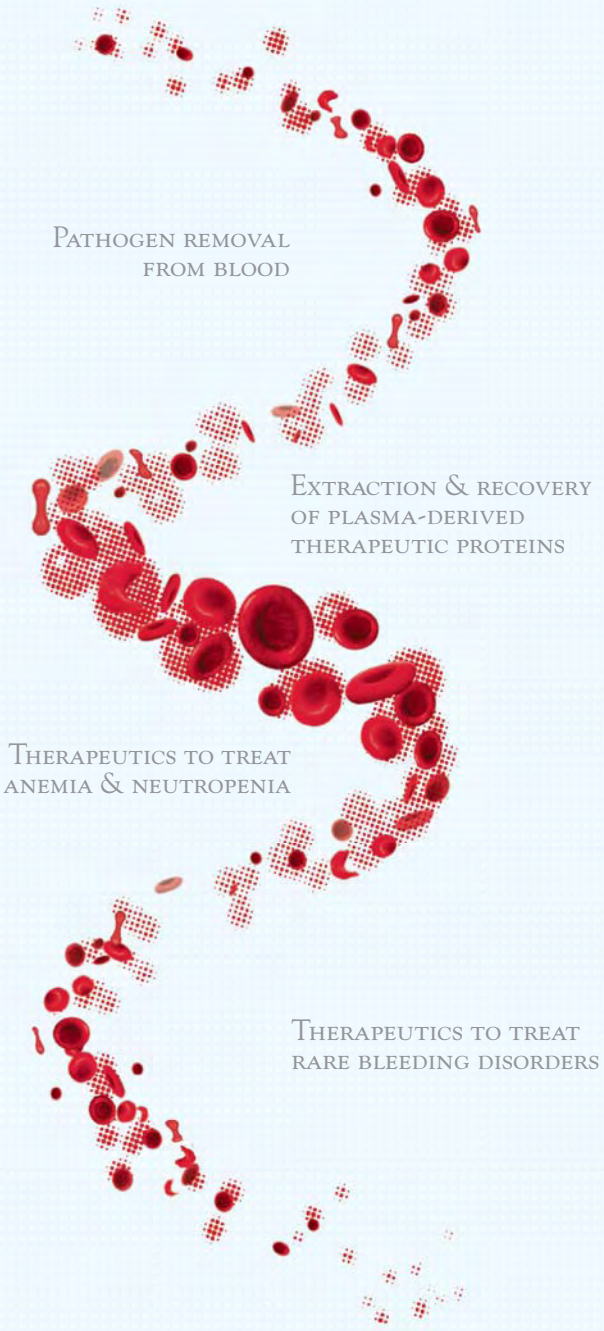
ProMetic

ProMetic Life Sciences Inc. 2007 Annual Report



ProMetic Life Sciences Inc.

Front Cover: The business of ProMetic is primarily related to the fundamental substance of life. ProMetic's technologies are used to remove pathogens from blood, and extract and recover valuable proteins from plasma. ProMetic develops therapeutics to treat blood-related disorders. ProMetic is a world-leading technology provider and drug developer in the fields of hematology, oncology and nephrology.

Innovators

ProMetic's world-leading expertise in blood fractionation and affinity separation is used by life sciences companies of all sizes to facilitate their drug development and manufacturing processes.

Creators

ProMetic has originated first-in-class synthetic compounds to address massive unmet medical needs involving blood disorders and cancer.

Developers

ProMetic has steadily advanced PBI-1402, its high-value candidate drug, through the clinical trial process, while leveraging its technologies and partnerships to deepen and extend its product pipeline.

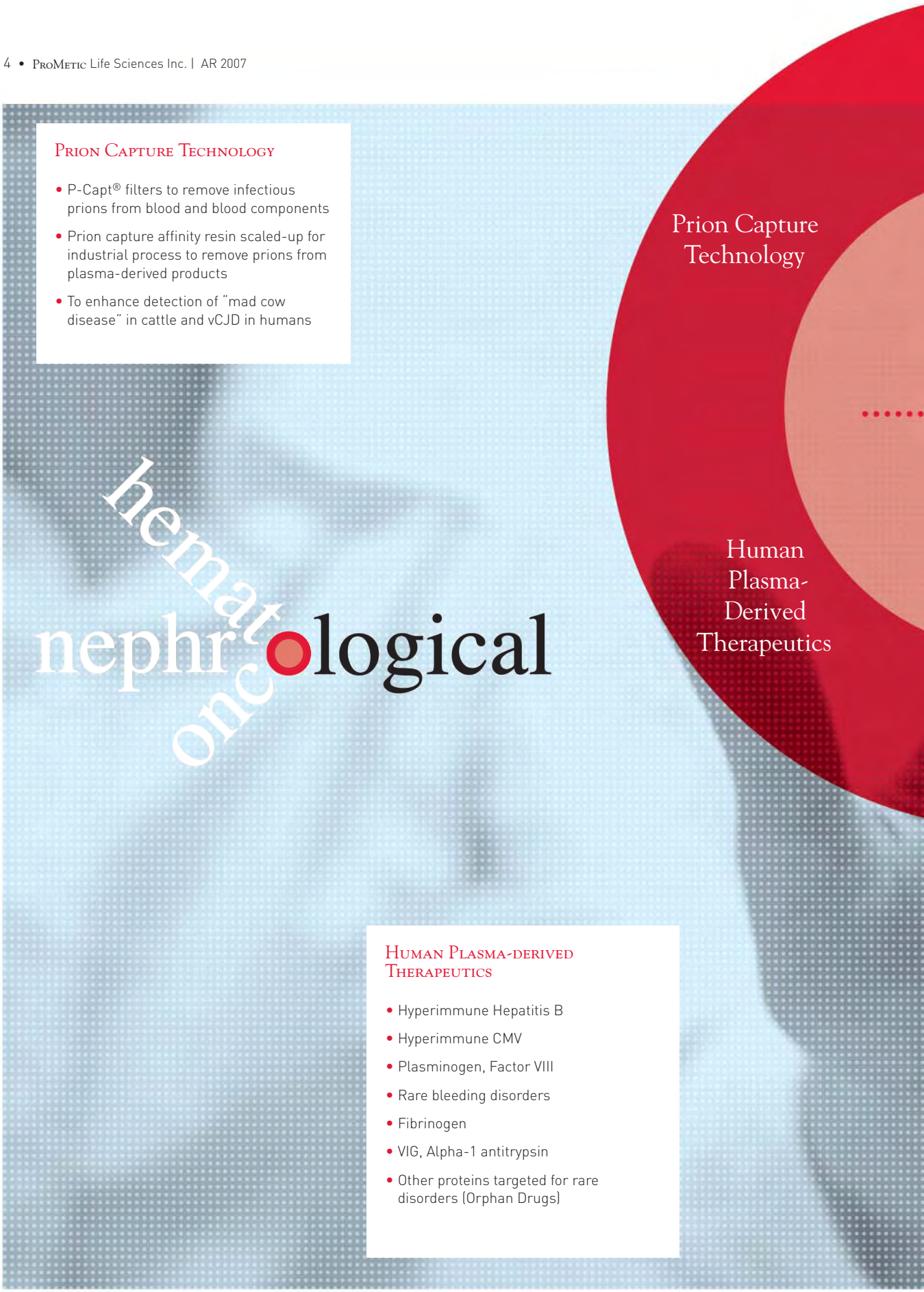
Significant Events

2007

- Licencing agreement with Tecpar of Brazil for biopharmaceutical product - value to ProMetic of $11 M
- Strategic alliance with Blue Blood of Taiwan for plasma-derived therapeutics; primary markets are Taiwan and Southeast Asia
- Development contract signed with a prominent European plasma fractionation company for prion removal process in plasma - transaction worth $1.7 M to ProMetic
- Development contract with Darier of Mexico using ProMetic's anti-inflammatory compound, PBI-1308, in dermatological disorders
- Launch of new Development and Technology Transfer Center in Maryland for protein-based therapeutics
- A Mimetic Ligand™ product was successfully implemented in a large-scale manufacturing process
- Key performance milestones achieved for new MAbsorbent™ ligands targeting the purification of MAbs and Fabs
- Positive pre-clinical data released for PBI-1402 in anemia related to renal failure, demonstrating efficacy of PBI-1402 oral treatment with minimal endogenous erythropoietin
- PBI-1402 preliminary clinical data presented at the Annual Meeting of the American Society of Hematology

2008

- Successful completion of two human clinical studies using the P-Capt® prion reduction filter announced by MacoPharma and ProMetic
- Irish and UK National Blood Services initiate pre-adoption clinical trials with P-Capt® filters
- Scale-up commenced of prion binding and removal resin for use in the manufacture of a new product by a major European plasma fractionation company
- In-licencing by Kedrion of ProMetic's technology into manufacturing process for Hepatitis B Hyperimmune - value to ProMetic could exceed $30 M annually
- Initial PBI-1402 CIA trial completed - continued favorable top-line findings reported in third cohort
- In-licencing by Wuhan Institute of Biological Products of ProMetic's yield improving technology for the initial manufacturing of seven plasma-derived drugs for the Chinese market - targeting 1.2 M liters of plasma at full scale
- Strategic alliance with Sartorius has enabled two technology transfer projects in Asia representing potential annual revenue of $60 M for ProMetic when plasma fractionation companies are fully operational



Prion Capture Technology

- P-Capt® filters to remove infectious prions from blood and blood components
- Prion capture affinity resin scaled-up for industrial process to remove prions from plasma-derived products
- To enhance detection of "mad cow disease" in cattle and vCJD in humans

Human Plasma-derived Therapeutics

- Hyperimmune Hepatitis B
- Hyperimmune CMV
- Plasminogen, Factor VIII
- Rare bleeding disorders
- Fibrinogen
- VIG, Alpha-1 antitrypsin
- Other proteins targeted for rare disorders (Orphan Drugs)

PBI-1402

Hematology and Oncology NCEs

Orally active PBI-1402

Advancing in clinical trials for the treatment of anemia:

- Chemotherapy-induced anemia
- Cancer related anemia
- Anemia associated with Chronic Kidney Disease

Hematology – New Chemical Entities (NCEs)

- Proprietary additions to PBI-1402
- Confirmed erythropoietic activity *in vivo*

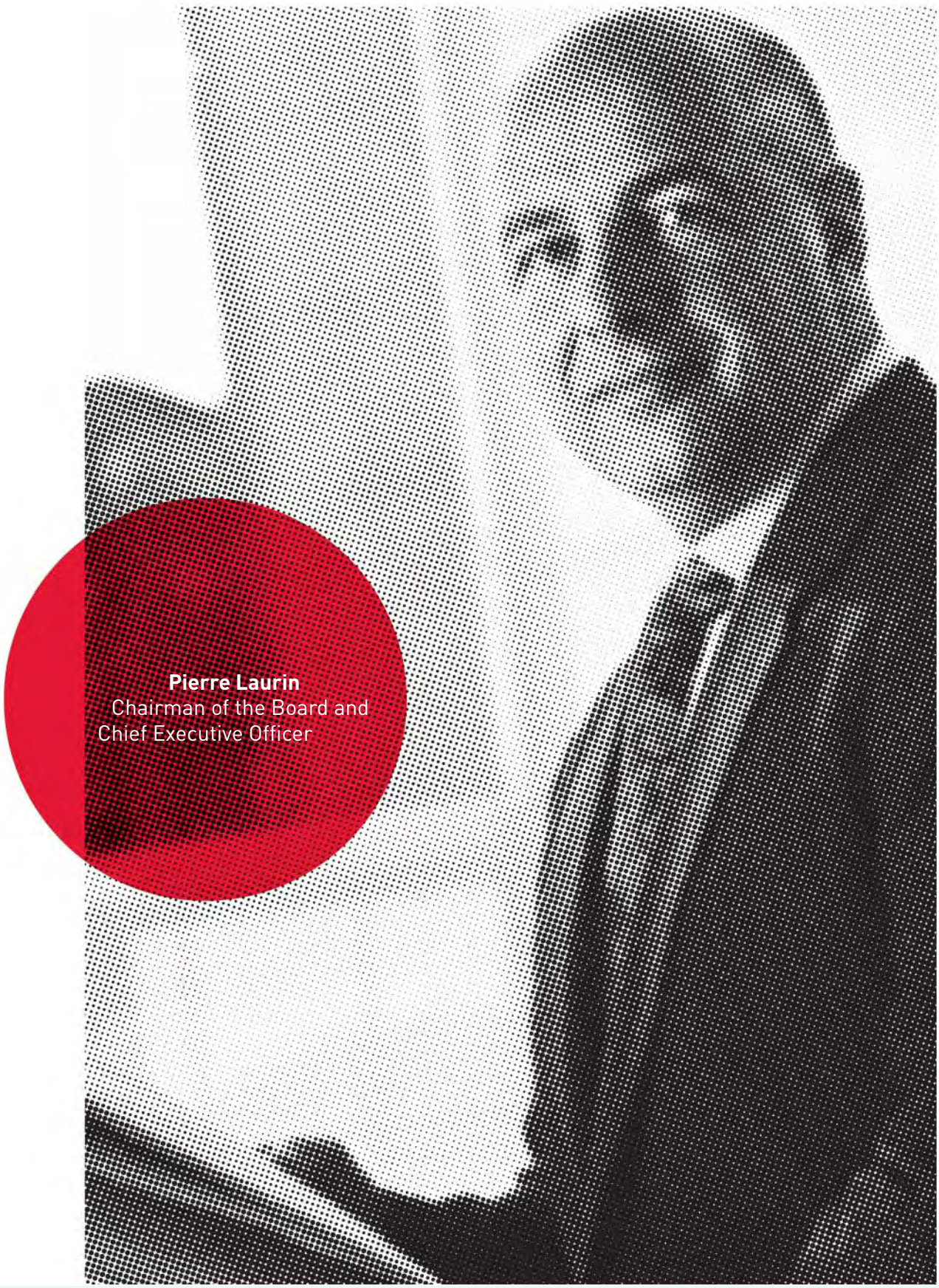
PBI-4050
PBI-4265
PBI-4283
PBI-4299

- Promising new lead compounds for the treatment of neutropenia

Oncology – New Chemical Entities (NCEs)

- Confirmed anti-cancer activity *in vivo*
- Most compounds orally active
- Could allow for lower doses of chemotherapy, resulting in less side effects like anemia / neutropenia

PBI-0110
PBI-1393
PBI-1522
PBI-1668
PBI-1737



Pierre Laurin
Chairman of the Board and
Chief Executive Officer

Our logic

The achievements of ProMetic over the past year and early this year emphasized precisely how far our Company has come and how high it can now climb. Our steadily growing market penetration with our proven products and licenced expertise, in combination with the significant advances in our clinical trial process, demonstrated the value of our protein technologies and the immense potential of our therapeutic pipeline.

