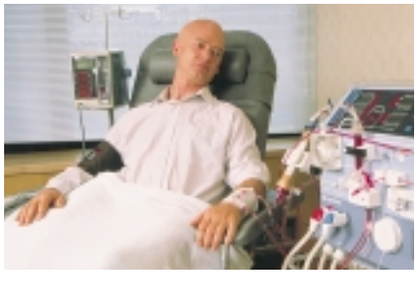
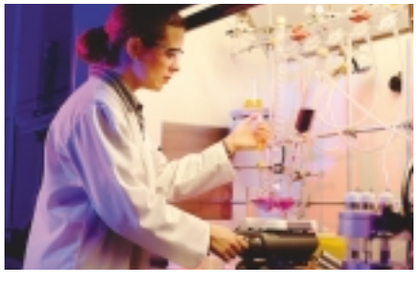
ProMetic

Life Sciences Inc.

annual report

2001





a company with its eye
on the present and the future

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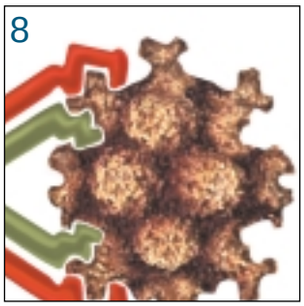
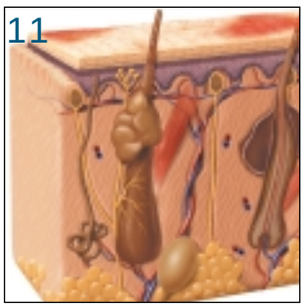


Mimetic Ligand™



Inflammation

Cancer

ProMetic Business Model

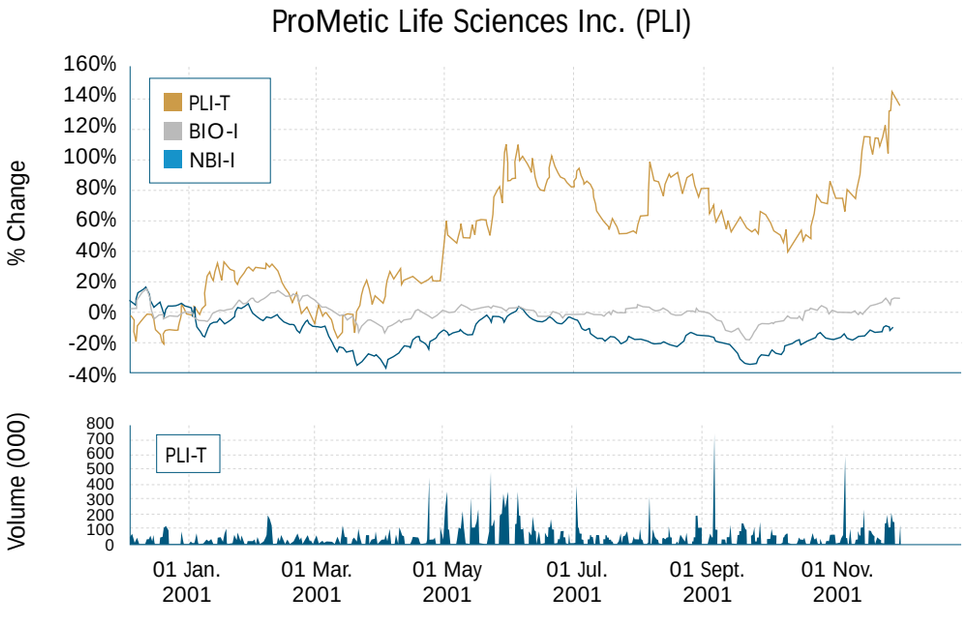
The Company fosters growth by offering its enabling technology under license to pharmaceutical and biotech companies so as to allow them to develop proprietary products that rely on ProMetic's technology.

ProMetic expects to generate long-term annuity revenues from its license and long-term supply agreements that enter into effect once its clients' products attain commercial status.

ProMetic further leverages its core technologies by developing in-house "high-value therapeutics" and medical applications, and limits its risk exposure through partnerships with multinationals for product development, clinical trials and marketing.

Highlights

- Strategic Alliance with Merck KGaA – Purification of Monoclonal Antibodies
- Execution of a Memorandum of Understanding for the Formation of a Joint Venture Company with the American Red Cross – Detection and Removal of Viruses and Prions
- Completion of the Strategic Agreement with PharmAAware Sepsis B.V. for the Diagnosis and Treatment of Sepsis
- Creation of Clinical Advisory Committee for rAAT
- rAAT successful completion of the preclinical phases
- rAAT moves into clinical trials for dermatological applications



Share price performance vs. TSE Bio Index and Nasdaq Bio Index

- European Patent Office upholds Arriva-ProMetic patent rights for its rAAT clinical indications
- Expansion of the Therapeutic Research & Development Team in Montreal
- Completion of supportive data & International patent filing for PBI-1101
- Completion of supportive data & International patent filing for PBI-1402
- Expansion of the Mimetic Ligand™ Combinatorial chemistry into therapeutics

Continued Performance of core technology in joint development projects

- Genzyme Transgenics for human serum albumin
- Delta Biotechnology (subsidiary of Aventis) for recombinant human serum albumin
- Publication of results for the purification of IgG from plasma
- Publication of results for the purification of monoclonal antibodies
- Milestones achieved for the purification of plasmid DNA

Financial achievements

- Successful financing of $19 million (gross proceeds) out of which $9.9 million was concluded December 31, 2001
- Share price increase of 156% (from December 29, 2000 to December 30, 2001)

Message to Shareholders

In 2001, ProMetic has maintained an above-average performance compared to other financial references, despite the overall stock market performance and economic uncertainty. ProMetic continues to prove its ability to create value from its core technology through the development of strategic agreements and high-value proprietary products. ProMetic is strategically well-positioned to capture market share from multiple growth opportunities within the expanding biotech industry.

Mimetic Ligand™ and Continued Shareholders' Value

Proteins are the building blocks of life. Over the past twenty years, the biotechnology industry has utilized recombinant DNA technology to develop and manufacture natural and engineered versions of proteins for therapeutic use. The completion of the human genome map has further enhanced the industry's understanding of genes and the proteins they encode. Numerous protein and monoclonal antibody therapeutics have already been introduced on the market while hundreds more are in development and poised for market launch in the near future.

All of these therapeutic proteins will require large-scale isolation and purification at commercial batch sizes using a cost-efficient approach.

ProMetic has created shareholder value by licensing the Mimetic Ligand™ technology to pharmaceutical and biotechnology companies. In 2002, the Company will continue to secure long-term annuity revenues from the commercial applications developed in collaboration with its partners.

This will gain more impetus when commercial products are approved for sale on key markets. As the critical mass of such alliances develops further, ProMetic will gradually intensify its independent research and development of high-value therapeutic products.

ProMetic has implemented high-profile deals in the past year. The monoclonal antibody sales and marketing collaboration with Merck KGaA will raise awareness of the Company's proprietary Mimetic Ligand™ technology and will facilitate our continued expansion into the North American and European markets. Although the impact of this alliance on the company's bottom line is not immediate, it will provide a solid base for growing revenues. Secondly, the Memorandum of Understanding with the American Red Cross validates the Company's technology for pathogen diagnosis and removal. This was further reinforced by the agreement with PharmAAware Sepsis B.V., whereby ProMetic technology is being used to develop both a diagnostic kit and a therapeutic protein for sepsis and septic shock.

These announcements raised awareness in Canada of ProMetic as both a "deal maker" and a company with a viable business strategy.

Therapeutic Programs

In 2001, ProMetic significantly expanded its Montreal-based research and development division with seasoned industry scientists with medicinal chemistry, biochemistry and biology expertise. The combined efforts of this group and those of our UK-based team have resulted in the rapid development of entirely new therapeutic applications of the Mimetic Ligand™ technology. These new and exciting insights are helping to accelarate our monoclonal antibody and in-licensed therapeutic product initiatives. Two of our own products, recombinant alpha-1-antitrypsin (rAAT) for inflammation and PBI-1402 for cancer, will enter clinical trials in 2002.

The Company's lead compounds are well-characterized molecules with remarkable safety profiles. As we enter Phase I safety trials, the risk and time associated with clinical development will be reduced considerably. Most importantly, these proprietary products provide cost-effective solutions to unmet medical needs.

Pierre Laurin,
President and CEO

"ProMetic is strategically well-positioned to capture market share from multiple growth opportunities within the expanding biotech industry."

The Company's lead compounds are well-characterized molecules with remarkable safety profiles.

Clinical trials for the yeast-derived rAAT, developed by the Arriva-ProMetic joint venture, will commence in the first half of 2002. Tests will evaluate the safety and efficacy of rAAT for the treatment of dermatological conditions such as atopic dermatitis and psoriasis. Because AAT is involved in most forms of chronic inflammation, various formulations of rAAT will be developed to target additional inflammatory conditions such as inflammatory bowel diseases (IBD) and cystitis, and wound healing. Clinical studies performed with the natural, serum-derived form of AAT have already demonstrated positive results in the treatment of several dermatological diseases. Therefore, the Company anticipates a similar safety and efficacy profile with its recombinant version.

The second leading drug, PBI-1402, is a non-toxic, well-defined low molecular weight synthetic chemoprotective compound, which, in preclinical studies, has demonstrated unequivocal protection and stimulation of neutrophils and bone marrow cells. Clinical trials will commence in 2002 to evaluate the safety and efficacy of PBI-1402 in accelerating the recovery of neutrophil counts following a variety of chemotherapy regimens.

rAAT and PBI-1402 are targeting multi-billion dollar unsatisfied markets, where modest market penetration would result in a significant return to shareholders.

ProMetic will continue to leverage its core technology and core competency to provide solutions to unmet medical or industrial needs and will do so in a manner that meets cost-containment pressures. This is true for all commercial applications being pursued by ProMetic and its partners, and range from more cost-efficient protein purification processes to more cost-efficient diagnostics and therapeutics.

ProMetic will continue to do this for the benefit of its shareholders, its employees and the patient community at large.

Pierre Laurin
President and CEO

100% ProMetic BioSciences Ltd. (UK)	≃ 26% American Red Cross Forthcoming joint venture	≃ 4% PharmAAware Sepsis B.V.	≃ 4% Arriva Pharmaceuticals, Inc.	50% Arriva-ProMetic joint venture	100% ProMetic BioSciences Inc. (Therapeutics)
Protein purification MAb (MERCK) Plasma Transgenic Genzyme, IPT Monsanto Recombinant Aventis, Novo Nordisk, Menarini, etc. DNA purification Medical applications Glycosal® (Provalis) Theragyn® (Antisoma) MitraDep® (Mitra)	Detection & removal systems for viruses and prions (Memorandum of Understanding)	Septic Shock Sepsis Diagnostic kit and therapeutic protein	rAAT respiratory indications Joint venture partner with Baxter Health Sciences	rAAT Dermatology Gastro-enterology Urinary inflammatory indications	PBI-1402 PBI-1101 PBI-0032 Mimetics

Whenever appropriate, ProMetic's strategy may include taking an equity position in high reward projects in lieu of a one-time licensing revenue. The value being generated by these activities will gain even more impetus when more commercial products are approved for sale on key markets.

Growth Engine = Core Technology + Core Competency

ProMetic has a remarkable growth engine capable of materializing strategic agreements and developing high-value proprietary products. This stems from its core technology combined with its core competency. Over the years, significant investments have been made to further the scope of the company's proprietary position on vast libraries of compounds. These libraries form the basis on which ProMetic can develop its own proprietary therapeutics and collaborate with other companies, and expand and validate the use of its technology, thereby supporting an impressive pipeline of products.

Increased investments in our proprietary Mimetic Ligand™ technology have resulted in new molecules that can significantly impact on different aspects of the healthcare business.

Commercial Reality: Products with improved technical performance, and which also satisfy pharmaco-economic requirements

Increased investments in our proprietary Mimetic Ligand™ technology have resulted in new molecules that can significantly impact on different aspects of the healthcare business. Most importantly, our novel products provide solutions for unmet medical or industrial needs and do so in a cost-efficient manner. The Company seeks to commercialize products that both exceed standard market performance and meet cost-containment pressures. This is true for virtually all commercial applications pursued by ProMetic and/or its partners, and range from being more cost-efficient protein purification processes to more cost-efficient diagnostics and therapeutics.

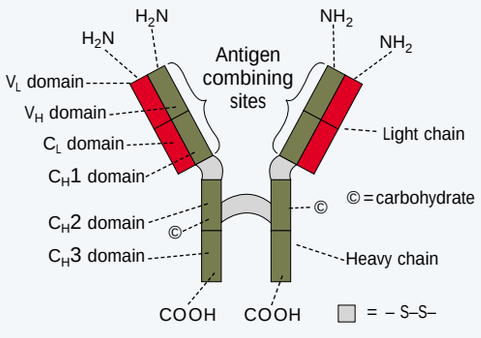
Monoclonal Antibodies and Mimetic Ligand™

ProMetic's core competency has been stimulated with the new synergy between its Cambridge-based (UK) and Montreal-based R&D groups. All those years of experience and past investments in the UK combined with the seasoned group of scientists in Montreal have led to entirely new concepts in the utilization of the Mimetic Ligand™ technology. This includes new insights into the use of the technology with monoclonal antibodies.

Antibodies are proteins, which act like weapons of the body's own immune system. The immune system produces these proteins to specifically recognize and interact with foreign proteins (pathogens such as viruses) and some proteins produced by cancer cells.

Monoclonal antibodies (MAb) are highly specific antibodies derived from only one clone of cells. They recognize a specific target.

This illustration represents the structure of an immunoglobulin (IgG) antibody molecule. The IgG molecule is a large protein with a molecular weight of 152,000. By comparison, it is approximately 6 times larger than the average enzyme protein and 8,500 times larger than a water molecule. As shown, the IgG molecule consists of two identical heavy chains and two identical light chains bound together to form a structure, which schematically resembles the letter "Y". The amino termini (NH_2 in the diagram) of the four chains form the top of the "Y" while the carboxyl termini (COOH) of the two heavy chains form the bottom. As indicated, both heavy and light chains have a variable region (V_H and V_L domains). It is within this variable domain that the antibody binds to a specific portion of a molecule (antigen or epitope). Binding to the antigen is mediated by the contact points or the so-called complementarity determining region (CDR). The tail portion of the heavy chain constitutes the effector domain. Here the antibody is able to interact with other components of the immune system such as the complement cascade.



