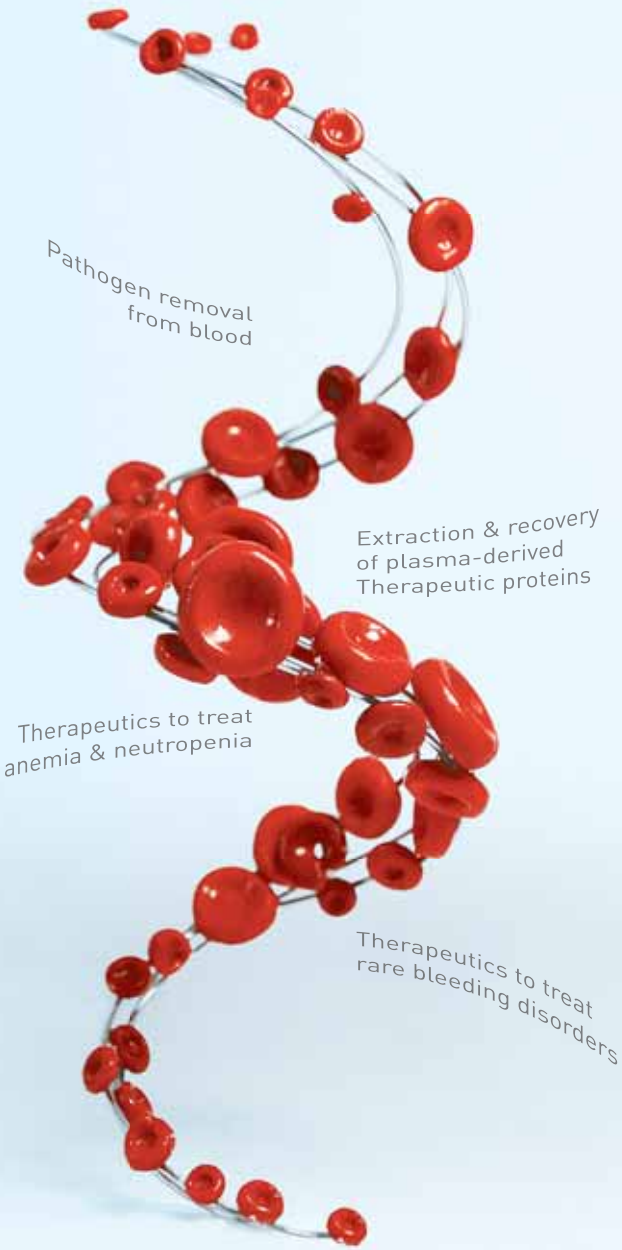
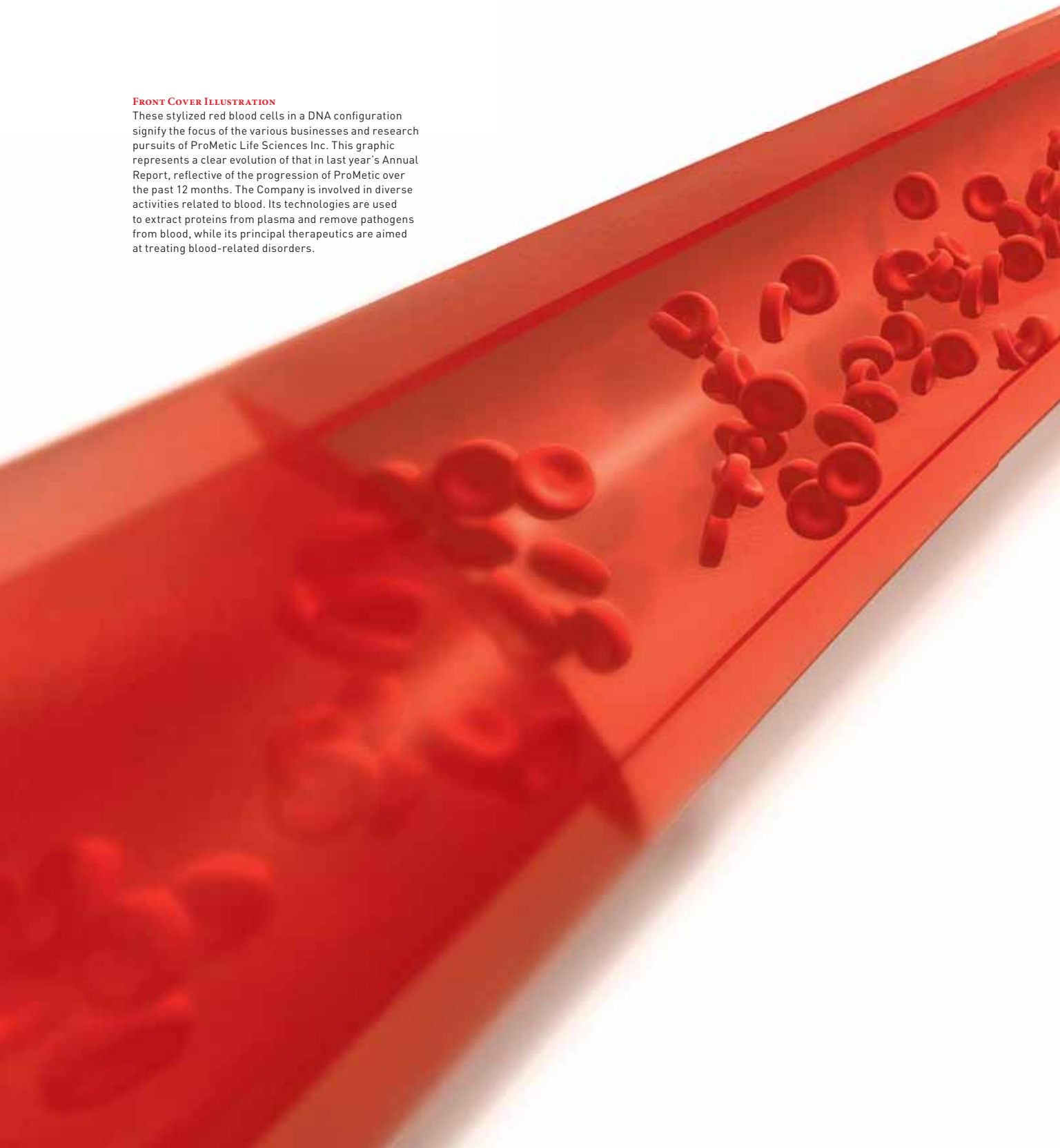
ProMetic

ProMetic Life Sciences Inc. 2008 Annual Report



Front Cover Illustration

These stylized red blood cells in a DNA configuration signify the focus of the various businesses and research pursuits of ProMetic Life Sciences Inc. This graphic represents a clear evolution of that in last year's Annual Report, reflective of the progression of ProMetic over the past 12 months. The Company is involved in diverse activities related to blood. Its technologies are used to extract proteins from plasma and remove pathogens from blood, while its principal therapeutics are aimed at treating blood-related disorders.



We are Progressive Efficient Cost Effective Innovative

- ProMetic has developed and now manufactures innovative bioseparation products which are used globally by an increasing number of top-tier pharmaceutical companies.
- ProMetic has become a recognized world leader for introducing a *revolutionary* plasma fractionation process, which is being increasingly adopted as a replacement for a decades-old legacy system.
- The *efficiencies* of ProMetic's biopharmaceutical purification and pathogen removal technologies are recognized as state-of-the-art contributions to high-value drug manufacturing and the safety of transfused human blood.
- ProMetic's protein extraction technology assists the manufacturers of a wide range of blood-derived products to achieve higher yields, with fewer processing steps – and at *lower costs*.
- ProMetic has discovered *synthetic compounds with unique properties* for the treatment of blood disorders, and applications in hematology, nephrology and oncology.

Significant Events

2008 AND SUBSEQUENT TO YEAR END

- ProMetic and its partner MacoPharma SA announced successful completion of two human clinical studies using the P-Capt® prion reduction filter, which integrates our prion capture resin, while the Irish and UK National Blood Services continued to progress through their own respective clinical trials in patients.
- MacoPharma SA proceeded to scale-up production of the P-Capt® filter in full anticipation of the filter's adoption by these health agencies.
- Octapharma AG, a world-leading plasma fractionator, incorporated our prion capture technology into the manufacturing process of its Octaplas® product.
- Sartorius Stedim Biotech entered a strategic alliance with ProMetic, enabling two technology transfer projects in Asia representing potential annual revenue of $60 M for ProMetic once plasma fractionation companies are fully operational.
- Wuhan Institute of Biological Products in-licenced ProMetic's yield-improving technology for the initial manufacture of multiple plasma-derived drugs for the Chinese market – work is progressing on schedule.
- Kedrion S.p.A. in-licenced ProMetic's technology for use in its manufacturing process for two biopharmaceuticals – technology transfer milestones were achieved in the manufacturing process for a plasma derived therapeutic.
- Increasing and recurring use of our proprietary bioseparation products by major biopharmaceutical companies.

- Abraxis BioScience, Inc. entered into licence agreements which would total $295 M US with ProMetic for up to four biopharmaceuticals – the first product is expected to reach commercial stage by 2011.
- A strategic $7.4 M equity investment was concluded by Abraxis BioScience, Inc. in ProMetic.
- A world-leading European biopharmaceutical company signed an estimated $35 M long-term supply agreement for access to ProMetic's affinity adsorbents.
- ProMetic realized the technology transfer milestones on its Blue Blood Biotech Corporation project in Taiwan through collaboration with Sartorius Stedim BioTech.
- ProMetic reported supplementary clinical data confirming the performance of PBI-1402 in the chemotherapy-induced anemia trial.
- ProMetic has extended PBI-1402's intellectual property portfolio, confirmed its mechanism of action, and expanded its use in other indications.
- ProMetic entered a collaborative development agreement with HemCon Medical Technologies Inc. to develop and validate a sterile, single-use antibody capture device for the removal of isoagglutinin antibodies.

Message to Shareholders

Our objective for 2009 is to grow the Company to the point where it is self-sufficient. Going forward, we aim to continue sustaining our growth while minimizing our reliance on capital markets. With such an objective, we must maintain the fine balance between activities that generate profit, and activities that generate high longer-term value. With this in mind, the strategic decision was made to focus on revenue generating activities driven by our protein technologies and our partnering activities for our therapeutics.

How many different ways can it be said that 2008 was a challenging year? We have seen very few market segments escape the global financial storm. Companies in the life sciences sector were particularly affected by the economic meltdown, translating into a significant share price erosion.

While we can focus exclusively on these difficult economic times, I would be remiss in downplaying the Company's achievements and would like to take this opportunity to highlight our accomplishments.

Our Protein Technologies unit has proved to be a valuable and sustaining asset for the Company. Operating in an extremely adverse economic environment, we continued to make strategic inroads with the products from the Protein Technologies unit. In 2008 ProMetic increased sales to existing clients, and gained important new ones.

Market conditions also dictated that ProMetic make strategic business decisions in respect to its Therapeutics Division. Even though we are currently focusing solely on activities that support the partnering of our therapeutics, our research efforts yielded discoveries over the last year that have considerably enhanced their value. Most significantly for our future, we came through the year with these increasingly valuable assets intact and our potential undiminished.

Protein Technologies

ProMetic has become a key supplier of protein technologies to an increasing number of pharmaceutical and biopharmaceutical (biotherapeutic) companies. Our technologies, products and expertise help them maximize their own resources in terms of raising yields and lowering costs. For these companies, today's financial realities make such efficiencies major driving factors. Our products, such as our newly-launched Fabsorbent™ F1P, are now increasingly in demand on a global basis, resulting in a growing and recurring revenue stream.

The reasons behind our success are straightforward – ProMetic's technologies are fully validated and have proven track records. Numerous biopharmaceutical products and devices have integrated our products and technologies into their regulatory approved manufacturing processes.

Increasing use of products number of clients revenue growth

Furthermore, our prion capture technology has been integrated into the ground-breaking P-Capt® filter for donated red blood cells. Perhaps most auspiciously, our protein extraction and our prion reduction technologies for use in plasma-derived therapeutics are progressively being adopted by the world's leading plasma fractionation companies.

The following are a few of the major events of 2008 in reference to the progress of our protein technologies:

Proprietary Affinity Products: In late summer 2008 we concluded an agreement with U.S.-based Abraxis BioScience, Inc. for the development and global commercialization of several biopharmaceutical products employing ProMetic's affinity products; the development activities on the first such product are well underway. The agreement included an initial strategic investment in ProMetic of $7.4 million, in addition to licensing, development and milestone fees as well as on-going royalties on sales of products. Including on-going royalties, the total service, manufacturing and milestones fees could total approximately $295 M in revenues to ProMetic over the life of the transaction.

Additionally, in December 2008 ProMetic confirmed a long-term supply agreement with a world-leading European biopharmaceutical company worth up to $35 M. Delivery of ProMetic's affinity products commenced immediately.

During the year Italian-based Kedrion S.p.A. ("Kedrion"), a leading biopharmaceutical company specialized in plasma-derived products, licenced our yield-improving manufacturing technology. ProMetic has since then successfully executed on the transfer technology milestones for this project, which in itself will yield additional development service revenues for ProMetic in 2009 and 2010.

Additionally, ProMetic concluded a strategic alliance and license agreement with the Wuhan Institute for Biological Products ("WIBP") which obtained exclusive access to ProMetic's Plasma Protein Purification System ("PPPS™") for the Chinese market. The advancements continue according to schedule in this project and similarly so for the project involving Blue Blood Biotech Corporation ("Blue Blood") of Taiwan project.

More recently, ProMetic signed a collaborative development agreement with HemCon Medical Technologies Inc. ("HemCon") to develop a sterile, single-use antibody capture device for the removal of isoagglutinin antibodies, targeting a US $500 M market opportunity.

Prion Capture Products: Pathogen Reduction and Diagnostic Technologies Inc. ("PRDT") has over the course of time developed a group of validated prion capture resins. These resins are seeing increased adoption by companies involved in the blood industry. Such is the case with Octapharma AG ("Octapharma"), one of the world's leading plasma fractionators. Octapharma produces a solvent / detergent treated plasma called Octaplas® and the manufacturing process for this product incorporates PRDT's prion capture resin technology, thus improving the prion safety margin.

The P-Capt® prion filter, marketed by MacoPharma SA ("MacoPharma") for red blood cell concentrates has also made significant in-roads during the year.

Ireland has successfully completed its initial evaluation of the P-Capt® filter, and is now progressing towards the adoption process while using this state-of-the-art filter for a controlled number of patients. The UK National Blood Service that incorporates the Scottish National Blood Transfusion Service has also initiated clinical trials with the P-Capt® filter.

Further to the confirmation in February 2009 by the UK Health Protection Agency that vCJD had been discovered in the spleen of a 70+ year old hemophiliac who had died of other causes., Lord Morris of Manchester was quoted as stating during a session of the United Kingdom Parliament: "I was informed more than once on the authority of the Chief Medical Officer that the risk for recipients of blood donors who subsequently died of vCJD was purely "hypothetical"; but that demonstrably is not the case now. Is donated blood currently being screened, or filtered to remove vCJD infection?" He added: "I understand, and my noble friend will confirm whether it is so, that technology is now available to remove by filter the abnormal prions which are the causative agent of vCJD and that it has passed EU-wide safety testing and clinical trials as required for its use in the UK".

