ProMetic

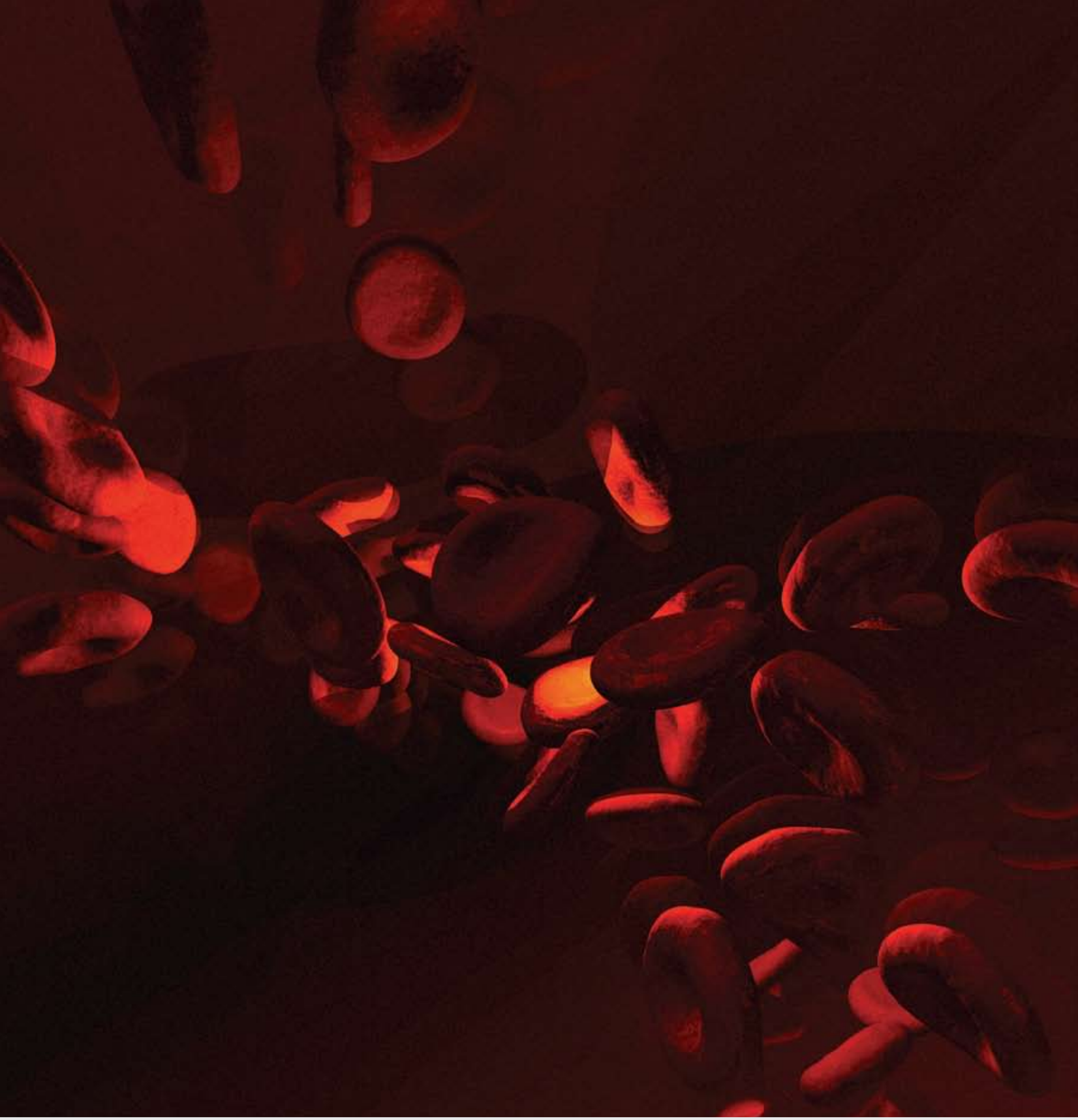
Life Sciences Inc.
2009 Annual Report

Pathogen Removal
from Blood

Extraction & Recovery
of Plasma-derived
Therapeutic Proteins

Therapeutics to Treat
Anemia & Other Diseases

Therapeutics
to Treat Rare Bleeding
Disorders



Front Cover Illustration

These stylized red blood cells in a DNA configuration represent the Company's diverse activities related to blood as well as ProMetic's fundamental business strategy – that first-in-class therapeutics for unmet medical needs and best-in-class medications that offer superior treatment options for patients will continue to be key value drivers for the Company.

SIGNIFICANT EVENTS

2009 AND SUBSEQUENT TO YEAR END

ProMetic collaboration with **HemCon Medical Technologies, Inc.** moved to a second phase following successful completion of the first phase of the development of a single-use antibody capture device for the removal of isoagglutinin antibodies from human plasma.

ProMetic finalized an equity investment of **$3 M US** and a five year loan of **$10 M US** with **Abraxis BioScience, Inc.**

Novozymes and **ProMetic** entered into a strategic alliance regarding proprietary albumin purification technology based upon a synthetic-ligand affinity adsorbent developed by **ProMetic's** UK subsidiary, **ProMetic BioSciences Ltd.** The new synthetic-ligand affinity adsorbent, **AlbuPure®**, will be co-marketed by both companies.

ProMetic entered into a collaboration agreement with **Abraxis BioScience, Inc.** to develop and commercialize various applications deriving from **ProMetic's** prion capture technology platform.

FDA guidance and recommendations corroborated **ProMetic's** strategy for the development of **PBI-1402** and its analogues for the treatment of anemia in cancer patients and in patients with chronic kidney disease.

ProMetic entered into an agreement with a multinational company to develop a **Mimetic Ligand™** affinity adsorbent to improve the manufacturing process for a second-generation biopharmaceutical targeting **$1B** market.

SaBTO, an independent Committee that advises the United-Kingdom's Department of Health, recommended the adoption of the **P-Capt®** prion reduction filter to protect children born after January 1, 1996, from vCJD blood transmission.

Halozyme Therapeutics, Inc. and **ProMetic** have entered into a long-term (5-year) supply agreement for a synthetic ligand affinity adsorbent used in the manufacture of **rHuPH20**.

ProMetic obtained a controlling stake in **Pathogen Removal and Diagnostic Technologies Inc.**

Octapharma AG provided a **$4.5 M** advance to **ProMetic** on a long-term prion capture resin supply agreement signed in December 2008.

ProMetic signed a long-term (5-year) supply agreement with a major global pharmaceutical company for a **Mimetic Ligand™** affinity adsorbent and received a **$8.9 M** initial sales order.

SaBTO published recommendations for use of commercially available pooled Fresh Frozen Plasma that is pathogen-inactivated to further reduce the risk of vCJD transmission, having a direct and positive impact to **ProMetic** and **Octapharma AG. OctaplasLG®**, a pooled virally-inactivated and prion-reduced plasma product meets the required specifications recommended by **SaBTO**.

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A VISION THAT LEVERAGES OUR CORE TECHNOLOGIES

	Core Technologies	Potential Value	Cross Section of Partnerships / Clients
In-house therapeutics	In-house development of novel therapeutics – orally-active small molecules, targeting validated receptors	$$$$$	PBI-1402 PBI-4050 PBI-4494 PBI-1737 PBI-1308
Plasma derived therapeutics / industrial pathogen reduction	Plasma Protein Recovery and Purification System (“PPPS™”) & prion capture technologies used at industrial scale	$$$	Abraxis BioScience, Inc. Octapharma AG WIBP/Sinopharm Kedrion S.p.A.
Medical devices / pathogen reduction	Medical devices to improve safety of blood derived products (e.g. prion reduced red blood cell concentrates, universal plasma)	$$	MacoPharma SA (P-Capt®) HemCon Medical Technologies, Inc.
Bioseparations	Affinity adsorbents for the production / purification of biopharmaceuticals	$	Novozymes Halozyme Therapeutics, Inc. GlaxoSmithKline Inc. Abbott Laboratories Zymogenetics, Inc.

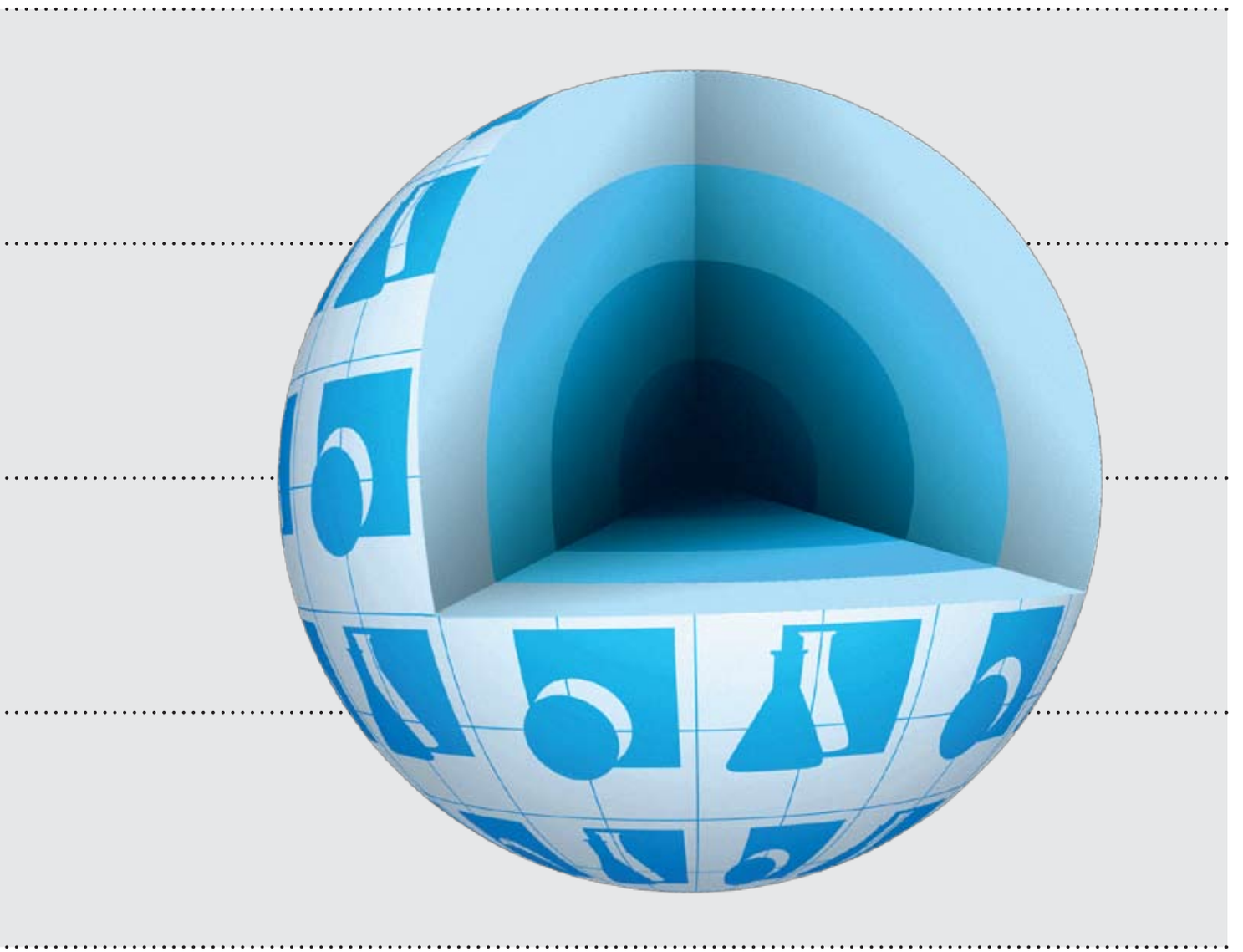
OUR VISION

The long range mission for ProMetic is to evolve from being a platform technology enabler / service provider to becoming a product company.

The illustration covering these two pages summarizes how our core competencies in the field of bioseparations have given birth to technologies which have already delivered, and will continue to deliver commercial applications leading to increased value for our shareholders.

The first segment at the core of the business represents the use of our Mimetic Ligand™ technology immobilized on base matrix and used to isolate / purify therapeutic proteins in the manufacturing of biopharmaceuticals. This is the most mature of ProMetic’s commercial applications and enables several pharmaceutical and biotech companies’ products to meet their regulatory and commercial milestones.

The next level of commercial applications, driven by this core technology, was initiated through ProMetic’s first partnership with the American Red Cross. At that time ProMetic began co-investing alongside partners to co-develop high value products. The first



tangible examples of success from this business include the P-Capt® filter, the first medical device developed to capture prions from red blood cells. ProMetic is now majority shareholder of this venture. The development of further device applications in this category has already begun with HemCon Medical Technologies, Inc.

The third level represents product opportunities, potentially worth even more than the previous level. Through a second partnership, ProMetic and the American Red Cross developed an optimal manufacturing platform, the Plasma Protein Recovery and Purification System ("PPPS™"), aimed at recovering valuable therapeutic proteins from plasma, with significantly improved levels of both yield and purity. When combined with ProMetic's technology platform for the capture of prions and other pathogens at industrial manufacturing scale, the Company, along with its partners, can bring to market best-in-class products with improved safety profiles that offer distinct competitive advantages over existing products.

Finally, in the outermost layer our Mimetic Ligands™, arising from the same core business, can be used to modify therapeutics into orally-active, synthetic drugs. Ligands are chemical molecules designed to fit selectively into a receptor to block or to stimulate the receptor, thereby inducing a biologic response. A series of promising drug candidates have been developed by ProMetic's Therapeutic Unit based on the chemical ligand structures originating from the Cambridge database.

MESSAGE TO SHAREHOLDERS

2009 will be remembered as another year that challenged the survival of many biotechnology companies. Financial support for the industry was, in most cases, significantly reduced or non-existent as this sector had yet to recover from the world-wide recession. In spite of the uncertainties caused by this environment, ProMetic remained focused on the necessary steps to get through this storm and continue to advance its key value drivers.

ProMetic was able to leverage its operating activities to gain access to liquidity from non-traditional sources – revenue prepayment on existing long-term supply contracts against future sales, working grants with government bodies such as the Isle of Man's Department of Trade, debt through existing shareholders and long-term debt with its partner Abraxis BioScience, Inc. ("Abraxis"). Every effort was taken to negotiate favourable terms for this liquidity, terms presently unseen in the industry, in order to minimize the impact, as much as possible, on our shareholders' equity position.

The $18 M of cash injected in ProMetic by Abraxis and Octapharma AG, both determined to advance commercial applications derived from our proven prion capture platform, should signal to shareholders that this business segment represents significant value far exceeding revenue anticipated just from P-Capt® sales.

Prion depletion and detection is a definite value driver for the Company. In October 2009, ProMetic annouced that it had positioned itself to fully benefit from the growth related to this business segment when it became majority shareholder of Pathogen Removal and Diagnostic Technologies Inc. ("PRDT"), acquiring the American Red Cross' common shares in a cashless transaction.

In two separate recommendations during the course of 2009, the United-Kingdom's Advisory Committee on the Safety of Blood, Tissues and Organs ("SaBTO"), an independent Committee that advises the United-Kingdom's Department of Health, confirmed the risk of transmissible spongiform encephalopathy through blood-derived products still prevailed and that ProMetic's prion capture technology was safe and effective.

In November, SaBTO recommended that the P-Capt® prion reduction filter be used to pre-treat red blood cell transfusions for children born after January 1, 1996. ProMetic, along with MacoPharma SA, its commercialization partner for the P-Capt® filter, is closely monitoring the progress of this recommendation through all relevant channels. Earlier in July, SaBTO had recommended to further reduce the risk of

variant Creutzfeldt-Jakob disease ("vCJD") transmission through plasma transfusion. SaBTO indicated that the use of UK-derived fresh frozen plasma ("FFP") should be ceased and replaced by imported FFP or by commercially available pooled FFP that is virally-inactivated and prion-reduced such as OctaplasLG®. OctaplasLG® is now approved for sale in Germany and is undergoing regulatory approval for use in various other countries including the United-Kingdom.

What has followed on these SaBTO recommendations is a growing level of awareness at the highest levels of government concerning the safety of the United-Kingdom's blood supply and the recognition for the necessity to ensure its safety.

With all of these positive developments in 2009 and the recent strategic agreement with Abraxis to commercialize applications from ProMetic's prion reduction technology, shareholders can look at this business segment to provide significant and sustainable value.

Throughout 2009, our Therapeutics Unit continued to make significant progress on several fronts with PBI-1402 and its analogues. During the Annual Meeting of the American Society of Nephrology in October, ProMetic's scientists presented additional data that further supported how PBI-1402 was exerting its protective effect on the kidneys and on other key organs. In December 2009, ProMetic met with the U.S. Food and Drug Administration's ("FDA") Division of Medical Imaging and Hematology Products to discuss the regulatory pathway for the development of PBI-1402. ProMetic was very pleased to report a positive outcome of this meeting. The FDA acknowledged that PBI-1402 was a novel, first-in-class drug that differs, via its mechanism of action, from existing medications approved for the treatment of anemia, such as the marketed erythropoiesis-stimulating agents ("ESAs").

PBI-1402 is much more than a compound just for the treatment of anemia. The combination of new data and the outcome of the meeting with the FDA represented the achievement of a key milestone, for ProMetic could now pursue initial regulatory approval in several different medical indications in addition to anemia. While data generated to date supports a unique safety profile overcoming concerns about ESAs, it also suggests that PBI-1402 could also be used to treat underlying medical conditions. For instance, PBI-1402's anti-fibrotic activity could slow down the progression of chronic kidney disease ("CKD") and several other types of fibrotic diseases.

In other words, ProMetic and its potential partners can now consider multiple and clear regulatory pathways for the development of PBI-1402 and its analogues. This is quite significant in that the treatment of anemia with ESAs is still under intense scrutiny by the FDA. As recently as January 2010, the FDA published a second article in the New England Journal of Medicine (January 6, 2010) titled "Erythropoiesis-Stimulating Agents – Time for a Reevaluation" that now impacts patients suffering from CKD. In this article, the FDA announced that it would review the safety of the ESAs, after another clinical trial suggested that high doses of one of the drugs might cause strokes. The trial raised major concerns regarding the use of ESAs to increase hemoglobin concentrations in patients with CKDs above a level intended solely to avert the need for blood transfusions.[1] This is in addition to the label warnings that were issued in 2008 and 2009 by the FDA to restrict the use of ESAs in patients suffering from cancer.