The total market for therapeutic monoclonal antibodies represents a multibillion-dollar opportunity.

Monoclonal antibodies (MAb) can be produced with different objectives in mind. Some MAb can be designed to bind to proteins on the surface of a cell and to break down the cell (process referred to as cell lysis via the antibody-dependent cell-mediated cytotoxicity, ADCC). Other MAb may be designed to act more as a targeting mechanism to help deliver a toxic or radioactive payload specifically to cancerous cells. Some MAb target cytokines (e.g. TNFα) or cell surface markers (e.g. CD4, CD11a) in the treatment of auto-immune diseases.

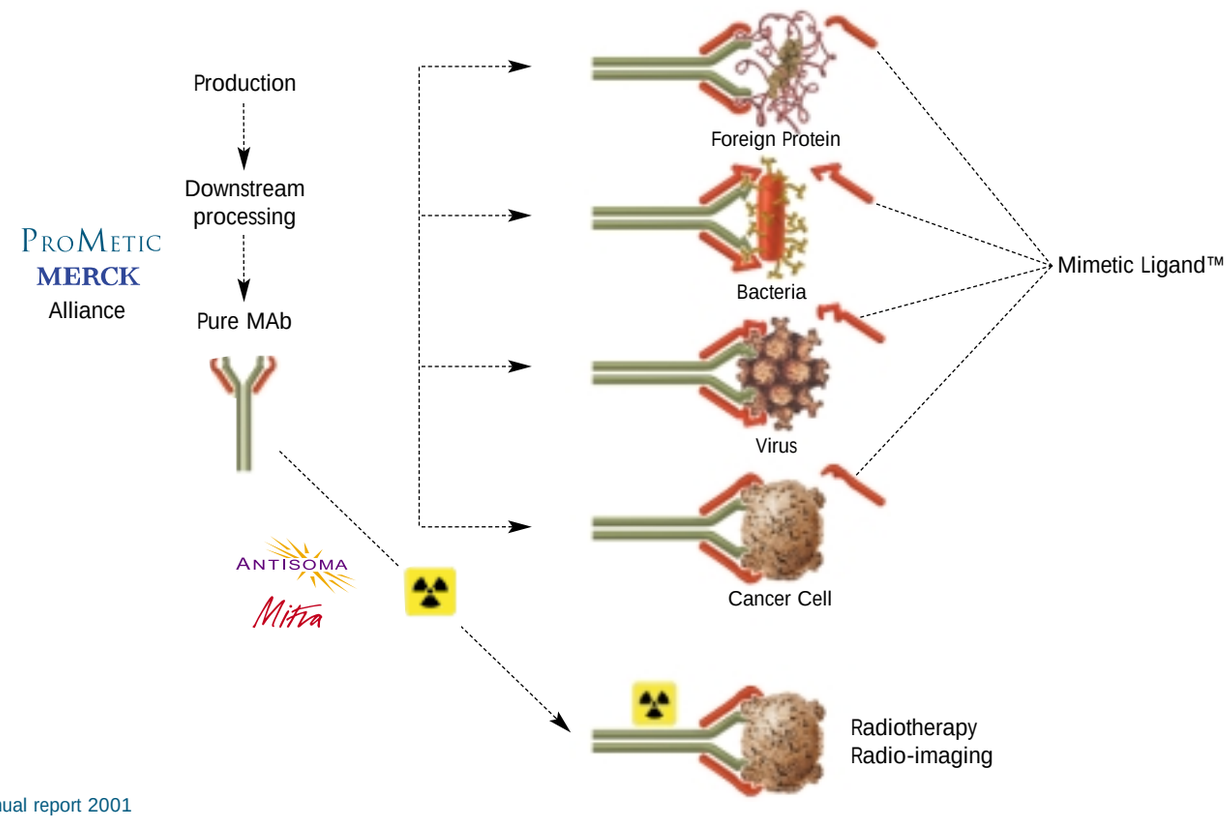
The total market for therapeutic monoclonal antibodies represents a multibillion-dollar opportunity. Currently, the majority of approved MAb targets arthritis and cancer. The total markets for arthritis and cancer drug sales are forecasted to reach 25 and 15 billion dollars respectively by 2010. Over one hundred recombinant antibodies are currently being developed and constitute over 25% of all therapeutics under development.

Antibody mimetics are low molecular weight synthetic compounds that can mimic high molecular weight monoclonal antibodies (MAb).

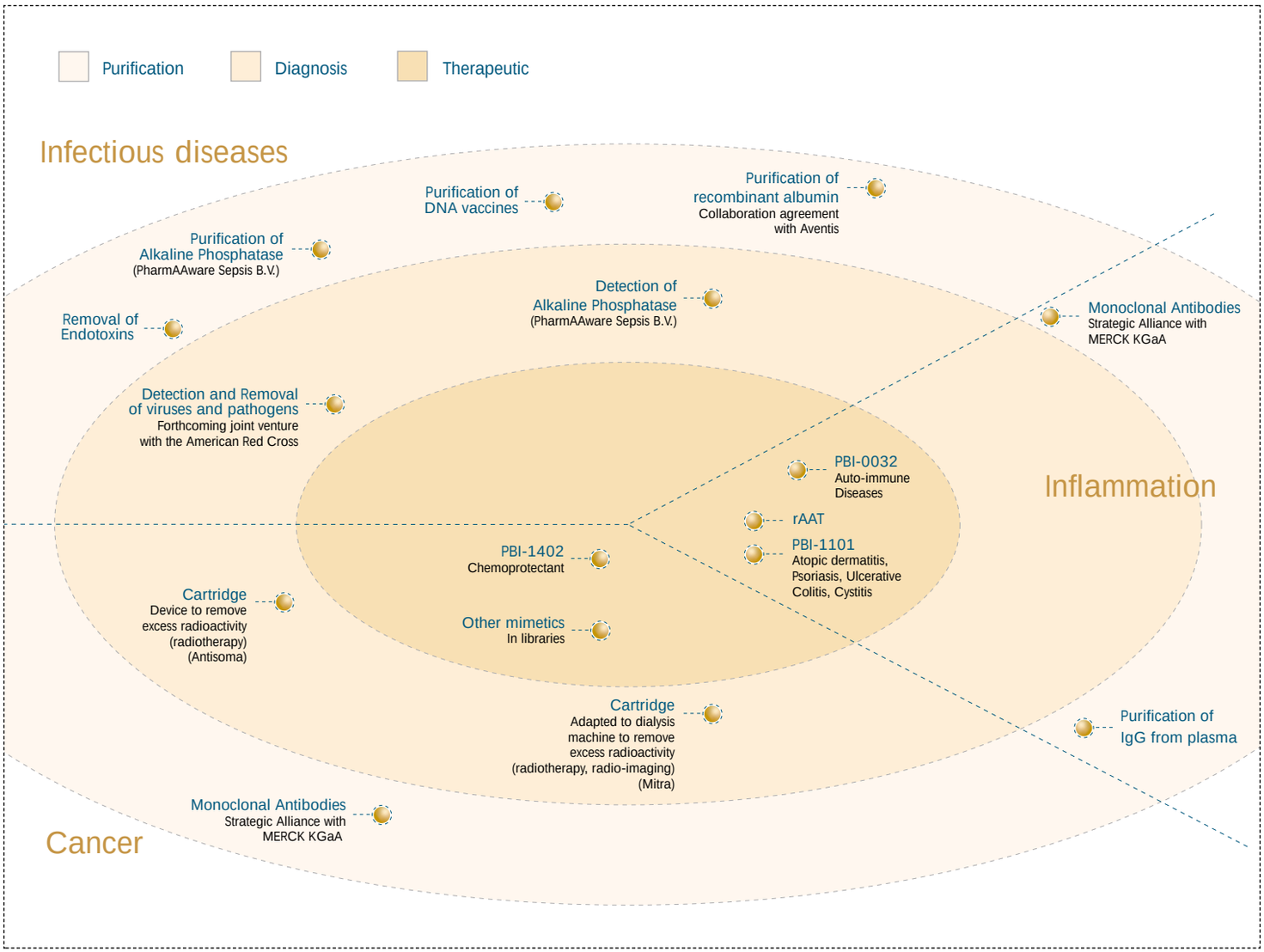
Therefore, MAb can also be viewed as an opportunity to derive information useful in the design of a mimetic.

Although the manufacturing process of MAb has made significant progress, issues exist concerning the difficulties and disadvantages of a biological compared to a synthetic drug. These issues include manufacturing costs and the stability of biologicals. The phenomenal market growth for MAb coupled with relatively limited production capacity (cell culture capacity) for protein biologicals could result in a serious production bottleneck. Issues also exist for the therapeutic use of a protein versus a synthetic drug. These include potential immunological reactions, especially with prolonged use of proteins. In addition to the well-known HAMA (human anti-mouse antibody) response, antibody mediated cytotoxicity mechanisms (ADCC and complement-mediated) could produce side-effects especially among antibodies targeted for the treatment of auto-immune diseases. A tremendous and lucrative opportunity exists for any technology with the potential to replace a glycoprotein antibody with a synthetic low molecular weight functional equivalent.

ProMetic strategy – capitalize on growth opportunities related to the use of monoclonal antibodies



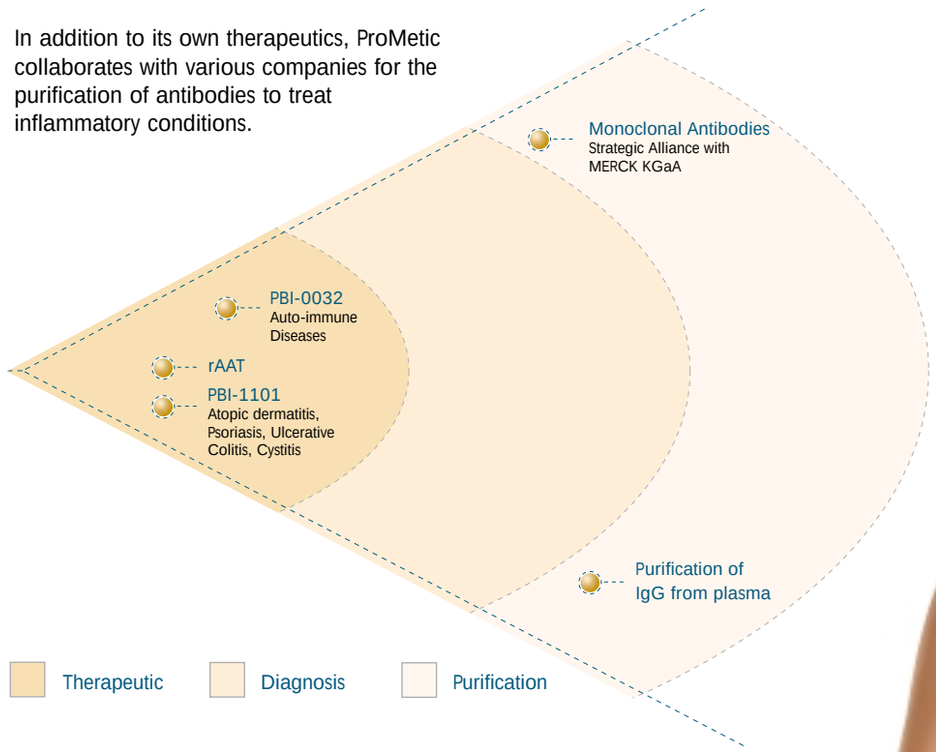
ProMetic's proprietary and enabling technologies are key to protein isolation and purification, and the development of protein mimetics. Its core technologies and competence are the basis for commercial applications ranging from proteomics research to industrial biopharmaceutical manufacturing, and from diagnostics to therapeutics. In addition to providing its strategic partners with products and technologies, ProMetic is also in the process of developing its own proprietary drug candidates for the treatment of cancer and inflammatory diseases.

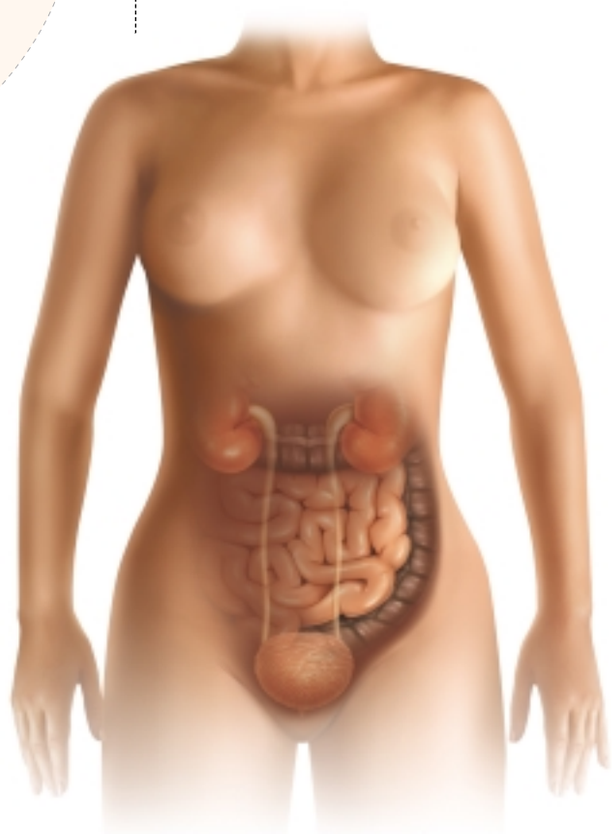


Inflammation

Inflammation is a common condition into which tissues enter as a reaction to injury. In some specific reactions, parts of the body's system are affected by injuries caused by auto-immune (antibodies produced against the body's own tissues) or allergic reactions. In this broad therapeutic area, ProMetic focuses on conditions with unsatisfied medical needs and for which it can offer advanced and cost-efficient treatment alternatives.

