corporation acquired two licenses. The first license, valued at $1,743, was paid for by the issuance of warrants (note 17c). The second license was purchased for an equivalent of US$3 million; US$1 million on the date of the transaction, and another US$1 million on both the first and second anniversary of the transaction, to be settled in common shares of the Corporation (see note 16c for the license acquisition payment obligation and note 17a for the shares issued on the transaction date). The value attributed to the second license, based on the value recorded for the initial equity issued and the value of the payment obligation at the date of the transaction is $3,769. The estimated useful lives of the licenses is 10 years and 20 years for the first and second license, respectively.

Intangible assets include $7,106 pertaining to a reacquired right from a licensee; these rights are not yet available for use and consequently their amortization has not commenced.

An impairment loss of $142,609 was recorded on certain licenses during the year ended December 31, 2018 (note 24).

10. Investment in an associate

At each reporting period, the Corporation assesses whether it has significant influence over its investments. During the quarter ended September 30, 2018, the Corporation concluded it exerted significant influence over ProThera, a company headquartered in Rhode Island, U.S.A., since August 15, 2018. As such, ProThera is considered an associate as well as a related party from that date and consequently, the equity investment in ProThera is accounted for using the equity method (note 2), and the transactions between the Corporation and its associate are disclosed in the consolidated financial statements as of December 31, 2018.

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ProThera is a biotherapeutics company developing methods for using Inter-alpha Inhibitor Proteins ("IaIP") to treat severe inflammation associated with infection, trauma and disease. The Corporation entered into research and development agreements as well as a license agreement with ProThera in 2015 to develop, manufacture and market IaIP for the treatment of two indications, one of which is Necrotizing Enterocolitis. As of December 31, 2018, Prometic holds 15.2% of the outstanding common shares of Prothera having a historical cost of $1,204. It also holds an investment in convertible debt of ProThera (note 7).

As required when significant influence over an investment is obtained, the investment must be measured at fair value as of the date it became an associate. A fair value approach was applied by management in developing preliminary estimates of the identifiable assets and liabilities of ProThera. These fair value assessments require management to make significant estimates and assumptions as well as applying judgment in selecting the appropriate valuation techniques, building valuation models, and compiling, preparing and validating this information. When publishing, its third quarter results at September 30, 2018, certain aspects of the valuation were not finalized, namely the valuation of the intangible assets and therefore the amounts recognized were based on the preliminary results.

During the fourth quarter of 2018, following changes to the Corporation's strategic plans, an impairment of the investment in the associate, in the amount of $1,182 was recognized (note 24).

Changes in the carrying amount of the investment in an associate from the date it was initially recognized as an associate on August 15, 2018 to December 31, 2018 are as follows:

Loss and comprehensive loss of an associate from August 15 to December 31, 2018	$	144
Share of losses of an associate		22
Historical cost of the investment in an associate		1,204
Less : share of losses of an associate		22
Less: impairment on investment in an associate		1,182
Carrying amount of the investment in an associate	$	-

11. Accounts payable and accrued liabilities

		December 31, 2018		December 31, 2017
Trade payables	**$**	**21,097**	$	19,333
Wages and benefits payable		**1,975**		6,839
Current portion of operating and finance lease inducements and obligations (note 15)		**5,844**		3,301
Current portion of settlement fee payable (note 16a)		**102**		102
Current portion of royalty payment obligations (note 16b)		**68**		-
Current portion of license acquisition payment obligation (note 16c)		**1,363**		-
Current portion of other employee benefit liabilities (note 16)		**1,406**		379
	$	**31,855**	$	29,954

12. Advance on revenues from a supply agreement

The Corporation entered into a loan agreement with a customer whereby it received an advance on revenues relating to a supply agreement between the parties. The principal amount of the advance bore interest at a rate of 5% per annum and was being repaid as products were supplied and revenues received. The advance was fully repaid in September 2018.

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13. Long-term debt

The transactions during the years ended December 31, 2018 and 2017 and the carrying value of the long-term debt at December 31, 2018 and 2017 were as follows:

		2018		2017
Balance at January 1,	$	**87,020**	$	48,115
Impact of adoption of IFRS 9 (note 4a)		**(110)**		-
Interest accretion		**18,856**		7,686
Repayment of principal on long-term debt		**(3,184)**		(3,454)
Repayment of stated interest on long-term debt		**(3,934)**		(163)
Reduction of the face value of the second OID loan by $3,917		**(2,639)**		-
Extinguishment of loans - November 14, 2018 debt modification		**(155,055)**		-
Recognition of loans - November 14, 2018 debt modification		**107,704**		-
Drawdown on Credit Facility		**71,721**		21,098
Foreign exchange revaluation on Credit Facility balance		**5,425**		(491)
Issuance of third OID loan		**-**		18,363
Reduction of the face value of the third OID loan by $8,577		**-**		(4,134)
Balance at December 31,	$	**125,804**	$	87,020

At December 31, 2018 and 2017, the carrying amount of the debt comprised the following loans:

		2018		2017
First OID loan having a face value of $63,273 maturing on September 30, 2024 with an effective interest rate of 20.06% [1) 3)]	$	**27,221**	$	32,721
Second OID loan having a face value of $17,694 maturing on September 30, 2024 with an effective interest rate of 20.06% [1) 3)]		**7,612**		13,355
Third OID loan having a face value of $31,370 maturing on September 30, 2024 with an effective interest rate of 20.06% [1) 3)]		**13,495**		15,815
US dollars Credit Facility draws, expiring on September 30, 2024 bearing stated interest of 8.5% per annum (effective interest rate of 18.87%) [1)]		**76,365**		20,876
Government term loan having a principal amount of $1,000 full repayable on August 31, 2018 with an effective interest rate of 9.2% and a stated interest of 3.2% [2)]		**-**		973
Non-interest bearing government term loan having a principal amount of $1,153 repayable in equal monthly installments of $82 until January 31, 2020 with an effective interest rate of 8.8%		**1,111**		2,249
Non-interest bearing government term loan having a principal amount of $1,031 full repayable on January 5, 2018 with an effective interest rate of 9.1%		**-**		1,031
	$	**125,804**	$	87,020
Less current portion of long-term debt		**(3,211)**		(3,336)
Long-term portion of long-term debt	$	**122,593**	$	83,684

1)The loans are secured by all the assets of the Corporation and require that certain covenants be respected including maintaining an adjusted working capital ratio.

2) The loan is secured by the land, the manufacturing facility and equipments located in Belleville. At December 31, 2017, the net carrying value of the secured assets was $8,678.

3) On July 31, 2022, the OID loans will be converted into cash paying loans bearing interest at an annual rate of 10%, payable quarterly.

2018

In November 2017, the Corporation entered into a Credit Facility agreement bearing interest of 8.5% per annum expiring on November 30, 2019. The Credit Facility comprised two US$40 million tranches which become available to draw down once certain conditions were met. The drawdowns on the available tranches were limited to US$10 million per month.

As part of the agreement, the Corporation issued 54 million warrants on November 30, 2017 (“Warrants #7”) to the holder of the long-term debt in consideration for the Credit Facility. Further details concerning the warrants are provided in note 17c. At each

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drawdown, the value of the proceeds drawn are allocated to the debt and the warrants classified as equity based on their fair value.

A royalty agreement between the Corporation and holder of long-term debt became effective upon drawing on the second tranche of the Credit Facility and then was subsequently modified as part of the loan modification discussed below. The proceeds to be received upon the first three draws on the second US$40 million tranche was increased from US$10.0 million to US$11.5 million to include the consideration paid by the holder for the royalty commitment (see note 16b).

The Corporation drew on the remaining US$60 million available on the Credit Facility throughout the year, bringing the cumulative draws from US$20 million at December 31, 2017 to US$80 million at December 31, 2018.

The table below summarizes by quarter, the impact of the various drawdowns and the royalty proceeds on the consolidated financial statements:

			Allocation of Proceeds		
Quarter	USD proceeds	CAD equivalent	Debt	Warrants	Royalty liability
Q1 2018	20,000,000	25,155,000	19,585,372	5,569,628	-
Q2 2018	11,500,000	14,768,300	12,881,631	1,886,669	-
Q3 2018	23,000,000	29,808,690	27,144,445	2,531,438	132,807
Q4 2018	10,000,000	13,280,100	12,109,314	1,170,786	-

For the August and September 2018 draws, the holder of the long-term debt used the set-off of principal right under the Original Issue Discount ("OID") loan agreements to settle $3,917 (US$3 million) of the amounts due to the Corporation under the royalty agreement by reducing the face value of the second OID loan from $21,172 to $17,255. As a result, the cash proceeds received for those two draws were $25,892.

These transactions were accounted for as an extinguishment of a portion of the OID loan and the difference between the adjustment to the carrying value of the loan of $2,639 and the reduction in the face value of the OID loan of $3,917, was recorded as a loss on extinguishment of liabilities of $1,278.