The events of 2007 also drove widespread recognition of the fundamental inter-relationships and synergies at work within ProMetic. ProMetic's unifying principle and logic may be understood through a single word – blood.

Blood holds centre stage at ProMetic. All of our divisions share this common denominator. While it may appear that our activities focus on several objectives, in reality our core competencies, reflected in every aspect of our operations, revolve around the development of products that treat blood, derive therapeutics from blood, or increase the production of cells within blood. The respective talents and technologies of ProMetic's units complement one another in this field and serve to make us greater than the sum of our parts.

Earlier this decade, we entered two joint ventures with the American Red Cross, and co-developed two proven technology platforms for use in blood and in plasma which have since been internalized and commercialized at ProMetic. The technologies entail the removal of pathogen agents from blood, and the extraction of valuable therapeutic proteins from plasma.

The decisions we made in 2001 and 2003 to work with the American Red Cross are today paying major dividends. The protein technology applications that resulted from these collaborations are driving our growth in the area of protein technologies. At the same time, they are providing the Company with high-value products, namely plasma-derived proteins to complement our drug development platforms, and our prion capture technology.

As the DNA-reminiscent graphic on the cover of this Annual Report signifies, most everything we do at ProMetic interconnects with, involves, treats or tests the basic source of life, blood.

In 2007 and in early 2008 ProMetic demonstrated its increasing ability to earn significant revenues in blood-related fields by partnering and licencing our technology. In parallel to the positive results demonstrated by *PBI-1402* in the CIA clinical trial, we entered into co-development agreements with *Kedrion* and *Blue Blood* for plasma-derived therapeutics, thereby giving ProMetic participation in the long-term potential of products that our proprietary processes help to develop. We are thus effectively leveraging our expertise to build a strong and diversified product portfolio in hematology, oncology and nephrology.

Consider:

- Anemia and neutropenia are disorders of the blood.
  - ProMetic's lead candidate drug PBI-1402, advancing through clinical trials, treats anemia. PBI-1402 has led to the discovery of a new platform to treat anemia and has generated several orally active proprietary drug candidates offering the potential of multiple novel products to treat a complex and widespread unmet medical condition.
  - Scientists at ProMetic have also discovered promising compounds to address neutropenia (a condition characterized by a low white cell count and a common side effect associated with chemotherapy).
- Blood contains proteins that can be developed into valuable therapeutics.
  - ProMetic's unique world-leading plasma fractionation technology harvests these high-value proteins. ProMetic and its partners are developing proteins for the treatment of bleeding disorders or infections such as Hepatitis B.
- Blood can save lives when transfused, but can also kill if it contains pathogens.
  - ProMetic provides the prion reduction technology for the P-Capt® filter, which is the world's only proven and regulatory-approved device designed to remove prions from human blood collected for transfusion. ProMetic has partnered with MacoPharma on this device.
- Similarly the valuable therapeutic proteins derived from plasma can carry traces of infectivity.
  - Our prion capture technology for the purification of proteins has been scaled-up for industrial use in this regard.
- Bovine Spongiform Encephalopathy ("BSE"), better known as "mad cow disease," is blood-borne in cattle.
  - ProMetic is the developer of a diagnostic technology, known as BSafE, for enhanced BSE detection in bovines.

In all of these areas, ProMetic moved notably forward in 2007. In many ways it was a break-out year, a year that saw our underlying logic prevail – while continuing to gather momentum.

At the same time, as a corollary to our commercial and technological progress, the market's understanding of ProMetic has begun to crystallize. We are increasingly recognized for – and defined by – our contributions and innovations in the blood-related fields of hematology, oncology, and nephrology. This change in perception constitutes one of ProMetic's most important achievements, which is to become known principally as a company that develops and markets high-value products meeting unmet medical needs.

The events of the past year served to bring about that transition.

Therapeutics

ProMetic's environment constitutes a matrix in which the spirit of innovation flourishes and new applications readily find wings. This leads us to the discovery of new chemical entities ("NCEs") and analogues that continually feed our ever-expanding pipeline of products. For example, ProMetic's understanding of the mechanism of action of PBI-1402 has led to the discovery of several other analogues and NCEs. PBI-1402 and these additional compounds indicate a novel means by which anemia and neutropenia may be treated. In this respect, PBI-1402 may be deemed the first compound of a new therapeutic platform. PBI-1402 targets anemia in patients with cancer and renal diseases by promoting the formation of red blood cells from bone marrow through a mechanism of action distinct from that of erythropoietin ("EPO"), the current standard treatment for anemia.

Hematology: Our Phase II clinical trial for PBI-1402, involving patients with chemotherapy-induced anemia ("CIA"), provided us with tremendously encouraging data. Treatment of patients with our PBI-1402 compound resulted in a significant increase in red blood cell count and hemoglobin level, while no significant adverse events were observed. This positive data has leveraged the expansion of PBI-1402's clinical platform and we are now initiating a PBI-1402 clinical trial in patients suffering from cancer related anemia ("CRA"). PBI-1402, its analogues and NCEs, as shown in the table on page 19 of this Report, point to a potential value for ProMetic that cannot be overstated.

Nephrology: There are approximately twenty million patients diagnosed with chronic kidney disease ("CKD") in the U.S. alone. Pre-clinical studies with PBI-1402 have demonstrated the compound's ability to treat anemia when kidneys fail to secrete sufficient amounts of EPO to maintain normal levels of red blood cells and hemoglobin. This was demonstrated in a 5/6 nephrectomized rat model, and supports ProMetic's expansion of the PBI-1402 clinical program into anemia in patients with CKD.

Oncology: Our scientists have, in addition to our progress in hematology, advanced several drug candidates in the oncology platform. Most of our compounds in oncology share similar features in that they are synthetic, orally active, and potentially less expensive to the healthcare system. Moreover, they have demonstrated pre-clinical *in vivo* activity in gold standard models evidenced by tumor regression and significant extension of survival.

Autoimmune Disorders: ProMetic's pipeline also includes anti-inflammatory compounds that are very promising for the treatment of autoimmune disorders, as evidenced with PBI-1308 which has been partnered with Darier for further development in dermatological disorders.

Next Steps: With the expansion of PBI-1402's clinical platform, and the achievement of promising results in our pre-clinical work with various NCEs and analogues, ProMetic's research and data have attracted wide attention. Partnership discussions in reference to the continued development and eventual marketing of PBI-1402 are underway.

The year 2007 was a milestone year in a number of important respects. It provided a meaningful demonstration of the fact that ProMetic's technologies have been proven and their performance characteristics validated; validated from the scientific point of view and from the regulatory point of view; validated in the marketplace where they compete; and validated by the drug developers and manufacturers who increasingly require and employ them.

Protein Technologies

Revenue Growth and High-Value Products: In 2007 we demonstrated to the market that the revenue growth promised by our protein technologies is very persuasively being carried out. We have experienced a critical mass of commercial events. In the year ahead, the steady progression of our activities in protein technologies will continue, such that we expect to reach the EBITDA-positive milestone in 2008, while generating substantial free cash flow to support the entire ProMetic group in 2009 and beyond.

ProMetic's innovations in the area of protein technologies have created three distinct revenue paths for the Company: (i) the purification of biotech products; (ii) removal of pathogens in blood products; and (iii) plasma-derived products.

Purification of Biotech Products: ProMetic's bioseparation technologies and affinity products enable the purification of high-value drugs and assist in their efficient manufacture. Twelve different ProMetic bioseparation products have thus far been used by our clients and licencees, to produce biopharmaceutical and medical products approved by the U.S. Food and Drug Administration ("FDA") and the European Medicines Agency ("EMEA"). These clients are among the most established companies in the pharmaceutical and biopharmaceutical industries. As their manufacturing activities progress and result in further new approved products, we expect significant growth in the demand for our adsorbents, a demand which we are well positioned to meet by virtue of the past investments we have made in our production facilities. This evolution represents important organic growth and an established expanding revenue stream for ProMetic.

Removal of Pathogens: ProMetic's prion capture technology, which can selectively bind and remove prions (the causative agent in TSE diseases) from blood and blood products, has been integrated into the revolutionary P-Capt® filter for donated human blood. The filter, designed to reduce the risk of TSE disease transmission through blood transfusions, has received European Regulatory Approval. We have demonstrated that its use is effective in reducing the risk of transmission of variant Creutzfeldt-Jakob disease ("vCJD"), the human form of mad cow disease, by blood transfusion, and that the filter has no impact on the blood itself. The National Blood Services of Ireland and the United Kingdom are now completing their clinical evaluation of the P-Capt® filter, and we very realistically expect those organizations to adopt the product in the coming year. Accordingly, ProMetic's partner in the venture, MacoPharma, has scaled-up for commercial manufacture of the product. ProMetic will earn royalties from MacoPharma for our licenced technology, as well as revenues from our production and supply of the prion binding affinity resin used in the filter. Our prion capture platform has also been extended to the fractionation industry. In 2007 ProMetic signed a development contract with a prominent European plasma fractionation company allowing for the use of ProMetic's prion-binding ligands to minimize the transmission risk of vCJD in plasma derivatives.

Plasma-Derived Therapeutics: The power and benefits of ProMetic's protein extraction technologies are being increasingly recognized worldwide. ProMetic's Plasma Protein Purification System ("PPPS"), typically sees manufacturers achieve higher yields of high-value drugs derived from plasma than with the conventional Cohn process.

Moreover, we are using our technology not only to generate licencing sales, but to acquire rights to high-value products. Our transaction with the Italian-based Kedrion, a leading biopharmaceutical company specialized in plasma-derived products, exemplifies the model. Initially we licenced the use of our technology to Kedrion to assist in the development of drugs for rare diseases. In a follow-up transaction, we licenced our yield-improving manufacturing technology to produce a new generation of Hepatitis B vaccine and acquired the *exclusive marketing rights for the Hepatitis B Hyperimmune product in the North American market*. This transaction brings about a shift in the market's perspective vis-à-vis ProMetic – not only does ProMetic provide technology, but it is now positioned to supply finished biopharmaceuticals to the market. We effectively used our technology as a commodity to deepen our own therapeutic pipeline.

Our strategic alliance with Sartorius in 2006 also yielded significant opportunities for our two companies to collaborate on technology transfer projects such as those for the Wuhan Institute of Biological Products ("WIBP") in China and for Blue Blood Biotech Corporation of Taiwan ("Blue Blood").

WIBP is a subsidiary of the China National Biotec Group ("CNBG") that markets multiple products throughout China, including two dozen vaccines and plasma derivatives. As a result of our agreement, WIBP will gain exclusive access to ProMetic's PPPS technology for the Chinese market. The incorporation of the PPPS technology will significantly enable WIBP to improve its capability in the manufacturing of plasma-derived products. The goal is to achieve a minimum capacity of more than 1.2 million liters of plasma annually. CNBG retains more than 30 percent of the blood derivatives market in China. With this agreement, ProMetic has expanded its base to include the plasma-derived industry in China and is now a well established presence in the therapeutics market in Asia.

ProMetic has demonstrated that the revenue growth promised by our protein technologies is being carried out. In 2007, the Company experienced a critical mass of commercial events as well as promising results with its lead therapeutic candidate. In the year ahead, the steady progression of our protein technologies and therapeutic activities is expected to continue, such that we will generate substantial free cash flow to support the entire ProMetic group.

Blue Blood, a leading Asian firm specialized in plasma screening and hyperimmune product development, will be using ProMetic's proprietary manufacturing process to produce very high-value therapeutics from plasma.