ProMetic's fundamental business strategy is based on the fact that first-in-class therapeutics for unmet medical needs such as PBI-1402 and its analogues, or best-in-class medications or products such as OctaplasLG® whose manufacturing process incorporates ProMetic's technologies, offer superior treatment options for patients and will continue to be key value drivers for the Company.

We are confident that this sound, long-term business strategy combined with our internal revenue-generating activities and cost surveillance measures ensure that we are well positioned to deliver on our objectives, ultimately leading to financial stability, growth, and significantly increased shareholder value.

Even though ProMetic has recorded its best financial performance to date, we have not yet been able to fully deliver on our corporate strategy, due in most instances to the fact that the same economic constraints that affected the Company also affected our clients. Nevertheless, ProMetic was successful in attracting new business for our Protein Technologies Unit through agreements and partnerships with companies such as Abraxis BioScience, Inc., HemCon Medical Technologies, Inc., Octapharma AG, Halozyme Therapeutics, Inc., and other large biopharmaceutical companies.

Past investments in our core technologies and core competencies have allowed ProMetic to weather this financial storm, to build a strong portfolio of licensees and partners contributing to our revenue growth, and to advance key value drivers to a strategic point where they can deliver significant value to our shareholders.

Finally, ProMetic's success can only be measured through the hard work of all of its employees, directors and collaborators, and through the support and confidence of our shareholders. Through the collective efforts of all, we have managed to stay the course in 2009. I look forward to reporting on our developments as we progress throughout 2010, which already promises to be another pivotal year.

Pierre Laurin
President and Chief Executive Officer

1. NEJM (10.1056/NEJMp0912328) January 6th, 2010 — Erythropoiesis-Stimulating Agents — Time for a Reevaluation

MANAGEMENT TEAM

From left to right: Bruce Pritchard, Patrick Sartore, Pierre Laurin

Pierre Laurin

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

Patrick Sartore

Senior Legal Counsel
and Corporate Secretary
ProMetic Life Sciences Inc.

Bruce Pritchard

Chief Financial Officer
ProMetic Life Sciences Inc.

From left to right: Steven J. Burton, Christopher L. Penney, Tom Chen, Timothy Hayes

Steven J. Burton

Chief Executive Officer
ProMetic BioSciences Ltd

Tom Chen

Vice-President, Process Development
ProMetic BioTherapeutics, Inc.

Christopher L. Penney

Chief Scientific Officer, Therapeutics
ProMetic BioSciences Inc.

Timothy Hayes

Vice-President, Analytical Chemistry,
Quality and Regulatory Affairs
ProMetic BioTherapeutics, Inc.

PROTEIN TECHNOLOGIES

Pathogen reduction technologies to safeguard human blood and blood products

Technologies for the manufacture of protein-based therapeutics

Proprietary platform revolutionizing the plasma fractionation industry

"ProMetic's affinity adsorbent technology can be applied to the purification of almost any high-value target protein."

– Mark Jackson
Commercial Director – Europe

Pathogen reduction technologies to safeguard human blood and blood products

2009 proved to be a pivotal year for ProMetic regarding its pathogen reduction technologies.

ProMetic became majority shareholder of Pathogen Removal and Diagnostic Technologies Inc. ("PRDT") in 2009 through the acquisition of the American Red Cross' ("ARC") 51% interest in the common stock of PRDT. ProMetic's current ownership is now at 77% of the common shares. The remaining 23% of common stock in PRDT will continue to be held by the academic co-founders and ARC will continue to be represented on PRDT's Board of Directors.

In July 2009, recommendations made by the United Kingdom's ("UK") Advisory Committee on the Safety of Blood, Tissue and Organs ("SaBTO") stated that the use of UK-derived fresh frozen plasma ("FFP") should cease and be replaced by imported FFP for all recipients. This recommendation also advocates the use of commercially available pooled FFP that is pathogen-inactivated to further reduce the risk of variant Creutzfeldt-Jakob disease ("vCJD") transmission. This announcement is of direct and positive impact to ProMetic and Octapharma AG ("Octapharma").

ProMetic collaborated with Octapharma on OctaplasLG®, a pooled virally-inactivated and prion-reduced plasma product. In addition, OctaplasLG® is the only prion-reduced human plasma to meet the required specifications recommended by SaBTO, i.e., >5 logs of prion safety compared to UK-sourced FFP. OctaplasLG® has received regulatory approval in Germany and is presently undergoing regulatory approval for use in various countries. SaBTO's recommendations may very well open up the market for OctaplasLG® in the UK.

That prion-reduced products have the potential to take market share bodes well for ProMetic and is a strong indicator of the true value of PRDT's prion-reduction technologies.

Later in the year, SaBTO issued recommendations for the adoption of the P-Capt® prion reduction filter to pre-treat red blood cells ("RBCs") destined for children born after January 1, 1996. The filter, which 'cleans' blood prior to use, removes the prion responsible for vCJD. The Committee also indicated that the requirement for prion filtration should be reviewed in the event that further data on vCJD prevalence or filter efficacy becomes available.

The P-Capt® filter is the only approved product proven to be effective for the removal of endogenous blood-borne prion infectivity from RBCs prior to transfusion. RBCs are passed through the filter under gravity and a highly specific affinity adsorbent material captures and removes any vCJD prion protein.

P-Capt® is a single-use sterile device which was awarded CE mark approval in September 2006 and has been available commercially since this time for RBC filtration. P-Capt® has been evaluated extensively by the UK Blood Services (including the National Blood Service, the Welsh Blood Service, and the Scottish National Blood Transfusion Service and the Northern Ireland National Blood Service), the Irish Blood Transfusion Service and the Health Protection Agency since production of the first batches in 2006 and to date has achieved all of the required performance and safety requirements and met all bench marks.

The prion binding material used in the filter was developed by PRDT, a commercial joint venture between ProMetic, ARC and leading U.S. academics. The P-Capt® filter incorporating the prion-specific affinity resin supplied by ProMetic to MacoPharma SA ("MacoPharma") is manufactured under licence by MacoPharma. ProMetic's affinity resins have also been applied successfully to the removal of prions from other blood-derived products such as virally inactivated plasma.

Furthermore, advancements continue with this prion reduction technology unit through a partnering with Abraxis BioScience, Inc. ("Abraxis") in early 2010 to develop and commercialize various applications deriving from ProMetic's prion capture technology platform. Due to the changing landscape surrounding prion transmission and the worldwide mounting interest in improving the safety profile of blood-derived therapeutics, both companies believe that this arrangement will allow them to more fully exploit ProMetic's validated prion capture technology platform.

"ProMetic's technology allows our clients to very significantly reduce purification costs."

– Cory Pigeon
Commercial Director – North America

Technologies for the manufacture of protein-based therapeutics

The growing industry for the manufacture of protein-based therapeutics allows for an increasing number of opportunities for ProMetic's protein technologies. Presently, several products or medical devices, including or manufactured using ProMetic's affinity materials, have been approved for sale by the Food and Drug Administration ("FDA") or the European Medicines Agency ("EMEA").

The chemical diversity of ProMetic's Chemical Combinatorial Library CCL® enables the selection of ligands for the purification of almost any high-value target protein as well as the capture of multiple proteins directly from the source biological material all the while achieving greater yields and high levels of purity.

Over the years, ProMetic has leveraged the value of these important protein technologies and the result can be seen through agreements such as the ones with Hemcon Medical Technologies, Inc. ("HemCon") signed in March 2009 for the development and validation of a sterile, single-use antibody capture device for the removal of isoagglutinin antibodies, and in November 2009 with Halozyme Therapeutics, Inc. ("Halozyme") to supply a synthetic ligand affinity adsorbent for use in the manufacture of its rHuPH20 product, a recombinant version of human hyaluronidase enzyme.

Late in 2009, research and development activities were initiated with a multinational company to develop a Mimetic Ligand™ affinity adsorbent to improve the manufacturing process for a second-generation biopharmaceutical targeting a market of $1B.

Another important long-term supply agreement was signed with a major global pharmaceutical company securing an initial order of $8.9 M for the supply of a Mimetic Ligand™ product. Product deliveries should be completed by the first half of 2010.

Moreover, many other companies rely on ProMetic's technologies to develop and manufacture their products. Revenues to ProMetic from these sources will increase as these products make their way through their respective regulatory processes, driving a growing demand for the Company's products and technologies. ProMetic is well positioned to meet this demand, by virtue of the past investments made in our production facilities. This evolution represents, and is anticipated to increasingly represent, important growth and an established expanding revenue stream for ProMetic.

Proprietary platform revolutionizing the plasma fractionation industry

ProMetic's Plasma Protein Purification System ("PPPS™") is a multi-step process that employs powerful affinity separation materials to extract and purify proteins from plasma at high yields. The PPPS™ platform replaces the decades-old Cohn system which uses precipitation to produce fractions enriched in certain proteins.

ProMetic is using the PPPS™ platform not only to generate licencing sales, but to acquire rights to high-value therapeutic products.

The transaction with the Italian-based Kedrion S.p.A., a leading biopharmaceutical company specialized in plasma-derived products, exemplifies the model.

As well, ProMetic's strategic alliance with Abraxis for the development and commercialization of biopharmaceutical products targeting underserved medical conditions further demonstrates the flexibility of revenue avenues induced by the commercialization of ProMetic's proprietary protein technologies.

Finally, the Corporation entered into a strategic alliance and license agreement with the Wuhan Institute of Biological Products/China National Pharmaceutical Group Corp ("WIBP/Sinopharm"). WIBP/Sinopharm gained exclusive access to the Corporation's PPPS™ for the Chinese market. Upon successfully implementing this technology, WIBP/Sinopharm will be able to significantly improve its capability in the manufacturing of plasma-derived products in China. This agreement, together with ProMetic's contract with Blue Blood Biotech Corporation for markets in Taiwan and South East Asia, have installed ProMetic as a major presence in one of the world's fastest growing markets.


PROMETIC
BIOSCIENCES
PROMETIC
BIOSCIENCES
Mimetic™ Ligand Screening Kit


P-CAPT
Prion Capture
SAG-M 40ml
MacoPharma 8.06.0001806
Manufacturer:
MacoPharma
DONATION NUMBER
EXPIRY DATE

THERAPEUTICS

The Therapeutics Unit has undergone significant change in 2009. This change was driven by three main factors: a transition from research and development mode to product development, a primary focus on ProMetic's clinical-stage lead compound, PBI-1402, and a focus on activities that support the development, regulatory and partnering activities of PBI-1402.

Over the years, ProMetic has built a significant pipeline of promising compounds with validation of biological activity in various *in vivo* models. The therapeutic areas covered by this pipeline include haematological conditions, cancer, fibrosis, and autoimmune diseases. This pipeline provides a critical mass of drug candidates for progression into clinical development and implies a successful transition by the Therapeutics Unit from a research-focused group into that of product development. The research phase was extremely successful in generating a large number of different chemical entities with solid patent protection and impressive pre-clinical data that demonstrates significant promise. Value creation will become more significant as some of these promising candidates advance into clinical trial phase for proof of concept in humans. Furthermore, this transition has allowed the Company to significantly reduce research and development expenses and allocate funds to activities that will build value from this group of drug candidates.

Products	Potential Conditions Targeted	Phase of Development / Next Phase
PBI-1402	Chemotherapy-induced side effects (Chemotherapy-induced anemia ("CIA"))	Phase Ib/II – Completed / Phase II
PBI-1402	Cancer related anemia ("CRA") (e.g. Myelodysplastic syndrome ("MDS"), leukemia)	Phase Ib/II
PBI-1402	Anemia (Chronic Kidney Disease ("CKD"))	Phase Ib/II
PBI-1402	Fibrotic diseases (CKD, DKD, chronic liver fibrosis, idiopathic pulmonary fibrosis, organ transplant rejection and others)	Phase Ib/II
PBI-1402	Cancer (e.g. pancreatic cancer, leukemia)	Phase Ib/II
PBI-4050	Fibrotic diseases (e.g. CKD, DKD, FSGS, chronic liver fibrosis, idiopathic pulmonary fibrosis)	Pre-clinical
PBI-4050	Anemia in CKD, anemia and chronic diseases	Pre-clinical
PBI-4494	Anemia	Pre-clinical
PBI-1308	Cancer	Pre-clinical
PBI-1522	Cancer	Pre-clinical
PBI-1668	Cancer	Pre-clinical
PBI-1737	Prostate cancer	Pre-clinical
PBI-1308	Autoimmune disorders/ skin disorders	Pre-clinical
PBI-1607	Autoimmune diseases	Pre-clinical
PBI-1737	Autoimmune diseases	Pre-clinical

PBI-1402 – Treats more than just anemia

As a direct result of label warnings for Erythropoiesis-Stimulating Agents ("ESAs") and growing concerns for their use in the treatment of anemia, ProMetic generated data demonstrating that PBI-1402's mechanism of action was distinct from that of ESAs, and that PBI-1402's safety profile did not exacerbate tumour growth and / or raise hemoglobin to unsafe levels (no "overshoot").

ProMetic's scientists also compiled data indicating that PBI-1402 could be used for different conditions such as preventing fibrosis and the loss of kidney function in CKD and drug-induced nephrotoxicity. This new data, presented at the Annual Meeting of the American Society of Nephrology, generated significant interest.

In December 2009, ProMetic met with the Food and Drug Administration's ("FDA") Division of Medical Imaging and Hematology Products to discuss the optimal regulatory pathway for the development of PBI-1402. ProMetic was pleased to report a positive outcome from this meeting. The FDA acknowledged that PBI-1402 is a novel, first-in-class drug that differs in many respects, including its mechanism of action, from existing medications approved for the treatment of anemia, such as the marketed ESAs.

This represented the achievement of a key milestone for ProMetic as it corroborates its strategy for the development of PBI-1402 and its analogues for the treatment of anemia in cancer patients and in patients with CKD, as well as in other unmet medical needs.

Given that PBI-1402 reduces tumour growth and does not elevate hemoglobin to potentially dangerous levels (no "overshoot"), it provides unique positioning strategies for the treatment of anemia. Moreover, guidance provided by the FDA also created the opportunity to target other medical indications for which there are even greater needs. Such indications may provide ProMetic with a "Fast Track" status, a path with an accelerated regulatory process.

These new factors have been taken into account in ProMetic's development strategy for PBI-1402 and analogues, and its partnering activities. The anemia market, historically characterised by the use of ESAs, has been redefined (March 2008 in cancer patients and January 2010 in patients with CKD) by the recently announced regulatory guidelines as well as by the new reimbursement policies that will come into play by 2011.

Potential indications for PBI-1402 and analogues

Indications	Treatment of Choice	Advantage of PBI-1402
Anemia related to cancer (e.g. MDS, leukemia, etc.)	Blood transfusion (unmet medical need)	• Oral treatment • Safety in cancer patients • No overshoot/thrombosis
Anemia induced by chemotherapy (CIA)	Blood transfusion (unmet medical need)	• Oral treatment that does not interfere with chemotherapy • Safety in cancer patients • No overshoot/thrombosis
Anemia in CKD	ESAs	• Oral treatment for pre-dialysis patients • I.V. for dialysis patients • No overshoot • Kidney protection (prevents fibrosis)
Cancer (e.g. leukemia and other types of cancers)	Unmet medical need (e.g. erythroleukemia)	• Oral or I.V. • Treating conditions for which there is no effective therapy
Nephroprotection	Anti-fibrotic activity	• Prevents or delays fibrosis in organs
Nephrotoxicity induced by drugs (e.g. chemotherapy)	Stop chemotherapy or change therapeutic regimen (unmet medical need)	• Nephroprotection

PBI-1402 demonstrated positive clinical results in the CIA Phase Ib/II trial in terms of an excellent safety and tolerability profile, along with an impressive 93% positive response rate with regards to the number of patients that did not require a Red Blood Cell ("RBC") transfusion (26 of 28 patients). The encouraging positive results from the CIA clinical trial and the anticancer effects observed in several animal models suggest that PBI-1402 is well suited for the treatment of anemia in oncology as these results are in line with the new FDA guidelines.

> *Label warnings issued by the FDA have restricted the use of ESAs in patients suffering from cancer. The FDA redefined the therapeutic targets and safety profile for ESAs and mandated for a lowered hemoglobin level, a reduction in the need of blood transfusions as the main clinical objectives for ESAs and that compounds in development demonstrate that they do not exacerbate tumour growth in cancer patients.*

Another important finding from this clinical trial, consistent with previous observations in various other animal models, is to the effect that PBI-1402 does not increase the hemoglobin or RBCs to dangerous levels (no overshoot). What could have been seen as a weakness relative to other ESAs a few years ago now constitutes a significant safety profile and competitive advantage.

> *The FDA published a second article in the New England Journal of Medicine (January 6, 2010) titled "Erythropoiesis-Stimulating Agents – Time for a Reevaluation" that now impacts patients suffering from CKDs. In this article, the FDA announced that it would review the safety of the widely used anemia drugs, ESAs, after another clinical trial suggested that high doses of one of the drugs might cause strokes. The trial raised major concerns regarding the use of ESAs to increase hemoglobin concentrations in patients with CKDs above a level intended solely to avert the need for blood transfusions.*[1]

So while, PBI-1402 offers clear clinical benefits over ESAs for the treatment of anemia, the anemia market landscape itself is being totally redefined and has forced several players to step back and rethink how this affects their own respective strategic position.

What drew the most interest from ProMetic's presentations at the American Society of Nephrology's Annual Meeting last Fall, was the evidence that PBI-1402 reduced significantly the fibrosis in the kidney, the underlying cause that ultimately leads to the loss of kidney function. These results indicate additional potential commercial uses for PBI-1402 that are not related to anemia and offer alternative avenues for development pathways with less regulatory resistance.

