ANNUAL REPORT
2011

Take a closer look

ProMetic

2011 EXECUTIVE SUMMARY

2011 was a pivotal year for the Company during which management successfully continued to build on the underlying value of the Company's various technologies and related commercial applications as well as the breadth of its intellectual property portfolio.

The corporate focus was on expanding the Company's customer base for its existing marketed products and proprietary enabling technologies, on growing recurring revenue generation capacity and increasing market penetration in both established and emerging markets. Whilst growing the business, Management continued to search for ways to significantly improve its liquidity and financial position through additional financing alternatives while attempting to limit as much as possible dilution to the Company's shareholders. Without doubt managing a tight cash situation was a key priority for Management, alongside continuing to progress business development efforts. This required the Company to make many difficult decisions during 2011. However, we anticipate our liquidity and financial position to continue to improve and intend to pursue relentlessly the achievement of all our corporate goals within all our subsidiaries.

Delays with some of the Company's key clients' development programs impacted the Company throughout 2011. However, the second half of 2011 was more robust in terms of product sales and announcements. Consequently, the Company has positioned itself with a solid pipeline of business for 2012, thus confirming stronger and more predictable recurring revenue streams for 2012 and beyond.

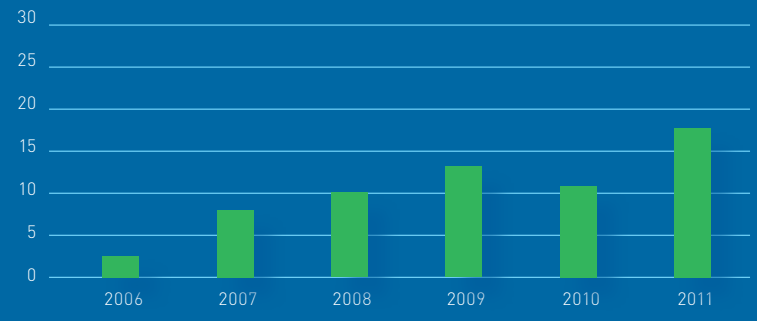
Cover: Blood, a symbol of life and of the Company's diverse activities related to blood:

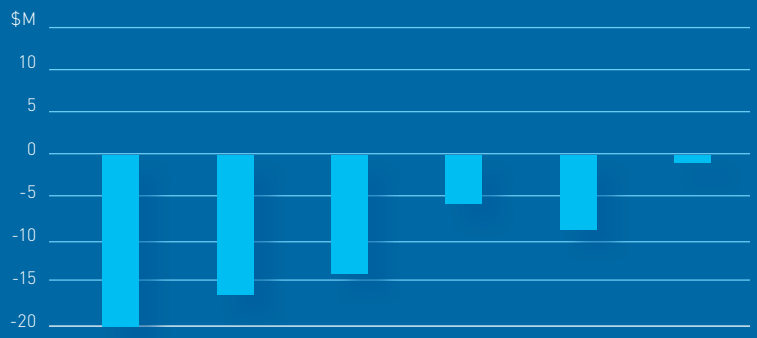
- → **Pathogen Removal from Blood and plasma-derived products**
- → **Extraction & Recovery of Plasma-derived Therapeutic proteins**

Therapeutics to Treat

- Anemia, leukemias and other hematopoietic Diseases
- Rare Bleeding Disorders
- Chronic Kidney Disease which often lead to anemia
- Bone marrow disorders – where red blood cells are harvested where red blood cells are harvested

REVENUES





EBITDA

From a financial reporting perspective, 2011 has delivered the best annual financial performance in the Company's history with respect to revenues and EBITDA:

- Revenues increased by 54.4% to $17.6 million compared to 2010;
- EBITDA* in 2011 was at ($0.5) million compared to ($8.7) million in 2010.

* EBITDA is a non-GAAP measure, employed by the Company to monitor its performance Therefore it is unlikely to be comparable to similar measures presented by other companies. The Company calculates its EBITDA by subtracting from revenues, its cost of goods sold, its research and development expenses rechargeable and non-rechargeable as well as its administration and marketing expenses and excluding amortization of capital assets and licenses and patents.

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WE ARE FOCUSED ON BRINGING SAFER, COST-EFFECTIVE AND MORE CONVENIENT PRODUCTS TO BOTH EXISTING AND EMERGING MARKETS AND ON CREATING AND DELIVERING SIGNIFICANT VALUE TO ALL OUR EXISTING STAKEHOLDERS

WHO WE ARE

We are a publicly traded global biopharmaceutical company that is comprised of a group of subsidiaries, specialized in the design of small chemical molecules that mimic unique and specific interactions between proteins. We are focused on bringing safer, cost-effective and more convenient products to both existing and emerging markets and on creating and delivering significant value to all our existing stakeholders. We offer our state of the art and externally validated technologies to a growing global base of customers, including some of world most renowned biopharmaceutical companies. We are also developing our own novel therapeutic products targeting unmet medical needs in the fields of chronic kidney diseases, fibrosis, anemia, cancer and autoimmune disease/ inflammation.

WHAT WE DO – BUSINESS MODEL

ProMetic's business is organized into two distinct operating segments:

Protein Technologies: Our proven technologies are licensed to biopharmaceutical companies to provide purification technological solutions, to remove pathogens and impurities and to extract, recover valuable proteins from any biological fluids thus enabling the manufacturing process of best-in-class biopharmaceutical products.

Therapeutics: We develop our own novel, orally active, first-in-class small-molecule therapeutics targeting unmet medical needs in the fields of fibrosis/inflammation, nephrology, oncology, hematology and autoimmune diseases.

On the Protein Technologies side, the business model consists in out-licensing the rights to use its proprietary Affinity adsorbents to biopharmaceutical companies for limited and specific fields. Prometic's proprietary technology becomes embedded in its licensees GMP manufacturing process or becomes a key component of a medical device. In all cases, the licensees will purchase the proprietary affinity adsorbents for the life of their respective product creating annuity revenue for Prometic. Depending of the value of the commercial applications and the market dynamics, the license agreements may command upfront license fees and milestone payments in relation to regulatory or commercial achievements. In some cases where Prometic has participated in the development of the commercial applications, it may also receive a royalty on sales of the licensees' products relying on ProMetic's technology.

Intrinsically, this business model implies a close collaboration with a multitude of companies who rely on Prometic's enabling technologies. While such collaboration work may also provide Prometic with development revenue, the long-term annuity revenue related to the supply of proprietary affinity material and royalties when applicable becomes much more substantial upon the regulatory approval of the biopharmaceutical products.

As for its small molecule therapeutics, the business model also calls for strategic partnerships to complete clinical development and ultimate commercialization of products.

As the revenue grows and the nature of strategic collaboration evolves, Prometic is aiming to co-develop and commercialize best in class, novel and cost-effective biopharmaceuticals. Accordingly, it is the Company's intention to focus on niche products (orphan drugs) for which its proprietary core competencies provide a unique competitive advantage.

CORE TECHNOLOGIES

ProMetic has leveraged its core proprietary technologies to develop a multitude of commercial applications. We use our proprietary Affinity Technology, which is derived from our Mimetic Ligand™ technology, to facilitate a variety of applications for the production and purification of biopharmaceuticals, for the capture and removal of biocontaminants or to extract and recover valuable proteins from various sources to enable the manufacturing of best-in-class therapeutics. The Mimetic Ligand™ technology is based on highly stable chemical hooks specifically designed to selectively recognize and bind to target biomolecules. These small synthetic structures are robust, safe, economical and proven in many established manufacturing processes of leading biopharmaceutical companies. Mimetic Ligand™ is a significant improvement over existing purification and extraction technologies. Our technologies provide our clients with significant commercial benefits through reduced manufacturing costs, faster processes and the improvement of the yield and purity of existing drugs or drug candidates.

SIGNIFICANT EVENTS

2011

JANUARY

On **January 31, 2011**, ProMetic finalized the reorganization of the terms of its secured debt, effective **December 31, 2010**, moving $4 million of debt repayments to July 2012. In December 2011, the repayment was further rescheduled to July 2013. This removes a significant short-term pressure on cash flow and provides the opportunity for the Company to repay the loan with cash generated from its growing commercial activities. It also reinforces the fact that the interests of the secured lenders who also own a significant number of shares in PLI are aligned with all shareholders of the Company.

FEBRUARY

On **February 7, 2011**, ProMetic created and established a new subsidiary, NewCo, to operate a pilot manufacturing plant which will provide ProMetic an opportunity to commercialize products using its PPPS™ technology for the multi-million dollar plasma-derived therapeutics market. The plant was leased on very favorable terms and has a targeted capacity of 150,000 liters of plasma annually. In February, the Company received an initial $1.5 million investment in NewCo which was later in the year converted for 13% equity in NewCo. ProMetic Headquarters were also moved to NewCo's facility in March.

MARCH

On **March 31, 2011**, ProMetic entered into an agreement with Abraxis, a wholly owned subsidiary of Celgene, whereby the Company assigned certain intellectual property rights regarding a protein technology to Celgene for a specific field of use. As consideration for the assignment of the intellectual property rights, the US $10,000,000 loan entered into with Abraxis in February 2010 was eliminated.

MAY

On **May 18, 2011**, ProMetic announced that Wuhan Institute of Biologic Products ("WIBP") and its parent company, China National Biotech Group ("CNBG"), agreed to further expand and strengthen their partnership with ProMetic. This announcement followed a series of successful milestone achievements and close cooperation between the parties in recent years. And on **November 30, 2011** the Company announced the successful completion of the first set of milestones associated with the scaling up of the plasma protein purification system (PPPS™) manufacturing platform in CNBG's Wuhan facility.

On **May 27, 2011**, ProMetic announced the signing of an agreement with a multinational company to enhance the quality of an existing biopharmaceutical product manufactured.

JULY

On **July 7, 2011**, ProMetic received a $4 million follow-on purchase order of a proprietary Mimetic Ligand™ affinity adsorbent pursuant to a long-term supply agreement originally entered into with a major global pharmaceutical company in 2009. This order was completed in the second half of 2011 and the revenue was earned.

SEPTEMBER

On **September 22, 2011**, ProMetic announced a first order from a leading Chinese biopharmaceutical company for a large scale biomanufacturing process, successfully continuing to expand its reach in Asia. This initial order is related to the purchase of a proprietary Mimetic Ligand™ affinity adsorbent for the manufacturing scale-up of a biosimilar product in China. The Company will commence deliveries in early 2012.

On **September 27, 2011**, ProMetic announced that it had been selected to make four presentations at ASN's (American Society of Nephrology) Kidney Week conference demonstrating the ability of its orally active lead compounds PBI-4050 and PBI-4419 to significantly reduce fibrosis in kidneys in both acute and chronic settings.

OCTOBER

On **October 12, 2011**, ProMetic announced the resumption of prion capture resin (PrioClear™) supply to Octapharma through the reception of a first $0.73 million follow-on purchase order under its existing license and supply agreement with Octapharma. This was followed on **October 26, 2011**, by the receipt of a binding forecast from Octapharma for in excess of $2 million of PrioClear™ for the first half of 2012. Then on **November 23, 2011**, Octapharma confirmed the regulatory approval of Octaplas®LG for additional European Union countries which embeds ProMetic's PrioClear™ into Octapharma's new manufacturing process for its solvent/detergent treated, prion-reduced, plasma product, Octaplas®LG.

DECEMBER

On **December 12, 2011**, ProMetic announced the completion of a significant milestone related to an ongoing commercial development program with a multinational company to improve the manufacturing process of an existing biopharmaceutical product. The achievement of this milestone should lead to the next stage of the development program and result in the scaling up of the manufacturing process in 2012.

OUR KEY FOCUS FOR THE YEAR WAS TO EXPAND AND DIVERSIFY OUR CUSTOMER BASE FOR BOTH EXISTING AND MARKETED COMMERCIAL APPLICATIONS AS WELL AS WITH RESPECT TO OUR ENABLING TECHNOLOGIES.

2011

2011 was a crucial year, in that the ground work which was laid out to support the corporate growth will entice many to "Take a closer look" at ProMetic. The underlying value of our unique and enabling technologies and their related commercial applications has been validated many times over by some of the world most renowned biopharmaceutical companies. We have also grown the breadth and scope of our intellectual property portfolio to insure that our interests are well protected.

Our key focus for the year was to expand and diversify our customer base for both existing and marketed commercial applications as well as with respect to our enabling technologies. Our business development efforts have started to pay off. ProMetic's state of the art technologies are gaining worldwide commercial acceptance. We have made specific efforts to demonstrate the numerous benefits provided by our products and services offering to new audiences in order to slowly but surely establish our technologies as the industry's recognized standard. We also paid particular attention to growing our recurring revenues generation capacity by increasing our market penetration of both established and emerging markets. An increasing number of steady revenue streams in the coming months will indeed validate our approach to achieve self-sustainment and overall corporate profitability.

Despite the fact that some delays with our clients' development programs still impacted the Company throughout 2011, we have seen stronger sales and interest return in the second half of the year. We are starting to see an increasing number of successful manufacturing scale-up processes based on our technologies take place at some of our clients and expect the trend to continue and accelerate in 2012. Our past efforts and investments are beginning to demonstrate that we are now better than ever positioned to benefit from a solid pipeline of business for 2012 and beyond. Our transaction with Celgene is indicative of the intrinsic value of our proprietary manufacturing platform. We expect other commercial transactions which will provide further evidence of the commercial value for our technologies created over the past years.

Our collaboration with CNBG in China has also proven to be very strategic for ProMetic. CNBG's commitment to implement our proprietary manufacturing platform for plasma-derived therapeutics (PPPS™) has provided ProMetic with a significant off-balance sheet investment. The manufacturing process has been successfully scaled up with all the costs associated with such exercise borne by CNBG. As a quid pro quo to the technical support and training we provide to the CNBG staff, this relationship provides ProMetic with valuable process engineering data as the plant foot print and equipment used in China will be the same used in Prometic's facility (NewCo). This work by CNBG and transfer to ProMetic has helped reduce the risk and lower the costs associated with the start up of said manufacturing facility in Laval.

We have also achieved significant progress in our efforts to position our anti-fibrotic drug candidates, PBI-4050 and PBI-4419 as class leading potential therapy for fibrosis related diseases such as chronic kidney diseases and pulmonary fibrosis.