Through the continued development of ProMetic's existing partnerships and the signing of new strategic alliances and agreements, we now see an annual revenue opportunity in China, Taiwan and Southeast Asia that exceeds $60 million annually for ProMetic.

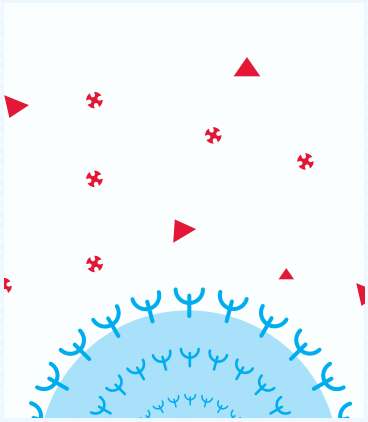
Our strategy remains basic and clear-cut. It consists of: (i) concentrating on the execution of fundamentals; (ii) ensuring that our technology drives a continually growing revenue stream; and (iii) stipulating that our therapeutics attract optimal partnering transactions. Within a short time, I believe, as do the members of our core team – the visionaries and innovators who lead our principal divisions and who have stayed the course at ProMetic for a decade – that the culmination of these events will abolish the disparity that exists between our share price as it stands and our share price as it should be.

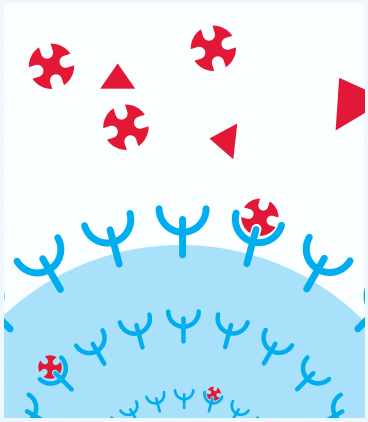
I wish to take this opportunity to thank every member of the extended ProMetic family for their commitment to our objectives and the daily hard work they perform that testifies to the depth of their dedication. Particular thanks go to you, our shareholders, for your support, your patience and confidence.

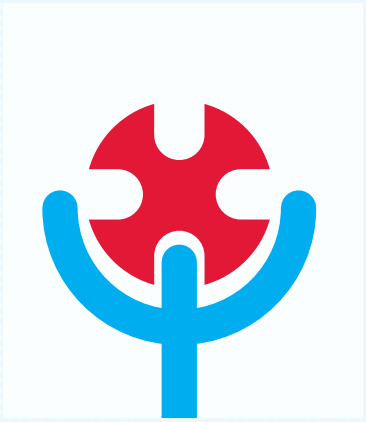
Pierre Laurin
Chairman of the Board
President and Chief Executive Officer

ProMetic's Protein Technologies

The manufacture of protein-based therapeutics has become a global growth industry, and the number of worldwide licencees of ProMetic's proprietary enabling technologies is continually growing as well. Accordingly, we have expanded our ability to collectively serve our current and forthcoming licencees. ProMetic's Development and Technology Transfer Center located in Rockville, Maryland, opened in 2007. It provides high-value implementation and training programs related to our technologies, while acting as a profit center for ProMetic. In addition to assisting our licencees with the integration of our technologies, these new facilities have enhanced our own development potential with regard to novel plasma protein therapeutics. Meanwhile, our R&D and manufacturing facilities located in the United Kingdom have in recent years undergone extensive upgrade and expansion allowing ProMetic to easily meet market demand for its current and future range of affinity products.







Targeted proteins

ProMetic's Mimetic Ligand™ is designed to bind a specific protein. Mimetic Ligands™ are immobilized on microscopic beads, the base matrix of filters.

	Actual Market
Purification of Biotech Products	**$2.0B**
• Revenue derived from various clients / licensees for recombinant proteins	
Pathogen Removal	**$2.0B**
• MacoPharma / P-Capt® • Ireland & UK initiated pre-adoption trials • Prion reduction technology adopted by fractionators • Prion capture technology scaled-up for industrial use	
Plasma-derived Therapeutics	**$8.5B**
• Kedrion, Hyperimmune deal & expansion targeting high-value orphan drugs • Blue Blood, Taiwan / Southeast Asia • WIBP, China • Additional partnering and licencing forthcoming	

Drug Purification

ProMetic's core bioseparation technologies, its proprietary affinity adsorbents and its Mimetic Ligand™ purification platform are used by numerous pharmaceutical and biopharmaceutical companies, and have made ProMetic a key supplier to the global life sciences industry.

The chemical diversity of ProMetic's ligand libraries allows for the selection of almost any target protein. ProMetic's technology allows for the capture of multiple targeted proteins directly from the source product, and then for the separation of these nearly identical proteins to achieve greater yields with high levels of purity. As a result, manufacturing clients using ProMetic's bioseparation technologies experience significant reductions in costs associated to drug purification. Furthermore, pharmaceutical and biomanufacturing communities – seven of whose leading antibody producers participated in a performance testing of ProMetic's technology – are relentlessly pursuing improved process yields and efficiencies.

ProMetic's new MAbsorbent™ ligands targeting the purification of monoclonal antibodies ("MAbs") and recombinant antibody fragments ("Fabs"), strongly position ProMetic to generate revenues from the consistent growth in demand for antibody therapeutics. The market for MAbs currently exceeds $16 billion.

Moreover, ProMetic's purification bioprocess was once again validated using 800 liters of commercial Mimetic Ligand™. This affinity adsorbent was packed in a 1.8 meter diameter process chromatography column for GMP manufacture of a biological product. End results confirmed that the product performance met all of our client's specifications.

Currently, twelve of ProMetic's proprietary affinity products are used as part of the manufacturing process or as a component of biopharmaceutical or biomedical products approved for sale in the U.S. and/or in Europe. Several additional products being developed by pharmaceutical and biopharmaceutical companies also rely upon ProMetic's technology.

Plasma Fractionation

ProMetic's Plasma Protein Purification System ("PPPS"), originally developed in a co-venture with the American Red Cross, applies ProMetic's Mimetic Ligand™ technology to provide for total and highly efficient extraction of proteins from human plasma. This system employs powerful affinity separation materials in a multi-step process to extract and purify proteins at high yields.

In 2008, Kedrion, a specialist in plasma-derived products based in Italy, in-licenced ProMetic's yield improving technology for incorporation into its manufacturing process for the production of a Hepatitis B Hyperimmune, a product for which ProMetic retains the marketing rights in North America. The estimated value, expected to commence in 2011, is at minimum $30 million annually.

WIBP, a subsidiary of CNBG, signed a strategic alliance and licence with ProMetic to access its yield improving manufacturing technology. The implementation of the product development plan, which is underway, includes training, technology transfer, scale-up and the readying of WIBP's clinical manufacturing facility. Full scale commercial manufacturing will take place at WIBP initially, and could be readily implemented by other affiliated companies within CNBG later. WIBP is expected to process in excess of 1.2 million liters of plasma annually with ProMetic's technology and commercialize seven plasma-derived life saving drugs in China.

With its rapid economic growth, China is poised to become the world's fourth largest domestic market for pharmaceuticals. With more than 9,000 employees and revenues of US$421 M in 2006, CNBG is the largest producer of vaccines and blood derivatives in China, having more than 80 and 30 percent market share respectively.

This agreement, together with ProMetic's contract with Blue Blood for Taiwan and South East Asian markets, have provided the Company with a major foothold in one of the world's fastest growing markets. It is estimated that revenue to ProMetic from these agreements could exceed $60 million on an annual basis once these licencees operate at commercial scale.

Removal of Pathogens

ProMetic's Pathogen Removal and Diagnostic Technologies ("PRDT") is another technology that originated from ProMetic's collaboration with the American Red Cross.

The PRDT technology forms the basis of the revolutionary P-Capt® filter, a prion reduction device developed with ProMetic's commercialization partner MacoPharma. P-Capt® has received the CE mark in Europe, and provides blood services agencies with the means of significantly reducing the risk of transmission through blood transfusion of vCJD, a fatal brain disease.

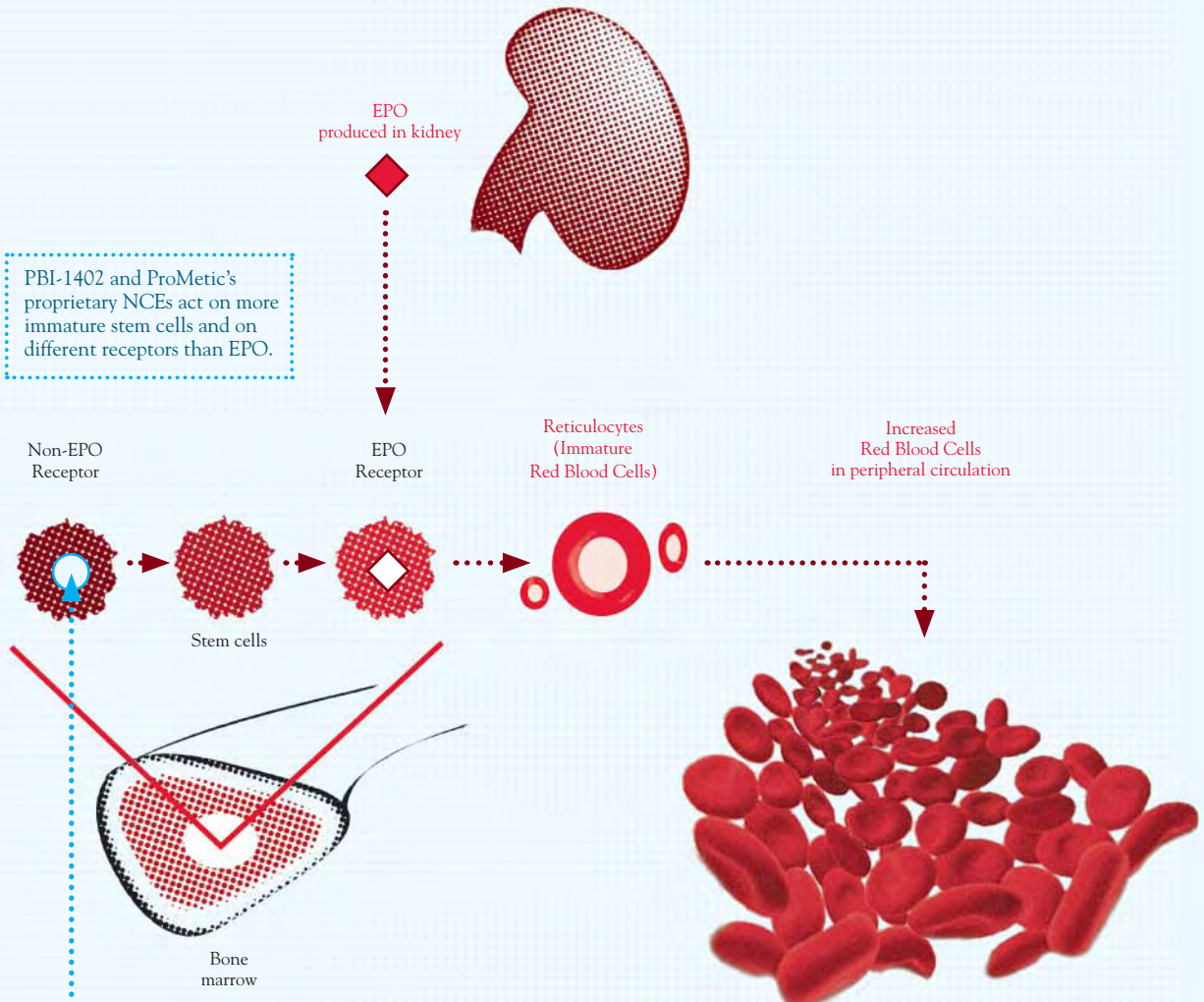
- In 2007 The National Blood Transfusion Services of the United Kingdom and Ireland initiated their pre-adoption evaluation procedures for the P-Capt® filter. As this Report goes to press, the evaluation procedures are nearing completion in Ireland and adoption of the protective device is expected imminently.
- In 2007 ProMetic applied PRDT's expertise and processes to commercially available post mortem diagnostic tests for bovine spongiform encephalopathy ("BSE" or more commonly called "mad cow disease") and demonstrated that it could improve the sensitivity of the existing commercially available tests by as much as 80-fold in an initiative to enhance the safety of the food chain.
- In addition, ProMetic commenced scale-up of its prion binding and removal resin for use in the manufacture of a new product by a major European plasma fractionation company.

As well, PRDT's science has demonstrated its potential for additional uses in the purification of donated blood. It may in future be used to reduce or remove other pathogen agents from donated blood. Upwards of forty million units of blood are collected in the world annually, affording ProMetic and its partner an enormous market opportunity.

Therapeutics

ProMetic's lead candidate drug, PBI-1402, addresses substantial unmet medical needs.

- PBI-1402 is *orally active*, whereas most other drugs treating anemia are injectables.
- PBI-1402 has shown *anticancer activity* in multiple pre-clinical models.
- PBI-1402, all the while mimicking EPO's biological activity, has a *distinct mechanism of action from EPO*, as it does not bind to the same cell surface receptor as EPO. It therefore provides great promise of serving as a stand-alone therapeutic in the treatment of patients with anemia.
- PBI-1402 is an *affordable* low molecular weight synthetic candidate drug, relative to costly recombinant proteins, such as EPO.
- PBI-1402 addresses a *worldwide marketplace* that exceeds $15 billion.