In addition to its own therapeutics, ProMetic collaborates with various companies for the purification of antibodies to treat inflammatory conditions.





In the U.S.A. alone, approximately 7 million people suffer from a form of psoriasis.

ProMetic's first therapeutic compounds are being formulated to address the following indications:

Skin

Atopic dermatitis and psoriasis are common forms of inflammation of the skin.

Atopic dermatitis (AD) is a disease that causes itchy, inflamed skin. AD is the most severe and chronic type of eczema with flares and sores. It is a very common disease that affects approximately 6% of the general population at least once during their lifetime. Since 1970, the incidence of atopic dermatitis has increased by 30%.

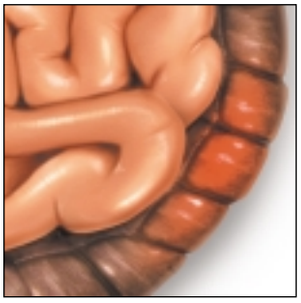
Psoriasis is a T-cell mediated inflammatory skin disease that generally appears in the form of patches of raised red skin covered by flaky white buildup. 1-3% of the world's population is affected by psoriasis. In the U.S.A. alone, approximately 7 million people suffer from a form of psoriasis.

Gastro-intestinal tract

Inflammatory Bowel Diseases (IBD) refers to a group of disorders that cause the intestines to become inflamed. IBD can involve either the small or large bowels. Crohn's disease and ulcerative colitis are the best-known forms of IBD. The inflammation lasts a long time and usually recurs over time. More than 600,000 Americans suffer from some form of IBD every year.

Crohn's disease can involve any part of the gastro-intestinal tract, but most frequently involves the distal small bowel and colon. Inflammation is transmural and can produce anything from a small ulcer to a deep fissuring ulcer, to transmural scarring and chronic inflammation. Transmural inflammation leads to the development of fistulas between loops of bowel.

Ulcerative colitis involves the colon. It is a diffuse mucosal disease with distal predominance causing ulcers. The rectum is virtually always involved, and additional portions of the colon may also be involved.



Genito-urinary tract

Interstitial cystitis (IC), a chronic pelvic pain disorder, is a condition resulting in recurring discomfort or pain in the bladder and the surrounding pelvic region. The symptoms of IC vary from case to case. Symptoms may include an urgent need to urinate (urgency), a frequent need to urinate (frequency), or a combination of these symptoms. In IC, the bladder wall is irritated and may become scarred or stiff. IC is far more common in women than in men. Of the more than 700,000 Americans estimated to have IC, 90 percent are women.

Of the more than 700,000 Americans estimated to have IC, 90 percent are women.

Therapeutic Pipeline

Product	Disease category	Targeted indications / use	Research	Manufacturing	Preclinical	Toxicology	Clinical phase
Recombinant alpha-1-antitrypsin (rAAT)	Inflammation	Atopic dermatitis					2002
		Psoriasis					2002
		Inflammatory bowel diseases					2003
		Interstitial cystitis					2003
PBI-1101	Inflammation	Dermatology					2002
PBI-0032	Inflammation	Auto-immune diseases					2004

Products in development

Alpha-1-antitrypsin

Alpha-1-antitrypsin (AAT) is a glycoprotein primarily synthesized by the liver and released into the blood circulation. Some inflammatory cells such as the macrophages, the monocytes and the neutrophils also secrete AAT. AAT belongs to a family of structurally-related molecules called serine protease inhibitors or SERPINS, which act as inhibitors of specific target proteases. AAT inhibits trypsin, cathepsin G, thrombin, tissue kallikrein, pancreatic and neutrophil elastase by forming a 1-to-1 molar ratio complex at the protease active site. The inhibitory profile of AAT points to the anti-inflammatory action of this inhibitor.

The natural form of AAT, derived from pooled plasma, has been on the market since 1989. It is marketed by Bayer as Prolastin®. It is used to treat patients with hereditary emphysema and its availability is not sufficient to satisfy this market: it covers only approximately 5% of the diagnosed cases. The lack of availability of AAT until now has precluded the further development of this steroid-sparing anti-inflammatory agent in various disorders.

An open-label pilot study with the approved plasma-derived AAT product has demonstrated positive results in the treatment of several dermatological diseases including atopic dermatitis and psoriasis. In this study, AAT stopped pain and itching and promoted tissue healing without scarring. Arriva-ProMetic is presently developing a yeast-derived product (rAAT). The proprietary production system has been developed to provide an abundant source of rAAT and a finished product free from potential contamination by infectious pathogens (e.g. virus and prions). This production process has been scaled up and produces GMP grade material to enable Arriva-ProMetic to prepare various formulations and commence clinical trials.

ProMetic has also invested in proprietary topical formulations of rAAT to treat dermatological conditions. The first indication being pursued is atopic dermatitis with clinical trials starting in the first half of 2002. Other formulations will be developed to address gastroenterology and urology indications. The clinical trials for other indications will commence as soon as the optimal rAAT formulation for the targeted indications has been completed and validated.

In March 2001, the use of protease inhibitors for the treatment of skin inflammatory conditions claimed in the European patent (numbered EP 0 512 090) was upheld by the European Patent Office. This ruling followed an opposition filed by Bayer AG, which attempted to restrict the scope of the patent.

PBI-1101

PBI-1101 is a well-known chemical entity for which the Company has discovered anti-inflammatory activities. A method of use and formulation patent was filed in Q4 2001.

PBI-1101 can be used as an effective stand-alone anti-inflammatory drug and in combination with other anti-inflammatory drugs. The Company anticipates that the most promising clinical uses for PBI-1101 are for the treatment of dermatological, gastro-intestinal and uro-genital inflammations.

One of the mechanisms of action of PBI-1101 was elucidated with experiments, which demonstrated inhibition of T-cell proliferation. This mechanism of action is complementary to those of other anti-inflammatory drugs such as rAAT and corticosteroids. PBI-1101 can be used to produce an improved range of well-characterized therapeutics with new patent protection.

PBI-1101 can be used to produce an improved range of well-characterized therapeutics with new patent protection.

Antibodies, auto-immune diseases and PBI-0032

When the immune system mistakes "self tissues" for "non-self tissues" and mounts an inappropriate attack, the result is an auto-immune disease. Auto-immune diseases can affect the body in different ways. For instance, the auto-immune reaction will target brain tissue in multiple sclerosis, the gut in Crohn's disease, the joints in rheumatoid arthritis and multiple organs in systemic lupus erythematosus. These diseases are chronic conditions affecting millions of people worldwide. They are more prevalent in women than men.

From ProMetic's libraries of proprietary chemicals, a group of compounds has been developed to specifically target immunoglobulins and in particular immunoglobulin G (IgG). The high affinity of PBI-0032 for this family of proteins has yielded a selected candidate for binding to IgG and IgG-immune complexes and thereby acts to remove these complexes from damaged tissue and prevent further tissue damage.

Several monoclonal antibodies are being developed and others are being commercialized for the treatment of inflammatory conditions such as arthritis.

Through its strategic alliance with Merck KGaA, ProMetic markets Mimetic Ligand™ for the purification of antibodies.

ProMetic's technology is also being developed to extract and purify IgG from human plasma. IgG is commonly used for the treatment of various auto-immune diseases.

Cancer

The cancer market represents a large, unsatisfied market.

In North America, cancer is the second-leading cause of death after heart disease. It is anticipated that with the aging trend in demographics, cancer will become the number one cause of death. It is further estimated that in the U.S. alone, 1.3 million new cases will have been diagnosed in 2001. That's the equivalent of 2 persons per minute.

The main curative therapies for cancer (surgery, radiotherapy and chemotherapy) are generally more successful when the cancer is diagnosed at an early stage. The rationale for the use of chemotherapy is to try to kill the tumor. Chemotherapy relies on toxic compounds that cause damage to the genetic material of fast dividing cells and prevent normal repair mechanisms. However, some normal cells are also fast dividing and so are susceptible to the toxic effects of chemotherapy. This includes bone marrow, which produces immune cells.

ProMetic's technology and competency have allowed it to position itself in the new era of cancer therapy.

These new therapies are either meant to:

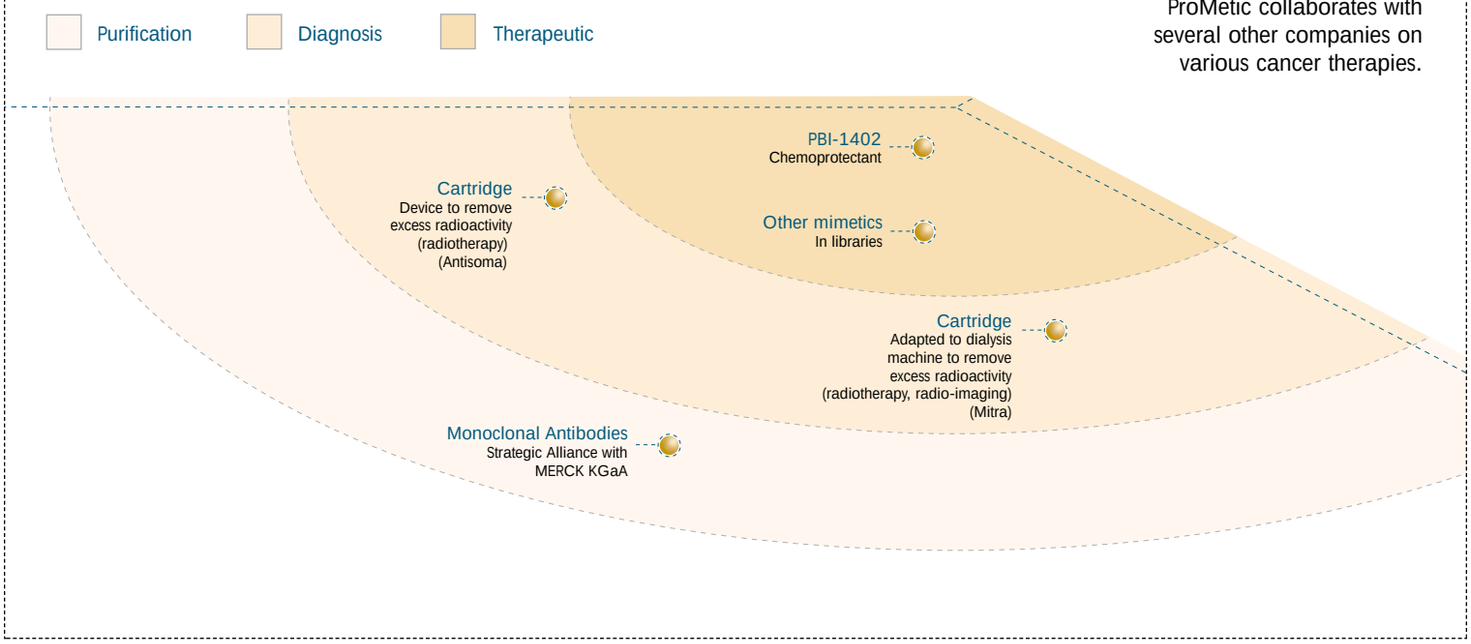
» complement current standard treatments by reducing toxicity and increasing efficacy, which should lead to better response rates, or;

» be more specific in targeting cancer cells.

The cancer market represents a large, unsatisfied market. It requires smaller R&D and marketing investments; and its regulatory process is usually faster. In addition, there is significant off-label use.

ProMetic is developing its own range of therapeutic agents as well as providing its enabling technology under license to its partners for their proprietary therapeutic and diagnostic products. These include the purification of MAb (strategic alliance with MERCK) and the removal of excess radioactivity associated with the use of radioactive MAb for radiotherapy and radio-imaging. (see page 17)

In addition to its own therapeutics, ProMetic collaborates with several other companies on various cancer therapies.



PBI-1402 protects neutrophils following a variety of chemotherapy regimens.

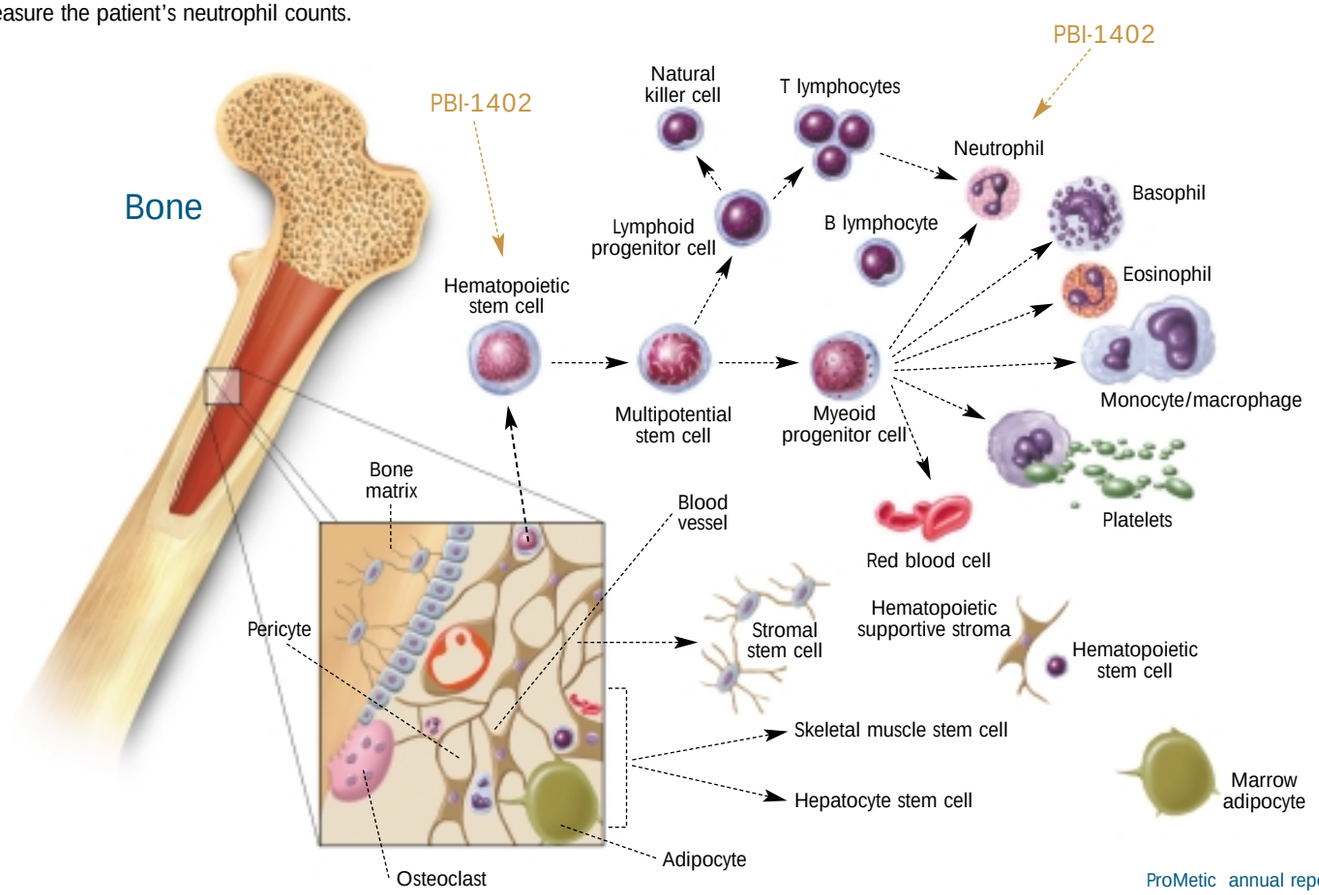
Therapeutic Pipeline

Product	Disease category	Targeted indications / use	Research	Manufacturing	Preclinical	Toxicology	Clinical phase
PBI-1402	Cancer	Chemoprotection / neutropenia					2002
Mimetic	Cancer	Adjuvant to chemotherapy / IL-2 Mimetic					