On November 14, 2018, the Corporation and the holder of the debt modified the terms of the four loan agreements to extend the maturity date of the Credit Facility from November 30, 2019 to September 30, 2024 and all three OID loans from July 31, 2022 to September 30, 2024. Interest on amounts outstanding on the Credit Facility will continue to be payable quarterly at an annual rate of 8.5% during the period of the extension. As of July 31, 2022, the OID loans will be restructured into cash paying loans bearing interest at an annual rate of 10%, payable quarterly. The outstanding face values of the OID loans at that date will become the principal amounts of the restructured loans. As additional consideration for the extension of the maturity dates, Prometic agreed to cancel 100,117,594 existing warrants (Warrants #3 to 7) and issue replacement warrants to the holder of the long-term debt, bearing a term of 8 years and exercisable at a per share price equal to $1.00 (note 17c). The exact number of warrants to be granted will be set at a number that will result in the holder of the long-term debt having a 19.99% fully-diluted ownership level in Prometic upon issuance of the warrants, which are to be issued no later than March 15, 2019. On November 30, 2018, Warrants #3 to 7 were cancelled and 128,056,881 warrants to purchase common shares ("Warrants #8"), representing a portion of the replacement warrants, were issued. At the end of the agreed upon measurement period for calculating the number of new warrants to be issued, Prometic will issue the remaining replacement warrant under a new series of warrants ("Warrants #9"), which will give the holder the right to acquire preferred shares (note 14). The holder of the long-term debt also obtained the Corporation's best efforts to support the election of a second representative of the lender to the Board of directors of the Corporation, and the extension of the security to the royalty agreement.

Management assessed the changes made to the previous agreements and determined that the modification should be accounted for as an extinguishment of the previous loans and the recording of new loans at their fair value determined as of the date of the modification. The fair value of the modified loans, determined using a discounted cash flow model with a market interest rate of 20.1%, was $107,704. Any cost or fees incurred with this transaction were recognized as part of the gain on extinguishment, including legal fees incurred in the amount of $434 and the improvements to the terms of the warrants. To

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determine this value, the Corporation estimated the fair value of the vested warrants (Warrants #3 to 7) and the fair value of the new warrants, excluding the 6,000,000 warrants that were associated with the last draw on the Credit Facility that occurred on November 22, 2018. The incremental fair value was $8,778 of which $338 pertains to Warrants #9 (note 14).

In addition, the fees incurred in regards of the Credit Facility, that were previously recorded in the consolidated statement of financial position as other long-term assets and were being amortized and recognized in the consolidated statement of operations over the original term of the Credit Facility, were recognized as part of the gain on extinguishment for an amount of $3,245.

As a result of this transaction and the extinguishments of debt that occurred earlier in the year following the use of the set-off of principal right by the debt holder, the consolidated statement of operations for the year ended December 31, 2018, includes a gain on extinguishment of liabilities of $33,626 detailed as follows:

Gain on extinguishment of liabilities due to November 14, 2018 debt modification		
Comprising the following elements:		
Extinguishment of previous loans	$	(155,055)
Expensing of deferred financing fees on Credit Facility		3,245
Recognition of modified loans		107,704
Expensing of increase in the fair value of the warrants		8,778
Warrants proceeds		(10)
Expensing of legal fees incurred with the debt modification		434
Gain on extinguishment of liabilities due to November 14, 2018 debt modification	$	(34,904)
Loss on extinguishment of liabilities due to set-off of principal		1,278
Gain on extinguishments of liabilities	$	(33,626)

At December 31, 2018, the Corporation was not in breach of its covenants under its credit facilities, as a result of a waiver obtained in December, wherein the holder of the long-term debt confirmed that the breached covenants will not be deemed to constitute an event of default. The holder of the long-term debt also agreed to defer the payment of interest that was originally due under the terms of the existing Credit Facility on December 31, 2018, to early January 2019.

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On April 27, 2017, the Corporation and the holder of the long-term debt signed a third OID loan agreement and warrants ("Warrants #6") for total proceeds of $25,010. The total proceeds were allocated to the debt based on its fair value at the issue date and the residual amount was attributed to the warrants that are classified as equity. Further details concerning the warrants are provided in note 17c. Under the terms of the loan, the Corporation will repay the face value of the OID loan, in the amount of $39,170 at maturity on July 31, 2022. The OID loan was recorded at its fair value at the transaction date less the associated transaction costs of $184 for a net amount of $18,363. The fair value of the loan was determined using a discounted cash flow model for the debt instrument with a market interest rate of 15.5%.

In July 2017, the holder of the long-term debt used the set-off of principal right under the loan agreements, to settle the amounts due to the Corporation, following its participation in a private placement for 5,045,369 common shares which occurred concurrently with the closing of a public offering of common shares on July 6, 2017.

As a result, the face value of the third OID loan was reduced by $8,577, from $39,170 to $30,593. The reduction of $8,577 is equivalent to the value of the shares issued at the agreed price of $1.70 concluded in connection with the private placement. This transaction was accounted for as an extinguishment of a portion of the OID loan and the difference between the adjustment to the carrying value of the loan of $4,134 and the amount recorded for the shares issued of $8,325, as explained in the following paragraph, was recorded as a loss on extinguishment of a liabilities of $4,191.

The shares were recorded at fair value, determined using the closing price of $1.65 on the date of issue July 6, 2017, resulting in a value of the shares issued of $8,325.

(In thousands of Canadian dollars)

On November 30, 2017, the Corporation entered into the Credit Facility agreement.

The Corporation drew on the Credit Facility on November 30, 2017 and on December 14, 2017 respectively. The total proceeds allocated to the debt upon the two drawdowns in 2017 was $21,098. The fair value of the debt was determined using a discounted cash flow model for the debt instrument with a market interest rate of 16.4%. The fees incurred in regards of the Credit Facility, which comprise legal fees and also the 10,000,000 warrants issued upon signature of the Credit Facility (note 17c), for a total of $5,473 have been recorded in the consolidated statement of financial position as other long-term assets and will be amortized and recognized into the consolidated statement of operations over the term of the Credit Facility.

14. Warrant Liability

As consideration for the modification of the terms of the loan agreements (note 13), the Corporation has a commitment to issue Warrants #9 to the holder of the long-term debt on or before March 15, 2019. The exact number of warrants will be based on the number of warrants necessary to increase the ownership of the holder of the long-term debt to 19.99% on a fully diluted basis at the date of issuance. Each warrant will entitle the holder to acquire one preferred share (note 17a) at a price of $1 per share and will expire eight years after their date of issuance. The Warrants #9 do not meet the definition of an equity instrument since the underlying preferred shares qualify as a liability instrument, and therefore they must be accounted for as a financial instrument carried at FVPL.

The estimated fair-value of these warrants at as November 14, 2018 and as December 31, 2018 was $338 and $157. The change in fair value of the warrants, a gain of $181 was recorded in the consolidated statements of operations. These fair values were calculated using a Black-Scholes option pricing model with the assumptions provided in the table below. In order to estimate the fair-value of the underlying preferred share, the Corporation has used the market price of Prometic's common share at the date of the estimate, discounted for the fact that the preferred shares are illiquid. The value of the discount was calculated using a European put option model to sell a common share of Prometic at the price of $1 per share in 20 years.

The following assumptions were used in determining the fair value of Warrants #9 on November 14, 2018, the date of issuance, and December 31, 2018:

	November 14, 2018	December 31, 2018
Underlying preferred share fair value	0.22	0.13
Number of warrants to be issued	9,781,576	14,088,498
Volatility	45.9%	44.5%
Risk-free interest rate	2.76%	2.82%
Remaining life until expiry	8.0	7.9
Expected dividend rate	-	-

15. Operating and finance lease inducements and obligations

		December 31, 2018		December 31, 2017
Finance lease obligations	**$**	**818**	$	972
Deferred operating lease inducements and obligations		**6,876**		4,402
	$	**7,694**	$	5,374
Less current portion of operating and finance lease inducements and obligations (note 11)		**(5,844)**		(3,301)
	$	**1,850**	$	2,073

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The following table presents the future minimum finance lease payments as of December 31, 2018:

	Within 1 year	2 - 5 years	Total
Future minimum lease payments	$ 415	$ 485	$ 900
Less future finance costs	(52)	(30)	(82)
Finance lease obligation	$ 363	$ 455	$ 818

16. Other long-term liabilities

	December 31, 2018	December 31, 2017
Settlement fee payable (a)	**$ 102**	$ 190
Royalty payment obligations (b)	**3,077**	2,963
License acquisition payment obligation (c)	**2,726**	-
Other employee benefit liabilities	**2,399**	593
Other long-term liabilities	**330**	70
	$ 8,634	$ 3,816
Less:		
Current portion of settlement fee payable (note 11)	**(102)**	(102)
Current portion of royalty payment obligations (note 11)	**(68)**	-
Current portion of license acquisition payment obligation (note 11)	**(1,363)**	-
Current portion of employee benefit liabilities (note 11)	**(1,406)**	(379)
	$ 5,695	$ 3,335

a) Settlement of litigation

During the year ended December 31, 2012, the Corporation was served with a lawsuit in the Federal Court of Canada (Court) relating to a claim for infringement of two Canadian issued patents held by a third party plaintiff, GE Healthcare Biosciences AB ("GE"). The Corporation filed a statement of defence on the infringement claims, in addition to a counterclaim requesting that the Court declare both patents invalid and unenforceable.