PBI-1402		
Clinical Phase II		
CIA	CRA	CKD (initiating)
Pre-clinical proprietary Analogues and NCEs		
PBI-4050	*in vivo* erythropoiesis	
PBI-4265		
PBI-4283		
PBI-4299		

Anemia

The initial indication targeted by PBI-1402 is anemia in cancer patients undergoing chemotherapy. Upwards of two-thirds of cancer patients treated with chemotherapy develop anemia. Treatment with EPO, the current drug of choice for this indication, is active in only 50 to 60 percent of these patients.

- PBI-1402 has reported *positive clinical results in the chemotherapy-induced anemia trial* and demonstrated excellent safety and tolerability, as well as an impressive efficacy profile. A Phase II trial of PBI-1402 demonstrated a significant increase in the red blood cell count and the hemoglobin level in patients with chemotherapy-induced anemia. In this open-label Phase II trial, patients each received PBI-1402 once daily at doses ranging from 44mg/kg to 88mg/kg. Analysis of the compiled data from a total of 18 patients showed an overall statistically significant increase of the mean hematocrit values at weeks 4, 6 and 8. At week 8, p values were 0.02 for hematocrit and hemoglobin. PBI-1402 was well tolerated, with no serious adverse effects reported.
- The encouraging positive results from the CIA clinical trial and the *anticancer effects* reported in animal models seem to indicate that PBI-1402 is well suited for the treatment of anemia in oncology, resulting in the PBI-1402 *clinical platform being extended to patients suffering from CRA*.

Moreover, approximately twenty million patients in the U.S. alone are diagnosed with CKD. Patients diagnosed at severe CKD stages (3 and 4) often develop anemia before they require hemodialysis. CKD patients still at the pre-dialysis stage could greatly benefit from an orally administered drug as a treatment for their anemia.

- Recent experiments based on a 5/6 nephrectomized rat model have demonstrated the ability of PBI-1402 to correct anemia. This model simulates chronic renal failure in humans, a condition whereby the kidneys fail to produce sufficient EPO for the stimulation of red blood cell production. These results indicate additional potential for PBI-1402.
- A multi-centre placebo controlled clinical trial for anemia associated to CKD is scheduled to commence momentarily.

Multi-indications / Multi-drug candidates

In addition to these indications (CIA, CRA or CKD) other potential applications for PBI-1402 could include the treatment of anemia in the elderly, anemia from bone marrow stem cell transplants, and anemia caused by the use of zidovudine in HIV patients.

Several NCEs identified by ProMetic's scientists offer numerous possibilities for additional indications and market segments. Additionally, ProMetic's drug discovery platform has led to the development of numerous compounds for the treatment of cancer and autoimmune diseases. Compounds such as PBI-1393, PBI-0110, PBI-1737, PBI-1668, and PBI-1522 have all demonstrated very impressive activity in various cancer models and represent real drug candidate potential. Additionally, most of these compounds are orally active and pre-clinical *in vivo* results seem to indicate that they could be used in combination with standard treatment protocols, such as lowered dosages of chemotherapy, thus resulting in a reduction of associated side-effects such as anemia and / or neutropenia. PBI-1393 and PBI-0110 are in position to enter clinical trials in 2008 subject to corporate strategy. Furthermore, PBI-1737 has evidenced strong results in several different autoimmune and anti-inflammatory models, including simulations of colitis (Irritable Bowel Syndrome, Crohn's disease) and Multiple Sclerosis. PBI-1308 is a synthetic compound that has been partnered with Darier for further development in the fields of atopic dermatitis and psoriasis.

The continued development of the analogues of PBI-1402, and the NCEs signify a family of candidate therapeutics. The implication is far-reaching. These compounds represent a complete, well defined platform with the ability to produce high-value drugs. This will allow us to address unmet medical needs and extremely complex medical conditions associated with certain diseases, for which the market potential is immense.

MD&A

The Management's Discussion and Analysis of Operating results and Financial Position, prepared February 21, 2008, 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 2007 financial year compared to the 2006 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 2007 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.

ProMetic Life Sciences Inc. ("ProMetic") is a world-leading technology provider and drug developer in the fields of hematology, oncology and nephrology. ProMetic focuses these activities in two distinct fields: therapeutics and protein technologies. ProMetic develops therapeutics to treat blood-related disorders. ProMetic's protein technologies are used to remove pathogens from blood and extract and recover valuable proteins from plasma.

Therapeutics

ProMetic's therapeutic arm is based in Montreal, Quebec, Canada. ProMetic's lead compound, PBI-1402, is an orally active compound being developed to treat different types of anemia. The initial phase of the PBI-1402 chemotherapy-induced anemia ("CIA") clinical trial has been completed and ProMetic reported that the analysis of the compiled data from a total of 18 patients showed an overall statistically significant increase of the mean hematocrit values at weeks 4, 6 and 8, and of the hemoglobin values at week 8. At week 8, p values were 0.02 for hematocrit and hemoglobin. PBI-1402 has a distinct mechanism of action and does not act through the EPO receptor. ProMetic has recently expanded its clinical program for PBI-1402 into the treatment of anemia in patients with cancer, including myelodysplastic syndrome ("MDS"), a condition often referred to as "pre-leukemia" and is expected to initiate an additional trial in patients suffering from anemia related to chronic kidney disease ("CKD"). Analogues of PBI-1402 and new chemical entities have been identified in the therapeutic pipelines. PBI-1308, a synthetic compound, has been partnered with Darier for further development in the fields of atopic dermatitis and psoriasis. Other compounds, such as PBI-1393 and PBI-1668 have indicated, in pre-clinical studies, potentially positive results in cancer models. Additionally, PBI-1737 has evidenced strong results in several different pre-clinical models, for applications in cancer and autoimmune diseases fields.

Protein Technologies

ProMetic unveiled its new Development and Technology Transfer Center for plasma-derived technologies in Rockville, Maryland, U.S. This center offers plasma fractionation companies a unique, validated, state-of-the-art technology, the Plasma Protein Purification System ("PPPS") for the manufacture of high-value plasma-derived proteins. The system offers an alternative to the legacy manufacturing process (the Cohn Process); it removes therapeutic proteins from plasma with a process that very significantly enhances the recovery yield. PPPS was originally developed in a co-venture between ProMetic and the American Red Cross; ProMetic owns an exclusive licence to use the PPPS technology, as well as a licence to manufacture and sell any products derived from the PPPS technology, and the right to sublicense to third parties those same rights. Manufacturers of a wide range of blood-derived products, such as Kedrion and Blue Blood, have signed agreements incorporating ProMetic's technology into their manufacturing processes for the development of therapeutic products.

ProMetic's purification and pathogen removal technologies are managed through our R&D facilities in Cambridge and manufacturing capacity on the Isle of Man, in the United Kingdom. Currently, twelve different bioseparation materials based on ProMetic's patented Mimetic Ligand™ technology have been adopted for the manufacture of licensed biopharmaceuticals. Ten licensed products, incorporating ProMetic's purification technology as part of their manufacture or function are now approved for sale by the FDA and/or the European Medicines Agency ("EMEA"). ProMetic and its partner MacoPharma have joined forces in the development of the P-Capt® filter, a prion reduction device for blood supply organizations which has earned European regulatory approval (CE Mark). The prion reduction technology for the device was originally developed in a co-venture between ProMetic and the American Red Cross under the name Pathogen Removal and Diagnostics Technologies ("PRDT").

Significant Events

The following events took place during the calendar year 2007 and subsequent to year end until the date of the writing of this MD&A:

Corporate

- In September, ProMetic closed a financing with gross proceeds of $6.6 million. 18,883,928 subordinate voting shares at a price of C$0.35 per share were issued;
- A senior management reorganization took place in October. Nominations were as follows:
  - Bruce Pritchard, V-P, Corporate Development;
  - Peter Edwardson, V-P, Medical Technologies;
  - Stephane Archambault, Chief Financial Officer;
  - Patrick Sartore, Corporate Secretary
- ProMetic secured, in December, access to additional monetary resources on an "as-needed" basis for up to $15.0 million through an equity drawdown facility provided by Nanuq Investments Ltd.;
- On October 22, 2007, the Quebec Court of Appeal dismissed ProMetic's appeal of the judgment issued in December 2004 by the Superior Court of Quebec, in favor of the Bank of Montreal ("BMO") against ProMetic. Subsequently, ProMetic has entered into an agreement with BMO pursuant to which ProMetic shall reimburse its total obligation of $3.5 million to BMO via installments spanning into the second quarter of 2008;
- In December, a private placement of $1.0 million was executed with InvHealth Holding Inc., a holding company wholly-owned by Mr. Pierre Laurin, ProMetic's President and Chief Executive Officer.

Protein Technology

- ProMetic and Instituto de Tecnologia do Parana ("Tecpar") of Brazil signed a $19.0 million technology transfer and licensing deal. This deal will allow Tecpar to acquire the manufacturing technology for the production of biopharmaceuticals for Brazil and other South American markets;
- A strategic alliance was signed with Kedrion S.p.A. The alliance aims at implementing ProMetic's Plasma Protein Purification System ("PPPS") technology to manufacture orphan drugs from plasma and partnering for technology transfer opportunities in emerging markets;

- ProMetic and Blue Blood Biotech Corporation formed a strategic alliance to develop drugs derived from human plasma utilizing ProMetic's proprietary manufacturing process;
- ProMetic signed a development contract with a prominent European plasma fractionator worth $US1.7 million. The program will utilize proprietary prion-binding ligands developed by Pathogen Removal and Diagnostic Technologies, Inc. ("PRDT"), a joint venture between ProMetic and the American Red Cross, to minimize the risk of transmission by plasma-derived products of Variant Creutzfeldt-Jakob Disease (vCJD), the human form of "mad cow disease."
- ProMetic unveiled its new human plasma technology transfer center in Maryland, U.S.A., for protein-based therapeutics.
- Key performance milestones were achieved for the new MAbsorbent™ ligands targeted at the purification of monoclonal antibodies ("MAbs") and recombinant antibody fragments ("Fabs"). The performance of ProMetic's new ligands against set targets was validated in collaboration with seven leading antibody producer companies in the United States and Europe;
- In collaboration with a biomanufacturing client, ProMetic successfully implemented a large-scale purification bioprocess using a ProMetic Mimetic Ligand™ affinity adsorbent which has met all of its client's performance targets.

Therapeutics

- ProMetic and Laboratorios Dermatologicos Darier S.A. signed an agreement for ProMetic's synthetic anti-inflammatory compound PBI-1308 in dermatological disorders;
- Positive pre-clinical results for PBI-1402, the Company's lead compound for treating anemia, were disclosed by ProMetic in November. PBI-1402 was tested in the 5/6 nephrectomized rat model which simulates chronic renal failure in humans resulting in loss of kidney functions and anemia subsequent to a reduced level of erythropoietin ("EPO") normally produced by the kidneys. The new pre-clinical results indicate that a once a day oral administration of PBI-1402 increases circulating red blood cells and hemoglobin level comparable to normal range values;
- In December, ProMetic announced that the Phase II trial of its investigational compound PBI-1402, which is being conducted in Eastern Europe under a US clinical research organization, induced a significant increase in red blood cell count and hemoglobin level in patients with chemotherapy-induced anemia. Additionally, no significant adverse events were observed. PBI-1402 is a novel, orally active low molecular weight synthetic compound with erythropoiesis-stimulating activity via a mechanism of action distinct from erythropoietin ("EPO"). These results were presented in a poster session at the American Society of Hematology 49th Annual Meeting in Atlanta.

Selected Annual Information

The following selected annual information is derived from the consolidated financial information of the Company for each of the three most recently completed financial years. The financial statements are prepared in accordance with Canadian GAAP. More financial information, including the Company's Annual Information Form, is available on SEDAR (www.sedar.com)

(in thousands of Canadian dollars, except for per share amounts)
December 31

	2007	2006	2005
Revenues	**8,436**	2,647	8,052
Net loss	**22,342**	30,459	22,932
Net loss per share (basic and diluted)	**0.09**	0.20	0.20
Total assets	**19,387**	40,727	29,796
Long-term debt	**6,499**	11,577	412
Convertible term notes	**–**	–	4,014

No cash dividends were declared per-share on the Company's subordinate voting shares during the financial year ended December 31, 2007.

Results of Operations

Year ended December 31, 2007 compared to year ended December 31, 2006

Revenues

Total revenues for 2007, which were mostly derived from the protein technology unit, were $8.4 million compared with $2.6 million in 2006. The significant increases in revenues are largely the results of:

- Large-scale use of ProMetic Affinity Ligand Adsorbent in late stage clinical development program by a large bio-manufacturing client. The revenues associated with this order were $3.9 million;
- New revenue streams from the development of Prion Removal Resin in the plasma process applications;
- Continued growth of sales of core products in the Affinity Ligand adsorbent range;
- Initiation of the development phase that will allow Instituto de Tecnologia do Parana ("Tecpar") to manufacture complex biopharmaceutical products for the Brazilian and South American markets;
- Execution of the Kedrion development program related to the plasma purification technology.

