Straight to the

ProMetic

2005 Annual Report

Pierre Laurin
Chairman, President and
Chief Executive Officer

Message to Shareholders

from Pierre Laurin

Validating our promises In the year past, ProMetic Lifes Sciences Inc. and its subsidiaries ("ProMetic" or the "Company") have delivered on their scientific milestones. With an impressive performance in Phase I and its mechanism of action unraveled, our potential blockbuster drug to treat anemia, PBI-1402, is entering Phase Ib/II clinical trial.

The investments we have made in the research and development of our enabling technologies have borne fruit and we are now in the process of advancing into the commercialization phase. With the development risk behind us, our mission is to execute and turn our scientific achievements into product sales.

Setback and opportunity The commercial implementation of our plasma protein extraction process experienced some setback in 2005 with the insolvency of our client and partner Hemosol. However, we are determined not to let this delay the evolution of our technology. The relationship with Hemosol demonstrated the value of this process for ProMetic. We showed that this proprietary process performs to the full extent of our expectations, and results in significant yield advantages over current industry standards. With a global market for plasma-derived therapeutics exceeding US$7 billion, this process is well positioned to become a major value driver for ProMetic. The endogenous infectivity study for Pathogen Removal and Diagnostic Technologies Inc.'s (PRDT) prion filters was successfully completed, and is now the first to demonstrate the reduction of Transmissible Spongiform Encephalopathy (TSE) prions from whole blood beyond detectable levels, leading towards CE Mark approval and launch in 2006 of the prion reduction filter by our partner MacoPharma.

Structuring our momentum During the past year, significant progress in our development programs created a scale of opportunity that exceeded what ProMetic could finance and commercialize on its own. Our various steps forward require a reorganization of the Company. Accordingly, to ensure the increased value and growing maturity of our proven technologies is reflected in the shareholder value of ProMetic, we are implementing a major structural change. We established four distinct, pure-play operating units.

Maximizing opportunity and potential With many scientific milestones reached (and, in the case of our enabling technology, with an established revenue stream in place), each unit can now develop its own partnerships and funding sources consistent with its particular stage of development. Different investors prefer different risk/reward profiles. ProMetic's realignment provides distinct options in this regard, with increased growth potential from pure-plays. Most significantly, the Company's division into four operating units promises to optimize the potential of our various applications. With dedicated management focusing on core competencies, our expectation is that ProMetic's wide range of commercial opportunities will be more comprehensively identified and resourcefully engaged.

Rationalization and capitalization As parent of the four units, ProMetic now directs overall strategy and has assumed responsibility for finance, legal matters and compliance. Going forward as primary stakeholder in all four enterprises, ProMetic paramount objectives will be to stimulate value creation, fully leverage the units' achievements, and thus steadily enhance shareholder reward.

ProMetic BioSciences Ltd (PBL)
Bioseparations Unit

Marketing worldwide and expanding capacity With operations in the Isle of Man and in the United Kingdom and serving a comprehensive range of clients in the pharmaceutical and biotechnology industries, PBL develops and markets our core proprietary Mimetic Ligand™ technology. As a result of investments and technological achievements in 2005, 2006 should prove to be a pivotal year for this operating unit with:

- An anticipated increase of its chromatography product sales;
- Utilization of the new plant capacity added during 2005;
- Planned product launches such as new MAbsorbent® materials for the capture and purification of monoclonal antibodies, which represent more than 40% of all biotechnology products in development;
- An anticipated 2006 market launch of PRDT's prion reduction filter with partner MacoPharma. This new device is set to improve the safety of blood and blood products; the completely new and open marketplace for the technology is estimated at US$500 million.

As PBL approaches positive cash flow and widens its client base, the unit is an imminent candidate for equity financing in the United Kingdom and we expect to raise financing for PBL's further growth in 2006.

ProMetic BioSciences Inc.
Therapeutic Unit

ProMetic's therapeutic pipeline, targeting cancer and autoimmune disease, made the following clinical and preclinical progress in 2005:

PBI-1402 Our novel therapeutic to treat patients with anemia, PBI-1402, successfully completed a Phase I trial, proving the safety of the molecule in healthy volunteers. The Phase Ib/II trial scheduled to commence in Q1 2006 will target chemotherapy and/or cancer-induced anemia. In addition, scientists have made significant progress towards the elucidation of the mechanism of action of PBI-1402. The orally active synthetic drug PBI-1402 addresses a significant portion of the anemia market which is expected to reach US$15 billion in the United States alone by the end of this decade.

PBI-1393 Ready to enter offshore clinical trials, PBI-1393 targets selected cancers in combination with chemotherapy. In the year ahead, with the goal of attracting partnership and long-term development financing for the compound, we anticipate demonstrating PBI-1393's efficacy in humans. This drug potentially targets five different cancers: breast, pancreas, colorectal, cervical cancers and metastatic melanoma. The value creation prospects of PBI-1393 encompass a cancer therapy market which exceeds US$14 billion.

Autoimmune disease Our therapeutic unit is targeting autoimmune indications. With promising results in animal models, we have produced exciting low molecular weight synthetics that mimic proteins for the treatment of autoimmune diseases such as psoriasis, lupus and arthritis. In 2007, we anticipate selecting our first candidate drug to enter into clinical trials.

ProMetic BioTherapeutics, Inc.
Plasma Proteins

Technology poised for commercialization One of the most significant events concerning ProMetic in 2005 was the insolvency of our client and development partner, Hemosol. Naturally, the marketplace reacted adversely to an event that removed significant cash flow from ProMetic's revenues. This was a serious reversal, but we expect this setback to be short-term; Hemosol's difficulties had no bearing on the quality of the plasma protein purification process (PPPS) licensed to Hemosol or ProMetic's technology. Hemosol was just one of the many potential users of our technology. And this PPPS process is only one of the numerous applications of our technology which can in turn be used in many operating units worldwide. Prior to Hemosol's insolvency, we had developed the capability of this proprietary process. The process had proved its worth. We are now showcasing it to a number of parties from a variety of countries, many of which do not yet have their own plasma fractionation facilities, and these discussions show promise. With the plasma protein purification process increasingly recognized as a less expensive, less wasteful, more effective improvement on existing processes, we expect 2006 to be a turning point toward high value creation and sustained long-term profit for this business unit.

ProMetic Animal Care (a division of ProMetic Life Sciences Inc.)

Developing a diagnostic tool to detect mad cow disease in live cattle This newly formed division of ProMetic will use the PRDT technology to develop and launch a BSE prion testing system. One of our ultimate objectives is to establish our and PRDT's validated enabling technology as the first *ante-mortem* test for mad cow disease. Technologically, several milestones have already been reached, with the confirmed ability of PRDT's filters to capture 99.99% of prions contained in blood or other biological fluids. The main competitive advantage we seek is to provide a unique solution to detect infinitesimal quantities of infectious prions in animal body fluid, ideally before the animals enter the food chain. The potential revenue stream is considerable, given that the beef industry in North America and Europe alone processes approximately 100 million cattle every year. Initial clients for the diagnostic would include stock breeders, food chain operators and government regulators. Assuming a $20 cost per test, the potential market amounts to $2 billion annually. Furthermore, considerable future diversification is seen for the technology in reference to variants of BSE and diagnostic use among sheep and other animals.

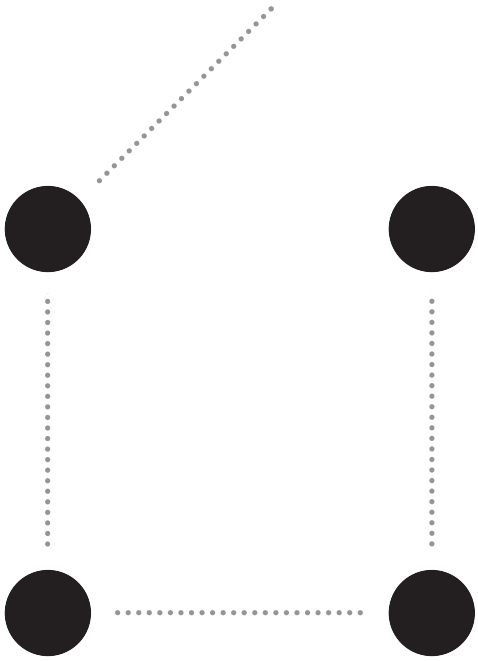
The Year Ahead

Increasing ProMetic's visibility Given the current adverse financial environment for the life sciences industry in Canada – there has been an exodus of financial institutions from the biotechnology and small cap sectors – ProMetic will increase its visibility in equity markets in the U.S. and Europe. Such a strategy complements our intention to obtain equity financing for PBL and the United Kingdom subsidiary in that jurisdiction, and to create a U.S. subsidiary for our plasma business. This will bring us closer to financial centres that are most interested in financing projects such as our own.

Executing in the four verticals We thank our shareholders for their continued support and patience throughout this difficult year. Looking ahead, the parent company ProMetic Life Sciences will provide an overall strategic service, pinpointing the most suitable audiences, both from an investment and strategic point of view, for each of our four units. We regard the immediate future for each of them with great confidence, having built a Company that generated proven technologies, widely awaited products, and diversified profit-making potential. We are rapidly approaching profitability with our enabling technologies, and positioned to begin reaping major revenues with our other products. Numerous discussions are ongoing, with realistic expectations of commercial transactions in the short-term. All conceivable steps have been taken to ensure positive outcomes. We have made the right decisions about what technologies to invest in, and now we will make the right moves to ensure that we capitalize on those decisions. We know that we cannot do that on our own. Therefore, in the very same way that we have entered co-development agreements in the past, we aim in the period ahead to begin entering a number of commercialization partnerships.

Signed (Pierre Laurin)

Pierre Laurin
Chairman, President and
Chief Executive Officer



Unlock the Value

using our four leverage points

extract

{ ProMetic BioTherapeutics, Inc. }

→ ProMetic's protein extraction technology offers exceptional yield advantages

- **While global demand is growing and supply lacking for high value proteins, the plasma protein purification system developed with the American National Red Cross (the "American Red Cross") provides a validated technological solution, with commercial applicability demonstrated at the pilot scale.**

- **In developed countries seeking to fulfill unmet patient needs, and in emerging markets where therapeutic proteins are expensively imported, ProMetic's solution is increasingly compelling.**

A waiting market Plasma proteins, extracted from human blood, are extremely valuable specialty products. They constitute a global market of approximately US$7 billion. Plasma proteins are produced by a very few "fractionators" and marketed principally to hospitals for use in the treatment of a variety of medical conditions. The legacy manufacturing process commonly in use has not been fundamentally improved in decades. Accordingly, the cost of plasma proteins remains high and, in large parts of the world, prohibitively expensive. An urgent need exists for an alternative.

A unique new process Over the last few years, ProMetic and the American Red Cross, developed a new and more efficient manufacturing method for plasma fractionation. The process represents an application of ProMetic's core Mimetic Ligand™ technology, incorporating a series of affinity capture steps, where each step in the process involves an adsorbent specific to an individual plasma protein. The technology begins with whole human plasma, passes it through a series of cascade affinity chromatography columns in succession, and at each step binds and removes a valuable therapeutic protein. Importantly, this process can be economically applied to the recovery of proteins that have established therapeutic value but which cannot be extracted effectively via current manufacturing practices.

A persuasive quantitative analysis The proof of principle stage of the technology's development is complete. Over the last two years, we brought it forward to the point of commercialization with Hemosol in Canada (a country without a fractionation facility of its own). We showed that the technology can increase, at lower cost, the amount of therapeutic proteins produced proteins per unit of plasma by 30% to 375%, depending on the protein. Not only is the yield increased, this protein extraction technology decreases the amount of plasma required to produce an equivalent amount of final product. In countries without sophisticated plasma collection structures, that is a forceful argument in favor of our solution.

Leaving setback behind Hemosol's insolvency in 2005 dealt a serious blow to the timetable of the plasma protein purification process (PPPS) technology and immediate cash prospects, but manifestly not to the technology itself or its mid and long-term potential. Numerous discussions are now ongoing with parties throughout the world who are evaluating the many benefits of ProMetic's solution.

→ Outlook

- **Distinct commercial opportunities**
- **Ongoing development**
- **License negotiations**

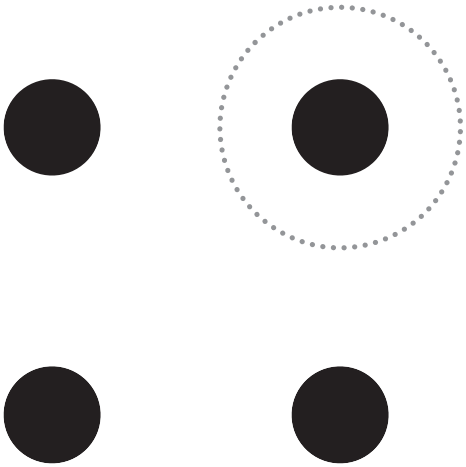
Going forward, ProMetic BioTherapeutics, Inc. will pursue contracts and alliances around the world as a separate entrepreneurial subsidiary of ProMetic. We shall intensify our work with research groups, engineering firms, and equipment manufacturers to establish a long-term strategic collaboration. We shall continue our aggressive targeting of transactions within three well-defined markets:

Meeting huge unmet medical needs In large population countries such as India, Brazil and China, where the middle class is growing, we are in discussions aimed at licensing to companies and other parties interested in implementing the total extraction and purification solution offered by the technology.

Adding value to existing fractionators The PPPS process is not only an overall system for capturing multiple proteins. It can also function within existing facilities for those who do not want to transform their infrastructure and disrupt their already FDA-approved processes. In addition to this process, we are also in dialogue with existing fractionators to provide ProMetic's technology and affinity resins for single protein capture. Through the unique capture ability of our resins, fractionators could very profitably improve the yields for specific proteins.

Transforming plasma into therapeutics Our technology can be applied to the recovery of certain proteins that have established therapeutic value but cannot be extracted effectively via current manufacturing practices, or that are not the focus of large plasma fractionators. Potential clients are being attracted to our technology platform as we demonstrate processes that lead to the capture of these proteins for therapeutic uses.