The Corporation and GE entered into a settlement and license agreement on October 25, 2016 to mutually discontinue all past claims and counterclaims between the parties and to commercialize the underlying technologies over the term of the license, which shall not extend, on a country-by-country basis, beyond October 2021 (the "Term"). Under the agreement, Prometic shall pay GE an aggregate amount of $1,000 between October 25, 2016 and October 25, 2020 in consideration thereof, Minimum Annual Royalty ("MAR") payments totaling $587 over the Term and a 2% net sales royalty on sales of certain Prometic bioseparation products to third parties and affiliates during the Term; the royalties being creditable against the MAR. After the Term of the agreement, sales of the products will be royalty-free. The net sales royalty expense will be recorded as such product sales are recognized.

b) Royalty payment obligations

i) Royalty payment obligations to the holder of the long-term debt

During the second quarter of 2018, the Corporation signed a royalty agreement with the holder of the long-term debt at the same time as certain conditions pertaining to the second advance of the Credit Facility were modified. As a result of the agreement, the Corporation obtained the right to receive US$1.5 million milestone payments upon each draw of the second tranche of the Credit Facility in exchange for increasing royalty entitlements on future revenues relating to patents existing as of the date of the agreement of PBI-1402 and analogues, including PBI-4050. The agreement includes a minimum royalty payment of US$5,000 per quarter until approximately 2033 and a liability of $138 was recognized in the consolidated statement of financial position at December 31, 2018 representing the discounted value of the minimum royalty payments to be made until the expiry of the patents covered by the agreement, using a discount rate of 18.57%. In the case where royalties based on revenues became payable, the minimum royalty previously paid would be deducted from future remittances.

(In thousands of Canadian dollars)

On November 14, 2018, as part of the debt modification agreement, the royalty rate was increased from 1.5% to 2% on future revenues relating to the specified patents and the right to receive the final US$1.5 million milestone payment was foregone.

ii) Royalty payment obligation for reacquired rights

As part of the consideration given by the Corporation in 2016 for the reacquisition of the rights to 50% of the worldwide profits pertaining to the sale of plasminogen for the treatment of plasminogen congenital deficiency which were previously granted to a licensee under a license agreement, the Corporation agreed to make royalty payments on the sales of plasminogen for congenital deficiency, using a rate of 5% up to a total of US$2.5 million. If by December 2020 the full royalty obligation has not been paid, the unpaid balance will become due. The Corporation has recognized a royalty payment obligation of $2,898 (US$2.1 million) in the consolidated statement of financial position at December 31, 2018 ($2,963 at December 31, 2017), representing the discounted value of the expected royalty payments to be made until December 2020, using a discount rate of 9.2%.

c) Licence acquisition payment obligation

In consideration for acquiring a license (note 9), the Corporation agreed to pay an equivalent of US$3 million; US$1 million on the date of the transaction, and US$1 million on both the first and second anniversary of the transaction, to be settled in common shares of the Corporation. A $2,726 financial liability has been recognised for the second and third payments.

17. Share capital and other equity instruments

a) Share capital

Authorized and without par value:

Common shares: unlimited number authorized, participating, carrying one vote per share, entitled to dividends.

Preferred shares: unlimited number authorized, issuable in one or more series.

- Unlimited number of series A preferred shares, no par value, non-voting, ranking in priority to the common shares, entitled to the same dividends as the common shares, non-transferable, redeemable at the redemption amount offered for the common shares upon a change in control event.

	December 31, 2018		December 31, 2017	
	Number	**Amount**	Number	Amount
Issued common shares	**720,368,286**	**$ 583,517**	710,593,273	$ 575,550
Share purchase loan to a former officer	**-**	**(400)**	-	(400)
Issued and fully paid common shares	**720,368,286**	**$ 583,117**	710,593,273	$ 575,150

At December 31, 2017, the maturity date of the outstanding share purchase loan issued to an officer of the Corporation was the earlier of (i) March 31, 2019 or (ii) 30 days preceding a targeted NASDAQ or NYSE listing date of Prometic's shares. The share purchase loan bears interest at prime plus 1%.

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Changes in the issued and outstanding common shares during the years ended December 31, 2018 and 2017 were as follows:

	December 31, 2018		December 31, 2017	
	Number	**Amount**	Number	Amount
Balance - beginning of year	**710,593,273**	**$ 575,150**	623,229,331	$ 480,237
Issued to acquire assets	**1,113,342**	**1,960**	-	-
Issued to acquire non-controlling interest (note 18)	**4,712,422**	**3,629**	-	-
Exercise of future investment rights (note 17d)	**-**	**-**	44,791,488	27,594
Exercise of stock options (note 17b)	**1,689,624**	**1,073**	3,086,203	811
Shares issued under restricted share units plan (note 17b)	**313,625**	**554**	3,190,882	5,058
Share issued for cash	**1,946,000**	**751**	31,250,000	53,125
Issued in consideration of loan extinguishment (note 13)	**-**	**-**	5,045,369	8,325
Balance - end of year	**720,368,286**	**$ 583,117**	710,593,273	$ 575,150

2018

On January 29, 2018, the Corporation issued 742,228 common shares in partial payment for the acquisition of a license (note 9) and 371,114 common shares to acquire an option to buy production equipment currently located in Europe (note 7). Based on the $1.76 share price on that date, the values attributed to the shares issued were $1,960.

On April 27, 2018, the Corporation reacquired the non-controlling shareholders' 13% interest in Prometic Bioproduction Inc. in exchange for the issuance of 4,712,422 common shares. Based on the $0.77 share price on that date, the value attributed to the shares issued was $3,629 (note 18).

On November 27, 2018, the Corporation entered into an "At-the-Market" ("ATM") equity distribution agreement ("EDA") under which the Corporation is able, at its discretion and from time to time, subject to conditions in the EDA, to offer common shares through ATM issuances on the TSX or any other marketplace for aggregate proceeds not exceeding $31.0 million. This agreement provides that common shares are to be sold at market prices prevailing at the time of sale. Through December 31, 2018, the Company has issued a total of 1,946,000 common shares at an average price of $0.39 per share under the ATM for aggregate gross proceeds of $751, less transaction costs of $23 recorded in deficit, for total net proceeds of $728.

2017

On July 6, 2017, the Corporation issued 31,250,000 common shares following a bought deal public offering for gross proceeds of $53,125. The underwriters received a cash commission of 6% of the gross proceeds of the offering. Concurrently with the bought deal public offering, the Corporation concluded a private placement with the holder of the long-term debt. Using the rights conveyed under the loan agreement, the holder of the long-term debt elected to extinguish a portion of the face value of the third OID loan as consideration for the 5,045,369 shares issued (note 13). The aggregate issuance costs related to these issuances, including the commission, in the amount of $3,878, were recorded against the deficit during the year ended December 31, 2017.

b) Contributed surplus (share-based payments)

Stock options

The Corporation has established a stock option plan for its directors, officers, employees and service providers. The plan provides that the aggregate number of shares reserved for issuance at any time under the plan may not exceed 40,634,585 common shares and the maximum number of common shares, which may be reserved for issuance to any individual, may not exceed 5% of the outstanding common shares. The stock options issued under the plan may be exercised over a period not exceeding ten years from the date they were granted. The vesting period of the stock options varies from immediate vesting to vesting over a period not exceeding 5 years. Participants meeting certain service and age requirements may see the vesting of certain awards accelerate upon retirement. The vesting conditions are established by the Board of Directors on the grant date. The exercise price is based on the weighted average share price for the five business days prior to the grant.

(In thousands of Canadian dollars)

Changes in the number of stock options outstanding during the years ended December 31, 2018 and 2017 were as follows:

	2018		2017	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance - beginning of year	**14,463,270**	**$ 1.79**	14,372,640	$ 1.41
Granted	**10,882,961**	**0.76**	3,809,870	1.99
Forfeited	**(428,578)**	**1.99**	(630,037)	2.53
Exercised	**(1,689,624)**	**0.38**	(3,086,203)	0.16
Expired	**(1,413,000)**	**0.41**	(3,000)	0.12
Balance - end of year	**21,815,029**	**$ 1.47**	14,463,270	$ 1.79

During the year ended December 31, 2018, 10,882,961 options having a contractual term of 10 years were granted.

During the year ended December 31, 2018, 1,689,624 stock options were exercised resulting in cash proceeds of $635 and a transfer from contributed surplus to share capital of $438. The weighted average share price on the date of exercise of the options during the year ended December 31, 2018 was $1.04.

During the year ended December 31, 2017, 177,050 and 3,632,820 options having a contractual term of five and ten years respectively were granted. All other outstanding options have a contractual term of five years.

During the year ended December 31, 2017, 3,086,203 options were exercised resulting in cash proceeds of $481 and a transfer from contributed surplus to share capital of $330. The weighted average share price on the date of exercise of the options during the year ended December 31, 2017 was $1.71.

At December 31, 2018, stock options issued and outstanding by range of exercise price are as follows:

Range of exercise price	Number outstanding	Weighted average remaining contractual life (in years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
$0.34 - $0.88	10,860,761	9.9	$ 0.76	727,822	$ 0.77
$1.10 - $2.02	2,731,036	1.7	1.27	2,335,427	1.22
$2.07 - $2.44	5,595,533	5.1	2.23	3,423,087	2.29
$2.55 - $3.19	2,627,699	2.4	2.98	1,683,194	2.98
	21,815,029	6.7	$ 1.47	8,169,530	$ 1.99

The Corporation uses the Black-Scholes option pricing model to calculate the fair value of options at the date of grant. The weighted average inputs into the model and the resulting grant date fair values during the year ended December 31, 2018 and 2017 were as follows:

	2018	2017
Expected dividend rate	**-**	-
Expected volatility of share price	**66.1%**	61.8%
Risk-free interest rate	**2.1%**	1.2%
Expected life in years	**7.9**	6.8
Weighted average grant date fair value	**$ 0.22**	$ 1.19

The expected volatility was based on historical volatility of the common shares while the expected life was based on the historical holding patterns. The fair value of the grants is expensed over the vesting period on the assumption that between 3.6% to 5.9% (between 3.4% and 5.5% in 2017) of the unvested stock options will be forfeited annually over the service period.