A response from Baroness Thornton was recorded as such: "My noble friend asked about vCJD screening tests. He is quite correct that no screening test was available. Getting a validated screening test is a priority. Prion filters are available, which we are testing with all speed. Those tests are still under way. Addressing this situation is a priority. We are taking the matter very seriously indeed".

ProMetic through its prion capture resins has successfully brought forward tangible solutions to address vCJD issues and improve safety of blood and blood-derived products. Our partner, MacoPharma is executing on the adoption at large of the P-Capt® filter.

Therapeutics

In 2008, market conditions dictated that ProMetic make strategic business decisions on the management of our resources, with the aim of ensuring the support of our partnering activities in our Therapeutics unit.

An additional factor affecting our activities in our Therapeutics unit and the partnering potential of our lead candidate PBI-1402 came into play in March 2008. That is when the Oncologic Drugs Advisory Committee ("Advisory Committee") of the Food and Drug Administration ("FDA") in the U.S. published a briefing document about the treatment of anemia in cancer patients.

Subsequent to this report, the FDA introduced warnings of increased mortality and/or tumor progression that resulted in new prescribing guidelines for ESAs. Ironically, the new FDA guidelines created a perception that all anemia drugs were equal and that these drugs would be proscribed.

PBI-1402's primary target is, among other highly potential applications, a treatment for anemia in cancer patients. PBI-1402 is a first-in-class chemical entity. Its mechanism of action differs radically from that of EPO, as it does not bind to the same cell surface receptor molecule. PBI-1402 sets into motion a cell differentiation process whereas EPO causes red blood cell proliferation. The focus in 2008 on the generation of data supporting the difference between PBI-1402 and EPO has paid us a significant dividend. Not only is the data supporting the use of PBI-1402 in cancer patients, but it is also further enhancing the potential use of PBI-1402 in patients with chronic kidney disease ("CKD"). The compound has demonstrated nephroprotection properties in pre-clinical studies, a discovery that ProMetic is now more at liberty to discuss since proper patent protection has been secured.

In 2008, in addition to our safety and efficacy data generated from our CIA trial, we have produced compelling evidence that PBI-1402 is uniquely suited to address this unmet medical need. This gives us enhanced clarity in our regulatory pathway and even greater confidence in our partnering prospects.

A Platform Technology: The discoveries we have made with analogues of PBI-1402 in the laboratory can fairly be described as both startling and profound. We are dealing with a mechanism of action that has inspired new chemical entities. ProMetic will further release information regarding these discoveries once we have ensured their appropriate intellectual property protection. We believe that we have developed a family of compounds with hugely significant long-term market potential that should, in conjunction with our lead compound PBI-1402, support ProMetic's long-term share value.

PBI-1402 first-in-class orally active distinct from EPO

The Year Ahead

Our objective for 2009 is to grow the Company to the point where it is self-sufficient. Going forward, we aim to continue sustaining our growth while minimizing our reliance on capital markets. With such an objective, we must maintain the fine balance between activities that generate profit, and activities such as the research projects that generate high longer-term value. With this in mind the strategic decision was made to focus on revenue generating activities driven by our protein technologies and our partnering activities for our therapeutics.

Consequently, we have seen ProMetic's costs decrease due to non-recurring expenditures, efficient managing of our resources and diminished research expenses given that several products have now reached commercial status. In parallel, our base protein technologies business continues to expand as contracts are executed with established and new clients, thus increasing revenue.

Furthermore, in 2009 we will remain focused on ProMetic's core activities and core competencies at all levels, i.e., revenue generation through sales and initiatives supporting business development, corporate development, and partnering.

In coming quarters as the recession eases and credit availability widens, we expect that the market will respond again to the deep value that resides in our protein technologies and therapeutics which address multi-billion dollar markets.

I wish to express my thanks to every member of the ProMetic team for their steadfast resolve and dedication during a difficult year. And my sincere gratitude goes out to our shareholders, for your support and above all patience. I look forward to reporting on your Company's activities in the months ahead.

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

Management Team

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

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

3 Steven J. Burton
Chief Executive Officer
ProMetic BioSciences Ltd

4 Christopher L. Penney
Chief Scientific Officer, Therapeutics
ProMetic BioSciences Inc.

5 Bruce Pritchard
Chief Financial Officer
ProMetic Life Sciences Inc.

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

ProMetic's Protein Technologies

- **Supplying Technologies to Drug Manufacturers –** ProMetic licenses and sells its patented bio-separation technologies to many life sciences companies around the world who use the materials to purify their products more efficiently.
- **Revolutionizing Plasma Fractionation –** ProMetic's protein extraction technology is being adopted increasingly by plasma fractionators worldwide as a replacement for their established but decades old manufacturing technologies.
- **Safeguarding Human Blood –** ProMetic's pathogen removal technology plays an essential role in eliminating the risk of vCJD infection from blood and blood-derived products.

THE ADVANCES OF PROMETIC'S PROTEIN TECHNOLOGIES IN THE GLOBAL MARKETPLACE IN 2008 AND EARLY 2009 INCLUDED:

THE LAUNCH BY PROMETIC OF ITS NEW FABSORBENT™ F1P AND RAPID RECEPTION OF INITIAL ORDERS FOR THIS UNIQUE PRODUCT, WHICH ADDRESSES THE MANUFACTURING NEEDS OF A NEW GENERATION OF MONOCLONAL ANTIBODY FRAGMENTS.

THE SIGNING OF LICENCE AGREEMENTS WITH ABRAXIS FOR THE USE OF PROMETIC'S TECHNOLOGY IN THE MANUFACTURE OF UP TO FOUR BIOPHARMACEUTICALS.

Assisting the manufacture of protein-based therapeutics: Affinity adsorbents are essential to the manufacture of therapeutic proteins. Presently 10 biopharmaceutical products or medical devices relying on ProMetic's technology have received regulatory approval for sale by the FDA or the European Medicines Agency. In addition, there are more than 20 other companies now scaling up products using ProMetic's bioseparation technologies, proprietary affinity adsorbents, or Mimetic Ligand™ purification platform. ProMetic's affinity technology is used in a variety of different ways including the removal of specific contaminants to provide increased yields, higher purities and, as a result, we have helped our clients to very significantly reduce purification costs.

The chemical diversity of ProMetic's ligand libraries allows selection for almost any target protein. ProMetic's technology allows the capture of multiple targeted proteins directly from the source product to achieve greater yields with high levels of purity.

In 2008, ProMetic launched its latest product, Fabsorbent™ F1P, a unique purification adsorbent with broad applicability that addresses the manufacturing needs of a new generation of monoclonal antibody fragments. Fabsorbent™ F1P has been developed in response to demands from companies that have, in the past, relied on Protein L or traditional multi-step methods for the capture and purification of antibody fragments. Fabsorbent™ F1P is marketed directly by ProMetic, thus creating additional revenue prospects.

In fall 2008, ProMetic concluded an agreement with Abraxis in the U.S. for the development and commercialization of four biopharmaceutical products. The transaction included an initial strategic investment in ProMetic of $7.4 M at $0.47 per share, and revenues deriving from three further agreements:

- A Service Agreement through which ProMetic remunerated for various product development activities leading to the filing of Investigational New Drug Applications with the FDA;
- A Licensing Agreement that includes development and sales milestone payments, as well as royalties to ProMetic on nets sales of the four products commercialized by Abraxis;
- A Manufacturing Agreement whereby ProMetic would manufacture the bulk active ingredients for clinical trial requirements and upon product commercialization.

Development activities are underway for two of the four biopharmaceutical products targeting underserved medical conditions.

Additionally, in early 2009, ProMetic signed a Collaborative Development Agreement with HemCon in the United States, for the development of a sterile, single-use antibody capture device for the removal of isoagglutinin antibodies.

THE SIGNING OF A COLLABORATIVE DEVELOPMENT AGREEMENT WITH HEMCON TO DEVELOP A STERILE, SINGLE-USE ANTIBODY CAPTURE DEVICE FOR THE REMOVAL OF ISOAGGLUTININ ANTIBODIES.	THE IN-LICENCING OF PROMETIC'S YIELD-IMPROVING TECHNOLOGY FOR THE MANUFACTURE OF PLASMA-DERIVED DRUGS FOR THE CHINESE MARKET BY THE WIBP.	THE IN-LICENCING OF PROMETIC'S TECHNOLOGY BY ITALY-BASED KEDRION, AS WELL AS THE ACHIEVEMENT BY PROMETIC OF TECHNOLOGY TRANSFER MILESTONES.	THE LONG-TERM SUPPLY AGREEMENT SIGNED BY A WORLD-LEADING EUROPEAN BIOPHARMACEUTICAL COMPANY FOR ACCESS TO PROMETIC'S AFFINITY ADSORBENTS.

State-of-the-art solution for the plasma fractionation industry: As the advantages of its technology are increasingly recognized worldwide, ProMetic is becoming a world leader in regard to helping fractionators extract proteins from plasma. ProMetic's Plasma Protein Purification System ("PPPS™") applies ProMetic's Mimetic Ligand™ technology – powerful affinity separation materials – in a multi-step process to extract and purify proteins at high yields.

The PPPS™ advantageously replaces the legacy Cohn system which has been in use for many decades. Tremendous potential exists for the PPPS™ in that it can serve as a technology platform in countries with emerging markets to establish their own plasma fractionation facility.

As well, the PPPS™ technology provides the ability to recover additional new proteins that could become innovative treatments for rare diseases, and thus qualify for orphan drug status.

ProMetic is presently working on different stages of development activities for the projects with:

- Kedrion of Italy which incorporates of ProMetic's high-yield technology in the manufacturing of a biopharmaceutical;
- WIBP in China which allows for the access to ProMetic's yield improving manufacturing technology for the processing of over 1.2 million liters of plasma annually and the commercialization of seven plasma-derived products for the Chinese market;
- Blue Blood of Taiwan integrates ProMetic's proprietary manufacturing process for the development of valuable therapeutic products derived from human plasma.

THE ACHIEVEMENT OF TECHNOLOGY TRANSFER MILESTONES BY BLUE BLOOD FOR A PROJECT IN TAIWAN UTILIZING PROMETIC TECHNOLOGY IN COLLABORATION WITH SARTORIUS.	THE INTEGRATION BY OCTAPHARMA, A WORLD-LEADING PLASMA FRACTIONATOR, OF PRDT'S PRION REMOVAL TECHNOLOGY INTO THE MANUFACTURING PROCESS OF ITS OCTAPLAS® PRODUCT.	THE SUCCESSFUL COMPLETION OF TWO CLINICAL STUDIES USING THE P-CAPT® PRION REDUCTION FILTER, AND THE SCALE-UP BY MACOPHARMA FOR PRODUCTION OF THE DEVICE IN ANTICIPATION OF ITS ADOPTION BY THE IRISH AND UK HEALTH AGENCIES.

Technologies to protect the human blood supply: The Pathogen Removal and Diagnostic Technologies Inc. ("PRDT") co-development venture between ProMetic and the American Red Cross ("ARC") has resulted in an assortment of adsorbents for the removal of prions from blood and various blood products, thus increasing their safety.

Octapharma, one of the world's most prominent plasma fractionators has taken a proactive stance against vCJD by incorporating PRDT's prion capture technology into the manufacturing process of Octaplas®, a solvent / detergent treated plasma. Octapharma's objective was to further improve the prion safety margin documented for this biopharmaceutical. In 2008 ProMetic concluded the scale-up of PRDT resin manufacture as part of the program of work with Octapharma.

Moreover, in late spring 2008 Octapharma published extensive data on the utility of PRDT's prion capture technology, providing powerful testimony for the efficacy of this product to the global industry. Octaplas® has been submitted for regulatory approval by Octapharma.

Over the last year, the PRDT prion capture resins have been evaluated by an increasing number of biopharmaceutical companies for the manufacture of their blood-derived products.

PRDT's technology also forms the essential component of the revolutionary P-Capt® filter, a prion reduction device developed in partnership with MacoPharma. This state-of-the-art filter reduces the risk of transmission of vCJD (a fatal brain disease) through donated blood.

In 2006, P-Capt® received CE mark approval in Europe, and has since undergone pre-adoption evaluation procedures by the national blood transfusion agencies of the United Kingdom and Ireland. Initial adoption studies have been completed in Ireland, where P-Capt® use is continuing for a controlled number of patients. Adoption studies are also continuing at multiple hospitals in the UK. In February 2009 the first case of a person being infected with the human form of mad cow disease after receiving contaminated plasma derived coagulating factor had been reported by scientists. The man was one of thousands of hemophiliacs who received blood plasma transfusions in the years before strict controls were brought in to eliminate the spread of vCJD. Until now, scientists had maintained that the 4,000 people who may have received plasma from infected donors were at very low risk of developing the fatal brain disease.

Although vCJD has been transmitted by blood donations in the past, leading to three deaths, no cases of infection had ever been linked to blood products. Scientists had believed the processing of the product before it is injected into patients significantly reduced the risks.

Scientists fear there could be a second wave of the human variant of mad cow disease, which was caused by cattle being fed the remains of other cattle in the 1980s.

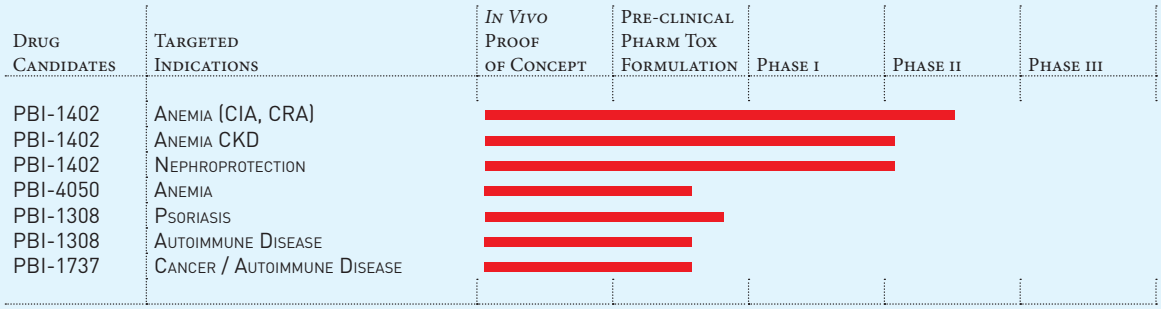
Following these events, MacoPharma has amplified its lobbying efforts towards the UK government to ensure that the P-Capt® filter, a readily available proven technology, is adopted to reduce the risk of vCJD by blood transfusion.

Over forty million units of blood are collected every year worldwide, a healthcare necessity that represents a huge market opportunity for ProMetic and its partners.