In 2006, as we ally with partners and collaborators around the world, we expect the initial stages of commercialization activities to commence. Significant potential exists for immediate milestone payments and long-term revenue generation.



purify

{ ProMetic BioSciences Ltd }

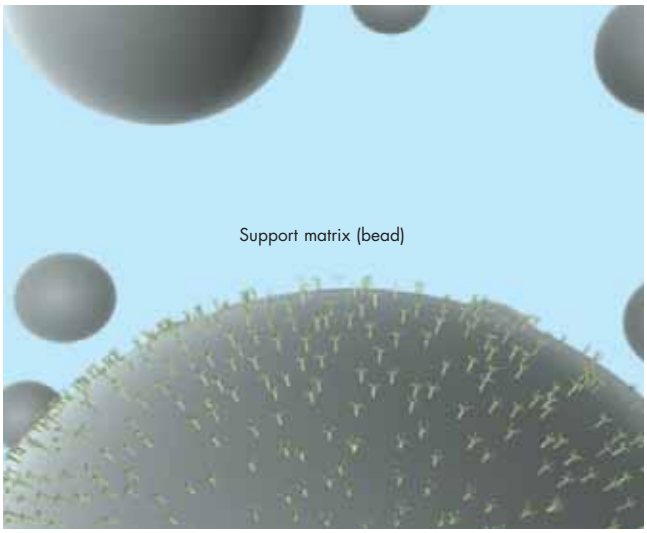
→ Marketing unique solutions in two rapidly growing sectors

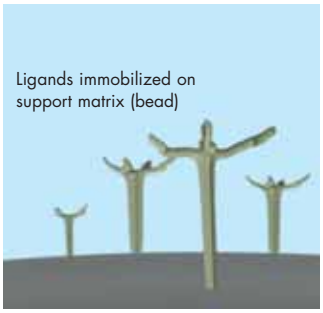
- **With our proprietary Mimetic Ligand™ purification technology, we are enabling drug companies to produce better, less costly drugs.**
- **PRDT's unique prion reduction filter to equip public agencies worldwide to improve the safety of donated blood.**

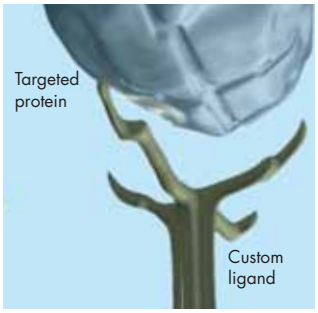
Throughout 2005 our subsidiary based in the Isle of Man, ProMetic BioSciences Ltd (PBL), steadily strengthened its reputation as an important provider to the life sciences industry of innovative bio-separation technologies. During the same period, our joint venture with the American Red Cross, PRDT, and partner MacoPharma were preparing to market a vital tool for blood supply organizations.

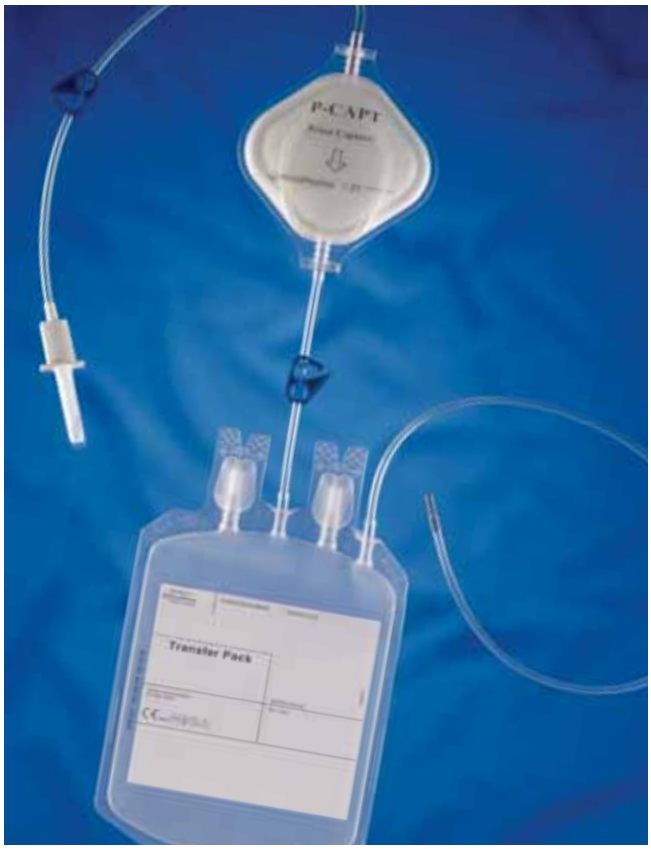
Core technology winning markets ProMetic is the clear world leader with respect to the development and implementation of affinity ligand technology, a highly efficient means of purifying or removing a target biomolecule. Since cost-effective purification is often a prerequisite to the commercial feasibility of a candidate drug, our proprietary bio-separation tools and manufacturing processes for recombinant biologic products are now used by over forty of the most prestigious companies in the pharmaceutical and biotech industries. Our clients employ ProMetic's technology to purify proteins, reduce manufacturing costs, and increase the yield of therapeutic products.

First generation prion reduction filter Everywhere in the world, the safety of blood and blood products is of prime concern. PRDT addresses this vital issue by developing products for the detection and reduction of pathogens. In 2005, a major study confirmed the ability of PRDT's ligand technology to remove all detectable blood-borne TSE (transmissible spongiform encephalopathy) infectivity from whole blood. In collaboration with MacoPharma, PRDT advanced the manufacturing scale-up of a filter system to adsorb abnormal prion proteins from collected blood.







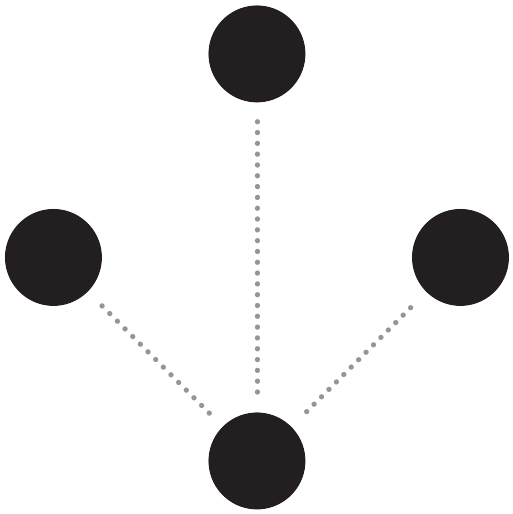


→ Outlook

- **Self-reliance**
- **Increased innovation**
- **Widening markets**
- **Next generation devices**

Building on our success, addressing diverse opportunities PBL is positioned to be cash flow positive in the near term. In recognition of the unit's steady progress and expectation of major growth in sales and revenues, PBL will seek equity financing in the United Kingdom in the coming year. The capital raised would permit PBL to accelerate the development of services in relation to affinity adsorbents and their use in the commercial manufacture of biotherapeutic protein products. In addition, PBL will pursue specific opportunities in relation to the development of manufacturing processes for follow-on biologics. In short, by becoming independent PBL can enhance its already established professional and physical infrastructure, and provide greater scope for innovation. The market for bio-separation materials now exceeds US$700 million, and it is growing by at least 10% per annum.

Reaching the revenue stage, launching new value creators In the year ahead, we expect the prion capture device to reach the major milestone of CE Mark approval in Europe, through commercial and manufacturing partner MacoPharma, a European industry leader in blood collection systems and transfusion solutions. That will signal the start of marketing and revenue generation. With a ramp-up in associated resin sales in 2007, PBL is expected to become profitable within eighteen months after the first commercial sale of the prions filters. The device is addressing an estimated market of US$500 million. Moreover, we anticipate that the filter will be the initial product of a projected family of products. Research would then target employing the platform technology for the removal of viruses from blood. Though screening techniques already exist to look at donated blood for HIV, hepatitis and other viruses, PRDT's technology potentially offers the blood services a technique whereby viruses could be significantly reduced from blood. Additionally, discussions are underway with companies in the plasma fractionation industry toward collaborating on the development of a prion reduction technology at industrial scale.



detect

{ ProMetic Animal Care }

→ Bringing to market a diagnostic for "mad cow" disease

- **A cost-efficient solution to meet an urgent commercial need.**
- **Using PRDT technology to detect pathogens in animal blood, specifically BSE (bovine spongiform encephalopathy) in live cattle.**

At present, no diagnostic on the market certifies live cattle as BSE-tested. As a result, whole herds have been destroyed after the detection of "mad cow" in one infected animal. The beef industry in Canada, for example, recently suffered catastrophic damage when exports to the U.S. were halted after a single cow was found *post-mortem* with the condition. Accordingly, herd owners and government regulators are showing critical interest in the technology.

Powerful partnership In 2005, leveraging our core Mimetic Ligand™ technology and the expertise developed by PRDT, ProMetic agreed to form a joint venture with Top Meadow Life Sciences Inc. Top Meadow adds broad industry knowledge and specific market experience to our own dedicated senior management.

Mid-term and short-term revenue generation The ultimate goal of this business unit is to bring to market a BSE test for live cattle. This application has huge potential for our validated science. In the shorter term, the technology which concentrates prions could be licensed to manufacturers of existing *post-mortem* diagnostic tests to increase the sensitivity of current tests. As prion research evolves, the aim of ProMetic Animal Care is to remain a leader in this important emerging field.

Technological milestones An extensive study conducted by PRDT has demonstrated that the ligand technology binds abnormal prions and concentrates them, thus facilitating their detection. Currently "mad cow" diagnosis requires brain tissue samples from dead animals. Our first generation products aim to surpass the sensitivity of current diagnostic methods. We foresee the possibility of detecting the disease in the blood of live animals even before they have developed clinical signs.

Major benefit to industry Since our test could be performed on cattle long before they enter the human food chain, the discovery of one infected animal need not lead to the slaughter of an entire herd. The potential savings to the meat-growing industry is enormous.

Competitive advantage First and foremost, the positioning of our products puts us a step ahead in the marketplace. Our technology could be adapted to the full range of diagnostic systems, given that they all face the same challenge: making extremely low concentration of rogue prions more detectable. Another major competitive advantage is afforded by the unit's strong relationship with PRDT, which gives it access to the top TSE scientists in the world.

→ Outlook

- **The standard diagnostic**
- **Potentially huge recurring revenue**
- **Growth through diversification**

Rapid commercialization We anticipate a sequential introduction of products addressing the different needs and opportunities of herd owners and government regulatory agencies. Our aim is to develop the test that will become the diagnostic standard by which live cattle can be certified as fit for sale and consumption.

High demand The beef industry in North America and Europe alone processes over 100 million animals every year. Assuming even a small testing fee per head of cattle, our BSE diagnostic could yield potentially very large annual revenue.

Market imperatives Meat producers increasingly wish to offer a "BSE-tested" label on their products. Such a stamp would positively impact their sales and, where *ante-mortem* test is not made mandatory, it would allow producers to charge premium prices for certified beef.

Branching out With investment expected from government and other sources, our animal care venture will extend its technology into related but novel applications. We expect to develop, for example, a diagnostic for scrapie in sheep, and tests for diseases in a variety of animals.

heal

{ ProMetic BioSciences Inc. }

→ Two potential blockbuster drugs in clinical trials

- **ProMetic is developing less toxic, less expensive drugs to fight cancer and anemia.**
- **ProMetic's novel compounds address unmet needs in multi-billion dollar therapeutic markets.**

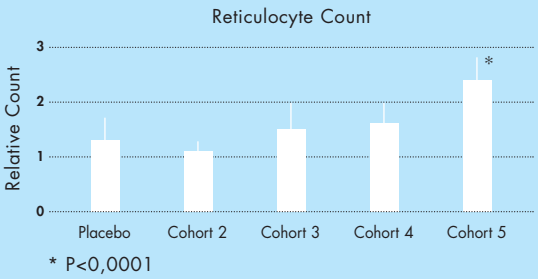
The therapeutics subsidiary of ProMetic has advanced the progress of its two lead compounds: PBI-1402, an orally active drug targeting anemia and PBI-1393, a drug which stimulates the immune system and thereby potentially increases the efficacy of chemotherapy against cancer.

PBI-1402

Safety confirmed The results of the Phase I clinical trials demonstrated the compound's safety in healthy volunteers. The drug was administered orally at increasing doses and consistently showed an excellent safety profile without any significant adverse effects.

Efficacy on reticulocytes This positive data came in addition to the encouraging safety data that showed PBI-1402's effect on increasing the absolute and relative number of reticulocytes in blood.

Dose range selected With the promising data that was obtained, a dose range was subsequently selected for the oral administration of PBI-1402 in anemic cancer patients.



First in class In terms of its mechanism of action, PBI-1402 is distinct. To the best of our knowledge, it bears no similarity to any other molecule which stimulates red blood cell formation. The drug exerts its effect by a different mechanism of action than erythropoietin (EPO), the current drug of choice for the treatment of anemia. This is an important finding vis-à-vis the potential use of PBI-1402 alone or in combination with EPO for the treatment of anemia.

Huge market The overall anti-anemia market in the United States alone is projected to approach US$15 billion by the end of this decade.

PBI-1393

Targeting five different indications ProMetic's second lead compound is a promising treatment for breast, pancreatic, colorectal, cervical cancers and metastatic melanoma. PBI-1393 is a novel chemical entity.

Poised to enter clinical trials To take forward the process of validating PBI-1393, a contract research organization has been engaged, the trial protocol prepared, and the clinical material produced to execute the study, an important milestone in itself confirming the drug's production viability.

Exciting revenue prospects PBI-1393 aims at earning an impressive share of the cancer therapy market which today exceeds US$14 billion.

→ Outlook

- **Dedicated funding**
- **Anticipated Phase Ib/II trial for PBI-1402**
- **Anticipated Phase Ib trial for PBI-1393**
- **First drug candidate targeting autoimmune diseases**

The benefits of a pure-play With ProMetic's therapeutic arm evolving into a self-sufficient enterprise, the risk/reward profile of the unit, offers investors a tremendously attractive upside potential.

PBI-1402 In 2006, we shall move ahead with a Phase Ib/II clinical trial targeting chemotherapy and/or cancer-induced anemia. Given the biological activity observed in healthy subjects, we believe patients will respond favorably to PBI-1402.