Analogues of PBI-1402

PBI-1402 is a well-known and well characterized orally-active synthetic drug that acts via a non-erythropoietin receptor. ProMetic's scientists have elucidated the mechanism of action of the product and have since synthesized a significant number of new compounds; analogues of PBI-1402. This represents a family of compounds with additional broader patent protection. As such, this analogue pipeline provides for increased commercial opportunities and is systematically adding value on the back of PBI-1402's initial development.

1. NEJM (10.1056/NEJMp0912328) January 6th, 2010 — Erythropoiesis-Stimulating Agents — Time for a Reevaluation


PBI - 1402
Lot # 201077

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of Operating Results and Financial Position, prepared March 25, 2010, 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 2009 financial year compared to the 2008 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 2009 consolidated financial statements and the accompanying notes included in the 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.

More financial information, including the Company's Annual Information Form, is available on SEDAR (www.sedar.com).

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, 2009. 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.

2009 in Summary

2009 presented ProMetic with an unprecedented economic landscape. Pressure on many investment funds to provide liquidity to their own investors placed added pressure on the Company's stock price. This, coupled with a general downturn in the markets, resulted in ProMetic being placed in a position to seek alternative sources of funding for the business outside of traditional capital markets.

Despite these challenges, Management was successful in securing a number of financing arrangements including patient loans from long-term shareholders, working capital grants from government and advances on revenues under contractual supply arrangements.

These innovative arrangements, together with continuing strong demand for the Company's biosepara-tions technology allowed the business to improve its performance in 2009, decreasing its Net Loss by 54% compared with 2008.

Additionally, strategic cost reduction measures implemented by Management, which focused the expenditure on the key value drivers in the business, resulted in a significant reduction in the annualized loss over previous years.

The tough economic environment led many service contract customers to revise their development programs with ProMetic, sometimes slowing down or temporarily suspending their work. However, once again, Management was able to modulate the costs associated with these activities of the business to ultimately deliver the smallest loss in recent years.

Despite having reduced costs, Management remained focused on building future value as demonstrated through the acquisition of the American Red Cross' ("ARC") common equity position in Pathogen Removal and Diagnostic Technologies Inc. ("PRDT") and by continuing to enhance the supporting data for PBI-1402, ProMetic's lead compound from the Therapeutics division.

The results for the year show a net loss of $9.3 million after taking account of the exceptional gain associated with the PRDT acquisition, the gain on extinction of debts and the gain on exchange rate, compared to a net loss of $20.2 million in the same period in 2008. Revenue increased by 33.3% to $13.6 million when compared to revenue for 2008 at $10.2 million.

Analyzing the business segment performance for the year, each part of the business is showing significant improvement.

Loss*	**2009**	2008	Change %
Therapeutics	**(2,727)**	(4,076)	33.1%
Protein Technologies	**(872)**	(6,095)	85.7%
Corporate	**(5,729)**	(10,007)	42.8%
Total Loss	**(9,328)**	(20,178)	53.8%

* in thousands of dollars

Adoption of P-Capt® Filter

The Advisory Committee on the Safety of Blood, Tissues and Organs ("SaBTO"), an independent Committee that advises the United-Kingdom's ("UK") Department of Health ("DoH"), has recommended the adoption of the P-Capt® prion reduction filter to pre-treat red blood cells destined for children born since January 1, 1996. The filter, which 'cleans' blood prior to use, removes the prion responsible for variant Creutzfeldt-Jakob disease ("vCJD"). The Committee also indicated that the requirement for prion filtration should be reviewed in the event that further data on vCJD prevalence or filter efficacy becomes available. The SaBTO recommendation is subject to the satisfactory completion of the PRISM study, a multi-centre clinical trial initiated in 2007 to evaluate the safety of P-Capt® filtered red cells.

Of utmost importance is the growing level of awareness for the safety of the UK's blood supply and that it is being recognized and acted upon at the highest levels of government as witness by a proposed Private Member's Bill titled "Contaminated Blood (Support for Infected and Bereaved Persons) Bill [HL] 2009-10". This Bill has been read in the House of Lords and has now moved to the House of Commons.

The Contaminated Blood Bill looks to introduce further protection for the blood given to people with hemophilia and an Amendment was made to the Bill to ensure that prion filtration could also be the method used for protecting blood against vCJD.

Whether this Bill is approved or not in the House of Commons, the P-Capt® prion filter will likely be used to improve the safety of blood for children. However, the same governing bodies concur that ensuring blood safety should not be limited to children only but should be extended to all individuals.

The Company, in collaboration with MacoPharma SA, its commercialisation partner for the P-Capt® filter, is closely monitoring the progress of this recommendation through all relevant channels.

PBI-1402

On December 11, 2009, ProMetic announced that it had met with the Food and Drug Administration ("FDA") and that at this meeting the FDA issued guidance and recommendations that corroborate ProMetic's strategy for the development of PBI-1402 and its analogues for the treatment of anemia in cancer patients and in patients with chronic kidney disease.

Further details on PBI-1402 are provided under the core business and strategy section of this Management's Discussion and Analysis.

Partnership Agreements

In the past, the Company has announced partnership arrangements surrounding its Plasma Protein Purification System ("PPPS ™") technology. Specifically, transactions involving Abraxis Bioscience, Inc. (Abraxis), Blue Blood Biotech Corporation ("Blue Blood"), Wuhan Institute of Biological Products / China National Pharmaceutical Group Corp ("WIBP/Sinopharm"), Kedrion S.p.A. ("Kedrion") and Sartorius Stedim Biotech ("Sartorius"). Additionally, the Company has entered into a development agreement with the Instituto de Tecnologia do Parana ("Tecpar").

Progress against the targets and milestones in the individual contracts is governed by the confidentiality arrangements in place with each client, therefore providing a detailed update on progress is not always within the control of the Company. It is recognized that our shareholders have requested updates so that they can monitor the performance of ProMetic. The Company will endeavour to seek agreement from its partners in the coming quarter to allow an update to our shareholders.

However, in most cases, the confidential obligations pursuant to such type of collaborative agreements is in relation to the fact that disclosure may have a strategic impact on our partners' respective performance and competitiveness; which, in turn, would also potentially negatively affect ProMetic's relationship with these partners. Management's practice to date has always been one of transparency provided that our partners consent to the disclosure and that such disclosure does not cause undue prejudice to our stakeholders and shareholders.

Cash Management and Balance Sheet

Cash flow has required continuous monitoring. As stated over the course of the year, ProMetic anticipated cash burn to ease following repayment of the last instalment of the Long-Term Debt contracted in 2006. Indeed, operations used $6.8 million in 2009 compared with a burn of $15.1 million for 2008.

Throughout 2009, the Company was successful in securing patient debt, principally from existing shareholders whose interests are aligned with those of the business. Additionally, support from the Isle of Man Department of Trade and Industry ("DTI") and an advance on revenues by Octapharma AG ("Octapharma") with whom ProMetic has long-term supply arrangements, provided the necessary cash to fund operations.

Subsequent to year end, the Company finalized an equity investment of $3 million US (at CAD 0.18 per share resulting in Abraxis receiving 17,850,000 Common Shares of ProMetic) and a five year loan of $10 million US with Abraxis. The long-term loan bears an interest rate of 5% and is reimbursable in five annual instalments. Abraxis has the option to request that each annual instalment be converted into ProMetic equity at the future prevailing market price. Such conversion might be subject to disinterested shareholder and Toronto Stock Exchange ("TSX") approvals. Concurrent to the financing, Abraxis now holds a total of 44,791,488 rights to acquire common shares of ProMetic.

Clearly, the debt raised by the Company has had an impact on the balance sheet, increasing liabilities compared with increasing shareholders' equity if the capital had been raised through the sale of common stock. However, the structure of the Abraxis investment allows for the debt to be converted into equity.

2009 Significant Events

Corporate

- In March 2009, ProMetic's UK division, ProMetic BioSciences Ltd ("PBL") launched its new web site (www.prometicbiosciences.com) that features on-line shopping for its bioseparation products and services. The on-line site gives clients the ability to search for information on PBL's products and place orders in a quick and cost-effective manner and will enable the Company to expand its client base and access new markets such as the bioresearch community.
- On May 5, 2009, at ProMetic's Annual and Extraordinary Meeting of Shareholders (the "Meeting"), Mrs. Louise Ménard, President of Groupe Méfor inc., Mr. Paul Mesburis, Senior Portfolio Manager, Excel Funds Management Inc., and Dr. Roger Perrault, Independent Director, were elected to ProMetic's Board of Directors. Re-elected Directors are Mr. G.F. Kym Anthony, Chair of DFG Investment Advisers, Dr. John Bienenstock, Professor of Medicine and Pathology at McMaster University, Mr. Robert Lacroix, Senior Vice-President of CTI Capital Securities, Mr. Pierre Laurin, President of ProMetic, Mr. Bruce Wendel, Executive Vice-President, Corporate Development of Abraxis BioScience Inc., and Mr. Benjamin Wygodny, President of Angus Partnership.
- In the second quarter of the year, Drs Timothy Hayes and Tom Chen, both Vice-Presidents of ProMetic BioTherapeutics, Inc. ("PBT"), took over the daily operations of this unit.
- In August 2009, ProMetic repaid the final installment of the $12 million debt contracted in 2006.
- In the fall of 2009, PBL secured an interest free working capital grant from the Isle of Man DTI for £0.5 million.
- On October 1, 2009, Octapharma provided a $4.5 million advance to ProMetic on a long-term prion capture resin supply agreement signed in December 2008, linked to minimum yearly purchase orders for the prion capture resin incorporated into Octapharma's manufacturing process for its solvent/detergent treated plasma product, octaplasLG®, which has now received regulatory approval for marketing in Germany and is currently in the final stages of regulatory assessment in other European countries including the United Kingdom.
- On October 5, 2009, ProMetic announced that it obtained a controlling stake in PRDT by exchanging a declining royalty stream based on future revenues for the ARC's 51% share of the common stock. This brought ProMetic's share of the common stock of PRDT to 77%.
- In March 2009, ProMetic entered into a loan agreement for $5 million with an initial $2 million of debt financing provided to the Company and access to a further $3 million, subject to certain conditions. Moreover PBL received a $540,000 interest free repayable working capital grant from DTI.

Protein Technologies

- In early March 2009, HemCon Medical Technologies Inc. ("HemCon") and PBL announced a collaborative development agreement to develop and validate a sterile, single-use antibody capture device for the removal of isoagglutinin antibodies. The development of the new capture device funded by HemCon, is based on ProMetic's affinity adsorbent technology, for both single source and pooled plasma, this in combination with the HemCon Lyophilized Plasma (LyP) System currently under development.
- SaBTO's July 2009 recommendations favours OctaplasLG®, a pooled virally-inactivated and prion-reduced plasma product for transfusion that meets the required specifications recommended by SaBTO, i.e., >5 logs of prion safety compared to UK-sourced fresh frozen plasma. PRDT's prion capture technology is used at industrial scale by Octapharma for the manufacturing of OctaplasLG®. OctaplasLG® licensed in Germany and is presently undergoing regulatory approval for use in various countries.
- On September 24, 2009, ProMetic signed a long-term (5-year) supply agreement with a major global pharmaceutical company, securing an initial order of $8.9 million for the supply of a Mimetic Ligand™ product. Product deliveries to complete this contract commenced in the last quarter of 2009 and will continue into the first half of 2010.
- In November 2009, ProMetic finalized a long-term (5-year) supply agreement with Halozyme Therapeutics, Inc. ("Halozyme") to provide a synthetic ligand affinity adsorbent for use in the manufacture of its rHuPH20 product, a recombinant version of human hyaluronidase enzyme.
- On November 20, 2009, SaBTO, an independent Committee that advises the UK's DOH, has recommended the adoption of the P-Capt® prion reduction filter to pre-treat red blood cells destined for children born after January 1, 1996.
- In December 2009, ProMetic entered into an agreement with a multinational company to develop a Mimetic Ligand™ affinity adsorbent to improve manufacturing process for second-generation biopharmaceutical targeting $1B market.

Therapeutics

- In December 2009, ProMetic received FDA guidance and recommendations that corroborated its strategy for the development of PBI-1402 and its analogues for the treatment of anemia in cancer patients and in patients with chronic kidney disease.
- The recent data generated to support the effect of PBI-1402 on nephroprotection and its unique safety profile for potential use in cancer patients constitute a significant milestone achievement both for future regulatory filings and partnering activities.
- Management acted to cut the burn-rate of this division such that only costs associated with the regulatory and partnering activities for PBI-1402 and its analogues are incurred.

Core Business and Strategy

Core Business

ProMetic Life Sciences Inc. 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 organized into two distinct operating segments; Protein Technologies and Therapeutics, supported by a Head Office in Montreal, Canada.

Business Segments

The **Protein Technologies** business segment comprises four operating subsidiaries:

- ProMetic BioSciences Ltd ("PBL"), based in the UK (Isle of Man and Cambridge);
- ProMetic BioTherapeutics Inc ("PBT"), based in Rockville, MD, USA;
- Pathogen Removal and Diagnostic Technologies Inc. ("PRDT"), a company registered in Delaware, USA, operated under the control of PBL; and
- ProMetic Manufacturing Inc. ("PMI"), based in Joliette, Quebec, Canada.

PBL develops ProMetic's core bioseparations technologies and products. Its proprietary affinity adsorbents and Mimetic Ligand™ purification platform are used by numerous medical and biopharmaceutical companies woldwide. PBL's technologyies enable the capture of target proteins directly from source material, and provides highly efficient and cost-effective separation from other proteins and impurities delivering high yields of purified product. As a result, manufacturing clients using ProMetic's bioseparation technologies experience significant reductions in their cost of goods PBL's technology has also been incorporated into various medical device products which specifically capture and remove target molecules from biological fluids.

PBT develops manufacturing processes, based on PBL's affinity technology, to provide for highly efficient extraction and purification of therapeutic proteins from human plasma. ProMetic's PPPS™ multi-product sequential purification process, originally developed in collaboration with ARC, employs powerful affinity

separation materials in a multi-step process to extract and purify commercially important plasma proteins in high yields.

PRDT develops the prion capture technology platform that originated from ProMetic's collaboration with ARC. PRDT's technology forms the basis of the revolutionary P-Capt® filter, a prion reduction device developed with ProMetic's commercialization partner MacoPharma to increase the safety of red cell concentrate.. P-Capt® has received CE mark approval in Europe, and provides national blood agencies with the means of significantly reducing the risk of vCJD transmission through blood transfusion. This is particularly relevant since there is no commercially available diagnostic test for detection of the blood-borne form of the vCJD agent responsible for this fatal brain disease

Additionally, PRDT technology has been incorporated by Octapharma into its manufacturing process for OctaplasLG® to further improve the prion safety margin for this plasma product. OctaplasLG® has obtained regulatory approval in Germany.

PRDT's platform technology has demonstrated its potential for additional uses in the purification of blood derived products. Upwards of forty million units of blood are collected in the world annually, affording ProMetic and its partners enormous market opportunities.

PMI manufactures the raw agarose beads (Purabead®) that serves as a platform for a large number of PBL's affinity adsorbents.

The Second business segment is **Therapeutics** which comprises of one operating subsidiary:

- ProMetic BioSciences Inc ("PBI"), based in Laval, Quebec, Canada

PBI is a small-molecule drug discovery business, with a strong pipeline of products. The lead candidate, PBI-1402, demonstrates the following key properties:

- PBI-1402 is an affordable low molecular weight synthetic candidate drug, relative to costly recombinant proteins, such as EPO.
- PBI-1402, all the while mimicking EPO's biological activity, has a distinct mechanism of action from EPO, as it does not bind to the same cell surface receptor as EPO. It therefore provides great promise of serving as a stand-alone therapeutic in the treatment of patients with anemia.
- PBI-1402 demonstrates anticancer activity in multiple pre-clinical models, which could make it a drug of choice for the treatment of anemia in cancer patients (Cancer Related Anemia ("CRA"), Chemotherapy Induced Anemia ("CIA")).
- PBI-1402 demonstrates anti-fibrotic activity which supports the potential use for nephroprotection in patients with chronic kidney disease and patients undergoing different drug therapies typically toxic to the kidney.
- PBI-1402 addresses a worldwide marketplace that exceeds $15 billion and several different unmet medical needs.

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

PBI-1402 demonstrated positive clinical results in the CIA trial in terms of an excellent safety and tolerability profile, along with impressive efficacy. A Phase Ib/II trial of PBI-1402 demonstrated a significant increase in the red blood cell count and the hemoglobin level in patients with CIA. In this open-label Phase Ib/II trial, patients each received PBI-1402 once daily at doses ranging from 44mg/kg to 88mg/kg. Analysis of the data showed that only 2 patients out of 28 (7%) treated with PBI-1402 required a Red Blood Cell ("RBC") transfusion, a response rate greater than 90% with regards to this clinical objective. In the March 13, 2008 FDA briefing document, the Oncology Drugs Advisory Committee emphasizes that the primary objective of treating CIA patients with Erythropoiesis-Stimulating Agents ("ESAs") as being the ability to reduce the need for RBC transfusion. The Advisory Committee cites that approximately 50% of anemic patients receiving chemotherapy required RBC transfusion, and 20%-25% of patients treated with ESAs still required RBC transfusions.

The encouraging positive results from the CIA clinical trial and the anticancer effects reported in animal models suggest that PBI-1402 is well suited for the treatment of anemia in oncology, resulting in the PBI-1402 clinical platform being extended to patients suffering from cancer-related anemia. Moreover, approximately twenty million patients in the U.S. alone are diagnosed with chronic kidney diseases ("CKD"). Patients diagnosed at severe CKD stages (3 and 4) often develop anemia before they require hemodialysis. CKD patients still at the pre-dialysis stage could greatly benefit from an orally administered drug as a treatment for their anemia.

Other experiments in animal models simulating chronic renal failure in humans or acute renal toxicity induced by toxic drugs such as some antibiotics and chemotherapeutic agents have demonstrated the ability of PBI-1402 to correct anemia. What drew the most interest from the presentations at the American Society of Nephrology annual meeting last Fall, was evidence that PBI-1402 reduced significantly the fibrosis in the kidney, the underlying cause that ultimately lead to the loss in the kidney function. These results indicate additional potential for PBI-1402 that are not related to anemia and offer alternative potential avenues for a regulatory pathway.