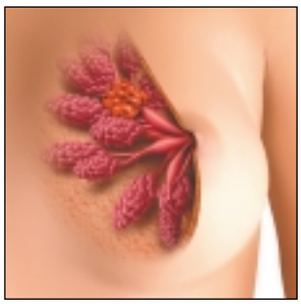
PBI-1402

The toxic effects of chemotherapy on the immune system is one of the most important limitations of this therapeutic approach. During chemotherapy, patients are much more susceptible to developing infectious diseases. The therapeutic doses must be spaced to allow for the patient's immune system to recover. The therapeutic dose is also subject to the relative condition of the patient's immune system. Before and during chemotherapy, blood samples are taken to measure the patient's neutrophil counts.

Neutrophils constitute the body's first line of defense. Their numbers and ability to attack and destroy intruders (phagocytosis) are affected by chemotherapy. Physicians must wait for the neutrophil counts to return to normal before administering follow-up doses of chemotherapy.



ProMetic's research team demonstrated that PBI-1402, when combined with chemotherapeutic agents, protects human neutrophils.



Breast cancer

Growth factors such as Neupogen® (rmethuG-CSF), Leukine® (rhuGM-CSF) and Granocyte® (rhuG-CSF) are safe and effective in accelerating the recovery of neutrophil counts following a variety of chemotherapy regimens. However, these growth factors are very expensive and consequently, have not met their full market potential.

PBI-1402 is a non-toxic, well-defined low-molecular-weight synthetic chemoprotective drug. *In vitro*, PBI-1402 enhances human neutrophil survival and phagocytosis with an efficacy comparable to GM-CSF.

Based on its pharmacological activity, PBI-1402 may be classified as a chemoprotective drug and hematopoietic growth stimulant. PBI-1402 is targeted as an adjunct to cancer chemotherapy, bone marrow transplantation and diseases involving neutropenia.

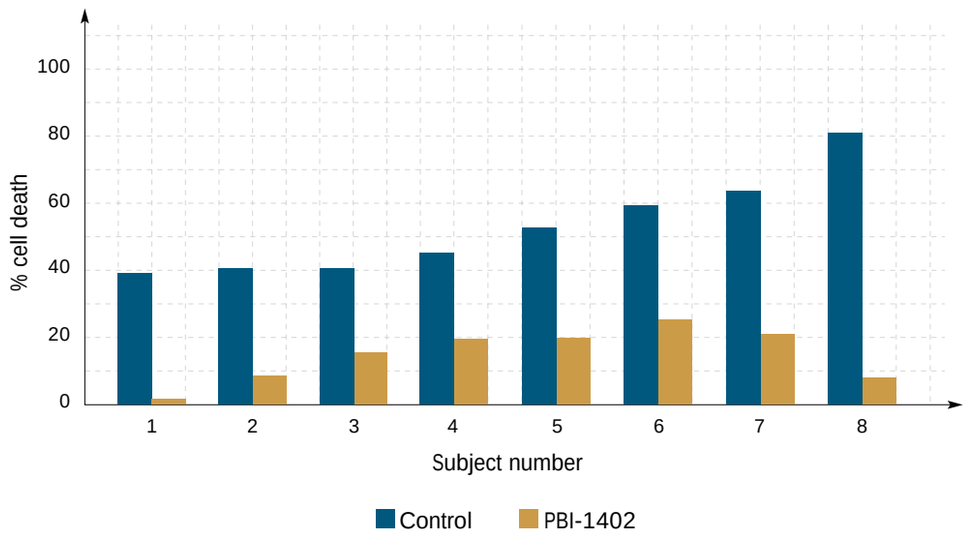
ProMetic's research team demonstrated that PBI-1402, when combined with chemotherapeutic agents, protects human neutrophils. For instance, PBI-1402 chemoprotection activity has been confirmed in combination with cytotoxic drugs used routinely to treat various cancers such as breast, colon and lung. When combined with cyclophosphamide, 5-fluorouracil, doxorubicin and taxol, PBI-1402 significantly increases the survival of neutrophils and the cell counts in hematopoietic tissue such as bone marrow and the spleen.

On the basis of these results, patent applications have been filed for PBI-1402 and analogs.

Given its remarkable safety profile, PBI-1402 is expected to advance to clinical trial phases in 2002.

Effect of PBI-1402 on human neutrophil survival

Human neutrophils have a relatively short life cycle. In these experiments, between 40% to 80% of neutrophils died within 24 hours. The % of cell death was significantly reduced in the presence of PBI-1402.



Monoclonal antibodies (MAb) are becoming increasingly important in cancer diagnosis and therapy.

Cancer

MERCK – Strategic Alliance to purify antibodies

Monoclonal antibodies (MAb) are becoming increasingly important in cancer diagnosis and therapy. Typically for cancer, MAb are targeted to bind proteins (markers or antigens) present on the surface of a cancer cell, which are not present on the surface of normal cells. There are 5 MAb drugs currently approved for the treatment of a variety of tumors and several are in clinical and preclinical development.

Merck and ProMetic joined forces by combining their respective technology to offer a superior purification process to biopharmaceutical companies active in the development of MAb products. One of the major challenges faced by MAb producers is the current lack of manufacturing capacity. As a consequence, methods increasing MAb yields from existing facilities are now being actively sought. The ProMetic-Merck offering provides a robust and integrated system capable of achieving improved yield, purity and process economics.

ProMetic's enabling technology used for radiotherapy and radio-imaging

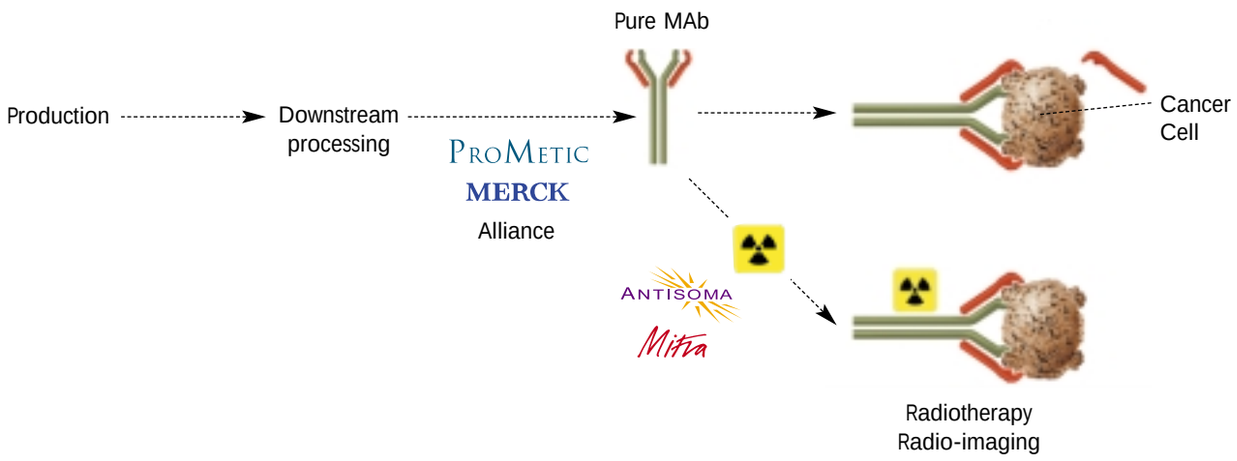
MAb can be used to destroy cancer cells in different ways. Upon binding to cell surface antigens, MAb can activate the body's natural immune defense system resulting in the destruction of the cancer cell (a process referred to as cell lysis via the antibody-dependent cell-mediated cytotoxicity). Alternatively, MAb can be used to target the delivery of toxic or radioactive substances directly at the surface of cancerous cells whilst leaving normal cells untouched. In addition to is own therapeutic cancer program, ProMetic's technology is also used to improve cancer therapeutics and diagnostics relying on MAb.

Once an antigen expressed by a cancer cell has been identified, a MAb specific to that antigen can be produced. The MAb can then be attached to a radioactive isotope or cytotoxic drug to provide a therapeutic reagent, which delivers a toxic payload directly to tumour cells. However, the process used to attach a radioactive agent to a MAb is not 100% efficient and a small amount of the radioactive agent remains free (not attached to the antibody). Injecting such a mixture would introduce excess and unnecessary radioactivity, which can cause significant adverse side-effects in patients. Consequently, a purification step is necessary to remove excess radioactivity prior to injection into a patient.

ProMetic's technology is used to quickly remove the non-linked or free radioactive agent before the product is injected into the patient. This provides the patient with a high-purity radioactive antibody directed only to cancer cells, thereby minimizing side-effects and unnecessary toxicity.

ProMetic's technology is also used to address another issue relating to radioactive antibodies. When a radioactive MAb targeting a specific cancer site is administered to patients, only a small proportion attaches to tumour cells and more than ninety percent (90%) can remain unbound to the tumor site. The removal of excess circulating radioactive MAb provides significant clinical advantages such as reduced toxicity, the ability to deliver higher concentrations of labeled MAb to the tumour site, and the improved imaging resolution for radio-diagnostics. ProMetic's technology has led to the development of cartridges that can be installed on regular dialysis equipment.

ProMetic technology used to purify MAb (alliance with MERCK), and to remove excess radioactivity when MAb are used to deliver radioactive substances on the surface of cancer cells (collaboration with Antisoma PLC and Mitra Ab)



Infectious diseases

A Memorandum of Understanding (MOU) was signed with the American Red Cross to form a new joint venture (JV) company...

ProMetic's core technology and core competency are leading to different commercial applications related to the diagnosis, treatment and prevention of transmissible infectious diseases.

Detection and removal of Pathogens

A Memorandum of Understanding (MOU) was signed with the American Red Cross to form a new joint venture (JV) company for the development and commercialization of detection and removal systems for viruses such as hepatitis A and human parvovirus B19, and pathogens that may cause Transmissible Spongiform Encephalopathies (TSEs). At the time of writing, finalization of the corporate entity was still in progress.

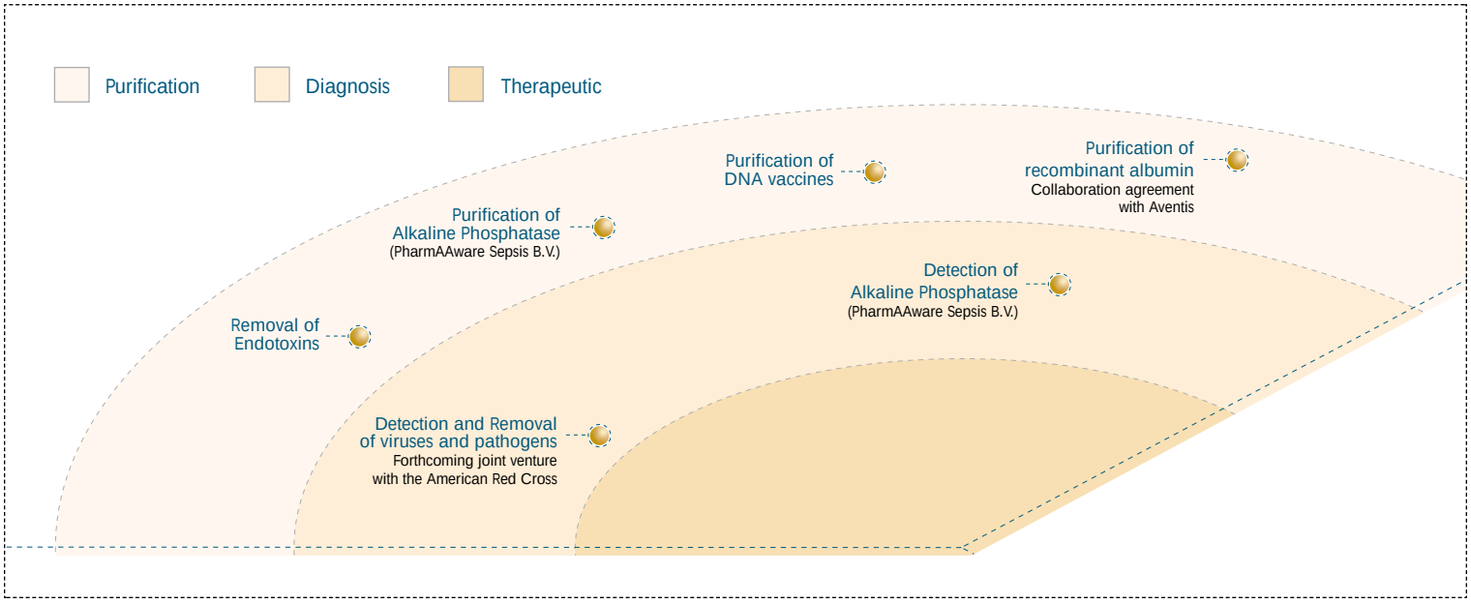
Under the terms of the MOU, ProMetic and the American Red Cross will each contribute intellectual property and technical expertise to develop diagnostic and removal systems. Specifically, the JV will utilize ProMetic's proprietary Mimetic Ligand™ technology in combination with American Red Cross expertise in diagnostic and pathogen removal systems in blood and blood components. The JV will also investigate developing other commercial applications for detecting and removing TSEs in industries such as biopharmaceuticals, food, cosmetics and personal care.