ProMetic's Lead Therapeutic PBI-1402

- PBI-1402 is a *first-in-class orally active* chemical entity for the treatment of CIA and related conditions in patients with CRA and CKD.
- PBI-1402 demonstrated *nephroprotection properties* in pre-clinical studies, making the compound a potential breakthrough drug for the treatment of CKD.
- PBI-1402 has shown evidence of *anti-cancer activity* in numerous pre-clinical models.
- PBI-1402's *mechanism of action is distinct from EPO* – PBI-1402 acts at a different receptor and triggers a cell differentiation process at a much earlier bone marrow cell maturation stage.

ProMetic's Pipeline – Hematology, Oncology and Nephrology



ADVANTAGES OF PBI-1402	ORAL ADMINISTRATION VERSUS MOST DRUGS FOR ANEMIA WHICH ARE INJECTABLES.	MECHANISM OF ACTION DISTINCT FROM EPO.	AFFORDABLE RELATIVE TO COSTLY RECOMBINANT PROTEINS.

PBI-1402 targets anemia in cancer patients

A Phase Ib/II clinical trial of PBI-1402 revealed a significant increase in red blood cell count and hemoglobin level in patients with chemotherapy-induced anemia ("CIA"). Ongoing results in 2008 continued to demonstrate the safety and efficacy profile of the compound. Moreover, results have demonstrated a significant reduction in the need of patients for red blood cell transfusion. More than 93% of CIA patients treated with PBI-1402 did not require a blood transfusion – a significant result given the guidelines published in March of 2008 by the Advisory Committee of the FDA stating that the primary objective of treating CIA patients with erythropoiesis-stimulating agents ("ESAs") is the ability to reduce the need for red blood cell transfusion. The briefing document published by the FDA's Advisory Committee cited that 20% to 25% of patients treated with traditional ESAs continue to require red blood cell transfusions.

Moreover, the same FDA briefing document reported that no evidence exists to the effect that EPO improves quality of life or outcomes, and that EPO may actually accelerate morbidity due to tumour growth. The document in effect ruled out EPO as an acceptable treatment for CIA, thus leaving these patients with no option other than red blood cell transfusions.

Even though PBI-1402 stimulates erythropoiesis (red blood cell formation), it does not have the same mechanism of action of EPO, the ESA drug of choice for CIA.

This intervention by the FDA should have highlighted to the marketplace PBI-1402's *dissimilarity* to EPO. However, in the ensuing atmosphere of uncertainty, the general perception created by the FDA's brief was that all anemia drugs for cancer patients would be proscribed. As a consequence, several multi-national pharma companies had to assess their strategic position with regards to anemia and cancer, and this irrespective of the merit of PBI-1402. However, PBI-1402 is totally different from EPO. PBI-1402 is an orally active small synthetic molecule and its mechanism of action is different from EPO, acting on a totally independent receptor of EPO. PBI-1402 does not produce exaggerated amounts of red blood cells leading to the thrombosis problem associated with EPO. Furthermore, PBI-1402 demonstrated anti-cancer activity – contrary to EPO which some studies indicated increases tumour growth in CIA and cancer-related anemia ("CRA") patients treated with EPO. Therefore, these data suggest that PBI-1402 is a unique compound which can be used to treat patients with CIA and CRA, and fulfill this unmet medical need.

A vast market, comprised of the more than two-thirds of cancer patients who develop anemia as a result of chemotherapy treatment, awaits a treatment for CIA such as is promised by PBI-1402.

PBI-1402 targets anemia associated with CKD

More than twenty million patients in North America alone have been diagnosed with chronic kidney disease ("CKD"). Patients at advanced CKD stages (stage 3 and 4) often develop anemia even before they require hemodialysis. Patients still at the pre-dialysis stage would greatly benefit from a non-invasive oral therapy to treat their anemia.

ProMetic's pre-clinical experiments based on a 5/6 nephrectomized rat model have demonstrated the ability of PBI-1402, when administered as monotherapy, to correct anemia caused by kidney failure. The 5/6 nephrectomized rat model is a gold standard model which simulates chronic renal failure in humans. This latter is a condition whereby the kidneys fail to produce sufficient EPO which in turn promotes the production of red blood cells.

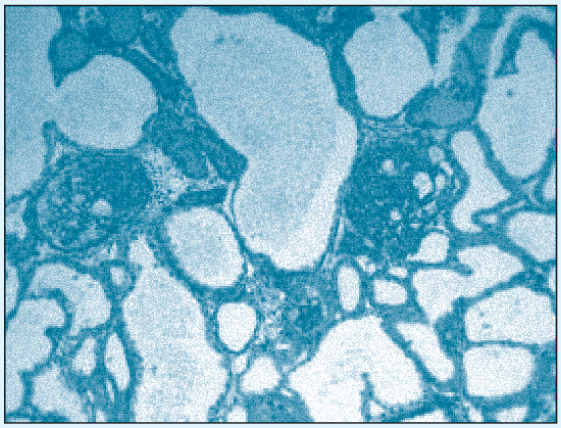
This pre-clinical work not only created additional potential for PBI-1402 in the field of anemia, it revealed immense new potential for PBI-1402 in the field of CKD: *a development not reported until very recently, as it awaited the filing of patents to protect ProMetic's discovery.*

IN ANIMAL MODELS, PBI-1402 DRAMATICALLY DELAYED KIDNEY FAILURE AND PROLONGED SURVIVAL.

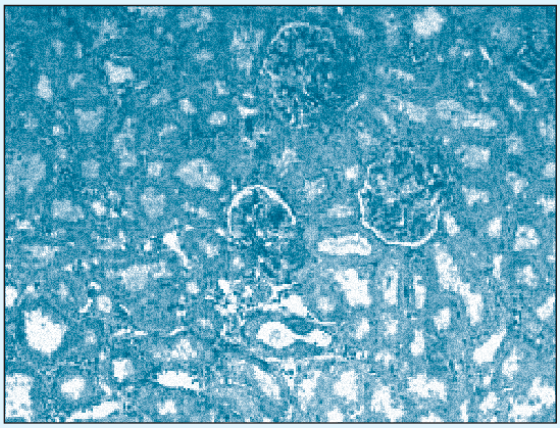
THE INITIAL INDICATION TARGETED BY PBI-1402, ANEMIA IN CANCER PATIENTS, REMAINS A PRIORITY FOR PROMETIC AND REPRESENTS A HUGELY SIGNIFICANT MARKET OPPORTUNITY.

THE DISCOVERY OF NEPHROPROTECTION HOWEVER, TAKES PBI-1402 INTO ANOTHER ARENA OF POTENTIAL WORTH ENTIRELY. THE ABILITY TO TREAT PATIENTS WITH CHRONIC KIDNEY DISEASE WOULD CONSTITUTE A BLOCKBUSTER EVENT IN THE PHARMACEUTICAL INDUSTRY AND A MAJOR CONTRIBUTION TO THE HEALTHCARE SYSTEM.

BY DELAYING OR HALTING THE PROGRESS OF KIDNEY FAILURE, COSTLY DIALYSIS TREATMENTS AND TRANSPLANTS WOULD BE AVOIDED.

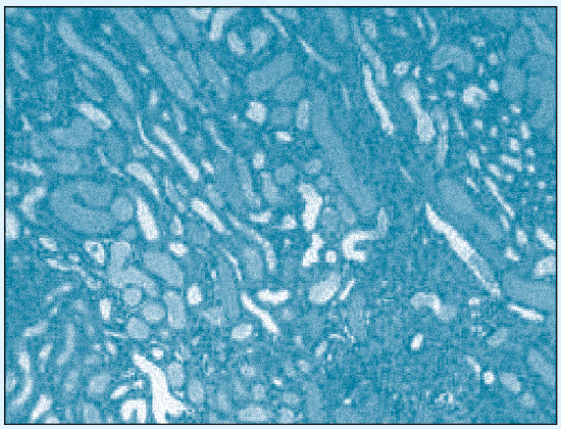


Renal tissue from untreated animal

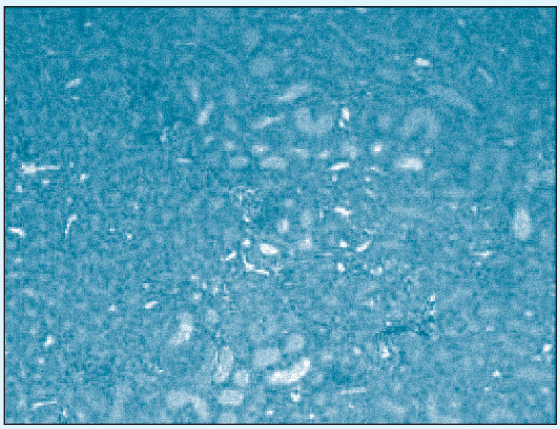


Renal tissue from PBI-1402-treated animal

Figure 1: Photomicrographs (100X) of renal tissue from 5/6-Nephrectomized animals untreated (left panel) and treated with PBI-1402 (right panel). Untreated tissue show deposits of collagen at the base of the glomerulus and all the surrounding tissue. Treated tissue show reduction of fibrosis and necrosis.



Renal tissue from untreated animal



Renal tissue from PBI-1402-treated animal

Figure 2: Photomicrographs (100X) of renal tissue from nephrotoxicity induced by Doxorubicin (used in chemotherapy) in untreated mice (left panel) and treated with PBI-1402 (right panel). Untreated tissue show necrosis and fibrosis. PBI-1402-treated tissue show reduction in fluid accumulation (proteins), of necrosis and fibrosis.

IN ANIMAL MODELS, PBI-1402 DRAMATICALLY DELAYED KIDNEY FAILURE AND PROLONGED SURVIVAL.

FURTHERMORE, WHEN GIVEN AS A PROPHYLACTIC, PBI-1402 IS ABLE TO PROTECT THE KIDNEY AGAINST AGENTS INDUCING NEPHROTOXICITY, SUCH AS AGENTS USED IN CHEMOTHERAPY.

PBI-1402 demonstrates nephroprotection in CKD models

Recent studies in the U.S. show CKD is one of the most expensive diseases to treat, and that costs are increasing rapidly.

As indicated above, ProMetic discovered the nephroprotective activity of PBI-1402 while conducting experiments in anemia relief in the 5/6 nephrectomized rat model. Further to treatment of anemia (increase in hemoglobin level and red blood cells), we observed that animals treated with PBI-1402 filter blood by the kidney more efficaciously than non-treated animals. Additionally, we observed that kidneys from PBI-1402-treated animals were structurally conserved compared to non-treated animals. The latter demonstrated kidney fibrosis and sclerosis (holes and loss of tissue).

Therefore, ProMetic has discovered that PBI-1402 can protect kidney tissue in the 5/6 nephrectomised model and could potentially serve to protect, delay or inhibit the progression of kidney failure in patients with CKD.

In today's medical arsenal there is very little recourse for patients who require nephroprotection. Anti-inflammatories and treatments to reduce pressure on the kidney exist, and of course transplants are performed.

ProMetic's scientists believe they have discovered a tremendously important new therapeutic for a huge unmet need. Pre-clinical studies have demonstrated that PBI-1402 inhibits fibrosis and has an anti-inflammatory effect. Additional data have shown, in short, that PBI-1402 shows great promise as an agent to halt the progress of CKD in human patients.

With the resumption of discussions with many parties regarding potential financing and partnership for PBI-1402, ProMetic is building further value into this compound by continuing its research and development on PBI-1402 and analogues, and compiling data from all pre-clinical trials to support patent protection.

Analogues of PBI-1402

Analogues of PBI-1402 represent a family of compounds and promise broad application for additional oncological, hematological and nephrological indications and markets. In addition, ProMetic has discovered a number of promising new chemical entities for the treatment of cancer and autoimmune diseases.

Multi-drug candidates

PBI-1308

This synthetic compound has been partnered with Laboratorios Dermatologicos Darier S.A. ("Darier") for development in the fields of atopic dermatitis (eczema) and psoriasis. During 2008, Darier's laboratories developed many PBI-1308 formulations, some of which were tested in pre-clinical models of atopic dermatitis at ProMetic. The results indicate that some formulations have the potential to treat atopic dermatitis.

PBI-1393, PBI-1668, PBI-1522, PBI-1737

These first-in-class compounds have demonstrated therapeutic potential in cancer and / or auto-immune disease models. Given their encouraging pre-clinical *in vivo* results, they could lead to refinements in standard treatment protocols. Available for out-license and development financing, these compounds represent a varied and abundantly potential pipeline for ProMetic.

MD&A

The Management's Discussion and Analysis of Operating Results and Financial Position, prepared March 25, 2009, 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 2008 financial year compared to the 2007 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 2008 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.

Management's Discussion and Analysis as at March 25, 2009

Operations

ProMetic Life Sciences Inc. ("ProMetic") is a global biopharmaceutical business, comprised of a group of companies focused on developing technologies which bring pharmaceutical products to market that are Safer, Cost-effective and More Convenient than those already available.

ProMetic's business is organised into two distinct operating segments; Protein Technologies and Therapeutics, supported by a Head Office in Montreal, Canada.

Protein Technologies

The Protein Technologies business unit has research and development operations in Maryland, U.S., and Cambridge, UK, and manufacturing operations on the Isle of Man, UK, and in Joliette, Canada. This business unit focuses on:

- The development and manufacturing of plasma-derived therapeutics based on ProMetic's unique, validated, state-of-the-art technology, the Plasma Protein Purification System ("PPPS™");
- Pathogen removal and diagnostics using technology which was originally developed in Pathogen Removal and Diagnostic Technologies Inc. ("PRDT"), a joint venture between ProMetic and the American Red Cross ("ARC"); and
- The manufacture of specialist filtration media for use in the manufacture of biopharmaceuticals, based on ProMetic's patented Mimetic Ligand™ technology.

Therapeutics

The Therapeutics business unit is based in Laval, Canada. ProMetic's lead therapeutic, PBI-1402, is an orally active compound being developed to treat different types of anemia. Recently positive data was announced for the Phase Ib/II clinical trial in chemotherapy-induced anemia ("CIA").

- PBI-1402 is a first-in-class orally active chemical entity for the treatment of CIA and conditions related in patients with CRA and CKD.
- PBI-1402 demonstrated nephroprotection properties in pre-clinical studies, making the compound a potential breakthrough drug for the treatment of CKD.
- PBI-1402 has shown evidence of anti-cancer activity in numerous pre-clinical models.
- PBI-1402's mechanism of action is distinct from EPO – PBI-1402 acts at a different receptor and triggers a cell differentiation process at a much earlier bone marrow cell maturation stage.

The Therapeutic unit has developed first-in-class compounds with demonstrated therapeutic potential in cancer and / or proven autoimmune disease models.

Long-term Strategy and Business Objectives

ProMetic, for many years, has been building its Protein Technologies business strategy around its core Mimetic Ligand™ technology, using this as the key to unlock long-term strategic partnerships which allow ProMetic to progressively be involved in all stages of the drug development and manufacturing process.

It is ProMetic's stated intention to license its core technology then to add further value to our clients' business by providing development services, regulatory support services, then ultimately becoming involved in manufacturing operations, at each stage establishing a foothold in the chain of value creation of our partner's drugs.