A share-based payment compensation expense of $3,372 was recorded for the stock options for the year ended December 31, 2018 ($3,436 for the year ended December 31, 2017).

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Restricted share units

The Corporation has established an equity-settled restricted share units plan for executive officers of the Corporation, as part of its incentive program designed to align the interests of its executives with those of its shareholders, and in accordance with its Long Term Incentive Plan. The vesting conditions are established by the Board of Directors on the grant date and must generally be met within 3 years. Participants meeting certain service and age requirements may see the vesting of certain awards accelerate upon retirement. Each vested RSU gives the right to receive a common share.

2018
On December 4, 2018, the Corporation granted 10,356,110 RSU to management (the "2018-2020 RSU") with a time period to meet the vesting conditions extending to December 31, 2020. The grant included 2,385,909 units that vest at a rate of 33.3% at the end of each year and become available for release at the time of vesting, and 7,970,201 units that have performance-based conditions with a scaling payout depending on performance (ranging from 0% to 150%). These 2018-2020 performance-based RSU will only vest at the end of 2020 if individual RSU objectives are met and if the participant is still employed by the Corporation at that time.

2017
During 2017, the Board decided to replace 1,220,623 of the expired RSU with an equivalent number of RSU keeping the same vesting conditions but extending the evaluation period for the attainment of the objectives by one year to December 31, 2017. The replacement RSU were issued on April 11, 2017. This transaction was accounted for as a modification of the existing RSU that did not have an impact on the value of the RSU.

The RSU granted prior to the grant on November 24, 2017 vest upon achievement of various corporate and commercial objectives and the underlying shares become available for issuance once the RSU are vested. On November 24, 2017, the Corporation granted 6,228,456 RSU to management (the "2017-2019 RSU"), the time period to meet the vesting conditions goes until December 31, 2019. The grant included 1,132,448 units that vest at a rate of 33.3% at the end of each year and become available for release at the time of vesting, and 5,096,008 units that have performance-based conditions with a scaling payout depending on performance. These 2017-2019 performance based RSU will only vest at the end of 2019 if individual RSU objectives are met and if the participant is still at the employ of the Corporation at that time.

Changes in the number of RSU outstanding during the years ended December 31, 2018 and 2017 are presented in the following table. The units granted represent the maximum payout possible based on achievement of all objectives.

	2018	2017
Balance - beginning of year	**10,561,283**	9,999,251
Granted	**10,356,110**	7,449,079
Expired	**(2,032,872)**	(3,157,311)
Forfeited	**(53,329)**	(538,854)
Released	**(313,625)**	(3,190,882)
Balance - end of year	**18,517,567**	10,561,283

The grant date fair value of a 2018-2020 RSU is $0.39 (2017-2019 RSU is $1.42). A share-based payment compensation expense of $3,350 was recorded during the year ended December 31, 2018 ($5,226 for the year ended December 31, 2017). At December 31, 2018, there were 3,303,687 vested RSU outstanding (1,895,224 at December 31, 2017) and 15,213,880 unvested RSU outstanding (8,666,059 at December 31, 2017). During the year ended December 31, 2018, 313,625 vested RSU were released and an equivalent number of shares were issued out of treasury resulting in a transfer from contributed surplus to share capital of $554 (3,190,882 and $5,058 respectively at December 31, 2017).

(In thousands of Canadian dollars)

Share-based payment expense

The total share-based payment expense, comprising the above-mentioned expenses for stock options and RSU, has been included in the consolidated statements of operations for the years ended December 31, 2018 and 2017 as indicated in the following table:

		2018		2017
Cost of sales and other production expenses	$	**299**	$	370
Research and development expenses		**2,295**		4,150
Administration, selling and marketing expenses		**4,128**		4,142
	$	**6,722**	$	8,662

c) Warrants

The following table summarizes the changes in the number of warrants outstanding during the years ended December 31, 2018 and 2017:

	December 31, 2018			December 31, 2017		
	Number		Weighted average exercise price	Number		Weighted average exercise price
Balance of warrants - beginning of year	**121,672,099**	$	**2.11**	57,071,692	$	2.21
Issued to acquire assets	**4,000,000**		**3.00**	-		-
Issued for cash	**-**		**-**	64,600,407		2.03
Cancelled - debt modification	**(100,117,594)**		**2.38**	-		-
Issued - debt modification	**128,056,881**		**1.00**	-		-
Balance of warrants - end of year	**153,611,386**	$	**1.03**	121,672,099	$	2.11
Balance of warrants exercisable - end of year	**149,611,386**	$	**0.98**	87,672,099	$	2.27

2018

On January 29, 2018, the Corporation issued 4,000,000 warrants to acquire common shares, as consideration for a license. The warrants have an exercise price of $3.00 per share and expire after five years. 2,000,000 warrants become exercisable after one year and 2,000,000 warrants become exercisable after two years. The fair value of the warrants and consequently the value of the license is $1,743 and was determined using a Black-Scholes option pricing model.

As the Corporation drew an amount of US$10 million on the Credit Facility on each of January 22, February 23, April 30, August 2, September 21, and November 22, 2018, the amounts received were allocated to the debt and the Warrants #7 that vested upon the draw, based on their fair value at the time of the drawdown. The aggregate value of the proceeds attributed to the warrants that became exercisable on those dates was $11,159, which was recorded in equity.

On November 14, 2018 an agreement was signed between the Corporation and the holder of the long-term debt to extend the maturity of the three OID loans and the Credit Facility (note 13). As part of the cost for the debt modification, the Corporation proceeded on November 30, 2018 to cancel 100,117,594 existing warrants (Warrants #3 to 7) and replace them with 128,056,881 new warrants (Warrants #8), each giving the holder the right to acquire one common share at an exercise price of $1.00 per share, paid either in cash or in consideration of the lender's cancellation of an equivalent amount of the face value of an OID loan. The warrants expire on November 30, 2026. A payment of $10 was received from the holder of the long-term debt as part of this transaction. The increase in the fair value of the replacement warrants compared to those cancelled was $8,440 at the date of the modification. This value in addition to the payment received was recorded in shareholders' equity – warrants and the corresponding debit was recorded against the gain on extinguishment of liabilities relating to the debt modification (note 13).

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2017

On April 27, 2017, pursuant to a financing for total proceeds of $25,010, the Corporation issued additional debt and the Sixth Warrants to the holder of the long-term debt. Further details concerning the debt issued are provided in note 13. The Sixth Warrants consist of 10,600,407 warrants, each giving the holder the right to acquire one common share at an exercise price of $3.70, paid either in cash or in consideration of the lender's cancellation of an equivalent amount of the face value of an OID loan. The warrants expire on October 26, 2023. The value of the proceeds attributed to the warrants of $6,463 was recorded in warrants and future investment rights. The issuance cost related to the warrants, in the amount of $145, has been recorded against the deficit.

On November 30, 2017, pursuant to entering into a Credit Facility agreement, the Corporation issued Warrants #7 to the holder of the long-term debt. Further details concerning the Credit Facility are provided in note 13. The Warrants #7 consist of 54,000,000 warrants from which 10,000,000 warrants were exercisable as of the date of the agreement and the remaining 44,000,000 warrants became exercisable when the Corporation drew upon the Credit Facility in increments of US$10 million. Each warrant gives the holder the right to acquire one common share at an exercise price of $1.70. The warrants expire on June 30, 2026. Although the warrants are issued and outstanding in the warrant table above, for accounting purposes, these warrants will be recognized and measured at the time they become exercisable.

The amount of each US$10,000,000 drawdown on the Credit Facility is allocated to the debt and the warrants based on their fair value at the time of the drawdown. The initial 10,000,000 warrants exercisable upon signature of the agreement were valued at $5,214 and were recognized as a deferred financing costs with the offsetting entry in equity. The Corporation drew on the facility on November 30, 2017 and on December 14, 2017 and the value of the proceeds attributed to the warrants was $2,363 and $2,245 respectively, which was recorded in equity. Issuance cost related to the issuance of the Seventh Warrants, in the amount of $125, have been recorded against the deficit.

As at December 31, 2018, the following warrants, classified as equity, to acquire shares were outstanding:

Number	Expiry date		Exercise price
277,910	September 2019	$	6.39
1,000,000	September 2021		0.52
20,276,595	September 2021		0.77
4,000,000	January 2023		3.00
128,056,881	November 2026		1.00
153,611,386		$	1.03

d) Future investment rights

The future investment rights issued by the Corporation provide essentially the same rights as the warrants to the holders. The following table summarizes the changes in the number of future investment rights outstanding during the years ended December 31, 2018 and 2017:

	December 31, 2018		December 31, 2017	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance of future investment rights - beginning of year	-	$ -	44,791,488	$ 0.47
Exercise of future investment rights	-	-	(44,791,488)	0.47
Balance of future investment rights - end of year	-	$ -	-	$ -

On February 3, 2017, all of the 44,791,488 future investment rights were exercised resulting in cash proceeds of $21,052 and a transfer from future investment rights to share capital of $6,542.