The Memorandum of Understanding allows for the jointly–owned company to retain all rights to the technology and products developed under the partnership, and to facilitate licensing for all parties wishing to access these proprietary systems upon completion of their validation.

Rationale for the JV

The American Red Cross will benefit from ProMetic's platform technology that is able to distinguish between very similar proteins. Additionally, ProMetic's technology has been validated and manufactured to meet stringent commercial requirements. ProMetic also has a solid and unique knowledge base to deal with both removal and purification systems for the large-scale manufacturing of biopharmaceuticals, as well as diagnostics.

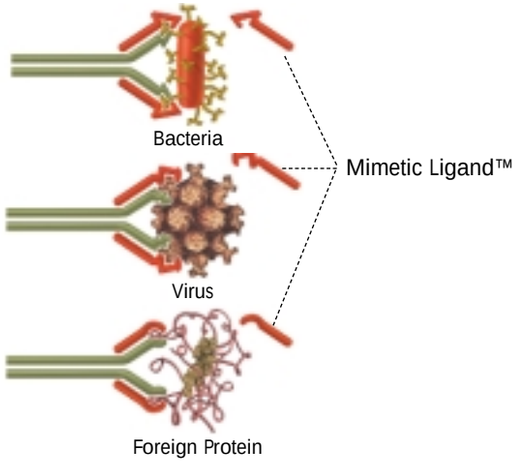
The American Red Cross will share its extensive expertise in handling blood products, and in the successfull elimination of blood pathogens. The American Red Cross provides skilled and experienced individuals, fully-equipped facilities, validated models to test the efficiency of the systems jointly developed, as well as other capabilities.



The American Red Cross will benefit from ProMetic's platform technology that is able to distinguish between very similar proteins.

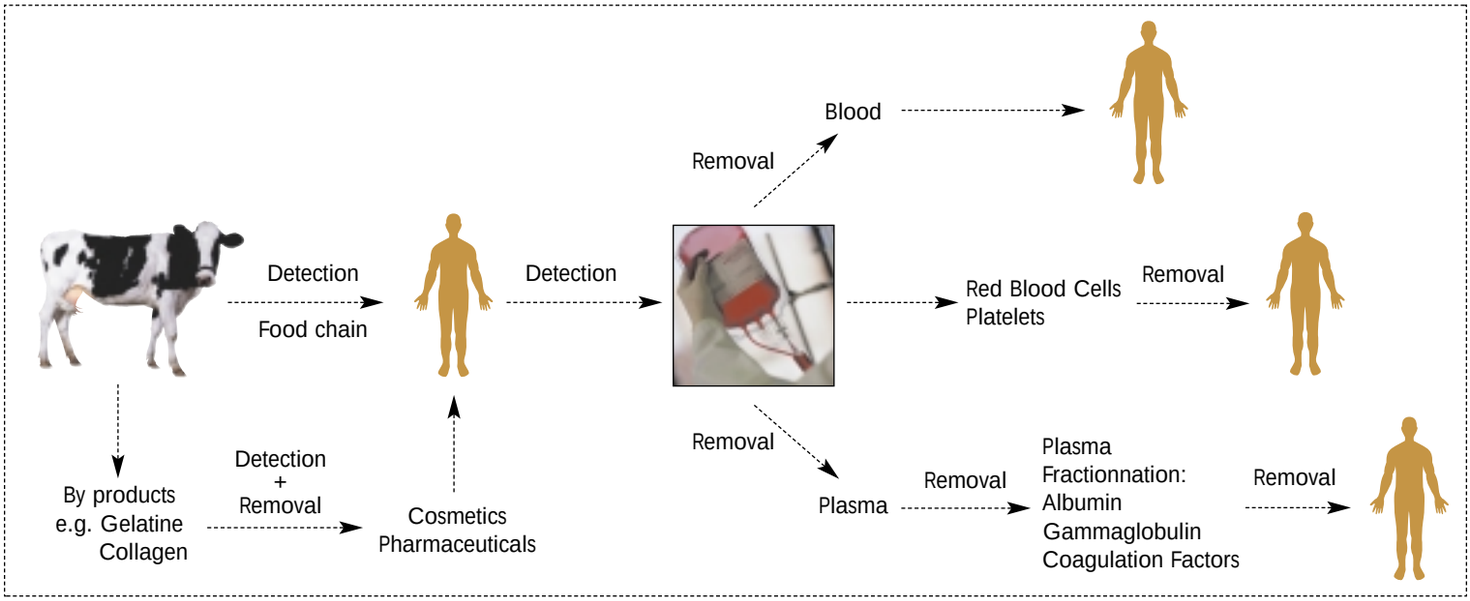
About Hepatitis A and Parvovirus B19

Hepatitis A is a type of liver inflammation caused by a virus. Hepatitis A is predominantly transmitted by the fecal-oral route (e.g. inadequate handwashing practices), but a few cases of transmission by blood transfusion, while rare, are well-documented. Parvovirus B 19 is a virus that can cause asymptomatic infection, as well as acute and chronic infections ranging from joint illness to bone marrow failure. Virus transmission usually occurs via respiratory droplets, but while rare, transmission by blood and blood products obtained from infected donors is well documented.



About transmissible spongiform encephalopathies (TSE)

TSE, including the human form variant Creutzfeldt-Jakob Disease (vCJD), are believed to be prion diseases. Prions are normal protein molecules that exist in many cells of the body but become infectious when folded into abnormal shapes. These prions clump together and form plaques in the brain, leaving sponge-like holes that lead to a fatal degenerative central nervous system disorder. Currently, there is no treatment for these diseases or a sensitive method for their early detection. According to the U.S. Food and Drug Administration, vCJD is not known to have been transmitted by blood transfusion. Furthermore, no cases of BSE or vCJD have been reported in the United States. However, animal models suggest that transmission by blood products may be possible. In addition, cases of vCJD in the United Kingdom continue to increase and BSE has become widespread in Europe and is becoming a significant issue in Japan.



Sepsis is a major medical concern, which accounts for $5 billion in healthcare costs in the U.S. alone.

Sepsis and Septic shock

Through a licensing agreement with PharmAAware Sepsis B.V., ProMetic's technology will be used to develop both a diagnostic kit and a therapeutic protein for sepsis and septic shock. PharmAAware Sepsis B.V. will utilize ProMetic's technology to purify alkaline phosphatase (AP), an enzyme known to prevent inflammation and the sepsis cascade, which has shown significant potential as an effective therapy for septic shock. PharmAAware Sepsis B.V. will initially focus on exploiting the endotoxin neutralizing properties of AP to develop a therapeutic for sepsis, and a diagnostic device to improve the monitoring of these patients.

Sepsis is a major medical concern, which accounts for $5 billion in healthcare costs in the U.S. alone. ProMetic's technology will help address this health problem by assisting in the purification of AP, which has shown great promise as a therapeutic, for sepsis, without the complexities and side-effects seen in many existing treatments. This agreement will enable the production of large enough quantities of pure AP to allow for the industrial-scale production of a therapeutic to meet the growing medical need for a more effective treatment.

The purification of these vaccines (particularly DNA vaccines), as part of their industrial manufacturing process, represents a significant opportunity for ProMetic.

Vaccines and ProMetic technology

A review of data from the U.S. Centre for Disease Control and the WHO for the past several years has revealed two trends.

First, there seems to be an increase in "emerging infectious diseases", newly-identified and previously unknown infectious diseases of concern to public health authorities (new variant CJD could fall in this category).

Second, "re-emerging infectious diseases": these are due to the reappearance of, and an increase in, the number of infections from a disease which is known, but which had formerly caused so few infections that it was no longer considered a public health problem. A good example would be tuberculosis with its re-emergence due in part to the AIDS epidemic and treatment resistance.

Not mentioned above are diseases such as malaria, which continues to spread in tropical countries, but for which vaccines are under development. Hepatitis B continues to spread in Asia where there is a large pool of carriers. Vaccines do exist but require special programmes for their introduction.

The development of new viral vaccines (recombinant and DNA) is at an advanced stage in some cases, while in others, it will be many years before products are marketable. The purification of these vaccines (particularly DNA vaccines), as part of their industrial manufacturing process, represents a significant opportunity for ProMetic.

ProMetic has developed a family of patented chromatographic adsorbents designed primarily for plasmid/DNA purification in research laboratories and for large scale DNA purification by pharmaceutical companies.

Management Discussion and Analysis of the Financial Position and Operating Results

The management discussion and analysis of the financial position and operating results presented below should be read in conjunction with the consolidated financial statements and accompanying notes to be found further on in the annual report. All amounts are in Canadian dollars unless otherwise indicated.

Overview

ProMetic Life Sciences Inc. ("ProMetic" or "the Company") is in the process of becoming a major player among international biopharmaceutical companies. Through its subsidiaries in the U.K., the Isle of Man, in Canada and the U.S.A., ProMetic is active in researching, developing, manufacturing and marketing a variety of commercial applications that are based on its patented technology and used therapeutically for the large-scale purification of drugs, genomic products and proteomics, and for the discovery and development of drugs.

Financial Analysis

Financial Summary – "Shareholder yield and achievement of an important strategic agreement"

As predicted in its 2000 annual report, the Company reached its goal of increasing shareholders' value in 2001. Over the course of the year, the value of ProMetic shares increased by more than 150% ($0.90/share to $2.30/share), despite the collapse of the NASDAQ exchange last spring and the tragic events of September 11. Capitalizing on this excellent performance, the Company improved its liquidity by raising $19.1 million, of which $9.9 million was concluded as at December 31, 2001 and $9.2 million was subscribed as at December 31, 2001. Out of this $9.2 million, an amount of $7.2 million had already been cashed at the date of signature of these financial statements.

From the beginning of 2001, the Company took a highly proactive approach to controlling its expenditures and capital asset investments. These measures allowed the Company to ensure the progression of its development projects in spite of a highly difficult economic and financial context. In addition, during the year, the Company signed a Memorandum of Understanding with the American Red Cross to develop systems capable of detecting and eliminating the pathogens that cause mad cow disease and a new variant of Creutzfeldt-Jakob syndrome.

Balance Sheet – "A healthy financial condition"

The financial reorganization that started at the end of 1999 was completed. It allowed investors to significantly increase their level of confidence in the Company's day-to-day management of operations and its future development.

Current assets reached $13.2 million as at December 31, 2001 compared to $5.3 million as at December 31, 2000. This increase is mainly due to subscriptions receivable of $9.2 million as at December 31, 2001. As of March 15, 2002, the Company had received $7.2 million with respect to the subscription.

Capital assets increased by $536,000, corresponding to acquisitions of $961,000 and an amortization of $425,000. Intellectual property appreciated by approximately $1.1 million; this increase amounts to 50% of company disbursements in Arriva-ProMetic, Inc., a joint venture to develop recombinant alpha-1-antitrypsin ($1.3 million), and a $199,000 amortization of all intellectual property. The Company undertook to disburse $4 million U.S. in the joint venture, in which it holds a 50% interest. The Company records 50% of its commitment as "Intellectual Property" in consideration of the exclusive and perpetual license granted to the joint venture.

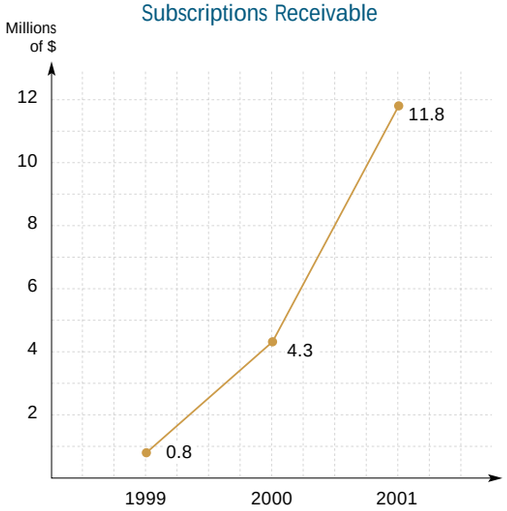
Deferred development costs increased by $566,000 over the year, corresponding to a development cost capitalization of $907,000, an amortization of these costs in the amount of $232,000 and write-offs in the amount of $109,000 during the year ending December 31, 2001. To this effect, the Company applies the same policies as those followed last year.

The Company's total assets increased from $14.2 million as at December 31, 2000 to $24.3 million as at December 31, 2001, representing an increase of $10.1 million.

André Bédard
Executive Vice-President
and Chief Financial Officer

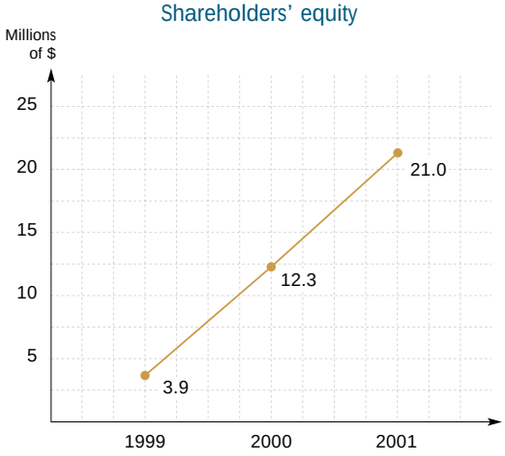
As predicted in its 2000 annual report, the Company reached its goal of increasing shareholders' value in 2001.