This model of outlicencing and partnering has, and is, serving ProMetic well in its Protein Technologies division. Already, ProMetic has entered into a number of these strategic alliances, for example with MacoPharma for the P-Capt® filter, with Kedrion S.p.A. ("Kedrion"), Blue Blood Biotech Corporation ("Blue Blood") and Wuhan Institute of Biological Products ("WIBP") for the PPPS™ process and with many major biopharmaceutical and pharmaceutical companies, such as HemCon Medical Technologies Inc. ("HemCon") for access to the Mimetic Ligand™ technology.

Furthermore, this model allows ProMetic to share in Licence Revenues, recovering the cost of earlier investments; Service Revenues, covering the costs of current operations; Manufacturing Revenues allowing further growth and expansion; and ultimately Royalties and Milestone Payments, rewarding our shareholders for supporting the technology.

In respect to the Therapeutics unit, the Company has focused on the development of a pipeline of valuable compounds which it will ultimately outlicence or partner at the appropriate stage of development. It is not ProMetic's intention to become involved in the process of late stage clinical trials (Phase III) or the regulatory approval process, without the support of a partner.

Advanced discussions are underway with a number of major pharmaceutical companies with a view to licencing compounds from the Therapeutics unit's portfolio.

Management will be focused on the expansion of all of these relationships in the coming year, as well as seeking out new opportunities.

Operating in a Difficult Economic Environment

As stated previously ProMetic's Management believes in an open and transparent communication with the shareholders of the Company. In that regard, during 2008, the Company has made a number of public statements commenting on the strength of its upcoming revenue streams and the actions being taken by Management in relation to driving efficiencies and cost savings in the business, allowing the Company to extend its cash runway, and weather the current economic storm without going to the public market to raise funds for operations.

While the Company has been able to achieve this through 2008, the worsening of the global economic situation, coupled with the impact that it has had on general liquidity around the world, has caused ProMetic to consider putting in place non-dilutive funding to extend its cash runway further.

The ability to consider debt funding is testament to the strength of the ProMetic Business Model and the quality and reach of its technologies. Without the solid predicted revenues, debt would be difficult to obtain.

On March 23, 2009, ProMetic entered into a loan agreement with Marigest Inc. which provided for $2.0 million of debt finance, bearing interest at a rate ranging from 12% to 15% per annum. In addition, the agreement provides that a further $3.0 million of debt can be called by ProMetic from the lender should certain trigger points related to the stock price of ProMetic be achieved.

Furthermore, on March 10, 2009, the UK subsidiary, ProMetic Biosciences Ltd, secured a £300,000 repayable working capital grant from the Isle of Man Department of Trade & Industry. This grant is repayable without interest.

In the Management's Discussion and Analysis of the 2008 financial statements, the Company has continued its adoption of the recent guidance provided by the Canadian Institute of Chartered Accountants in its recent CPR alert on MD&A disclosures in volatile and uncertain times.

In the following statements, Management intends to explain the impact of the market's volatility on ProMetic's performance, financial condition and future prospects, through making reference to:

- Strategy and Risk Management;
- Analysis of the annual and 4th Quarter Financial Results, including;
  - Going Concern Assumptions;
  - Liquidity;
  - Critical Accounting Estimates.

Strategy and Risk Management

ProMetic's strategy in relation to its Protein Technologies business has always been clear: applying ProMetic's proprietary technology to new and existing markets for large-scale drug purification, drug development, proteomics (the study of proteins), and the elimination of pathogens. The ultimate benefit that can be derived from ProMetic's Protein Technologies unit is the enabling of our partners to manufacture more affordable and safer therapeutics, thus aligning ProMetic's business perfectly with current market pressures on the healthcare sector.

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.

This market, as yet has not been hit by the global economic crisis. The licensees of ProMetic's core technologies often see its use as adding significant value to their products, differentiating them from other players in the market. This differentiation results in continued growth in demand for ProMetic's technologies. The bioseparations business continues to have strong and growing revenues, which based on the volume and regular nature of enquiries from blue-chip customers, looks set to continue.

ProMetic's strategy in relation to the Therapeutics unit has been to develop compounds which, ultimately, will lead to more cost-effective treatment regimes in already developed markets. ProMetic's Management strongly believes that this strategy is highly relevant in the current market economy where cost pressures, above all else, impact the adoption of new drugs.

Also, in relation to the Therapeutics unit, the Company is continuing its discussions with several interested parties regarding a licencing transaction for PBI-1402 and its analogues. These discussions continue despite the volatility in the market. However, Management has nevertheless acted to cut the burn-rate of this division, such that only costs associated with a potential partnering will be incurred. These cost-saving measures can clearly be seen in the financial statements accompanying this Discussion and Analysis.

Across the business, Management operates, or is putting in place, tools to monitor closely the financial performance, both actual and forecasted, to ensure that appropriate measures are taken to limit cash burn at this time. At the same time, the debt finance secured has allowed the runway to be extended further, allowing ProMetic to sustain its position on not requiring additional equity investment at this time.

2008 IN SUMMARY

Against a background of a global liquidity crisis, ProMetic's core business continued to build: the Protein Technologies business gained further traction as a result of increased acceptance and commercialisation of its core products and services.

In particular, the delivery of key components under the Kedrion agreement and the execution of the Abraxis BioScience, Inc. ("Abraxis") transaction resulted in increased cash inflows. Of course, such agreements have an "in-built" period over which the relationship beds-in and recurring revenues ramp-up to their maximum value. Progress made with these deals in 2008 established solid foundations for growth going forward into 2009 and beyond.

Additionally, a strong sales performance from the Company's core bioseparation resins business added further to the solidity of the top-line. Despite very similar revenues to the previous year, in which a single order made up over 40% of the revenues, 2008 turnover for the bioseparations was made achieved without one single order of the same magnitude. This clearly demonstrates a growing acceptance of the Company's core technology. Furthermore, the early signs for 2009 are already showing continued strong growth.

Sales of resin for prion binding also grew in relation to bulk treatment of blood plasma. The anticipated larger-scale adoption of the P-Capt® filter has been further delayed in the decision making process in the UK and Ireland. As announced previously by MacoPharma, they have proceeded to scale-up production of the P-Capt® filter in full anticipation of the filter's adoption by these health agencies.

Activity also continued in the Therapeutics business, with further progress being made with a number of interested parties toward a licencing transaction for PBI-1402. Again, this activity has taken longer than anticipated, however, with the strong data generated, Management believes that it is in the best interests of the shareholders to seek out a deal which reflects the true value of the compound.

With these growing revenues, and with the equity investment from Abraxis, ProMetic has managed its cash resources to full effect. There is no doubt that cash is tight, and that general illiquidity in the global financial marketplace has placed a huge pressure on the business. However, through careful management of resources, ProMetic has been able to sustain itself.

In addition to growing the top-line, Management was focused on reducing costs and repaying existing debt in 2008. As will be discussed later, both of these objectives were achieved, with all of the debt due to the Bank of Montreal ("BMO") being repaid and the associated hypothec released in the fourth quarter of 2008, and a significant reduction of the other long-term debt made, in accordance with the agreed repayment schedule. Further enhancing the position was a controlled, but systematic reduction of the underlying cost-base of the business. Further emphasis will be placed on cost control during 2009.

As the Company moves into a period of growing revenues from the contracts which it has already secured, and continues to control its costs, it progresses towards achieving a position of being EBITDA positive. This relieves Management of the business of raising capital through equity, effectively using operating cash flows and debt to finance the business.

Clearly, there is a transition period in moving to being EBITDA positive, during which access to debt, while not impossible, is difficult, especially when coupled with the difficult economic climate. However, as disclosed earlier, Management has been successful in raising $2.0 million of debt finance and £300,000 of repayable grant finance.

During this transition period, Management of the business is focused on maximizing the use of other non-dilutive methods of funding to finance the business where possible.

Overall, 2008 was a positive year for the business, particularly when considered against the tough global economic landscape. Management is confident that 2009 will see further expansion built on the solid foundation of 2008.

2008 Significant Events

Corporate

- ProMetic raised $19.5 M in share capital;
- ProMetic appointed Bruce Pritchard as Chief Financial Officer of the ProMetic Group;
- ProMetic approved the nomination of Mr. Bruce Wendel, representative for Abraxis, to its Board of Directors;
- On October 1, 2008, ProMetic repaid in full the remaining sums due to BMO resulting from a lawsuit, releasing the assets of the business from hypothecs held by BMO.

Protein Technology

- ProMetic confirmed the efficacy of the prion capture resins developed by PRDT at the Recovery of Biological Products Conference in the removal of prions from different solutions;
- ProMetic announced the implementation of PRDT's prion capture technology into the manufacturing process of Octapharma AG's Octaplas® to further improve the prion safety margin minimizing the risk of transmission by plasma-derived products of variant Creutzfeldt-Jakob Disease (vCJD), the human form of "mad cow disease";
- ProMetic signed a Letter of Intent to acquire ARC's common stock holding in PRDT;
- ProMetic signed Strategic Agreements with Abraxis for the development and commercialization of four biopharmaceutical products targeting underserved medical conditions. The transaction included:
  - An initial strategic investment in ProMetic of $7.4 M at $0.47 per share;
  - Revenues to be derived from three further Agreements with Abraxis:
    - Service Agreement pursuant to which Abraxis engages ProMetic for various product development activities leading to the filing of Investigational New Drug Applications with the FDA;
    - Licensing Agreement that includes development and sales milestone payments, as well as royalties to ProMetic on nets sales of the four products commercialized by Abraxis;
    - Manufacturing Agreement whereby ProMetic would manufacture the bulk active ingredients for clinical trial requirements and upon product commercialization;
- ProMetic signed a $35 M Long-term Supply Agreement with a European Biopharmaceutical Company for the supply of one of ProMetic's proprietary affinity adsorbents for incorporation into this company's manufacturing process;
- ProMetic entered into a collaborative development agreement with HemCon to develop and validate a sterile, single-use antibody capture device for the removal of isoagglutinin antibodies.

Therapeutics

- ProMetic reported additional results from the PBI-1402 CIA trial at the Annual Congress of the European Hematology Association demonstrating that a once daily oral treatment of PBI-1402 induces a significant increase in haemoglobin level, red blood cell count and hematocrit in CIA patients;
- Data on PBI-1737 in prostate cancer, PBI-0110 alone and in combination with gemcitabine in pancreatic cancer, and PBI-1308 were presented at the American Association for Cancer Research Annual Meeting.

Post Balance Sheet Events

On March 23, 2009, ProMetic entered into a loan agreement with Marigest Inc. which provided for $2.0 million of debt finance, bearing interest at a rate ranging from 12% to 15% per annum. In addition, the agreement provides that a further $3.0 million of debt can be called by ProMetic from the lender should certain trigger points related to the stock price of ProMetic be achieved.

Furthermore, on March 10, 2009, the UK subsidiary, ProMetic Biosciences Ltd, secured a £300,000 repayable working capital grant from the Isle of Man Department of Trade & Industry. This grant is repayable without interest.

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

	2008	2007	2006
Revenues	**10,154**	8,436	2,647
Net loss	**20,178**	22,342	30,459
Net loss per share (basic and diluted)	**0.07**	0.09	0.20
Total assets	**19,152**	19,387	40,727
Long-term debt	**3,949**	6,499	11,577

The increase in revenues over the 3 year period is attributable to increasing resin sales and service fees in the Protein Technologies unit.

This increase in revenues, combined with a systematic reduction in costs has resulted in a reduction in the annual net loss over the same period. This reduction in net loss has been achieved despite the booking of an expense relating to a guarantee of $1,140.

The reduction in Total Assets from 2006 to 2007 relates to cash which totalled $20.8 million in 2006 and $2.2 million in 2007.

Further discussion and analysis can be found elsewhere in this document.

Results of Operations

Year ended December 31, 2008, compared to year ended December 31, 2007

Revenues

Total revenues for 2008, which were mostly derived from the Protein Technology unit, were $10.2 million compared with $8.4 million in 2007.

Sales of affinity resin were comparable with the previous year, in which a single order made up over 40% of the revenues, 2008 turnover for the bioseparations was made achieved without one single order of the same magnitude. This clearly demonstrates a growing acceptance of the Company's core technology.

The growth in revenue came from the service fees associated with the development agreements with Kedrion and Abraxis. These represent the initial revenues which will ramp to a higher level in 2009.

As at December 31, 2008, deferred revenues were $1.4 million. The 2008 deferred revenues consisted primarily of advance billing for the biogenerics and development of prion removal resin programs.

Costs of Goods Sold

The costs of goods sold for the year ended December 31, 2008, totalled $1.9 million compared to $2.2 million in 2007. The related revenues totalled $4.6 million and $6.6 million giving respectively a gross margin of 60% in 2008 compared to 67% for 2007. The difference in the gross margin came from the single order in 2007 which made up over 40% of the revenues.

Research and Development expenses rechargeable

Research and development expenses rechargeable totalled $1.0 million for the year 2008 compared with $0.6 million in 2007. The increase is mainly attributed to the services agreements signed with Kedrion and Abraxis during the year.

Research and Development Expenses

Research and development expenses were $15.8 million for the year ended December 31, 2008, compared to $16.3 million for the same period in 2007. The variance is mainly attributable to the cost reduction program implemented by Management during the year.

Administrative and Marketing Expenses

Administrative and marketing expenses decreased significantly to $5.3 million for the year ended December 31, 2008, from $6.6 million for the year ended December 31, 2007. No specific reasons other than the cost-cutting measures implemented by Management are responsible for this decrease.

Amortization Expenses

Amortization expenses for the year ended December 31, 2008, were lower at $1.5 million compared to $3.0 million in December 31, 2007. This decrease is explained by the amortization of a license in 2007, which was then carried forward at a $NIL value, requiring no further amortization in 2008.

Net Results

The Company incurred a net loss of $20.2 million, or $0.07 per share (basic and diluted), for the year ended December 31, 2008, as compared to a net loss of $22.3 million, or $0.09 per share (basic and diluted) for the year ended December 31, 2007. This significant decrease in net loss is the result of the increase in revenues. In addition, the impact of the cost reduction program contributed greatly to the improvement of the net results. Foreign exchange losses amounted to $1.1 million for 2008, compared to a gain of $0.8 million in 2007. This is mainly caused by the strengthening of the Canadian dollar and US dollar vis-à-vis the British Pound, and the weakening of the Canadian dollar against the US dollar. Since a majority of the expenses are in US dollars, and the majority of revenues are in British Pounds, the Company has suffered as a result of these movements. This reduction in net loss has been achieved despite the booking of an expense relating to a guarantee of $1,140.

Capital Resources

The Company has no commitments for capital expenditure at the date of the financial statements.

Over the coming years, it may be necessary for the Company to invest in further capital expenditure in order to service the requirements of certain of its contracts.

As the Company grows and develops a sustainable revenue line and resulting positive cash flow, it should be possible for the business to raise cash for expansion through debt facilities.

Liquidity and Financial Position

Current assets totalled $8.1 million as at December 31, 2008, and $8.3 million as at December 31, 2007. Additional details are provided under the heading Cash Flows. Accounts receivable increased to $4.4 million for the year ended December 31, 2008, compared to $3.3 million in the year ended December 31, 2007. Accounts receivables consist mostly of trade receivables related to the sales of resin, as well as R&D tax credit receivables related to the activities of our Therapeutics unit. The net capital assets decrease to $2.4 million in 2008, from $3.4 million in 2007. This is mainly attributable to the effect of amortization.