PBI-1393 In 2006, we expect to initiate a Phase Ib clinical trial of PBI-1393 to demonstrate safety and proof of concept of the drug.

Toward partnerships and alliances By the end of 2006 we aim to be well underway to demonstrate the efficacy of both PBI-1402 and PBI-1393. We aim as well to understand the two drugs' respective mechanisms of action. Such advancements would result in substantial value creation. Demonstrating efficacy and mode of action are the important factors involved in procuring partners and alliances, which in turn provide initial milestone payments and funding to accelerate further clinical development of these drugs.

Autoimmune compounds We have developed novel molecules for the treatment of autoimmune diseases such as psoriasis, lupus and arthritis. Promising results have been produced in animal models. In 2007, we anticipate selecting our first candidate drug to enter the clinical trials.

Scientific Review

Enabling Technology – How it works

ProMetic has pioneered the design, development and manufacture of affinity separation products and technology which enable the manufacture of biopharmaceutical and biomedical products. ProMetic's Enabling Technology is built upon unique and proprietary synthetic organic ligands. These compounds can be thought of as highly-stable chemical hooks that selectively recognize and bind to target biomolecules. The Mimetic Ligand™ technology can be used in a variety of applications where a target biomolecule needs to be purified or removed. Unlike traditional (chemically synthesized) pharmaceuticals, biopharmaceuticals are derived from a biological source and consequently they present new and different manufacturing challenges, especially separation and purification of the target therapeutic protein from other very similar but unwanted host cell proteins.

What makes ProMetic's Mimetic Ligand™ technology better than other approaches to affinity chromatography?

Mimetic Ligand™ technology is highly robust: products can be cleaned effectively using standard processing procedures, and do not leak by-products into the process stream.

Mimetic Ligand™ technology is safe: we have confirmed safety and toxicity data, and the ligands are not of biological origin so there is no risk of biological contamination.

Mimetic Ligand™ technology is economical: associated costs are significantly less than those of competing technologies – additionally, due to its robust nature, overall process economic benefits may be even more favorable.

Mimetic Ligand™ technology is proven: many customers use ProMetic's ligands in processes that form integral parts of regulatory dossiers in Europe and in North America.

Plasma Protein Purification and Extraction Technology

Plasma is the residual liquid that remains once the red cells, white cells and platelets have been removed from blood and is the source of multiple therapeutic products for many medical applications such as hemophilia, shock trauma, burns and immune disorders. Plasma protein fractionation plants around the world process more than 25 million litres of plasma annually. Plasma-derived proteins are used to manufacture over 20 therapeutic products.

The more important proteins isolated from plasma include human serum albumin (HSA), gamma globulin (IVIG) and Factor VIII (a clotting factor).

Developed during the Second World War, the current plasma fractionation process, "the Cohn process", was first created to extract only one protein: albumin. The Cohn process offers low recovery yields that are by far insufficient to meet the worldwide demand. The plasma fractionation industry is thus faced with a major challenge: increase the output of existing facilities and building new, more efficient ones.

ProMetic and the American Red Cross have used ProMetic's proven technology to develop a sequence of isolation steps for each plasma protein. This process increases the recovery yield of plasma proteins and allows for the recovery of additional new proteins, creating therefore a significant worldwide business opportunity.

Novel Technology – Improved Returns

Technology produces a 30% – 375% improvement over current industry (Cohn method) yields

Yield Benefit				Net Yields		Revenue per Liter ($)	
Products	**Units/Litre**	**Cohn**	**PPPS Runs***	**% Improvement**	**US Wholesale ASP****	**Cohn**	**PPPS**
IGIV	**Grams**	4.00	5.30	33%	57.00	228	302
A1PI***	**Grams**	0.20	0.95	375%	250.00	50	302
vWF/FVIII	**Intl. Units**	200	450	125%	0.70	140	315
* Actual yields through intermediate, with estimates to final net yields ** ASP Average selling price						418	855
Increased Revenue per Litre (US$)							104%

*** Alpha 1-antitrypsin

Therapeutics

ProMetic has the ability to develop synthetic drug-like protein mimetics as alternatives to marketed recombinant proteins.

Protein mimetics are under development as drugs for two important therapeutic areas: cancer and autoimmune diseases.

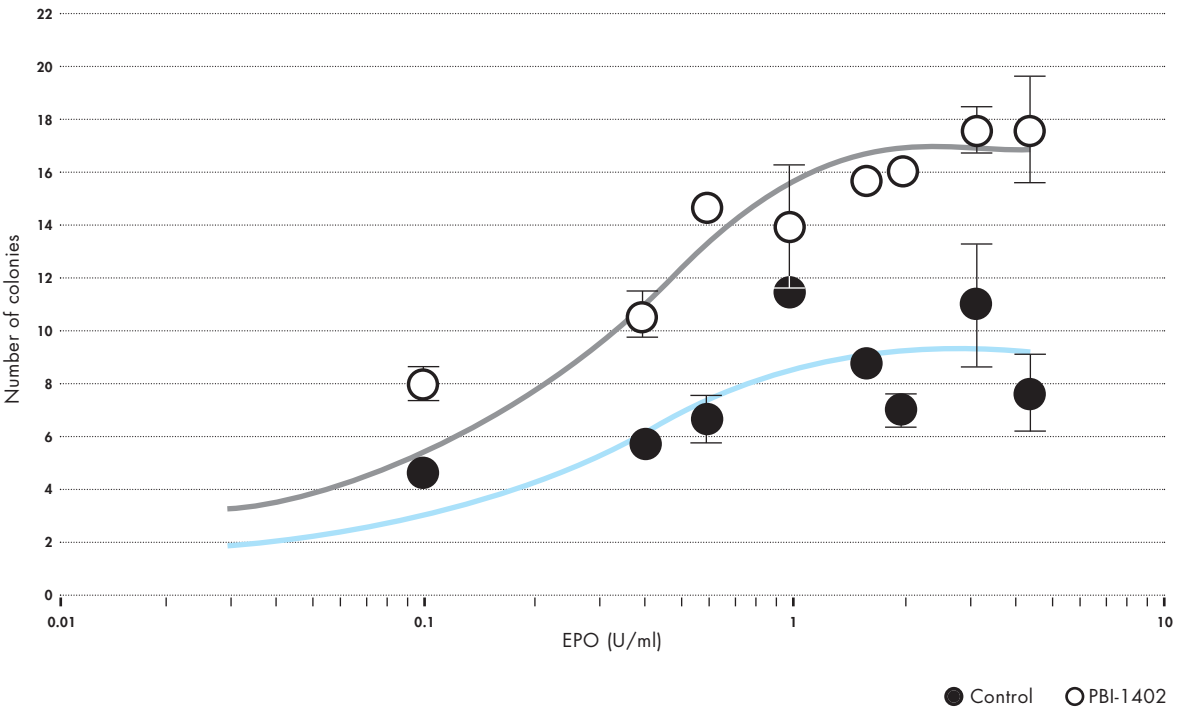
ProMetic's investments in the cancer field has led to two significant advances:

- PBI-1402 has been demonstrated to promote the formation of red blood cells. As demonstrated in the figure below, increasing concentrations of EPO enhance the number of colonies of red blood cell precursors, called CFU-E. The addition of PBI-1402 with EPO induces the formation of a higher number of CFU-E colonies. This additive effect suggests that PBI-1402 exerts its activity by a different mechanism of action than the current standard drug, EPO. This confirms a potential use of PBI-1402 for anemia caused by chemotherapy and/or cancer.
- PBI-1393 has been demonstrated to stimulate human cancer-fighting cytotoxic T-lymphocytes (CTL).
- Autoimmune disease refers to a group of disorders which arise from unwanted immune responses leading to chronic inflammations. Unwanted immune responses may affect joints (arthritis), skin (psoriasis), the nervous system (multiple sclerosis), the kidneys (glomerulonephritis), the thyroid (Hashimoto's disease), and the pancreas (type I diabetes). In fact, autoimmune diseases encompass more than eighty disorders. Perhaps the most well known of these is arthritis. Most autoimmune diseases are debilitating, often progressive with time and may eventually be fatal.

ProMetic offers a novel approach. We have developed a new class of orally active compounds which exert potent anti-inflammatory activity. This unique mechanism of action offers possibilities and alternatives for conditions such as psoriasis, arthritis, lupus and glomerulonephritis.

Preclinical Results

Effect of PBI-1402 on CFU-E from human mobilized blood

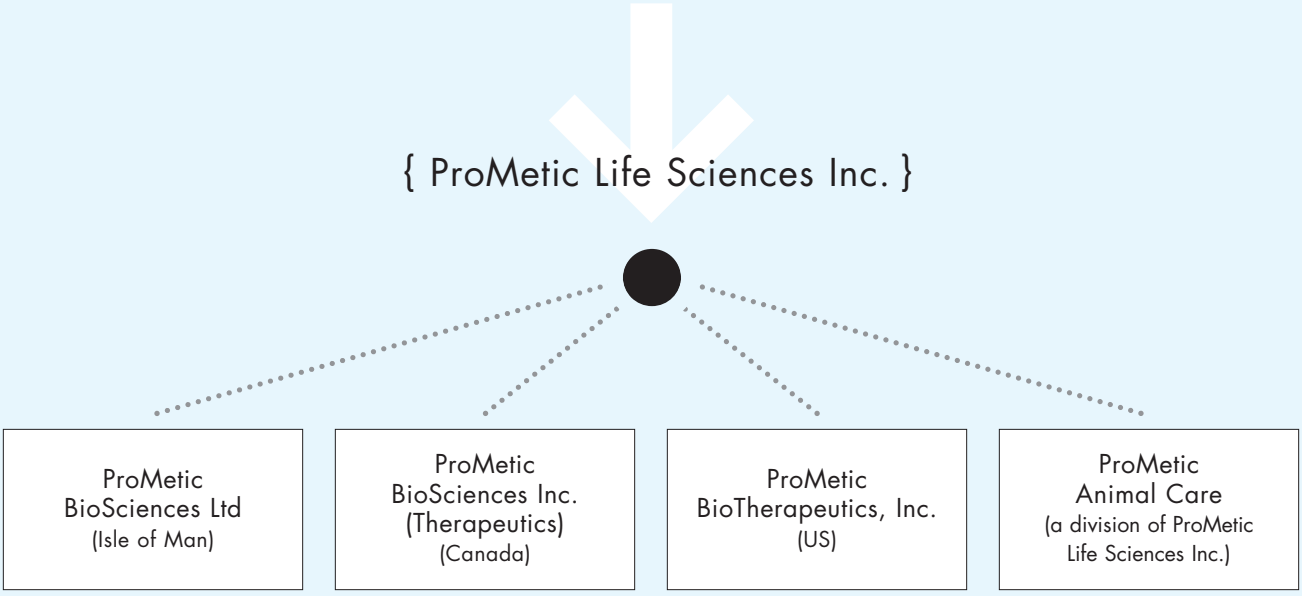


MD&A

The Management's Discussion and Analysis of Operating Results and Financial Position, prepared February 28, 2006, aims at helping the reader to better understand the business of the Company and the key elements of its financial results. It explains the trends of the financial situation and the operating results of the Company for the 2005 financial year compared to the 2004 operating results. This management's discussion and analysis was prepared in accordance with Regulation 51-102 respecting continuous disclosure obligations and should be read in conjunction with the 2005 consolidated financial statements and the accompanying notes included in this annual report. These financial statements were prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Unless otherwise indicated, all figures are expressed in Canadian dollars.

Reorganization of the Company

ProMetic Life Sciences Inc. is a leading biopharmaceutical company. In a move to increase shareholder value, ProMetic has started the implementation of a reorganization plan approved by its Board of Directors in November 2005 under which the business will be structured as a parent company with four pure-play operating units. Within the new structure, each distinct unit will function independently in terms of management, funding of operations, and development of specific products and services. The Company believes that the establishment of four distinct operating units will better align the organization for success and unlock the value of its various applications by focusing each operating unit on its core competencies and market opportunities. The following chart describes the new organization of the Company:



ProMetic BioSciences Ltd

Based in the Isle of Man, British Isles, with a research and development centre in Cambridge, United Kingdom, ProMetic BioSciences Ltd is involved in the development of bioseparation products based on applications of its proprietary Mimetic Ligand™ technology. Mimetic Ligand™ technologies are both commercially viable and much sought after by the life sciences industry. Under the reorganization, certain assets of the Company will be transferred to ProMetic BioSciences Ltd in the first quarter of 2006, including the Company's 26% proportionate share in Pathogen Removal and Diagnostic Technologies Inc. ("PRDT"), a joint venture established by ProMetic and the American Red Cross. The Company expects that PRDT's prion filter will be launched commercially in 2006 as the first product of a family of pathogen removal devices under development that will be marketed by its partners.

ProMetic BioSciences Inc.

ProMetic's therapeutic unit, headquartered in Montreal, Canada, is focused on the discovery and development of proprietary drugs in the fields of cancer and autoimmune diseases. The mission of the therapeutic unit is to develop innovative, less toxic, and lower cost alternatives to currently marketed but expensive recombinant protein drugs.

This business unit is actively looking for partners to co-develop and eventually market its two lead compounds:

- PBI-1402, which has potential applications in the anemia market and is progressing to a Phase Ib/II clinical trial in 2006;
- PBI-1393, in-licensed from BioChem Pharma/Shire, which is ready to enter clinical trials.

ProMetic BioTherapeutics, Inc.

ProMetic BioTherapeutics is a therapeutic protein company based in Wilmington, Delaware. This unit exploits the proprietary Plasma Protein Purification System ("PPPS"). This platform technology, developed in collaboration with the American Red Cross, represents the next generation in plasma fractionation technology. The platform is a specific sequence of capture steps based on ProMetic BioSciences Ltd's Mimetic Ligand™ technology. Through this affinity capture approach, the technology increases the recovery yield of plasma proteins. ProMetic estimates that its technology produces a 30% – 375% yield improvement (depending on the protein) over current industry (Cohn fractionation process) yields based on the work to date at 30 litre scale.