(In thousands of Canadian dollars)

18. Non-controlling interests

The interest in the subsidiaries for which the Corporation held less than 100 % interest during 2018 and 2017 are as follows:

Name of subsidiary	Segment activity	Place of incorporation and operation	Proportion of ownership interest held by the group	
			2018	2017
Prometic Bioproduction Inc. ("PBP")	Plasma-derived therapeutics	Quebec, Canada	**100%**	87%
Pathogen Removal and Diagnostic Technologies Inc. ("PRDT")	Bioseparations	Delaware, U.S.	**77%**	77%
NantPro Biosciences, LLC ("NantPro")	Plasma-derived therapeutics	Delaware, U.S.	**73%**	73%

In April 2018, the Corporation and the non-controlling shareholders of Prometic Bioproduction Inc. entered into an agreement whereby Prometic acquired the non-controlling shareholders 13% interest in the subsidiary in exchange for 4,712,422 common shares of the Corporation. Consequently, $15,278 was recognized in the deficit to reflect Prometic's increase in the ownership of the subsidiary, representing the difference in value between the $3,629 of equity issued in payment of the 13% ownership acquired and $11,649 of total net liabilities attributed to the NCI at the date of the transaction that was derecognized from the statement of financial position.

Summarized financial information for the entities having a non-controlling interest at December 31, 2018 and 2017 is provided in the following tables. This information is based on amounts before inter-company eliminations.

2018

Summarized statements of financial position

		PRDT		NantPro
Capital and intangible assets (long-term)	$	351	$	-
Trade and other payables (current)		(613)		-
Intercompany loans and lease inducements and obligations (long-term)		(15,672)		-
Total equity (negative equity)	$	(15,934)	$	-
Attributable to non-controlling interests	$	(6,542)	$	-

Summarized statements of operations

		PRDT		NantPro
Revenues or services rendered to other members of the group	$	839	$	-
Cost of sales and production		(190)		(10,526)
Research and development expenses		(179)		(30)
Adminstration and other expenses		(1,001)		(131)
Impairment loss		-		(141,025)
Net loss and comprehensive loss	$	(531)	$	(151,712)
Attributable to non-controlling interests	$	(641)	$	(40,962)

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2017

Summarized statements of financial position

		PBP		PRDT		NantPro
Investment tax credits receivables and other current assets	$	13,250	$	-	$	-
Capital and intangible assets (long-term)		20,427		398		141,025
Trade and other payables (current)		(6,965)		(417)		-
Intercompany loans (long-term)		(120,789)		(15,003)		-
Total equity (negative equity)	$	(94,077)	$	(15,022)	$	141,025
Attributable to non-controlling interests	$	(10,722)	$	(5,901)	$	38,070

Summarized statements of operations

		PBP		PRDT		NantPro
Revenues or services rendered to other members of the group	$	3,712	$	181	$	-
Cost of sales and production		(1,635)		-		-
Research and development expenses		(34,027)		(335)		(17,482)
Adminstration and other expenses		(4,587)		(957)		(210)
Net loss and comprehensive loss	$	(36,537)	$	(1,111)	$	(17,692)
Attributable to non-controlling interests	$	(4,750)	$	(779)	$	(4,776)

During the year ended December 31, 2017, PBP used $24,394 and $3,544 in cash for its operating and investing activities respectively and received $28,200 from financing activities.

The non-controlling interests balance on the consolidated statements of financial position and the losses allocated to non-controlling interests in the consolidated statements of operations, per subsidiary are as follows:

		2018		2017
Consolidated statements of financial position :				
Prometic Bioproduction Inc.	**$**	**-**	$	(10,722)
Pathogen Removal and Diagnostic Technologies Inc.		**(6,542)**		(5,901)
NantPro Biosciences, LLC		**-**		38,070
Total non-controlling interests	**$**	**(6,542)**	$	21,447

		2018		2017
Consolidated statements of operations :				
Prometic Bioproduction Inc.	**$**	**(927)**	$	(4,750)
Pathogen Removal and Diagnostic Technologies Inc.		**(641)**		(779)
NantPro Biosciences, LLC		**(40,962)**		(4,776)
Total non-controlling interests	**$**	**(42,530)**	$	(10,305)

The NantPro Biosciences, LLC non-controlling interest's share in the funding of the subsidiary by Prometic was $2,892 for the year ended December 31, 2018 ($4,776 for the year ended December 31, 2017) and has been presented in the consolidated statements of changes in equity.

(In thousands of Canadian dollars)

19. Capital disclosures

		2018		2017
Warrant liability	**$**	**157**	$	-
Finance lease obligations		**818**		972
Long-term debt		**125,804**		87,020
Total equity (negative equity)		**(62,746)**		143,431
Cash		**(7,389)**		(23,166)
Total Capital	**$**	**56,644**	$	208,257

The Corporation's objective in managing capital is to ensure sufficient liquidity to finance its research and development activities, administration, selling and marketing expenses, working capital and overall expenditures on capital and intangible assets. The Corporation makes every effort to manage its liquidity to minimize dilution to its shareholders, whenever possible. The Corporation is subject to one externally imposed capital requirement (note 13) and the Corporation's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2017.

20. Revenues

		2018		2017
Revenues from the sale of goods	**$**	**45,584**	$	16,461
Milestone and licensing revenues		**-**		19,724
Revenues from the rendering of services		**1,291**		1,930
Rental revenue		**499**		1,000
	$	**47,374**	$	39,115

In August 2017, the Corporation entered into a licensing agreement with a third-party in China and as a result, milestone and licensing revenues of $19,724 were recorded during the third quarter of 2017. The third party having not remitted funds associated with the license fee and initial milestone payment within the specified payment terms was consequently in breach of the agreement. As a result, the Corporation was in a position to exercise its contractual rights and opted to terminate the agreement in March 2018 thereby returning all the rights previously conferred under the license agreement back to Prometic. The Corporation wrote-off the accounts receivable to bad debt expense as at December 31, 2017 (note 30b).

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21. Supplemental Information included in the consolidated statements of operations

Year ended December 31,		2018		2017
a) Government assistance included in research and development				
Gross research and development expenses	**$**	**94,841**	$	101,946
Research and development tax credits		**(3,175)**		(1,554)
	$	**91,666**	$	100,392
b) Finance costs				
Interest accretion on long-term debt	**$**	**18,856**	$	7,686
Amortization of fees for Credit Facility		**2,625**		208
Other interest expense, transaction and bank fees		**886**		384
Interest income		**(307)**		(313)
	$	**22,060**	$	7,965
c) Wages and salaries				
Wages and salaries	**$**	**46,775**	$	44,211
Employer's benefits		**8,377**		8,556
Share-based payments expense		**6,722**		8,662
Total employee benefit expense	**$**	**61,874**	$	61,429

22. Pension plan

The Corporation maintains a defined contribution pension plan for its permanent employees. The Corporation matches the contributions made by employees who elect to participate in the plan up to a maximum percentage of their annual salary. The Corporation's contributions recognized as an expense for the year ended December 31, 2018 amounted to $1,635 ($1,596 for the year ended December 31, 2017).

23. Government assistance

The Corporation has received government grants from the Isle of Man Government relating to operating and capital expenditures to be incurred by the Corporation and are disbursed to the Corporation when such expenditures are made.

The Isle of Man Government reserves the right to reclaim part or all of the grants received should the Corporation leave the Isle of Man according to the following schedule – 100% repayment within five years of receipt, then a sliding scale after that for the next 5 years; year 6 - 80%; year 7 - 60%; year 8 - 40%; year 9 - 20%; year 10 - 0%.

If the Corporation were to cease operations in the Isle of Man as December 31, 2018, it would be required to repay $1,806 in relation to grants received in the past amounting to $2,064. No provision has been made in these consolidated financial statements for any future repayment relating to the grants received.

(In thousands of Canadian dollars)

24. Impairment losses

The following table represents the details of impairment losses recorded for the year ended December 31, 2018 ($Nil for the year ended December 31, 2017).

		2018
Impairment on IVIG CGU:		
Intangible assets (note 9)	$	142,609
Fixed assets (note 8)		5,689
Option to purchase equipment (note 7c)		653
	$	148,951
Impairment on Prothera:		
Investment in an associate (note 10)	$	1,182
Deferred revenue		(181)
	$	1,001
	$	149,952

As a result of various events affecting the Corporation during 2018, including; 1) the delay of the commercial launch of Ryplazim™ following the identification by the FDA of a number of changes required in the Chemistry, Manufacturing and Controls ("CMC") section of the Biological License Application ("BLA") submission for congenital plasminogen deficiency, 2) the Corporation's limited financial resources since the fourth quarter of 2018, which significantly delayed manufacturing expansion plans and resulted in the Corporation focusing its resources on refiling the Ryplazim™ BLA as soon as possible; 3) the recognition of the larger than anticipated commercial opportunities for Ryplazim™, and 4) the change in executive leadership in December 2018, the Corporation modified its strategic plans during the fourth quarter to focus all available plasma-derived therapeutic segment resources on the manufacturing and development of Ryplazim™, for the treatment of congenital plasminogen deficiency and other indications.