THE STAGE HAS BEEN SET FOR 2012 AND THE COMING YEARS AND WE ARE NOW POISED TO CONTINUE TO BUILD ON OUR REVENUE PROGRESSION AND STRATEGIC INITIATIVES

The data generated suggests that both PBI-4050 and PBI-4419 offer the potential as a novel therapy for chronic kidney disease. PBI-4050 performed remarkably well in a very challenging model of pulmonary fibrosis, even outperforming a commercially available drug used to treat this condition in humans while PBI-4419 demonstrated significant performance in some cancer models compared to the standard therapy used in humans. We are currently reviewing our various strategic avenues to further advance our most promising lead drug candidates in the clinics in the later part of 2012. At the moment of going to press for this annual report, PBI-4050 is prioritized, followed by PBI-4419 and analogs thereof.

The stage has been set for 2012 and the coming years and we are now poised to continue to build on our revenue progression and strategic initiatives. We anticipate our liquidity and financial position to continue to improve and intend to pursue relentlessly the achievement of all the corporate goals within all of our subsidiaries. As such, it is our objective to deliver in 2012 and beyond the following achievements:

A- BUSINESS DEVELOPMENT:

The broadening of our customer base, both in territory and type

New programs / strategic alliance s development

B- REVENUES AND FINANCIAL METRICS

Revenue growth in existing product and service sales

Improvement of liquidity and financial position

Improvement in all key financial indicators

C- PROMETIC'S LAVAL FACILITY

Operational launch of ProMetic's facility in Laval, Quebec

D- THERAPEUTICS

Further advance various development programs

Close deals with strategic partners

Finally, and in line with earlier commitments, we will continue to tightly control costs throughout the business, with a view to driving the Company towards self-sustainment and profitability as rapidly as possible.

We also wish to sincerely thank all of our dedicated employees and collaborators for their hard work and cooperation, our Board of Directors for the valuable guidance provided as well as all our shareholders and stakeholders for their ongoing support and loyalty as we keep building a stronger Company.

Best regards,

Pierre Laurin
President and Chief Executive Officer

PROMETIC'S BUSINESS IS ORGANIZED IN TWO DISTINCT OPERATING SEGMENTS:

PROTEIN TECHNOLOGIES:

Our commercial applications derived from our core technologies are at the basis of our Protein Technologies business segment products and services offering and represent a solid foundation upon which we are successfully building our growing and recurring revenues generation business model.

Proteins

They can be segregated in the following manner:

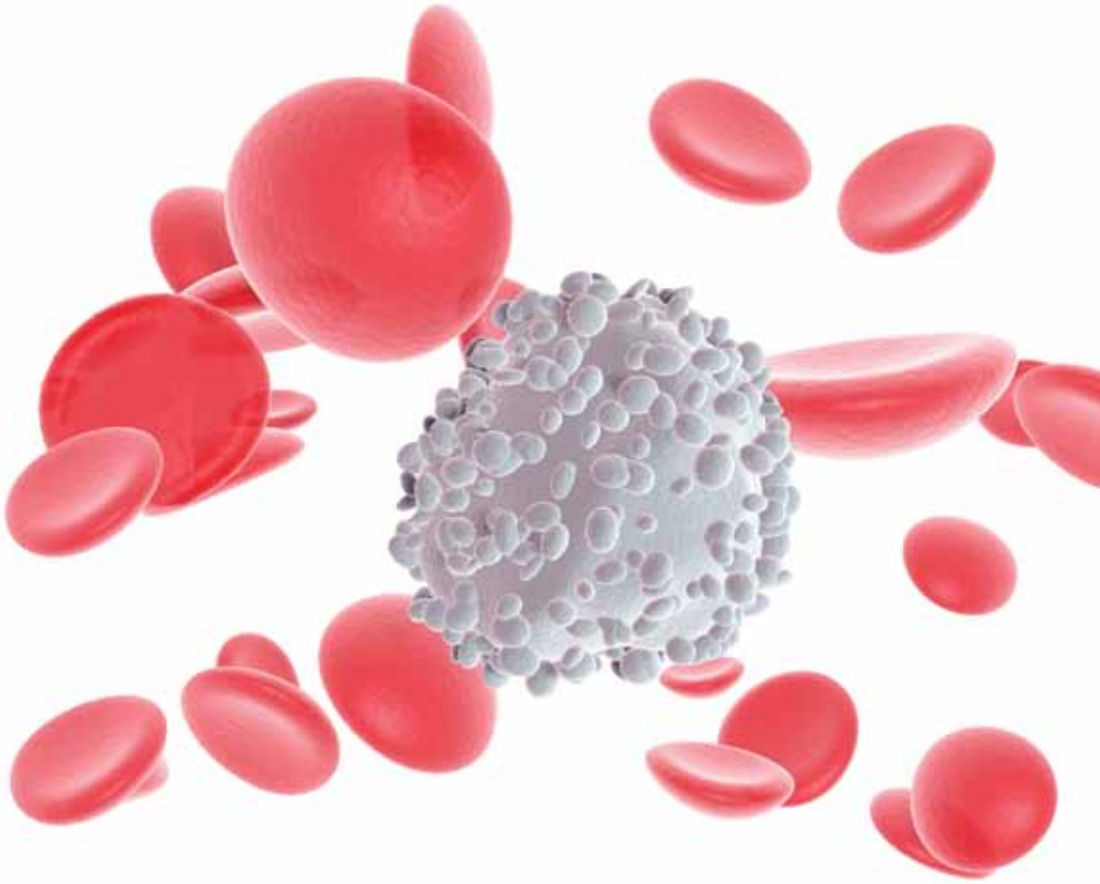
1- BIOSEPARATION TECHNOLOGIES:

ProMetic BioSciences Ltd ("PBL"), based in the UK (Isle of Man and Cambridge) is responsible for the development and commercial offering of our core bioseparations technologies and products. Its proprietary affinity adsorbents and Mimetic Ligand™ purification platform are used by numerous medical, pharmaceutical and biopharmaceutical companies worldwide. The vast selection of our ligand librairies allows for the selection of almost any target protein.

PBL's technologies enable the capture of multiple targeted proteins directly from various source products, and provide for a highly efficient and cost-effective separation process from other proteins and impurities delivering high yields of purified product. As a result, manufacturing clients using ProMetic's bioseparations technologies experience significant reductions in their cost of goods and costs associated to drug purification. PBL's technology has also been incorporated into various medical device products which specifically capture and remove target molecules from biological fluids.

PBL has experienced continued revenue growth and profitability since 2007. The second half of 2011 clearly demonstrated the commercial potential and appeal of PBL's purification platform. The third and fourth quarter of the year were indeed characterized by a return to strong and growing product sales. The fact that PBL's proprietary adsorbents are embedded in its clients/partners manufacturing processes should ensure a growing stream of recurring revenues as more and more of our commercial applications and products under development at existing and new clients are getting closer and closer to scale-up and product regulatory approval stages. PBL financial performance is expected to solidly contribute to the overall growth and profitability of the Company for 2012 and over the coming years, having already demonstrated some of its potential as a contributing vector of growth for the entire ProMetic Group in the last few months. The US$10.0 million Celgene licensing agreement is a clear demonstration of the inherent value of the Company's enabling technologies.

PRDT's technological platform has demonstrated its potential for additional uses and commercial applications at industrial scales with existing and potential clients



2- PRION CAPTURE AND ELIMINATION TECHNOLOGY

Pathogen Removal and Diagnostic Technologies Inc. ("PRDT"), is the Company's subsidiary based in Delaware, USA and operated under the control of PBL that is responsible for the development and commercialization of the prion capture technology platform that originated from ProMetic's collaboration with the American Red Cross. 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 and blood products. P-Capt® has received CE mark approval in Europe, and can provide national blood agencies with the means of significantly reducing the risk of Variant Creutzfeldt-Jakob disease ("vCJD") transmission through blood transfusion. Independent studies performed by the UK government have validated the safety and efficacy of the P-Capt® filter. 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 AG into its manufacturing process for Octaplas®LG to further improve the prion safety margin for this plasma product. Octaplas®LG has obtained regulatory approval in many European Union countries and is also the object of ongoing procedures for its regulatory approval for the North American market.

PRDT's technological platform has demonstrated its potential for additional uses and commercial applications at industrial scales with existing and potential clients. The purification of blood derived products being one of them. Upward of forty million units of blood are collected in the world annually, affording ProMetic and its partner's enormous market opportunities.

The adoption of the P-Capt® filter to reduce the risk of potential transmission of vCJD is currently under consideration by the Advisory Committee on the Safety of Blood Tissues and Organs (SaBTO).

3- THE PLASMA PROTEIN PURIFICATION SYSTEM

ProMetic BioTherapeutics Inc. ("PBT"), a company based in Rockville, MD, USA is responsible for the development of the manufacturing processes based on PBL's affinity technology that provides for highly efficient extraction and purification of therapeutic proteins from human plasma in order to develop best-in-class therapeutics. ProMetic's Plasma Protein Purification System ("PPPS™") multi-product sequential purification process, originally developed in collaboration with the American Red Cross ("ARC"), employs powerful affinity separation materials in a multi-step process to extract and purify commercially important plasma proteins in high yields. It allows for the targeting and removal of multiple high-value proteins from a single plasma sample at unprecedented activity levels using ProMetic's Mimetic Ligand™ adsorbent technology.

PPPS™ YIELD ADVANTAGE IMPACT ON OVERALL OUTPUT VALUE PER L OF PLASMA PROCESSED

Products	Concentration/ L plasma	Commercial value per gram of protein	Industry average	ProMetic (PPPS™)
Orphan Rx	µg	$ 000 000 / g	N/A	>70%
Coagulation	µg	$ 000 000 / g	20%	~50%
Factors				
Plasminogen /	mg	$ 000 / g	35%	90%
Plasmin				
Alpha 1 anti-Trypsin	g	$300 / g	23%	86%
Fibrinogen	g		40%	91%
IgG	~8 g	$70/g	70%	93%
Albumin	~35 g	$3/g	82%	79%

This system also provides for the recovery of new biotherapeutics as they are discovered and identified. The effect of this process is to reduce the significant losses incurred when using the more conventional Cohn precipitation process.

2011 was a year marked by the successful expansion and strengthening of the partnership with the Wuhan Institute of Biologic Products ("WIBP") and its parent company, China National Biotech Group ("CNBG"), where ProMetic's proprietary PPPS™ technology is currently undergoing further development and scale-up in anticipation of a full commercial launch. The expanded partnership has already resulted in the successful completion of the first set of milestones associated with the scaling up of the plasma protein purification system (PPPS™) manufacturing platform in CNBG's Wuhan facility. The intensification of the development program should result in a greater number of plasma-derived products to be developed simultaneously pursued and funded in China by CNBG which led to the successful scale up of the manufacturing process has enabled ProMetic to significantly advance its manufacturing program at no cost. This off-balance sheet strategic investment made by CNBG reduces considerably the costs and risks usually associated with manufacturing scale up exercise. This will allow ProMetic to implement directly in its own plant a process that has already been scaled up and proven to meet the specifications at scale.

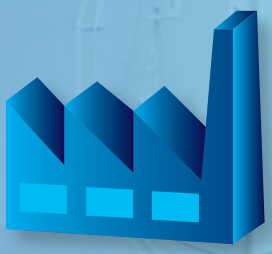
The increased investment in China for the advancement of the PPPS™ manufacturing platform will also significantly expand the resources deployed for the benefit of both CNBG/ WIBP and ProMetic. To this effect, ProMetic NewCo was created in early 2011 where it entered into a long-term lease on very favorable conditions with Quebec's Institut National de la Recherche Scientifique ("INRS") for a cGMP facility with

ProMetic is well positioned with its established partnerships and high yield, cost effective state-of-the-art technologies to take full advantage of this fast growing and lucrative market.

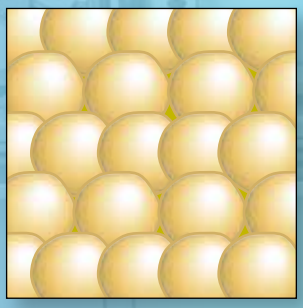
a capacity to process over 150,000 liters of plasma annually. NewCo was created to undertake the development and manufacturing of high-value plasma-derived therapeutic biosimilars for ProMetic's current and future clients. NewCo will also provide a validated blue print for partners' future plants and will serve as a technology showroom andtraining centre for partners' employees. NewCo will be funded via third-party investments and it is anticipated that it will become self-sustaining through end product services and sales to ProMetic's existing clients.

ProMetic's NewCo is becoming more and more of strategic importance. Reciprocal technology transfer between WIBP/CNBG and NewCo regarding new manufacturing processes and product scale-up in China and Canada is taking place and should even accelerate in the years to come as the previously disclosed business relationship expansion also includes sharing engineering and manufacturing processes and technology at both facilities in Laval (Canada) and Wuhan (China) in addition to the original scientific collaboration. The plasma derivatives market is worth about $12 Billion. The market is divided into established and emerging markets. Two thirds (2/3) of the current market is in Europe and North America while Asia & Pacific which accounts for 50% of the world's population only accounts for less than 7% of the plasma market. ProMetic is well positioned with its established partnerships and high yield, cost effective state-of-the-art technologies to take full advantage of this fast growing and lucrative market.