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

In December 2009 ProMetic received FDA guidance and recommendations that corroborated its strategy for the development of PBI-1402 and its analogues for the treatment of anemia in cancer patients and in patients with chronic kidney disease.

PBI has several other compounds with *in vivo* proof of concept validation in its library at differing stages of development. These represent a complete, well defined platform with the ability to produce high-value drugs. This will allow ProMetic to address unmet medical needs and extremely complex medical conditions associated with certain diseases, for which the market potential is immense. At the present time, no significant research and development activity is being undertaken on these other compounds.

Business Strategy

ProMetic's strategy in relation to its Protein Technologies business segment has always been clear: applying ProMetic's proprietary technologies 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.

PBL's bioseparations business is being expanded into a profitable, cash-generative business through the securing of long-term supply agreements with major pharmaceutical and biotech companies. The profits and therefore excess cash generated by this business unit will be used in the short-term to partly finance the losses of ProMetic's other business segments.

The strategy in relation to **PBT** is to establish key relationships with biopharmaceutical companies to co-develop plasma derived therapeutics relying on PBT's proven high yield manufacturing process. Typically through these partnerships, the therapeutics developed are chosen to address totally unmet medical needs or target very large and established markets but with a significant safety and cost leadership advantage.

PRDT's unique prion reduction technology has already been commercialized through a long-term supply agreement with Octapharma, who have incorporated the technology into the manufacturing process of their OctaplasLG® product. The strategy is to expand the commercialization of the PRDT technology into use in RBC concentrate by the sale of the P-Capt® prion filter. Thereafter, the Company will focus on applying PRDT technology to other commercial applications.

On September 23, 2009, the Company acquired ARC's 51% interest in the common stock of PRDT bringing its current ownership at 77% of the common shares. In return, the Company paid a cash amount of $US 5,100 and will pay tapering royalties based on the revenues generated by PRDT from specified technologies over the remaining lives of the patents. PRDT is included in the Protein Technologies business segment.

The following Strengths, Weaknesses, Opportunities, and Threats analysis is a helpful summary indicating how management focuses its decisions in relation to the business strategy for the Protein Technologies business segment.

Strengths

- Recurring revenues from external licencing and partnering of technologies
- Strong product pipeline
- Innovative technologies
- Validated products
- Some products target niche markets
- Turn-key services
- Technologies integrated for long-term of client products
- Solid management team
- Established sales force

Weaknesses

- Some products target niche markets
- Ability to recognize revenues from complex contracts with multiple deliverables

Opportunities

- Development of innovative products for new applications
- Ability to scale according to client needs
- Vast partnering opportunities

Threats

- Ability to stay competitive in rapidly changing environment
- Client products have to undergo regulatory process
- Subject to client timeline
- Fluctuating exchange rates
- Government processes

*ProMetic's strategy in relation to the **Therapeutics** business segment has been to develop orally active compounds leading to more convenient and cost-effective treatment regimes in already developed markets or targeting unmet medical needs. 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.*

The business model for this division is to partner promising drug candidates upon completion of in vivo proof of concept studies. While the Therapeutics Unit has several of such promising drug candidates, Management has acted to cut the burn-rate of this division such that only costs associated with the regulatory and partnering activities for PBI-1402 and its analogues are incurred.

These cost-saving measures are clearly reflected in the financial statements accompanying this Discussion and Analysis.

Financing Strategy
Across the business, Management monitors closely the Company's financial performance, both actual and forecasted, to ensure that appropriate measures are taken to limit cash burn.

In late 2008, the Company declared that it would seek to finance the business during 2009 using non-dilutive financing, recognizing that shareholders had experienced dilution in the past.

Throughout 2009, the Company has been successful in securing patient debt, principally from existing shareholders whose interests are aligned with those of the business. In addition, funds have been advanced by Octapharma, a customer with whom ProMetic has long-term supply arrangements, with repayments being made against future sales of product to that customer. Furthermore, working capital grants have been secured from the Isle of Man DTI to assist with the growth of PBL's business.

Certain of these arrangements have required the up-front payment of interest in the form of shares. Therefore, the funding is partially dilutive, but the level of dilution has been minimal in comparison to the dilution level that would have been incurred if a straight equity investment or other more commonly available instruments had been used to finance the Company.

Clearly, the debt raised by the Company has had an impact on the balance sheet, increasing liabilities compared with increasing shareholder equity if the finance had been raised through the sale of common stock. However, the structure of the Abraxis investment allows for repayment to be made in equity.

Key performance drivers

The Company has identified the following list of key performance drivers for each of the business units. It is the intention of the company to provide status updates and to review the relevance of each performance driver on a quarterly basis in subsequent issues of the MD&A.

PBL	EVENTS 2009 onwards
• Maintain a profitable bioseparations business	• PBL has increased its contribution to the costs of the wider group year-on-year since 2007
• Generate positive cash-flow from operations	• PBL generated net cash inflows during 2009
• Expand affinity adsorbent sales	• New contracts signed and expansion on existing contracts – Halozyme, large European biopharmaceutical
	• Overall sales in PBL exceeded GBP 5M in 2009
• Establish long-term supply agreements	• Agreement signed with Octapharma and Halozyme during 2009
• Develop new strategic alliances	• Strategic alliance with Novozymes signed in 2010
PBT	
• Drive collaboration programs with existing partners including Abraxis, WIBP/Sinopharm, Kedrion, Blue Blood and Sartorius	• Collaboration with WIBP/Sinopharm is proceeding well. WIBP/Sinopharm personnel recently trained at PBT laboratories
	• Work with Abraxis continues on the development of a key compound and is progressing towards the next stage
	• Further opportunities are being explored with Kedrion
• Expand the number of strategic partners and products developed	• Current focus is on delivering quality results for existing customers, these will be used as the catalyst to expand into new relationships
• Build a solid pipeline of products	• Currently 7 products are in the process of development. A further 2 are being actively pursued
• Expand business to include manufacturing of bulk active for existing partners and others	• Work is progressing towards this objective, with production of first bulk material for clinical trials expected in 2011
PRDT	
• Adoption of P-Capt® in UK	• Recommendation for adoption in children born after January 1, 1996 by SaBTO
	• Heightened awareness at top levels of the UK government
• Adoption of P-Capt® in Ireland as well as other European countries	• Expansion of trials into Cavan General Hospital and Crumlin Hospital in Ireland
• Expand commercial use of prion reduction resin in bulk applications	• Contract with Octapharma for OctaplasLG®
PBI	
• Partner PBI-1402 and or analogues	• Partnering discussion are ongoing
• New data to support expanded potential uses	• Peer-reviewed data presented at the Annual Meeting of the American Society of Nephrology
• Regulatory milestones in key markets	• FDA guidance corroborating ProMetic's regulatory pathway for PBI-1402 and its analogues

Capability to Deliver Results

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

Over coming periods, it may be necessary for the Company to invest in further capital expenditure in order to service the requirements of some of its contracts. It is important to note however that PBL's current manufacturing capacity far exceeds its current level of sales. At the present time, the resources are being fully employed, but are manufacturing batch sizes which are below the optimal size. PBL's current manufacturing capacity can therefore accommodate significant revenue growth such that there is no linear relationship between the incremental costs and revenue growth.

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
Current assets totalled $5.4 million as at December 31, 2009, and $8.1 million as at December 31, 2008. As outlined earlier, this is mainly related to the impact of the PRDT transaction and is further explained in note 4 accompanying the financial statements for the year.

Accounts receivable were $2.6 million as at December 31, 2009, compared to $4.4 million as at December 31, 2008. Accounts receivable consist mostly of trade receivables related to the sale of resin, as well as research and development tax credits receivable related to the activities of our Therapeutics Unit. The net capital assets decreased to $1.1 million as at December 31, 2009, from $2.4 million as at December 31, 2008. This is a combined effect of the impact of depreciation and the change in foreign exchange method for consolidating the United Kingdom subsidiary.

Cash was $0.5 million as at December 31, 2009. In 2009, the Company issued 11,759,520 shares relating to interest payments on loan arrangements. The year-to-date amount of loans received under these arrangements amounts to $5.7 million.

Attention is drawn to the Post-balance Sheet Events section of this Managements' Discussion and Analysis relating to additional financing secured since December 31, 2009.

Clearly, the debt raised by the Company has had an impact on the balance sheet, increasing liabilities compared with increasing shareholder equity if the capital had been raised through the sale of common stock. However, the structure of the Abraxis investment allows for repayment to be made in equity.

Intellectual Property and Technology
The Company and each of its business segments are entirely reliant on its Intellectual Property ("IP") assets in the form of Patents and Trademarks, as well as know-how. The Company employs an in-house Senior Legal Counsel and a Patent & Trademark Coordinator who administer the IP portfolio. A significant budget is allocated each year for the creation, maintenance and protection of the IP portfolio. Know-how is protected by confidentiality arrangements and staff with said know-how is regarded as an important asset for the ProMetic group.

Human Capital
The most vital non-capital resource is the know-how the Company has in its employees. ProMetic has a talented team of staff and an experienced management team that share in the company's vision and recognise its potential. All employees participate in the Company's Stock Option Plan. The contribution of senior executives to the results of corporate and business units is recognized through a combination of base salary and benefits, and through equity based compensation or the payment of cash bonuses when the financial situation of the Corporation allows for it. Such incentive payments may only be paid if certain specific performance goals within each individual business unit are achieved or if certain subsidiary companies reach break even financial results. Such performance goals fall into three (3) main categories: (i) the actual creation of a joint-venture or new business entity which result in additional valuable assets for the shareholders; (ii) the creation of value as a result of the execution of the business plan; and (iii) the spin-off, IPO, merger, outright sale of a business unit or any other similar transaction that provide cash or other valuable consideration into PLI.

Flexibility exists to add other incentives should other shareholder value transactions occur outside of the scope of the above. Finally, when the Corporation becomes profitable on the basis of recurring revenue and royalties, bonus for all executives and senior scientists based on performance and on profitability goals will be established.

Results and outlook

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).

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

	2009	2008	2007
Revenues	**13,560**	10,154	8,436
Net loss	**9,328**	20,178	22,342
Net loss per share (basic and diluted)	**0.03**	0.07	0.09
Total assets	**11,084**	19,152	19,387
Long-term debt	**5,433**	3,949	6,499

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 incurring an expense relating to a guarantee of $0.9 million in 2009 and $1.1 million in 2008.

The reduction in Total Assets from 2008 to 2009 relates to the combined effect of:

- the receipt of tax credit receivable;
- the acquisition of the ARC's shares in PRDT;
- the impact of the change in foreign exchange method for consolidating the United Kingdom subsidiary.

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

Results of Operations

Year ended December 31, 2009, compared to December 31, 2008

Revenues
Total revenues for 2009, which were derived from the Protein Technologies unit, were $13.6 million compared with $10.1 million in 2008.

The growth in revenue came primarily from sales of affinity adsorbents to major pharmaceutical companies as well as the increase in service fees associated with development agreements with various customers.

There were no significant revenues associated with the Therapeutics business unit.

Costs of Goods Sold and Rechargeable Research and Development Expenses
The combined costs of goods sold and rechargeable research and development expenses for the year ended December 31, 2009, totalled $6.2 million compared to $2.9 million for the year ended December 31, 2008. This difference is explained by the mix of product sales from period to period and by the volumes of individual products sold within that mix.

Based on the combined cost of goods sold and the rechargeable research and development expenses, a gross profit of 53.9% was achieved in 2009 compared to 71.9% for 2008. The difference is due to differing mix of products and services sold. In 2009 a greater value was attributable to contract research and development services which are undertaken at a lower margin on the basis that the Company retains manufacturing rights and is often entitled to milestone payments during development.

Research and Development Expenses – Non rechargeable
Non rechargeable research and development expenses were $9.3 million for the year ended December 31, 2009, compared to $15.8 million for the year ended December 31, 2008. The variance is mainly attributable to the ongoing strategic cost reduction program implemented by Management in late 2008, and the fact that a significant portion of the Q4 revenue came from R&D services rather than product sales, resulting in the associated costs being classified as Rechargeable Research & Development Expenses.

Administrative and Marketing Expenses
Administrative and marketing expenses were $4.6 million for 2009 compared to $5.3 million for 2008. The variance is mainly attributable to the ongoing strategic cost reduction program implemented by Management in late 2008.

Exchange Rate Movement
In 2009, the method of consolidating the results of the United Kingdom subsidiary was changed. The sub-group headed by PBL has been determined to be autonomous within the definition of Chapter 1651, "Foreign currency translation", of the CICA Handbook. This change has necessitated a different foreign exchange treatment resulting in an adjustment of the balance sheet of $0.7 million. Having an autonomous affiliate impacts the treatment of the gain or the loss on exchange rate, which will be part, going forward, of the shareholders' equity identified as an "Accumulated other comprehensive loss" while the gain or loss on exchange rate for integrated affiliates is showing in the statement of operations and comprehensive loss. The net results in the shareholders' equity remain the same.

Amortization Expenses
Amortization and write-off expenses for 2009 were $1.9 million compared to $1.5 million in 2008.

Net Results
The Company generated a net loss of $9.3 million or $0.03 per share (basic and diluted), for the year ended December 31, 2009, as compared to a net loss of $20.2 million or $0.07 per share (basic and diluted) for the year ended December 31, 2008. The decrease in net loss is due to higher revenues, cost reductions implemented by Management and a gain resulting from the change in ownership of PRDT.

EBITDA by Business Units

2009 – In millions of dollars

	Protein Technologies	Therapeutics	Corporate	Intersegments transactions	Total
Revenues	**13.6**	–	–	–	**13.6**
Cost	**14.6**	**1.7**	**3.9**	–	**20.2**
EBITDA	**(1.0)**	**(1.7)**	**(3.9)**	–	**(6.6)**

The EBITDA is a non Canadian GAAP measure employed by the Company to monitor its performance. The Company calculates its EBITDA by subtracting from Revenues its Costs of Goods Sold, excluding amortization of capital assets, its Research and Development Expenses Rechargeable and Non-Rechargeable as well as its Administration and Marketing Expenses.

Cash Flows
Cash flows used in operating activities amounted to $6.8 million for the year ended December 31, 2009, compared with $15.1 million for 2008.

Cash flows received from financing activities amounted to $6.4 million for the year ended December 31, 2009, resulting from the proceeds from different loan agreements and an advance from a supply agreement netted with the repayment of other long-term debts.

Cash flows used in investing activities amounted to $0.2 million in 2009 compared with $0.4 million for 2008.

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

	2009				2008			
	December 31	**September 30**	**June 30**	**March 31**	December 31	September 30	June 30	March 31
Revenues	**4.3**	**3.2**	**2.3**	**3.8**	4.0	3.3	1.1	1.8
Net Profit/(loss)	**(2.4)**	**0.2**	**(5.1)**	**(2.0)**	(5.2)	(3.6)	(5.6)	(5.8)
Net loss per share (basic and diluted)	**0.01**	**0.00**	**0.02**	**0.01**	0.02	0.01	0.02	0.02
Weighted average number of outstanding shares	**331**	**327**	**320**	**317**	294	286	286	266

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, the Company enter into operating leases for buildings and equipment. Minimum future rental payments under these operating leases, determined as at December 31, 2009, 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	5,394	3,114	2,280	–	–
Operating leases and obligations	39	23	13	3	–
Total contractual obligations	5,433	3,137	2,293	3	–

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

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 $2.3 million including 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, 2009, the Loan had an outstanding balance of $0.9 million ($1.7 million in 2008). The deadline has been extended while the parties are negotiating a revised schedule of payments including capital, interests and penalties As at December 31, 2009, the Company has recognized an amount of $0.9 million ($1.1 million in 2008) as a loss.

On March 25, 2010, the parties entered into a settlement agreement, which will call for the Company to pay to Camofi an amount of US$800,000 (CDN$837,280) on April 1, 2010, in addition to a payment of US$250,000 (CDN$260,725) made by the Company in January 2010, for the full payment of the outstanding balance of the loan and the termination of the borrower's and the Company's obligations.

Concurrent with this settlement agreement being reached, an amended and restated loan agreement was entered into between the borrower and the Company requiring the borrower to fully repay the Company no later than March 31, 2013, subject to receiving shareholder approval at the next Annual General Meeting of the shareholders. Furthermore, should certain stock price thresholds be reached, the Company may require the borrower to pay the unpaid balance of the loan. Should shareholder approval thereon not be received, the borrower could be required to fully repay the Company no later than 30 days following said negative shareholder vote. Finally, the said loan is secured by a pledge in favour of the Company by the borrower of 9,500,000 shares of the Company stock. The loan is also secured by a pledge in favour of the Company by InvHealth Capital Inc. of all its shares of the borrower and by a pledge in favour of the Company by the senior officer of the Company of all his shares of InvHealth Capital Inc.

As a result of a request by the TSX, ProMetic, during March 2010, issued a press release disclosing the arrangements relating to the Guarantee.

Post Balance Sheet Events
Subsequent to year end, the Company finalized an equity investment of $3 M US by way of issuance of 17,850,000 common shares and a five year loan of $10MUS with Abraxis. The long-term loan bears an interest rate of 5% and is reimbursable in five annual instalments. Abraxis has the option to request that each annual instalment be converted into ProMetic common shares at the future prevailing market price at the time of the annual instalment.

Such conversion might be subject to disinterested shareholder and TSX approvals. Concurrent to the financing, Abraxis now holds a total of 44,791,488 rights to acquire shares of ProMetic.

Clearly, the debt raised by the Company has had an impact on the balance sheet, increasing liabilities compared with increasing shareholder equity if the finance had been raised through the sale of common stock. However, the structure of the Abraxis investment allows for repayment to be made in equity.

On March 25, 2010, the parties entered into a settlement agreement, which will call for the Company to pay to Camofi an amount of US$800,000 (CDN$837,280) on April 1, 2010, in addition to a payment of US$250,000 (CDN$260,725) made by the Company in January 2010, for the full payment of the outstanding balance of the loan and the termination of the borrower's and the Company's obligations.