There were no significant revenues associated with the Therapeutics unit.

As at December 31st, 2007, deferred revenues were $1.6 million compared to $2.2 million as at December 31st, 2006. The 2007 deferred revenues consisted primarily of advance billing for the biogenerics and development of prion removal resin programs.

The revenue outlook for 2008 is very encouraging as revenue streams associated with the following are expected in 2008:

- The launch of the P-Capt® filter by our partner MacoPharma which is expected to happen in mid-2008;
- The licensing of the plasma purification technology to Kedrion;
- The establishment of two joint ventures in Europe and North America with strategic partners for the plasma purification technology;
- The continued growth of sales of core products in the Affinity Ligand adsorbent range;
- The continuation of the Tecpar development and plant validation programs which are expected to ramp up throughout the year.

Research and development expenses and costs of goods sold

Research and development expenses and costs of good sold increased to $19.1 million for the year ended December 31, 2007 from $15.3 million for the same period in 2006.

The variance is mainly attributable to the cost associated with:

- The continuation of the Phase Ib/II clinical trials for the PBI-1402 program;
- The development of new compounds for the hematology and cancer programs;
- The PRDT prion filter program, co-developed with MacoPharma, for which the P-Capt® Prion Capture filter obtained CE mark certification in the second half of 2006;
- The work related to the core products in the Affinity Ligand adsorbent range.

Tax credits of $0.945 million available under provincial tax programs were recorded in 2007.

Administrative and marketing expenses

Administrative and marketing expenses decreased significantly to $6.6 million for the year ended December 31, 2007 from $7.6 million for the year ended December 31, 2006. This decrease was mainly due to:

- The legal expenses related to the litigation with the potential buyer of Hemosol in September of 2006. The court rendered a favourable decision for the Company which removed all obstacles to Prometic licensing hyperimmune products in North America and around the world. While the Company is hopeful that the Companies' creditors arrangement act (CCAA) proceedings will come to an end in 2008, there are no guarantees that there will be no further litigation surrounding Hemosol and the License Agreement.

Related parties transactions were recorded as administrative and marketing expenses and amounted to $0.4 million. Those expenses consisted of directors' fees and consulting fees to one of the Company's directors.

Amortization expenses

Amortization expenses for the year ended December 31, 2007 were higher at $3.0 million compared to $2.2 million in December 31, 2006. The slight increase is mostly due to the increased patent expenditures related to the Company's technology and compounds that have been incurred in the last years. In addition, accelerated amortization pertaining to one compound is also contributing to the increase.

Net results

The Company incurred a net loss of $22.3 million, or $0.09 per share (basic and diluted), for the year ended December 31, 2007 as compared to a net loss of $30.5 million, or $0.20 per share (basic and diluted) for the year ended December 31, 2006. This significant decrease in net loss is the result of the considerable increase in revenues. In addition, lower interest expenses contributed greatly to the improvement of the net results. In 2006, the Company recorded an extraordinary interest expense related to the repayment of a convertible note.

Foreign exchange gain of $0.8 million for 2007 compared to a loss of $0.4 million is mainly caused by the strengthening of the Canadian dollar vis-à-vis the US dollar and the British Pound. Since a majority of the expenses are in US dollars, the company has significantly benefited from the strong Canadian dollar.

Material events which occurred in previous years have not significantly impacted the 2007 net results.

Liquidity and Financial Position

Current assets totalled $8.3 million as at December 31, 2007 compared to $26.0 million on December 31, 2006. Additional details are provided under the heading Cash Flows.

Account receivables increased to $3.3 million for the year ended December 31, 2007 compared to $2.3 million in the year ended December 31, 2006. Account receivables consist mostly of trade receivables related to the Tecpar program, affinity product sales, and development fees associated with a plasma program with a European plasma fractionator.

The net capital assets decrease to $3.4 million in 2007, from $4.5 million in 2006, is mainly attributable to lower capital expenditures in 2007.

Cash Flows

Cash flows used in operating activities amounted to $22.5 million for the year ended December 31, 2007, compared with $22.8 million in 2006. The minor change in cash flows used for operating activities is mainly attributed to net change in working capital which was offset by higher revenues.

Cash flows from financing activities amounted to $5.9 million for the year ended December 31, 2007 compared to $34.9 million in 2006. During 2007, the Company issued 29.1 million subordinate voting shares. The main issuance of shares for 2007 was composed of a public offering with existing and new shareholders for 18.9 million shares at $0.35 on September 11, 2007. In addition, the Company closed a private placement with its CEO on December 12, 2007 for 1.7 million shares at $0.58. The cash flows from financing were reduced by the repayment of the long-term debt.

Cash flows used in investing activities amounted to $1.3 million compared with $1.8 million for 2006. The addition to capital assets of $0.6 consisted mainly of equipment related to the shipment of significant Affinity Ligand adsorbent products. The addition to licences and patents were mainly related to patent expenditures for the PBI-1402 program.

For 2008, the Company intends to generate cash from its commercial activities and the issuance of additional shares or debts.

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, 2007, are included in the contractual obligations table below.

Contractual obligations

In the normal course of operations, the Company has entered into several contracts resulting in the following payments over the next few years:

(in thousands of Canadian dollars)

	Payments due by period				
	Total	Less than 1 year	1–2 years	3–4 years	After 4 Years
Long-term debt	6,499	3,358	3,133	8	–
Operating leases and obligations	8,426	2,422	4,160	1,844	–
Total contractual obligations	14,925	5,780	7,293	1,852	–

Besides operating leases, the company has no significant R&D obligations.

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 subjective judgment, often requiring the need to make estimates about the effect of matters that are inherently uncertain, and that 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: firstly by determining when an impairment loss is recognized; and secondly by 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 the condition that the Company is reasonably certain that these credits will materialize. During 2007 and 2006, no development costs were deferred.

Stock-based compensation and Warrants

When the Company issues warrants and stock options (to its employees, directors and officers), a fair value is derived 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 and warrants, 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, 2007, the Company expensed $367,000 for stock-based compensation compared to $142,000 for the same period in 2006. As for the warrants, nothing was expensed in 2007 compared to $2,320,000 for the same period in 2006.

Financial instruments

Credit risk

The Company places its cash and cash equivalents in titles of high quality issued by government agencies and financial institutions and diversifies its investment in order to limit its exposure to credit risk. The Company never invested its cash and cash equivalent in asset backed securities ("ABS").

The financial instruments that potentially expose the Company to credit risk are primarily trade accounts receivables. The Company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance.

Foreign exchange risk

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

The Company does not possess nor issue financial derivative instruments.

Interest risk

The majority of the Company's debt is at fixed rate, there is limited exposure to interest rate risk.

Changes in accounting policies

The following future accounting changes will affect the company's financial results.

Inventories

In June 2007, the Canadian Institute of Chartered Accountants published Section 3031, "Inventories", which replaces Section 3030 of the same title. The new section provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

The changes to this section affect the following, in particular:

- Certain costs, such as storage costs and general and administrative expenses that do not contribute to bringing the inventories to their present location and condition, are precisely excluded from the cost of inventories and expensed during the year in which they are incurred;
- The reversal of the write-down to net realization value amounts when there is a subsequent increase in the value of the inventories is now required;
- The valuation of inventory at the lower of cost and replacement cost is no longer allowed;
- The new standard also requires additional disclosures.

This new standard is effective for financial years beginning on or after January 1, 2008 and the Company will implement it as of January 1, 2008. The Company's management is not able to measure the impact that application of this new standard will have on the financial statements.

Section 3064, Goodwill and intangible assets

This new standard provides guidance over the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The standard is effective for financial years beginning on or after October 1, 2008 and requires retrospective application to prior period financial statements. The Company is presently evaluating the impact of this new standard.

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, 2007 the capital stock issued and outstanding consisted of 263,821,962 participating subordinate voting shares (234,670,814 as at December 31, 2006). The Company has no multiple voting shares outstanding. All multiple voting shares were converted into subordinate voting shares in 2006.

As at February 21, 2008, the capital stock issued and outstanding consisted of 267,906,893 participating subordinate voting shares.

Share purchase warrants

The following is a summary of the share purchase warrants outstanding as at December 31, 2007:

Issue Date	Expiry Date	Number outstanding	Exercise Price
December 2005	December 2010	19,612,618	US $0.300
January 2006	January 2011	2,999,394	US $0.300
December 2006	December 2009	1,686,187	$0.324

Stock options

As at December 31, 2007, the Company has 5,901,200 stock options outstanding with exercise prices ranging from $0.31 to $3.00.

Risks and Uncertainties

Until each of the units is independently financed, the success of the Company is dependent on its ability to support the development of its two 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.

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's Annual Information Form for the year ended December 31st, 2007. Shareholders are cautioned that these statements are predictions and these actual events or results may differ materially from those anticipated in these forward-looking statements.

Any forward-looking statements we may make as of the date hereof are based on assumptions that we believe to be reasonable as of this date and we undertake no obligation to update these statements as a result of future events or for any other reason, unless required by applicable securities laws and regulations.

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 Chief Financial Officer have concluded that disclosure controls and procedures were effective as of December 31, 2007 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.

Summary of Quarterly Results

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

	2007				2006			
	DECEMBER 31	**SEPTEMBER 30**	**JUNE 30**	**MARCH 31**	DECEMBER 31	SEPTEMBER 30	JUNE 30	MARCH 31
Revenues	**1.7**	**0.7**	**3.0**	**3.0**	1.1	0.4	0.6	0.5
Net loss	**5.8**	**7.0**	**4.8**	**4.7**	9.9	7.0	7.1	6.3
Net loss per share	**0.02**	**0.03**	**0.02**	**0.02**	0.06	0.04	0.05	0.05
Weighted average number of outstanding shares	**260**	**239**	**235**	**235**	167	160	138	130

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, 2007 and 2006.

(in thousands of Canadian dollars)

	2007	2006
Revenues	**1,722**	1,105
Operating expenses	**6,909**	7,649
Operating loss	**5,187**	6,544
Payable related to a lawsuit	**196**	43
Recover/(Write-down) of investments	**–**	(153)
Loss on asset disposal	**85**	–
Net interest expenses	**413**	3,514
Net loss	**5,881**	9,948

Revenues are higher during the fourth quarter of 2007 compared to 2006. The increase is related to the fees for the development phase of the Instituto de Tecnologia do Parana (Tecpar) and the execution of the Kedrion program related to the plasma purification technology.

Operating expenses are lower in the fourth quarter of 2007 compared to the same period in 2006. The variance is caused by the lower expenditures related to the Pathogen Removal and Diagnostic Technologies ("PRDT") in this quarter. In the fourth quarter of 2006, PRDT initiated its clinical trials program which was successfully completed in 2007.

The net loss decreased significantly because of the interest charges related to the repayment of the convertible note which was recorded in the fourth quarter of 2006 and the increase in revenues during the fourth quarter.

Cash outflows from operating activities were $5.6 million in the fourth compared to $9.6 million for the same period in 2006. The decrease is mainly attributed to the fourth quarter 2006 interest expenses related to a convertible note.

Cash inflows from financing activities of $1.2 million were lower in the fourth quarter of 2007 compared to 2006 which were $24.4 million. This is mainly explained by the issuance of shares involving US and Canadian institutional investors for gross proceeds of $17.1 million in December 2006.

Consolidated Financial Statements

of ProMetic Life Sciences Inc.
Years ended December 31, 2007 and 2006

Management Report

The accompanying consolidated financial statements for ProMetic Life Sciences Inc. are management's responsibility and have been approved by the ProMetic 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 those 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 independent directors who review the Company's annual consolidated financial 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.