Protein



PBL (UK)



PBL (UK) make proprietary adsorbents to extract valuable therapeutic proteins or remove impurities - pathogens

ProMetic technology embedded in licences' manufacturing process of their biopharmaceuticals or In medical devices

Human plasma pooled for batch process

Integrate ProMetic proprietary filters and develop turn key manufacturing process to extract valuable proteins from plasma, purify them, and remove prions

technologies

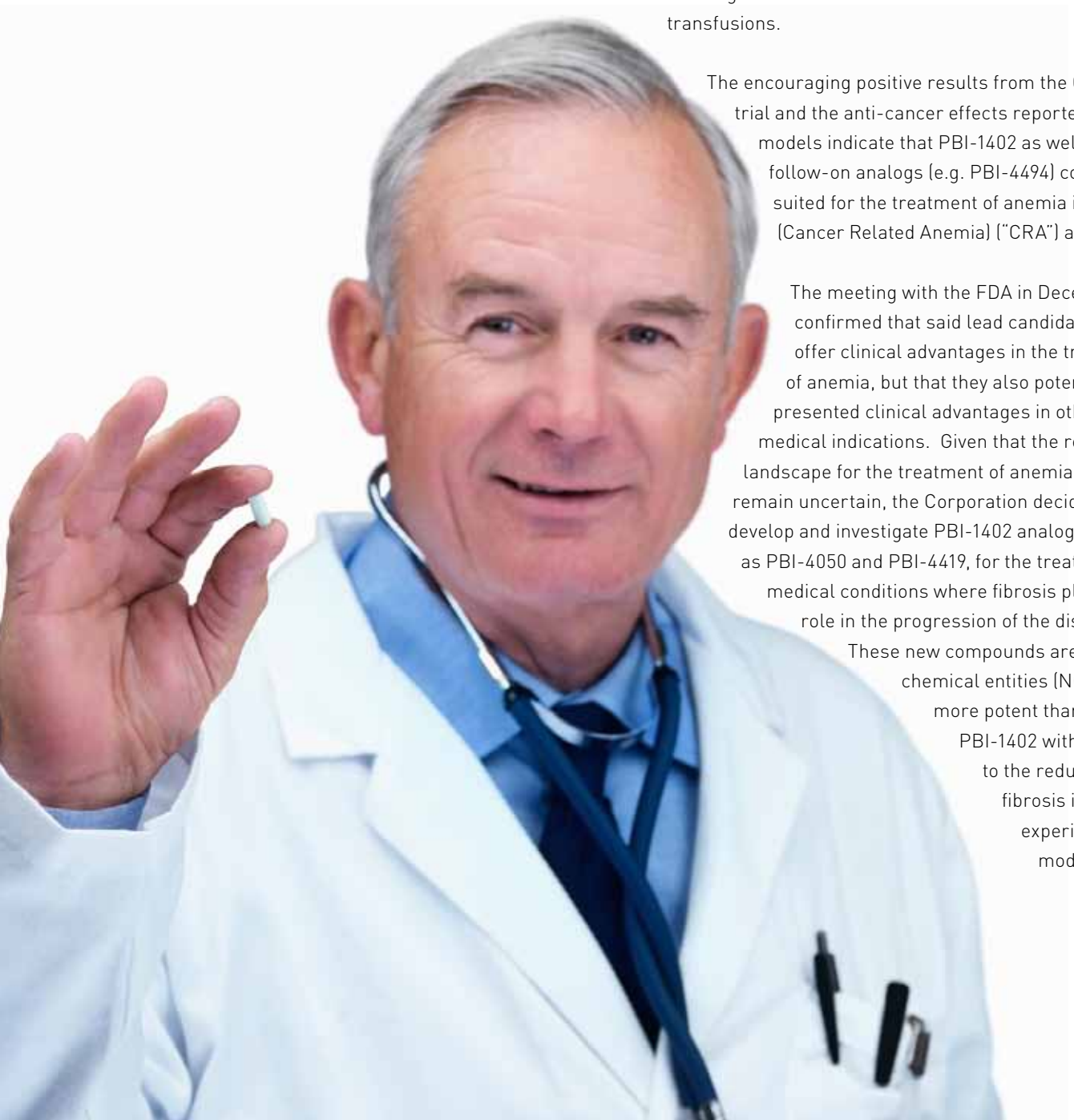
Provide Active Ingredients clients

- Coagulating factors for hemophilia
- Antibodies immuno-deficiencies / autoimmune diseases / infections
- Rare diseases / orphan drugs
- Wound healing / surgery

- Technology showroom & training of clients staff
- Technology transfer at scale
- Provide validated blue print for clients' future plants

THERAPEUTICS

ProMetic BioSciences Inc. ("PBI") is a small-molecule drug discovery business, with a strong pipeline of products. PBI scientists are focused in developing orally active drugs that can emulate the activity of proven biologics, and provide competitive advantages including improved pharmaco-economics and safety profile.



Typically, these first-in-class therapeutics are orally active, with efficacy and high safety profiles confirmed in several in vivo experiments and enjoy strong proprietary positions. The unmet medical applications targeted are fibrosis, inflammation, autoimmune diseases, oncology and hematopoietic disorders.

One of ProMetic's lead drug candidates, PBI-1402 demonstrated positive clinical results in the Chemotherapy Induced Anemia ("CIA") phase Ib/IIa trial in terms of an excellent safety and tolerability profile, along with good efficacy evidenced by a response rate greater than 90% with regards the reduction of the need for red blood cell transfusions.

The encouraging positive results from the CIA clinical trial and the anti-cancer effects reported in animal models indicate that PBI-1402 as well as some follow-on analogs (e.g. PBI-4494) could be well suited for the treatment of anemia in oncology (Cancer Related Anemia) ("CRA") and CIA.

The meeting with the FDA in December 2009 confirmed that said lead candidates could offer clinical advantages in the treatment of anemia, but that they also potentially presented clinical advantages in other unmet medical indications. Given that the regulatory landscape for the treatment of anemia was and remain uncertain, the Corporation decided to further develop and investigate PBI-1402 analogs, such as PBI-4050 and PBI-4419, for the treatment of medical conditions where fibrosis plays a major role in the progression of the diseases. These new compounds are new chemical entities (NCEs) and are more potent than PBI-1402 with regards to the reduction of fibrosis in various experimental models.

FIBROSIS

In 2011, significant progress was achieved as PBI allocated its efforts to support partnering and IND enabling activities for its anti-fibrotic drug candidates. Fibrosis is a very complex process by which inflammation leads to the deposit of fibrous material to repair the damaged area. This is the process whereby vital organs gradually lose their functionality as normal and functional tissue is replaced by fibrotic scarring tissue. For example, following a myocardial infarctus or long standing chronic conditions such as hypertension or chronic kidney diseases, the build up of scarring tissue in the heart will lead to heart failure. Fibrosis of the bone marrow (myelofibrosis) and of the liver (cirrhosis, hepatitis), idiopathic pulmonary fibrosis, scleroderma, chronic kidney disease are other examples affecting millions of patients.

Twenty six million patients in the U.S. alone are diagnosed with chronic kidney diseases ("CKD"). Patients with severe CKD stages (3 and 4) suffer from a gradual and accelerated loss of their renal function leading to the need for hemodialysis.

In November 2011, new and exciting data was presented at the American Association of Nephrologists annual meeting. In a gold standard animal model simulating renal failure in humans, the animals treated with PBI-4050 and PBI-4419 had their renal function improved three fold compared to the non treated animals as well as a significant reduction of proteinuria. Taken together, these results suggest that PBI-4050 and PBI-4419 offer the potential as a novel therapy for chronic kidney disease by reduction of fibrosis and sclerosis thus delaying disease progression.

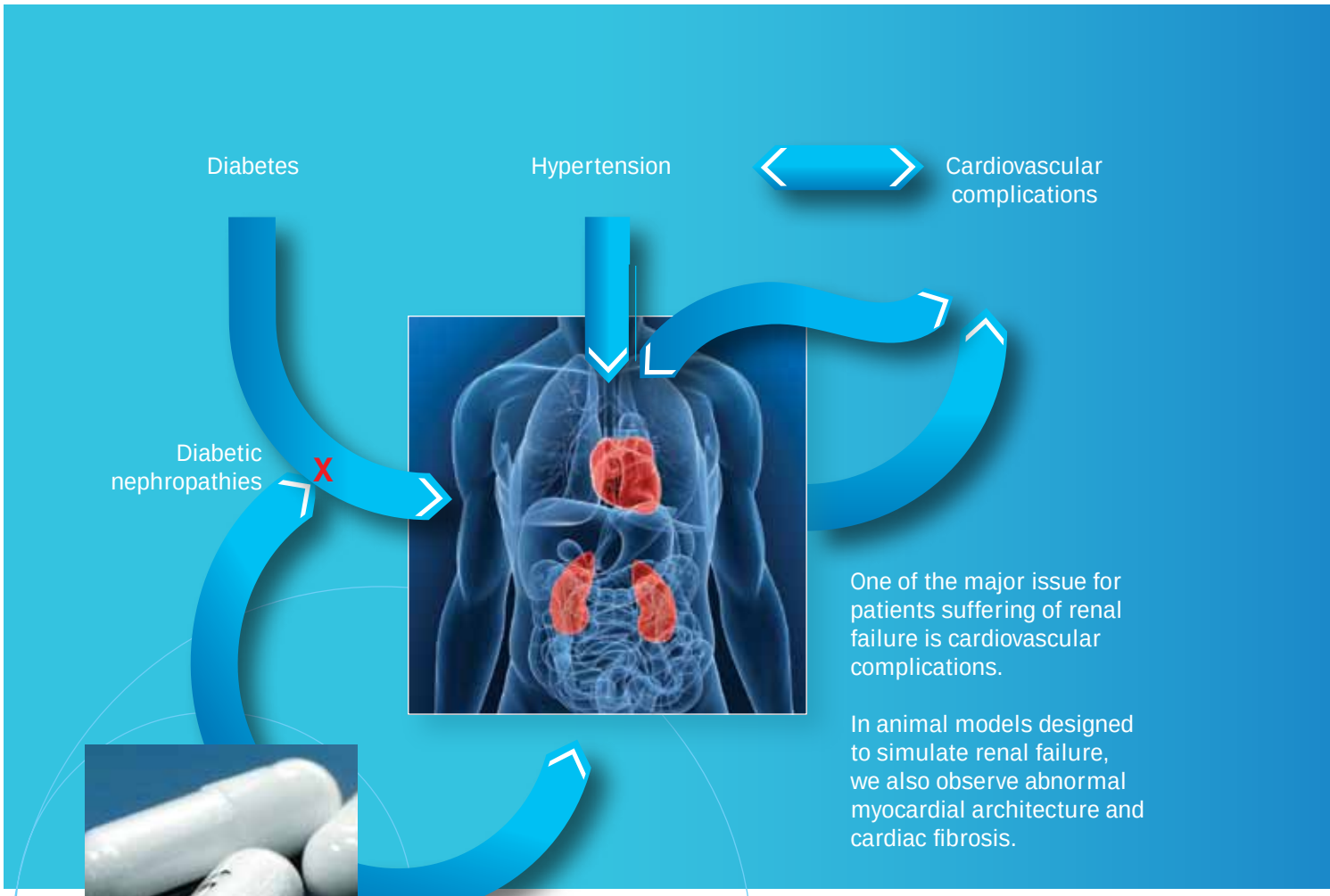
In addition to renal failure, several experiments were performed to generate data necessary to help screen the optimal drug candidates to progress to the clinical program. To establish whether effects observed in animals can be transferred to humans, Prometic drug candidates' performances were also compared against commercially available drugs for several specific medical conditions. These new results have enabled our scientists to select a number of compounds with a confirmed ability to reduce fibrosis in multiple conditions. This in turn has allowed the Company to identify alternative regulatory pathways.

For instance, PBI-4050 performed remarkably well in a very challenging model of pulmonary fibrosis. In this model, PBI-4050 out performed a commercially available drug used to treat this condition in humans.

More recent tests have confirmed PBI-4050 offers the added benefit of being able to also reduce the nephropathies observed in the kidneys and in the liver of diabetic animals. Diabetes is a known condition that affects hundreds of millions of patients and that is known to lead to CKD or renal failure.

As lead drug candidates are selected to progress to the next phases of development, leading medical experts are involved to define the respective clinical programs that would be required to secure regulatory approval for each targeted indications. As an example, ProMetic announced in March 2012 the appointment of Dr. John Moran to its Board of Directors. Dr. Moran brings over 25 years of experience in senior executive positions related to clinical affairs, clinical development and marketing in the field of nephrology and end-stage renal diseases. Such expertise will play a key role in the design and development of our programs. For instance, there are some medical conditions for which an orphan drug designation could be secured, thus providing the opportunity for a faster regulatory approval process. While some unmet medical indications may represent the highest value on a long term basis, the development strategy pursued may initially target smaller niche indications as point of commercial entry before expanding to even more lucrative medical uses.

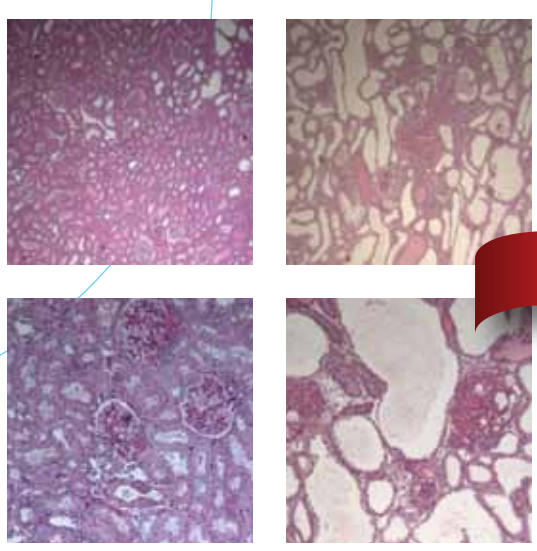
Therapeutics



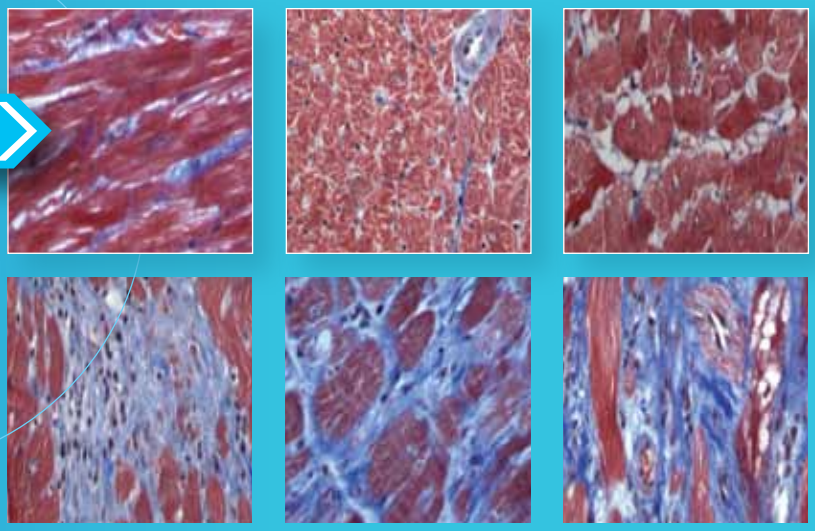
PBI drug

Chronic Kidney Disease

Treated | Non Treated



PBI Drug candidates clearly demonstrate nephroprotection activity as evidenced with images of functional kidney tissue (glomeruli and tubules) versus the non treated kidneys (on the right)



Treated

Non Treated

Cardiac fibrosis

The myocardial interstitial changes resulting from increased collagen deposition (colored in blue) lead to cardiac stiffness and cardiac dysfunction. Accordingly, the accumulated collagen will further contribute to the development of ventricular fibrosis and heart failure. Rats treated with PBI-compound displayed less cardiac fibrosis.

Hemodialysis if non treated

Advantages

- Prevents and/or delays fibrotic process in kidneys and heart
- Delay or prevent diabetic induced nephropathy and cardiomyopathy
- Delay progression of CKD (Chronic Kidney Disease) to kydney failure
- Delay need for hemodialysis
- Reduce need for blood transfusion
- Reduce need for organ transplantation
- Protect transplanted kidney
- Orally active drugs

Pierre Laurin
President and
Chief Executive Officer
ProMetic Life Sciences Inc.