Concurrent with this settlement agreement being reached, an amended and restated loan agreement was entered into between the borrower and the Company requiring the borrower to fully repay the Company no later than March 31, 2013, subject to receiving shareholder approval at the next Annual General Meeting of the shareholders. Furthermore, should certain stock price thresholds be reached, the Company may require the borrower to pay the unpaid balance of the loan. Should shareholder approval thereon not be received, the borrower could be required to fully repay the Company no later than 30 days following said negative shareholder vote. Finally, the said loan is secured by a pledge in favour of the Company by the borrower of 9,500,000 shares of the Company stock. The loan is also secured by a pledge in favour of the Company by InvHealth Capital Inc. of all its shares of the borrower and by a pledge in favour of the Company by the senior officer of the Company of all his shares of InvHealth Capital Inc.

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, 2009, the capital stock issued and outstanding consisted of 331,743,400 common shares (317,401,768 as at December 31, 2008).

As at March 25, 2010, the capital stock issued and outstanding consisted of 349,593,400 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, 2009:

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
April 2008	April 2010	757,500	$0.44 and $0.48
September 2008	March 2012	14,495,452	$0.47
June, 2009	June 2012	3,750,000	$0.12
June, 2009	June 2012	500,000	$0.18
August, 2009	August 2012	1,500,000	$0.12
December, 2009	December 2012	539,999	$0.22

Stock Options
As at December 31, 2009, the Company has 8,669,391 stock options outstanding with exercise prices ranging from $0.13 to $2.70

Outlook

Management's outlook for 2010 remains positive. Despite the fact that revenues from our development contracts have been lower than expected, resulting from amendments to the programs requested by our clients, management has been able to control and modulate the cost base of the business to respect previous EBITDA forecasts.

In the UK, during November 2009, SaBTO issued its recommendation for adoption of the P-Capt® filter for children born after January 1, 1996. The Company, in collaboration with MacoPharma SA, its commercialisation partner for the P-Capt® filter, is closely monitoring the progress of this recommendation through the proper authority channels. Clearly, the delay in the P-Capt® adoption has had a significant impact on our previous revenue forecasts, and a decision to implement will have a major impact on the revenue forecasts for 2010 and beyond. Given the significant variability driven by the parameters of timing and scale of adoption, it is not yet possible to give an accurate assessment of the impact on revenues for 2010.

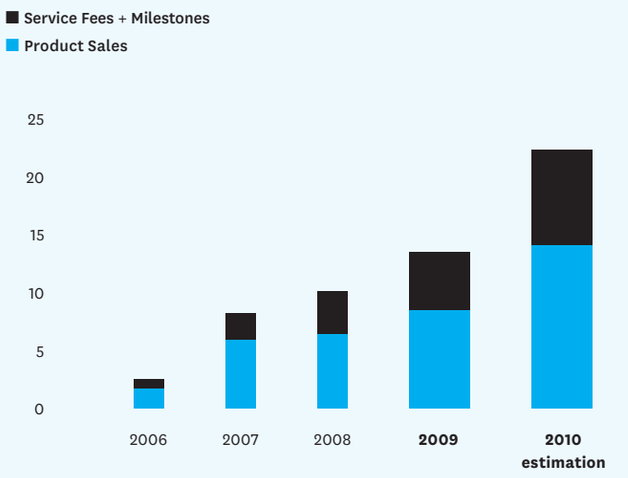
As evidenced by recent press announcements disclosing the long-term supply arrangements for our bioseparations products, demand for our affinity adsorbent products is strong and growing, and we anticipate an increased turnover from PBL in 2010.

Discussions with PBT's partners will continue in 2010 and will drive the level of anticipated business for that subsidiary. In addition, partnering discussions continue with regard to PBI-1402, however, until a deal is signed, we will exclude revenues from this activity in our projections.

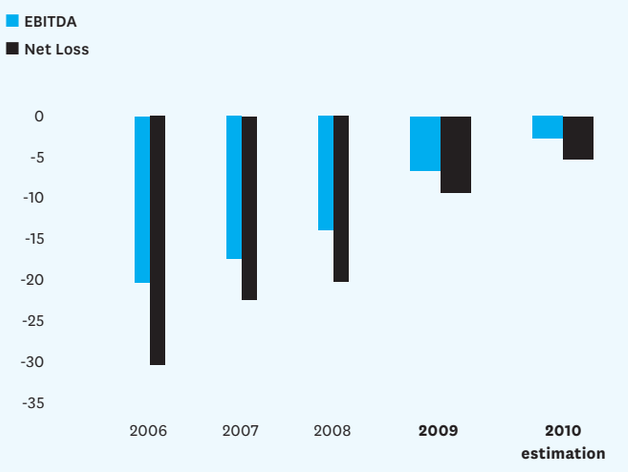
Finally, and in line with earlier commitment, Management will continue to control costs with a view to driving profitability.

The following graphs demonstrate past performance and provide guidance for the underlying business for 2010. These estimates for 2010 do not include revenue from the P-Capt® filter sales or for PBI-1402.

Revenue Profile
(CAD millions)



Reduction in Loss
(CAD millions)



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 2009 and 2008, 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, 2009, the Company expensed $337,924 for stock-based compensation compared to $307,404 for the same period in 2008. Regarding issuance of warrants and rights to acquire shares, $0.3 million was accounted for in 2009, and $2.3 million in 2008.

Changes in Accounting Policies and Future Accounting Standards

Goodwill and intangible assets
On January 1, 2009, in accordance with the applicable transitional provisions, the Company applied the recommendations of new Section 3064 "Goodwill and Intangible Assets", of the Canadian Institute of Chartered Accountants' Handbook. This new section, which is effective for fiscal years beginning on or after October 1, 2008 establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit-oriented enterprises. It clarifies the recognition of intangible assets and deals with the recognition of internally generated intangible assets. However, the standards related to goodwill are identical to those in Section 3062 "Goodwill and Other Intangible Assets". This change had no significant impact on the financial statements as at December 31, 2009.

Financial instruments – Disclosures
In June 2009, the Canadian Institute of Chartered Accountant (CICA) amended 3862, "Financial instrument – Disclosure". This section has been amended to introduce new financial disclosure requirements, particularly with respect to fair value measurement of financial instruments and entity exposure to liquidity risk. The amendments to this section apply to annual statements for years ending after September 2009. The Company adopted the amendment of 3862 during the year and the impact of the adoption required additional disclosures.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities
In addition, on January 20, 2009, the CICA issued Emerging Issues Committee Abstract 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" ("EIC 173"), to be applied retroactively without restatement of prior period to all financial assets and liabilities measured at fair value in interim and annual consolidated financial statements. EIC 173 requires the Company to consider its own credit risk and the credit risk of the counter-party in determining the fair value of financial assets and financial liabilities, including derivative instruments. The Company adopted EIC 173 during the year. The adoption of this standard has no impact on the Company's consolidated financial statements.

Business Combination, 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 Combinations* 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 IAS 27, *Consolidated and Separate Financial Statements*. 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.

Multiple Deliverable Revenue Arrangements
In December 2009, the CICA issued EIC 175 "Multiple Deliverable Revenue Arrangements" replacing EIC 142, Revenue Arrangements with Multiple Deliverables. This abstract was amended to: (1) provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the consideration allocated; (2) require, in situations where a vendor does not have vendor-specific objective evidence ("VSOE") or third-party evidence of selling price, that the entity allocate revenue in an arrangement using estimated selling prices of deliverables; (3) eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method; and (4) require expanded qualitative and quantitative disclosures regarding significant judgments made in applying this guidance.

The accounting changes summarized in EIC 175 are effective for fiscal years beginning on or after January 1, 2011, with early adoption permitted. Adoption may either be on a prospective basis or by retrospective application. If the Abstract is adopted early, in a reporting period that is not the first reporting period in the entity's fiscal year, it must be applied retroactively from the beginning of the Company's fiscal period of adoption.

The Company is currently assessing the future impact of these amendments on its financial statements and has not yet determined the timing and method of its adoption.

International Financial Reporting Standards
In March 2009, the Canadian Accounting Standards Board reconfirmed in its second omnibus Exposure Draft that Canadian GAAP for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, the Company will prepare its financial statements in accordance with IFRS commencing January 1, 2011; thus, its first quarter under IFRS reporting standards will be for the three months ended March 31, 2011 for which current and comparative information will be prepared under IFRS as well as an opening IFRS balance sheet as at January 1, 2010.

Described below are the Company's IFRS changeover plan, selected key activities and their status, and the significant, known possible high impact accounting areas on the Company's financial reporting identified to date.

This information is provided to allow investors and others to obtain a better understanding of our IFRS changeover plan. Readers are cautioned, however, that it may not be appropriate to use such information for any other purpose. This information also reflects our most recent assumptions and expectations; circumstances may arise, such as changes in IFRS, regulations or economic conditions, which could have an impact on these assumptions or expectations.

IFRS changeover plan
The Company has developed a detailed plan for its changeover to IFRS comprised of three phases:

- Phase 1: Scope and Plan
- Phase 2: Design and Build
- Phase 3: Implementation and Review

The Company is progressing according to schedule as it nears the completion of the scoping and planning phase regarding its convergence plan. The effects of any Canadian GAAP to IFRS differences noted to date during the Company's first Phase of its changeover plan have not yet been quantified. The Company plans to finish Phase 1 in March 2010 and to enter into Phase 2 immediately thereafter.

Phase 1: Scope and Plan
The objective of this phase is to identify the required changes to the Company's accounting policies and practices resulting from the changeover to IFRS and to thereby determine the scope of the work effort required for the subsequent phases of the project.

Phase 1 involves:

- a review of all relevant IFRS standards to identify differences with the Company's current accounting policies and practices;
- the separate consideration of one-time accounting choices that must be addressed at the changeover date and those accounting policy choices that will be applied on an ongoing basis in periods subsequent to the changeover to IFRS;
- initiating the prioritization process for those differences that could have a more than inconsequential impact on the Company's financial statements, business processes, or Information Technologies systems.

Phase 2: Design and Build
Phase 2 involves the design and development of detailed solutions to address the differences identified in Phase 1. These solutions typically result in certain necessary changes to internal business processes and financial systems to comply with IFRS accounting and disclosure requirements. Phase 2 activities will include:

- the in-depth analysis, quantification and documentation of key differences identified in Phase 1 requiring changes to existing accounting policies;
- identifying processes and controls which would require changes to ensure compliance with the requirements of the applicable international accounting standards;
- the implementation of a change management strategy to address the information and training needs of internal and external stakeholders.

Phase 3: Implementation and Review
In the third and final phase of the Company's changeover plan, changes, if any, to affected accounting policies and practices, business processes, systems and internal controls will be implemented. These changes will be tested prior to the formal reporting requirements under IFRS to ensure all significant differences are addressed in time for the changeover.

Progress towards completion of the Company's IFRS changeover plan
As mentioned above, the Company is currently finalizing Phase 1. It has reviewed all currently relevant IFRS standards and identified a number of areas of possible accounting differences under IFRS as compared to Canadian GAAP. The Company has also determined, however, that its current accounting policies generally are aligned with IFRS requirements in many key areas. The Company will continue to monitor changes to IFRS throughout 2010 and will review and assess any new or modified IFRS standards that are issued prior to changeover.

The Company has identified the following accounting areas that it has deemed of high significance:

- IFRS 1 "First Time Adoption of Reporting Standards";
- IAS 32 and IAS 39 "Financial Instruments Presentation, Recognition and Measurement";
- IAS 36 "Impairment of Assets";
- IAS 37 "Provisions, contingent liabilities and contingent assets".

The Company has performed a preliminary analysis of its data system infrastructure and internal controls and has concluded that transition to IFRS will not result in a material modification to any of its IT processes as a result of the differences it has identified to date. Significant impacts identified, if any, on processes and controls will be disclosed in future filings when the assessment will be finalized.

Phase 2 of the changeover plan is planned to begin towards the beginning of the second quarter of 2010. During 2010, the Company will complete the selection of accounting policies and transition options under IFRS as well as quantify the effect on opening IFRS retained earnings (i.e. as at January 1, 2010), if any.

During the fourth quarter of 2010, i.e. the approximate start date of Phase 3, the Company will complete the work effort undertaken to ready business processes and internal controls for the changeover.

Appropriate resources have been secured to complete the changeover on a timely basis according to the Company's plan milestones. The Company will ensure that training needs are met and addressed throughout the changeover period. Third-party subject matter experts will assist the Company throughout the changeover.

Summarized below is a description of the Company's progress towards completion of selected key activities of our IFRS changeover plan as of March 25, 2010. Additional information will be provided as the Company approaches the changeover date.

Selected Key Activities	Milestones / Deadlines	Progress to date
Financial statement preparation		
• Identify relevant differences between IFRS and our accounting policies and practices and design and implement solutions; • Evaluate and select one-time and ongoing accounting policy alternatives; • Benchmark findings with peer companies; • Prepare financial statements and related note disclosures to comply with IFRS; • Quantify the effects of changeover to IFRS.	• Assessment and quantification of the significant effects of the changeover completed by approximately the third quarter of 2010; • Final selection of accounting policy alternatives by third quarter of 2010.	• Completed the identification of IFRS differences; • Assessment and quantification of the impact of one-time transition choices will commence in the second quarter of 2010.
Training and communication		
• Provide training to affected employees, management and the Board of Directors including the Audit Committee; • Engage third-party subject matter experts to assist in the transition; • Communicate progress of changeover plan to internal and external stake-holders.	• Timely training provided to align with work under changeover – training completed by end 2010; • Communicate effects of changeover throughout 2010 and 2011.	• Third-party subject matter experts have been engaged and assisted management with the identification of differences through Phase I.
Internal controls (financial reporting and disclosure controls and procedures)		
• Revise existing internal control to address significant changes to existing accounting policies and practices, if any, including the need for dual record-keeping during 2010; • For changes to accounting policies and practices identified, assess the design and effectiveness of related controls.	• Changes completed by third quarter of 2010 once accounting policy choices have been finalized and approved.	• MD&A disclosures began in December 2008; • Audit committee follows status of conversion plan at interim and year-end meetings.

Risk

Since inception, the Company has concentrated its resources on research and development. It has had no net earnings, growing revenues which do not yet fully offset the cost base of the Company, resulting in negative operating cash flows, working capital deficiencies and a shareholder's deficiency as at December 31, 2009. The Company has financed its activities through bank loans, government financial support and the issuance of debt and equity. 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. 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 doubt and 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.

Commercial Risk

The global economic environment may on occasion impact the ability of the Company's contracted customers to progress on certain segments of R&D and service agreements according to previously anticipated timelines.

The Company mitigates the commercial risk associated to these contracts through constant monitoring of the progression of customer R&D and service contracts and by adjusting the Company's cost base in line with the revised revenue forecast to ensure that ProMetic respects its EBITDA ("earnings before interest, tax, depreciation and amortization"), projections as far as possible.

Financial 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, investments, receivables and share purchase loan to an officer. 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 receivables and the excess of the interest in the joint venture PRDT over proportionate share in consolidated net assets.

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 pound sterling. 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 pound sterling which mitigates the foreign exchange risk.

Equity Risk

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

Oversight of reliability of disclosures

Management has developed and maintains effective systems, controls and procedures to ensure that information used internally and disclosed externally is reliable and timely. During the past year, the control framework has once again been tested against the requirements of COSO, a recognised control model. The Chief Executive Officer and Chief Financial Officer certify the filings as required in Canada by Multilateral Instrument 52-109 (Certification of Disclosure in Issuers' Annual and Interim Filings).

The Board of Directors oversees management's responsibilities for financial reporting through the Audit Committee, which is composed of three Independent Directors who are not officers or employees of the Company. The Audit Committee meets regularly with management and reviews the Company's interim and annual consolidated financial statements and MD&A and recommends them for approval to the Board of Directors. Other key responsibilities of the Audit Committee include monitoring the Company's system of internal control, monitoring its compliance with legal and regulatory requirements selecting the shareholders' auditors and reviewing the qualifications, independence and performance of the shareholders' auditors.

Raymond Chabot Grant Thornton, the shareholders' auditors obtain an understanding of the Company's internal controls and procedures for financial reporting to plan and conduct such tests and other audit procedures as they consider necessary in the circumstances to express their opinion in any audit report they issue in relation to the Company. The shareholders' auditors have full independent access to the Audit Committee to discuss their audit and related matters.

Furthermore, all members of the Board of Directors and employees of ProMetic must comply with the Company's Information Disclosure policy. It addresses the management and use of information relating to or concerning ProMetic, including press releases, documents filed with securities regulatory authorities, including annual reports and quarterly reports issued by the Company, letters to shareholders, management presentations and information posted on the Company website and disclosed via other electronic means of communication, as well as the disclosure of confidential information to third parties.

The objective of this Information Disclosure Policy is to ensure that all information released to the public regarding ProMetic is:

- Timely, factual and exact; and
- Widely disseminated in compliance with applicable securities laws.