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

Stéphane Archambault
Chief Financial Officer

Montreal, Canada
February 21, 2008

Auditors' Report

To the shareholders

We have audited the consolidated balance sheets of ProMetic Life Sciences Inc. as at December 31, 2007 and 2006 and the consolidated statements of operations and comprehensive income, 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, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered accountants

Montreal, Canada
February 21, 2008

Consolidated Balance Sheets

(In thousands of Canadian dollars)
December 31,

	2007	2006
Assets		
Current assets		
Cash and cash equivalents	**$ 2,163**	$ 20,825
Accounts receivable (note 4)	**3,349**	2,298
Inventories (note 5)	**2,233**	2,223
Prepaid expenses	**578**	647
	8,323	25,993
Investments (note 6)	**2,682**	2,224
Capital assets (note 7)	**3,425**	4,484
Licenses and patents (note 8)	**4,957**	5,442
Deferred financing expenses	**–**	2,584
	$ 19,387	$ 40,727
Liabilities		
Current liabilities		
Bank loan (note 9)	**$ 205**	$ –
Accounts payable and accrued liabilities	**4,657**	5,696
Payable related to a lawsuit (note 10)	**1,910**	3,084
Deferred revenues	**1,560**	2,199
Current portion of long-term debt	**3,358**	2,678
	11,690	13,657
Long-term debt (note 11)	**3,141**	8,899
Preferred shares, retractable at the holder's option (note 6b)	**3,053**	2,916
	17,884	25,472
Shareholders' equity		
Share capital (note 12)	**192,225**	181,412
Contributed surplus	**6,753**	8,022
Deficit	**(197,475)**	(174,179)
	1,503	15,255
	$ 19,387	$ 40,727

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

Consolidated Statements of Operations and Comprehensive Income

(In thousands of Canadian dollars except for per share amounts)
Years ended December 31,

	2007	2006
Revenues		
Sales and contract	**$ 8,204**	$ 2,605
Licensing	**138**	42
Other revenues	**94**	–
	8,436	2,647
Charges		
Research and development expenses and costs of good sold	**19,092**	15,288
Administration and marketing expenses	**6,606**	7,598
Loss (gain) on exchange rate	**(798)**	403
Amortization of capital assets	**1,607**	1,040
Amortization of license and patents and deferred development costs	**1,385**	1,204
	27,892	25,533
Loss before the following items	**(19,456)**	(22,886)
Interests and penalties related to a lawsuit (note 10)	**(326)**	(163)
Loss on disposal of capital asset	**(85)**	–
Recovery of long-term investment	**–**	153
Net interest expenses	**(2,475)**	(7,563)
Net loss and comprehensive income	**$ (22,342)**	$ (30,459)
Net loss per share (basic and diluted)	**(0.09)**	(0.20)
Weighted average number of outstanding shares (in thousands)	**242,321**	148,621

For supplemental operations information see note 13

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,

	2007	2006
Deficit, beginning of the year	**$174,179**	$ 142,773
Net Loss	**22,342**	30,459
Share issue expenses	**954**	947
Deficit, end of year	**$197,475**	$ 174,179

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

Consolidated Statement of Contributed Surplus

(In thousands of Canadian dollars)
Years ended December 31, 2007 and 2006

	Stock-based compensation	Warrants	Other	Total contributed surplus
Contributed surplus, as at December 31, 2005	$ 258	$ 3,166	$ 2,505	$ 5,929
Stock-based compensation	142	–	–	142
Term Notes				
Issuance	–	401	429	830
Conversion	–	–	(798)	(798)
Issuance of warrants as financing expenses	–	1,919	–	1,919
Contributed surplus, as at December 31, 2006	$ 400	$ 5,486	$ 2,136	$ 8,022
Stock-based compensation	**367**	**–**	**–**	**367**
Exercise of options	**(10)**	**–**	**–**	**(10)**
Exercise of warrants	**–**	**(1,626)**	**–**	**(1,626)**
Contributed surplus, as at December 31, 2007	**$ 757**	**$ 3,860**	**$ 2,136**	**$ 6,753**

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,

	2007	2006
Cash flows used in operating activities		
Net loss and comprehensive income	**$ (22,342)**	$ (30,459)
Adjustments to reconcile net loss to cash flows used in operating activities		
Charges paid with PRDT shares	**–**	1,276
Charges paid with shares	**139**	–
Interests on long-term debt	**1,215**	–
Interests on convertible term notes	**–**	794
Stock-based compensation	**367**	142
Unrealized loss (gain) on exchange rate	**(313)**	512
Amortization of capital assets	**1,607**	1,040
Amortization of deferred development costs	**–**	43
Amortization of licenses and patents	**1,385**	1,150
Amortization of deferred financing expenses	**–**	750
Loss on disposal of capital asset	**85**	–
	(17,857)	(24,752)
Change in working capital items (note 18)	**(4,160)**	2,068
	(22,017)	(22,684)
Cash flows from financing activities		
Proceeds from share issues	**9,037**	27,945
Share issue expenses	**(1,043)**	(949)
Deferred financing expenses	**–**	(62)
Issuance of convertible term notes	**–**	1,513
Repayment of convertible term notes	**–**	(3,640)
Bank loan	**650**	–
Repayment of bank loan	**(445)**	(1,029)
Long-term debt	**22**	11,512
Repayment of long-term debt	**(2,354)**	(348)
	5,867	34,942
Cash flows used in investing activities		
Acquisition of an investment	**(147)**	–
Additions to capital assets	**(622)**	(267)
Additions to licenses and patents	**(518)**	(1,582)
	(1,287)	(1,849)
Net increase (decrease) in cash and cash equivalents	**(17,436)**	10,409
Net effect of currency exchange rate on cash and cash equivalents	**(1,226)**	(109)
Cash and cash equivalents, beginning of year	**20,825**	10,525
Cash and cash equivalents, end of year	**$ 2,163**	$ 20,825

For supplemental cash flow information, see note 18

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

Years ended December 31, 2007 and 2006
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

Note 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 and the achievement of profitable operations. 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.

Note 2.
CHANGES IN ACCOUNTING POLICIES

a) New accounting standards

Accounting change
On January 1, 2007, in accordance with the applicable transitional provisions, the Company applied the recommendations of new Section 1506, "Accounting Changes", of the Canadian Institute of Chartered Accountants' Handbook. This new section, effective for the years beginning on or after January 1, 2007, prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. Furthermore, the new standard requires the communication of the new primary sources of GAAP that are issued but not yet effective or not yet adopted by the Company. The new standard has no impact on the Company's financial results.

Financial instruments:
On January 1, 2007, in accordance with the applicable transitional provisions, the Company adopted the new recommendations in Section 3855, "Financial Instruments – Recognition and Measurement", 1530, "Comprehensive Income", 3861, "Financial Instruments – Disclosure and Presentation", and 3251, "Equity", of the *Canadian Institute of Chartered Accountants' Handbook.*

Years ended December 31, 2007 and 2006
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

Note 2. Changes in accounting policies (cont.)

Sections 3855 and 3861 deal with the recognition, measurement, presentation and disclosure of financial instruments and non-financial derivatives in the financial statements. The transitional provisions of these sections require that the Company remeasure the financial assets and liabilities as appropriate at the beginning of its financial year. Any adjustment of the previous carrying amount is recognized as an adjustment of the balance of retained earnings at the beginning of the financial year of initial application or as an adjustment of the opening balance of a separate component of accumulated other comprehensive income, as appropriate. The financial statements of prior financial years are not restated.

Section 1530 establishes standards for reporting and display of comprehensive income. Section 3251 establishes standards for the presentation of equity and changes in equity during the reporting financial year. Pursuant to the transitional provisions of these sections, the Company's financial statements of prior years are not restated.

Adoption of these new recommendations had the following impacts on the classification and measurement of the Company's financial instruments:

- Cash and cash equivalents and cash subject to certain limitations are classified as held-for-trading financial assets. They are measured at fair value and changes in fair value are recognized in consolidated net earnings. This change had no significant impact on the financial statement as at December 31, 2007.
- Accounts receivable are classified as loans and receivables. They are measured at amortized cost, which is generally the amount on initial recognition less an allowance for doubtful accounts. This change had no significant impact on the financial statement as at December 31, 2007.
- The guaranteed investment certificates are classified as held-to-maturity since the Company has the intention and the capacity to keep these assets until their expiration. These investments are measured at amortized cost using the effective interest method. This change had no significant impact on the financial statement as at December 31, 2007.
- The convertible preferred shares of AM-Pharma Holding B.V., a private company, are classified as available-for-sale and they are measured at cost. This change had no significant impact on the financial statement as at December 31, 2007.
- The excess of interest in the joint venture Pathogen Removal and Diagnostic Technologies Inc. is classified as loans and receivables and is measured at amortized cost using the effective interest method. This change had no significant impact on the financial statement as at December 31, 2007.
- Bank loan, accounts payable and accrued liabilities are classified as other financial liabilities. They are measured at amortized cost using the effective interest method. This change had no significant impact on the financial statement as at December 31, 2007.
- Long-term debt is classified as other financial liabilities. It is measured at amortized cost, using the effective interest method. Financing costs are now applied against long-term debt. As at January 1, 2007 this change led to a decrease in deferred financing costs of $2,584 and long-term debt of $2,584.
- The preferred shares retractable at the holder's option are classified as other financial liabilities and are measured at amortized cost using the effective interest method. This change had no significant impact on the financial statement as at December 31, 2007.

Note 2. Changes in accounting policies (cont.)

b) Future accounting changes

Going Concern – Inclusion of guidelines in Section 1400, "General Standards of financial statement presentation"
In June 2007, the Canadian Institute of Chartered Accountants modified Section 1400, "General Standards of Financial Statement Presentation", in order to require that management make an assessment of the Company's ability to continue as a going concern over a period which is at least, but is not limited to, twelve months from the balance sheet date. These new requirements are effective for financial years beginning on or after January 1, 2008 and the Company will implement them as of January 1, 2008. The new requirements only address disclosures and will have no impact on the Company's financial results.

Capital disclosures
In December 2006, the Canadian Institute of Chartered Accountants published new Section 1535, "Capital Disclosures". The new section establishes standards for disclosing information about an entity's capital and how it is managed. This new standard is effective for financial years beginning on or after October 1, 2007 and the Company will implement it as of January 1, 2008. The new accounting standard only addresses disclosures and will have no impact on the Company's financial results.

Inventories
In June 2007, the Canadian Institute of Chartered Accountants published Section 3031, "Inventories", which replaces Section 3030 of the same title. The new section provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

The changes to this section affect the following, in particular:

- Certain costs, such as storage costs and general and administrative expenses that do not contribute to bringing the inventories to their present location and condition, are precisely excluded from the cost of inventories and expensed during the year in which they are incurred;
- The reversal of the write-down to net realization value amounts when there is a subsequent increase in the value of the inventories is now required;
- The valuation of inventory at the lower of cost and replacement cost is no longer allowed;
- The new standard also requires additional disclosures.

This new standard is effective for financial years beginning on or after January 1, 2008 and the Company will implement it as of January 1, 2008. The Company's management is not able to measure the impact that application of this new standard will have on the financial statements.

Section 3862, Financial Instruments Disclosures, Section 3863, Financial Instruments Presentation
These sections will replace Section 3861, Financial Instruments Disclosure and Presentation, revising and enhancing disclosure requirements while carrying forward its presentation requirements. These new sections will place increased emphasis on disclosure about the nature and extent of risk arising from financial instruments and how the entity manages those risks. The mandatory effective date is for annual and interim periods in financial years beginning on or after October 1, 2007. The Company will begin application of these sections effective January 1, 2008. It is not anticipated that the adoption of these new accounting standards will impact the amounts reported in the Company's consolidated financial statements as they relate primarily to disclosure.

Section 3064, Goodwill and intangible assets
This new standard provides guidance over the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The standard is effective for financial years beginning on or after October 1, 2008 and requires retrospective application to prior period financial statements. The Company is presently evaluating the impact of this new standard.

Years ended December 31, 2007 and 2006
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

Note 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 and tax credits and calculation of stock-based compensation. 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., ProMetic BioSciences Ltd., ProMetic BioTherapeutics Inc., ProMetic Manufacturing Inc. 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) 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.

e) Investments:
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.

f) Capital assets:
Capital assets are recorded at cost. Amortization is provided over the useful lives of capital assets using the following method, annual rates and period:

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

Note 3. Significant accounting policies (cont.)

g) Government grants:

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

h) Licenses and patents:

Licenses and patents include acquired 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 their value. The Company assesses impairment in a two-step process for first determining when an impairment loss is recognized and then measuring that loss.

i) 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, 2007 and 2006, no development costs were deferred.

j) 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 milestones is recognized as the milestones are achieved and collection of payment is reasonably assured.

When the arrangements cannot be divided into separate units of accountings, the arrangements are considered arrangements with a single deliverable. Revenue with arrangements with a single deliverable are recognized using the percentage of completion method. Under this method, revenues and profits are recognized proportionally with the degree of completion of the services under the contract.

Revenue from product sales is recognized when the following criteria are met: i) there is persuasive evidence that an arrangement exists; ii) products are shipped; iii) the selling price is fixed or determinable; iv) collectibility is reasonably assured. Cash or other compensation received in advance of meeting the revenue recognition criteria is recorded as deferred revenue on the consolidated balance sheet.

As at December 2007, all multiple element arrangements could not be divided into separate units of accountings.

Years ended December 31, 2007 and 2006
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

Note 3. Significant accounting policies (cont.)

k) 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.

l) 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".

m) Stock-based compensation:
The Company maintains a stock option plan as described in note 12 b). 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. The stock-based compensation to employees is measured at the grant date based on the fair value of the award and is recognized over the related service period.

n) Earnings per share:
Basic net loss per share is calculated using the weighted average number of common shares outstanding during the year. Diluted net loss per share is 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. The diluted net loss per share is equal to the basic loss per share due to the anti-dilution effect of stock options and warrants described in Note 12, and convertible term notes which were fully repaid or converted as at December 31, 2006.

o) Share issue expenses:
The company records share issue expenses in the consolidated statement of deficit.

Years ended December 31, 2007 and 2006
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

Note 4. ACCOUNTS RECEIVABLE

	2007	2006
Trade*	**$ 1,715**	$ 1,143
Sales taxes receivable	**162**	201
Tax credits receivable (note 9)	**1,056**	710
Advance to an officer, without interest	**36**	6
Other	**380**	238
	$ 3,349	$ 2,298

* The trade accounts include amounts receivable from three customers, which represent approximately 65% (34%, 14% and 17% respectively) of the Company's total trade accounts receivable in 2007 and two customers representing approximately 53% (27% and 26% respectively) of total trade receivable in 2006.