Cash Flows

Cash flows used in operating activities amounted to $15.1 million for the year ended December 31, 2008, compared with $22.0 million in 2007. The significant reduction in cash flows used for operating activities is mainly attributed to net change in working capital and the improved trading results.

Cash flows from financing activities amounted to $15.2 million for the year ended December 31, 2008, compared to $5.9 million in 2007. During 2008, the Company issued 53.6 million common shares resulting in an inflow of $19.5 million. The main issuance of shares for 2008 was composed of private placements qualified by supplements to a base shelf prospectus with existing and new shareholders for 12.6 million shares at $0.40 in April 2008, as well as 14.0 million shares at $0.32 and another 1.3 million shares at $0.38 in June 2008. In addition, the Company closed a private placement qualified by supplement to a base shelf prospectus with Abraxis on September 3, 2008, raising $7.4 million through the issuance of 15.7 million shares at $0.47 per share. The cash flows from financing were reduced by the repayment of the long-term.

Cash flows used in investing activities amounted to $0.3 million compared with $1.3 million for 2007. The addition to capital assets of $0.7 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 2009, 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, 2008, 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	3,883	3,883	–	–	–
Operating leases and obligations	66	23	39	4	–
Total contractual obligations	3,949	3,906	39	4	–

Besides operating leases, the Company has no significant research and development obligations.

Related Party Transactions

On December 5, 2008, the Company entered into an agreement to provide a guarantee (the "Guarantee") in favour of Camofi Master LDC ("Camofi"), relating to an amended and restated loan agreement (the "Loan") that Camofi had provided to a company ("the borrower") wholly owned by a senior officer of the Company. The Loan was originally contracted in December 2007 for the purposes of purchasing shares of the Company.

The Guarantee provides that the Company must be prepared to fulfill the borrower's obligations with respect to the full payment of capital and interest for the Loan if the borrower is unable to do so. Any such payment shall be made within two days of receipt of notice of default from Camofi. Alternatively, the borrower can force Camofi to liquidate some or all of the shares of the Company that are held as collateral to cover the Loan. If called upon under the Guarantee, the Company may chose either to pay in cash or request that the borrower instruct Camofi to liquidate up to 2,300,000 shares of the Company to repay the Loan.

In conjunction with the above, the Company has entered into an agreement with the borrower providing that any payment made by the Company under the Guarantee immediately triggers an equivalent receivable from the borrower. This receivable bears interest at 10% per annum, is evidenced by a demand promissory note and, upon termination of the Loan and the pledge agreement, will be secured by 2,300,000 shares of the Company until all payments of principal and interests owed to the Company are made. This receivable will be recorded at fair value by the Company only when its collectability is reasonably assured.

The Company risks losing a maximum amount of $1,873 plus interest and penalties, without taking into consideration the net proceeds arising from the disposal of the 9,500,000 pledged shares of the Company. The Company has not required any consideration in exchange for this Guarantee. As at December 31, 2008, the Loan has an outstanding balance of $US 1,374,593 and is repayable in full by December 11, 2009. As at December 31, 2008, the Company has recognized an amount of $189 as a loss for amounts already disbursed to the borrower and in addition, estimated that there is a likelihood of having to make additional payments under the Guarantee which will amount to $951. As such, an amount of $951 has been accrued as at December 31, 2008, under accounts payable and accrued liabilities, and $1,140 has also been recorded as a loss.

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 disclosure of contingent assets and liabilities at the date of the financial statements, 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

Capital assets and licenses and patents subject to amortization are tested for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying amount of a long-lived asset is not recoverable when it exceeds the sum of the undiscounted cash flows expected from its use and eventual disposal. In such a case, an impairment loss must be recognized and is equivalent to the excess of the carrying amount of a long-lived asset over its fair value.

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 2008 and 2007, no development costs were deferred.

Stock-Based Compensation, Warrants, and Rights to Acquire Shares

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, 2008, the Company expensed $307,000 for stock-based compensation compared to $367,000 for the same period in 2007. Regarding issuance of warrants and rights to acquire shares, $2.3 million was accounted for in 2008, and nothing was accounted for in 2007.

Changes in Accounting Policies and Future Accounting Standards

Going Concern

On January 1, 2008, in accordance with the applicable transitional provisions, the Company applied the new recommendations of Section 1400, *General Standards of Financial Statement Presentation* of the Canadian Institute of Chartered Accountants' Handbook, dealing with the going concern assumption.

The new recommendations, which are effective for fiscal years beginning on or after January 1, 2008, require Management to 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. The new requirements only address disclosures and have no impact on the Company's financial results.

Capital Disclosures

On January 1, 2008, in accordance with the applicable transitional provisions, the Company applied the recommendations of Section 1535, *Capital Disclosures*, of the Canadian Institute of Chartered Accountants' Handbook.

This new section, effective for fiscal years beginning on or after October 1, 2007, established standards for disclosing information about the Company's capital and how it is managed. The new accounting standard only addresses disclosures and has no impact on the Company's financial results.

Inventories

On January 1, 2008, in accordance with the applicable transitional provisions, the Company applied the recommendations of new Section 3031, *Inventories*, of the Canadian Institute of Chartered Accountants' Handbook.

This new section, effective for fiscal years beginning on or after January 1, 2008, replaces Section 3030 of the same title. It provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value and deals with the cost formulas that are used to assign costs to inventories. The new standard also requires additional disclosure.

This change had no significant impact on the financial statements as at December 31, 2008, except for additional disclosures.

Financial Instruments – Disclosures and Presentation

On January 1, 2008, in accordance with the applicable transitional provisions, the Company applied the recommendations of Section 3862, *Financial Instruments – Disclosures* and Section 3863, *Financial Instruments – Presentation*, of the Canadian Institute of Chartered Accountants' Handbook.

Section 3862, *Financial Instruments – Disclosures*, describes the required disclosures related to the significance of financial instruments on the entity's financial position and performance and the nature and extent of risks arising for financial instruments to which the entity is exposed and how the entity manages those risks. Section 3863, *Financial Instruments – Presentation,* establishes standards for presentation of financial instruments and non-financial derivatives. These Sections complement the principles of recognition, measurement and presentation of financial instruments of Section 3855, *Financial Instruments – Recognition and Measurement* and Section 3865, *Hedges* and replace the presentation standards of Section 3861, *Financial Instruments – Disclosure and Presentation.*

Goodwill and Intangible Assets

In February 2008, the Canadian Institute of Chartered Accountants ("CICA") published new Section 3064, *Goodwill and Intangible Assets*, to replace Section 3062, *Goodwill and Other Intangible Assets*. Publication of this new section resulted in the withdrawal of Section 3450, *Research and Development Costs*, and consequential amendments to certain recommendations in the CICA Handbook.

The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit-oriented enterprises. This new section is effective for fiscal years beginning on or after October 1, 2008 and the Company will implement it as of January 1, 2009. The Company's Management is not able to assess the impact that the application of this new section will have on the financial statements.

Business Combination, Consolidated Financial Statements and Non-Controlling Interests

In January 2009, the CICA issued Section 1582 *Business Combinations*, Section 1601 *Consolidated Financial Statements* and Section 1602 *Non-Controlling Interests*, which supersede 1581 *Business Combinations* and Section 1600 *Consolidated Financial Statements*. The standards apply to annual and interim financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1582 establishes standards for the accounting for a business combination. It provides the Canadian GAAP equivalent to IFRS 3, *Business Combinations* (January 2008) and applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Section 1601, together with Section 1602, establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27, *Consolidated and Separate Financial Statements* (January 2008). Earlier application of the standards is permitted. If an entity applies the Sections before January 1, 2011, it shall disclose that fact and apply Sections 1582, 1601 and 1602 at the same time. The Company is currently evaluating the impact of adopting the standards as part of its IFRS conversion plan.

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board ("AcSB") announced that, as of January 1, 2011, publicly-accountable enterprises will have to adopt International Financial Reporting Standards ("IFRS"). Accordingly, the Company will adopt these new standards during its fiscal year beginning on January 1, 2011. The AcSB also stated that, during the transition period, enterprises will be required to provide comparative figures in accordance with the IFRS. The IFRS will require additional financial statement disclosure and, while the Company's conceptual framework is similar to GAAP, enterprises will have to take account of differences in accounting principles. The Company is currently assessing the impact of these new standards on its consolidated financial statements, however, at this time, it is not possible to reasonably determine the impact of this accounting change on the Company's financial reporting.

Other new standards have been published, but they should not have a significant impact on the Company's financial statements.

Capital Stock Information

Authorized Share Capital

The authorized share capital of the Company consists of an unlimited number of common shares, and an unlimited number of preferred shares issuable in series.

Issued and Outstanding Share Capital

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

Common Shares

As at December 31, 2008, the capital stock issued and outstanding consisted of 317,401,768 common shares (263,821,962 as at December 31, 2007).

As at March 25, 2009, the capital stock issued and outstanding consisted of 317,401,768 common shares.

Share Purchase Warrants and Rights to Acquire Shares

The following is a summary of the share purchase warrants and rights to acquire shares outstanding as at December 31, 2008:

Issue Date	Expiry Date	Number Outstanding	Exercise Price
December 2005	December 2010	19,612,618	US $0.30
January 2006	January 2011	2,999,394	US $0.30
December 2006	December 2009	1,686,187	$0.324
April 2008	April 2010	757,700	$0.44 and $0.48
September 2008	March 2012	14,495,452	$0.47

Stock Options

As at December 31, 2008, the Company has 7,956,417 stock options outstanding with exercise prices ranging from $0.31 to $3.00.

Risks and Uncertainties

Financing Risk

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.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer, partner or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents, short-term investments and receivables. The carrying amount of the financial assets represents the maximum credit exposure.

The financial instruments that potentially expose the Company to credit risk are primarily cash and trade accounts receivables, and the excess of interest in the joint venture PRDT over proportionate share in consolidated net asset.

The Company places its cash 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, while applying implemented investment guidelines in place.

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

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. To the extent that the Company does not believe it has sufficient liquidity to meet its current obligations, the Management considers securing additional funds through equity, debt or partnering transactions. The Company manages its liquidity risk by continuously monitoring forecasts and actual cash flows.

Accounts payable and accrued liabilities are due within the current operating period.

Market Risk

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

Interest Risk

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

Foreign Exchange Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in the United Kingdom and in the U.S. and portion of its expenses incurred and revenues generated are in US dollar and in Sterling Pound. Financial instruments potentially exposing the Company to foreign exchange risk consist principally of cash, receivables, accounts payable and accrued liabilities and long-term debt. The Company manages the foreign exchange risk by holding foreign currencies on hand to support foreign currencies forecasted cash outflows, and the majority of the Company's revenues are in US dollar and in Sterling Pound which mitigates the foreign exchange risk.

Equity Risk

The changes in the Company's equity price could impact its ability to raise additional capital.

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 31, 2008. 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.

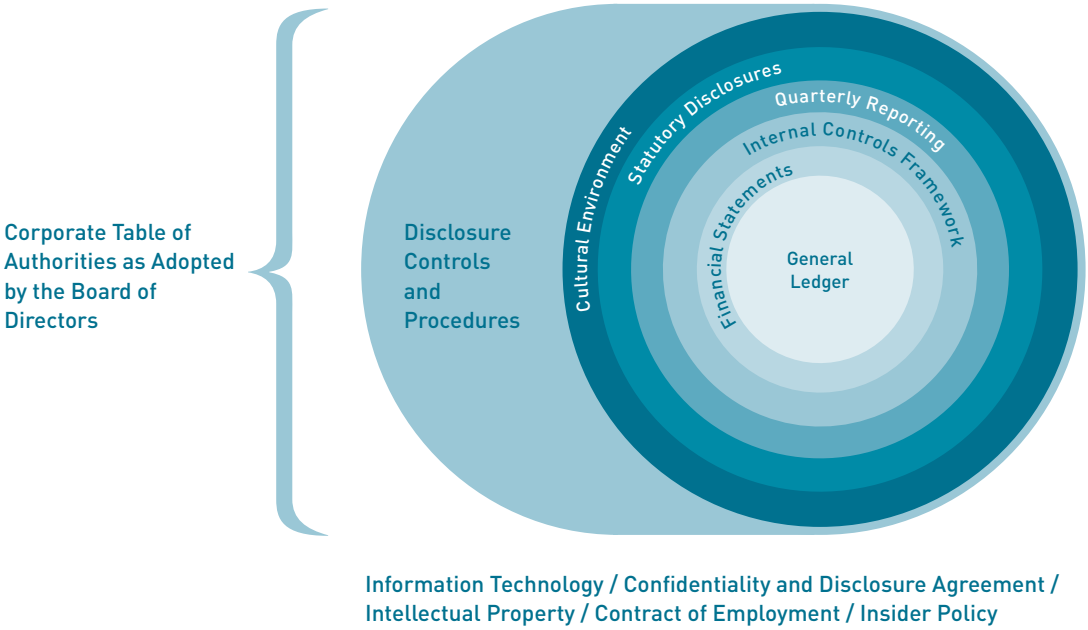
Disclosure Controls and Procedures

Based on an evaluation of the effectiveness of ProMetic's disclosure controls and procedures, the President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have concluded that disclosure controls and procedures were effective as of December 31, 2008, 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.

Further discussion is provided here as to how this conclusion was arrived at.

Controls Environment

Management believes that the controls environment in which ProMetic operates can be summarised diagrammatically as follows, demonstrating the various layers of control that surround the financial ledgers:



Within each of these layers, policies exist to provide:

- Reasonable assurance that:
  - Material information relating to ProMetic is made known to the CEO and CFO by others, particularly during the period in which the annual filings are being prepared;
  - Information required to be disclosed by ProMetic in its annual filings, interim filings or other reports filed or issued by ProMetic under securities legislation is recorded, processed, summarised and reported within the time periods specified in securities legislation;
- Reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

Approach Used to Assess the Effectiveness of Internal Controls at ProMetic

In order to assess the effectiveness of internal controls at ProMetic, Management has taken a top-down, risk-based approach as recommended by the Canadian Securities Administrators.

This involves three main stages:

1) Identifying and prioritising the key risk areas;
2) Identifying and evaluating the associated internal controls;
3) Classifying any deficiencies that may exist and putting procedures in place to remedy these weaknesses.

1) Identifying and prioritising the key risk areas

Based on an assessment of the business, Management considers the following to be the key risk areas for ProMetic:

- Revenue recognition;
- Cash and cash management;
- Intellectual Property;
- The current effectiveness of the Disclosure Committee;
- Payroll (based on relative size of the sums involved).

2) Identifying and evaluating the associated internal controls

For revenue recognition, the issue lies not with accounting for product sales, which is straight forward, but in ensuring revenues from complex contracts with multiple deliverables are accounted for in accordance with EIC-142. Comprehensive policy notes are prepared by the CFO with input from the legal and business development representatives responsible for the deal negotiations. These are then circulated to the Audit Committee and the auditors. Collective agreement is sought before applying the policy.