The Disclosure Committee is mandated with the responsibility for:

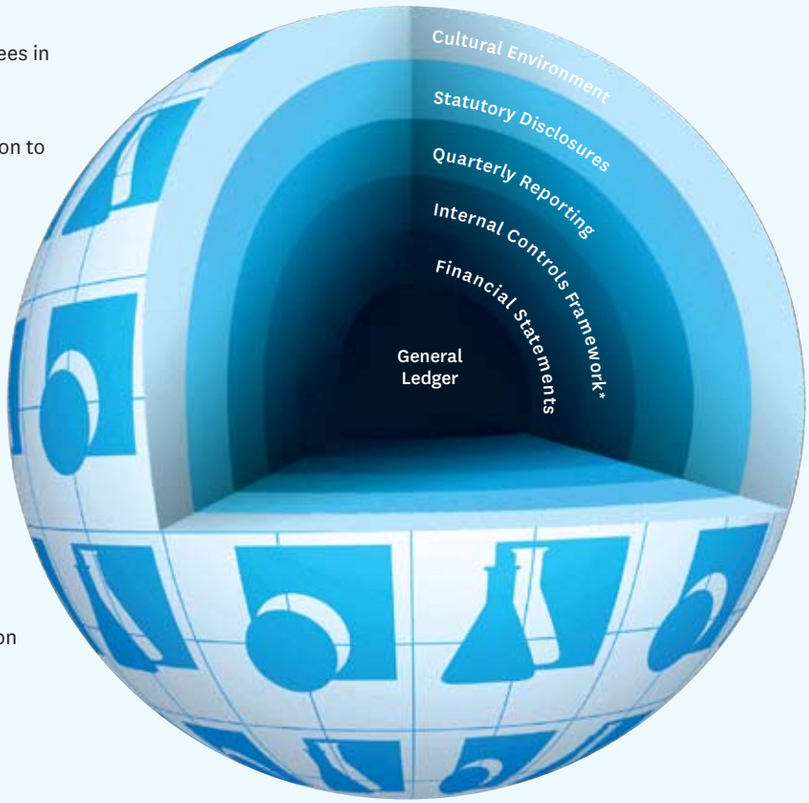
- The contents and periodic review of this Information Disclosure Policy;
- Its implementation;
- Overseeing and monitoring its implementation and enforcement;
- Training of ProMetic management, directors and employees in matters pertaining to the disclosure of information;
- Examining information and authorizing its disclosure (in electronic, written or verbal form) before its dissemination to the public; and
- Monitoring the Company's and its subsidiaries' website contents.

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, 2009, 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 summarized diagrammatically as follows, demonstrating the various layers of control that surround the financial ledgers:



* The internal controls framework includes key policies and controls such as the Corporate Table of Authorities as adopted by the Board of Directors, Contract of Employment, Information Technology, Confidentiality and Disclosure Agreement, Intellectual Property, and Insider Policies.

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.

Internal Control over Financial Reporting

Based on an evaluation of the effectiveness of ProMetic's internal controls over financial reporting, the CEO and the CFO have concluded that the internal controls were effective as of December 31, 2009, and that their design provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements.

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 and the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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 mandate 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 authorization 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.

The review and testing identified certain minor areas where controls and operation of controls could be strengthened. Management will address these during 2010.

Following a review of disclosures by the Toronto Stock Exchange, the Company was found, despite having sought external legal counsel and followed adequate Corporate Governance practices, to have inadvertently breached certain disclosure regulations in relation to the guarantee outlined in note 15 of the Financial Statements.

Accordingly, the Company has undertaken to improve its external legal counsel, and to ensure that its Senior Executive Officers, who have compliance responsibility, undertake additional training in this area.

Summary of Quarterly Results

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

	2009				2008			
	December 31	**September 30**	**June 30**	**March 31**	December 31	September 30	June 30	March 31
Revenues	**4.3**	**3.2**	**2.3**	**3.8**	4.0	3.3	1.1	1.8
Net Profit/(loss)	**(2.4)**	**0.2**	**(5.1)**	**(2.0)**	(5.2)	(3.6)	(5.6)	(5.8)
Net loss per share (basic and diluted)	**0.01**	**0.00**	**0.02**	**0.01**	0.02	0.01	0.02	0.02
Weighted average number of outstanding shares	**331**	**327**	**320**	**317**	294	286	286	266

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, 2009, and 2008.

(in thousands of Canadian dollars)	2009	2008
Revenues	**4,260**	3,981
Operating expenses	**6.095**	7,508
Operating loss	**1,835**	3,527
Gain on extinction of debts	**(341)**	–
Charges related to a guarantee	**586**	1,140
Net interest expenses	**283**	506
Net loss	**2,363**	5,172

Revenues for the fourth quarter of 2009 are $0.3 million higher than the same quarter in 2008. This increase is due to the selling of a significant quantity of affinity resins from the subsidiary in the UK.

Operating expenses are lower by $1.4 million in 2009. This mainly relates to the costs reduction program thoroughly followed during the year.

The net loss decreased significantly during the fourth quarter of 2009 mainly due to the increased gross profit resulting from increased sales and the gain on derecognition of net investment liability in PRDT following the acquisition of ARC's common shares.

Cash outflows from operating activities were $4.3 million compared to $1.1 million for the same period in 2008. This increase is mainly attributed to the payment of suppliers and the recognition of deferred revenues.

Cash inflows from financing activities of $2.3 million were higher in the fourth quarter of 2009 compared to an outflow of $1.8 million in 2008. This increase is mainly attributed to the different loan agreements concluded in the fourth quarter of 2009.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

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, 2010

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, 2009 and 2008 and the consolidated statements of operations and comprehensive loss, contributed surplus, accumulated other comprehensive loss, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material 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, 2009 and 2008, 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]

Raymond Chabot Grant Thornton LLP
Montreal, February 23, 2010, except as to note 15 and note 26 c), which are as of March 25, 2010.

[1] Chartered accountant auditor permit no. 22865

Consolidated Balance Sheets

(In thousands of Canadian dollars)
December 31,

	2009	2008
Assets		
Current assets		
Cash	**$ 493**	$ 917
Accounts receivable (note 5)	**2,612**	4,414
Inventories (note 6)	**2,128**	2,567
Prepaid expenses	**201**	239
	5,434	8,137
Investments (note 7)	**609**	3,585
Capital assets (note 8)	**1,133**	2,403
Licenses and patents (note 9)	**3,908**	5,027
	$ 11,084	$ 19,152
Liabilities		
Current liabilities		
Bank loan (note 10)	**$ 911**	$ 911
Accounts payable and accrued liabilities (note 11)	**6,956**	7,112
Deferred revenues	**910**	1,419
Current portion of long-term debt (note 12)	**3,137**	3,906
Current portion of advance on revenues from a supply agreement (note 13)	**1,316**	–
	13,230	13,348
Long-term debt (note 12)	**2,296**	43
Advance on revenues from a supply agreement (note 13)	**1,826**	–
Preferred shares, retractable at the holder's option	**–**	4,348
	17,352	17,739
Shareholders' equity (deficiency)		
Share capital (note 14)	**212,728**	210,972
Contributed surplus	**10,019**	9,338
Accumulated other comprehensive loss (note 2a))	**(735)**	–
Deficit	**(228,279)**	(218,897)
	(6,268)	1,413
	$ 11,084	$ 19,152

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,

	2009	2008
Revenues	**$ 13,560**	$ 10,154
Charges		
Costs of good sold excluding amortization of capital assets	**3,101**	1,856
Research and development expenses rechargeable	**3,145**	1,001
Research and development expenses non rechargeable	**9,335**	15,812
Administration and marketing expenses	**4,596**	5,326
Loss (Gain) on exchange rate	**(304)**	1,146
Amortization and write-off of capital assets	**839**	1,058
Amortization and write-off of licenses and patents	**1,058**	425
	21,770	26,624
Loss before the following items	**$ (8,210)**	$ (16,470)
Gain on disposal of capital assets	**–**	355
Gain on derecognition of net investment liability in PRDT (note 4)	**1,257**	–
Gain on extinction of debts (note 12)	**341**	–
Charges related to a guarantee (note 15)	**(943)**	(1,140)
Interests and penalties related to a lawsuit	**–**	(581)
Net interest expenses and penalties	**(1,774)**	(2,342)
Net loss	**$ (9,328)**	$ (20,178)
Net loss per share (basic and diluted)	**$ (0.03)**	$ (0.07)
Weighted average number of outstanding shares (in thousands)	**323,858**	293,715
Comprehensive loss		
Net loss	**$ (9,328)**	$ (20,178)
Foreign currency translation adjustment at January 1, 2009 (note 2a))	**(885)**	–
Foreign currency translation adjustment	**150**	–
Total Comprehensive loss	**$ (10,063)**	$ (20,178)

For supplemental operations information, see note 17
The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Contributed Surplus

(In thousands of Canadian dollars)
Years ended December 31, 2009 and 2008

	Stock-based compensation	Warrants and rights to acquire shares	Other	Total contributed surplus
Contributed surplus, as at December 31, 2007	$ 757	$ 3,860	$ 2,136	$ 6,753
Stock-based compensation	307	–	–	307
Issuance of warrants and rights	–	2,278	–	2,278
Contributed surplus, as at December 31, 2008	$ 1,064	$ 6,138	$ 2,136	$ 9,338
Stock-based compensation	**338**	**–**	**–**	**338**
Issuance of warrants	**–**	**343**	**–**	**343**
Contributed surplus, as at December 31, 2009	**$ 1,402**	**$ 6,481**	**$ 2,136**	**$ 10,019**

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

Consolidated Statements of Accumulated Other Comprehensive Loss

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

	2009	2008
Balance, beginning of the year	$ –	$ –
Foreign currency translation adjustment at January 1, 2009 (note 2a))	**(885)**	–
Foreign currency translation adjustment	**150**	–
Balance, end of the year	**$ (735)**	$ –

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

As of December 31, 2009, the sum of deficit and accumulated other comprehensive loss is $ 229,014.

Consolidated Statements of Deficit

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

	2009	2008
Deficit, beginning of the year	**$ 218,897**	$ 197,475
Net Loss	**9,328**	20,178
Share issue expenses	**54**	1,243
Deficit, end of the year	**$ 228,279**	$ 218,897

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,

	2009	2008
Cash flows used in operating activities	**$ (9,328)**	$ (20,178)
Net loss		
Adjustments to reconcile net loss to cash flows used in operating activities		
Interests on long-term debt	**634**	1,200
Gain on derecognition of the net investment liability in PRDT	**(1,257)**	–
Gain on extinction of debts	**(341)**	–
Gain on disposal of capital assets	**–**	(355)
Charges paid with shares	**399**	1,492
Stock-based compensation	**338**	307
Unrealized (gain) loss on exchange rate	**(298)**	1,388
Amortization and write-off of capital assets	**839**	1,058
Amortization and write-off of licenses and patents	**1,058**	425
	(7,956)	(14,663)
Change in working capital items (note 22)	**1,137**	(443)
	(6,819)	(15,106)
Cash flows from financing activities		
Proceeds from share issues and rights to acquire shares	**–**	19,451
Share issue expenses	**57**	(1,150)
Bank loan	**–**	706
Long-term debt	**6,845**	–
Repayment of long-term debt	**(3,793)**	(3,794)
Advance on revenues from a supply agreement	**3,306**	–
	6,415	15,213
Cash flows used in investing activities		
Acquisition of an investment	**(1)**	(3)
Disposal of an investment	**50**	–
Disposal of capital assets	**–**	405
Additions to capital assets	**(146)**	(64)
Additions to licenses and patents	**(131)**	(701)
	(228)	(363)
Net decrease in cash	**(632)**	(256)
Net effect of currency exchange rate on cash	**208**	(990)
Cash, beginning of the year	**917**	2,163
Cash, end of the year	**$ 493**	$ 917

For supplemental cash flow information, see note 22
The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2009 and 2008

(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, growing revenues, which do not yet fully offset the cost base of the Company, resulting in negative operating cash flows, working capital deficiencies and a shareholders' deficiency as at December 31, 2009. The Company has financed its activities through bank loans, government financial support and the issuance of debt and equity.

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. Although raising funds in the current economic environment has proved difficult and the cost of accessing capital has increased, the Company finalized an equity investment of US$3,000,000 and a five year loan of US$10,000,000 with Abraxis BioScience Inc. subsequent to year end (note 26). 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 doubt and 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) Change in accounting policy – self-sustaining subsidiary

Effective January 1, 2009, the Company reclassified its subsidiary Prometic BioSciences Ltd from integrated to a self-sustaining foreign operation because the subsidiary has demonstrated that it is no longer wholly dependent on its Canadian parent for capital requirements. Accordingly, the subsidiary now uses the pound sterling as its functional currency.

The Company has prospectively adopted the current rate method of foreign currency translation in accordance with section 1651 of the Canadian Institute of Chartered Accountants' handbook (CICA handbook). Under this method, revenues and expenses are translated using average exchange rates for the applicable period and assets and liabilities are translated using the exchange rates in effect on the balance sheet dates. Resulting exchange differences are reported as a separate component of other comprehensive loss. As of January 1, 2009, the foreign currency translation adjustment was $(885). This amount arose from the prospective adoption of the current rate method for foreign currency translation of the accounts of its reclassified self-sustaining foreign operations.

b) New accounting standards

Goodwill and intangible assets

On January 1, 2009, in accordance with the applicable transitional provisions, the Company applied the recommendations of new Section 3064 "Goodwill and Intangible Assets", of the Canadian Institute of Chartered Accountants' Handbook. This new section, which is effective for fiscal years beginning on or after October 1, 2008 establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit-oriented enterprises. It clarifies the recognition of intangible assets and deals with the recognition of internally generated intangible assets. However, the standards related to goodwill are identical to those in Section 3062 "Goodwill and Other Intangible Assets". This change had no significant impact on the financial statements as at December 31, 2009.

Years ended December 31, 2009 and 2008
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

NOTE 2. Changes in accounting policies (cont.)

Financial instruments – Disclosures
In June 2009, the Canadian Institute of Chartered Accountants (CICA) amended 3862, "Financial instrument – Disclosure". This section has been amended to introduce new financial disclosure requirements, particularly with respect to fair value measurement of financial instruments and entity exposure to liquidity risk. The amendments to this section apply to annual statements for years ending after September 2009. The Company adopted the amendment of 3862 during the year and the impact of the adoption required additional disclosures presented in note 20.

Credit Risk and The Fair Value of Financial Assets and Financial Liabilities
In addition, on January 20, 2009, the CICA issued Emerging Issues Committee Abstract 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" ("EIC 173"), to be applied retroactively without restatement of prior periods to all financial assets and liabilities measured at fair value in interim and annual consolidated financial statements. EIC 173 requires the Company to consider its own credit risk and the credit risk of the counterparty in determining the fair value of financial assets and financial liabilities, including derivative instruments. The Company adopted EIC 173 during the year. The adoption of this standard has no impact on the Company's consolidated financial statements.

c) Future accounting standards

As at February 23, 2010, certain new primary sources of Canadian generally accepted accounting principles (standards) have been published but are not yet in effect. The Company has not yet adopted any of these standards. The new standards, which could potentially impact the Company's financial statements, are detailed as follows:

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 Combinations" 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 IAS 27, "Consolidated and Separate Financial Statements". 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.

Multiple Deliverable Revenue Arrangements
In December 2009, the CICA issued EIC 175 "Multiple Deliverable Revenue Arrangements" replacing EIC 142, Revenue Arrangements with Multiple Deliverables. This abstract was amended to: (1) provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the consideration allocated; (2) require, in situations where a vendor does not have vendor-specific objective evidence ("VSOE) or third-party evidence of selling price, that the entity allocate revenue in an arrangement using estimated selling prices of deliverables; (3) eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method; and (4) require expanded qualitative and quantitative disclosures regarding significant judgments made in applying this guidance.

The accounting changes summarized in EIC 175 are effective for fiscal years beginning on or after January 1, 2011, with early adoption permitted. Adoption may either be on a prospective basis or by retrospective application. If the Abstract is adopted early, in a reporting period that is not the first reporting period in the entity's fiscal year, it must be applied retroactively from the beginning of the Company's fiscal period of adoption.

The Company is currently assessing the future impact of these amendments on its financial statements and has not yet determined the timing and method of its adoption.

Years ended December 31, 2009 and 2008
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

NOTE 2. Changes in accounting policies (cont.)

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) Basis of presentation

The consolidated financial statements have been prepared in accordance with Canadian GAAP.

b) 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.

c) 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 its joint ventures Arriva-ProMetic Inc. (hereinafter referred to as "A-P") and Pathogen Removal and Diagnostic Technologies Inc. (hereinafter referred to as "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. As described in note 4, the Company acquired the control of PRDT and applied the accounting treatment described in note 4 starting on September 23, 2009. All significant intercompany transactions and balances have been eliminated.

d) 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, excluding tax credits receivable and sales taxes receivable, and the share purchase loan to an officer, 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 loans and receivables. They are measured at amortized cost using the effective interest method. Previously they were classified as held-to-maturity.
- 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.
- In 2008, 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.

Years ended December 31, 2009 and 2008
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

NOTE 3. Significant accounting policies (cont.)

- Long-term debt and advance on revenues from a supply agreement are classified as other financial liabilities. They are 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.

e) 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.

f) 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.

g) Capital assets

Capital assets are recorded at cost less accumulated amortization and write-downs. 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 and straight-line	20% and 5 years
Office equipment and furniture	Declining balance and straight-line	20% and 5 years
Computer equipment	Declining balance and straight-line	30% and 5 years

Starting January 1, 2009, some of the Equipment tools, Office equipment and furniture and Computer equipment are amortized according to the straight-line method for a period of 5 years. This change, applied prospectively, did not have a significant impact on the financial statements.

h) 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.

i) 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 from 12 years to 20 years.

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NOTE 3. Significant accounting policies (cont.)

j) 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.

k) 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, 2009 and 2008, no development costs were deferred.

l) 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.

m) Foreign currency translation

The Company's foreign subsidiaries, except for the sub-group headed by ProMetic BioSciences Ltd (ProMetic BioSciences (USA) Inc., ProMetic Manufacturing Inc. and PRDT), 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.

For the sub-group headed by ProMetic BioSciences Ltd, the method of the current rate is used. Under this method, revenues and expenses are translated using average exchange rates for the applicable period, assets and liabilities are translated using the exchange rates in effect on the balance sheet dates. Resulting exchange differences are reported as a separate component of other comprehensive income.

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

NOTE 3. Significant accounting policies (cont.)

n) Income taxes

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

o) Stock-based compensation

The Company maintains a stock option plan as described in note 14 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 based on the fair value of the award and is recognized over the related vesting period for employees and over the related service period for non employees.

p) 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 14.

q) Share issue expenses

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

NOTE 4.
Asset acquisition

On September 23, 2009, the Company acquired American Red Cross' 51% interest in the voting shares of PRDT (note 7a) bringing its ownership to 77% of the voting shares. In return, the Company paid a cash amount of $5 and will pay tapering royalties based on the revenues generated by PRDT from specified technologies over the remaining lives of the patents.

This transaction has been accounted as an asset acquisition in accordance with the CICA Emerging Issues Committee Abstract 124 "Definition of a Business". The assets acquired consist mainly of patents.