ProMetic's technology can be employed by fractionators seeking to harvest single proteins more efficiently. There is a growing demand and shortage of supply for high value proteins commonly used to treat a variety of medical conditions. These technologies can also be applied to the recovery of certain proteins that have established therapeutic value, but cannot be extracted effectively via current manufacturing practices, or that simply do not constitute the focus of large plasma fractionators. These proteins have the potential to receive "orphan" drug status and, if so, could be rapidly advanced to commercial status with the support of regulatory authorities and patient associations. The PPPS process can also be used by companies that believe the initial investment for new fractionation capacity will be more than offset by the return in each of the above areas.

ProMetic Animal Care

This division will form the basis of a joint venture between ProMetic and Top Meadow Life Sciences Inc. It will be responsible for the product development and commercialization of a diagnostic test using PRDT's technology to detect mad cow disease (Bovine Spongiform Encephalopathy or "BSE") in live cattle. Development of the prion diagnostic system, as well as new systems, will be carried out through this new unit, which ProMetic intends to finance by government grants and new sources of financing.

Except for the therapeutic unit (operating under ProMetic BioSciences Inc.) for which products are still in clinical development, ProMetic's research and development efforts have led to economically viable applications. The reorganization under four distinct operating units will allow a potentially more attractive valuation by enabling each business to be more nimble, opportunistic, and ultimately profitable.

Significant Events

The following is a description of events in 2005 and up to the date of this MD&A:

ProMetic Life Sciences Inc. (Corporate)

- $15 million equity financing (gross amount) completed in June 2005;
- US$11.2 million (gross amount) secured convertible debt financing completed in January 2006;
- ProMetic was a finalist in the "Deloitte Fast 50" program;
- Strengthening of the Management team in the areas of corporate and business development;
- Initiation of a reorganization program to operate and finance the company as four distinct operating units.

ProMetic BioSciences Ltd

- Positive results of a major study showing that PRDT's proprietary process removes all detectable blood-borne TSE (Transmissible Spongiform Encephalopathy) infectivity from whole blood. TSEs are fatal brain diseases that include BSE or "mad cow disease" in cattle, variant Creutzfeldt-Jakob disease (vCJD) in humans, and "scrapie" in sheep. The completion of this study advances PRDT's prion filter towards commercialization;

- A sum of approximately $3 million was invested over two years in the expansion of ProMetic's manufacturing facility located in the Isle of Man, to accommodate production requirements of mimetic ligands in view of increasing customer orders in the field of bioseparation and purification. ProMetic expects that this expansion plan will triple its manufacturing capacity.

ProMetic BioSciences Inc.

- The Company completed Phase I clinical trials for PBI-1402 conducted in healthy volunteers with no serious adverse events reported. A significant increase of reticulocytes was observed with statistically significant results. An additive effect was observed with PBI-1402 in combination with EPO in vitro. These trials enable the Company to initiate a Phase Ib/II clinical trial to be targeting chemotherapy and/or cancer-induced anemia. The Company intends to initiate this trial during the first half of 2006;

- Three first-in-class series of low molecular weight synthetic molecules have been tested in preclinical development for the treatment of autoimmune diseases such as psoriasis, lupus and rheumatoid arthritis;

- The Company relocated its therapeutic research team to a new laboratory facility leased at the Laval Biotechnology Development Centre, north of Montreal, with access to animal facilities at the adjacent *Institut Armand-Frappier*. The relocation allows the scientific group to be in the same facility, thereby improving efficiency.

ProMetic BioTherapeutics, Inc.

- We have demonstrated the tremendous yield advantages that the PPPS process provides at a 30 litre scale over current industry standards at Hemosol's facility. This demonstration proved the value of this process for ProMetic;

- On November 24th 2005, Hemosol LP (Hemosol) and its general partner Hemosol Corp announced their insolvency and filed Notices of Intention to Make a Proposal to their creditors. Given the difficult financial situation at Hemosol since the beginning of the year, the Company had already accepted in March 2005 partial payment of a milestone amount of $4 million of which $3 million was paid in shares of Hemosol. While this significantly impacted our financial results and share price in the short term we felt at the time that those were the right decisions to complete the development of the PPPS process and maximize its potential;

- There is no doubt that the current financial situation of Hemosol will have an impact on the Company's revenues. The Company will analyze all its options under the terms of its licensing agreement for the PPPS process with Hemosol to protect its interests and ensure that the process continues to be further developed and marketed for the North American market. The Company is also promoting to existing fractionators the use of its technology and affinity resins for single protein capture.

ProMetic Animal Care

- A joint venture was agreed in April 2005 between ProMetic and Top Meadow Life Sciences Inc. to develop and commercialize diagnostic tools derived from PRDT's technology to detect mad cow disease in live cattle;

- Christian Frayssignes was appointed CEO of this operating unit.

Selected Annual Information

The following selected annual information is derived from the consolidated financial statement of the Company for each of the three most recently completed financial years. The financial statements are prepared in accordance with Canadian GAAP.

(in thousands of Canadian dollars, except for per share amounts)	**December 31 2005**	December 31 2004	December 31 2003
Revenues	**8,052**	8,183	1,319
Net loss	**22,932**	17,152	20,298
Net loss per share	**0.20**	0.17	0.23
Total assets	**29,796**	29,705	42,620
Long-term debt	**412**	847	1,337
Convertible term note	**4,014**	–	–

Annual Results

year ended December 31, 2005 compared to year ended December 31, 2004

Revenues

Total revenues for 2005 were $8.1 million compared with $8.2 million in 2004. The lack of growth in revenues during 2005 compared to 2004 is explained by the cancellation and the delay of certain research and development programs in the ProMetic BioSciences Ltd unit and lower product sales to Hemosol.

Research and development programs with clients including Serono were successfully completed in 2005 and the program with Octapharma is on-going. Further development programs are being negotiated with current and other important clients. Nevertheless sales associated with these development programs were lower in 2005 compared to 2004 by 15%.

Product sales, on the other hand, improved significantly in 2005 by 24%. This is third party acknowledgment of the quality of our products. We believe this will improve in the coming years as our clients advance their development programs. This includes Halozyme which recently gained FDA approval for a new recombinant biopharmaceutical drug, Hylenex. As part of its manufacturing process, Hylenex is purified using a proprietary synthetic-ligand affinity adsorbent manufactured by ProMetic BioSciences Ltd.

The Company estimates that product sales in 2005 could have been higher by 5% had Hemosol's financial situation been healthier. License fees derived from the license agreement with Hemosol totalled $4.0 million in 2005. Our efforts are focused on working with new partners to license the PPPS technology.

In 2005, revenues derived from PRDT's strategic alliance with MacoPharma for the first generation of human blood prion filters totalled $0.4 million. We expect similar revenues to continue in the future as new generations of filters are developed with MacoPharma. Additionally, ProMetic expects to start benefiting in 2006 from royalties on finished products sales by MacoPharma through its 26% stake in PRDT. Finally, revenues derived from the sale of resins by ProMetic to MacoPharma for the manufacture of the prion device are also expected to start in 2006.

Research and development expenses

Research and development expenses decreased slightly to $13.3 million for the year ended December 31, 2005 from $14.3 million for the same period in 2004. The major research and development expenditures were related to:

- The PBI-1402 program as the Company completed Phase I clinical trials in healthy volunteers;
- The PRDT prions filter program, for which results obtained in 2005 indicate that infectious blood-borne prion can be reduced dramatically;
- The advancement of the PPPS technology to a 30 litre scale-up successfully completed at Hemosol's facility;
- The completion of a development program with Serono and the commencement of the Octapharma program.

Tax credits of $1.7 million available under provincial tax programs have been recorded in 2005.

General and administrative expenses

General and administrative expenses increased to $6.7 million for the year ended December 31, 2005 from $5.3 million for the year ended December 31, 2004. This increase of $1.4 million was the result of additional expenses incurred to strengthen the Company's management team ($0.15 million), expensed stock options costs ($0.1 million), and higher accounting and legal fees related to financing activities ($0.3 million). Finally, 2004 figures included a reversal of an accrual for legal fees in relation to a lawsuit with the Bank of Montreal. This resulted in a $0.5 million reduction of general and administrative expenses in 2004.

Depreciation

Depreciation for the year ended December 31, 2005 was slightly higher at $2.9 million compared to December 31, 2004.

Net results

The Company incurred a net loss of $22.9 million, or $0.20 per share, for the year ended December 31, 2005 as compared to a net loss of $17.2 million, or $0.17 per share, for the year ended December 31, 2004. This significant increase in net loss is mainly due to the following:

- An increase of $0.4 million in operating expenses as explained in the Research and development and General and administrative expenses sections;
- In March 2005, ProMetic received a milestone payment of $3.0 million from Hemosol in shares of the company and $1.0 million in cash. Subsequently due to Hemosol's current financial difficulties which resulted in a write-off of $5.1 million, we decided to sell our entire holding in Hemosol;
- ProMetic owns 750,000 convertible preferred shares worth $2.3 million in Arriva Pharmaceuticals, Inc. (Arriva), which were issued in 1999. Given the uncertainty surrounding the future of Arriva following recent U.S. federal jury awards against Arriva, we decided to write-off our investment in Arriva worth $2.3 million.

Liquidity and Financial Position

Current assets totalled $15.9 million as at December 31, 2005 compared to $13.6 million on December 31, 2004.

Short-term investment decreased to zero as at December 31, 2005 compared to $2.3 million in the previous year as all Hemosol shares were sold when it was put in receivership in November 2005.

Account receivables reached $2.9 million for the year ended December 31, 2005, including mostly research and development tax credits receivables, compared to $2.8 million for the year ended December 31, 2004.

Net capital assets increased slightly to $5.3 million from $5.2 million in 2004 as a final capital investment totalling $3.0 million over two years was completed for the expansion of ProMetic BioSciences Ltd's Isle of Man facilities to expand manufacturing capacity and adapt the site to current environmental regulations. This capital investment increased the manufacturing capacity of the site and allows ProMetic BioSciences Ltd to sustain forecasted growth in customer orders. In fact, we are now in a position to increase our production by a factor of three as a consequence of the investment. Other asset additions in 2005 included laboratory equipment and computer hardware and software needed to accelerate research and development.

Cash Flows

Cash flows used in operating activities amounted to $15.4 million for the year ended December 31, 2005, compared to $16.7 million in 2004.

Cash flows from financing activities amounted to $21.6 million for the year ended December 31, 2005 compared to $3.2 million in 2004. During 2005, the Company sold 30 million subordinate voting shares and granted agent warrants to purchase up to 1.7 million subordinate voting shares at $0.575 per share for a period of one year through a public equity offering, which raised gross proceeds of $15 million. In late December 2005 and January 2006, the Company issued senior secured convertible notes in the aggregate gross principal amount of US$11.2 million (approximately $13.0 million Canadian) for aggregate gross proceeds of US$8.9 million (approximately $10.3 million Canadian). The Company also issued to the investors warrants to purchase up to 20,507,379 subordinate voting shares at a price of US$0.30 per share, for a term of five years and agent warrants to purchase up to 3,076,107 subordinate voting shares also at a price of US$0.30 per subordinate voting share for a term of five years.

During the first eight months following the closing of the last financing, only one half of the principal amount of the notes will be convertible by their respective holders into subordinate voting shares at the conversion price of US$0.27. After that period, the full outstanding principal amount of the notes will be convertible at the same conversion price. The term of the notes is 36 months and monthly reimbursements are due for payment from the ninth month. The Company may repay the notes in part or in full at any time.

Cash flows used in investing activities amounted to $2.4 million compared to $3.8 million for 2004. Investments in intellectual property represented $0.5 million and investments in capital assets were $1.9 million. The expansion of the Isle of Man manufacturing facility constituted the principal asset acquisition in 2005.

Off-Balance Sheet Arrangements

In the normal course of business, the Company finances certain of its activities off-balance sheet through leases. On an ongoing basis, we enter into operating leases for buildings and equipment. Minimum future rental payments under these operating leases, determined as at December 31, 2005, are included in the contractual obligations table below.

Contractual obligations

In the normal course of operations, the Company has entered into several contracts providing for the following payments over the next years:

		Payments due by period			
(in thousands of Canadian dollars)	Total	Less than 1 year	1–2 years	3–4 years	After 4 Years
Bank loan	1,029	1,029	–	–	–
Long-term debt	412	366	46	–	–
Convertible term notes[(1)]	5,749	524	1,972	3,253	–
Operating leases	7,186	1,548	2,819	2,245	574
Total contractual obligations	14,375	3,467	4,837	5,498	574

(1) Payments include capitalized interests

Critical Accounting Estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting periods. We have identified the following accounting policies that we believe require application of management's most subjective judgments, often requiring the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Our actual results could differ from these estimates and such difference could be material.

Impairment of long-lived assets

Management reviews the valuation and amortization of licenses and patents on an ongoing basis, taking into consideration any events and circumstances which may impair value. The Company assesses impairment in a two-step process for first determining when an impairment loss is recognized and then measuring that loss.

Research and development and tax credits

Research expenditures (net of related tax credits) are expensed as incurred and include reasonable allocation of overhead expenses. Development expenditures (net of related tax credits) are deferred when they meet the criteria for capitalization in accordance with Canadian GAAP, and the future benefits could be regarded as being reasonably certain. Related tax credits are accounted for as a reduction to research and development expenditures on condition that the Company is reasonably certain that these credits will materialize. During 2005 and 2004, no development costs were deferred.

Stock-based compensation

When the Company issues stock options to its employees, directors and officers, a fair value is derived for the stock options using the Black-Scholes pricing model. The application of this pricing model requires management to make assumptions regarding several variables, including the expected life of the options, the price volatility of the Company's stock over a relevant timeframe, the determination of a relevant risk-free interest rate and an assumption regarding the Company's dividend policy in the future. For the year ended December 31, 2005, the Company expensed $159,000 for stock-based compensation compared to $55,000 for the same period in 2004.

CAPITAL STOCK INFORMATION

Authorized

The authorized share capital of the Company consists of an unlimited number of subordinate voting shares, twenty million (20,000,000) multiple voting shares, and an unlimited number of preferred shares that can be issued in series.