Cash, Cash Equivalents
Short-Term Investments &
Subscriptions Receivable

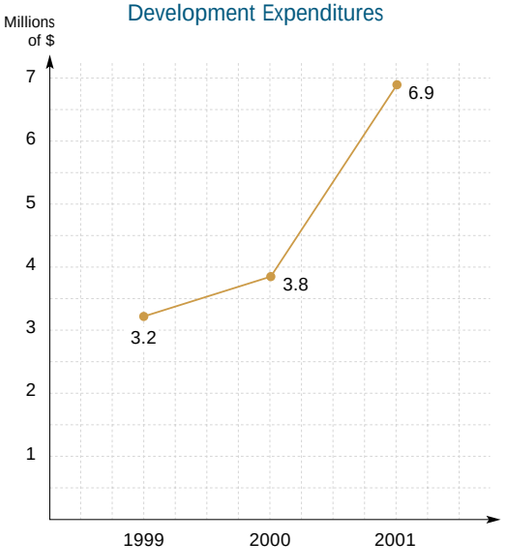


R&D expenditures increased from $3.8 million as at December 31, 2000 to $6.9 million as at December 31, 2001, representing an increase of $3.1 million or 82%.

Shareholders' equity



Research & Development Expenditures



Current liabilities increased from $1.9 million as at December 31, 2000 to $3.3 million as at December 31, 2001, for an increase of $1.4 million that can be attributed to the issuance cost of the subscriptions receivable ($0.9 million) and to accounts payable and expenses of $0.5 million concerning the increase in current R&D expenditures, in corporate business development expenses and capital assets acquisitions.

Shareholders' equity reached $21 million as at December 31, 2001.

Revenues

Revenues for the year ended December 31, 2001 totalled $2.5 million compared to $2.1 million for the period ended December 31, 2000. This slight increase is due to product development contracts. The signing of cooperation agreements in 2001 and of new agreements in 2002 should result in an increase in R&D revenues next year. Most revenues correspond to payments from cooperation, R&D and development agreements. Revenues from sales of products that had reached the marketing stage represented less than 10% of the total.

Whenever appropriate, the Company's strategy may include taking an equity position in high-reward projects (in lieu of a one-time licensing revenue for signing an agreement). This allows ProMetic to further maximize the potential value arising from such high-profile projects.

The average period between a customer's adoption of ProMetic technology and the first commercial sale is approximately three to four years. Generally speaking, a customer must pass a series of development, scaling and preclinical validation stages before being in a position to submit documents to the appropriate regulatory agencies. During this period, ProMetic's revenues will increase gradually, thereby achieving stronger growth once regulatory approvals are adopted. The revenues for each product that reaches the marketing stage will be proportional to that product's market penetration and should sustain throughout the product's life cycle. The fact that ProMetic has chosen widespread partners will allow it to better distribute its technology-based products. The resulting rapid market penetration will accelerate the generation of future revenues.

Expenditures – "Acceleration of R&D programmes and expansion of its therapeutic sector"

Total expenditures before R&D expenses, amortization of capital assets and intellectuel property and financial costs were $3.5 million in 2001 compared to $2.8 million in 2000. This increase can be attributed to investments in corporate and business development and the expansion of commercial activities in Asia. The investment has proved to be a sound strategy, as the Company's shares increased from $0.90 as at December 31, 2000 to $2.30 as at December 31, 2001.

R&D expenditures increased from $3.8 million as at December 31, 2000 to $6.9 million as at December 31, 2001, representing an increase of $3.1 million that can basically be attributed to: 1) the development of the therapeutic sector and the hiring of a therapeutic team in Montreal in anticipation of upcoming clinical trials and the increasing importance of the new drug discovery programme. The team expects to announce clinical studies of certain main components, such as PBI-1402 in chemotherapy and the anti-inflammatory rAAT, over the next few quarters; 2) the acceleration of the main development projects in drug purification.

Amortization of capital assets and intellectual property stood at $624,000 for the year ended December 31, 2001, for an increase of $63,000 over 2000. This increase is due to additional investments over the year. Financial revenues as at December 31, 2001 were $63,000 compared to financial costs of $101,000 for the year ended December 31, 2000. This decrease can be attributed to the Company's having paid interest in 2000 on its long-term debt repaid that year, and to its having maintained a higher average cash balance in 2001 than in 2000, thereby generating greater interest revenues.

"ProMetic: well-positioned in niche and high-growth markets"

Results

Net losses for the fiscal year ended December 31, 2001 stood at $8.4 million ($0.14 per share) compared to $5.2 million ($0.10 per share) for the twelve-month period ended December 31, 2000. The reasons for this difference are fully explained in the "Revenues" and "Expenditures" sections above.

Cash Flows

During financial year 2001, cash flows used for operating activities reached $7.6 million compared to $5.2 million for the financial year ended December 31, 2000. This increase is mainly due to an increase in operating losses of $3.2 million, which was itself due to an increase in R&D expenses (see additional comments in the Expenditures section).

For the twelve-month period ended December 31, 2001, cash flows from financing activities were mainly attributable to the issue of subordinate voting shares worth $9.9 million, net of share issue expenses of $955,000.

During financial year 2001, cash flows from investing activities amounted to $893,000 compared to $5.7 million for the financial year ended December 31, 2000, an improvement of $4.8 million constituted as follows: receipt of a short-term investment in financial year 2001, thereby creating a positive difference of $4 million; reduction of investment needs (acquisition of an investment) by $1.5 million in 2001 following the finalization of the Company's participation in Arriva Pharmaceuticals, Inc. in 2000; reduction by $90,000 of additional capital assets during the financial year ended December 31, 2001; investments of $1.2 million in intellectual property attributable to our participation in the Arriva-ProMetic, Inc. joint venture (see balance sheet section), and a $467,000 reduction in the level of deferred development costs (see Balance Sheet section).

During financial year 2001, Company activities generated $0.3 million in cash and cash equivalents, compared to $1.5 million during financial year 2000.

Outlook

"A strategic position in niche and high-growth markets"

The Company should announce important stages in the realization of its R&D programmes over the next few quarters. This will help to increase investor and analyst interest. Management will continue to maintain rigorous control of all Company operations.

Since 1999, the Company has repositioned itself to maximize its value and minimize risks inherent to its development. Its approach is to sign development agreements with customer-partners who agree to defray development costs. In the majority of cases, the Company also signs production agreements that will allow it to obtain a profit margin on product manufacturing and a royalty on the sale of finished products using ProMetic's technology. In certain targeted markets with strong growth potential, the Company has secured other source of revenue through equity participation in companies that will market these potentially highly profitable products. This is the case with recombinant alpha-1-antitrypsin, for which ProMetic will obtain 50% of the future revenues of Arriva-ProMetic, Inc., in addition to an equity participation in Arriva Pharmaceuticals, Inc. This is also the case for the development of systems capable of detecting and eliminating the pathogens that cause mad cow disease and Creutzfeldt-Jakob syndrome, with a participation in the joint venture resulting from the future association with the American Red Cross. Through its recent signing of a Memorandum of Understanding with the American Red Cross, the Company has confirmed the value and potential of its technology. Many now consider ProMetic to be indispensable.

The Company must commit significant financial resources before products can be developed successfully and revenues are high enough to generate profit. The Company believes that its current liquid assets, combined with those to be obtained during 2002, will be sufficient to meet its needs for liquid assets associated with operations and capital asset expenditures over the next twenty-four months.

The issues dealt with in this annual report, more specifically in the management discussion and analysis of the financial condition and operating results, are of a somewhat forward-looking nature. Consequently, for various reasons, the actual results obtained may be substantially different.

Quarterly information

	Fourth Quarter 2001	Third Quarter 2001	Second Quarter 2001	First Quarter 2001	Fourth Quarter 2000	Third Quarter 2000	Second Quarter 2000	First Quarter 2000
Revenues	$565,454	$1,111,096	$446,752	$377,493	$464,792	$397,127	$346,134	$871,286
Net loss	$2,728,203	$1,856,903	$2,158,067	$1,671,912	$1,245,536	$1,553,489	$1,337,089	$1,031,526
Net loss per share	$0.04	$0.03	$0.04	$0.03	$0.02	$0.03	$0.03	$0.02

ProMetic Life Sciences Inc.

Management's Report

The accompanying consolidated financial statements for ProMetic Life Sciences Inc. are management's responsibility and have been approved by the ProMetic Life Sciences Inc. Board of Directors. These financial statements were prepared by management in accordance with generally accepted Canadian accounting principles. They include some amounts that are based on estimates and judgments. The financial information contained elsewhere in the Annual Report is consistent with that contained in the financial statements.

To ensure the accuracy and objectivity of the information contained in the financial statements, the management of ProMetic Life Sciences Inc. maintains a system of internal accounting controls. Management believes that this system gives a reasonable degree of assurance that the financial documents are reliable and provide an adequate basis for the financial statements, and that the Company's assets are properly accounted for and safeguarded.

The Board of Directors upholds its responsibility for the financial statements in this Annual Report primarily through its audit committee. The audit committee is made up of outside directors who review the Company's consolidated annual financial statements as well as management's analysis and the operating results, and recommend their approval by the Board. KPMG LLP, Chartered Accountants, the external auditors designated by the shareholders, periodically meet with the audit committee to discuss auditing, the reporting of financial information and other related subjects.

Pierre Laurin
Chairman, President
and Chief Executive Officer

André Bédard
Executive Vice-President
and Chief Financial Officer

Montreal, Canada, March 15, 2002

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of ProMetic Life Sciences Inc. as at December 31, 2001 and 2000 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally-accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
Chartered Accountants

Montreal, Canada, March 15, 2002

Consolidated Balance Sheets

December 31, 2001 and 2000

	2001	2000
	$	$
Assets		
Current assets:		
Cash and cash equivalents	2,606,798	2,270,316
Short-term investments	–	2,000,000
Accounts and other receivables (note 3)	924,159	524,133
Subscriptions receivable (note 10 (d))	9,150,000	–
Inventories (note 4)	292,333	300,594
Prepaid expenses	228,093	172,659
	13,201,383	5,267,702
Investment (note 5)	2,281,245	2,281,245
Capital assets (note 6)	1,973,001	1,436,717
Intellectual property (note 7)	3,272,535	2,183,669
Deferred development costs (note 9)	3,583,831	3,018,104
	24,311,995	14,187,437
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	3,271,521	1,741,756
Current portion of long-term debt	–	110,758
	3,271,521	1,852,514
Shareholders' equity:		
Share capital (note 10)	83,500,266	64,432,379
Deficit	(62,459,792)	(52,097,456)
	21,040,474	12,334,923
Commitments (notes 7 and 11)		
Subsequent events (note 10 (d))		
Contingencies (note 12)		
	24,311,995	14,187,437

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Pierre Laurin, Director

Claude Lemire, Director

ProMetic Life Sciences Inc.

Consolidated Statements of Operations and Deficit

Years ended December 31, 2001 and 2000

	2001	2000
	$	$
Revenues	$2,500,795	2,079,339
Cost of sales and expenses other than the undernoted items	3,456,849	2,815,166
Research and development expenses (note 9)	6,897,467	3,769,555
Depreciation of capital assets	425,188	409,246
Amortization of intellectual property	199,009	151,926
Financial (revenues) expenses, net	(62,633)	101,086
	10,915,880	7,246,979
Net loss	8,415,085	5,167,640
Deficit, beginning of year	52,097,456	45,785,821
Share issue expenses	1,947,251	1,143,995
Deficit, end of year	62,459,792	$52,097,456
Net loss per share	0.14	0.10
Weighted average number of outstanding shares (in thousands)	62,487	53,068

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31, 2001 and 2000

	2001	2000
	$	$
Cash flows from operating activities:		
Net loss	(8,415,085)	(5,167,640)
Adjustments to reconcile net loss to cash flows used in operating activities:		
Depreciation of capital assets	425,188	409,246
Amortization and write-off of deferred development costs (note 9)	341,330	21,613
Amortization of intellectual property	199,009	151,926
Loss on disposal of capital assets	–	3,739
	(7,449,558)	(4,581,116)
Net change in non-cash operating working capital items (note 16)	(172,423)	(592,039)
	(7,621,981)	(5,173,155)
Cash flows from financing activities:		
Proceeds from share issues	9,917,887	14,272,400
Share issue expenses	(955,171)	(1,143,995)
Repayment of long-term debt	(110,758)	(735,664)
	8,851,958	12,392,741
Cash flows from investing activities:		
Disposal (acquisition) of short-term investments	2,000,000	(2,000,000)
Acquisition of an investment (note 5)	–	(1,539,345)
Additions to intellectual property	(1,287,875)	(56,031)
Deferred development costs (note 9)	(907,057)	(1,374,284)
Additions to capital assets	(698,563)	(788,878)
Proceeds from disposal of capital assets	–	27,606
	(893,495)	(5,730,932)
Net increase in cash and cash equivalents	336,482	1,488,654
Cash and cash equivalents, beginning of year	2,270,316	781,662
Cash and cash equivalents, end of year	2,606,798	2,270,316
Other information related to cash flows:		
Interest paid during the year	6,863	229,612
Interest received during the year	144,895	74,947
Non-cash transactions:		
Unpaid capital asset purchases	262,909	–
Unpaid share issue expenses	992,080	–
Conversion of long-term debt into shares	–	500,000

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended December 31, 2001 and 2000

The Company is a biopharmaceutical company which operates in the fields of bioseparation, medical devices, drug delivery and the development of biopharmaceutical products.

1. Significant accounting policies:

(a) Basis of presentation:

These consolidated financial statements have been prepared on the going concern basis which assumes the realization of assets and the settlement of liabilities in the normal course of operations. The ability of the Company to continue as a going concern is dependent upon the continued financial support of its shareholders and other external funding sources, if applicable, and on the ability of the Company to generate cash flow from operations and other measures to eliminate the deficit. These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used. Management is of the opinion that adequate resources will be available to complete the projects under development as at December 31, 2001.