Cash and cash management is controlled tightly by the CFO in conjunction with the Finance Director in Canada and the Financial Controller in the UK. Daily cash flow forecast covering a three month cash horizon are updated three times each week and circulated to the CFO and once a week to the CEO. This level of visibility together with regular reconciliation of bank accounts provides tight control over cash.

The Intellectual Property Portfolio ("IP") is managed by the legal department at PLI. All expenditure on IP is made in compliance with the corporate authorisation policies. The Legal team, Group CEO and CEO of PBL carry out regular reviews of the IP portfolio.

The Disclosure Committee composition and remit complies with current best practice and has recently been updated by the Board of Directors. The Charter of the Disclosure Committee lays out its role and responsibilities.

Payroll operations are linked closely to the function of the Human Resources departments in Canada and the UK as well as the Compensation Committee where the payroll cost relates to senior management. These functions feed exceptions into the regular payroll process which, when combined by review and authorisation procedures implemented by finance personnel provides for a high level of control.

3) Classifying any deficiencies that may exist and putting procedures in place to remedy these weaknesses

Having reviewed and tested the controls framework around each of the key areas of risk identified and described above, management has concluded that no material weaknesses exist.

There are certain areas that have been identified where controls and operation of controls could be strengthened. Management will address these early in 2009.

Summary of Quarterly Results

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

	2008				2007			
	DECEMBER 31	SEPTEMBER 30	JUNE 30	MARCH 31	DECEMBER 31	SEPTEMBER 30	JUNE 30	MARCH 31
Revenues	**4.0**	**3.3**	**1.1**	**1.8**	1.7	0.7	3.0	3.0
Net loss	**5.2**	**3.6**	**5.6**	**5.8**	5.8	7.0	4.8	4.7
Net loss per share (basic and diluted)	**0.02**	**0.01**	**0.02**	**0.02**	0.02	0.03	0.02	0.02
Weighted average number of outstanding shares	**294**	**286**	**286**	**266**	260	239	235	235

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, 2008, and 2007.

(in thousands of Canadian dollars)

	2008	2007
Revenues	**3,981**	1,722
Operating expenses	**7,508**	6,909
Operating loss	**3,527**	5,187
Payable related to a lawsuit	**–**	196
(Gain) loss on asset disposal	**(1)**	85
Charges related to a guarantee	**1,140**	–
Net interest expenses	**506**	413
Net loss	**5,172**	5,881

Revenues for the fourth quarter of 2008 are $2.3 million higher than the same quarter in 2007. This increase in due to the new services agreement signed in 2008 with Kedrion and Abraxis and the selling of a significant quantity of affinity resins from the subsidiary in the UK.

Operating expenses are higher by $0.6 million in 2008. This combines increased cost of goods, consistent with the increased revenues. However, netted against this is an overall reduction in other expenses. The research and development expenses and administrative expenses decreased following the cost reduction plan followed thoroughly by Management during the current year. The loss on exchange rate increased due to the strengthening of the American dollar during the fourth quarter 2008. Finally, the amortization expenses decreased compared to last year because of a fully amortized license in 2007.

The net loss decreased significantly during the fourth quarter of 2008 mainly due to the increased gross profit resulting from increased sales. This reduction in net loss has been achieved despite the booking of an expense relating to a guarantee of $1,140.

Cash outflows from operating activities were $1.1 million compared to $5.6 million for the same period in 2007. This decrease is mainly attributed to the fourth quarter 2008 revenues and reduction costs measures.

Cash outflows from financing activities of $1.8 million were higher in the fourth quarter of 2008 compared to an inflow of $1.2 million in 2007. This decrease is mainly attributed to proceeds from shares issues in the fourth quarter of 2007 of $2.4 million.

Consolidated Financial Statements

of Prometic Life Sciences Inc.
Years ended December 31, 2008 and 2007

Management Report

The accompanying consolidated financial statements for ProMetic Life Sciences Inc. are Management's responsibility and have been approved by the ProMetic Life Sciences Inc. Board of Directors. These financial statements were prepared 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 of Directors. 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

Bruce Pritchard
Chief Financial Officer

Montreal, Canada
March 25, 2009

Auditor's Report

To the shareholders of ProMetic Life Sciences Inc.

We have audited the consolidated balance sheets of ProMetic Life Sciences Inc. as at December 31, 2008 and 2007 and the consolidated statements of operations and comprehensive loss, 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 misstatements. 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, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Raymond Chabot Grant Thornton LLP [1]

Montreal, March 25, 2009

[1] Chartered accountant auditor permit no. 22865

Consolidated Balance Sheets

(In thousands of Canadian dollars)
December 31,

	2008	2007
Assets		
Current assets		
Cash	**$ 917**	$ 2,163
Accounts receivable (note 4)	**4,414**	3,349
Inventories (note 5)	**2,567**	2,233
Prepaid expenses	**239**	578
	8,137	8,323
Investments (note 6)	**3,585**	2,682
Capital assets (note 7)	**2,403**	3,425
Licenses and patents (note 8)	**5,027**	4,957
	$ 19,152	$ 19,387
Liabilities		
Current liabilities		
Bank loan (note 9)	**$ 911**	$ 205
Accounts payable and accrued liabilities (note 10)	**7,112**	4,657
Payable related to a lawsuit	**-**	1,910
Deferred revenues	**1,419**	1,560
Current portion of long-term debt	**3,906**	3,358
	13,348	11,690
Long-term debt (note 11)	**43**	3,141
Preferred shares, retractable at the holder's option (note 6 b))	**4,348**	3,053
	17,739	17,884
Shareholders' equity		
Share capital (note 12)	**210,972**	192,225
Contributed surplus	**9,338**	6,753
Deficit	**(218,897)**	(197,475)
	1,413	1,503
	$ 19,152	$ 19,387

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

Consolidated Statements of Operations and Comprehensive Loss

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

	2008	2007
Revenues	**$ 10,154**	$ 8,436
Charges		
Costs of goods sold	**1,856**	2,201
Research and development expenses rechargeable	**1,001**	610
Research and development expenses	**15,812**	16,280
Administration and marketing expenses	**5,326**	6,606
Loss (Gain) on exchange rate	**1,146**	(798)
Amortization of capital assets	**1,058**	1,607
Amortization of license and patents	**425**	1,385
	26,624	27,892
Loss before the following items	**$ (16,470)**	$ (19,456)
Gain (loss) on disposal of capital asset	**355**	(85)
Charge related to a guarantee (note 13)	**(1,140)**	–
Interests and penalties related to a lawsuit	**(581)**	(326)
Net interest expenses	**(2,342)**	(2,475)
Net loss and comprehensive loss	**$ (20,178)**	$ (22,342)
Net loss per share (basic and diluted)	**(0.07)**	(0.09)
Weighted average number of outstanding shares (in thousands)	**293,715**	242,321

For supplemental operations information, see note 15

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,

	2008	2007
Deficit, beginning of the year	**$ 197,475**	$ 174,179
Net Loss	**20,178**	22,342
Share issue expenses	**1,243**	954
Deficit, end of year	**$ 218,897**	$ 197,475

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, 2008 and 2007

	Stock-based compensation	Warrants and rights to acquire shares	Other	Total contributed surplus
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
Stock-based compensation	**307**	**–**	**–**	**307**
Issuance of rights and warrants	**–**	**2,278**	**–**	**2,278**
Contributed surplus, as at December 31, 2008	**$ 1,064**	**$ 6,138**	**$ 2,136**	**$ 9,338**

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,

	2008	2007
Cash flows used in operating activities		
Net loss and comprehensive loss	**$ (20,178)**	$ (22,342)
Adjustments to reconcile net loss to cash flows used in operating activities		
Interests on long-term debt	**1,200**	1,215
Charges paid with shares	**1,492**	139
Stock-based compensation	**307**	367
Unrealized loss (gain) on exchange rate	**1,388**	(313)
(Gain) Loss on disposal of capital assets	**(355)**	85
Amortization of capital assets	**1,058**	1,607
Amortization of licenses and patents	**425**	1,385
	(14,663)	(17,857)
Change in working capital items (note 20)	**(443)**	(4,160)
	(15,106)	(22,017)
Cash flows from financing activities		
Proceeds from share issues and rights to acquire shares	**19,451**	9,037
Share issue expenses	**(1,150)**	(1,043)
Bank loan	**706**	650
Repayment of bank loan	**–**	(445)
Long-term debt	**–**	22
Repayment of long-term debt	**(3,794)**	(2,354)
	15,213	5,867
Cash flows used in investing activities		
Acquisition of an investment	**(3)**	(147)
Disposal of capital assets	**405**	–
Additions to capital assets	**(64)**	(622)
Additions to licenses and patents	**(701)**	(518)
	(363)	(1,287)
Net decrease in cash	**(256)**	(17,436)
Net effect of currency exchange rate on cash	**(990)**	(1,226)
Cash, beginning of year	**2,163**	20,825
Cash, end of year	**$ 917**	$ 2,163

For supplemental cash flow information, see note 20

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

Years ended December 31, 2008 and 2007
(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 in accordance with Canadian generally accepted accounting principles and on the basis of the going concern assumption 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, working capital deficiencies and has financed its activities through the issuance of shares, bank loans and long-term debt. The Company's ability to continue as a going concern is dependent on raising additional funds either from the issuance of shares or long-term debt and achieving profitable operations. Raising funds in the current economic environment is proving difficult and the cost of accessing capital has increased. The Company's Management has already negotiated a new $2.0 million loan and a repayable working capital grant of £300,000 (Note 24) and is currently in discussion with certain shareholders, financial institutions and other debt providers to obtain additional funds. The Company's ability to increase revenue or raise additional capital to generate sufficient cash flows to continue as a going concern is subject to significant risks, including those described above. 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

Going Concern

On January 1, 2008, in accordance with the applicable transitional provisions, the Company applied the new recommendations of Section 1400, *General Standards of Financial Statement Presentation* of the Canadian Institute of Chartered Accountants' Handbook, dealing with the going concern assumption.

The new recommendations, which are effective for fiscal years beginning on or after January 1, 2008, require management to 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. The new requirements only address disclosures and have no impact on the Company's financial results.

Capital disclosures

On January 1, 2008, in accordance with the applicable transitional provisions, the Company applied the recommendations of Section 1535, *Capital Disclosures*, of the *Canadian Institute of Chartered Accountants' Handbook*.

This new section, effective for fiscal years beginning on or after October 1, 2007, established standards for disclosing information about the Company's capital and how it is managed. The new accounting standard only addresses disclosures and has no impact on the Company's financial results. The additional disclosures required as a result of adopting this new section are presented in Note 14.

Years ended December 31, 2008 and 2007
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

Note 2. Changes in accounting policies (cont.)

Inventories

On January 1st, 2008, in accordance with the applicable transitional provisions, the Company applied the recommendations of new Section 3031, *Inventories*, of the *Canadian Institute of Chartered Accountants' Handbook*.

This new section, effective for fiscal years beginning on or after January 1, 2008, replaces Section 3030 of the same title. It provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value and deals with the cost formulas that are used to assign costs to inventories. The new standard also requires additional disclosure.

This change had no significant impact on the financial statements as at December 31, 2008, except for additional disclosures.

Financial Instruments – Disclosures and presentation

On January 1, 2008, in accordance with the applicable transitional provisions, the Company applied the recommendations of Section 3862, *Financial Instruments – Disclosures* and Section 3863, *Financial Instruments – Presentation*, of the *Canadian Institute of Chartered Accountants' Handbook*.

Section 3862, *Financial instruments – Disclosures*, describes the required disclosures related to the significance of financial instruments on the entity's financial position and performance and the nature and extent of risks arising for financial instruments to which the entity is exposed and how the entity manages those risks. Section 3863, *Financial instruments – Presentation*, establishes standards for presentation of financial instruments and non-financial derivatives. These Sections complement the principles of recognition, measurement and presentation of financial instruments of Section 3855, *Financial Instruments – Recognition and Measurement* and Section 3865, *Hedges* and replace the presentation standards of Section 3861, *Financial Instruments – Disclosure and Presentation*. The additional disclosures required as a result of adopting these new sections are presented in Note 18.

b) Future accounting standards

As at March 25, 2009, certain new primary sources of GAAP (standards) have been published but are not yet in effect. The Company has not early adopted any of these standards. The new standards, which could potentially impact the Company's financial statements, are detailed as follows:

Goodwill and intangible assets

In February 2008, the *Canadian Institute of Chartered Accountants* (CICA) published new Section 3064, *Goodwill and Intangible Assets*, to replace Section 3062, *Goodwill and Other Intangible Assets*. Publication of this new section resulted in the withdrawal of Section 3450, *Research and Development Costs*, and consequential amendments to certain recommendations in the CICA Handbook.

The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit-oriented enterprises. This new section is effective for fiscal years beginning on or after October 1, 2008 and the Company will implement it as of January 1, 2009. The Company's management is not able to assess the impact that the application of this new section will have on the financial statements.

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

In January 2009, the ClCA issued Section 1582 *Business Combinations*, Section 1601 *Consolidated Financial Statements* and Section 1602 *Non-Controlling Interests*, which supersede 1581 *Business Combinations* and Section 1600 *Consolidated Financial Statements*. The standards apply to annual and interim financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1582 establishes standards for the accounting for a business combination. It provides the Canadian GAAP equivalent to IFRS 3, *Business*

Note 2. Changes in accounting policies (cont.)

Combinations (January 2008) and applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Section 1601, together with Section 1602, establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27, *Consolidated and Separate Financial Statements* (January 2008). Earlier application of the standards is permitted. If an entity applies the Sections before January 1, 2011, it shall disclose that fact and apply Sections 1582, 1601 and 1602 at the same time. The Company is currently evaluating the impact of adopting the standards as part of its IFRS conversion plan.

International Financial Reporting Standards (IFRS)

In February 2008, the *Canadian Accounting Standards Board* (AcSB) announced that, as of January 1, 2011, publicly-accountable enterprises will have to adopt IFRS. Accordingly, the Company will adopt these new standards during its fiscal year beginning on January 1, 2011. The AcSB also stated that, during the transition period, enterprises will be required to provide comparative figures in accordance with the IFRS. The IFRS will require additional financial statement disclosure and, while the Company's conceptual framework is similar to Canadian generally accepted accounting principal, enterprises will have to take account of differences in accounting principles. The Company is currently assessing the impact of these new standards on its consolidated financial statements, however, at this time, it is not possible to reasonably determine the impact of this accounting change on the Company's financial reporting.

Other new standards have been published, but they should not have a significant impact on the Company's financial statements.

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 revenue recognition, the valuation and assessment of recoverability of the investments, licenses and patents, impairment of long-lived assets 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 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.