Issued and outstanding

The following details the issued and outstanding equity securities of the Company:

Subordinated Voting Shares and Multiple Voting Shares

As at December 31, 2005 the capital stock issued and outstanding consisted of 116,501,784 participating subordinate voting shares (86,486,784 as at December 31, 2004) and 13,026,375 participating multiple voting shares (same number as at December 31, 2004).

Share purchase warrants

The following is a summary of the share purchase warrants outstanding as at December 31, 2005:

Issue Date	Expiry Date	Number outstanding	Exercise Price
June 2005	June 2006	1,710,000	$0.575
December 2005	December 2010	20,584,092	US$0.30

Stock options

As at December 31, 2005, the Company has 2,997,375 stock options outstanding with exercise prices ranging from $0.46 to $3.00. At December 31, 2005, on an if-converted basis, these stock options would result in the issuance of 2,368,835 subordinate voting shares at an average exercise price of $1.33.

OUTLOOK

In 2006, the Company will implement the planned restructuring of its four operating units so that they will function independently in terms of attracting investment and developing specific products and services.

Each operating unit has a different risk/reward profile.

The *ProMetic BioSciences Ltd* unit has established products and a broad client base. This business unit will increase its revenues by the introduction of new products during the year including new materials for antibody purification and the PRDT prion reduction filter via PRDT's commercial and manufacturing partner MacoPharma. An expansion of sales and marketing activities is also planned. Dr Steve Burton has been appointed CEO of ProMetic BioSciences Ltd and will lead the company forward including possible financing in the UK.

The *ProMetic BioSciences Inc. (Therapeutic)* unit faces higher risk factors but offers potentially substantial rewards from drug discovery and clinical trial development. Risk factors include the time necessary to bring a human therapy to market, the costs associated with its development, and the regulatory environment. To minimize these risks, the Company is actively looking for co-development strategic alliances with larger pharmaceutical companies offering expertise and the financial strength to undertake advanced clinical trials and commercial launch of ProMetic's promising compounds PBI-1402 and PBI-1393.

The *ProMetic BioTherapeutics, Inc*. unit has completed a significant scale-up milestone to 30 litres showing its potential for commercialization by prospective licensees of the PPPS process in the plasma fractionation industry. The foundation for the technology is solid, its commercial applicability has been validated, and it has gained considerable attention within the plasma and blood industry. *ProMetic BioTherapeutics* will promote its technology platforms to license them along two principle lines: use of the complete plasma protein purification system (PPPS) for fractionators, as well as the use of platforms adaptable for plasma fractionators seeking to harvest single proteins more efficiently. Moreover, these process and platforms can be applied to the recovery of certain proteins that have established therapeutic value, but cannot be extracted effectively via current manufacturing practices. These proteins have the potential to receive "orphan" drug status and, if so, could be rapidly advance to commercial status with the support of regulatory authorities and patient associations.

The *ProMetic Animal Care* operating unit is working on diagnostic tools for the detection of BSE or Mad Cow Disease in live cattle based on a technology licensed to ProMetic by PRDT. We aim initially at improving the sensitivity of current *post mortem* diagnostic tests available on the market but which can detect the disease only in animals of a certain age or after a certain incubation period. The Company believes that revenues from the use of the technology to improve these tests could generate revenues in a relatively short period of time. In the longer term, a full BSE *ante mortem* diagnostic kit could be developed by the Company alone or in partnership with other actors in the animal diagnostic market.

Risks and Uncertainties

Until each of the units is self sustaining or independently financed, the success of the Company is dependent on its ability to support the development of its four operating units and its ability to bring its products to market, obtain the necessary regulatory approvals and achieve future profitable operations. This is dependent on the Company's ability to obtain adequate financing through a combination of financing activities and operations. It is not possible to predict either the outcome of future research and development programs nor the Company's ability, nor its operating units' ability, to fund these programs going forward.

Disclosure Controls and Procedures

Based on an evaluation of the effectiveness of ProMetic's disclosure controls and procedures, the President and Chief Executive Officer and the Vice-President, Finance have concluded that disclosure controls and procedures were effective as of December 31, 2005 and that their design provides reasonable assurance that material information relating to ProMetic, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared.

Forward-Looking Statements

The information contained in Management's Discussion and Analysis of Operating Results and Financial Position contains statements regarding future financial and operating results. It also contains forward-looking statements with regards to partnerships, joint ventures and agreements and future opportunities based on these. There are also statements related to the discovery and development of intellectual property as well as other statements about future expectations, goals and plans. We have attempted to identify these statements by use of words such as "expect", "believe", "anticipate", "intend", and other words that denote future events. These forward-looking statements are subject to material risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. These risks and uncertainties include but are not limited to the Company's ability to develop and successfully manufacture pharmaceutical products, and to obtain contracts for its products and services and commercial acceptance of advanced affinity separation technology. Additional information on risk factors can be found in the Company Annual Information Form for the year ended December 31, 2005. Shareholders are cautioned that these statements are predictions and actual events or results may differ materially from those anticipated in these forward-looking statements.

Any forward-looking statements we may make as at the date hereof are based on assumptions that we believe to be reasonable as at this date and we undertake no obligation to update these statements as a result of future events.

SUMMARY OF QUARTERLY RESULTS

The following unaudited quarterly information is presented in millions of Canadian dollars except for per share amounts.

	December 31 2005	**September 30 2005**	**June 30 2005**	**March 31 2005**	December 31 2004	September 30 2004	June 30 2004	March 31 2004
Revenues	**1.2**	**0.5**	**1.1**	**5.2**	0.8	1.6	5.2	0.5
Net loss	**7.8**	**5.6**	**7.4**	**2.0**	6.1	4.6	1.4	5.1
Net loss per share	**0.06**	**0.04**	**0.07**	**0.02**	0.06	0.05	0.01	0.05
Weighted average number of outstanding shares	**130**	**129**	**104**	**99**	99	99	99	99

FOURTH QUARTER

The following information is a summary of selected unaudited consolidated financial information of the Company for the three-month periods ended December 31, 2005 and 2004.

(in thousands of Canadian dollars)	**2005**	2004
Revenues	**1,217**	848
Operating expenses	**5,167**	4,216
Operating loss	**3,950**	3,368
Provision related to a lawsuit	**(34)**	(2,715)
Write-down of investments	**(3,833)**	–
Net interest income (expenses)	**(17)**	9
Net loss	**7,834**	6,074

Revenue increases during the fourth quarter were caused by higher shipment of products from the ProMetic BioSciences Ltd unit.

Operating expenses are higher in 2005 mainly due to the annual recording of research and development tax credits in the fourth quarter in 2004. In 2005, research and development tax credits were recorded every quarter.

The net loss increased significantly because of the write-down of our investments.

Management's Report

The accompanying consolidated financial statements for ProMetic Life Sciences Inc. are management's responsibility and have been approved by the Board of Directors. These financial statements were prepared in accordance with Canadian generally accepted 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 obtained in the financial statements.

To ensure the accuracy and the 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 safe-guarded.

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 annual consolidated statements, as well as management's discussion and analysis of operating results and financial position, and recommend their approval by the Board. Raymond Chabot Grant Thornton, 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.

Signed (Pierre Laurin)

Pierre Laurin
Chairman, President
and Chief Executive Officer

Signed (Stéphane Archambault)

Stéphane Archambault
Vice-President, Finance

Montréal, Canada
February 28, 2006

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of ProMetic Life Sciences Inc. as at December 31, 2005 and 2004 and the consolidated statements of operations, deficit, contributed surplus 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, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Signed (Raymond Chabot Grant Thornton LLP)

Raymond Chabot Grant Thornton LLP
Chartered accountants

Montréal, Canada
February 28, 2006

CONSOLIDATED BALANCE SHEETS

(In thousands of Canadian dollars)	December 31 2005	December 31 2004
ASSETS		
Current assets		
Cash and cash equivalents	**$ 10,525**	$ 6,770
Short-term investment in shares of a public company	**–**	2,340
Accounts receivable (note 4)	**2,914**	2,796
Inventories (note 5)	**1,935**	921
Prepaid expenses	**518**	789
	15,892	13,616
Investments (note 6)	**2,876**	4,479
Capital assets (note 7)	**5,324**	5,190
Licenses and patents (note 8)	**5,098**	5,430
Deferred financing expenses	**563**	–
Deferred development costs	**43**	990
	$ 29,796	$ 29,705
LIABILITIES		
Current liabilities		
Bank loan (note 9)	**$ 1,029**	$ 1,029
Accounts payable and accrued liabilities (note 10)	**5,319**	7,714
Deferred revenues	**–**	243
Current portion of long-term debt	**366**	440
Current portion of liability component of the convertible term notes	**524**	–
	7,238	9,426
Liability component of the convertible term notes (note 11)	**3,490**	–
Long-term debt (note 12)	**46**	407
Provision related to a lawsuit (note 16)	**2,921**	–
Preferred shares, retractable at the holder's option (note 6 b))	**2,248**	1,586
	15,943	11,419
SHAREHOLDERS' EQUITY		
Share capital (note 13)	**150,697**	135,682
Contributed surplus	**5,929**	99
Deficit	**(142,773)**	(117,495)
	13,853	18,286
	$ 29,796	$ 29,705

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

On behalf of the Board:

Signed (Pierre Laurin)

Pierre Laurin
Director

Signed (Claude Lemire)

Claude Lemire
Director

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands of Canadian dollars except for per share amounts)

Years ended December 31,	2005	2004
REVENUES		
Sales and contract	**$ 4,028**	$ 3,813
Licensing	**4,024**	4,370
	8,052	8,183
CHARGES		
Research and development expenses	**13,338**	14,271
Administration, marketing and other expenses	**6,742**	5,274
Amortization	**2,892**	2,740
	22,972	22,285
LOSS BEFORE THE FOLLOWING ITEMS	**(14,920)**	(14,102)
Provision related to a lawsuit (note 16)	**(206)**	(2,715)
Write-down of short-term investment	**(5,085)**	(530)
Write-down of long term investments	**(2,558)**	–
Net interest income (expenses)	**(163)**	195
NET LOSS	**$ (22,932)**	$ (17,152)
Net loss per share (basic and diluted)	**(0.20)**	(0.17)
Weighted average number of outstanding shares (in thousands)	**115,717**	99,429

For supplemental operations infomation see note 14
The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF DEFICIT

(In thousands of Canadian dollars)

Years ended December 31,	2005	2004
DEFICIT, BEGINNING OF THE YEAR	**$ 117,495**	$ 100,117
Adjustment for change in stock-based compensation (note 13d))	**–**	44
DEFICIT, BEGINNING OF THE YEAR AS RESTATED	**117,495**	100,161
Net Loss	**22,932**	17,152
Share issue expenses	**2,346**	182
DEFICIT, END OF YEAR	**$ 142,773**	$ 117,495

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

CONSOLIDATED STATEMENTS OF CONTRIBUTED SURPLUS

(In thousands of Canadian dollars) Years ended December 31, 2005 and 2004	Stock-based compensation	Conversion option on term notes	Warrants	Total contributed surplus
ADJUSTMENT FOR CHANGE IN STOCK-BASED COMPENSATION (NOTE 13d))	$ 44	$ –	$ –	$ 44
Stock-based compensation	55	–	–	55
CONTRIBUTED SURPLUS AS AT DECEMBER 31, 2004	99	–	–	99
Stock-based compensation	159	–	–	159
Conversion option on term notes (note 11)	–	2,505	–	2,505
Issuance of warrants related to the convertible term notes (note 11)	–	–	2,342	2,342
Issuance of warrants as financing expenses	–	–	824	824
CONTRIBUTED SURPLUS AS AT DECEMBER 31, 2005	**$ 258**	**$ 2,505**	**$ 3,166**	**$ 5,929**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of Canadian dollars)

Years ended December 31,	2005	2004
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss	**$ (22,932)**	$ (17,152)
Adjustments to reconcile net loss to cash flows used in operating activities		
Write-down of short term investment	**5,085**	530
Revenues received in shares	**(3,000)**	(3,052)
Stock-based compensation	**159**	55
Write-down of long term investments	**2,558**	–
Amortization of capital assets	**1,110**	872
Amortization of deferred development costs	**947**	1,037
Amortization of licenses and patents	**835**	831
	(15,238)	(16,879)
Change in working capital items (note 20)	**(131)**	199
	(15,369)	(16,680)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issues	**15,015**	3,065
Share issue expenses	**(1,514)**	(397)
Deferred financing expenses	**(373)**	–
Issuance of convertible term notes	**8,861**	–
Long-term debt	**1,080**	1,029
Repayment of long-term debt	**(1,515)**	(490)
	21,554	3,207
CASH FLOWS USED IN INVESTING ACTIVITIES		
Disposal of short-term investment	**255**	–
Acquisition of an investment	**(293)**	(254)
Additions to capital assets	**(3,020)**	(2,405)
Grants received	**1,091**	203
Additions to licenses and patents	**(463)**	(1,353)
	(2,430)	(3,809)
Net increase (decrease) in cash and cash equivalents	**3,755**	(17,282)
Cash and cash equivalents, beginning of year	**6,770**	24,052
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 10,525**	$ 6,770

For supplemental cash flow information, see note 20

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

1 Governing statutes, nature of operations and going concern

ProMetic Life Sciences Inc. ("ProMetic" or the "Company"), incorporated under the Canada Business Corporations Act, is an international biopharmaceutical company engaged in the research, development, manufacturing and marketing of a variety of applications developed from its own exclusive technology platform. The Company owns proprietary technology essential for use in the large-scale purification of drugs, genomics and proteomics products as well as medical and therapeutic applications.

These financial statements have been prepared on a going concern basis which assumes that the Company will continue in operation for the foreseeable future and accordingly will be able to realize its assets and discharge its liabilities in the normal course of operations. Since inception, the Company has concentrated its resources on research and development. It has had no net earnings, minimal revenues, negative operating cash flows and has financed its activities through the issuance of shares. The Company's ability to continue as a going concern is dependent on obtaining additional investment capital, the achievement of profitable operations and meeting the covenants related to the convertible term notes (note 11). There can be no assurance that the Company will be successful in increasing revenue or raising additional investment capital to generate sufficient cash flows to continue as a going concern. These financial statements do not reflect the adjustments that might be necessary to the carrying amount of reported assets, liabilities and revenues and expenses and the balance sheet classification used if the Company were unable to continue operations in accordance with this assumption.