Concurrent with the acquisition, the terms of the preferred shares previously issued by PRDT were modified and are no longer retractable at the holder's option. Accordingly, the preferred shares, which were previously classified as a liability and as the excess of interest in the joint venture PRDT over proportionate share in consolidated net assets, in the Company's consolidated balance sheets as a result of proportionate consolidation, are now considered as share capital of PRDT and were derecognized by the Company.

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NOTE 4. Asset acquisition (cont.)

As a result of the asset acquisition and the modification of PRDT's preferred shares terms, the consolidated balance sheet items presented under proportionate consolidation are derecognized resulting in a gain of $1,257 in the consolidated statement of operations and comprehensive loss. The effect of this acquisition on the Company's financial statements is as follows:

Patents	$ 5
Excess of interest in PRDT over proportionate share in consolidated net assets	(2,960)
Preferred shares, retractable at the holder's option	4,217
Gain on derecognition of net investment liability in PRDT	(1,257)
Consideration paid in cash	$ 5

Since September 23, 2009 and until PRDT generates profits, the Company assumes 100% of PRDT's charges.

NOTE 5.
Accounts receivable

	2009	2008
Trade	$ **1,531**	$ 2,759
Tax credits and sales taxes receivable (note 10)	**936**	1,495
Advance to an officer, without interest	**–**	12
Other	**145**	148
	$ **2,612**	$ 4,414

NOTE 6.
Inventories

	2009	2008
Raw materials	$ **538**	$ 165
Work in progress and finished goods	**1,590**	2,402
	$ **2,128**	$ 2,567

During the year, a total amount of inventories of $3,305 ($1,975 in 2008) is recognized as an expense and presented in the costs of goods sold excluding amortization of capital asset and in the amortization and write-off of capital assets in the consolidated statement of operations and comprehensive loss.

During the year, there was a write-down of inventories for an amount of $47 (nil in 2008) and there was no reversal of provision previously recognized (nil in 2008).

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NOTE 7.
Investments

	2009	2008
Cash subject to certain limitations	**$ 69**	$ 72
Guaranteed investment certificates, 0.20% and 0.60%, (1.85% and 2.25% in 2008) expiring in June 2010, pledged as security of letters of credit to suppliers expiring in September 2010 and November 2010 and annually renewable	**287**	360
Convertible preferred shares of AM-Pharma Holding B.V.	**253**	268
Excess of interest in the joint venture PRDT over proportionate share in consolidated net assets (a) and b))	**–**	2,885
	$ 609	$ 3,585

a) Up to September 23, 2009, the Company was a partner in 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 owned 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 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.

As described in note 4, as of September 23, 2009, the Company acquired a majority interest in PRDT and, in accordance with the amended shareholders' agreement; ProMetic assumes all expenses of PRDT.

b) The PRDT joint venture issued preferred shares in consideration for the direct and indirect costs assumed by each partner. The shares received by the Company were presented as excess of the interest in the joint venture PRDT over proportionate share in consolidated net assets. The preferred shares which were retractable at the holder's option until the amendment of their terms on September 23, 2009 (note 4) include a 14% cumulative dividend effective January 1, 2003 and were considered as a debt. Thus, prior to September 23, 2009, as part of the proportionate consolidation of the joint venture, the Company recognized 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 as follows:

	2009	2008
Current assets	**$ –**	$ –
Long-term assets	**–**	2,885
Long-term liabilities	**–**	4,348
Total revenues	**–**	7
Total expenses	**1,011**	2,284
Net loss	**1,011**	2,277
Cash flows from:		
Operations	**(1,011)**	–
Investing	**–**	–

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NOTE 8.
Capital assets

	2009		2008	
	Cost	**Accumulated amortization**	Cost	Accumulated amortization
Leasehold improvements	**$ 2,638**	**$ 2,481**	$ 3,338	$ 2,730
Equipment and tools	**4,912**	**4,218**	5,888	4,556
Office equipment and furniture	**503**	**408**	688	514
Computer equipment	**1,079**	**892**	1,214	925
	9,132	**7,999**	11,128	8,725
Accumulated amortization	**7,999**		8,725	
Net book value	**$ 1,133**		$ 2,403	

Deferred capital grants for a total of $ 30 in 2009 and of $26 in 2008 received from the Isle of Man government are credited to the cost of capital assets (see note 24).

NOTE 9.
Licenses and patents

	2009		2008	
	Cost	**Accumulated amortization**	Cost	Accumulated amortization
Licenses	**$ 3,870**	**$ 2,010**	$ 4,456	$ 2,075
Patents	**2,489**	**441**	3,230	584
	6,359	**2,451**	7,686	2,659
Accumulated amortization	**2,451**		2,659	
Net book value	**$ 3,908**		$ 5,027	

The Company has written off an amount of $142 for licenses and $637 for patents respectively following an impairment review of each of the asset. The review was conducted in order to identify licenses and patents that are no longer of use to the Company. Both write-offs amounts were considered in the amortization and write-off expenses of licenses and patents. An amount of $708 is related to the Therapeutics operating segment and $71 to the Protein Technology operating segment.

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, which was fully amortized, was written-off.

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NOTE 9. Licenses and patents (cont.)

c) 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.

d) 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.

e) 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 10.
Bank loan

	2009	2008
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% (4.25% as at December 31, 2009; 5.5% as at December 31, 2008) and repayable upon receipt of tax credits, subject to negociations with the bank.	**$ 911**	$ 911

This bank loan was fully repaid by the Company subsequent to the year end (note 26).

Furthermore, the Company has an authorized demand facility, by way of overdrafts of $250, bearing interest at prime plus 5% (7.25% as at December 31, 2009), which was repaid in February 2010 and is presented under cash in the balance sheet as at December 31, 2009. The demand facility is secured by a guarantee from an officer of the Company. The Company did not pay any consideration in exchange for such guarantee.

NOTE 11.
Accounts payable and accrued liabilities

	2009	2008
Accounts payable	**$ 4,039**	$ 3,160
Accruals related to a guarantee (note 15)	**920**	951
Accrued liabilities	**1,997**	3,001
	$ 6,956	$ 7,112

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NOTE 12.
Long-term debt

	Current portion	2009	2008
Promissory note (note a)	**$ 250**	**$ 250**	$ –
Other loans (note b)	**2,864**	**5,144**	3,883
Capital leases (note c)	**23**	**39**	66
	3,137	**5,433**	3,949
Current portion of long-term debt		**3,137**	3,906
		$ 2,296	$ 43

Note a) Promissory note
Loan from a director of the Company, for an amount of $250 bearing interests at a rate of 15%, repayable on demand.

Note b) Other loans
1) Loan for an initial principal amount of $2,000 that could reach an amount of $5,000 under certain conditions. In consideration of the initial loan, ProMetic has issued to the lender 4,025,000 fully paid common shares and 3,750,000 warrants at an exercise price of $0.12 per share and exercisable for a period of three years. For accounting purposes, the initial loan contains both a liability component and an equity component (the shares and the warrants). The Company uses the Black-Scholes valuation model to calculate the fair value of the warrants using a volatility of 85% and a free risk interest rate of 1.36%. The fair value of the shares is based on the quoted price observed on the active market. The fair value of the shares and the warrants are respectively $513 and $172. By difference, the fair value of the initial loan is $1,315.

During the year, the repayment terms of the loan were renegotiated in consideration of the issuance of 571,428 shares. ProMetic shall repay $1,000 in March 2010 and $1,000 in March 2011. The loan bears no interests (effective rate of 42.50% after the renegotiation). The renegotiation created debt extinction for accounting purposes and the initial loan was derecognized and a new loan recognized at fair value creating a gain on extinction of a debt of $182. The fair value was estimated using discounted future cash flows.

The loan is secured by a hypothec of $6,000 on ProMetic and its subsidiary's universality of movable property.

As at December 31, 2009, the fair value of the loan is $1,536.

2) Loan for an initial principal amount of $500 that could reach an amount of $1,000 under certain conditions. In consideration of the initial loan, ProMetic has issued to the lender 416,666 fully paid common shares and 500,000 warrants at an exercise price of $0.18 per share and exercisable for a period of three years. For accounting purposes, the initial loan contains both a liability component and an equity component (the shares and the warrants). The Company uses the Black-Scholes valuation model to calculate the fair value of the warrants using a volatility of 85% and a free risk interest rate of 1.74%. The fair value of the shares is based on the quoted price observed on the active market. The fair value of the shares and the warrants are respectively $115 and $35. By difference, the fair value of the initial loan is $350.

During the year, the repayment terms of the loan were renegotiated in consideration of the issuance of 285,714 shares. ProMetic shall repay the loan to the lender in June 2011. The loan bears no interest (effective rate of 42.50% after the renegotiation). The renegotiation was debt extinction for accounting purposes and the initial loan was derecognized and a new loan recognized at fair value creating a gain on extinction of a debt of $103. The fair value was estimated using discounted future cash flows.

The loan is secured by a hypothec of $1,000 on ProMetic and its subsidiary's universality of movable property.

As at December 31, 2009, the fair value of the loan is $303.

3) Loan for a principal amount of $500. In consideration of this loan, ProMetic has issued to the lender 1,375,000 fully paid common shares and 375,000 warrants at an exercise price of $0.12 per share and exercisable for a period of three years. For accounting purposes, the loan contains both a liability component and an equity component (the shares and the warrants). The Company uses the Black-Scholes valuation model to calculate the fair value of the warrants using a volatility of 90% and a free risk interest rate of 1.76%. The fair value of

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NOTE 12. Long-term debt (cont.)

the shares is based on the quoted price observed on the active market. The fair value of the shares and the warrants are respectively $191 and $18. By difference, the fair value of the loan is $291.

During the year, the repayment terms of the loan were renegotiated in consideration of the issuance of 285,714 shares. ProMetic shall repay the loan to the lender in August 2011. The loan bears no interests (effective rate of 42.50% after the renegotiation). The renegotiation was debt extinction for accounting purposes and the initial loan was derecognized and a new loan recognized at fair value creating a gain on extinction of a debt of $56. The fair value was estimated using discounted future cash flows.

The loan is secured by a hypothec of $500 on ProMetic and its subsidiaries' universality of movable property.

As at December 31, 2009, the fair value of the loan is $279.

4) Loans for principal amounts of $1,500, $500, $470 and $250. In consideration for these loans, ProMetic has issued to the lenders a total of 4,942,855 fully paid common shares and 2,039,999 warrants at exercise prices ranging from $0.12 and $0.22 per share and exercisable for a period of three years. For accounting purposes, the loans contain both a liability component and an equity component (the shares and the warrants). The Company uses the Black-Scholes valuation model to calculate the fair value of the warrants using a volatility of 90% and a free risk interest rate of 1.76% and 1.88%. The fair value of the shares is based on the quoted price observed on the active market. The fair value of the shares and the warrants are respectively $538 and $118. By difference, the fair value of the loans is $2,064

No interest is applicable on the loans (effective rate between 23.39% and 29.05%). ProMetic shall repay $1,220 to the lenders in May 2010 and $1,500 in August 2011. The loans are secured by a hypothec of $2,720 on ProMetic and its subsidiaries' universality of movable property.

As at December 31, 2009, the fair values of these loans are respectively $832, $444, $414 and $222.

5) Repayable loan from the IOM government for 492,000 pound sterling. The loan bears no interest and is repayable by August 2010. The loan is secured by a hypothec on ProMetic BioSciences Ltd. assets which have a cost of $5,435.

6) Loans with a principal amount 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), payable with monthly installments of US$433,250 and US$28,730 that matured and fully repaid August 2009.

Note c) Capital leases
Obligations under capital leases bearing interests from 11.54% to 13.94% payable in monthly instalments of $0.3 to $0.5 maturing from June 2010 to August 2012.

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

Year ending December 31:	
2010	**3,325**
2011	**3,513**
2012	**4**

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NOTE 13.
Advance on revenues from a supply agreement

Advance on revenues from a supply agreement for an initial amount of 2 million pound sterling, which is also deemed to be the fair value, that could reach an amount of 2.5 million pound sterling and bearing interests at 5% per annum. The advance is repayable solely by the revenues received under the supply agreement as products are supplied. The advance has a 5 year term and the balance due at the maturity date is reimbursable in cash. The current portion of the advance on revenues from a supply agreement was determined with the expected product sales under the supply agreement in the 2010 financial year.

NOTE 14.
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.

	2009		2008	
	Number	**Amount**	Number	Amount
Issued common shares	**331,743,400**	**$ 213,178**	317,401,768	$ 211,422
Share purchase loan to an officer, without interest and due no later than December 31, 2010 (a)		**(450)**		(450)
Balance at end of the year, issued and fully paid		**$ 212,728**		$ 210,972

(a) The share purchase loan to an officer has been extended for a year having a new maturity date of December 31, 2010.

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NOTE 14. Share capital (cont.)

a) Share issue

Changes in the issued and outstanding common shares were as follows:

	2009		2008	
	Number	**Amount**	Number	Amount
Balance, at beginning of year	**317,401,768**	**$ 211,422**	263,821,962	$ 192,675
Shares Issuance	**14,341,632**	**1,756**	53,579,806	18,747
Balance, end of year	**331,743,400**	**$ 213,178**	317,401,768	$ 211,422

During the year, the Company issued 11,759,520 common shares and 6,664,999 warrants under strategic loan agreements for a consideration of $1,700. An amount of $1,357 was recorded in the share capital based on the common shares quote on the issuance date. The residual amount of $343 was recorded in contributed surplus for warrants. Also, $399 in interests and penalties was paid by the issuance of shares.

In 2008, the issuance of shares resulted in a cash inflow of $17,255 and payments of $1,492 in professional services. During that 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.

As at December 31, 2009, the following warrants and rights to acquire shares were outstanding:

Warrants and rights to acquire shares	Expiry date	Exercise price
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
3,750,000	June 2012	$0.12
500,000	June 2012	$0.18
1,500,000	August 2012	$0.12
539,999	December 2012	$0.22

The Company uses the Black-Scholes option valuation model to calculate the fair value of warrants. During the year, 6,289,999 (757,500 in 2008) warrants were issued having a fair value between $0.05 and $0.09 ($0.11 in 2008) and expiring from June 2012 to December 2012 (April 2010 in 2008) 375,000 warrants issued during the year are not outstanding as at December 31, 2009 because the company was awaiting regulatory approval.

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 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.

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NOTE 14. Share capital (cont.)

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

		Options	Weighted average exercise price per share
Number of options as at December 31, 2007		5,901,200	$0.80
2008	Granted	2,802,917	0.39
	Forfeited	(484,700)	0.66
	Expired	(263,000)	1.56
Number of options as at December 31, 2008		7,956,417	$0.64
2009	Granted	3,033,000	0.17
	Forfeited	(1,001,826)	0.47
	Expired	(1,318,200)	1.33
Number of options as at December 31, 2009		8,669,391	$0.39

A compensation expense of $338 in 2009 and $307 in 2008 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, 2009:

Range of exercise price	Number outstanding	Weighted average remaining contractual life (in years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
0.13 - 0.31	3,913,590	4.14	0.20	557,480	0.31
0.32 - 0.50	3,534,667	3.00	0.42	2,290,417	0.42
0.51 - 1.00	910,634	2.18	0.78	575,334	0.86
1.01 - 1.50	300,000	1.19	1.40	300,000	1.40
1.51 - 2.70	10,500	0.08	2.70	10,500	2.70
	8,669,391			3,733,731	0.56

As at December 31, 2008, 4,101,030 stock options were exercisable at a weighted average exercise price of $0.84.

Weighted average exercise price of the options having an exercise price

	2009	Grant date 2008
Lower than the market price	**0.17**	–
Equal to the market price	**–**	–
Higher than the market price	**0.51**	0.39

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NOTE 14. Share capital (cont.)

Weighted average fair value of the options having an exercise price

		Grant date
	2009	2008
Lower than the market price	**0.09**	–
Equal to the market price	**–**	–
Higher than the market price	**0.28**	0.21

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:

	2009	2008
Risk-free interest rate	**1.26%**	3.44%
Dividend yield	**0%**	0%
Expected volatility of share price	**87.82%**	78.22%
Expected life	**1 and 5 years**	5 years

The estimated fair value of options granted during the year ended December 31, 2009 is $0.06. In 2008, it was $0.21.

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 ended in December 2009. It provided 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.

There were no draw downs in 2009 and in 2008 under the equity draw down facility.

NOTE 15.
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.

Years ended December 31, 2009 and 2008
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

NOTE 15. Related party transaction (cont.)

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 $2,262 including 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, 2009, the Loan had an outstanding balance of $920 ($1,683 in 2008). The deadline has been extended while the parties are negotiating a revised schedule of payments including capital, interests and penalties. In the year ended December 31, 2009, the Company recognized an amount of $ 943 ($1,140 in 2008) as a loss on this guarantee.

On March 25, 2010, the parties entered into a settlement agreement, which will call for the Company to pay to Camofi an amount of US$800,000 (CDN$837,280) on April 1, 2010, in addition to a payment of US$250,000 (CDN$260,725) made by the Company in January 2010, for the full payment of the outstanding balance of the loan and the termination of the borrower's and the Company's obligations.

Concurrent with this settlement agreement being reached, an amended and restated loan agreement was entered into between the borrower and the Company requiring the borrower to fully repay the Company no later than March 31, 2013, subject to receiving shareholder approval at the next Annual General Meeting of the shareholders. Furthermore, should certain stock price thresholds be reached, the Company may require the borrower to pay the unpaid balance of the loan. Should shareholder approval thereon not be received, the borrower could be required to fully repay the Company no later than 30 days following said negative shareholder vote. Finally, the said loan is secured by a pledge in favour of the Company by the borrower of 9,500,000 shares of the Company stock. The loan is also secured by a pledge in favour of the Company by InvHealth Capital Inc. of all its shares of the borrower and by a pledge in favour of the Company by the senior officer of the Company of all his shares of InvHealth Capital Inc.

NOTE 16.
Capital disclosures

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

	2009	2008
Bank loan	**$ 911**	$ 911
Long-term debt	**5,433**	3,949
Equity	**(6,268)**	1,413
Cash	**(493)**	(917)
	$ (417)	$ 5,356

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 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 2008.