Steven Burton
Chief Executive Officer
ProMetic BioSciences Ltd

Tom Chen
Senior Vice-President,
Product and Asia/Pacific
Development
ProMetic BioTherapeutics, Inc.

Timothy Hayes
Vice-President,
Product Development,
Quality and Regulatory Affairs
ProMetic BioTherapeutics, Inc.

Christopher Penney
Chief Scientific Officer,
Therapeutics
ProMetic BioSciences Inc.

Bruce Pritchard
Chief Financial Officer
ProMetic Life Sciences Inc.

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

BOARD OF DIRECTORS

G.F. Kym Anthony [1]
Chairman of the Board
ProMetic Life Sciences Inc.
Chair
DFG Investment Advisers

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

Pierre Laurin
President and
Chief Executive Officer
ProMetic Life Sciences Inc.

Louise Ménard [2] [3]
President
Groupe Méfor inc. and
Corporate Director

Paul Mesburis [1]
Senior Portfolio Manager
Excel Investment Counsel Inc.

Nancy Orr [1]
Consultant

John Moran
Vice-President,
Clinical Affairs
Home Modalities, Da Vita Inc.

Louise Paradis [2] [3]
Senior Vice-President,
Legal Affairs and Corporate
Secretary
Banque de Développement
du Canada

Roger Perrault [2] [3]
Corporate Director

Bruce Wendel
Corporate Director

Benjamin Wygodny [2] [3]
President
Angus Partnership and
318875 Canada Inc.

Positions – Committees

[1] **Audit Committee**
Paul Mesburis (Chairman)
G.F. Kim Anthony
Robert Lacroix
Nancy Orr

[2] **Compensation Committee & HR Committee**
Benjamin Wygodny (Chairman)
Louise Ménard
Roger Perrault

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

The Management's Discussion and Analysis of Operating Results and Financial Position, prepared March 26, 2012, 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 2011 fiscal year compared to the 2010 operating results. All amounts in this MD&A are in thousands of Canadian dollars, except where otherwise noted.

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 2011 consolidated financial statements and the accompanying notes included in the annual report.

These audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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.

The use of these principles may not be appropriate because as at December 31, 2011, there is substantial doubt that the Company will be able to continue as a going concern without raising additional financial resources. Since inception, the Company has incurred significant losses and has a working capital deficiency of $8.6 million and a shareholders' deficiency of $8.6 million as at December 31, 2011. The Company's committed cash obligations and expected level of expenditures for the next 12 months exceed its committed sources of funds. To date, the Company has financed its activities through bank loans, government financial support, investment tax credits 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. On February 17, 2012, but effective on December 31, 2011, the Company announced the completion of its renegotiation of $4 million worth of secured loans previously provided by some of its long term stakeholders, effectively rescheduling the repayment of $4 million worth of secured debt from July 1, 2012 to July 1, 2013. This had the effect of reclassifying the debt as a long-term rather than short-term liability at the balance sheet date. Further information is provided in note 17 to the consolidated financial statements. In addition to this renegotiation, one of the stakeholders has further invested $1 million in equity in ProMetic, taking the total equity raised since the balance sheet date to $1.25 million as described in note 31 to the consolidated financial statements.

These efforts reduce a degree of near-term cash pressure for the Company, however they are not, in isolation, sufficient for the Company to discharge its liabilities for the next 12 months. Continued effort is placed by management on expanding the customer base for existing marketed products and the Company is continuing to seek additional financing alternatives, including non-dilutive financing, collaboration and licensing arrangements, equity and debt financing. The Company's ability to increase its revenues or raise additional capital to generate sufficient cash flows to continue as a going concern is subject to significant doubt and significant risks, all of which are beyond management's control. There can be no assurance that such financing will materialize on a timely basis or obtained on favorable terms. The consolidated 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 consolidated balance sheet classification used if the Company were unable to continue operations in accordance with this assumption. Such adjustments could be material.

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, 2011. 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.

2011 IN SUMMARY

2011 was a pivotal year for the Company during which management successfully continued to build the underlying value of its various technologies and related commercial applications as well as the breadth of its intellectual portfolio.

Management focused on expanding the customer base for its existing marketed products and upcoming technological solutions, to grow its revenues generation capacity and increase its market penetration in both established and emerging markets. At the same time, the Company continued to look for ways to significantly improve its liquidity and financial position through additional financing alternatives while limiting as much as possible any unnecessary dilution.

Delays with clients' development programs impacted the Company throughout 2011. The second half of 2011 was more robust in terms of product sales and announcements. As a consequence, the Company has positioned itself with a solid pipeline of business for 2012. From a financial reporting perspective, 2011 has delivered, due to the Celgene transaction described below, the best annual financial performance with respect to revenues and net loss, in the Company's history.

On January 31, 2011, the Company finalized the reorganization of the terms of its secured debt, effective December 31, 2010, moving $4 million of debt repayment to July 2012, effectively removing a significant short-term pressure on cash flow.

On March 31, 2011, the Company entered into an agreement with Abraxis, a wholly owned subsidiary of Celgene Corporation, whereby the Company would assign certain intellectual property rights regarding a protein technology to Celgene Corporation, for specific fields of use. As consideration for the assignment of the intellectual property rights, the US $10,000,000 loan entered into with Abraxis in February 2010 was forgiven. The agreement required the Company to comply with certain administrative milestones by February 9, 2012. Failure to meet these milestones would have resulted in a portion of the above loan being re-instated in the range of US$6,000,000 to US$8,000,000. For accounting purposes, the loan, including any accrued interest, was derecognized and the Company recognized US$2,000,000 ($1.9 million of licensing revenues on March 31, 2011. In April 2011, one of the milestones was achieved and consequently, the Company recognized US$2,000,000 ($1.9 million) of licensing revenues during the second quarter ended June 30, 2011. The balance of $6.2 million was recorded as deferred revenues until the required milestones were met.

In February 2012, the Company announced that it signed a final agreement with Celgene Corporation relating to the above transaction for the assignment of the intellectual property rights. The Company had satisfied all remaining administrative milestones pertaining to the March 31, 2011 agreement during the fourth quarter ended December 31, 2011, and as a result, met the conditions for recognizing the remaining licensing revenues amounting to US$6,000,000 ($6.2 million).Therefore, the original loan can no longer be re-instated pursuant to the conditions of the March 31, 2011 agreement.

On May 18, 2011, the Company announced that Wuhan Institute of Biologic Products ("WIBP") and its parent company, China National Biotech Group ("CNBG"), agreed to further expand and strengthen their partnership with ProMetic. This announcement followed a series of successful milestone achievements and close cooperation between the parties in recent years. On November 30, 2011, ProMetic announced that its expanded partnership with Wuhan Institute of Biologic Products ("WIBP") and its parent company CNBG had resulted in the successful completion of the first set of milestones associated with the scaling up of the plasma protein purification system (PPPS™) manufacturing platform in CNBG's Wuhan facility.

On July 7, 2011, the Company announced the receipt of a $4 million follow-on purchase order pursuant to a long-term supply agreement originally entered into with a major global pharmaceutical company in 2009, with deliveries in the third and the fourth quarter of 2011 and then announced on September 22, 2011 a first order from a leading Chinese biopharmaceutical company for deliveries in H1 2012. Both orders are relating to the purchases of proprietary Mimetic Ligand™ affinity adsorbents, developed and manufactured by ProMetic's UK subsidiary, ProMetic BioSciences Ltd.

In September 2011, ProMetic BioSciences Ltd confirmed the receipt of a $0.8 million non-dilutive working capital grant from the Isle of Man Government Department of Economic Development ("DED") to support its expansion and revenue growth from export of products and services to key international markets. Subsequent to year-end, the outstanding working capital grants from DED were renegotiated resulting in the balance of $0.7 million being repayable in six equal monthly instalments commencing March 2012. This renegotiated grant bears interest at 5% per annum.

On October 12, 2011 the Company received a $0.73 million purchase order announcing the resumption of the sale of ProMetic's PrioClear® product to Octapharma AG ("Octapharma") under its existing license and supply agreement. This was followed later in October by a binding forecast from Octapharma for in excess of $2 million of prion capture resin to be delivered in the first half of 2012. This binding forecast was subsequently confirmed by a $2.5 million purchase order on January 26, 2012. As a result, more than $3.0 million of shipments to Octapharma are expected during the first half of 2012.

Analyzing the business segment performance for the year highlights the improved performance being attributable to the Protein Technologies Division, with the Therapeutics division performing comparably with the year ended December 31, 2010, and the Corporate division performing slightly worse. The improvements in the Protein Technologies division are mainly attributable to the licensing revenues associated with the Celgene transaction and a combination of the lower cost of goods sold and lower research and development expenses rechargeable. The Corporate division losses increased by $0.4 million, which is primarily attributable to higher administration and marketing expenses and a loss on foreign exchange.

Profit (Loss)*

	2011	2010	Change %
Therapeutics	**(1,894)**	(1,907)	0.68
Protein Technologies	**5,471**	(2,971)	284.15
Corporate	**(6,844)**	(6,436)	(6.34)
Total Loss	**(3,267)**	(11,314)	71.12

* in thousands of dollars

OTHER 2011 SIGNIFICANT EVENTS

Protein Technologies

- The Company established a new subsidiary, NewCo to operate a pilot manufacturing plant in order to allow ProMetic to eventually commercialize products using its PPPS™ technology for the plasma-derived therapeutics market. The plant has a targeted capacity of processing 150,000 liters of plasma annually. The development activities pursued and funded in China by CNBG which led to the successful scale up of the manufacturing process has enabled ProMetic to significantly advance its manufacturing program at no cost. This off-balance sheet strategic investment made by CNBG reduces considerably the costs and risks usually associated with manufacturing scale up exercise. This will allow ProMetic to implement directly in its own plant a process that has already been scaled up and proven to meet the specifications at scale.

- On May 27, 2011, the Company announced the signing of an agreement with a multinational company to enhance the quality of an existing biopharmaceutical product. Work thereon proceeded as expected in 2011. This led to a new agreement announced on March 6, 2012, to progress to the next stage of the commercial development program. This phase of the commercial development program called for activities that will provide ProMetic with an estimated $2.5 million of service revenues throughout 2012.

- On September 22, 2011, the Company won a first order from a leading Chinese biopharmaceutical company for a large scale biomanufacturing process, successfully continuing to expand its reach in Asia. This initial order relates to the purchase of a proprietary Mimetic Ligand™ affinity adsorbent, developed and manufactured by ProMetic's UK subsidiary, ProMetic BioSciences Ltd, for the manufacturing scale-up of a biosimilar product in China. This initial order will be delivered in H1 2012.

- On December 12, 2011, ProMetic announced the completion of a significant milestone related to an ongoing commercial development program with a multinational company to improve the manufacturing process of an existing biopharmaceutical product. The achievement of this milestone should lead to the next stage of the development program and result in the scaling up of the manufacturing process in 2012.

Corporate

- The Company announced that its new subsidiary, "NewCo", had attracted seed investment of $1.5 million. The Company organized the share capital structure of NewCo, issuing 13% of the common shares to those shareholders who advanced $1.5 million for the formation of NewCo earlier in 2011. The work performed and funded by CNBG in China has enabled the Company to amend the original timelines expected to bring the manufacturing area in NewCo into operation without affecting the ability to deliver GMP products to the Licensees.

- ProMetic relocated its Headquarters to Laval, QC, Canada, the home of its new pilot manufacturing plant.

- The company split the role of President and CEO from that of Chairman of the Board. Mr. G.F. Kym Anthony, an experienced and successful capital markets executive with over 30 years in the financial services and investment banking industries, accepted nomination as Chairman of the Board.

- From April to July 2011, the Company obtained a total of $2.9 million in non-dilutive loans and private placement from a select group of long-term supportive shareholders. Of the $2.9 million, the Company secured a $0.5 million loan from Les Castels de Vaudreuil Inc., a company managed by its President and current ProMetic Board member, Mr. Benjamin Wygodny. As consideration for providing the loan, ProMetic shall pay the lender the principal amount, the interest and a fee of $45,000.

- The Company announced the receipt of $700,000 from *Investissement Québec* as part of a unique 2011 Tax Credit program to finance the company's Research and Development Tax Credit. A total of $752,000 was received in 2011.

Therapeutics

Throughout 2011, significant progress was achieved as the therapeutics division allocated its efforts to support partnering and IND enabling activities for its anti-fibrotic drug candidates, PBI-4050 and PBI-4419. New data generated / milestones achieved in 2011 included:

- Additional and supportive data on the novel mechanism of action of the drug candidates and the link between receptors and the regulation of the fibrotic process;

- Preliminary toxicology data providing further evidence of our lead drug candidates' excellent safety profile;

- Additional proof-of-concept efficacy in different in vivo models;

- Comparative in vivo data against commercially approved anti-fibrotic drugs;

- Optimization of the chemical synthesis of the lead compounds; and

- Filing of additional patents to protect the intellectual property generated from R&D activities.

The data generated suggests that PBI-4050 and PBI-4419 offer the potential as a novel therapy for chronic kidney disease by the reduction of fibrosis and sclerosis thus delaying disease progression. This new and exciting data was presented at the American Association of Nephrologists annual meeting held in November 2011.

More recent tests have confirmed that PBI-4050 offers the added benefit of reducing the nephropathies observed in the kidneys and the liver of diabetic animals.

PBI-4050 performed remarkably well in a very challenging model of pulmonary fibrosis. In this model, PBI-4050 outperformed a commercially available drug used to treat this condition in humans. PBI-4419 demonstrated significant performance in some cancer models compared to the standard therapy used in humans.

Post Balance-Sheet Announcements not discussed above

- On February 17, 2012, the Company announced the completion of its renegotiation of the repayment of $4 million worth of secured loans previously provided by some of its long term stakeholders (**"Stakeholders"**), effectively rescheduling the repayment of $4.0 million worth of secured debt from July 1, 2012 to July 1, 2013. In addition to this extension, one of the Stakeholders has further invested $1 million in equity in ProMetic.

- On March 3, 2012, the Company announced the appointment of Dr. John Moran to its Board of Directors and the resignation of Ms. Louise Paradis from its Board of Directors.

- The Company renegotiated its working capital grants with the Isle of Man Government Department of Economic Development, resulting in the balance of (GBP456,000) $0.7 million being repayable in six equal monthly instalments commencing March 2012. The renegotiated grant bears interest at 5% per annum.