2 Changes in accounting policies

Standards applicable for the year ended December 31, 2005

No new standards were applicable for the year ended December 31, 2005.

Standards applicable for the year ended December 31, 2004

Generally accepted accounting principles and financial statement presentation:

On January 1, 2004, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 1100, *Generally Accepted Accounting Principles*, and Section 1400, *General Standards of Financial Statement Presentation*. Section 1100 describes what constitutes Canadian generally accepted accounting principles ("GAAP") and its sources. It also provides guidance on sources to consult when selecting accounting policies and determining appropriate disclosures when a matter is not dealt with explicitly in the primary sources of Canadian GAAP. The new standard eliminates "industry practice" as a possible source of consultation. Section 1400 provides general guidance on financial statement presentation and further clarifies what constitutes fair presentation in accordance with Canadian GAAP. The adoption of these recommendations has had no significant impact on the financial statements for the year ended December 31, 2004.

Impairment of long-lived assets:

The CICA issued Section 3063 of the Handbook, *Impairment of Long-lived Assets* and revised Section 3475 *Disposal of Long-Lived Assets and Discontinued Operations*. These two sections provide guidance on how assets are grouped when testing for and measuring impairment and propose a two-step process for first determining when an impairment loss is recognized and then measuring that loss. The Company adopted these recommendations as of January 1, 2004. The adoption of these recommendations had no impact on the financial statements of the Company.

Stock-based compensation:

Effective January 1, 2004, Canadian GAAP requires the fair value of options granted to employees to be expensed over their vesting period. Prior to January 1, 2004, the Company did not recognize any compensation expense for stock options granted to employees as the granting and exercising of options were accounted for as equity transactions (see note 13 d)).

Revenue recognition:

Effective January 1, 2004, the Company adopted the recommendations of the Emerging Issues Committee ("EIC") of the CICA in abstracts EIC-141, *Revenue Recognition* and EIC-142, *Revenue Arrangements with Multiple Deliverables*. EIC-141 provides interpretative guidance on the application of Section 3400 of the CICA Handbook, *Revenue*. More specifically, the abstract presents the criteria to be met so that revenue recognition can be considered as having been achieved. EIC-142 addresses not only when and how an arrangement involving multiple deliverables should be divided into separate elements of accounting, but also how the arrangement's consideration should be allocated among separate units. Adoption of these recommendations did not affect the financial position or results of operations in the consolidated financial statements.

Consolidation of variable interest entities:

Effective January 1, 2004, the CICA issued AcG-15, *Consolidation of Variable Interest Entities*. AcG-15 requires certain variable interest entities, or VIE's, to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest defined in the accounting guideline or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The Company currently has no contractual relationship or other business relationship with a variable interest entity and therefore the adoption of AcG-15 did not have an effect on the Company's consolidated financial statements.

Standards applicable for the year ended December 31, 2006.

Non-monetary transactions:

In June 2005, the CICA published chapter 3831 "Non-monetary transactions" replacing chapter 3830 entitled under the same name. The new chapter applies to all non-monetary transactions initiated in periods beginning on or after January 1, 2006. The main feature of this chapter is the general obligation, unchanged from the previous chapter 3830, to measure an asset or a liability exchanged or transferred in a non-monetary transaction at fair value. However, an asset exchanged or transferred in a non-monetary transaction is valued at book value when the transaction has no commercial substance, when the transaction is an exchange of a product or property held for sale in the ordinary course of business for a product or property to be sold in the same line of business to facilitate sales to customers other than the parties to the exchange, when neither the fair value of the asset received nor the fair value of the asset given up is reliably measurable or when the transaction is recognized as a non-monetary non reciprocal transfer to the benefit to owners. This represents a spin-off or other form of restructuring or liquidation. The criteria of "commercial substance" replace the one called culmination of the earnings process in the previous chapter 3830.

The provisions of this new chapter will apply to all non-monetary transactions prospectively in periods beginning on or after January 1, 2006. The Company is pursuing the evaluation of the impact of this new chapter on its financial statements.

3 Significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Significant accounting polices are described below.

a) Use of estimates:

The preparation of financial statements in accordance with Canadian GAAP 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 year. Significant items for which management must make estimates relate to the valuation and assessment of recoverability of the investments, licenses and patents, 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.

b) Basis of consolidation:

The consolidated financial statements include the accounts of ProMetic Life Sciences Inc., of its subsidiaries ProMetic BioSciences Inc., ProMetic BioSciences (USA), Inc. and ProMetic BioSciences Ltd as well as those of the two joint ventures Arriva-Prometic Inc. and Pathogen Removal and Diagnostic Technologies Inc. (hereinafter referred to as "A-P" and "PRDT"), which are accounted for on a proportionate consolidation basis whereby the Company's proportionate share of its joint ventures' revenues, expenses, assets and liabilities are consolidated. All significant intercompany transactions and balances have been eliminated.

c) Cash and cash equivalents:

Cash and cash equivalents are bank deposits and highly liquid investments purchased with a maturity of three months or less.

d) Short-term investment:

The short-term investment is carried at the lower of cost and market value.

e) Inventories:

Inventories of work in progress and finished goods are valued at the lower of cost and net realizable value, whereas inventories of raw materials are valued at the lower of cost and replacement cost. Cost is determined on a first in, first out basis.

f) Investments:

The investments are recorded at acquisition cost. When, in management's opinion, there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss. In determining the estimated realizable value of its investment, management relies on its judgment and knowledge of each investment as well as on assumptions about general business and economic conditions that prevail or are expected to prevail. These assumptions are limited due to the uncertainty of projected future events.

g) Capital assets:

Capital assets are recorded at cost. Amortization is provided over the useful lives of capital assets using the following methods:

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

h) Government grants:

Government grants on capital expenditures are credited to capital assets and are amortized over the expected life of the relevant assets by equal annual amounts. Grants receivable in connection with operating expenditures are credited to the consolidated statement of operations in the period in which the expenditures take place.

i) Licenses and patents:

Licenses and patents include vested rights as well as licensing fees for product manufacturing and marketing. Amortization is provided over the useful lives of the licenses and patents acquired using the straight-line method ranging up to 20 years. Management reviews the valuation and amortization of licenses and patents on an ongoing basis, taking into consideration any events and circumstances which may impair its value. The Company assesses impairment in a two-step process for first determining when an impairment loss is recognized and then measuring that loss.

j) Research and development:

Research expenditures (net of related tax credits) are expensed as incurred and include a reasonable allocation of overhead expenses. Development expenditures (net of related tax credits) are deferred when they meet the criteria for capitalization in accordance with Canadian GAAP, and the future benefits could be regarded as being reasonably certain. Related tax credits are accounted for as a reduction to research and development expenditures on condition that the company is reasonably certain that these credits will materialize. During fiscal years ended December 31, 2005 and 2004, no development costs were deferred.

k) Deferred financing expenses:

Deferred financing expenses are amortized using the straight line method over the term of convertible term notes.

l) Revenue recognition:

The Company earns revenue from research and development collaboration services, licensing fees and products sales. Payments received under collaborative research and development agreements, which are non-refundable, are recorded as revenue as services are performed and the related expenditures incurred pursuant to the terms of the agreement and provided collectibility is reasonably assured. Non-refundable up-front license fees from collaborative licensing and development arrangements are recognized as the Company fulfills its obligations related to the various elements within the agreements, in accordance with the contractual arrangements with third parties and the term over which the underlying benefit has been conferred.

Revenues associated with multiple element arrangements are attributed to the various elements based on their relative fair value. Any up-front license payments received under an agreement whereby the Company also provides research and development services are recognized as revenue over the term of the research and development period. Revenue earned under contractual arrangements upon the occurrence of specified milestone is recognized as the milestones are achieved and collection of payment is reasonably assured.

Revenue from product sales is recognized when products are shipped. Cash or other compensation received in advance of meeting the revenue recognition criteria is recorded as deferred revenue on the consolidated balance sheet.

m) Foreign currency translation:

The Company's foreign subsidiaries are considered as integrated foreign operations. Foreign denominated monetary assets and liabilities of Canadian and foreign operations 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 rates on the transaction date or at average exchange rates prevailing during the year. Exchange gains or losses are included in the consolidated statement of operations.

n) Income taxes:

The Company uses the liability method of accounting for income taxes. Future income tax assets and liabilities are recognized in the balance sheet for the future tax consequences attributable to differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using income tax rates expected to apply when the assets are realized or the liabilities are settled. The effect of a change in income tax rates is recognized in the year during which these rates change. Future income tax assets are recognized and a valuation allowance is provided if realization is not considered "more likely than not".

(in thousands of Canadian dollars except for number of shares or as otherwise specified)

o) Stock-based compensation:

The Company maintains a stock option plan as described in note 13 c). The Company uses the fair value method to account for all stock-based payments to non-employees that have been awarded on or after January 1, 2002.

Since January 2004, the Company has adopted the new accounting policy for stock-based compensation to employees. Under this method, compensation cost is measured at the grant date based on the fair value of the award and is recognized over the related service period.

p) Earnings per share:

Basic earnings per share are calculated using the weighted average number of common shares outstanding during the year. Diluted earnings per share are calculated using the treasury stock method giving effect to the exercise of options and warrants. The treasury stock method assumes that any proceeds that could be obtained upon the exercise of options and warrants would be used to repurchase common shares at the average market price during the year.

q) Share issue expenses:

The company record share issue expenses in the consolidated statement of deficit.

4 Accounts receivable

	2005	2004
Trade*	$ 374	$ 673
Sales taxes receivable	164	277
Tax credits receivable (note 9)	2,225	1,298
Advance to an officer, without interest	22	360
Accrued interest and other	129	188
	$ 2,914	$ 2,796

* The trade accounts include amounts receivable from two customers, which represent approximately 70% of the Company's total trade accounts receivable in 2005 and two customers representing 72% of total trade receivable in 2004.

5 Inventories

	2005	2004
Raw materials	$ 389	$ 317
Work in progress and finished goods	1,546	604
	$ 1,935	$ 921

(in thousands of Canadian dollars except for number of shares or as otherwise specified)

6 Investments

	2005	2004
Convertible preferred shares of Arriva Pharmaceuticals, Inc.	**$ –**	$ 2,281
Convertible preferred shares of AM-Pharma Holding B.V.	**358**	358
Guaranteed Investment Certificate, 1.75%, expiring in June 2006 pledged as security of a letter of credit to a supplier expiring in November 2010	**200**	–
Cash subject to certain limitations	**70**	254
Excess of the interest in the joint venture Pathogen Removal and Diagnostic Technologies Inc. over proportionate share in consolidated net assets	**2,248**	1,586
	$ 2,876	$ 4,479

The consolidated financial statements include the Company's proportionate share of the revenues, expenses, assets and liabilities of Pathogen Removal and Diagnostic Technologies Inc. ("PRDT") and of Arriva-Prometic Inc. ("A-P") as follows:

	PRDT[a]	A-P[note 8c]	2005 Total	2004 Total
Current assets	$ 1	$ –	**$ 1**	$ 49
Long-term assets	2,247	1,809	**4,056**	3,663
Total liabilities	2,248[b]	6	**2,254**	1,651
Total revenues	424	–	**424**	–
Total expenses	2,048	294	**2,342**	3,229
Net loss	1,624	294	**1,918**	3,229
Cash flows from:				
Operations	$ –	$ (16)	**$ (16)**	$ (138)
Investing	–	(19)	**(19)**	(266)

a) The Company has a joint venture with the American Red Cross and two other partners under the legal name Pathogen Removal and Diagnostic Technologies Inc. ("PRDT") in which the Company owns 26% of the voting shares. PRDT is engaged in the research, development and commercialization of pathogen diagnostic and removal systems.

Under the terms of the joint venture agreement, ProMetic and the American Red Cross will each contribute intellectual property and technical expertise to develop pathogen diagnostic and removal systems. They both equally assume the direct costs of the joint venture. Preferred shares including a 14% cumulative dividend will be issued by PRDT to the Company and to the American Red Cross in consideration of their proportionate shares in direct and indirect costs.

(in thousands of Canadian dollars except for number of shares or as otherwise specified)

(b) The PRDT joint venture has issued preferred shares in consideration of the proportionate share of each partner in direct and indirect costs. These preferred shares are retractable at the holder's option, provided that PRDT has sufficient cash flows, and include a 14% cumulative dividend effective January 1, 2003. Since the shares issued by the joint venture are retractable at the holder's option, they are considered as debt rather than share capital. Thus, as part of the proportionate consolidation, the Company must acknowledge 26% of the shares issued to the American Red Cross as a debt to a third party.

7 Capital assets

	2005		2004	
	Cost	**Accumulated amortization**	Cost	Accumulated amortization
Leasehold improvements	**$ 3,252**	**$ 845**	$ 2,163	$ 506
Equipment and tools	**6,092**	**3,909**	6,185	3,394
Office equipment and furniture	**675**	**346**	594	275
Computer equipment	**1,016**	**611**	863	440
	11,035	**5,711**	9,805	4,615
Accumulated amortization	**5,711**		4,615	
Net book value	**$ 5,324**		$ 5,190	

Deferred capital grants for a total of $1,091 in 2005 and of $203 in 2004 received from the Isle of Man government are credited to the cost of capital assets (see note 22).

8 Licenses and patents

	2005		2004	
	Cost	**Accumulated amortization**	Cost	Accumulated amortization
Licenses	**$ 6,700**	**$ 2,527**	$ 6,672	$ 1,968
Patents	**1,237**	**312**	970	244
	7,937	**2,839**	7,642	2,212
Accumulated amortization	**2,839**		2,212	
Net book value	**$ 5,098**		$ 5,430	

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

b) Effective November 9, 1995, the Company has the right to a patented technology permitting the link of ligands to a matrix of perfluorocarbon such as Perfluosorb™ 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. on net sales with respect to any products covered by the patents.

c) As of April 13, 1999, through its subsidiary, ProMetic Biosciences Inc., the Company entered into a 50-50 joint venture, Arriva-Prometic Inc., with Arriva Pharmaceuticals, Inc. ("Arriva") for the development of applications relating to serine protease inhibitors as a platform for various pharmaceutical products for dermatological (eczema, psoriasis, genital herpes) and gastrointestinal (Crohn's disease, irritable bowel syndrome) treatments and urinary tract indications. The first serine protease inhibitor pursued is recombinant alpha 1-antitrypsin ("rAAT"), a compound produced in genetically-engineered yeast cells.