Years ended December 31, 2008 and 2007
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

Note 3. Significant accounting policies (cont.)

c) Financial instruments

The classification and measurement of the Company's financial instruments is as follows:

- Cash and cash subject to certain limitations are respectively classified and designated as held-for-trading financial assets. They are measured at fair value and changes in fair value are recognized in consolidated net earnings.
- 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.
- 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.
- 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.
- 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.
- Bank loan, accounts payable and accrued liabilities are classified as other financial liabilities. They are measured at amortized cost using the effective interest method.
- Long-term debt is classified as other financial liabilities. It is measured at amortized cost, using the effective interest method. Financing costs are applied against long-term debt.
- 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.

d) Inventories

Inventories of raw materials, work in progress and finished goods are valued at the lower of cost and net realizable value. Cost is determined on a first in, first out basis. The amount of inventories recognized as an expense is presented under costs of goods sold in the consolidated statement of operations and comprehensive loss.

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 of 5 and 12.5 years
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.

i) Impairment of long-lived assets

Capital assets and licenses and patents subject to amortization are tested for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying amount of a long-lived asset is not recoverable when it exceeds the sum of the undiscounted cash flows expected from its use and eventual disposal. In such a case, an impairment loss must be recognized and is equivalent to the excess of the carrying amount of a long-lived asset over its fair value.

j) Research and development

Research expenditures (net of related tax credits) are expensed as incurred and include a reasonable allocation of overhead expenses. Development expenditures (net of related tax credits) are deferred when they meet the criteria for capitalization in accordance with Canadian GAAP, and the future benefits could be regarded as being reasonably certain. Related tax credits are accounted for as a reduction to research and development expenditures on condition that the company is reasonably certain that these credits will materialize. During fiscal years ended December 31, 2008 and 2007, no development costs were deferred.

k) Revenue recognition

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

Revenues from combined elements as a single unit of accounting 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 when collection is reasonably assured.

Revenues from research and development services are recognized as the contracted services are performed and reasonable assurance of collection exists.

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

Revenue from product sales is recognized when there is persuasive evidence that an arrangement exists; products are shipped; the selling price is fixed or determinable and collection is reasonably assured. Amounts received in advance of meeting the revenue recognition criteria is recorded as deferred revenue on the consolidated balance sheet.

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Note 3. Significant accounting policies (cont.)

l) 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.

m) 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".

n) 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 employees and non-employees. The stock-based compensation is measured at the grant date based on the fair value of the award and is recognized over the related vesting period.

o) 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 potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to such shares at the later of the beginning of the year or the issuance date. The treasury stock method assumes that any proceeds that could be obtained upon the exercise of options, warrants and rights to acquire shares 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, warrants and rights to acquire shares described in Note 12.

p) Share issue expenses

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

Years ended December 31, 2008 and 2007
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

Note 4. ACCOUNTS RECEIVABLE

	2008	2007
Trade	**$ 2,759**	$ 1,715
Sales taxes receivable	**80**	162
Tax credits receivable	**1,415**	1,056
Advance to an officer, without interest	**12**	36
Other	**148**	380
	$ 4,414	$ 3,349

Note 5. INVENTORIES

	2008	2007
Raw materials	**$ 165**	$ 349
Work in progress and finished goods	**2,402**	1,884
	$ 2,567	$ 2,233

During the year, there was no write-down of inventories or reversal of provision previously recognized (nil in 2007).

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

Note 6. INVESTMENTS

	2008	2007
Cash subject to certain limitations	**$ 72**	$ 76
Guaranteed investment certificates, 1.85% and 2.25%, expiring in June 2009, pledged as security of letters of credit to suppliers expiring in September 2009 and October 2012	**360**	329
Convertible preferred shares of AM-Pharma Holding B.V.	**268**	358
Excess of interest in the joint venture Pathogen Removal and Diagnostic Technologies (PRDT) over proportionate share in consolidated net assets (a) and b))	**2,885**	1,920
	$ 3,585	$ 2,682

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 removal and diagnostic systems.

Under the terms of the joint venture agreement, ProMetic and the American Red Cross have contributed intellectual property and technology to develop Pathogen Removal and Diagnostics Systems. Up to April 30, 2008, both parties equally assumed the direct costs to the joint venture. Effective May 1, 2008, ProMetic assumed most of the expenses.

b) The PRDT joint venture has issued preferred shares in consideration of the proportionate share of each partner 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. 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.

The consolidated financial statements include the Company's proportionate share of the revenues, expenses, assets and liabilities of PRDT and of A-P (Note 8b) as follows:

	2008	2007
Current assets	**$ –**	$ 1
Long-term assets	**2,885**	1,920
Long-term liabilities	**4,348** [b]	3,057
Total revenues	**7**	24
Total expenses	**2,284**	4,618
Net loss	**2,277**	4,594
Cash flows from:		
Operations	**–**	$ (73)
Investing	**–**	9

Years ended December 31, 2008 and 2007
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

Note 7. CAPITAL ASSETS

	2008		2007	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Leasehold improvements	$ 3,338	$ 2,730	$ 3,346	$ 2,157
Equipment and tools	5,888	4,556	6,016	4,348
Office equipment and furniture	688	514	688	470
Computer equipment	1,214	925	1,156	806
	11,128	8,725	11,206	7,781
Accumulated amortization	8,725		7,781	
Net book value	$ 2,403		$ 3,425	

Deferred capital grants for a total of $ 26 in 2008 and of $191 in 2007 received from the Isle of Man government are credited to the cost of capital assets (see note 22).

Note 8. LICENSES AND PATENTS

	2008		2007	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Licenses	$ 4,456	$ 2,075	$ 7,268	$ 4,627
Patents	3,230	584	2,736	420
	7,686	2,659	10,004	5,047
Accumulated amortization	2,659		5,047	
Net book value	$ 5,027		$ 4,957	

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.

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.

In December 2008, a termination agreement of the joint venture was signed between ProMetic BioSciences Inc. and Arriva Pharmaceuticals, Inc. As a result of the agreement, the license was written-off. This write-off had no impact on the financial statement since the net value of the license was nil as at December 31, 2007.

Years ended December 31, 2008 and 2007
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Note 8. Licenses and patents (cont.)

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.

Note 9. BANK LOAN

	2008	2007
Bank loan for an authorized amount of $915 related to research and development tax credits, secured by a hypothec for that amount on all present and future research and development tax credits bearing interest at prime plus 2% (5.5% as at December 31, 2008; 8% as at December 31, 2007) and repayable upon receipt of tax credits.	**$ 911**	$ 205

Years ended December 31, 2008 and 2007
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Note 10.
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2008	2007
Accounts payables	**$ 3,160**	$ 2,823
Accruals related to a guarantee (note 13)	**951**	–
Other accruals	**3,001**	1,834
	$ 7,112	$ 4,657

Note 11.
LONG-TERM DEBT

	Current portion	2008	2007
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, 2008 and 2007), payable with monthly instalments of US$433,250 and US$28,730, maturing in August 2009. (a)	**$ 3,883**	**$ 3,883**	$ 6,462
Obligations under capital leases, 11.54% to 13.94% payable in monthly instalments of $0.3 to $0.5, maturing from June 2010 to August 2012.	**23**	**66**	37
	3,906	**3,949**	6,499
Current portion of long term debt		**3,906**	3,358
		$ 43	$ 3,141

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

Year ending December 31:	Total
2009	**$ 4,304**
2010	**24**
2011	**15**
2012	**5**

(a) The fair value of long-term debt, including the current portion thereof, is between US$3,293,000 and US$3,331,000. 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.

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Note 12.
SHARE CAPITAL

During the year, the Company modified its authorized share capital in changing the designation of the subordinate voting share into common shares. The multiple voting shares were also eliminated from the authorized share capital.

Authorized and without par value:

Unlimited number of common shares, participating, carrying one vote per share, entitled to dividends.

Unlimited number of preferred shares, no par value, issuable in one or more series.

1,050,000 preferred shares, series A, non-participating, non-voting, redeemable for cash or convertible into common shares, convertible at the option of the holder into common shares at $0.50 per share except for unpaid dividends, convertible at a rate equal to the trading average of the common shares on the Toronto Stock Exchange during the 20 business days prior to the conversion, cumulative preferential 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 common shares, convertible at the option of the holder into common shares at $0.60 per share except for unpaid dividends, convertible at a rate equal to the trading average of the common shares on the Toronto Stock Exchange during the 20 business days prior to the conversion, cumulative preferential cash dividend of 12% per year, calculated monthly and payable quarterly.

	2008		2007	
	Number	**Amount**	Number	Amount
Issued and fully paid				
Common shares	**317,401,768**	**$ 211,422**	263,821,962	$ 192,675
Share purchase loan to an officer, without interest and due no later than 2009		**(450)**		(450)
Balance at end of year		**$ 210,972**		$ 192,225

Years ended December 31, 2008 and 2007
(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 common shares were as follows:

	2008		2007	
	Number	Amount	Number	Amount
Balance at beginning of year	**263,821,962**	**$ 192,675**	234,670,814	$ 181,862
Shares issued pursuant to:				
Issuance	**53,579,806**	**18,747**	22,427,852	8,550
Equity draw down facility	**–**	**–**	610,968	350
Exercise of warrants	**–**	**–**	6,072,328	1,887
Exercise of options	**–**	**–**	40,000	26
Balance at end of year	**317,401,768**	**$ 211,422**	263,821,962	$ 192,675

In 2008, the issuance of shares resulted in a cash inflow of $17,255 and payments of $1,492 in professional services. During the year, the Company issued 15,677,021 common shares and 14,495,452 rights to acquire shares under a strategic investment agreement for a consideration of $7,368. An amount of $5,173 was recorded in the share capital based on the common shares quote on the issuance date. The residual amount of $2,195 was recorded in contributed surplus for rights to acquire shares issued.

In 2007, the issuance of shares resulted in a cash inflow of $8,409 (including $1,000 from a company owned by a director) and payments of $141 in professional services. The total of the equity draw down 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.

As at December 31, 2008, the following warrants and rights to acquire shares were outstanding:

Warrants and rights to acquire shares	Expiry date	Exercise price
1,686,187	December 2009	$0.324
757,500	April 2010	$0,44 and $0.48
19,612,618	December 2010	US $0.30
2,999,394	January 2011	US $0.30
14,495,452	March 2012	$0.47

The Company uses the Black-Scholes option valuation model to calculate the fair value of warrants. During the year, 757,500 warrants were issued having a fair value of $0.11 and expiring in April 2010. The warrants can be exercised at $0.44 per share for the period beginning Sept. 15, 2008 to April 8, 2009 and at $0.48 per share for the period beginning April 9, 2009 to April 8, 2010.

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Note 12. Share capital (cont.)

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 15,913,317 (6,000,000 in 2007) common 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.

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, 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
2008	Granted	**2,802,917**	0.39
	Exercised	**–**	–
	Forfeited	**(484,700)**	0.66
	Expired	**(263,000)**	1.56
Number of options as at December 31, 2008		**7,956,417**	$ 0.64

A compensation expense of $307 in 2008 and $367 in 2007 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, 2008:

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	4,750,467	3.82	0.38	1,574,920	0.38
0.50 - 0.64	1,113,750	3.63	0.58	467,250	0.54
1.00 - 1.50	1,712,500	1.39	1.07	1,712,500	1.07
1.60 - 2.00	255,500	0.24	1.99	247,000	2.00
2.70 - 3.00	124,200	0.49	2.70	99,360	2.70
	7,956,417			4,101,030	

As at December 31, 2007, 3,046,270 stock options were exercisable.

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Note 12. Share capital (cont.)

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

	Grant date	
	2008	2007
Lower than the market price	**–**	0.46
Equal to the market price	**–**	–
Higher than the market price	**0.39**	0.68

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

	Grant date	
	2008	2007
Lower than the market price	**–**	0.28
Equal to the market price	**–**	–
Higher than the market price	**0.21**	0.29

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:

	2008	2007
Risk-free interest rate	**3.44%**	4.02%
Dividend yield	**0%**	0%
Expected volatility of share price	**78.22%**	76.00%
Expected life	**5 years**	5 years

The estimated fair value of options granted during the year ended December 31, 2008 is $0.21. In 2007, it was $0.29.

d) Equity draw down facility

On December 7, 2007, the Company entered into a securities purchase agreement in respect of an equity draw down 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 common shares at a discount of 4 to 7 percent to market price based upon the weighted average price of the common 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.

The Company has drawn $350 in cash in 2007 under the equity draw down facility. There has been no draw down in 2008 under the equity draw down facility.

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Note 13.
RELATED PARTY TRANSACTION

On December 5, 2008, the Company entered into an agreement to provide a guarantee (the "Guarantee") in favour of Camofi Master LDC ("Camofi"), relating to an amended and restated loan agreement (the "Loan") that Camofi had provided to a company ("the borrower") wholly owned by a senior officer of the Company. The Loan was originally contracted in December 2007 for the purposes of purchasing shares of the Company.

The Guarantee provides that the Company must be prepared to fulfill the borrower's obligations with respect to the full payment of capital and interest for the Loan if the borrower is unable to do so. Any such payment shall be made within two days of receipt of notice of default from Camofi. Alternatively, the borrower can force Camofi to liquidate some or all of the shares of the Company that are held as collateral to cover the Loan. If called upon under the Guarantee, the Company may chose either to pay in cash or request that the borrower instruct Camofi to liquidate up to 2,300,000 shares of the Company to repay the Loan.

In conjunction with the above, the Company has entered into an agreement with the borrower providing that any payment made by the Company under the Guarantee immediately triggers an equivalent receivable from the borrower. This receivable bears interest at 10% per annum, is evidenced by a demand promissory note and, upon termination of the Loan and the pledge agreement, will be secured by 2,300,000 shares of the Company until all payments of principal and interests owed to the Company are made. This receivable will be recorded at fair value by the Company only when its collectability is reasonably assured.

The Company risks losing a maximum amount of $1,873 plus interest and penalties, without taking into consideration the net proceeds arising from the disposal of the 9,500,000 pledged shares of the Company. The Company has not required any consideration in exchange for this Guarantee. As at December 31, 2008, the Loan has an outstanding balance of $US 1,374,593 and is repayable in full by December 11, 2009. As at December 31, 2008, the Company has recognized an amount of $189 as a loss for amounts already disbursed to the borrower and in addition, estimated that there is a likelihood of having to make additional payments under the Guarantee which will amount to $951. As such, an amount of $951 has been accrued as at December 31, 2008, under accounts payable and accrued liabilities, and $1,140 has also been recorded as a loss.

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

Note 14.
CAPITAL DISCLOSURES

The Company's capital consists of cash, bank loan, long-term debt and shareholders' equity.

	2008	2007
Bank loan	**$ 911**	$ 205
Long-term debt	**3,949**	6,499
Equity	**1,413**	1,503
Cash	**(917)**	(2,163)
	$ 5,356	$ 6,044

The Company's objectives in managing capital is to ensure a sufficient liquidity position to finance its research and development activities, administration and marketing expenses, working capital and overall capital expenditures, including those associated with patents and trademarks. The Company makes every effort to manage its liquidity to minimize dilution to its shareholders, whenever possible. To meet the objectives in managing capital, the Company may attempt to issue new shares, to draw cash under the equity draw down facility or to seek additional debt financing. The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 2007.