These changes and their various impacts prompted Management to perform an impairment test of the IVIG cash generating unit, which includes assets such as the licenses held by NantPro and Prometic Biotherapeutics inc. amongst others, manufacturing equipment located at our Canadian manufacturing facilities and the CMO facility at December 31, 2018, and to review whether other assets pertaining to follow-on proteins might be impaired.

In regards to the IVIG CGU, the substantial work, time and investment required to complete a robust CMC package for IVIG prior to the BLA filing, the limited resources available to complete the CMC section and the reduction of the forecasted IVIG production capacity at all plants will significantly delay the commercialisation of IVIG compared to previous timelines and as a result, cash inflows beginning beyond 2023 were not considered in the determination of the value in use due to the inherent uncertainty in forecasting cash flows beyond a five year period. As a result, the value in use for the IVIG CGU was $Nil. Management also evaluated the fair value less cost to sell and determined that this value would also approximated $Nil.

Consequently, impairment losses for the carrying amounts of the NantPro license and a second license acquired in January 2018, giving the rights to use IVIG clinical data and the design plans for a plant with a production capacity in excess of current needs, of $141,025 and $1,584, respectively, were recorded. An impairment was also recorded on the option to purchase equipment in the amount of $653 since the likelihood of exercising this option is low in view of the current manufacturing and production plans. Finally, an impairment of $5,689 was recorded on IVIG production equipment, to reduce its value to the fair value less cost to sell. When performing the impairment test in the previous year, a pre-tax discount rate of 17.33% was used to calculate the value in use at November 30, 2017 equivalent to a post-tax discount rate of 11.87%.

Management also reviewed the carrying amount of its investment in ProThera, as this represents an investment in follow-on proteins the Corporation had acquired, since the resources for further advancement of these assets are currently limited due to the focus on Ryplazim™. The uncertainty of future cash flows for therapeutics that have not yet commenced phase 1 trials was an important consideration is making these estimates. As a result, the Corporation recorded an impairment on its investment in an associate of $1,182 and the fair value of the investment in convertible debt was also reduced to $Nil. The value in use and the fair value less cost to sell of the investment in an associate were estimated to approximate $Nil, as was the fair value of the convertible debt.

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25. Income taxes

The income tax recovery reported in the consolidated statement of operations for the years ended December 31, 2018 and 2017 are as follows:

		2018		2017
Current income taxes	**$**	**(6,204)**	$	(3,165)
Deferred income taxes		**(13,815)**		(11,587)
	$	**(20,019)**	$	(14,752)

The following table provides a reconciliation of the income tax recovery calculated at the combined statutory income tax rate to the income tax recovery recognized in the consolidated statements of operations:

		2018		2017
Net loss before income taxes	**$**	**(257,915)**	**$**	(134,788)
Combined Canadian statutory income tax rate		**26.7%**		26.8%
Income tax at combined income tax rate		**(68,863)**		(36,123)
Increase (decrease) in income taxes resulting from:				
Unrecorded potential tax benefit arising from current-period losses and other deductible temporary differences		**29,693**		35,568
Effect of tax rate differences in foreign subsidiaries		**4,481**		(2,513)
Non-deductible or taxable items		**6,074**		(1,132)
Change in tax rate		**242**		(6,175)
Write off of previously recognized tax losses		**22,415**		-
Non taxable gain on debt renegociation		**(8,784)**		-
Recognition of previous years unrecognized deferred tax assets		**-**		(1,221)
Research and development tax credit		**(5,072)**		(4,193)
Foreign witholding tax		**-**		1,039
Other		**(205)**		(2)
	$	**(20,019)**	**$**	**(14,752)**

The following table presents the nature of the deferred tax assets and liabilities that make up the deferred tax assets and deferred tax liabilities balance at December 31, 2018 and 2017.

	Intangible assets	R&D expenses	Losses	Other	Total
As at January 1, 2017	$ 40,690	$ (97)	$ (15,426)	$ 28	$ 25,195
Charged (credited) to profit or loss	(13,209)	(841)	2,582	(7)	(11,475)
Charged (credited) to profit and loss (foreign exchange)	-	-	684	-	684
As at December 31, 2017					
Deferred tax liabilities	**$ 27,481**	**$ (938)**	**$ (12,160)**	**$ 21**	**$ 14,404**
Charged (credited) to profit and loss	**(27,481)**	**320**	**13,356**	**(9)**	**(13,814)**
Charged (credited) to profit and loss (foreign exchange)	**-**	**-**	**(1,196)**	**-**	**(1,196)**
As at December 31, 2018	**$ -**	**$ (618)**	**$ -**	**$ 12**	**$ (606)**
Comprised of the following :					
Deferred tax assets	**-**	**(618)**	**-**	**12**	**(606)**
Deferred tax liabilities	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

(In thousands of Canadian dollars)

Available temporary differences not recognized at December 31, 2018 and 2017 are as follows:

		2018		2017
Tax losses (non-capital)	**$**	**461,123**	$	280,002
Tax losses (capital)		**36,951**		33,962
Unused research and development expenses		**86,255**		72,636
Undeducted financing expenses		**19,007**		17,894
Interest expenses carried forward		**7,433**		8,176
Trade and other payable		**1,579**		1,141
Capital assets		**1,753**		580
Intangible assets		**88,980**		95,980
Start-up expense		**4,290**		3,952
Unrealized loss on exchange rate		**-**		413
Other		**1,252**		241
	$	**708,623**	$	514,977

At December 31, 2018, the Corporation has non-capital losses of $492,945 of which $461,123 are available to reduce future taxable income for which the benefits have not been recognized. These losses expire at various dates from 2022 to 2038 (except for the non-capital losses in the United Kingdom which do not expire). The Corporation has capital losses of $36,951 that are available to reduce future taxable income for which the benefits have not been recognized. These tax attributes can be carried forward indefinitely. At December 31, 2018, the Corporation also has unused research and development expenses of $88,586 of which $86,255 are available to reduce future taxable income for which the benefits have not been recognized. These expenses can be carried forward indefinitely.

At December 31, 2018, the Corporation also had unused federal tax credits available to reduce future income tax in the amount of $21,078 expiring between 2022 and 2038. Those credits have not been recorded and no deferred income tax assets have been recognized in respect to those tax credits. An amount of $877 of credits was utilized in the current taxation year to shelter an income tax expense of the current taxation year.

The unused non-capital losses expire as indicated in the table below:

	Canada		Foreign
At December 31, 2018	Federal	Provincial	Countries
Losses carried forward expiring in:			
2022	$ -	$ -	$ 1,977
2023	-	-	3,212
2024	-	-	4,319
2025	-	-	3,375
2026	-	-	8,353
2027	-	-	12,041
2028	3,510	3,495	8,577
2029	-	-	7,445
2030	76	76	11,903
2031	977	977	3,440
2032	855	855	1,933
2033	4,215	3,975	2,319
2034	8,761	8,261	13,770
2035	9,401	10,826	28,215
2036	30,186	22,668	44,588
2037	43,643	44,014	54,090
2038	47,891	47,890	43,478
	$ 149,515	$ 143,037	$ 253,035

As at December 31, 2018, the Corporation and its subsidiaries have tax losses which arose in the United Kingdom of $90,396 that are available to reduce future taxable income for which the benefits have not been recognized. These tax attributes can be carried forward indefinitely.

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26. Segmented information

The Corporation's three operating segments are Small molecule therapeutics, Plasma derived therapeutics and Bioseparations.

Small molecule therapeutics: The segment is a small molecule drug discovery and development business. It has lead compounds, namely PBI-4050 which targets unmet medical needs such as the treatment of idiopathic pulmonary fibrosis ("IPF"), Alström syndrome as well as other fibrotic indications. The operating segment is also working on multiple follow-on drugs such as PBI-4547 and PBI-4425 at the pre-clinical stage.

Plasma-derived therapeutics: The segment develops manufacturing processes, based on Prometic's own affinity technology, to provide efficient extraction and purification of therapeutic proteins from human plasma, the Plasma Protein Purification System (PPPS™), a multi-product sequential purification process. This technology is key for extracting proteins, which Prometic plans to commercialize with an emphasis on therapeutic products targeting orphan and rare diseases.

Bioseparations: The segment develops and manufactures Prometic's core bioseparation technologies and products. Its proprietary affinity absorbents and Mimetic Ligand™ purification platform are used by pharmaceutical and medical companies worldwide and for its own extraction and purification manufacturing processes.

The reconciliation to the statement of operations column includes the elimination of intercompany transactions between the segments and the remaining activities not included in the above segments. These expenses generally pertain to public entity reporting obligations, investor relations, financing and other corporate office activities.