(b) Consolidation basis:

The consolidated financial statements include the accounts of ProMetic Life Sciences Inc. and its subsidiaries as well as those of the joint venture which are accounted for using the proportionate consolidation method whereby the Company's proportionate share of the revenues, expenses, assets and liabilities are consolidated. All significant intercompany transactions and balances have been eliminated.

(c) Cash and cash equivalents and short-term investments:

Cash equivalents are highly liquid investments purchased with an original maturity of three months or less. Short-term investments are investment grade short-term debt instruments with original maturities greater than three months. Short-term investments are valued at the lower of cost and market value. The carrying value of these investments approximates their fair value due to their short maturity.

(d) Inventories:

Work in progress and finished goods are valued at the lower of cost and net realizable value and raw materials are valued at the lower of cost and replacement cost. Cost is established using the first in, first out method.

Notes to Consolidated Financial Statements, page 2

Years ended December 31, 2001 and 2000

1. Significant accounting policies (continued):

(e) Investment:

The investment is recorded at cost. When, in the opinion of management, a permanent decline in value has occurred, the investment is written down to its estimated realizable value. In determining the estimated realizable value of its investments, management relies on its judgment and knowledge of each investment as well as assumptions of general business and economic conditions that prevail and are expected to prevail. These assumptions are limited due to the uncertainty of predictions concerning future events.

(f) Capital assets:

Capital assets are recorded at cost. Depreciation is provided over the estimated useful lives of capital assets using the following methods and rates:

Asset	Method	Rate/period
Leasehold improvements	Straight-line	Lease period
Equipment and tools	Declining balance	10% to 30%
Office equipment and furniture	Declining balance	20%
Computer equipment	Declining balance	30%

(g) Intellectual property:

Intellectual property includes patent fees and vested rights as well as license fees to obtain rights for product manufacturing and marketing. Amortization is provided over the estimated useful lives of the intellectual property assets acquired using the straight-line method ranging from 5 to 15 years. On an ongoing basis, management reviews the valuation and amortization of intellectual property, taking into consideration any events and circumstances which might have impaired its value. The Company assesses impairment by determining whether the unamortized balance can be recovered through undiscounted future cash flows to be derived from the intellectual property over its remaining life. Any permanent impairment is written off against earnings.

(h) Deferred development costs:

Development costs of new products and processes, which are considered technically and financially feasible, are stated at cost less related research and development tax credits and grants. These costs are amortized from the date of commercialization or use of the product or process, based on sales or the internal use of the product or process. Should the Company determine that the unamortized balance is in excess of recoverable amounts, the excess will be charged to operations for the year.

Notes to Consolidated Financial Statements, page 3

Years ended December 31, 2001 and 2000

1. Significant accounting policies (continued):

(i) Revenue recognition:

The Company recognizes revenues from various research and technology agreements when the contracted services are provided and the various conditions, if any are met, and recognizes revenues from sale of products at the time of product shipment.

(j) Scientific research and experimental development expenses:

Research and development expenditures are charged to operations in the year in which they are incurred, net of related tax credits.

(k) Foreign currency translation:

The Company's foreign subsidiaries are considered to be integrated foreign operations. Foreign denominated monetary assets and liabilities of Canadian and foreign transactions are translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities are translated at year-end exchange rates while non-monetary items are translated at historical exchange rates. Expense items are translated at the exchange rate on the transaction date or at average exchange rates prevailing during the period. Exchange gains or losses are included in the statement of operations.

(l) Income taxes:

The Company uses the asset and liability method of accounting for income taxes. Future income tax assets and income tax liabilities are recognized in the balance sheet to account for the future tax consequences of timing differences between the respective accounting and taxable value of balance sheet assets and liabilities. As appropriate, a valuation allowance is recognized to decrease the value of tax assets to an amount that is more likely than not to be realized. Future income tax assets and income tax liabilities are measured using the income tax rates that are expected to apply when the asset is realized or the liability is settled. The effect of changes in income tax rates is recognized in the year during which these rates change.

(m) Stock option plan:

The Company has established a stock option plan, as described in note 10 (b). No charge is recognized for this plan when stock options are granted. Any consideration paid on the exercise of stock options is credited to share capital.

Notes to Consolidated Financial Statements, page 4

Years ended December 31, 2001 and 2000

1. Significant accounting policies (continued):

(n) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items for which management must make estimates relate to the valuation and assessment of recoverability of the investment, intellectual property, research tax credits and deferred development costs. Reported amounts and note disclosure reflect the overall economic conditions that are most likely to occur and anticipated measures to be taken by management. Actual results could differ from those estimates.

2. Changes in accounting policies:

The Company has made certain changes in accounting policies to conform to new accounting standards.

(a) Earnings per share:

In January 2001, the Company adopted retroactively the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") with respect to the calculation of earnings per share. These new recommendations of CICA Handbook Section 3500 harmonize the Canadian standards with the United States standards. The standard requires the disclosure of the calculation of basic and diluted amounts per share and the use of the treasury stock method for calculating the dilutive impact of stock options and warrants.

This restatement did not have an impact on the diluted amounts per share for the year ended December 31, 2000.

(b) Business combinations, goodwill and other intangible assets:

In August 2001, the CICA issued Section 1581, Business Combinations, and Section 3062, Goodwill and other Intangible Assets, of the CICA Handbook. Under Section 1581 of the CICA Handbook, business combinations initiated or completed after June 30, 2001 are accounted for under the purchase method. Also, the section specifies criteria that intangible assets acquired in a business combination method must meet in order to be recognized and reported apart from goodwill. For purchase combinations that were initiated or completed after June 30, 2001, goodwill and intangibles are recorded and amortized in accordance with Section 1581 and Section 3062 of the Handbook. In accordance with Section 3062, goodwill and intangible assets with indefinite lives are not amortized and other identified intangibles are amortized.

Notes to Consolidated Financial Statements, page 5

Years ended December 31, 2001 and 2000

2. Changes in accounting policies (continued):

(b) Business combinations, goodwill and other intangible assets (continued):

For purchase business combinations initiated or completed on or before June 30, 2001, the accounting under Section 1580, Business Combinations and under Section 3060, Capital assets, have been applied. Under these sections, goodwill and separately identifiable intangibles are recorded and amortized until the Company adopts Section 3062 of the Handbook, which must be applied by the Company for fiscal year beginning on January 1, 2002.

3. Accounts and other receivables:

	2001	2000
	$	$
Trade	414,965	344,496
Sales taxes receivable	150,060	60,244
Research tax credits receivable	177,510	–
Advance to an executive	70,000	–
Other	111,624	119,393
	924,159	524,133

4. Inventories:

	2001	2000
	$	$
Raw materials	156,734	148,552
Work in progress and finished goods	135,599	152,042
	292,333	300,594

5. Investment:

Investment in preferred voting shares in the share capital of Arriva Pharmaceuticals, Inc. (see note 7(c)).

Notes to Consolidated Financial Statements, page 6

Years ended December 31, 2001 and 2000

6. Capital assets:

	2001		
	Cost	Accumulated depreciation	Net book value
	$	$	$
Leasehold improvements	462,625	188,942	273,683
Equipment and tools	3,087,319	1,758,749	1,328,570
Office equipment and furniture	282,505	61,325	221,180
Computer equipment	266,688	117,120	149,568
	4,099,137	2,126,136	1,973,001

	2000		
	Cost	Accumulated depreciation	Net book value
	$	$	$
Leasehold improvements	390,856	136,824	254,032
Equipment and tools	2,412,439	1,472,353	940,086
Office equipment and furniture	157,716	34,540	123,176
Computer equipment	176,654	57,231	119,423
	3,137,665	1,700,948	1,436,717

7. Intellectual property:

	2001		
	Cost	Accumulated amortization	Net book value
	$	$	$
Intellectual property ((a),(b) and (c))	3,758,878	486,343	3,272,535

	2000		
	Cost	Accumulated amortization	Net book value
	$	$	$
Intellectual property ((a) and (b))	2,471,003	287,334	2,183,669

Notes to Consolidated Financial Statements, page 7

Years ended December 31, 2001 and 2000

7. Intellectual property (continued):

(a) The Company owns the rights, title and interest in and to the know-how, the information, the technology and the patents relating to its Mimetic Ligand Technology. Part of these rights, title and interest were assigned to the Company by the Cambridge University's Institute of Biotechnology in consideration of the payment of continuing royalties; the others were developed by the Company.

(b) The Company owns the exclusive right to a patented technology permitting the link of its Mimetic Ligand™ to a matrix with a Teflon-like surface such as the Teflon® beads (Teflon® is a registered mark of Dupont Chemical & Energy Operations, Inc.) and the Company's perfluorocarbon beads. This technology is useful in chromatographic applications and for medical devices. This license is subject to the payment of a royalty to Arkion Life Sciences, Inc. ("Arkion", which purchased in July 2000, all of the assets of DCV Inc., the company with which ProMetic had entered into a license agreement per the patented technology) on net sales with respect to any products covered by the patent rights.

(c) As of April 13, 1999, through Arriva-ProMetic Inc. ("Arriva-ProMetic", formerly known as AlphaOne-ProMetic, Inc.), the Company entered into a 50-50 joint venture with Arriva Pharmaceuticals, Inc. ("Arriva") of Alameda, California for the development of applications relating to commercializing serine protease inhibitors as a platform for various pharmaceutical products for dermatological (ex.: eczema, psoriasis, genital herpes), gastrointestinal (ex.: Crohn's disease, irritable bowel syndrome) and urinary tract indications. The first serine protease pursued is rAAT, a lead compound produced in genetically-engineered yeast cells.

Arriva has granted to Arriva-ProMetic an exclusive, perpetual license to develop, manufacture and commercialize these serine protease inhibitors and the Company has granted Arriva-ProMetic an exclusive, perpetual license for the use of its Mimetic Ligand™ purification technology for the indications within the scope of the joint venture. The Company has also undertaken to fund the joint venture to a maximum of US$4 million of which US$1,543,651 was contributed in 2001. The Company will progressively record 50% of its US$4 million contribution as "Intellectual property" in consideration for Arriva's exclusive and perpetual license granted to the joint venture. In 2001, the Company recorded an amount of $1,209,672 as intellectual property.

The Company had also undertaken to purchase preferred voting shares in Arriva for a total amount of US$1.5 million. This transaction was completed in November 2000 (see note 5).

Notes to Consolidated Financial Statements, page 8

Years ended December 31, 2001 and 2000

8. Investment in a joint venture:

The consolidated financial statements include the Company's proportionate share of the revenues, expenses, assets and liabilities of Arriva-ProMetic, Inc. as follows:

	2001 $
Current assets	3,357
Long-term assets	1,162,590
Total liabilities	68,289
Total expenses being net loss	(1,321,686)
Cash flow from:	
Operations	(1,206,315)
Financing	–
Investing	(1,209,672)

9. Deferred development costs:

	2001 $	2000 $
Research and development:		
Incurred during the year	7,640,704	5,122,226
Amount deferred	(907,057)	(1,374,284)
Research tax credits	(177,510)	–
	6,556,137	3,747,942
Amortization of deferred development costs	232,331	6,000
Write-off of deferred development costs	108,999	15,613
Expense for the year	6,897,467	3,769,555

Notes to Consolidated Financial Statements, page 9

Years ended December 31, 2001 and 2000

9. Deferred development costs (continued):

	2001	2000
	$	$
Deferred development costs:		
Deferred development costs, beginning of year	3,018,104	1,665,433
Deferred development costs for the year	907,057	1,374,284
Amortization of deferred development costs	(232,331)	(6,000)
Write-off for the year	(108,999)	(15,613)
Deferred development costs, end of year	3,583,831	3,018,104

10. Share capital:

Authorized and without par value:

Unlimited number of Subordinate voting shares, participating, carrying one vote per share

20,000,000 Multiple voting shares, participating, carrying ten votes per share, convertible at the option of the holder or automatically converted upon their sale to a third party by the holder into an equal number of Subordinate voting shares

An unlimited number of Preferred shares, no par value, issuable in one or several series:

1,050,000 Preferred shares, series A, non-participating, non-voting, convertible at the option of the holder into Subordinate voting shares at $0.50 per share except for unpaid dividends, convertible at a rate equal to the trading average of the Subordinate voting shares during the 20 days preceding the conversion, preferential cumulative dividend of 12% per year, payable quarterly

950,000 Preferred shares, series B, non-participating, non-voting, convertible at the option of the holder into Subordinate voting shares at $0.60 per share except for unpaid dividends, convertible at a rate equal to the trading average of the Subordinate voting shares during the 20 days preceding the conversion, preferential cumulative dividend of 12% per year, payable quarterly

Notes to Consolidated Financial Statements, page 10

Years ended December 31, 2001 and 2000

10. Share capital (continued):

	2001	2000
	$	$
Issued and fully paid:		
54,056,402 Subordinate voting shares (2000 - 46,254,045)	70,908,876	60,787,994
13,261,586 Multiple voting shares (2000 - 13,703,197)	1,591,390	1,644,385
900,000 Preferred shares, series A (2000 - 1,050,000)	900,000	1,050,000
950,000 Preferred shares, series B	950,000	950,000
Subscriptions (d)	9,150,000	–
	83,500,266	64,432,379

Cumulative dividends on Preferred shares amount to $414,885 as at December 31, 2001 (2000 - $208,525).

(a) Share issuance:
Changes in the issued and outstanding subordinate voting shares were as follows:

	Number	Amount
		$
Balance as at December 31, 1999	32,777,747	46,395,130
Shares issued pursuant to:		
Private placements	3,986,438	3,584,900
Public offerings	7,590,000	9,487,500
Conversion of loans	1,300,000	1,250,000
Conversion of multiple voting shares	599,860	70,464
Balance as at December 31, 2000	46,254,045	60,787,994
Shares issued pursuant to:		
Private placements	2,094,433	3,141,650
Public offering	3,300,500	4,950,750
Exercise of warrants and options	1,650,700	1,825,487
Conversion of shares	756,724	202,995
Balance as at December 31, 2001	54,056,402	70,908,876

Except for shares issued pursuant to the conversions of loans and shares, all subordinate voting shares were issued for a cash consideration.