Note 5. INVENTORIES

	2007	2006
Raw materials	**$ 349**	$ 440
Work in progress and finished goods	**1,884**	1,783
	$ 2,233	$ 2,223

Years ended December 31, 2007 and 2006
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

Note 6. INVESTMENTS

	2007	2006
Cash subject to certain limitations	**$ 76**	$ 83
Guaranteed investment certificates, 3.5% and 4.4%, expiring in June 2008, pledged as security of letters of credit to suppliers expiring in November 2010 and October 2012	**329**	200
Convertible preferred shares of AM-Pharma Holding B.V.	**358**	358
Excess of interest in the joint venture PRDT over proportionate share in consolidated net assets	**1,920**	1,583
	$ 2,682	$ 2,224

The consolidated financial statements include the Company's proportionate share of the revenues, expenses, assets and liabilities of PRDT and of A-P as follows:

	PRDT[a]	A-P[note 8b]	2007 Total	2006 Total
Current assets	$ –	$ 1	**$ 1**	$ 2
Long-term assets	1,920	-	**1,920**	2,480
Total liabilities	3,053[b]	4	**3,057**	2,920
Total revenues	24	-	**24**	346
Total expenses	3,704	914	**4,618**	3,878
Net loss	3,680	914	**4,594**	3,532
Cash flows from:				
Operations	$ –	$ (73)	**$ (73)**	$ (11)
Investing	–	9	**9**	34

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 are issued by PRDT to the Company and to the American Red Cross in consideration of their proportionate share in direct and indirect costs. The shares received by the Company are presented as excess of the interest in the joint venture PRDT over proportionate share in consolidated net assets.

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 recognize 26% of the shares issued to the American Red Cross as a debt to a third party.

Years ended December 31, 2007 and 2006
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

Note 7. CAPITAL ASSETS

	2007 Cost	2007 Accumulated amortization	2006 Cost	2006 Accumulated amortization
Leasehold improvements	**$ 3,346**	**$ 2,157**	$ 3,357	$ 1,250
Equipment and tools	**6,016**	**4,348**	6,121	4,345
Office equipment and furniture	**688**	**470**	700	416
Computer equipment	**1,156**	**806**	1,057	740
	11,206	**7,781**	11,235	6,751
Accumulated amortization	**7,781**		6,751	
Net book value	**$ 3,425**		$ 4,484	

Deferred capital grants for a total of $191 in 2007 and of $67 in 2006 received from the Isle of Man government are credited to the cost of capital assets (see note 20).

Note 8. LICENSES AND PATENTS

	2007 Cost	2007 Accumulated amortization	2006 Cost	2006 Accumulated amortization
Licenses	**$ 7,268**	**$ 4,627**	$ 7,159	$ 3,439
Patents	**2,736**	**420**	2,066	344
	10,004	**5,047**	9,225	3,783
Accumulated amortization	**5,047**		3,783	
Net book value	**$ 4,957**		$ 5,442	

a) The Company owns the rights, title and interest in and to the know-how, information, technology and patents relating to its Mimetic Ligands™ 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.

Years ended December 31, 2007 and 2006
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

Note 8. Licenses and patents (cont.)

b) 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 Ligands™ 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 $4,000,000 of which US $17,000 has been contributed in 2007 for a total of US $3,945,000 and US $3,928,000 in 2006. The Company will progressively record 50% of its US $4,000,000 contribution as intellectual property. In 2007, the Company recorded an amount of $9 as intellectual property, $34 in 2006 for a total of $2,733 in 2007 and of $2,724 in 2006.

c) 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.

d) The purpose of the strategic alliance between the Company and the American Red Cross signed in January 2003 is to co-develop the Plasma Protein Purification Scheme ("PPPS") process and license to third parties proprietary technology for the recovery and purification of valuable therapeutic proteins from human blood plasma. The PPPS 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. In April 2006, the Company paid the American Red Cross US $1,000,000 for an exclusive license for access to and use of intellectual property rights for 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 a royalty to the American Red Cross of 12% of all sales products to third parties. Also, every year, an annual minimum royalty of US $30,000 is payable.

e) An officer is entitled to receive royalties based on the sales of certain products submitted to ProMetic before joining the Company. These royalties are 0.5% of net sales or 3% of revenues received by the Company. This employee also has the exclusive right to commercialize these products should ProMetic decide to stop developing and (or) commercializing them, subject to mutually acceptable terms and conditions.

f) 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.

Years ended December 31, 2007 and 2006
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

Note 9. BANK LOAN

	2007	2006
Bank loan for an authorized amount of $650 related to research and development tax credits and secured by a hypothec in the amount of $750 on all present and futur research and development tax credit bearing interests at prime plus 2% (8% as at December 31, 2007) and repayable upon receipt of tax credits.[a]	**$ 205**	$ –

(a) Subsequently to year-end, the bank loan was renegotiated to an authorized amount of $915

Note 10. PAYABLE RELATED TO A LAWSUIT

On October 22, 2007, the Quebec Court of Appeal dismissed ProMetic's appeal of the judgment issued in December 2004 by the Superior Court of Quebec, in favor of the Bank of Montreal ("BMO") against ProMetic. Subsequently, ProMetic has entered into an agreement with BMO pursuant to which ProMetic shall reimburse its total obligation of $3,500 to BMO via installments extending into the second quarter of 2008.

As at December 31, 2007, $1,500 has been paid.

ProMetic shall pay the totality of the payable related to a lawsuit to BMO 10 days following the reception of a public offering superior to $6,000.

A legal hypothec in the amount of $2,762 (with interests and additional indemnity as provided for by law) resulting from the December 2004 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 share capital of all its subsidiaries, as well as in PRDT, and any sums lent to such entities by PLI.

Further, on January 29, 2008, conventional hypothecs in the amount of $2,600 resulting from the above mentioned agreement reached with BMO, were consented by each of PLI and Prometic Biosciences inc. ("PBI") in favor of Bank of Montreal and charging certain movable assets of PLI and PBI.

Years ended December 31, 2007 and 2006
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

Note 11. LONG-TERM DEBT

	Current portion	2007	2006
Loans with a nominal value of US$ 10,000,000, and US$ 600,000 guaranteed by all assets of the Company, bearing interest at 15.034% and 15% respectively (effective rate of 42.45% as at December 31, 2007; 32.75%), payable with monthly instalments of US$ 433,250 and US$ 27,730, maturing in August 2009.(a)	**$ 3,348**	**$ 6,462**	$ 11,512
Loan, 9.5%	**–**	**–**	43
Obligations under capital leases payable in monthly instalments of $1, maturing in December 2008 and December 2010.	**10**	**37**	22
	3,358	**6,499**	11,577
Current portion of long term debt		**3,358**	2,678
		$ 3,141	$ 8,899

The instalments on the long-term debt for the next years are as follows:

Year ending December 31:	Total
2008	$ 3,358
2009	3,123
2010	10
2011	4
2012	4

In 2006, the Company issued convertible term notes with a principal amount of US$ 1,634,000 ($1.905) for a total cash consideration of US$ 1,302,000 ($1.513). As of December 31, 2006 the term notes were fully repaid or converted.

(a) The fair value of long-term debt, including the current portion thereof, is between US$ 6,829,000 and US$ 7,029,000. To determine the range of amounts for fair value, the Company discounted expected future cash flows in accordance with the loan contracts in effect using rates which the Company could use at the balance sheet date for loans with similar terms and conditions and maturity dates.

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

Note 12. 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, redeemable for cash or convertible into subordinate voting shares, 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 cash dividend of 12% per year, calculated monthly and payable quarterly.

950,000 preferred shares, series B, non-participating, non-voting, redeemable for cash or convertible into subordinate voting shares, 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 cash dividend of 12% per year, calculated monthly and payable quarterly.

	2007		2006	
	Number	Amount	Number	Amount
Issued and fully paid Subordinate voting shares	**263,821,962**	**$192,675**	234,670,814	$ 181,862
Share purchase loan to an officer, without interest and due no later than 2009		**(450)**		(450)
Balance at end of year		**$192,225**		$ 181,412

Years ended December 31, 2007 and 2006
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

Note 12. Share capital (cont.)

a) Share issue:

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

	2007		2006	
	Number	Amount	Number	Amount
Balance, at beginning of year	**234,670,814**	**$181,862**	116,501,784	$ 149,584
Shares issued pursuant to:				
Conversion of multiple voting shares	**–**	**–**	13,026,375	1,563
Private offerings	**3,543,924**	**1,941**	29,600,000	10,804
Public offerings	**18,883,928**	**6,609**	65,137,829	17,141
Equity drawdown facility	**610,968**	**350**	–	–
Conversion of convertible Notes	**–**	**–**	10,404,826	2,770
Exercise of warrants	**6,072,328**	**1,887**	–	–
Exercise of options	**40,000**	**26**	–	–
Balance, end of year	**263,821,962**	**$192,675**	234,670,814	$ 181,862

The private offerings resulted in a cash inflow of $1,800 (including $1,000 from a company owned by a director) and $141 in professional services. The public offerings resulted in a cash inflow of $6,609. The total of the equity drawdown facility provided a cash inflow of $350 while the exercise of warrants contributed to $262 in cash while $1,625 came from the contributed surplus. The exercise of options had a cash inflow of $16 and the balance of $10 was removed from the contributed surplus. Related party transactions were measured at the exchange amount.

During the year 2006, the multiple voting shares were converted to subordinate voting shares on a ratio 1:1. Also, convertible term notes were converted resulting in $1,972 being transferred from the convertible term notes and $798 from the contributed surplus.

As at December 31, 2007, the following warrants were outstanding:

Warrants	Expiry date	Exercise price
1,686,187	December 2009	$0.324
19,612,618	December 2010	US $0.300
2,999,394	January 2011	US $0.300

b) 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, after one year following the date they were granted or immediately as they are granted). The exercise price is based on the average strike price of the five business days prior to the grant.

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

Note 12. Share capital (cont.)

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, 2005	**2,997,375**	$ 1.43
2006 Granted	**1,896,800**	0.34
Forfeited	**(355,675)**	1.52
Expired	**(607,000)**	1.33
Number of options as at December 31, 2006	**3,931,500**	0.91
2007 Granted	**2,181,250**	0.61
Exercised	**(40,000)**	0.41
Forfeited	**(171,550)**	0.88
Expired	**-**	-
Number of options as at December 31, 2007	**5,901,200**	$ 0.80

A compensation expense of $367 in 2007 and $142 in 2006 was recorded as a result of stock options granted to directors, officers, employees and consultants.

The following tables summarize information about stock options outstanding as at December 31, 2007:

Range of exercise price	Number outstanding	Weighted average remaining contractual life (in years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
0.31 – 0.46	2,258,250	3.10	0.37	549,150	0.37
0.50 – 0.64	1,328,750	4.68	0.59	250,000	0.50
1.00 – 1.50	1,817,500	2.28	1.09	1,817,500	1.09
1.60 – 2.00	256,500	1.20	1.99	256,500	1.99
2.70 – 3.00	240,200	0.97	2.76	173,120	2.79
	5,901,200			3,046,270	

As at December 31, 2006, 2,156,190 stock options were exercisable.

Weighted average exercise price of the options having an exercise price:

	Grant date	
	2007	2006
Lower than the market price	**0.46**	–
Equal to the market price	**–**	–
Higher than the market price	**0.68**	0.33

Weighted average fair value of the options having an exercise price:

	Grant date	
	2007	2006
Lower than the market price	**0.28**	–
Equal to the market price	**–**	–
Higher than the market price	**0.29**	0.20

Years ended December 31, 2007 and 2006
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

Note 12. Share capital (cont.)

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

	2007	2006
Risk-free interest rate	**4.02%**	4.28%
Dividend yield	**0%**	0%
Expected volatility of share price	**76.00%**	73.90%
Expected life	**5 years**	5 years

The estimated fair value of options granted during the year ended December 31, 2007 is $0.29. In 2006, it was $0.21.

d) Equity drawdown facility
On December 7, 2007, the Company entered into a securities purchase agreement in respect of an equity drawdown facility. The facility will terminate in December 2009, and it provides the Company with access to financing of up to $15,000 in return for the issuance of subordinate voting shares at a discount of 4 to 7 percent to market price based upon the weighted average price of the subordinate voting shares.

Under the commitment, these resources may be drawn at Company's sole discretion, with Company determining the timing, minimum dollar amount and price per share of each draw under this facility, subject to certain conditions including a market price greater than $0.45.

ProMetic is under no obligation to draw from this Facility and will remain at all times free to enter into other financing transactions.

As of December 31, 2007, the Company has drawn $350 in cash under the equity drawdown facility.