Note 15.
INFORMATION INCLUDED IN THE CONSOLIDATED STATEMENTS OF OPERATIONS

	2008	2007
Gross research and development expenses	**$ 17,891**	$ 17,836
Research and development tax credits	**(1,078)**	(945)
Interest on long term debt	**2,204**	2,631
Interest on bank loan and other interest expenses	**160**	148
Interest on other financial liabilities	**2,364**	2,779
Interest income on financial assets held for trading	**(22)**	(304)

Years ended December 31, 2008 and 2007
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

Note 16. COMMITMENTS

The Company has total commitments of $7,867 under various operating leases for the rental of offices and laboratory space and office equipment. The minimum annual payments for the coming years are as follows:

2009	**$ 2,970**
2010	**2,387**
2011	**1,540**
2012	**970**
2013	**–**
	$ 7,867

Note 17. 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 $ 281 ($ 290 in 2007).

Years ended December 31, 2008 and 2007
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

Note 18.
FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

a) Financial instruments

The Company has classified its financial instruments as follows:

	2008	2007
Financial assets		
Held for trading		
Cash, measured at fair value	**$ 917**	$ 2,163
Cash subject to certain limitations, measured at fair value	**72**	76
	989	2,239
Loans and receivables		
Accounts receivable, recorded at amortized cost	**2,919**	2,131
Excess of the interest in the joint venture of Pathogen Removal and Diagnostic Technologies, measured at amortized cost	**2,885**	1,920
	5,804	4,051
Held to maturity		
Guaranteed investment certificates, recorded at amortized cost	**360**	329
Available-for-sale		
Convertible preferred shares of AM-Pharma, recorded at cost	**268**	358
Financial liabilities		
Other financial liabilities		
Bank loan, accounts payable and accrued liabilities, measured at amortized cost	**8,023**	4,862
Long-term debt, measured at amortized cost	**3,949**	6,499
Preferred shares retractable at the holder's option, measured at amortized cost	**4,348**	3,053
	16,320	14,414

Years ended December 31, 2008 and 2007
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

Note 18. Financial instruments and financial risk management (cont.)

b) Fair value

The carrying value of cash, 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.

The fair value of long-term debt is disclosed in Note 11.

c) Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk.

The Company's Board of Directors has the overall responsibility for the oversight of these risks and reviews the Company's policies on an ongoing basis to ensure that these risks are appropriately managed.

i) Credit risk

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

The financial instruments that potentially expose the Company to credit risk are primarily cash, trade accounts receivable and the excess of interest in the joint venture PRDT over proportionate share in consolidated net asset.

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

The Company places its cash 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 while applying implemented investment guidelines in place.

The reserve for doubtful accounts as at December 31, 2008 totals $620. As at December 31, 2007, it amounted to $294. The increase of the reserve for doubtful accounts of $326 is due to the allowance in 2008 for accounts receivable that are deemed to be uncollectible.

The Trade accounts receivable include amounts from four customers which represents approximately 78% (31%, 18%, 15% and 14% respectively) of the Company's total trade accounts receivable as at December 31, 2008 and three customers representing 65% (34% 14% and 17% respectively) of total trade receivable as at December 31, 2007.

The Company derives significant revenue from certain customers. In 2008, there were three customers who individually accounted for 16%, 15% and 11% of revenues respectively. In 2007, two customers represented 44% and 9% respectively.

Years ended December 31, 2008 and 2007
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

Note 18. Financial instruments and financial risk management (cont.)

ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. To the extent that the Company does not believe it has sufficient liquidity to meet its current obligations, the management considers securing additional funds through equity, debt or partnering transactions. The Company manages its liquidity risk by continuously monitoring forecasts and actual cash flows.

The cash flows payable in respect to the contractual terms of the financial liabilities at the balance sheet date are as follows:

As at December 31, 2008

	Less than 3 months	3 - 6 months	6 months to 1 year	More than 1 year	Total
Bank loan	**911**	**–**	**–**	**–**	**911**
Accounts payable and accrued liabilities	**6,568**	**408**	**136**	**–**	**7,112**
Long-term debt	**1,702**	**1,702**	**1,144**	**43**	**4,591**
Preferred shares, retractable at the holder's option	**4,348**	**–**	**–**	**–**	**4,348**
	13,529	**2,110**	**1,280**	**43**	**16,962**

This table only covers liabilities and obligations, and does not anticipate any of the income associated with assets or rights.

iii) Market risk

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

a) Interest risk

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

b) Foreign exchange risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in the United Kingdom and in the United States and portion of expenses incurred and revenues generated are in US dollar and in sterling pound. Financial instruments potentially exposing the Company to foreign exchange risk consist principally of cash, receivables, accounts payable and accrued liabilities and long-term debt. The Company manages the foreign exchange risk by holding foreign currencies on hand to support foreign currencies forecasted cash outflows and the majority of the Company's revenues are in US dollar and in sterling pound which mitigates the foreign exchange risk.

As at December 31, 2008, the Company is exposed to currency risk through the following assets and liabilities denominated respectively In US dollar and sterling pound.

Years ended December 31, 2008 and 2007
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

Note 18. Financial instruments and financial risk management (cont.)

In US dollar	2008	2007
Cash	**418,952**	798,255
Accounts receivable	**2,083,503**	–
Accounts payable and accrued liabilities	**(2,785,866)**	(1,655,318)
Long term debt	**(3,199,789)**	(6,561,003)
Net exposure	**(3,483,200)**	(7,418,066)

In sterling pound	2008	2007
Cash	**199,661**	202,178
Accounts receivable	**68,142**	203,098
Accounts payable and accrued liabilities	**(636,156)**	(597,953)
Net exposure	**(368,353)**	(192,677)

Based on the above net exposures as at December 31, 2008, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar would result in a decrease or an increase of the net loss of $348,320.

A 10% depreciation or appreciation of the sterling pound would not result in a material change to the Company's loss.

The Company has not hedged its exposure to currency fluctuations.

Note 19. INCOME TAXES

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

	2008	2007
Net loss	**$ (20,178)**	$ (22,342)
Basic income tax rate	**31%**	32%
Computed income tax provision	**(6,255)**	(7,149)
Decrease (increase) in income taxes resulting from:		
Unrecorded potential tax benefit arising from current period losses	**5,218**	6,057
Effect of tax rate differences in foreign subsidiaries	**(2,360)**	1,118
Non-taxable items	**3,397**	(26)
Change in tax rate	**–**	–
	$ –	**$ –**

Years ended December 31, 2008 and 2007
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

Note 19. Income taxes (cont.)

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

	2008	2007
Future income tax assets:		
Losses carried forward	**$ 19,496**	$ 15,293
Share issue expenses	**719**	731
Unused research and development expenses	**6,362**	6,133
Accounts payable and accrued liabilities	**51**	355
Licenses and patents	**194**	160
Deferred revenues	**227**	273
Interest expenses carry forward	**2,277**	594
Capital assets	**127**	161
	29,453	23,700
Less: valuation allowance	**(29,442)**	(23,644)
Net future income tax assets	**11**	56
Future income tax liabilities:		
Capital assets	**(11)**	(56)
Net future income tax assets	**$ –**	$ –

As at December 31, 2008, the Company had available the following deductions, losses and credits:

	Canada		Foreign
	Federal	Provincial	Countries
Research and development expenses, without time limit	$ 18,123	$ 30,616	$ –
Losses carried forward expiring in:			
2009	4,809	4,630	–
2010	5,170	4,577	–
2011	–	–	282
2014	2,363	1,969	–
2015	1,128	607	–
2017	–	–	1,222
2018	–	–	456
2020	–	–	14
2021	–	–	624
2023	–	–	986
2024	–	–	1,451
2025	–	–	982
2026	6,455	5,035	7,124
2027	7,256	6,476	6,832
2028	9,373	8,326	6,898
Share issue expenses	2,672	2,672	–
Interest deduction carryover	–	–	5,896
	39,226	34,292	32,767

As at December 31, 2008, the Company also had unused federal tax credit available to reduce future Canadian taxable income in the amount of $4,987 and expiring between 2010 and 2028. 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, 2008 and 2007
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

Note 20.
ADDITIONAL INFORMATION ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

	2008	2007
a) Change in working capital items		
Accounts receivable	**$ (1,065)**	$ (1,137)
Inventories	**(334)**	(205)
Prepaid expenses	**339**	13
Accounts payable and accrued liabilities	**2,668**	(1,209)
Payable related to a lawsuit	**(1,910)**	(1,174)
Deferred revenue	**(141)**	(448)
	$ (443)	$ (4,160)
b) Non-cash transactions		
Unpaid additions to capital assets and licenses and patents	**210**	429
Excess of the interest in the joint venture PRDT over the proportionate share in the consolidated net assets	**965**	337
Preferred shares retractable at the holder's option	**1,295**	137
Unpaid share issue expenses	**126**	116
Unpaid interest related to the long-term debt	**1,200**	1,215
c) Other cash flow information		
Interest paid	**2,785**	3,638
Interest earned	**32**	313

Years ended December 31, 2008 and 2007
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

Note 21.
SEGMENTED INFORMATION

The financial information is presented in two different operating segments.

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.

The accounting policies for the operating segments are the same as those outlined in the accounting policies note.

a) Revenues and expenses by operating segments

For the year ended December 31, 2008

	Therapeutics	Protein Technology	Corporate	Total
Revenues	38	10,116	–	10,154
Costs of good sold	–	1,856	–	1,856
Research and development expenses rechargeable	–	1,001	–	1,001
Research and development expenses	4,096	11,716	–	15,812
Administration and marketing expenses	–	507	4,819	5,326
Amortization of capital assets	173	828	57	1,058
Amortization of licenses and patents	126	299	–	425
Interest expenses including penalties related to lawsuit	85	17	2,845	2,947
Loss related to a guarantee	–	–	1,140	1,140
Interest revenues	(11)	(13)	–	(24)
Loss on exchange rate	–	–	1,146	1,146
Gain on disposal of capital assets	(355)	–	–	(355)
Net loss	4,076	6,095	10,007	20,178

Years ended December 31, 2008 and 2007
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

Note 21. Segmented information (cont.)

For the year ended December 31, 2007

	Therapeutics	Protein Technology	Corporate	Total
Revenues	5	8,431	–	8,436
Costs of good sold	–	2,201	–	2,201
Research and development expenses rechargeable	–	610	–	610
Research and development expenses	4,857	11,424	–	16,280
Administration and marketing expenses	–	737	5,869	6,606
Amortization of capital assets	231	1,312	64	1,607
Amortization of licenses and patents	1,000	385	–	1,385
Interest expenses including penalties related to lawsuit	27	25	3,051	3,103
Interest revenues	(16)	(31)	(255)	(302)
Gain on exchange rate	–	–	(798)	(798)
Loss on disposal of capital assets	85	–	–	85
Net loss	6,179	8,232	7,931	22,342

b) Revenues by geographic segment [1]

	2008	2007
United States	**6,407**	1,239
Italy	**1,047**	269
Austria	**1,034**	4,492
Brazil	**556**	465
France	**338**	92
Canada	**160**	100
Denmark	**138**	128
Switzerland	**129**	–
United Kingdom	**121**	752
Germany	**73**	477
South Korea	**59**	–
India	**48**	26
Taiwan	**36**	–
Sweden	**–**	275
Netherlands	**–**	113
Other countries	**8**	8
	$ 10,154	$ 8,436

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

Years ended December 31, 2008 and 2007
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

Note 21. Segmented information (cont.)

c) Assets by operating segments

	2008	2007
Therapeutics	**$ 4,268**	$ 4,077
Protein Technology	**11,043**	10,902
Corporate	**3,841**	4,408
	$ 19,152	$ 19,387

d) Assets by geographic segment

	2008	2007
Canada	**$ 9,453**	$ 9,673
United States	**1,567**	2,577
United Kingdom	**8,132**	7,137
	$ 19,152	$ 19,387

e) Capital assets and licenses and patents by operating segments

	2008	2007
Therapeutics	**$ 2,469**	$ 2,475
Protein Technology	**4,814**	5,724
Corporate	**147**	183
	$ 7,430	$ 8,382

f) Capital assets and licenses and patents by geographic segment

	2008	2007
Canada	**$ 2,806**	$ 2,894
United States	**1,140**	1,229
United Kingdom	**3,483**	4,259
	$ 7,430	$ 8,382

g) Acquisition of capital assets and licenses and patents by operating segments

	2008	2007
Therapeutics	**$ 347**	$ 865
Protein Technology	**266**	699
Corporate	**22**	49
	$ 635	$ 1,613

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

	2008	2007
Canada	**$ 369**	$ 918
United States	**20**	169
United Kingdom	**246**	526
	$ 635	$ 1,613

Years ended December 31, 2008 and 2007
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

Note 22.
GOVERNMENT GRANTS

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

For grants received in 2005 and 2006, $1,073 and $80 respectively, the Isle of Man government reserves the right to reclaim in part or all of the grants should the Company leave the Isle of Man according to the following schedule – 100% repayment within 5 years of receipt, then a sliding scale after that for the next 5 years – 6 years 80%, 7 years 60%, 8 years 40%, 9 years 20%, 10 years 0%.

The terms for the grants received amounted to $26 in 2008 and $191 in 2007. 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 23.
CONTINGENCIES

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

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

Also, during the year, a claim in the amount of $223 has been filed against PLI as a result of unpaid services. After obtaining representation from their legal advisers, management is not in a position to estimate either the gain or the loss resulting from this action. Therefore, no provision 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.

Years ended December 31, 2008 and 2007
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

Note 24.
POST BALANCE SHEET EVENTS

On March 23, 2009, ProMetic entered into a loan agreement with Marigest Inc which provided for $2.0 million of debt finance, bearing interest at a rate ranging from 12% to 15% per annum. The debt shall be secured by a movable hypothec on the universality of ProMetic's tangible and intangible assets.The loan is repayable on March 23, 2010 or on such other date, as may be mutually agreed upon by the parties. In addition, the agreement provides that a further $3.0 million of debt can be called by ProMetic from the lender should certain trigger points, related to the stock price of ProMetic, be achieved.

Furthermore, on March 10, 2009, the UK subsidiary, ProMetic Biosciences Limited, secured a £300,000 repayable working capital grant from the Isle of Man Department of Trade & industry. This grant is repayable without interest.

Note 25.
COMPARATIVE FIGURES

Certain 2007 comparative figures have been reclassified to conform to the financial statement presentation adopted for 2008.

Board of Directors

G.F. Kym Anthony
Deputy Chairman
Research Capital Corporation
Chair
DFG Investment Advisers

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

Roger Garon[1] [2]
Chairman of the Board
Multivet International Inc.

Barry H. Gibson
Owner
Aroma-Tec Industries 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.

Bruce Wendel
Executive Vice-President,
Corporate Operations and Development
Abraxis BioScience, LLC

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

Positions – Committees:

(1) Audit Committee:
Robert Lacroix (Chairman)
Roger Garon
Benjamin Wygodny

(2) Compensation Committee:
Benjamin Wygodny (Chairman)
Roger Garon

(3) Corporate Governance Committee:
Robert Lacroix (Chairman)
John Bienenstock
Benjamin Wygodny

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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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, 2008: 317,401,768

Annual Information Form

The 2008 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.

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