Years ended December 31, 2009 and 2008
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

NOTE 17.
Information included in the consolidated statements of operations

	2009	2008
Gross research and development expenses	**$ 13,197**	$ 17,891
Research and development tax credits	**(717)**	(1,078)
Interest and penalties on long term debt	**1,554**	2,204
Interest on bank loan and other interest expenses	**265**	160
Interest on other financial liabilities	**1,819**	2,364
Interest income on financial assets held for trading	**(45)**	(22)

NOTE 18.
Commitments

The Company has total commitments of $4,748 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:

2010	**2,542**
2011	**1,366**
2012	**840**
	$ 4,748

NOTE 19.
Pension plan

The Company contributes to a defined contribution pension plan for all of its permanent employees. The Company matches most employees' contributions up to 3% of their annual salary. The Company's contributions for the year are $302 ($281 in 2008).

Years ended December 31, 2009 and 2008
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

NOTE 20.
Financial instruments and financial risk management

a) Financial instruments

The Company has classified its financial instruments as follows:

	2009	2008
Financial assets		
Held for trading		
Cash, measured at fair value	**$ 493**	$ 917
Cash subject to certain limitations, measured at fair value	**69**	72
	562	989
Loans and receivables		
Accounts receivable and share purchase loan to an officer, recorded at amortized cost	**2,126**	3,369
Guaranteed investment certificates, recorded at amortized cost	**287**	–
Excess of the interest in the joint venture of Pathogen Removal and Diagnostic Technologies, measured at amortized cost	**–**	2,885
	2,413	6,254
Held to maturity		
Guaranteed investment certificates, recorded at amortized cost	**–**	360
Available-for-sale		
Convertible preferred shares of AM-Pharma, recorded at cost	**253**	268
Financial liabilities		
Other financial liabilities		
Bank loan, accounts payable and accrued liabilities, measured at amortized cost	**$ 7,867**	$ 8,023
Long-term debt, measured at amortized cost	**5,433**	3,949
Advance on revenues measured at amortized cost	**3,142**	–
Preferred shares retractable at the holder's option, measured at amortized cost	**–**	4,348
	16,442	16,320

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

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

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

Years ended December 31, 2009 and 2008
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

NOTE 20. Financial instruments and financial risk management (cont.)

Level 3 – valuation techniques with significant unobservable market inputs.

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

The financial instruments in the Company's financial statements, measured at fair value, are the cash and the cash subject to certain limitation. Both financial instruments were classified as Level 1 by the Company.

b) Fair value:

The carrying value of cash, accounts receivable, guaranteed investment certificate, cash subject to certain limitations, bank loan and 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.

For 2008, 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 12. The Company discounted expected future cash flows in accordance with the loan agreements in effect using rates which the Company could obtain at the balance sheet date for loans with similar terms and conditions and maturity dates.

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, receivables and share purchase loan to an officer. 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 proportional 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 evaluates accounts receivables balances based on the age of the receivable, credit history of the customers and past collection experience. As at December 31, 2009, there are doubtful amounts related to past due accounts as indicated in the following table:

Years ended December 31, 2009 and 2008
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

NOTE 20. Financial instruments and financial risk management (cont.)

	2009	2008
Trade and other receivables:		
Current and not impaired	**$ 1,521**	$ 2,571
Past due in the following periods		
31 to 60 days	**4**	179
61 to 90 days	**–**	9
Over 90 days	**574**	620
Allowance for doubtful accounts – over 90 days	**(568)**	(620)
Trade receivables	**1,531**	2,759
Other receivables	**145**	160
Total accounts receivables	**$ 1,676**	$ 2,919

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, 2009 totals $568. As at December 31, 2008, it amounted to $620.

The Trade accounts receivable include an amount from one customer which represents approximately 80% of the Company's total trade accounts receivable as at December 31, 2009 and four customers representing 78% (31% 18%, 15% and 14% respectively) of total trade receivable as at December 31, 2008.

The Company derives significant revenue from certain customers. In 2009 there were three customers who individually accounted for 30%, 21% and 17% of revenues respectively which represent $4,068, $2,848 and $2,305 of the total revenues respectively. In 2008, three customers represented 16%, 15% and 11% respectively (which represent $1,625, $1,523 and $1,117 of the total revenues respectively).

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 following are cash flow payables for contractual obligations relative to financial liabilities, as at the balance sheet date.

As at December 31, 2009

	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	**6,956**	**–**	**–**	**–**	**6,956**
Long-term debt	**1,256**	**1,226**	**843**	**3,517**	**6,842**
Advance on revenues from a supply agreement	**44**	**440**	**832**	**1,826**	**3,142**
	$ 9,167	**$ 1,666**	**$ 1,675**	**$ 5,343**	**$ 17,851**

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.

Years ended December 31, 2009 and 2008
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

NOTE 20. Financial instruments and financial risk management (cont.)

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 its expenses incurred and revenues generated are in US dollar and in pound sterling. 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 pound sterling which mitigates the foreign exchange risk.

As at December 31, 2009, the Company is exposed to currency risk through the following assets and liabilities denominated respectively in US dollar and pound sterling.

	2009 US dollar	**2009 CDN dollar**	2008 US dollar	2008 CDN dollar
Cash	**237,708**	**248,785**	418,952	513,049
Accounts receivable	**156,681**	**163,982**	2,083,503	2,551,458
Accounts payable and accrued liabilities	**(3,003,800)**	**(3,143,778)**	(2,785,866)	(3,411,572)
Long term debt	**(20,527)**	**(21,484)**	(3,199,789)	(3,918,462)
Net exposure	**(2,629,938)**	**(2,752,495)**	(3,483,200)	(4,265,527)

	2009 Pound sterling	**2009 CDN dollar**	2008 Pound sterling	2008 CDN dollar
Cash	**77,374**	**130,901**	199,661	357,313
Accounts receivable	**881,506**	**1,491,332**	68,142	121,947
Accounts payable and accrued liabilities	**(734,495)**	**(1,242,617)**	(636,156)	(1,138,465)
Advance on revenues from a supply agreement and long term debt	**(2,348,443)**	**(3,973,096)**	–	–
Net exposure	**(2,124,058)**	**(3,593,480)**	(368,353)	(659,205)

Based on the above net exposures as at December 31, 2009, 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 US$262,994 (CDN$275,250).

A 10% depreciation or appreciation of the Canadian dollar against the pound sterling would result in a decrease or an increase of the accumulated other comprehensive loss of 212,406 pound sterling (CDN$359,348).

The Company has not hedged its exposure to currency fluctuations.

Years ended December 31, 2009 and 2008
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

NOTE 21.
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:

	2009	2008
Net loss	**$ (9,328)**	$ (20,178)
Basic income tax rate	**31%**	31%
Computed income tax provision	**(2,882)**	(6,255)
Decrease (increase) in income taxes resulting from:		
Unrecorded potential tax benefit arising from current period losses	**1,614**	5,218
Effect of tax rate differences in foreign subsidiaries	**(340)**	(2,360)
Non-taxable items	**705**	3,397
Future tax rate differences	**903**	–
	$ –	$ –

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

	2009	2008
Future income tax assets:		
Losses carried forward	**$ 26,240**	$ 19,496
Share issue expenses	**467**	719
Unused research and development expenses	**5,135**	6,362
Accounts payable and accrued liabilities	**3,359**	51
Licenses and patents	**380**	194
Deferred revenues	**191**	227
Interest expenses carry forward	**2,325**	2,277
Capital assets	**167**	127
	38,264	29,453
Less: valuation allowance	**(37,990)**	(29,442)
Net future income tax assets	**274**	11
Future income tax liabilities:		
Capital assets	**(274)**	(11)
Net future income tax assets	**$ –**	$ –

Years ended December 31, 2009 and 2008
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

NOTE 21. Income taxes (cont.)

As at December 31, 2009, the Company had available the following deductions, losses and credits:

	Canada		Foreign
	Federal	Provincial	Countries
Deductions:			
Research and development expenses, without time limit	$ 16,886	$ 22,488	$ –
Share issue expenses	1,737	1,737	–
Interest deductions carryover	–	–	5,813
	$ 18,623	$ 24,225	$ 5,813
Losses carried forward expiring in:			
2010	5,170	4,578	–
2011	–	–	228
2014	2,363	1,969	–
2015	1,128	607	–
2017	–	–	1,045
2018	–	–	390
2020	–	–	13
2021	–	–	1,582
2023	–	–	4,487
2024	–	–	4,798
2025	–	–	4,667
2026	6,455	5,008	8,996
2027	7,152	5,846	10,091
2028	7,921	6,613	9,031
2029	4,151	2,844	3,341
	$ 34,340	$ 27,465	$ 48,669

As at December 31, 2009, the Company also had unused federal tax credit available to reduce future Canadian taxable income in the amount of $5,031 and expiring between 2011 and 2029. Those tax credits have not been recorded and no future income tax liability has been recorded with respect to those tax credits.

NOTE 22.
Additional information on the consolidated statement of cash flows

	2009	2008
a) Change in working capital items		
Accounts receivable	**$ 1,707**	$ (1,065)
Inventories	**281**	(334)
Prepaid expenses	**36**	339
Accounts payable an accrued liabilities	**(388)**	2,668
Payable related to a lawsuit	**–**	(1,910)
Deferred revenues	**(499)**	(141)
	$ 1,137	$ (443)

Years ended December 31, 2009 and 2008
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

NOTE 22. Additional information on the consolidated statement of cash flows (cont.)

		2009	2008
b)	Non-cash transactions		
	Unpaid additions to capital assets and licenses and patents	**$ 208**	$ 210
	Excess of the interest in the joint venture PRDT over the proportionate share in the consolidated net assets	**(2,959)**	965
	Preferred shares retractable at the holder's option	**(4,217)**	1,295
	Unpaid share issue expenses	**118**	126
	Unpaid interests related to the long-term debt	**16**	1,200
c)	Other cash flow information		
	Interests paid	**374**	2,785
	Interests earned	**45**	32

NOTE 23.
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 in note 3.

Years ended December 31, 2009 and 2008
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

NOTE 23. Segmented information (cont.)

a) Revenues and expenses by operating segments

For the year ended December 31, 2009	**Therapeutics**	**Protein Technology**	**Corporate**	**Total**
Revenues	**38**	**13,522**	**–**	**13,560**
Costs of good sold excluding amortization of capital assets	**–**	**3,101**	**–**	**3,101**
Research and development expenses rechargeable	**–**	**3,145**	**–**	**3,145**
Research and development expenses non-rechargeable	**1,687**	**7,649**	**–**	**9,335**
Administration and marketing expenses	**–**	**720**	**3,876**	**4,596**
Amortization and write-off of capital assets	**177**	**617**	**45**	**839**
Amortization and write-off of licenses and patents	**793**	**265**	**–**	**1,058**
Gain on exchange rate	**–**	**–**	**(304)**	**(304)**
Gain on derecognition of a net investment liability in PRDT	**–**	**(1,257)**	**–**	**(1,257)**
Gain on extinction of debts	**–**	**–**	**(341)**	**(341)**
Charges related to a guarantee	**–**	**–**	**943**	**943**
Interest expenses	**114**	**159**	**1,545**	**1,818**
Interest revenues	**(6)**	**(4)**	**(35)**	**(45)**
Net loss	**2,727**	**872**	**5,729**	**9,328**

For the year ended December 31, 2008	Therapeutics	Protein Technology	Corporate	Total
Revenues	38	10,116	–	10,154
Costs of good sold excluding amortization of capital assets	–	1,856	–	1,856
Research and development expenses rechargeable	–	1,001	–	1,001
Research and development expenses non-rechargeable	4,096	11,716	–	15,812
Administration and marketing expenses	–	507	4,819	5,326
Amortization and write-off of capital assets	173	828	57	1,058
Amortization and write-off of licenses and patents	126	299	–	425
Loss on exchange rate	–	–	1,146	1,146
Gain on disposal of capital assets	(355)	–	–	(355)
Charges related to a guarantee	–	–	1,140	1,140
Interest expenses including penalties related to lawsuit	85	17	2,845	2,947
Interest revenues	(11)	(13)	–	(24)
Net loss	4,076	6,095	10,007	20,178

Years ended December 31, 2009 and 2008
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

NOTE 23. Segmented information (cont.)

b) Revenues by geographic segment [1]

	2009	2008
United States	**$ 10,270**	$ 6,407
Austria	**2,193**	1,034
United Kingdom	**488**	121
Australia	**148**	–
Switzerland	**128**	129
Italy	**99**	1,047
Denmark	**69**	138
Canada	**56**	160
India	**46**	48
Holland	**19**	–
Germany	**14**	73
Finland	**14**	–
Brazil	**–**	556
France	**–**	338
South Korea	**–**	59
Taiwan	**–**	36
Other countries	**16**	8
	$ 13,560	$ 10,154

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

c) Assets by operating segments

	2009	2008
Therapeutics	**$ 2,812**	$ 4,268
Protein Technology	**7,690**	11,043
Corporate	**582**	3,841
	$ 11,084	$ 19,152

d) Assets by geographic segments

	2009	2008
Canada	**$ 3,838**	$ 9,453
United States	**1,303**	1,567
United Kingdom	**5,943**	8,132
	$ 11,084	$ 19,152

e) Capital assets and licenses and patents by operating segments

	2009	2008
Therapeutics	**$ 1,713**	$ 2,469
Protein Technology	**3,224**	4,814
Corporate	**104**	147
	$ 5,041	$ 7,430

Years ended December 31, 2009 and 2008
(In thousands of Canadian dollars except for number of shares or as otherwise specified)

NOTE 23. Segmented information (cont.)

f) Capital assets and licenses and patents by geographic segments

	2009	2008
Canada	**$ 1,898**	$ 2,807
United States	**1,096**	1,140
United Kingdom	**2,048**	3,483
	$ 5,041	$ 7,430

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

	2009	2008
Therapeutics	**$ 213**	$ 347
Protein Technology	**257**	266
Corporate	**2**	22
	$ 472	$ 635

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

	2009	2008
Canada	**$ 215**	$ 369
United States	**63**	20
United Kingdom	**194**	246
	$ 472	$ 635

NOTE 24.
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 grants received amounted to $ 30 in 2009 and $26 in 2008. 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 25.
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.

All aspects concerning this litigation matter have been suspended indefinitely. Neither party has made any representations or filings to the Superior Court of Quebec since October 3, 2005.

Also, a claim in the amount of $195 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.

NOTE 26.
Post balance sheet events

a) Subsequent to year end, the Company finalized an equity investment of US$3,000,000 by way of issuance of 17,850,000 common shares and a five year loan of US$10,000,000 with Abraxis BioScience, Inc. The long-term loan bears an interest rate of 5% and is reimbursable in five annual instalments. Abraxis has the option to request that each annual instalment be converted into ProMetic common shares at the future prevailing market price at the time of the annual instalment. Such conversion might be subject to disinterested shareholder and TSX approvals. Concurrent to the financing, Abraxis now holds a total of 44,791,488 rights to acquire common shares of ProMetic.

b) Also, subsequent to year end, the Company repaid, in full, the bank loan of $911.

c) On March 25, 2010, the parties entered into a settlement agreement, which will call for the Company to pay to Camofi an amount of US$800,000 (CDN$837,280) on April 1, 2010, in addition to a payment of US$250,000 (CDN$260,725) made by the Company in January 2010, for the full payment of the outstanding balance of the loan and the termination of the borrower's and the Company's obligations.

   Concurrent with this settlement agreement being reached, an amended and restated loan agreement was entered into between the borrower and the Company requiring the borrower to fully repay the Company no later than March 31, 2013, subject to receiving shareholder approval at the next Annual General Meeting of the shareholders. Furthermore, should certain stock price thresholds be reached, the Company may require the borrower to pay the unpaid balance of the loan. Should shareholder approval thereon not be received, the borrower could be required to fully repay the Company no later than 30 days following said negative shareholder vote. Finally, the said loan is secured by a pledge in favour of the Company by the borrower of 9,500,000 shares of the Company stock. The loan is also secured by a pledge in favour of the Company by InvHealth Capital Inc. of all its shares of the borrower and by a pledge in favour of the Company by the senior officer of the Company of all his shares of InvHealth Capital Inc.

BOARD OF DIRECTORS

G.F. Kym Anthony

Deputy Chairman
Mackie Research Capital Corporation

John Bienenstock

Distinguished University Professor
McMaster University and
Director, Brain-Body Institute
St. Joseph's Healthcare Hamilton

Robert Lacroix[1]

Senior Vice-President
CTI Capital Securities Inc.

Pierre Laurin

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

Louise Ménard[3]

President
Groupe Méfor inc. and
Corporate Director

Paul Mesburis[1] [2]

Senior Portfolio Manager and
Chief Compliance Officer
Excel Investment Counsel Inc.

Roger Perrault[2] [3]

Corporate Director

Bruce Wendel

Vice Chairman and
Chief Executive Officer
Abraxis BioScience

Benjamin Wygodny[1] [2] [3]

President
Angus Partnership Inc.

Positions – Committees

(1) Audit Committee
Robert Lacroix (Chairman)
Paul Mesburis
Benjamin Wygodny

(2) Compensation Committee
Benjamin Wygodny (Chairman)
Paul Mesburis
Roger Perrault

(3) Corporate Governance Committee
Louise Ménard (Chairman)
Roger Perrault
Benjamin Wygodny

CORPORATE INFORMATION

Headquarters

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Web: www.prometic.com

Investor Relations
Tel: +514.341.2115
Email: investor@prometic.com

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.

Therapeutics

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R&D
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Auditors

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600 De La Gauchetière Street West, Suite 2000
Montreal, Quebec H3B 4L8
Canada

Transfer Agent and Registrar

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

Listing: Toronto Stock Exchange

Symbol: PLI
Outstanding shares as of December 31, 2009: 331,743,400

Annual Meeting of Shareholders

Wednesday, May 5, 2010 at 10:30 a.m. (EDT)
Montreal Stock Exchange Tower
800 Victoria Square, 4th Floor
Montreal, Quebec H4Z 1J2
Canada

Annual Information Form

The 2009 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.

ProMetic

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