Note 13.
INFORMATION INCLUDED IN THE CONSOLIDATED STATEMENTS OF OPERATIONS

	2007	2006
Amortization of capital assets	**$ 1,607**	$ 1,040
Amortization of deferred development costs	**–**	43
Amortization of licenses and patents	**1,385**	1,150
Gross research and development expenses	**16,082**	15,325
Research and development tax credits	**(945)**	(810)
Interest on long term debt and convertible term notes	**2,771**	7,766
Interest on bank loan	**8**	92
Interest income	**(304)**	(295)

Years ended December 31, 2007 and 2006
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

Note 14. COMMITMENTS

The Company has total commitments of $8,426 under various operating leases for the rental of office and laboratory space and office equipment. The minimum annual payments for the coming years are as follows:

2008	$ 2,422
2009	2,219
2010	1,941
2011	1,141
2012	703
	$ 8,426

Note 15. PENSION PLAN

The Company contributes to a defined contribution pension plan for all of its permanent employees. The Company matches employee contributions representing up to 3% of their annual salary. The Company's contributions for the year are $290 ($240 in 2006).

Years ended December 31, 2007 and 2006
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

Note 16. 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 equals their fair value because of the near-term maturity of these instruments.

The fair value of the investment AM-Pharma Holding B.V. was not readily determinable because it is a private company.

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.

b) Credit risk:
The company places its cash and cash equivalents in titles of high quality issued by government agencies and financial institutions and diversifies its investment in order to limit its exposure to credit risk.

The financial instruments that potentially expose the Company to credit risk are primarily trade accounts receivables. 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 sterling pounds and the majority of its expenses that are not denominated in Canadian dollars are incurred in sterling pounds and in United States dollars.

Financial assets, consisting principally of cash and cash equivalents and accounts receivable, denominated in sterling pounds totaled £405,276 in 2007 and £1,135,806 in 2006 and financial liabilities denominated in sterling pounds totaled £597,953 in 2007 and £659,538 in 2006.

Financial assets, consisting principally of cash and cash equivalents in United States dollars totaled US $798,255 in 2007 and US $8,528,000 in 2006. Financial liabilities consisting principally of accounts payable, accrued liabilities and long-term debt, denominated in United States dollars totaled US $8,216,321 in 2007 and US $10,676,000 in 2006.

The Company does not possess nor issue financial derivative instruments.

d) Interest risk:
The majority of the Company's debt is at fixed rate, there is limited exposure to interest rate risk.

Years ended December 31, 2007 and 2006
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

Note 17. 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:

	2007	2006
Net loss	**$ (22,342)**	$ (30,459)
Basic income tax rate	**32%**	32%
Computed income tax provision	**(7,149)**	(9,747)
Decrease (increase) in income taxes resulting from:		
Unrecorded potential tax benefit arising from current period losses	**6,057**	5,866
Effect of tax rate differences in foreign subsidiaries	**1,118**	3,671
Non–taxable items	**(26)**	209
Change in tax rate	**–**	1
	$ –	$ –

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

	2007	2006
Future income tax assets (a):		
Losses carried forward	**$ 22,241**	$ 13,931
Share issue expenses	**731**	800
Unused research and development expenses	**6,133**	5,550
Accounts payable and accrued liabilities	**418**	951
Licenses and patents	**160**	–
Deferred revenues	**273**	–
Interest expenses carry forward	**1,484**	–
Capital assets	**177**	141
	31,617	21,373
Less: valuation allowance	**(31,551)**	(21,066)
Net future income tax assets	**66**	307
Future income tax liabilities:		
Capital assets	**(66)**	(50)
Licenses and patents	**–**	(257)
Net future income tax assets	**$ –**	$ –

(a) In 2006, the income tax assets on cumulative losses for the Isle of Man were decreased to nil following a reduction of the tax rate from 10% to 0%. Consequently, the valuation allowance was decreased by a similar amount.

Years ended December 31, 2007 and 2006
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

Note 17. Income taxes (cont.)

As at December 31, 2007, the Company had available the following deductions, losses and credits:

	Canada		Foreign
	Federal	Provincial	countries
Research and development expenses,without time limit	$16,934	$27,705	$ –
Losses carried forward expiring in:			
2008	3,976	3,880	–
2009	5,332	5,152	–
2010	5,666	5,073	–
2011	–		228
2014	2,472	2,079	–
2015	1,128	607	–
2017	–	–	986
2018	–	–	368
2020	–	–	12
2021	–	–	503
2023	–	–	795
2024	–	–	1,171
2025	–	–	792
2026	6,458	5,038	5,672
2027	5,942	4,477	6,832
Share issue expenses	2,718	2,718	–
Interest deduction carryover	–	–	1,484
	$33,692	$29,024	$18,843

As at December 31, 2007, the Company also had unused federal tax credit available to reduce future Canadian taxable income in the amount of $4,542 and expiring between 2010 and 2027. Those tax credits have not been recorded and no future income tax liability has been recorded with respect to those tax credits.

Years ended December 31, 2007 and 2006
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

Note 18. ADDITIONAL INFORMATION ON THE CONSOLIDATED STATEMENT OF CASH FLOWS:

		2007	2006
a)	**Change in working capital items:**		
	Accounts receivable	**$ (1,137)**	$ 520
	Inventories	**(205)**	(288)
	Prepaid expenses	**13**	(129)
	Accounts payable and accrued liabilities	**(1,209)**	(397)
	Payable related to a lawsuit	**(1,174)**	163
	Deferred revenue	**(448)**	2,199
		$ (4,160)	$ 2,068
b)	**Non-cash transactions:**		
	Unpaid additions to capital assets and licenses and patents	**429**	37
	Excess of the interest in the joint venture PRDT over the proportionate share in the consolidated net assets	**337**	2
	Preferred shares retractable at the holder's option	**137**	2
	Unpaid share issue expenses	**116**	204
	Unpaid deferred financing expenses	**–**	789
	Unpaid interest related to the long-term debt	**1,215**	–
c)	**Other cash flow information:**		
	Interest paid	**3,638**	6,172
	Interest earned	**313**	295

Years ended December 31, 2007 and 2006
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

Note 19. SEGMENTED INFORMATION

The financial information is now being presented in two different operating segments. This new presentation reflects fairly the activities and will help the reader of our financial statement to better understand the nature of our business.

The two operating segments are: Therapeutics and Protein Technology.

Therapeutics: This operating segment has two lead compounds, PBI-1402 and PBI-1393, in progressing clinical trials, both of which address unmet needs of cancer patients undergoing chemotherapy.

Protein Technology: This operating segment contains the financial information of these activities:

BioTherapeutics: It is the developer of a unique, validated, state-of-the-art solution for plasma fractionation, the Plasma Protein Purification System (PPPS).

Bioseparation: It develops and markets bioseparation products based on applications of its patented Mimetic Ligand™ technology.

Animal Care: The long term goal is to use the validated PRDT technology for prion reduction in the search for a diagnostic that would certify live cattle as BSE-tested.

a) Revenues and expenses by business segments:
For the year ended December 31, 2007

	Therapeutics	Protein Technology	Corporate	Intersegment transactions	Total
Revenues	**5**	**8,431**	**–**	**–**	**8,436**
Research and development expenses and costs of good sold	**4,857**	**14,235**	**–**	**–**	**19,092**
Administration and marketing expenses	**–**	**737**	**5,890**	**(21)**	**6,606**
Amortization of capital assets	**231**	**1,312**	**64**	**–**	**1,607**
Amortization of licenses and patents	**1,000**	**233**	**–**	**152**	**1,385**
Interest expenses	**27**	**25**	**3,051**	**–**	**3,103**
Interest revenues	**(16)**	**(31)**	**(255)**	**–**	**(302)**
Loss (gain) on exchange rate	**–**	**–**	**(792)**	**(6)**	**(798)**
Other expenses	**85**	**–**	**–**	**–**	**85**
Net loss	**6,179**	**8,080**	**7,958**	**125**	**22,342**

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

Note 19. Segmented information (cont.)

For the year ended December 31, 2006

	Therapeutics	Protein Technology	Corporate	Intersegment transactions	Total
Revenues	–	2,647	–	–	2,647
Research and development expenses and costs of good sold	4,214	11,074	–	–	15,288
Administration and marketing expenses	–	550	7,066	(18)	7,598
Amortization of capital assets	255	724	61	–	1,040
Amortization of licenses and patents	791	277	(16)	152	1,204
Interest expenses	85	159	7,778	–	8,022
Interest revenues	(88)	(6)	(201)	–	(295)
Loss (gain) on exchange rate	–	–	402	–	402
Other expenses	–	(153)	–	–	(153)
Net loss	5,257	9,978	15,090	134	30,459

b) Revenues by geographic segment[1]:

	2007	2006
Austria	**$ 4,492**	$ 1
United States	**1,239**	926
United Kingdom	**752**	547
Germany	**477**	4
Brazil	**465**	–
France	**92**	414
Sweden	**275**	519
Italy	**269**	131
Denmark	**128**	64
Netherlands	**113**	18
Canada	**100**	–
Other countries	**34**	4
	$ 8,436	$ 2,647

(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 2007 there were two customers who individually accounted for 44% and 9% of revenues respectively. In 2006, two customers represented 25% and 22% respectively.

Years ended December 31, 2007 and 2006
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

Note 19. Segmented information (cont.)

c) Assets by business segments:

	2007	2006
Therapeutics	**$ 4,077**	$ 3,304
Protein Technology	**9,975**	12,608
Corporate	**4,408**	22,904
Intersegment transactions	**927**	1,911
	$ 19,387	$ 40,727

d) Assets by geographic segment:

	2007	2006
Canada	**$ 9,673**	$ 28,329
United States	**2,577**	2,583
United Kingdom	**7,137**	9,815
	$ 19,387	$ 40,727

e) Capital assets and licenses and patents by business segments:

	2007	2006
Therapeutics	**$ 2,475**	$ 2,087
Protein Technology	**4,797**	5,733
Corporate	**183**	196
Intersegment transactions	**927**	1,910
	$ 8,382	$ 9,926

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

	2007	2006
Canada	**$ 2,894**	$ 3,407
United States	**1,229**	1,201
United Kingdom	**4,259**	5,318
	$ 8,382	$ 9,926

g) Acquisition of capital assets and licenses and patents by business segments:

	2007	2006
Therapeutics	**$ 865**	$ 367
Protein Technology	**699**	1,633
Corporate	**49**	6
	$ 1,613	$ 2,006

h) Acquisition of capital assets and licenses and patents by geographic segment:

	2007	2006
Canada	**$ 918**	$ 373
United States	**169**	1,204
United Kingdom	**526**	429
	$ 1,613	$ 2,006

Note 20.
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 $275 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 amounted to $191 in 2007 and $67 in 2006. They 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

Note 21.
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 occur.

Note 22.
COMPARATIVE FIGURES

Certain 2006 comparative figures have been reclassified to conform to the financial statement presentation adopted for 2007.

Board of Directors

G.F. Kym Anthony
Chair
DFG Investment Advisors and
President
Top Meadow Farms

John Bienenstock[3]
Distinguished University Professor
McMaster University and
Director, Brain-Body Institute
St. Joseph's Healthcare Hamilton

Roger Garon[2]
Chairman of the Board
Multivet International Inc.

Barry H. Gibson
Owner
Aroma-Tec Industries Inc.

Ronald D. Guttmann[1] [2]
Executive Vice-President,
Clinical and International Development
BioMosaics Inc.

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

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

Benjamin Wygodny[1] [2] [3]
President
Angus Partnership Inc.

Positions – Committees:

(1) Audit Committee
Robert Lacroix (Chairman), Ronald D. Guttmann, Benjamin Wygodny
(2) Compensation Committee
Benjamin Wygodny (Chairman), Roger Garon, Ronald D. Guttmann
(3) Corporate Governance Committee
Robert Lacroix (Chairman), John Bienenstock, Benjamin Wygodny

Management Team

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

Stéphane Archambault
Chief Financial Officer
ProMetic Life Sciences Inc.

Christopher Bryant
Executive Vice President and
Chief Operating Officer
ProMetic BioTherapeutics, Inc.

Steven J. Burton
Chief Executive Officer
ProMetic BioSciences Ltd

Peter Edwardson
Vice-President, Medical Technologies
ProMetic BioSciences Ltd

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

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

Bruce Pritchard
Chief Financial Officer
ProMetic BioSciences Ltd
Vice-President, Corporate Development
ProMetic Life Sciences Inc.

Patrick Sartore
Senior Legal Counsel, IP and
Corporate Secretary
ProMetic Life Sciences Inc.

Corporate Information

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Investor Relations

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On peut se procurer la version française du présent rapport annuel en s'adressant au service des relations avec les investisseurs de ProMetic Sciences de la Vie inc. (coordonnés ci-dessus) ou sur notre site internet à l'adresse www.prometic.com.

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Canada

Transfer Agent and Registrar

Computershare Trust Company of Canada
1500 University Street, Suite 700
Montreal, Quebec H3A 3S8
Canada

Listing: Toronto Stock Exchange

Symbol: PLI

Outstanding shares as of December 31, 2007: 263,821,962

Annual Meeting of Shareholders

Wednesday, May 7, 2008 at 10:30 a.m. (EDT)
Montreal Museum of Fine Arts
1379 Sherbrooke Street West
Montreal, Quebec H3G 2T9
Canada

Annual Information Form

The 2007 Annual Information Form of ProMetic Life Sciences Inc. is available upon request from the Company's Head Office or by accessing the SEDAR (System for Electronic Document Analysis and Retrieval) site, www.sedar.com.

WWW.PROMETIC.COM