CORE BUSINESS AND STRATEGY

CORE BUSINESS

ProMetic is a publicly traded (TSX symbol: PLI), global biopharmaceutical company that is comprised of a group of subsidiaries, specialized in the design of small molecules that mimic unique and specific interactions between proteins. We are focused on bringing safer, cost-effective and more convenient products to both existing and emerging markets. We offer our state of the art technologies for large-scale drug purification, drug development, proteomics and the elimination of pathogens. We are also developing our own novel therapeutics products targeting unmet medical needs in the field of fibrosis, anemia, neutropenia, cancer, and autoimmune disease/inflammation as well as certain nephropathies. ProMetic's business is organized into two distinct operating segments; Protein Technologies and Therapeutics, supported by a Head Office in Laval, Canada.

BUSINESS SEGMENTS

The **Protein Technologies** business division comprises five operating subsidiaries:

- ProMetic BioSciences Ltd (**"PBL"**), based in the UK (Isle of Man and Cambridge);

- Pathogen Removal and Diagnostic Technologies Inc. (**"PRDT"**), a company registered in Delaware, USA, operated under the control of PBL;

- ProMetic BioTherapeutics Inc (**"PBT"**), based in Rockville, MD, USA;

- ProMetic Manufacturing Inc. (**"PMI"**), based in Joliette, Quebec, Canada; and

- **"NewCo"**, based in Laval, 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 worldwide, with more than 12 products, relying on ProMetic's proven technology, having received FDA / European Medecines Agency's ("EMEA") approval. PBL's technologies enable the capture of target proteins directly from source material, and provide 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 bioseparations 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.

PRDT develops the prion capture technology platform that originated from ProMetic's collaboration with the American Red Cross ("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 Variant Creutzfeldt-Jakob disease ("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, Switzerland, Portugal and Australia and recently in many additional European countries. Furthermore, Octapharma also announced recently that it is seeking regulatory approval for a prion-depleted version of its UniplasLG® product, which will also rely on ProMetic's prion reduction technology. 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.

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 the American Red Cross, employs powerful affinity separation materials in a multi-step process to extract and purify commercially important plasma proteins in high yields.

PMI manufactures the raw agarose beads (Purabead™) which serve as a platform for a large number of PBL's affinity adsorbents.

ProMetic NewCo will undertake the development and manufacturing of high-value plasma-derived therapeutic biosimilars for ProMetic's current and future clients. NewCo will be funded via third-party investments and it is anticipated that NewCo will become self-sustaining through end product services and sales to ProMetic's existing clients. An initial $1.5 million investment has been received during the year ended December 31, 2011.

The Second business segment is the small molecule Therapeutics division which comprises 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. PBI scientists are focused in developing orally active drugs that can emulate the activity of proven biologics, and provide competitive advantages including improved pharmaco-economics and safety profile. Typically, these first-in-class therapeutics are orally active, with efficacy and high safety profiles confirmed in several in vivo experiments and enjoy strong proprietary positions. The unmet medical applications targeted are fibrosis, inflammation, autoimmune diseases, oncology and hematopoietic disorders.

In 2011, significant progress was achieved as PBI allocated its efforts to support partnering and IND enabling activities for its anti-fibrotic drug candidates. Fibrosis is a very complex process by which inflammation leads to the deposit of fibrous material to repair the damaged area. This is the process whereby vital organs gradually lose their functionality as normal and functional tissue is replaced by fibrotic scarring tissue. For example, following a myocardial infarctus or long standing chronic conditions such as hypertension or chronic kidney diseases, the buildup of scarring tissue in the heart will lead to heart failure. Fibrosis of the bone marrow (myelofibrosis) and of the liver (cirrhosis, hepatitis), idiopathic pulmonary fibrosis, scleroderma, chronic kidney disease are other examples affecting millions of patients.

New data generated / milestones achieved in 2011 include:

- Additional and supportive data on the novel mechanism of action of the drug candidates and the link between receptors and the regulation of the fibrotic process.
- Preliminary toxicology data providing further evidence of our lead drug candidates' excellent safety profile.
- Additional proof-of-concept efficacy in different in vivo models.
- Comparative in vivo data against commercially approved anti-fibrotic drugs.
- Optimization of chemical synthesis of the lead compounds.
- Filing of additional patents to protect the intellectual property generated.

In addition, in 2011 the Company identified the appropriate and qualified CROs (Contract Research Organizations) to perform the final stage of development work to enable the clinical phases. This includes:

- Bioanalytics to enable the GLP testing of all blood / plasma / urine samples to be collected during the clinical trials;
- GLP toxicology data reproduced to support the IND filings;
- Technology transfer to third party contract manufacturers for the production of GMP material required to perform the GLP toxicology studies, and prepare the clinical trial material; and
- Identification of clinical sites and principal investigators to perform clinical trials in Canada, Europe and in the USA.

Proof-of-concept

In a gold standard animal model simulating renal failure in humans, the animals treated with PBI-4050 and PBI-4419 had their renal function improved three fold compared to the non treated animals as well as a significant reduction of proteinuria. PBI-4050 and PBI-4419 reduced fibrosis in the remnant kidney, as confirmed by histology and measurement of several biomarkers.

In an Acute Kidney Injury model where nephrotoxicity is induced by drugs, both PBI-4050 and PBI-4419 reduced tubular lesions, reduced the loss of serum albumin as well as reduced several biomarkers related to fibrosis, again all confirmed by histology.

Taken together, these results suggest that PBI-4050 and PBI-4419 offer the potential as a novel therapy for chronic kidney disease by reduction of fibrosis and sclerosis thus delaying disease progression. This new and exciting data was presented at the American Association of Nephrologists annual meeting held on November 2011.

Moreover, more recent tests have confirmed PBI-4050 offers the added benefit of being able to also reduce the nephropathies observed in the kidneys and in the liver of diabetic animals. Diabetes is a known condition that affects hundreds of millions of patients and that is known to lead to CKD or renal failure.

To establish whether effects observed in animals can be transferred to humans, ProMetic drug candidates' performances were also compared against commercially available drugs for several specific medical conditions. For instance, PBI-4050 performed remarkably well in a very challenging model of pulmonary fibrosis. In this model, PBI-4050 out performed a commercially available drug used to treat this condition in humans. PBI-4419 demonstrated outstanding performance in some cancer models compared to the standard therapy used in humans. PBI-4050 shares some anti-inflammatory activities with non-steroidal anti-inflammatory drugs (NSAIDS), but does so by reducing PGE2 without affecting COX and LOX enzymes. PBI-4050 can be positioned to target several different unmet medical needs. Chronic Kidney Disease (CKD), Diabetes Kidney Disease (DKD), End Stage Renal Diseases (ESRD), Acute Kidney Injury (AKI) and pulmonary fibrosis are amongst potential indications for PBI-4050.

All these new results generated in 2011 have impacted on the selection of the lead candidates and their respective positioning and development prioritization. New results generated in 2011 regarding said drug candidates have impacted the original development strategies originally contemplated between Allist and ProMetic. The parties are presently re-evaluating the selection of lead compounds and optimal indications to pursue initially, therefore affecting the design of the work program; this may result in the execution of a new agreement or the suspension / termination of their relationship.

ProMetic is currently reviewing various strategic avenues to further advance its most promising lead drug candidates in the clinics. PBI-4050 is prioritized, followed by PBI-4419 and analogs.

It is anticipated the development program for the lead compounds would be funded via one and or a combination of avenues including:

- Excess cash generated by the Protein Technologies Business segment.
- Partnering with other pharmaceutical companies.
- Funding via financial partnerships or special funding initiatives.

Subject to the availability, timing and quantum of the abovementioned sources of funding PBI-4050 and PBI-4419's state of readiness remains such that said compounds could be entered into clinical phase at short notice.

BUSINESS STRATEGY

ProMetic's strategy in relation to its Protein Technologies business segment has been well defined by management: 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 has been 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. Revenues from this business unit do not accrue evenly during the year, so assessment of its profitability must be made on an annualized basis.

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® and UniplasLG® products. 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, including those from other parts of the ProMetic group.

ProMetic created a new subsidiary, NewCo, which has entered into a long-term lease on very favorable conditions with Quebec's *Institut National de la Recherche Scientifique* ("INRS") for an existing state-of-the-art facility. NewCo will undertake the development and manufacturing of high-value plasma-derived therapeutic biosimilars for ProMetic's current and future clients. NewCo will be funded via third-party investments and it is anticipated that NewCo will become self-sustaining through end product services and sales to ProMetic's existing clients. An initial $1.5 million investment has been received in 2011. 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 in the past two to three years, to cut the burn-rate of this division such that only costs associated with the IND enabling and partnering activities for PBI-1402 and its analogues are incurred. Recent and positive results generated in 2011 in the therapeutic program and the potential impact on the recent and positive results generated in 2011 in the therapeutic program combined to the availability, timing and choice of a funding mechanism dedicated to our lead compounds will dictate the pace at which the clinical program development will progress.

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 in the least dilutive means possible, recognizing that shareholders had experienced dilution in the past. Since then, the Company has been successful in securing "patient" debt, principally from existing shareholders whose interests are aligned with those of the business. In addition, during 2009, funds were 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. Further examples are given below.

On January 31, 2011, the Company finalized the reorganization of the terms of its secured debt, effective December 31, 2010, moving $4 million of debt repayments to July, 2012. In February 2012, the Company finalized a further reorganization of the terms of this

secured debt, effective December 31, 2011, moving $4 million of debt repayments to July, 2013. In addition to this extension, one of the Stakeholders invested $1 million in equity in ProMetic. As consideration for the above-mentioned debt reorganization and investment, the Stakeholders have collectively received 17,439,408 shares in ProMetic's share capital. The stakeholders also collectively received 5,714,278 warrants. The arrangements discussed above to reorganize the secured loans 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.

On March 31, 2011, the Company entered into an agreement with Abraxis, a wholly owned subsidiary of Celgene Corporation, whereby the Company will assign certain intellectual property rights regarding a protein technology to Celgene Corporation, for specific fields of use. As consideration for the assignment of the intellectual property rights, the US $10,000,000 loan entered into with Abraxis in February 2010 was forgiven. During 2011, the company concluded a series of equity investments by way of private placements. These investments raised a total of $4.8 million and were done at a weighted average price of $0.14 per share for a total of 36,322,272 Common Shares of ProMetic and were subject to a four month hold period. No warrants were issued in relation to said investments.

During May 2011, ProMetic BioSciences Limited secured an interest-free, repayable working capital grant from the Isle of Man Government department of Economic Development for the sum of GBP 300,000 ($0.5 million). This sum was repayable in six equal monthly instalments starting 6 months from the date of the drawdown of the grant. The funds have been granted for working capital purposes in ProMetic BioSciences Ltd.

In September 2011, the Company confirmed the receipt of another GBP 500,000 ($0.8 million) working capital grant from the Isle of Man Government Department of Economic Development to support its expansion and revenue growth from export of products and services to key international markets. The Company renegotiated its working capital grant with the Isle of Man Government Department of Economic Development, resulting in the balance of $0.7 million being repayable in six equal monthly instalments commencing March 2012. The renegotiated grant bears interest at 5% per annum.

The Company subsequently renegotiated its working capital grants with the Isle of Man Government Department of Economic Development, resulting in the balance of (GBP456,000) $0.7 million being repayable in six equal monthly instalments commencing March 2012. The renegotiated grant bears interest at 5% per annum.

The Company also secured $2.9 million in non-dilutive loans and private placements from long-term supporting shareholders. The proceeds from the loans will be used for general working capital purposes. Of the $2.9 million, the Company secured a $500,000 loan a company controlled by a director of the Company. The loan bears interest at the rate of 12% per annum and was originally due to mature on October 31, 2011, but the term has been indefinitely extended with the permission of the lender and is payable on demand.

The Company also announced receiving $700,000 from *Investissement Québec* as part of a unique 2011 Tax Credit program to finance the company's Research and Development Tax Credit. A total of $752,000 was received in 2011.

Incremental to this is the Company's ongoing drive to increase the revenue and profitability of its operating units, ultimately reducing the reliance on external financing.

CAPABILITY TO DELIVER RESULTS

CAPITAL RESOURCES

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

As mentioned earlier, NewCo has been funded by third-party equity investments. This relieves a significant capital expenditure hurdle for ProMetic, allowing it to deliver in its objectives in a very cost-effective and non-dilutive manner. It is anticipated NewCo will become self-sustaining through end product services and sales to ProMetic's existing clients.

Over the 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

Attention is drawn to the going concern uncertainty, in note 1 of the consolidated financial statements which describes that there is substantial doubt that the Company will be able to continue as a going concern without raising additional financial resources. Management is working to improve the Company's going concern position over the year, using the means which minimize dilution as far as possible for existing shareholders.

Continued effort is placed by management on expanding the customer base for existing marketed products and the Company is continuing to seek additional financing alternatives, including non-dilutive financing, collaboration and licensing arrangements, equity and debt financing. The Company's ability to increase its revenues or raise additional capital to generate sufficient cash flows to continue as a going concern is subject to significant doubt and significant risks all of which are beyond management's control. There can be no assurance that such financing will materialize on a timely basis or obtained on favorable terms. The consolidated 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 consolidated balance sheet classification used if the Company were unable to continue operations in accordance with this assumption. Such adjustments could be material.

Current assets totaled $3.2 million as at December 31, 2011, and $3.3 million as at December 31, 2010. Accounts receivable were $1.4 million as at December 31, 2011, compared to $1.8 million as at December 31, 2010. 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 the Therapeutics and the Protein Technology Units. The net capital assets remained the same at $0.9 million as at December 31, 2011, compared to December 31, 2010.

As at December 31, 2011, the cash position remained the same at $0.3 million compared to December 31, 2010.

Included in Current liabilities is a sum of $7.1 million relating to Trade and other payables. This figure has increased over the 2010 year-end position as a result of the company's cash situation. Based on Management's plans to maintain the business as a going concern, the company is confident, based on plans described at the beginning of this MD&A, that it will continue throughout 2012 to make progress toward bringing suppliers accounts current.

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 and a Patent Agent. 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 of the Company's employees. ProMetic has a talented team of staff and an experienced management team that shares in the Company's vision and recognizes 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. The Human Resources and Compensation Committee has devised a Compensation Policy for Senior Management, which it believes to be aligned with Shareholder Interest.

RESULTS AND OUTLOOK

RESULTS OF OPERATIONS

Year ended December 31, 2011, compared to year ended December 31, 2010.

Selected Annual Information

The following table includes selected consolidated financial data, prepared in accordance with IFRS, for the years 2010 and 2011, and in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") for the year 2009.