Arriva has granted 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 $31,000 has been contributed in 2005 for a total of US $3,871,000 and US $3,840,000 in 2004. The Company will progressively record 50% of its US $4 million contribution as intellectual property. In 2005, the Company recorded an amount of $19 as intellectual property, $267 in 2004 for a total of $2,899 in 2005 and of $2,880 in 2004.

d) On June 6, 2002, the Company acquired for $400 a worldwide exclusive license to patents, pre-clinical data and know-how pertaining to three therapeutic compounds (immunomodulators and adjuvants) for human applications. The Company will make further improvements to the compounds and milestone payments are to be made if positive results are achieved upon completion of the main development phases. Furthermore, the Company will pay royalties on the sales of compound-based products.

e) The purpose of the strategic alliance between the Company and the American Red Cross signed in January 2003 is to co-develop the Cascade process and license to third parties proprietary technology for the recovery and purification of valuable therapeutic proteins from human blood plasma. The Cascade process integrates novel technologies in a sequence that is expected to significantly improve both the yield and range of valuable proteins capable of being isolated from human plasma. On October 1st, 2003, the Company paid the American Red Cross $642 for an exclusive license for access to and use of intellectual property rights for the Plasma Protein Purification Scheme ("PPPS") project. ProMetic will be collecting revenues deriving from any licensing activities, such as royalties on net sales, lump sum amounts and/or milestone payments. ProMetic will pay 25% after having recouped its stage 1 development costs that the Company is committed to support. The American Red Cross will pay ProMetic 2% on any net sales of licensed products.

f) An officer and some directors are entitled to receive royalties based on the sales of certain products submitted to ProMetic before joining the Company. These royalties vary between 0.1% and 0.3% of net sales or between 1% and 3% of revenues received by the Company. These employees also have the exclusive right to commercialize these products should ProMetic decide to stop developing and (or) commercializing them, subject to mutually acceptable terms and conditions.

g) In the normal course of business, the Company enters into license agreements for the market launching or commercialization of intellectual property. Under these licenses, including those mentioned above, the Company has committed to pay royalties ranging generally between 0.5% and 10% of net sales from products it commercializes.

(in thousands of Canadian dollars except for number of shares or as otherwise specified)

9 Bank loan

	2005	2004
Bank loan of ProMetic BioSciences Inc, a wholly-owned subsidiary of the Company, related to research and development tax credits and secured by a hypothec in the amount of $1.3 million on all present and future assets of the subsidiary (other than intellectual property and certain investments) guaranteed by the Company, bearing interest at prime plus 1.75% (6.75% as at December 31, 2005 and 6% as at December 31, 2004), payable upon receipt of the corresponding tax credits.	**$ 1,029**	$ 1,029

10 Accounts payable and accrued liabilities

	2005	2004
Accounts payable to an officer	**–**	236
Provision related to a lawsuit (note 16)	**–**	2,715
Other	**5,319**	4,763
	$ 5,319	$ 7,714

11 Convertible Term Notes

On December 30, 2005, the Company issued Secured Convertible Term Notes with a principal amount to be paid of US $9.538 million ($11,120) for a total cash consideration of US $7.6 million ($8,861). Subsequent to this event, additional notes with a principal amount of US $1.634 million for a total cash consideration of US $1.302 million were issued in January 2006. The notes issued in December 2005 are repayable in 28 instalments of US $399,000 ($396) per instalment, in the aggregate. Notes issued in December 2005 are repayable starting in September 2006 until December 2008. The notes were issued at an original issue discount of 20.32% and have an effective interest rate of 63.19%. Since no instalments are payable in the first eight months, interest for those months will be capitalized to the outstanding debt.

To secure the Company's obligations under the notes, ProMetic Life Sciences Inc. and its subsidiaries, ProMetic BioSciences Inc., ProMetic BioSciences (USA), Inc. and ProMetic BioSciences Ltd granted a hypothec, mortgage or other security interests on substantially all of their assets and each subsidiary guaranteed the obligations of ProMetic Life Sciences Inc. under the notes.

For the eight month period following issuance of a note, half of its principal amount is convertible at the holder's option into subordinate voting shares at a conversion price of US $0.27. After this period, the full outstanding principal amount shall be convertible at holder's option until maturity provided the holder of the note would not own more than 9,99% of outstanding shares.

In total, warrants to purchase 20,507,379 subordinate voting shares of the Company were issued to the note holders at an exercise price of US $0.30 per share and are exercisable for a period of five years. As at December 31, 2005, 17,507,985 warrants were issued with the remainder being issued in January 2006. In addition, 3,076,107 warrants with an exercise price of US $0.30 per share were issued as compensation warrants to the Company's agent. The estimated fair value of the warrants to the agent is accounted for as deferred financing cost for the portion attributable to the liability component ($190), and as share issue expenses for the portion of the equity component ($225).

(in thousands of Canadian dollars except for number of shares or as otherwise specified)

For accounting purposes, the notes contain both a liability component and an equity component (the holders' conversion option and the warrants). The value of the liability component has been determined by discounting the future repayments at discount rate which represents the estimated borrowing rate available to the Company for similar notes having no warrants and no conversion rights. The fair values of the warrants and the holder's conversion option were determined using the Black Scholes option pricing model using the following assumptions:

	Conversion option	Warrants
Risk-free interest rate	4.37-4.41%	4.35%
Dividend yield	0%	0%
Expected volatility of share price	70-80%	70-80%
Expected life	9 - 36 months	5 years

The estimated fair value was adjusted on a prorata basis, to ensure that the fair value assigned to the components equals the total cash consideration received for the issuance of the term notes.

The equity component of shareholder's equity is recorded separately. The other issuance costs incurred related to the Note have been accounted for as deferred financing cost for the portion attributable to the liability component and as share issue expenses for the portion attributable to the equity component.

Instalments due within the next three years amount to $524 in 2006, $1,972 in 2007 and $ 3,253 in 2008.

The Company agreed to meet certain covenants. As at December 31, 2005, there can be no assurance that the Company will meet all the conditions set out in the term notes agreements. If the covenants are not met, the complete principal amount of the notes shall be payable at the holders' option.

As at December 31, 2005, the following warrants related to the convertible term notes were outstanding:

Warrants	Expiry date	Exercise price
20,584,092	December 2010	US $0.30

12 Long-term debt

	2005	2004
Loan of ProMetic BioSciences Inc, a wholly-owned subsidiary, secured by the Company and a first mortgage on the subsidiary's capital assets financed by such loan, bearing interest at 9.5%, payable with monthly instalments of $37,845, due June 2007	**$ 412**	$ 802
Capital lease obligation, 9.42%	**–**	45
	$ 412	$ 847
Current portion of long term debt	**366**	440
	$ 46	$ 407

(in thousands of Canadian dollars except for number of shares or as otherwise specified)

The payments on the long-term debt for each of the next two years are as follows:

Year ending December 31:	
2006	$ 366
2007	46
Total payments	$ 412

13 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.

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 on the Toronto Stock Exchange during the 20 business days prior to 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 on the Toronto Stock Exchange during the 20 business days prior to the conversion, preferential cumulative dividend of 12% per year, payable quarterly.

	2005		2004	
	Number	**Amount**	Number	Amount
Issued and fully paid:				
Subordinate voting shares	**116,501,784**	**$ 149,584**	86,486,784	$134,569
Multiple voting shares	**13,026,375**	**1,563**	13,026,375	1,563
Share purchase loan to an officer, without interest and due no later than 2009		**(450)**		(450)
Balance, at end of year		**$ 150,697**		$135,682

(in thousands of Canadian dollars except for number of shares or as otherwise specified)

a) Share issue:

Changes in the issued and outstanding subordinate voting shares were as follows:

	2005		2004	
	Number	**Amount**	Number	Amount
Balance, at beginning of year	**86,486,784**	**$ 134,569**	84,842,937	$131,504
Shares issued pursuant to:				
Public offerings	**30,000,000**	**15,000**	1,578,947	3,000
Exercise of warrants and options	**15,000**	**15**	64,900	65
Balance, end of year	**116,501,784**	**$ 149,584**	86,486,784	$134,569

During financial year 2005, all subordinate voting shares were issued for cash consideration.

b) Warrants:

As part of the issue of subordinate voting shares pursuant to public offerings, the Company also issued warrants for the purchase of 1,710,000 subordinate voting shares with an exercise price of $ 0.575 per share expiring in June 2006. The fair value of the warrants was determined using the Black and Scholes options-pricing model with the following assumptions: expected dividend yield 0%, expected volatility 80%, risk-free interest rate of 3.20% and expected life of one year. The estimated fair value of a warrant at the date of grant is $0.24. The value of the warrants of $406 is accounted as a share issue expense.

As at December 31, 2005, the following warrants related to the share capital were outstanding:

Warrants	Expiry date	Exercise price
1,710,000	June 2006	$0.575

c) Stock options:

The Company has established a stock option plan for its directors, officers and employees or service providers. 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 subordinate voting shares. Some options may be exercised in a period not exceeding 10 years from the date they were granted. Since September 10, 2001, the new options issued may be exercised over a period not exceeding 5 years and 1 month from the date they were granted (options vest 20% per annum).

		Number of options outstanding	
Year of grant	Exercise price	**2005**	2004
1997	$1.49 to $1.75	75,000	165,502
1998	$2.00 to $3.00	51,000	64,000
1999	$1.00 to $2.00	1,386,500	1,537,500
2000	$1.35	200,000	300,000
2001	$1.00 to $2.00	572,500	815,000
2002	$2.50 to $2.70	19,000	223,000
2003	$2.70	63,800	95,000
2004	$2.70	279,575	415,700
2005	$0.46 to $1.00	350,000	–
		2,997,375	3,615,702

(in thousands of Canadian dollars except for number of shares or as otherwise specified)

The following table summarizes the changes in the number of stock options outstanding over the last two years:

	Options	Weighted average exercise price per share
Number of options as at December 31, 2003	4,293,002	$ 1.51
2004 Granted	567,450	2.70
Exercised	(64,900)	1.00
Cancelled	(1,179,850)	1.76
Number of options as at December 31, 2004	3,615,702	1.62
2005 Granted	397,500	1.07
Exercised	(15,000)	1.00
Cancelled	(1,000,827)	1.98
Number of options as at December 31, 2005	2,997,375	$ 1.43

A compensation expense of $159 in 2005 and $55 in 2004 was recorded as a result of stock options granted to directors, officers, employees and consultants.

The following table summarizes information about stock options outstanding as at December 31, 2005:

Range of exercise prices	Number outstanding	Weighted average remaining contractual life (in years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
$0.46 to $0.51	100,000	0.92	$ 0.49	100,000	$ 0.49
$1.00 to $1.49	1,822,000	3.69	1.08	1,530,000	1.09
$1.50 to $1.75	410,000	1.48	1.56	343,000	1.56
$2.00 to $3.00	665,375	3.28	2.46	395,835	2.29
	2,997,375			2,368,835	

As at December 31, 2004, 2,646,202 stock options were exercisable.

d) Stock-based compensation and other stock-based payments:

Effective January 1, 2004, Canadian GAAP requires the fair value of options granted to employees to be expensed over their vesting period. Prior to January 1, 2004, the Company did not recognize any compensation for stock options granted to employees as the granting and exercising of options were accounted for as equity transactions.

The Company adopted the new accounting policy on a retroactive basis with no restatement of prior periods. Accordingly, on January 1, 2004, retained earnings was reduced and contributed surplus was increased by $44 to account for the stock option expense that would have been charged to loss in 2002 and 2003 with respect to all options granted since January 1, 2002.

(in thousands of Canadian dollars except for number of shares or as otherwise specified)

The Company uses the Black-Scholes option valuation model to calculate the fair value of options at the date of grant, using the following assumptions:

	2005	2004
Risk-free interest rate	**3.56%**	4.61%
Dividend yield	**0%**	0%
Expected volatility of share price	**73.7%**	58.7%
Expected life	**5 years**	5 years

The estimated fair value of options granted during the year ended December 31, 2005 is $0.44. In 2004, it was $0.67.

14 Information included in the consolidated statements of operations

	2005	2004
Amortization of capital assets	**1,110**	872
Amortization of deferred development costs	**947**	1,037
Amortization of licenses and patents	**835**	831
Gross research and development expenses	**15,082**	15,569
Research and development tax credits	**1,744**	1,298
Interest on long-term debt	**136**	92
Interest on short-term debt	**75**	12
Interest income	**101**	340

15 Commitments

The Company has commitments under various operating leases for the rental of office and laboratories space and office equipments. The minimum annual payments for the coming years are as follows:

2006	$ 1,548
2007	1,445
2008	1,374
2009	1,268
2010	977
2011 and thereafter	574
	$ 7,186

16 Provision related to a lawsuit

Following the judgment in favor of Bank of Montreal issued in December 2004, a non-recurring expense of $2,900 has been recorded in the consolidated statement of operations and in the accrued liabilities. In January 2005, the Company appealed the judgment and at year end was awaiting the audition date of the appeal court.

Furthermore a legal hypothec in the amount of $2,762 (with interests and additional indemnity as provided by law) resulting from a judgment, was registered on December 23, 2004 in favor of Bank of Montreal and charging certain movable assets of ProMetic Life Sciences Inc. ("PLI"), including shares held by it in the capital of its subsidiaries, Pathogen Removal and Diagnostic Technologies Inc., and any sums lent to them by PLI.

17 Financial instruments

a) Fair value:

The carrying value of cash and cash equivalents, accounts receivable, guaranteed investment certificate, cash subject to certain limitations, bank loan, accounts payable and accrued liabilities approximates their fair value because of the near-term maturity of these instruments. The carrying value of the long-term debt approximates its fair value because the implicit interest rate approximates market rates available for similar instruments.