The accounting policies of the segments are the same as the accounting policies of the Corporation. The operating segments results include intercompany transactions between the segments which are done in a manner similar to transactions with third parties.

a) Revenues and expenses by operating segments

For the year ended December 31, 2018	Small molecule therapeutics	Plasma-derived therapeutics	Bioseparations	Reconciliation to statement of operations	Total
External revenues	$ -	$ 24,492	$ 22,741	$ 141	$ 47,374
Intersegment revenues	-	29	319	(348)	-
Total revenues	-	24,521	23,060	(207)	47,374
Cost of sales and other production expenses	-	25,297	12,929	(224)	38,002
Manufacturing and purchase cost of therapeutics used for R&D activities	1,692	37,061	-	(132)	38,621
R&D - Other expenses	14,234	31,727	7,084	-	53,045
Administration, selling and marketing expenses	3,468	10,445	2,947	14,672	31,532
Segment profit (loss)	$ (19,394)	$ (80,009)	$ 100	$ (14,523)	$ (113,826)
Loss (gain) on foreign exchange					4,681
Finance costs					22,060
Loss (gain) on extinguishments of liabilities					(33,626)
Change in fair value of financial instruments measured at FVPL					1,000
Impairment losses					149,952
Share of losses of an associate					22
Net loss before income taxes					$ (257,915)
Other information					
Depreciation and amortization	$ 480	$ 3,644	$ 919	$ 415	$ 5,458
Share-based payment expense	1,270	1,524	322	3,606	6,722

(In thousands of Canadian dollars)

For the year ended December 31, 2017	Small molecule therapeutics	Plasma-derived therapeutics	Bioseparations	Reconciliation to statement of operations	Total
External revenues	$ 19,724	$ 2,490	$ 16,802	$ 99	$ 39,115
Intersegment revenues	-	39	1,566	(1,605)	-
Total revenues	19,724	2,529	18,368	(1,506)	39,115
Cost of sales and other production expenses	-	4,014	7,877	(1,742)	10,149
Manufacturing and purchase cost of therapeutics used for R&D activities	1,755	32,764	-	184	34,703
R&D - Other expenses	17,426	40,960	7,301	2	65,689
Administration, selling and marketing expenses	3,633	13,539	2,719	11,550	31,441
Bad debt expense	20,491	-	-	-	20,491
Segment profit (loss)	$ (23,581)	$ (88,748)	$ 471	$ (11,500)	$ (123,358)
Loss (gain) on foreign exchange					(726)
Finance costs					7,965
Loss (gain) on extinguishments of liabilities					4,191
Net loss before income taxes					$ (134,788)
Other information					
Depreciation and amortization	$ 428	$ 2,880	$ 907	$ 361	$ 4,576
Share-based payment expense	1,509	2,269	394	4,490	8,662

During the quarter ended September 30, 2018, the Corporation corrected the allocation of R&D expenses between the Manufacturing and purchase cost of therapeutics and Other expenses within the Small molecule segment. Previously, no amounts had been presented in the Manufacturing and purchase cost of therapeutics. The total segment loss presented during the first and second quarters of 2018 remains unchanged and the above tables for the year ended December 31, 2018 reflect the correction. The restated R&D figures for the first two quarters of 2018 are as follows:

	Quarter ended March 31, 2018	Quarter ended June 30, 2018	Six months ended June 30, 2018
Manufacturing and purchase cost of therapeutics used for R&D activities	$ 684	$ 1,067	$ 1,751
Other research and development expenses	4,266	3,215	7,481
Total research and development expenses	$ 4,950	$ 4,282	$ 9,232

Information by geographic area

b) Capital and intangible assets by geographic area

	2018	2017
Canada	**$ 27,647**	$ 33,979
United States	**19,287**	155,034
United Kingdom	**13,982**	12,888
	$ 60,916	$ 201,901

c) Revenues by location

	2018	2017
United States	**$ 25,557**	$ 1,075
Switzerland	**7,033**	7,411
Austria	**4,534**	1,439
South Korea	**2,657**	2,825
Sweden	**2,408**	-
Netherlands	**1,688**	2,722
China	**620**	19,724
Other countries	**2,877**	3,919
	$ 47,374	$ 39,115

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Revenues are attributed to countries based on the location of customers.The Corporation derives significant revenues from certain customers. During the year ended December 31, 2018, there were two customers in the Plasma-derived therapeutics segment who accounted for 49% (30% and 19% respectively) of total revenues and two customers in the Bioseparations segment who accounted for 30% (15% and 15% respectively) of total revenues. For the year ended December 31, 2017, there was one customer in the Small molecule therapeutics segment that accounted for 50% of total revenues and two customers in the Bioseparations segment that accounted for 27% (20% and 7% respectively) of total revenues.

27. Related party transactions

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Corporation and other related parties are disclosed below and in other notes accordingly to the nature of the transactions. These transactions have been recorded at the exchange amount, meaning the amount agreed to between the parties.

The former CEO has a share purchase loan outstanding in the amount of $400 at December 31, 2018 and 2017. The loan bears interest at prime plus 1% and has a maturity date of the earlier of (i) March 31, 2019 or (ii) 30 days preceding a targeted NASDAQ or NYSE listing date of Prometic's shares. During the year ended December 31, 2018, the Corporation earned interest revenues in the amount of $19 and at December 31, 2018, the unpaid interest was $31.

Following the debt modification on November 14, 2018, the Corporation assessed whether the holder of the debt had gained significant influence for accounting purposes, despite holding less than 20% of voting rights. The Corporation deemed that qualitative factors were significant enough to conclude that the holder of the debt had gained significant influence over the Corporation and had become a related party. All material transactions with the holder of the long-term debt are disclosed in notes 13, 14 and 16.

28. Compensation of key management personnel

The Corporation's key management personnel comprises the external directors, officers and executives which included 25 individuals in 2018 and 24 individuals in 2017. The remuneration of the key management personnel during the years ended December 31, 2018 and 2017 was as follows:

		2018		2017
Current employee benefits[1)]	**$**	**5,953**	$	7,750
Pension costs		**268**		293
Share-based payments		**3,685**		6,515
Termination benefits		**3,651**		-
	$	**13,557**	$	14,558

[1)] Current employee benefits include director fees paid in cash, salaries, bonuses and the cost of other employee benefits.

29. Commitments

CMO Lease
The Corporation signed a long-term manufacturing contract with a third party which provides the Corporation with additional manufacturing capacity ("the CMO contract"). The payments under the CMO contract cover the use of the production facility, a specified number of direct and indirect labour hours and the related overhead expense during a minimum of 20 weeks per year, until 2030. The term of the agreement will be automatically extended after the initial term for successive terms of five years, unless a notification of termination is produced by one of the parties. The annual minimum payments under the agreement are subject to escalation annually calculated as the greatest of 3% or the Industrial Product Price / Pharmaceutical and Medicine

(In thousands of Canadian dollars)

Manufacturing index under the North American Industry Classification System. The annual payments are also subject to an adjustment calculated as 50% of the exchange rate between the U.S. dollar and the Canadian dollar at December 31st of each year.

The following table represent the future minimum operating lease payment as of December 31, 2018:

	Within 1 year	2 - 5 years	Later than 5 years	Total
Future minimum operating lease payment	$ 3,572	$ 15,393	$ 28,271	$ 47,236

The above payments include non-lease elements pertaining to the arrangement as it was impracticable to separate the operating expenses from the lease payment. The operating lease expense recognised in the consolidated statements of operations for the CMO contract was $3,980 for the year ended December 31, 2018 ($4,707 for the year ended December 31, 2017), which includes contingent rent of $558 for the year ended December 31, 2018 ($727 for the year ended December 31, 2017).

Other Leases

The Corporation has total commitments in the amount of $27,741 under various operating leases for the rental of offices, production plant, laboratory space and office equipment. The payments for the coming years and thereafter are as follows:

2019	$ 4,043
2020	4,162
2021	3,710
2022	3,626
2023 and thereafter	12,200
	$ 27,741

The operating lease expense recognised in the consolidated statements of operations was $6,476 for the year ended December 31, 2018 ($5,431 for the year ended December 31, 2017).

Royalties

The long-term debt holder who has significant influence over the Corporation, has a right to receive a 2% royalty on future revenues relating to patents existing as of the date of the agreement of PBI-1402 and analogues, including PBI-4050. The obligation under this royalty agreement is secured by all the assets of the Corporation until the expiry of the last patent anticipated in 2033.

In the normal course of business, the Corporation enters into license agreements for the market launching or commercialization of products. Under these licenses, including the ones mentioned above, the Corporation has committed to pay royalties ranging generally between 0.5% and 15.0% of net sales from products it commercializes and 3% of license revenues in regards to certain small molecule therapeutics.

Other commitments

In connection with the CMO contract, the Corporation has committed to a minimum spending between $7,000 and $9,000 each year from 2019 to 2030 (the end of the initial term). As of December 31, 2018, the remaining payment commitment under the CMO contract was $97,700 or $50,464 after deduction of the minimum lease payments under the CMO contract disclosed above.

The Corporation has entered into multiple plasma purchase agreements whereby it has committed to purchase varying volumes of plasma until December 31, 2022. As at December 31, 2018, total commitment are as follows:

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2019	$ 8,853
2020	20,281
2021	30,422
2022	5,152
2023 and thereafter	-
	$ 64,708

In February 2019, the Corporation renegotiated the purchase commitment with one of its suppliers reducing the commitment for 2019, 2020 and 2021 by $5,043, $10,086 and $15,129, respectively.