In thousands of Canadian dollars)	**2011**	2010	2009
Revenues	**17,589**	11,433	13,560
Net loss attributable to owners of the parent	**(2,554)**	(10,400)	(9,328)
Net loss per share attributable to owners of the parent (basic and diluted)	**(0.01)**	(0.03)	(0.03)
Total assets	**8,692**	8,593	11,084
Long-term debt	**5,724**	13,763	5,433

Revenues

Total revenues for 2011 were $17.6 million and were derived from product sales, development service revenues and licensing transactions.

In 2011, product sales were $5.2 million compared to $7.6 million in the previous year. The company believes that this reduction was largely due to delays with key clients' development programs which impacted the Company throughout 2011 as well as macro economic conditions affecting the industry, as product orders for 2012 are already strong.

Service revenues in 2011 were also lower than 2010 at $2.4 million versus $3.9 million. The Company believes that this reduction was largely due to the acquisition of one of its key customer as well as some macro economic conditions affecting the industry.

Finally, Licensing revenues of $10 million in relation to the Celgene transaction were achieved in 2011, compared with nil in 2010.

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, 2011, totalled $3.2 million compared to $5.1 million for the year ended December 31, 2010. This difference is explained by the revenue mix. Product sales generally carry a lower level of direct costs than service revenue for the business.

Based on the combined cost of goods sold and the rechargeable research and development expenses, a gross profit of 57.5% was achieved during 2011 compared to 55.4% for 2010. The difference is due to differing mix of products and services sold. There were no costs of goods sold associated with the licensing revenues.

Research and Development Expenses – Non rechargeable

Non rechargeable research and development expenses were $9.9 million for the year ended December 31, 2011, compared to the $10.3 million for the year ended December 31, 2010. This is due to the lower amount of revenue generating R&D carried out in 2011 versus 2010, resulting in a higher level of R&D resource cost remaining with the company.

Administrative and Marketing Expenses

Administrative and marketing expenses were $5.8 million for 2011 which is broadly consistent with the $5.5 million for 2010.

Net Loss

The Company generated a net loss of $3.3 million or $0.01 per share (basic and diluted), for the year ended December 31, 2011, as compared to a net loss of $11.3 million or $0.03 per share (basic and diluted) for the year ended December 31, 2010. The decrease in net loss is attributable to a number of factors including improved margin on product sales and reduced costs elsewhere in the business, however primarily due to the licensing revenues generated from the Celgene transaction, for which there was none in 2010.

EBITDA BY BUSINESS UNITS

Year ended December 31, 2011 - In millions of dollars

	Protein Technologies	Therapeutics	Corporate	Total
Revenues	17,582	7	–	17,589
Costs of goods sold	(1,854)	-	-	(1,854)
R&D expenses rechargeable	(1,351)	-	-	(1,351)
R&D expenses non rechargeable	(8,079)	(1,800)	-	(9,879)
Administration and marketing expenses	(575)	-	(5,214)	(5,789)
Amortization	485	218	55	758
EBITDA	6,208	(1,575)	(5,159)	(526)

EBITDA is a non-GAAP measure, employed by the Company to monitor its performance. Therefore it is unlikely to be comparable to similar measures presented by other companies. The Company calculates its EBITDA by subtracting from revenues, its cost of goods sold, its research and development expenses rechargeable and non-rechargeable as well as its administration and marketing expenses and excluding amortization of capital assets and licenses and patents.

CASH FLOWS

Cash flows used in operating activities amounted to $7.4 million for the year ended December 31, 2011, compared with $11.4 million for the year ended December 31, 2010. The difference is principally due to changes in working capital items, specifically inventories and trade payables. The cash inflows from financing activities amounted $8.5 million for the year ended December 31, 2011 compared to inflows of $11.5 million for the year ended December 31, 2010. In 2011, the corporation raised finance through equity issue, short term debt and working capital grants. In 2010, financing was achieved through a long-term loan of $10.6 million. The cash inflows from financing were used to fund the cash flows used in operating activities.

SUMMARY OF QUARTERLY RESULTS

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

	2011			
	IFRS			
	December 31	**September 30**	**June 30**	**March 31**
Revenues	**8.5**	**3.3**	**3.0**	**2.8**
Net profit/(loss)	**3.3**	**(2.1)**	**(1.8)**	**(2.7)**
Net loss per share (basic and diluted)	**0.01**	**(0.01)**	**(0.00)**	**(0.01)**
Weighted average number of outstanding shares	**387**	**378**	**373**	**356**

	2010			
	IFRS			
	December 31[1]	September 30[1]	June 30[1]	March 31[1]
Revenues	1.1	2.1	5.1	3.0
Net profit/(loss)	(4.3)	(2.9)	(0.9)	(3.1)
Net loss per share (basic and diluted)	(0.01)	(0.01)	(0.00)	(0.01)
Weighted average number of outstanding shares	351	350	350	341

1 As restated to apply IFRS as issued by the IASB

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 enters into finance leases for buildings and equipment. Minimum future rental payments under these operating leases, determined as at December 31, 2011 are included in the contractual obligations table below.

Letters of credit amounting to $168 were issued to the lessors of our facility in Maryland and Laval as collateral for our performance of obligations under the leases. These letters of credit are collateralized by guaranteed investment certificates for the same amount. The guaranteed investment certificates related to the letters of credit have been classified as restricted cash.

CONTRACTUAL OBLIGATIONS

(In thousands of dollars) (Payment due by period)

Contractual Obligations	Payment due by period				
	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Debt	6,288	2,288	4,000	-	-
Capital leases and obligations	21	9	12	-	-
Operating leases	11 957	1,691	4,540	2,400	3,326
Other obligations	200	200	-	-	-
Total contractual obligations	18,466	4,188	8,552	2,400	3,326

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 favor 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 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 interest 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 $2,300 plus interest and penalties, without taking into consideration the net proceeds arising from the disposal of the 9,500,000 pledged shares of the Company. The Company has not required any consideration in exchange for this Guarantee.

As at January 1, 2010, the Loan had an outstanding balance of $920.

On March 25, 2010, the parties entered into a settlement agreement, which called for the Company to pay to Camofi an amount of US$800,000 (C$837,280) on April 1, 2010, in addition to a payment of US$250,000 (C$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 obligation of the borrower and the Company obligations.

In the year ended December 31, 2010, the Company recognized an amount of $180 as a loss on this guarantee. As at December 31, 2011 and 2010, no receivable from the borrower was recorded given collectability was not reasonably assured.

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. Furthermore, should certain stock price thresholds be reached, the Company may require the borrower to pay the outstanding balance of the loan. This amended and restated loan agreement received shareholder approval at the May 5, 2010 Annual and Extraordinary Meeting of the shareholders. The said loan is secured by a pledge in favor of the Company by the borrower of 9,500,000 shares of the Company stock. The loan is also secured by a pledge in favor of the Company by Invhealth Capital Inc. (a wholly-owned subsidiary of a senior officer of the Company) of all its shares of the borrower and by a pledge in favor of the Company by the senior officer of the Company of all of 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.

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, 2011, the capital stock issued and outstanding consisted of 396,193,349 common shares (353,164,339 as at December 31, 2010).

As at March 26, 2012, the capital stock issued and outstanding consisted of 411,396,985 common shares.

Stock Options
As at December 31, 2011, the Company had 11,054,051 stock options outstanding with exercise prices ranging from $0.16 to $1.50.
As at March 26, 2012, the stock options outstanding consisted of 10,667,372 options.

OUTLOOK

Management believes that despite the financial hurdles in 2011, the Company has delivered on various fronts in all of its business divisions and from a corporate perspective. Accordingly, Management is of the opinion that the Company is poised to continue on its revenue progression and strategic initiatives in all its business divisions in 2012. As such, it is the Company's objective to deliver for 2012 and beyond the following achievements:

- The broadening of its customer base, both in territory and type.
- Revenue growth in existing product and service sales.
- Improvement of liquidity and financial position.
- Operational launch of ProMetic NewCo in Laval, Quebec.
- Improvement in all key financial indicators.
- New programs/strategic alliances development.

Management also believes that the difficult liquidity situation will continue to improve in the coming months and that its overall business prospects remain extremely attractive for the coming quarters. The Company will also continue to closely monitor and control as much as possible its costs structure.

In the Protein Technologies division, work will continue to embed the prion-safety technology into the manufacturing processes of NewCo.

The Company will continue to assist alongside Macopharma, for the adoption of the P-Capt® filter in the UK. In line with SaBTO's recommendation, in November 2009, for adoption of the P-Capt® filter for children born after January 1, 1996, the Company is hopeful that sales will commence after the reporting of the PRISM clinical study results. In addition to seeking other industrial scale users for the technology, ProMetic will continue to support Octapharma in the adoption of OctaplasLG® for the US market following the recent submission of its Biological License Application.

Also in the Proteins Technologies (Plasma) division, the Company will set up its cGMP pilot manufacturing plant and the organization of its related capital structure with a view to commencing operations therein. This plant, together with the results arising from activities at the Wuhan Institute of Biologic Products is expected to be used by the Company to leverage its other commercial-scale manufacturing opportunities relating to the PPPS technology.

In the therapeutics division, activity will be focused on business development activities. Partnering discussions continue with regard to PBI-1402, its NCE analogues PBI-4050 and PBI-4419 and other therapeutics. It is Management's goal that the Company closes a strategic deal with a major pharmaceutical company, and secure funding to further advance its various development programs.

Finally, and in line with earlier commitments, Management will continue to tightly control costs throughout the business, with a view to driving the Company towards self-sustainment and profitability.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and liabilities and revenue and expenses during the reporting year. Actual results may differ from these estimates.

Significant areas requiring the use of estimates and assumptions relate to the following items:

- Impairment of long-lived assets: Assessing whether an asset is impaired requires management to determine whether there is an indication of impairment based on the consideration of internal and external indicators. If an indication of impairment exists management must determine if the carrying amount of an asset, or the cash-generating unit in which the asset is included, exceeds its recoverable amount. The recoverable amount is the higher of the fair value less cost to sell and the value in use. The value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. The estimation of the future cash flows requires assumptions to be made by management. Therefore the determination of the recoverable amount implies estimates which may affect the amount of an impairment loss if any.

Information about other significant areas of estimation and uncertainty that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes of the financial statements:

- Revenues (notes 2(m) and 17 (b)).
- Valuation and the assessment of recoverability of the investments (note 2 (h)).
- Calculation of stock-based compensation (note 19).

TRANSITION TO AND INITIAL ADOPTION OF IFRS

Beginning January 1, 2011, the Company is applying IFRS as issued by the International Accounting Standard Board (IASB). The preparation of the consolidated financial statements for the year ended December 31, 2011, includes the initial adoption of accounting policies under IFRS, which have certain different accounting policies than those used to prepare the most recent audited annual consolidated financial statements prepared under Canadian generally accepted accounting principles (CGAAP).The accounting policies as set out in Note 2 in the consolidated financial statements for the year ended December 31, 2011 have been applied to all periods beginning on or after January 1, 2010 presented in these financial statements. Comparative information for the financial statements for the year ended December 31, 2010 has been adjusted from amounts previously reported under CGAAP. These policies have also been applied in preparing an opening IFRS statement of financial

position as January 1, 2010 for the purpose of transitioning to IFRS, as required by IFRS 1, First-time Adoption of International Financial Reporting Standards. A reconciliation of previously reported periods in accordance with CGAAP to IFRS, as well as an explanation of how the transition from CGAAP to IFRS has affected our financial position, financial performance and cash flows is provided in note 32 to the December 31, 2011 consolidated financial statements.

IMPACT OF IFRS

The conversion to IFRS has had an impact on the way we present our financial results. The impact of the conversion to IFRS on our accounting systems was minimal due to limited changes in our accounting policies. Our internal controls over financial reporting (ICFRs) and disclosure control and procedures (DC&P), as currently designed have not required significant modifications as a result of conversion to IFRS. We have assessed the impact of adopting IFRS on our contractual arrangements, and have not identified any material compliance issues.

The Company has performed an analysis of its data system infrastructure and internal controls and has concluded that transition to IFRS did not and will not result in a material modification to any of its IT processes as a result of the differences it has identified to date.

STANDARDS ISSUED BUT NOT EFFECTIVE YET

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (OCI)

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment becomes effective for annual periods beginning on or after July 1, 2012. The Company is currently evaluating the potential impact of this new standard.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 "Financial Instruments: Recognition and Measurement" and applies to classification measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The Company is currently evaluating the potential impact of this new standard.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27, "Consolidated and Separate Financial Statements" that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, "Consolidation - Special Purpose Entities". IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the potential impact of this new standard.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31, "Interests in Joint Ventures" and IAS 28, "Investments in Associates". These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the potential impact of this new standard.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This standard becomes effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the potential impact of this new standard.

RISK

Since inception, the Company has concentrated its resources on research and development. It has had no net earnings, 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, 2011. 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, restricted cash and trade accounts receivables. The Company invests its cash in high quality commercial paper issued by government agencies and financial institutions and diversifies its investments in order to limit its exposure to credit risk, while following approved investment guidelines. 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. Given the company's current revenue expectations there is significant uncertainty as whether it will have sufficient working capital to fund its current operating and working capital requirements for the next 12 months. 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 recognized 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 four 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.

Ernst & Young LLP, 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, which consists exclusively of Management, is responsible 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.

The Disclosure Committee will report its activities to the Audit Committee at intervals throughout the year.

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, 2011, 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.

We have designed ICFR to provide reasonable assurance regarding the reliability of the Corporation's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There were no changes in our ICFR that occurred during the year ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect our ICFR.

Internal control over financial reporting

Based on an evaluation of the effectiveness of ProMetic's internal controls over financial reporting, the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have concluded that the internal controls were effective as of December 31, 2011, and that their design provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements.

SUMMARY OF QUARTERLY RESULTS

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

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, 2011, and 2010.

	2011	2010
Revenues	**8,423**	1,116
Operating expenses	**4,735**	5,035
Operating profit (loss)	**3,688**	(3,919)
Gain on foreign exchange	**42**	232
Impairment of investment	**0**	(186)
Loss on disposition and impairment of assets	**(59)**	(20)
Finance costs	**(318)**	(454)
Net profit (loss)	**3,353**	(4,347)
Net profit (loss) attributable to the owners of the parent	**3,548**	(4,174)
Basic and diluted profit (loss) per share attributable to the owners of the parent	**0.01**	(0.01)

Revenues for the fourth quarter of 2011 are $7.3 million higher than the same quarter in 2010. This increase is mainly due to the licensing revenues from Celgene in 2011.