The fair value of the short-term investment of $3,030 in 2004 is based on the closing sale price of the Toronto Stock Exchange.

The fair value of the investments in Arriva Pharmaceuticals, Inc. and in AM-Pharma Holding B.V. was not readily determinable because they are private companies.

The fair value of the excess of the interest in the joint venture PRDT over proportionate share in consolidated net asset and preferred shares retractable at the holder's option cannot be determined because these are shares of a private joint venture company at the pre-commercial stage and because it is not possible to determine in which period these shares may be redeemed.

The fair value of the convertible term notes was estimated at its issuance as described in note 11.

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 exchange risk:

The Company derives a substantial part of its revenues in pounds sterling and the majority of its expenses that are not denominated in Canadian dollars are incurred in pounds sterling.

Financial assets, consisting principally of cash and cash equivalents, short-term investment and accounts receivable, denominated in pounds sterling totaled £413,651 in 2005 and £1,337,121 in 2004 and financial liabilities denominated in pounds sterling totaled £1,178,712 in 2005 and £1,022,066 in 2004.

Financial assets, consisting principally of cash and cash equivalents in United States dollars totaled US $7 million in 2005 and US $37,000 in 2004. Financial liabilities denominated in United States dollars totaled US $3,8 million in 2005 and US $179,000 in 2004.

The Company does not possess nor issue financial derivative instruments.

(in thousands of Canadian dollars except for number of shares or as otherwise specified)

18 Related party transactions

During the year, the Company entered into the following transactions with some of its directors or companies which it controls:

	2005	2004
Fees to directors	$ 395	$ 367

These transactions were measured at the exchange amount.

19 Income taxes

The following table reconciles the differences between the domestic statutory tax rate and the effective tax rate used by the Company in the determination of the income tax expenses:

	2005	2004
Net loss	$(22,932)	$(17,152)
Basic income tax rate	31%	31%
Computed income tax provision	(7,109)	(5,317)
Decrease (increase) in income taxes resulting from:		
Unrecorded potential tax benefit arising from current period losses	4,876	2,544
Effect of tax rate differences in foreign subsidiaries	990	1,285
Non-taxable items	2,275	1,488
Change in tax rate	(1,032)	–
	$ –	$ –

(in thousands of Canadian dollars except for number of shares or as otherwise specified)

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

	2005	2004
Future income tax assets:		
Losses carried forward	**$ 14,963**	$ 12,920
Share issue expenses	**1,056**	712
Unused research and development expenses	**4,691**	3,106
Accounts payable and accrued liabilities	**1,035**	18
Deferred revenue	**9**	24
Capital assets	**122**	40
	21,876	16,820
Less: valuation allowance	**(21,127)**	(15,537)
Net future income tax assets	**749**	1,283
Future income tax liabilities:		
Capital assets	**(76)**	(406)
Licenses and patents	**(673)**	(784)
Deferred development costs	**–**	(93)
Net future income tax assets	**$ –**	$ –

An amount of future income tax assets of $714 related to share issue costs engaged in the year has not been recognized.

(in thousands of Canadian dollars except for number of shares or as otherwise specified)

As at December 31, 2005, the Company had available the following deductions, losses and credits:

	Canada		Foreign
	Federal	Provincial	countries
Research and development expenses, without time limit	$ 11,973	$ 18,726	$ –
Losses carried forward expiring in:			
2005	$ 550	$ –	$ –
2006	2,416	2,020	–
2007	2,091	2,333	–
2008	3,933	4,058	–
2009	5,332	4,788	–
2010	5,315	5,029	–
2011	–	–	457
2012	–	–	1,164
2014	2,472	2,079	–
2015	3,288	2,767	–
2018	–	–	434
2020	–	–	14
2021	–	–	594
2023	–	–	939
2024	–	–	1,370
2025	–	–	935
Without expiry date			40,464
Share issue expenses	3,104	3,104	–
	$ 28,501	$ 26,178	$ 46,371

As at December 31, 2005, the Company also had unused federal tax credit available to reduce future Canadian taxable income in the amount of $3,240 and expiring between 2009 and 2015. Those tax credits have not been recorded and no future income tax liability has been recorded with respect to those tax credits.

(in thousands of Canadian dollars except for number of shares or as otherwise specified)

20 Additional information on the consolidated statement of cash flows

	2005	2004
a) Change in working capital items:		
Accounts receivable	$ (118)	$ (2,112)
Inventories	(1,014)	(335)
Prepaid expenses	271	169
Accounts payable and accrued liabilities	973	2,234
Deferred revenue	(243)	243
	$ (131)	$ 199
b) Non-cash transactions:		
Unpaid additions to capital assets and licenses and patents	193	837
Excess of the interest in the joint venture Pathogen Removal and Diagnostic Technologies Inc. over the proportionate share in the consolidated net assets	662	672
Preferred shares retractable at the holder's option	662	672
Unpaid share issue expenses	205	8
Shares of AM-Pharma Holding B.V received as consideration of research and development service rendered	–	182
Shares of Hemosol Corp received as consideration of acceptance of milestone.	3,000	3,052
c) Other cash flow information:		
Interest paid	412	127
Interest earned	101	316

(in thousands of Canadian dollars except for number of shares or as otherwise specified)

21 Segmented information

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

a) Revenues by geographic segment [1]:

	2005	2004
Canada	$ 4,340	$ 4,380
United States	1,028	836
United Kingdom	491	1,065
Europe (excluding United Kingdom)	2,171	1,850
Other countries	22	52
	$ 8,052	$ 8,183

(1) Revenues are attributed to countries based on location of customer and not on location of subsidiaries.

The Company derives significant revenue from certain customers. In 2005 there were two customers which individually accounted for 52% and 12% of revenues respectively. In 2004, two customers represented 53% and 16% respectively.

b) Assets by geographic segment:

	2005	2004
Canada	$ 21,344	$ 18,928
United States	147	288
United Kingdom	8,305	10,489
	$ 29,796	$ 29,705

c) Capital assets and licenses and patents by geographic segment:

	2005	2004
Canada	$ 4,558	$ 5,076
United States	114	87
United Kingdom	5,750	5,457
	$ 10,422	$ 10,620

22 Government grants

The Company has received government grants from Isle of Man Government for operating and capital expenditures.

For grants received prior to 2004, the Isle of Man government reserves the right to reclaim $1,003 in part or all of the grants should the Company leave the Isle of Man within five year of receipt or should certain events occur within five years of receipt.

The terms for the grants received which amounted to $1,108 in 2005 and $203 in 2004, are fully repayable if ProMetic BioSciences Ltd leaves the Isle of Man within five years of receipt of the grant and thereafter repayable on a sliding scale for up to a period of ten years.

No provision has been made in these financial statements for any future repayment to the Isle of Man government relating to the above agreement.

23 Contingencies

Following the introduction in September 2000 of a claim for damages at the Superior Court by ProMetic Life Sciences Inc. ("PLI") and ProMetic BioSciences Inc. ("PBI"), a subsidiary of PLI, against a supplier for an amount of $7,726 the supplier has introduced in April 2004 a cross demand against PLI and PBI claiming for payment as damages of all profits realized from the sale of agarose beads between October 18, 1999 and October 18, 2004.

After obtaining representation from their legal advisers, management is of the opinion that it has valid grounds for defense and no provision related to this matter has been recorded in these consolidated financial statements in that respect. Settlements, if any will be charged to the statement of operations in the period in which the settlements occurs.

24 Comparative figures

Certain 2004 comparative figures have been reclassified to conform to the financial statement presentation adopted for 2005.

Board of Directors

G.F. Kym Anthony[3]
President and Chief Executive Officer
Dundees Securities Corporation

John Bienenstock
Distinguished University Professor
Departments of Medicine,
Pathology and Molecular Medicine
McMaster University
Director, Brain-Body Institute
St. Joseph's Healthcare Hamilton

Andrew J.M. Clark
Biotechnology Consultant

Roger D. Garon[1] [2]
Chairman of the Board
Multivet Ltd

Barry H. Gibson
Independent Consultant

Robert Lacroix[1] [3]
Senior Vice-President
CTI Capital Inc.

Pierre Laurin
Chairman of the Board,
President and Chief Executive Officer,
ProMetic Life Sciences Inc.

Claude Lemire[1] [3]
Independent Consultant

John J. R. Noble[2]
Radiologist

Hans W. Schmid[2]
Chairman of the Board
ASAT AG Applied Science
& Technology

(1) Audit Committee
(2) Compensation Committee
(3) Corporate Governance Committee

Management

Pierre Laurin
Chairman, President & CEO
ProMetic Life Sciences Inc.

Steven J. Burton
Chief Executive Officer
ProMetic BioSciences Ltd

Lucie Morin
Vice-President, Human Resources
ProMetic Life Sciences Inc.

Stéphane Archambault
Vice-President, Finance and Administration
ProMetic Life Sciences Inc.

Janis Peleshok
Director, Business Development
ProMetic Life Sciences Inc.

Christopher L. Penney
Vice-President & Chief Scientific Officer, Therapeutics
ProMetic BioSciences Inc.

Vincent Taillefer
Vice-President,
Corporate Development
ProMetic Life Sciences Inc.

Scientific Advisors

In 2005, the Company relied on a network of well-recognized scientists with expertise in different areas such as biotechnology, bioprocessing and biopharmaceuticals:

Enabling Technology

Steven J. Burton, PhD
CEO, ProMetic BioSciences Ltd

John C. Curling, PhD
Independent Consultant

Barry L. Haymore, MD, PhD
Consultant,
Microbe Inotech Laboratories Inc

David J. Stewart, PhD
Director of Meetings and Courses,
Cold Spring Harbor Laboratory

Pathogen Removal and Diagnostic Technologies Inc.

Ruben G. Carbonnell
Director of the William R. Kenan Junior Institute for Engineering Technology and Science,
North Carolina University

David J. Hammond, PhD
Executive Director, R&D,
Plasma Derivatives,
American Red Cross

Robert G. Rohwer, PhD
Director, Molecular Neurovirology Laboratory, VA Maryland Health Care System International authority in the field of the TSE

Steven J Burton, PhD
CEO, ProMetic BioSciences Ltd

ProMetic BioTherapeutics, Inc.

Christopher Bryant, PhD
Project Manager,
Plasma Protein Purification System (PPPS) development project

Ruben G. Carbonnell, PhD
Director of the William R. Kenan Junior Institute for Engineering Technology and Science,
North Carolina University

Tom Chen, PhD
Director of Process Development,
Plasma Derivatives,
American Red Cross

John C. Curling, PhD
Independent Consultant

David J. Hammond, PhD
Executive Director, R&D,
Plasma Derivatives,
American Red Cross

Timothy K. Hayes, PhD
Director of Analytical Chemistry,
Plasma Derivatives Department,
American Red Cross

Therapeutics

John Bienenstock, CM, MD (Hon), FRCP, FRPC, FRSC
Distinguished University Professor.
Departments of Medicine, Pathology and Molecular Medicine
McMaster University
Director, Brain-Body Institute
St. Joseph's Healthcare Hamilton

Julie Beaudet, MD
Oncologist,
Maisonneuve-Rosemont Hospital

Martine Garreau, MD, M.Sc.
Managing Director
GMG Life Sciences

Volker Helrich, MD, PhD
Registered Pharmacist,
CEO of ASAT AG Applied Science & Technology
(Zug, Switzerland)

Jean Marsac, MD, PhD
President
H2I SA

Christopher Penney, PhD
Vice-President & Chief Scientific Officer
ProMetic BioSciences Inc.

Roger A. Perrault, MD, PhD, FRCPC
President, R.A. Perrault Consultants Inc.

Denis Claude Roy, MD
Hematologist, Associate Professor of Medicine at the University of Montréal
Director, Cellular Therapy Laboratory at Maisonneuve-Rosemont Hospital

Hans W. Schmid, PhD
Chairman of the Board, ASAT AG Applied Science & Technology

Additional Information

ProMetic Life Sciences Inc.

Head Office
8168 Montview Road
Mont-Royal, Québec H4P 2L7
Canada
Tel.: (514) 341-2115
Fax: (514) 341-6227
info@prometic.com
www.prometic.com

On peut se procurer la version française du présent rapport annuel en s'adressant au Service des communications de ProMetic Sciences de la Vie inc. :
8168, chemin Montview
Mont-Royal, Québec H4P 2L7
Canada

Vous le trouverez aussi sur notre site Internet à l'adresse :
www.prometic.com

Auditors

Raymond Chabot Grant Thornton
600 de La Gauchetière Street West
Suite 1900
Montréal, Québec H3B 4L8
Canada

Transfer Agent and Registrar

National Bank Trust
1100 University Street
Suite 900
Montréal, Québec H3B 2G7
Canada

Listings

Toronto Stock Exchange (PLI.SV)
Outstanding subordinate voting shares as at December 31, 2005:
116,501,784

Investor Relations

For more information, please contact:
Nicole Blanchard
Tel.: (450) 627-6600
Fax: (514) 961-0219
nicole.blanchard@isuncomm.com
investor@prometic.com

Annual Meeting of Shareholders

Wednesday, May 3, 2006
at 10:30 a.m. (EDT)
Montreal Museum of Fine Arts
1379, Sherbrooke Street West
Montréal, Québec H3G 2T9
Canada

Annual Information Form

The 2005 Annual Information Form of ProMetic Life Sciences Inc. is available upon request from the Company's head office.

ProMetic BioSciences Inc.
Laval, Quebec
R&D Group – Therapeutic
Tel.: (450) 781-1394
info@prometic.com

ProMetic BioSciences Ltd
Isle of Man, British Isles
Scale-up and manufacturing
Tel.: 44 1624 823 519

Cambridge, UK
R&D Group – Enabling technology
Tel.: 44 1223 420 300

ProMetic BioSciences (USA), Inc.
Wayne, New Jersey
Sales and marketing
Tel.: (973) 812-9880
sales@prometic.com

ProMetic BioTherapeutics, Inc.
Bourbonnais, Illinois
Plasma proteins therapeutics
Tel.: (815) 928-9668

We would like to thank all the ProMetic employees who contributed to this annual report.

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