Notes to Consolidated Financial Statements, page 11

Years ended December 31, 2001 and 2000

10. Share capital (continued):

(a) Share issuance (continued):

During 2001, 441,611 Multiple voting shares and 150,000 Preferred shares series A were converted into 441,611 and 315,113 Subordinate voting shares, respectively.

In 2000, the Company issued 2,000,000 Preferred shares (1,050,000 series A and 950,000 series B) for gross proceeds of $2,000,000.

(b) Stock options:

The Company established a stock option plan for its directors, officers and employees or consultants. The plan provides that the aggregate number of shares reserved for issuance at any time under the plan and any other employee incentive plans may not exceed 6,000,000 (3,500,000 in 2000) Subordinate voting shares. The 2001 increase in the maximum number of shares reserved under the plan is subject to the approval of the shareholders. The options could be exercised in a period not exceeding 10 years from the date they were granted.

Year of grant	Exercise price (in Dollars)	Number of options outstanding 2001	2000
1997	1.49 to 1.75	165,502	165,502
1998	2.00 to 3.00	65,500	65,500
1999	1.00 to 2.00	2,195,000	2,265,000
2000	1.35	300,000	300,000
2001	1.00 to 2.00	2,196,833	–
		4,922,835	2,796,002

Notes to Consolidated Financial Statements, page 12

Years ended December 31, 2001 and 2000

10. Share capital (continued):

(b) Stock options (continued):

Changes in the number of options outstanding during the past two fiscal years were as follows:

	Options	Weighted average exercise price per share
		$
Number of options as at December 31, 1999	3,055,318	1.16
Granted	300,000	1.35
Cancelled	(559,316)	1.01
Number of options as at December 31, 2000	2,796,002	1.21
Granted	2,206,833	1.62
Exercised	(3,000)	1.00
Cancelled	(77,000)	1.08
Number of options as at December 31, 2001	4,922,835	1.40

The following table summarizes information about stock options outstanding at December 31, 2001:

Range of exercise prices	Number outstanding	Weighted average remaining contractual life (in years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
$			$		$
1.00 to 1.49	2,532,002	7.58	1.08	1,435,802	1.03
1.50 to 1.75	1,869,833	3.96	1.63	118,400	1.70
2.00 to 3.00	521,000	6.24	2.10	191,500	2.16
	4,922,835			1,745,702	

(c) Warrants and other options:

In connection with shares issued pursuant to offerings and private placements, the Company also granted warrants and options for the purchase of shares.

Notes to Consolidated Financial Statements, page 13

Years ended December 31, 2001 and 2000

10. Share capital (continued):

(c) Warrants and other options (continued):

As at December 31, 2001, the following warrants and other options were outstanding:

Warrants/options	Expiry date	Price per share
		$
100,000[1]	September 2003	1.64
180,000	September 2002	1.44
531,300	September 2002	1.44
330,050[1]	September 2003	1.64

[1] The exercise price will increase to $1.80 after September 2002.

During 2001 and pursuant to the exercise of warrants, the Company issued 1,600,000 and 47,700 Subordinate voting shares at a price of $1.10 and $1.31 per share respectively, for total gross proceeds of $1,822,487.

(d) Subscriptions:

As at December 31, 2001, the Company accepted subscriptions for an amount of $9,150,000 (4,575,000 Subordinate voting shares at $2 per share). As at March 15, 2002, the Company had received $7,150,000 with respect to the subscriptions.

11. Commitments:

The Company has commitments under various operating leases for office space and laboratories. The minimum annual payments are as follows:

	$
2002	847,111
2003	711,352
2004	564,464
2005	487,648
2006	480,665
2007 and thereafter	2,054,765

Notes to Consolidated Financial Statements, page 14

Years ended December 31, 2001 and 2000

12. Contengencies:

Following the discontinuation of the generic pharmaceutical business by ProMetic Pharma Inc. ("Pharma") a former subsidiary of the Company, in 1999, the Company received the two following outstanding claims:

– A guaranteed creditor of Pharma is claiming $2,021,619 from the Company pursuant to guarantees and agreements related to certain credit contracts concluded between this creditor and Pharma. The action commenced on June 29, 2000.

– Another Pharma creditor instituted an action on account for the recovery of certain amounts totaling $305,104.

The Company and a subsidiary have an outstanding claim from a former employee for an amount of approximately $320,000. This claim was rejected by the Superior Court (Quebec, Canada) on August 8, 2000 and the former employee appealed this judgment.

After obtaining representation from their legal counselors, management is of the opinion that these claims are without substantial merit and no provision related to these matters has been recorded in these consolidated financial statements in that respect. Settlements, if any, will be charged to operations in the period in which the settlement occurs.

13. Financial instruments:

(a) Fair value:

The carrying amount of cash and cash equivalents, short-term investments, accounts and other receivable, accounts payable and accrued liabilities approximates their fair value because of the near-term maturity of these instruments. The carrying amount of the Company's floating rate long-term debt approximates its fair value because it bears interest at current market floating rates.

(b) Credit risk:

The Company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance.

(c) Foreign currency rate risk:

The Company receives a substantial part of its revenues in US dollars and the majority of its expenses are incurred in pounds sterling. The Company does not possess nor issue financial instruments for hedging or trading purposes.

Notes to Consolidated Financial Statements, page 15

Years ended December 31, 2001 and 2000

14. Related party transactions:

The Company entered into the following transaction with related parties:

	2001	2000
	$	$
Consulting fees paid to directors	248,540	194,175

15. Income taxes:

Items relating to income taxes are as follows:

	2001	2000
	$	$
Net loss	(8,415,085)	(5,167,640)
Basic income tax rate	37%	38%
Computed income tax provision	(3,113,581)	(1,963,703)
Decrease in income taxes resulting from:		
Unrecorded potential tax benefit of current period losses	1,895,779	1,245,628
Effect of tax rate differences in foreign subsidiaries	1,182,151	661,862
Non-taxable items	35,651	56,213
	–	–

Significant components of the Company's net future income tax balances are as follows:

	2001	2000
	$	$
Future income tax assets:		
Operating losses carried forward	6,782,922	4,516,570
Share issue expenses	1,032,465	1,143,648
Unused research and development expenses	154,342	59,132
Unused tax credits, net of related taxes	92,761	33,329
Capital assets	76,562	11,125
	8,139,052	5,763,804
Less: valuation allowance	(6,954,309)	(4,958,599)
Net future income tax assets	1,184,743	805,205
Future income tax liabilities:		
Capital assets	(89,701)	(244,914)
Intellectual property	(595,997)	(238,988)
Deferred development costs	(499,045)	(321,303)
Net future income tax assets	–	–

Notes to Consolidated Financial Statements, page 16

Years ended December 31, 2001 and 2000

15. Income taxes (continued):

In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and tax planning strategies in making this assessment.

At December 31, 2001, the Company had the following operating loss carry forwards and unclaimed deductions and credits available for carry forward:

	Canada		Other
	Federal	Provincial	countries
	$	$	$
Research and development expenditures, without time limitation	618,568	896,870	–
Losses carried forward:			
Expiring:			
2002	42,580	42,580	–
2003	525,630	364,589	–
2004	764,964	–	–
2005	1,100,268	1,149,113	–
2006	2,465,153	2,047,933	–
2007	2,692,151	2,692,189	–
2008	5,403,352	5,403,352	–
2012	–	–	674,089
2018	–	–	1,589,707
2019	–	–	593,270
2021	–	–	520,084
without expiration date	–	–	12,355,964
Share issue expenses	3,328,386	3,328,386	–
	16,322,484	15,028,142	15,733,114
Unused tax credits:			
Expiring:			
2009	53,757	–	–
2011	80,718	–	–
	134,475	–	–

Notes to Consolidated Financial Statements, page 17

Years ended December 31, 2001 and 2000

16. Net change in non-cash operating working capital items:

	2001	2000
	$	$
Increase in accounts receivable	(400,026)	(288,245)
Decrease in inventories	8,261	219,003
Increase in prepaid expenses	(55,434)	(17,324)
Increase (decrease) in accounts payable and accrued liabilities	274,776	(505,473)
	(172,423)	(592,039)

17. Segmented information:

The Company operates in one reporting segment consisting in research, development, manufacturing and commercialization of a variety of commercial applications from its platform technology.

Revenues[1] by geographic segment are as follows:

	2001	2000
	$	$
United States	1,425,130	1,256,989
United Kingdom	633,902	797,025
Europe (excluding United Kingdom)	296,922	139,652
Other	114,144	37,598
Canada	30,697	160,672
Intersegment sales	–	(172,907)
	2,500,795	2,219,029

[1] Revenues are attributed to countries based on location of customer.

Net losses from the continuing operations by geographic segment are as follows:

	2001	2000
	$	$
Canada	3,357,232	1,590,788
United States	393,763	299,817
United Kingdom	4,664,090	3,277,035
	8,415,085	5,167,640

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Years ended December 31, 2001 and 2000

17. Segmented information (continued):

Assets by geographic segment are as follows:

	2001	2000
	$	$
Canada	17,695,636	8,010,094
United Kingdom	5,951,487	5,543,422
United States	664,872	633,921
	24,311,995	14,187,437

Capital assets and intellectual property by geographic segment are as follows:

	2001	2000
	$	$
United Kingdom	2,422,118	2,599,566
Canada	2,800,958	973,143
United States	22,460	47,677
	5,245,536	3,620,386

Capital and intellectual property expenditures by geographic segment are as follows:

	2001	2000
	$	$
United Kingdom	191,023	660,163
Canada	2,051,334	181,059
United States	6,990	3,687
	2,249,347	844,909

18. Comparative figures:

Comparative figures have been reclassified in order to conform with the current year's presentation.

Board of Directors

Sadok Besrour [1]
President, Placements
Sadobex Inc.

Pierre Laurin
Chairman of the Board,
President and
Chief Executive Officer,
ProMetic

John Bienenstock
Professor of Medicine
and Pathology,
Health Sciences Faculty.
Physician, Scientist
and Consultant.
McMaster University,
Hamilton, Ontario.

Claude Lemire [1]
Claude Lemire
Consultant

Roger Garon [2]
Chairman of the Board,
Multivet Ltd

Roger A. Perrault [2]
President, R.A. Perrault
Consultants Inc.

Barry Gibson
Consultant

Hans W. Schmid [2]
Chairman of the Board,
HPC Healthcare &
Pharma Consulting AG

Robert Lacroix [1]
Executive Vice-President,
CTI Capital Inc.

[1] Member of the Audit Committee
[2] Compensation Committee

Scientific Advisory Committee

The Company has an Advisory Committee comprised of scientists with expertise in the areas of biotechnology, bioprocessing and biopharmaceuticals. The members of the Advisory Committee are as follows:

Christopher Lowe, Ph.D.
Director, Institute of Biotechnology, University of Cambridge (UK). A world authority on molecular modeling for affinity purification of therapeutic proteins.

David J. Stewart, Ph.D.
Director of Meetings, Cold Spring Harbor Laboratory NY, U.S.A. An affinity chromatography expert who was directly involved in the development of synthetic alternatives to Protein A and Perfluorocarbon matrices.

David J. Hammond, Ph.D.
Director, Plasma Derivatives, American Red Cross, Holland Laboratory. Expert in ligand design technologies, viral binding/removal and protein purification.

Steve J. Burton, Ph.D.
Research Director, ProMetic BioSciences Ltd., (UK). An acknowledged expert on downstream processing purification procedures for therapeutic proteins.

Robert H. Painter, Ph.D.
Professor, University of Toronto, Department of Biochemistry. Professor of biochemistry and a recognized expert on blood plasma fractionation and protein chemistry.

Roger A. Perrault, MD., Ph.D., FRCPC
President of R.A. Perrault Consultants Inc.
A world authority on blood plasma fractionation and applications of plasma derivatives.

Barry L. Haymore, MD., Ph.D.
Consultant, Microbe Inotech Laboratories Inc., St. Louis, MO, U.S.A. A Consultant, who is known internationally for his work in separation science and metal affinity chromatography.

John C. Curling, Ph.D.
Independent Consultant. A recognized expert in plasma protein purification and known for his work in biotechnology process development.

John Bienenstock, MB., MD., FRCPC
Professor of Medicine and Pathology,
Health Sciences Faculty.
Physician, Scientist and Consultant.
McMaster University, Hamilton, Ontario.

Pete Gagnon, Ph.D.
President, Validated Biosystems Inc.
A world expert on downstream process development, with particular emphasis on monoclonal antibodies and managing upstream contaminants.

Max Arella, Ph.D.
President, Sannica Biotech/Pharma, Professor INRS-Institute Armand-Frappier (leave of absence) and adjunct Professor University of Montreal and P.E.I. University. A Virologist member of various national and international committees on infectious diseases and expression of recombinant proteins.

Clinical Advisory Committee (Arriva-ProMetic, Inc.)

The members of the Clinical Advisory Committee are as follows:

Roger A. Perrault, MD., Ph.D, FRCPC
Montreal, Quebec
President of R.A. Perrault Consultants Inc.
A world authority on blood plasma fractionation and applications of plasma derivatives.

Dan Chalker, MD.
Clinical Professor, Medical College, Georgia. Diplomat, American Board of Dermatology. Fellow of American Academy of Dermatology. Conducted pioneering clinical research on alpha-1-antitrypsin use in the field of dermatology.

Ernest Charlesworth, MD., FRCPC
Dermatologist, allergist and immunologist, San Angelo, Texas. Known authority in Dermatology. Working Group Member on Atopic Dermatitis Practice Parameters.

David Gratton, MD., FRCPC
Montreal, Quebec
Professor, McGill University, Health Science Centre
Past President Canadian Dermatology Association. Authority in the field of dermatology.

Sheldon Spector, MD.
Clinical Professor of Medicine, UCLA Medical Center. President, California Society of Allergy, Asthma and Immunology. Internationally known authority in the field of allergy and immunology.
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Wednesday, May 15, 2002 (11:00 A.M.)
The Montreal Museum of Fine Arts
Auditorium Maxwell-Cummings

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Tel.: 011-44-20-7726-4452

Printed in Canada
Ce rapport annuel est également disponible en français

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