30. Financial instruments and financial risk management

a) Fair value

The fair values of financial assets and financial liabilities for which fair value disclosure is required, together with the carrying amounts included in the statement of financial position, are as follows:

	2018		2017	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial liabilities				
Royalty payment obligation	**$ 3,077**	**$ 2,685**	$ 2,963	$ 3,133
License acquisition payment obligations	**2,726**	**2,492**	-	-
Long-term debt	**125,804**	**112,914**	87,020	99,662

The fair value of the long-term debt at December 31, 2018 was calculated using a discounted cash flow model via the market interest rate specific to the term of the debt instruments ranging from 14.43% to 21.94% (7.6% to 16.4% at December 31, 2017). The fair value differs from the carrying value of the long-term debt of $125,804 which is carried at amortized cost.

The fair value of the advance on revenues from a supply agreement approximates the carrying amount since the loan bears interest at a fixed rate of interest approximating market rates for this type of advance.

Fair value hierarchy
Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuation based on quoted prices observed in active markets for identical assets or liabilities.

Level 2 – valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – valuation techniques with significant unobservable market inputs.

A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Cash and restricted cash are considered to be level 1 fair value measurements.

(In thousands of Canadian dollars)

The long-term receivables, settlement fee payable, royalty payment obligation, license acquisition payment obligations, and long-term debt are level 2 measurements.

The investment in convertible debt and the warrant liability are considered to be a level 3 measurements. Further discussion regarding assumptions used in determining their fair values are discussed in note 24 and 14, respectively.

b) Financial risk management

The Corporation has exposure to credit risk, liquidity risk and market risk. The Corporation's Board of Directors has the overall responsibility for the oversight of these risks and reviews the Corporation's policies on an ongoing basis to ensure that these risks are appropriately managed.

Credit risk:
Credit risk is the risk of financial loss to the Corporation if a customer, partner or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's cash, investments, receivables and share purchase loan to a former officer. The carrying amount of the financial assets represents the maximum credit exposure.

The Corporation mitigates credit risk through its reviews of new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. The Corporation evaluates at each reporting period, the lifetime expected credit losses of its accounts receivable balances based on the age of the receivable, credit history of the customers and past collection experience.

As at December 31, 2018 and 2017, the allocation of the trade receivables based on aging is indicated in the following table:

		2018		2017
Current and not impaired	**$**	**5,911**	$	919
Past due in the following periods:				
31 to 60 days		**1,136**		876
61 to 90 days		**-**		-
91 to 180 days		**4**		1
Over 180 days		**-**		782
Allowance for doubtful accounts		**-**		(782)
	$	**7,051**	$	1,796

The Corporation's trade receivables totaled $7,051 as at December 31, 2018 ($1,796 as at December 31, 2017). The amount of trade receivables that the Corporation has determined to be past due and unprovisioned for (which is defined as a balance that is more than 30 days past due) is $1,140 as at December 31, 2018 ($877 as at December 31, 2017). The Corporation's lifetime expected credit loss was $Nil as at December 31, 2018.

Trade receivables included amounts from two customers which represent approximately 81% (45% and 35% respectively) of the Corporation's total trade accounts receivable as at December 31, 2018, and two customers which represent approximately 82% (70% and 13% respectively) of the Corporation's total trade accounts receivable as at December 31, 2017.

In August 2017, the Corporation entered into a licensing agreement with a third-party in China and as a result, milestone and licensing revenues of $19,724 were recorded during the third quarter. The third party having not remitted funds associated with the license fee and initial milestone payment within the specified payment terms was consequently in breach of the agreement. As a result, the Corporation was in a position to exercise its contractual rights and opted to terminate the agreement in March 2018 thereby returning all the rights previously conferred under the license agreement back to Prometic. The Corporation has written-off the accounts receivable of $18,518 to bad debt expense and has reversed the withholding taxes of $1,972 expected to be paid on this transaction as at December 31, 2017. The difference between the amount of revenue recognized and the bad debt amount is the withholding taxes that were recorded in deduction of the accounts receivable and the effect of the change in the CAD/GBP exchange rate on the accounts receivable.

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Liquidity risk:
Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. The Corporation manages its liquidity risk by continuously monitoring forecasts and actual cash flows. The Corporation's current liquidity situation is discussed in note 1.

The following table presents the contractual maturities of the financial liabilities as of December 31, 2018:

		Contractual Cash flows			
At December 31, 2018	**Carrying amount**	**Payable within 1 year**	**2 - 3 years**	**Later than 4 years**	**Total**
Accounts payable and accrued liabilities [1]	$ 26,011	$ 26,011	$ -	$ -	$ 26,011
Long-term portion of royalty payment obligations	3,009	-	3,469	354	3,823
Long-term license acquisition payment obligation	1,363	-	1,363	-	1,363
Long-term portion of other employee benefit liabilities	993	-	993	-	993
Long-term debt [2]	125,804	12,588	18,776	268,261	299,625
	$ 157,180	$ 38,599	$ 24,601	$ 268,615	$ 331,815

[1] Excluding $5,844 for current portion of operating and finance lease inducement and obligations (note 15).

[2] Under the terms of the OID loans and the non-revolving line of credit (note 13), the holder of Warrants #2, 8 and 9 may decide to cancel a portion of the face values of these loans as payment upon the exercise of these warrants. The maximum repayment due on these loans has been included in the above table.

Market risk:
Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Corporation's income or the value of its financial instruments.

i) Interest risk
The majority of the Corporation's debt is at a fixed rate or a fixed amount including interest. Therefore there is limited exposure to changes in interest payments as a result of interest rate risk.

ii) Foreign exchange risk:
The Corporation is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Corporation operates in the United States, Isle of Man and the United Kingdom and a portion of its expenses incurred are in U.S. dollars and in Great British Pounds ("GBP"). The majority of the Corporation's revenues are in U.S. dollars and in GBP which serve to mitigate a portion of the foreign exchange risk relating to the expenditures. Financial instruments potentially exposing the Corporation to foreign exchange risk consist principally of cash, short-term investments, receivables, trade and other payables, licence payment obligation, advance on revenues from a supply agreement and the amounts drawn on the Credit Facility. The Corporation manages foreign exchange risk by holding foreign currencies to support forecasted cash outflows in foreign currencies.

As at December 31, 2018 and 2017, the Corporation's net exposure to currency risk through assets and liabilities denominated respectively in U.S. dollars and GBP was as follows:

	2018		2017	
Exposure in US dollars	**Amount due in U.S. dollar**	**Equivalent in full CDN dollar**	Amount due in U.S. dollar	Equivalent in full CDN dollar
Cash	**2,600,253**	**3,544,145**	4,813,581	6,041,526
Accounts receivable	**2,718,508**	**3,705,326**	536,496	673,357
Other long-term assets	**51,127**	**69,686**	69,438	87,152
Accounts payable and accrued liabilities	**(9,006,635)**	**(12,276,044)**	(11,609,837)	(14,571,506)
Other long-term liabilities	**(3,126,476)**	**(4,261,387)**	(1,051,790)	(1,320,102)
Finance lease obligations	**(600,674)**	**(818,719)**	(774,978)	(972,675)
Long-term debt	**(81,601,614)**	**(111,223,000)**	(20,209,000)	(25,364,316)
Net exposure	**(88,965,511)**	**(121,259,993)**	(28,226,089)	(35,426,564)

(In thousands of Canadian dollars)

	2018		2017	
Exposure in GBP	**Amount due in GBP**	**Equivalent in full CDN dollar**	Amount due in GBP	Equivalent in full CDN dollar
Cash	**729,732**	**1,266,596**	991,372	1,678,591
Accounts receivable	**6,837,168**	**11,867,272**	3,236,910	5,480,736
Accounts payable and accrued liabilities	**(1,535,107)**	**(2,664,485)**	(1,772,712)	(3,001,556)
Advance on revenues from a supply agreement	**-**	**-**	(1,123,000)	(1,901,464)
Net exposure	**6,031,793**	**10,469,383**	1,332,570	2,256,307

Based on the above net exposures as at December 31, 2018, and assuming that all other variables remain constant, a 10 % depreciation or appreciation of the Canadian dollar against the U.S. dollar would result in a decrease or an increase of the consolidated net loss of approximately $12,126 while a 10 % depreciation or appreciation of the Canadian dollar against the GBP would result in a decrease or an increase of the other comprehensive loss of approximately $1,047. The Corporation has not hedged its exposure to currency fluctuations.

31. Comparative information

Certain of the December 31, 2017 figures have been reclassified to conform to the current year's presentation.

32. Subsequent events

In January 2019, the Corporation issued 12,568,600 RSU at a grant price of $0.30 which will vest over a one year period.

From January 1, 2019 to February 15, 2019 12,870,600 shares were issued for net cash proceeds of $4,088 under the ATM equity distribution agreement,

In February 2019, the holder of the long term debt agreed to extend the Credit Facility by an additional US$15 million which the Corporation drew in February and March 2019, receiving the equivalent of $19,854 in financing. In exchange, the Corporation agreed to reduce the exercise price of Warrants #9 from $1.00 to $0.156 per warrant and to immediately issue those warrants which otherwise would have been issued in March 2019. Consequently, 19,401,832 warrants with a term of eight years were issued on February 22, 2019. The Corporation is currently assessing the accounting treatment of this transaction.

As at March 31, 2019, the Corporation was not in breach of its covenants under its credit facilities, as a result of a waiver obtained on March 20, 2019, wherein the holder of the long-term debt confirmed that the breached covenants will not be deemed to constitute an event of default. The holder of the long-term debt also agreed to defer the payment of interest that was originally due under the terms of the existing Credit Facility on March 31, 2018, to a later date in April 2019.