Operating expenses are lower by $0.3 million in 2011. The difference is due to differing mix of products and services sold during the fourth quarter. There were no costs of goods sold associated with the licensing revenues. The net loss changed into a profit during the fourth quarter of 2011 mainly due to the licensing revenues from Celgene.

Cash outflows from operating activities were $0.3 million compared to $2.0 million for the same period in 2010. This decrease is attributed to higher revenues in 2011.

Cash inflows from financing activities of $1.3 million in 2011 were higher compared to $0.9 million in the fourth quarter of 2010. This increase is mainly attributed to private investments concluded in the fourth quarter of 2011.

INDEPENDENT AUDITORS' REPORT

To the shareholders of ProMetic Life Sciences Inc.
We have audited the accompanying consolidated financial statements of **ProMetic Life Sciences Inc.** (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2011 and 2010, and January 1, 2010, and the consolidated statements of operations and comprehensive loss, changes in shareholders' deficiency and cash flows for the years ended December 31, 2011 and 2010, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **ProMetic Life Sciences Inc.** as at December 31, 2011 and 2010, and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and 2010 in accordance with International Financial Reporting Standards.

Emphasis of matter
Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements which indicates that the Company incurred a net loss of $3,267,000 during the year ended December 31, 2011 and, as of that date, the Company had a working capital deficiency of $8,629,000 and a shareholders' deficiency of $8,568,000. These conditions, along with other matters as set forth in note 1, indicate the existence of a material uncertainty that may cast doubt on the Company's ability to continue as a going concern.

Ernst & Young LLP[1]

Chartered Accountants
Montreal, Canada
March 26, 2012

[1] CA Auditor Permit no. 20201

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(See governing statutes, nature of operations and going concern uncertainty - note 1)

(In thousands of Canadian dollars)

	As at December 31, 2011	As at December 31, 2010	As at January 1, 2010
ASSETS (note 17)			
Current assets			
Cash	**$ 275**	$ 252	$ 493
Accounts receivable (note 6)	**1,438**	1,790	2,612
Inventories (note 7)	**1,243**	1,032	2,128
Prepaid expenses	**228**	220	201
	3,184	3,294	5,434
Restricted cash (note 8)	**233**	228	356
Investment (note 9)	**27**	52	253
Capital assets (note 10)	**928**	883	1,133
Licenses and patents (note 11)	**4,320**	4,136	3,908
	$ 8,692	$ 8,593	$ 11,084
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current liabilities			
Bank and other loans (note 12)	**$ 752**	$ 652	$ 911
Trade and other payables (note 13)	**7,091**	4,508	6,956
Promissory notes from shareholders (note 14)	**817**	-	-
Deferred revenues (note 15)	**447**	271	910
Repayable government grants and finance lease obligations (note 16)	**733**	12	23
Current portion of long-term debt provided by shareholders (note 17)	**750**	2,239	3,114
Current portion of advance on revenues from a supply agreement (note 18)	**1,223**	1,172	1,316
	11,813	8,854	13,230
Long term portion of lease inducement	**183**	-	-
Long-term portion of finance lease obligations (note 16)	**13**	4	16
Long-term debt provided by shareholders (note 17)	**3,411**	11,507	2,280
Advance on revenues from a supply agreement (note 18)	**1,840**	1,696	1,826
	17,260	22,061	17,352
SHAREHOLDERS' DEFICIENCY			
Share capital (note 19)	**220,777**	215,266	212,728
Contributed surplus	**10,132**	8,821	8,446
Future investment rights (note 19)	**6,542**	6,542	2,195
Accumulated other comprehensive income	**159**	255	-
Deficit	**(246,051)**	(243,438)	(229,636)
Deficiency attributable to owners of the parent	**(8,441)**	(12,554)	(6,267)
Non-controlling interests	**(127)**	(914)	-
	(8,568)	(13,468)	(6,267)
	$ 8,692	$ 8,593	$ 11,084

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

Subsequent events (note 31)

Commitments (note 23)

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(See governing statutes, nature of operations and going concern uncertainty - note 1)

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

	Years ended December 31,	
	2011	2010
Revenues (note 5)	**$ 17,589**	$ 11,433
Expenses		
Costs of goods sold	**1,854**	2,826
Research and development expenses rechargeable	**1,351**	2,272
Research and development expenses non-rechargeable	**9,879**	10,266
Administration and marketing expenses	**5,789**	5,503
Loss (gain) on foreign exchange	**140**	(77)
Loss (gain) on disposals and impairment of assets	**68**	(177)
Charges related to a guarantee	**-**	180
Impairment of investment	**25**	186
Loss on extinguishment of debt (note 17)	**387**	-
Finance costs (note 22)	**1,363**	1,768
Net loss	**($3,267)**	($11,314)
Other comprehensive loss		
Change in unrealized exchange differences on translation of financial statements of foreign subsidiaries	**(96)**	255
Total comprehensive loss	**($3,363)**	($11,059)
Net loss attributable to:		
Owners of the parent	**($2,554)**	(10,400)
Non-controlling interests	**(713)**	(914)
	($3,267)	($11,314)
Total comprehensive loss attributable to:		
Owners of the parent	**($2,650)**	(10,145)
Non-controlling interests	**(713)**	(914)
	($3,363)	($11,059)
Loss per share (note 4)		
Basic and diluted loss per share attributable to the owners of the parent	**($0.01)**	($0.03)
Weighted average number of outstanding shares (in thousands)	**373,635**	348,035

For supplemental operations information, see note 22

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY

(See governing statutes, nature of operations and going concern uncertainty - note 1)

(in thousands of Canadian dollars)

	Share capital $	Stock based compensation $	Warrants $	Foreign currency translation reserve $	Future investment rights $	Deficit $	Total $	Non-controlling interests $	Total deficiency $
Balance at January 1st, 2010	212,728	2,024	6,422	-	2,195	(229,636)	(6,267)	-	(6,267)
Loss for the year	-	-	-	-	-	(10,400)	(10,400)	(914)	(11,314)
Foreign currency translation reserve	-	-	-	255	-	-	255	-	255
Share issue expenses	-	-	-	-	-	(70)	(70)	-	(70)
Stock based compensation	-	376	-	-	-	-	376	-	376
Modification of future investment rights	-	-	-	-	4,347	(3,332)	1,015	-	1,015
Issuance of shares (note 19 a)	2,538	-	-	-	-	-	2,538	-	2,538
Balance at December 31, 2010	**215,266**	**2,400**	**6,422**	**255**	**6,542**	**(243,438)**	**(12,553)**	**(914)**	**(13,467)**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(2,554)**	**(2,554)**	**(713)**	**(3,267)**
Issuance of shares to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,500**	**1,500**
Foreign currency translation reserve	**-**	**-**	**-**	**(96)**	**-**	**-**	**(96)**	**-**	**(96)**
Share issue expenses	**-**	**-**	**-**	**-**	**-**	**(59)**	**(59)**	**-**	**(59)**
Stock based compensation	**-**	**311**	**-**	**-**	**-**	**-**	**311**	**-**	**311**
Issuance of shares (note 19 a)	**5,511**	**-**	**-**	**-**	**-**	**-**	**5,511**	**-**	**5,511**
Issuance of warrants	**-**	**-**	**999**	**-**	**-**	**-**	**999**	**-**	**999**
Balance at December 31, 2011	**220,777**	**2,711**	**7,421**	**159**	**6,542**	**(246,051)**	**(8,441)**	**(127)**	**(8,568)**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(See governing statutes, nature of operations and going concern uncertainty - note 1)

(In thousands of Canadian dollars)

	Years ended December 31,	
	2011	2010
Cash flows used in operating activities		
Net loss for the year	**$ (3,267)**	$ (11,314)
Adjustments to reconcile net loss to cash flows used in operating activities		
Charges paid with shares	**216**	51
Finance costs	**841**	784
Loss (gain) on disposals and impairment of assets	**68**	(177)
Licensing revenues (note 17)	**(10,003)**	-
Impairment of an investment	**25**	186
Finance lease	**25**	-
Loss on extinguishment of debt	**387**	-
Stock-based compensation	**311**	376
Advance (reimbursement) on revenues from a supply agreement	**143**	(13)
Unrealized foreign exchange gain	**(14)**	(719)
Amortization of capital assets	**322**	299
Amortization of license and patents	**436**	399
	(10,510)	(10,128)
Change in working capital items (note 27)	**3,148**	(1,235)
	(7,362)	(11,363)
Cash flows from financing activities		
Proceeds from share and warrant issuance	**4,827**	3,501
Shares issued to non-controlling interests	**1,500**	-
Share issue expenses	**(59)**	(70)
Repayment of bank loan	**-**	(911)
Promissory notes from shareholders	**997**	-
Interest paid	**107**	174
Issuance of other loan	**752**	652
Issuance of a repayable government grant	**1,162**	-
Issuance of a long-term debt provided by a shareholder	**500**	10,671
Repayment of promissory notes from shareholders	**(180)**	-
Repayment of a repayable government grant and finance leases	**(462)**	(805)
Repayment of a long-term debt provided by a shareholder	**-**	(1,720)
Repayment of other loan	**(652)**	-
	8,492	11,492
Cash flows used in investing activities		
Disposal of an investment	**-**	114
Proceeds from sale of capital assets	**-**	255
Additions to capital assets	**(371)**	(176)
Additions to licenses and patents	**(655)**	(774)
	(1,026)	(581)
Net change in cash during the year	**104**	(452)
Net effect of currency exchange rate on cash	**(81)**	211
Cash, beginning of the year	**252**	493
Cash, end of the year	**$ 275**	$ 252

For supplemental cash flow information, see note 27

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2011 and 2010
(in thousands of Canadian dollars, except share and per share amounts or as otherwise specified)

1. Governing statutes, nature of operations and going concern uncertainty

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. The Company's head office is located in Laval, Québec, Canada.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and on the basis of the going concern assumption, which assumes that the Company will continue its operations for the foreseeable future and, accordingly, will be able to realize its assets and discharge its liabilities in the normal course of operations. The use of these principles may not be appropriate because as at December 31, 2011, there is substantial doubt that the Company will be able to continue as a going concern without raising additional financial resources. Since inception, the Company has incurred significant losses and has a working capital deficiency of $8,629 and a shareholders' deficiency of $8,568 as at December 31, 2011. The Company's committed cash obligations and expected level of expenditures for the next 12 months exceed its committed sources of funds. To date, the Company has financed its activities through bank loans, government financial support, investment tax credits 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.

Subsequent to December 31, 2011, the Company announced the renegotiation of its long-term debt provided by shareholders, resulting in the postponement of related payments in the amount of $4,000 from July 2012 to July 2013 (see note 17). The Company has also been successful in raising $1,250 in equity financing (see note 31). Also, subsequent to December 31, 2011, the Company announced the renegotiation of its repayable working capital grant with the Isle of Man Government Department of Economic Development, resulting in the balance of $721 (GBP456,000) being repayable in six equal monthly installments commencing March 2012. This renegotiated grant bears interest at 5% per annum (see note 31).

These additional sources of funds are not sufficient for the Company to discharge its liabilities for the next 12 months. Continued effort is placed by management on expanding the customer base for existing marketed products and the Company is continuing to seek additional financing alternatives, including non-dilutive financing, collaboration and licensing arrangements, equity and debt financing. The Company's ability to increase its revenues or raise additional capital to generate sufficient cash flows to continue as a going concern is subject to significant doubt and significant risks, all of which are beyond management's control. There can be no assurance that such financing will materialize on a timely basis or be obtained on favorable terms. These consolidated 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 consolidated balance sheet classification used if the Company were unable to continue operations in accordance with this assumption. Such adjustments could be material.

2. Significant Accounting Policies

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS. These are the Company's first annual consolidated financial statements prepared in accordance with IFRS, as published by the International Accounting Standards Board, (IASB). IFRS 1, "First-time adoption of International Financial Reporting Standards", has been applied.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 32.

The consolidated financial statements were authorized for issue by the Board of Directors on March 26, 2012

b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for cash and restricted cash, which have been measured at fair value.

2. Significant Accounting Policies (cont.)

c) Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is also the parent Company's functional currency.

d) Significant accounting estimates and assumptions

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and liabilities and revenue and expenses during the reporting years. Actual results may differ from these estimates.

Significant areas requiring the use of estimates and assumptions relate to the following items:

- Impairment of long-lived assets: Assessing whether an asset is impaired requires management to determine whether there is an indication of impairment based on the consideration of internal and external indicators which requires judgement. If an indication of impairment exists, management must determine if the carrying amount of an asset, or the cash-generating unit in which the asset is included, exceeds its recoverable amount. The recoverable amount is the higher of the fair value less cost to sell and the value in use. The value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. The estimation of the future cash flows requires assumptions to be made by management. Therefore, the determination of the recoverable amount implies estimates which may affect the amount of an impairment loss if any.

Information about other significant areas of estimation and uncertainty that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Revenues (note 2 (m) and 17 (b));
- Valuation and the assessment of recoverability of the investments (note 2 (h));
- Calculation of stock-based compensation (note 19).

e) Basis of consolidation

The consolidated financial statements include the accounts of ProMetic Life Sciences Inc., and those of its subsidiaries ProMetic BioSciences Inc., 7662114 Canada Inc. (also referred to as "Newco"), ProMetic BioSciences (USA), Inc., ProMetic BioSciences Ltd., ProMetic BioTherapeutics Inc., ProMetic Manufacturing Inc., BSafE Inc. and Pathogen Removal and Diagnostic Technologies Inc. (hereinafter referred to as "PRDT"). The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

f) Financial instruments

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

Financial assets at fair value through profit and loss

Cash and restricted cash are respectively classified and designated as financial assets at fair value through profit and loss. They are measured at fair value and changes in fair value are recognized in the consolidated statements of operations and comprehensive loss.

Loans and receivables

Accounts receivable, excluding tax credits receivable and sales taxes receivable, and the advance to an officer, are classified as loans and receivables. They are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method.

Available-for-sale assets

The convertible preferred shares of AM-Pharma Holding B.V., a private company, are classified as available-for-sale and are measured at cost.

Financial liabilities

Bank and other loans, trade and other payables, promissory notes from shareholders and repayable government grants are classified as other financial liabilities. They are measured at amortized cost using the effective interest rate method.

Long-term debt provided by shareholders, finance leases obligation and advance on revenues from a supply agreement are classified as other financial liabilities. They are measured at amortized cost, using the effective interest rate method. Financing costs are applied against long-term debt.

g) 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.

2. Significant Accounting Policies (cont.)

h) Investments

When, in management's opinion, there has been a significant or prolonged decline in value of an investment, 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.

i) Capital assets

1) Recognition and measurement

Capital assets are recorded at cost less any government assistance, accumulated amortization and accumulated impairment losses, if any.

2) Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as described below.

Asset	Rate/period
Leasehold improvements	Lease term of 2.5 to 15 years
Equipments and tools	5 and 10 years
Office equipment and furniture	5 years
Computer equipment	5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of a capital asset is determined as the difference between the sales proceeds and its carrying amount and is recognized in profit or loss.

j) Government assistance

Government assistance programs, including investment tax credits on research and development expenses, are reflected as reductions to the cost of the assets or to the expenses to which they relate and are recognized when there is reasonable assurance that the assistance will be received and all attached conditions are complied with.

Where government assistance is received in the form of a repayable working capital grant, it is recorded as a liability.

k) Licenses and patents

Licenses and patents were acquired separately and include acquired rights as well as licensing fees for product manufacturing and marketing. They are carried at cost less accumulated amortization. Amortization is calculated over the estimated useful lives of the licenses and patents acquired using the straight-line method over a period of 12-20 years and are assessed for impairment at each reporting date when there are indicators of impairment present. The estimated useful lives and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimates being accounted for on a prospective basis. The amortization expense is recognized in the consolidated statements of operations and comprehensive loss in the expense category consistent with the function of the intangible assets.

Expenditure on research activities is recognized as an expense in the period during which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

To date, the Company has not deferred any development costs.

2. Significant Accounting Policies (cont.)

l) Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit (CGU) (i.e. the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets, groups of assets or CGUs) to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, the corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

An impairment loss is recognized when the carrying amount of an asset or a CGU exceeds its recoverable amount by the amount of this excess. An impairment loss is recognized immediately in profit or loss in the period during which the loss is incurred. Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount; on reversal of an impairment loss, the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss.

m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and other similar allowances.

The Company earns revenues from research and development services, license fees and sale of goods, 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.

Rendering of services

Revenues from research and development services are recognized using the proportional performance method. Under this method, revenues are recognized proportionally with the degree of completion of the services under the contract when it is probable that the economic benefits will flow to the Company and revenue and costs associated with the transaction can be measured reliably.

Licensing fees

Certain license fees are comprised of up-front fees and milestone payments. Up-front fees are recognized over the estimated term during which the Company maintains substantive obligations. Milestone payments are recognized as revenue when the milestone is achieved, customer acceptance is obtained and the customer is obligated to make performance payments. 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.

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Amounts received in advance of meeting the revenue recognition criteria are recorded as deferred revenue on the consolidated statements of financial position.

n) Foreign currency translation

The Company's consolidated financial statements are presented in Canadian dollars, which is also the parent company's functional currency. Each of the Company's entities determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

2. Significant Accounting Policies (cont.)

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Company and its entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated statements of operations and comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

ii) Group companies

The assets and liabilities of foreign operations are translated into Canadian dollars at the rate of exchange prevailing at the reporting date and their statements of operations are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognized in other comprehensive income (loss). On disposal of a foreign operation, the component of other comprehensive income (loss) relating to that particular foreign operation is recognized in the consolidated statements of operations and comprehensive loss.

o) Income taxes

The Company uses the liability method of accounting for income taxes. Deferred income tax assets and liabilities are recognized in the consolidated statement of financial position for the future tax consequences attributable to differences between the consolidated financial statements carrying values of existing assets and liabilities and their respective income tax bases. Deferred 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. Deferred income tax assets are recognized to the extent that it is probable that future tax profits will allow the future tax assets to be recovered.

p) Share-based payments

The Company has a stock-based compensation plan and applies the fair value method. The fair value of stock options granted is determined at the appropriate measurement date using the Black-Scholes option pricing model, and is generally expensed over the vesting period of the options. Awards with graded vesting are considered to be multiple awards for fair value measurement and stock-based compensation calculation. In determining the expense, the Company deducts the number of awards that are expected to be forfeited at the time of grant and revises this estimate, if necessary, in subsequent years if actual forfeitures differ from those estimates. The Company's policy is to issue new shares upon the exercise of stock options.

q) Share issue expenses

The Company records share issue expenses as an increase to the deficit.

r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are recognized in profit or loss in the period during which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. No borrowing costs have been capitalized by the Company as there are no assets which take a substantial period of time to get ready for their intended use or sale.

3. Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (OCI)

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment becomes effective for annual periods beginning on or after July 1, 2012. The Company is currently evaluating the potential impact of this new standard.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39, "Financial Instruments: Recognition and Measurement" and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The Company is currently evaluating the potential impact of this new standard.

3. Standards issued but not yet effective (cont.)

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27, "Consolidated and Separate Financial Statements", that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, "Consolidation - Special Purpose Entities". IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the potential impact of this new standard.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31, "Interests in Joint Venture" and IAS 28, "Investments in Associates". These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the potential impact of this new standard.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This standard becomes effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the potential impact of this new standard.

4. Loss per share

Loss per share is calculated using the weighted-average number of common shares outstanding.

5. Revenues

The following is an analysis of the Company's revenues:

	Year ended December 31, 2011	Year ended December 31, 2010
Revenues from the sale of goods	**$ 5,198**	$ 7,573
Revenues from the rendering of services	**2,388**	3,860
Licensing revenues	**10,003**	-
	$17,589	$11,433

See note 28 for an analysis of revenues by major products and services.

6. Accounts receivable

	December 31, 2011	December 31, 2010	January 1, 2010
Trade	**$ 207**	$ 799	$ 1,531
Tax credits and sales taxes receivable (note 12)	**1,189**	961	936
Advance to an officer, without interest	**-**	13	-
Other	**42**	17	145
	$ 1,438	$ 1,790	$ 2,612

7. Inventories

	December 31, 2011	December 31, 2010	January 1, 2010
Raw materials	**$ 611**	$ 222	$ 538
Work in progress and finished goods	**632**	810	1,590
	$ 1,243	$ 1,032	$ 2,128

During the year ended December 31, 2011, total inventories in the amount of $ 1,854 ($2,826 for the year ended December 31, 2010) were recognized as cost of goods sold.

7. Inventories (cont.)

During the year ended December 31, 2011, there was no write-down of inventory ($65 for the year ended December 31, 2010). There was no reversal of provision previously recognized for the years ended December 31, 2011 and 2010.

8. Restricted cash

The restricted cash is composed of two Guaranteed Investment Certificates, bearing interest at 1.0% and 0.25% respectively (0.35% and 0.45%, respectively, at December 31, 2010; 0.20% and 0.60%, respectively, at January 1, 2010), pledged as security for letters of credit to landlords in the amount of $168 ($164 as at December 2010 and $286 as at January 1, 2010) which automatically renew until the end of the lease. Restricted cash also includes a Grant Treasury Deposit for a total of $65 ($64 as at December 2010 and $70 as at January 1, 2010) pledged in favor of the Isle of Man government for grants received.

9. Investment

The investment is composed of convertible preferred shares of AM-Pharma Holding B.V., a private company based in the Netherlands. During the year ended December 31, 2011, the investment was considered to have an impairment and was written down by an amount of $25, excluding the effect of the exchange rate ($186 for the year ended December 31, 2010).

10. Capital assets

	Leasehold improvements	Equipment and tools	Office equipment and furniture	Computer Equipment	Total
	$	$	$	$	$
Cost					
Balance at January 1, 2010	2,632	4,917	503	1,080	9,132
Additions	3	117	21	35	176
Impairment	(267)	(1,552)	(1)	(408)	(2,228)
Effect of foreign currency exchange differences	(200)	(255)	(11)	(30)	(496)
Balance at December 31, 2010	**2,168**	**3,227**	**512**	**677**	**6,584**
Additions	**224**	**63**	**71**	**13**	**371**
Impairment	**(29)**	**(87)**	**(19)**	**(23)**	**(158)**
Effect of foreign currency exchange differences	**36**	**27**	**2**	**7**	**72**
Balance at December 31, 2011	**2,399**	**3,230**	**566**	**674**	**6,869**
Depreciation and impairment losses					
Balance at January 1, 2010	2,481	4,218	408	892	7,999
Depreciation charge for the year	58	148	26	68	299
Impairment	(274)	(1,521)	-	(391)	(2,187)
Effect of foreign currency exchange differences	(177)	(205)	(11)	(18)	(410)
Balance at December 31, 2010	**2,087**	**2,640**	**423**	**551**	**5,701**
Depreciation charge for the year	**59**	**129**	**77**	**57**	**322**
Impairment	**(29)**	**(87)**	**(19)**	**(23)**	**(158)**
Effect of foreign currency exchange differences	**35**	**32**	**3**	**7**	**77**
Balance at December 31, 2011	**2,152**	**2,714**	**483**	**592**	**5,941**
Carrying amounts					
At January 1, 2010	151	699	95	188	1,133
At December 31, 2010	81	587	89	126	883
At December 31, 2011	**247**	**516**	**83**	**82**	**928**

During the year ended December 31, 2011, there was no impairment loss of capital assets ($41 for the year ended December 31, 2010).

11. Licenses and Patents

	Licenses	Patents	Total
	$	$	$
Cost			
Balance at January 1, 2010	3,870	2,488	6,358
Additions	-	774	774
Impairment	-	(40)	(40)
Effect of foreign currency exchange differences	(39)	(104)	(143)
Balance at December 31, 2010	**3,831**	**3,118**	**6,949**
Additions	**-**	**655**	**655**
Impairment	**-**	**(83)**	**(83)**
Effect of foreign currency exchange differences	**9**	**32**	**41**
Balance at December 31, 2011	**3,840**	**3,722**	**7,562**
Accumulated amortization and impairment			
Balance at January 1, 2010	2,010	440	2,450
Amortization expense	230	166	396
Impairment	-	(6)	(6)
Effect of foreign currency exchange differences	(12)	(15)	(27)
Balance at December 31, 2010	**2,228**	**585**	**2,813**
Amortization expense	**231**	**205**	**436**
Impairment	**-**	**(15)**	**(15)**
Effect of foreign currency exchange differences	**3**	**5**	**8**
Balance at December 31, 2011	**2,462**	**780**	**3,242**
Carrying amounts			
At January 1, 2010	1,860	2,048	3,908
At December 31, 2010	1,603	2,533	4,136
At December 31, 2011	**1,378**	**2,942**	**4,320**

During the year ended December 31, 2011, an amount of $68 was written off for patents ($34 for the year ended December 31, 2010) following the annual impairment review, which is conducted in order to identify licenses and patents that are no longer of use to the Company.

12. Bank and other loans

	December 31, 2011	December 31, 2010	January 1, 2010
Loan from Investissement Québec for an authorized amount of $752 in 2011 ($652 in 2010) related to research and development tax credits (see note 6), secured by a hypothec for that amount on all present and future accounts receivable bearing interest at prime plus 4 % (7% as at December 31, 2011 and 2010). The loan is repayable upon receipt of the tax credits [1].	**$ 752**	$ 652	$ -
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 % and repayable upon receipt of tax credits.	**-**	-	911
	$ 752	$ 652	$ 911

(1) The loan from Investissement Quebec is secured by a personal guarantee provided by an officer of the Company.

13. Trade and other payables

	December 31, 2011	December 31, 2010	January 1, 2010
Trade	**$ 4,431**	$ 2,561	$ 4,039
Accruals related to a guarantee (note 20)	-	-	920
Other payables	**2,660**	1,947	1,997
	$ 7,091	$ 4,508	$ 6,956

The other payables consist principally of accruals, salaries payable, vacation payable and statutory benefit payable.

14. Promissory notes from shareholders

During the year ended December 31, 2011, the Company signed promissory notes in favor of shareholders for a total amount received of $997, of which $180 was reimbursed during the year. The promissory notes are payable on demand, are unsecured and bear interest at weighted average rate of 9%.

15. Deferred revenues

	December 31, 2011	December 31, 2010	January 1, 2010
Deferred service revenues	**$ 160**	$ 239	$ 819
Deferred product sales	**287**	32	91
	$ 447	$ 271	$ 910

16. Repayable government grants and finance lease obligations

(a) Working capital grants

During May 2011 and September 2011, the Company's wholly-owned subsidiary, ProMetic BioSciences Limited, secured an interest-free, repayable working capital grant from the Isle of Man Government Department of Economic Development for the sum of $474 (GBP 300,000), which is repayable in six equal installments starting six months from the initial drawdown of the grant and for the sum of $790 (GBP 500,000), which was repayable by December 31, 2011 (note 31) against revenues from a $4,000 follow-on purchase order pursuant to a long-term supply agreement entered into with a major global pharmaceutical company in 2009. This grant of GBP 500,000 bears interest at 5% per annum. The funds have been granted for working capital purposes in a subsidiary of the Company, ProMetic BioSciences Limited. As at December 31, 2011, an amount of $720 was outstanding at a weighted average rate of 3.2%.

Subsequent to December 31, 2011, the Company announced the renegotiation of its repayable working capital grant with the Isle of Man Government Department of Economic Development (see note 31).

(b) Finance leases

Obligations under finance leases bearing interest from 1.08% to 13.87% (11.54% to 13.94% as at December 31, 2010) payable in monthly installments of $0.4 to $0.7 ($0.3 to $0.4 as at December 31, 2010) maturing from August 2012 to July 2014 (from May 2011 to August 2012 as at December 31, 2010).

17. Long-term debt provided by shareholders

	December 31, 2011	December 31, 2010	January 1, 2010
Loans from a director (a)	**$ 750**	$ 250	$ 250
Other loans (b)	**3,411**	13,496	5,144
	4,161	13,746	5,394
Less: Current portion of long-term debt	**750**	2,239	3,114
	$ 3,411	$ 11,507	$ 2,280

17. Long-term debt provided by shareholders (cont.)

(a) Loans from a director

Loan from a director of the Company for an amount of $250 bearing interest at a rate of 15 %, repayable on demand. The promissory note was converted into a loan agreement during the year ended December 31, 2011 having the same terms and conditions.

Loan for an amount of $500 from a company controlled by the aforementioned director. The loan, which was subject to a fee of $45, also bears interest at the rate of 12% per annum and was originally due to mature on October 31, 2011, but the term has been indefinitely extended with the permission of the lender and is repayable on demand. The Company granted a second rank hypothec on the universality of movable property from the Company and a subsidiary.

(b) Other loans:

1) Loan for an initial principal amount of $2,000 that could reach an amount of $5,000 under certain conditions. The loan is secured by hypothecs in the amount of $6,000 granted by the Company and a subsidiary on the universality of their movable property. In March 2010, ProMetic repaid an amount of $1,000 of the loan.

   On December 31, 2010, the Company and the lender signed a letter of intent to extend the payment terms of the debt from March 23, 2011 to July 1, 2012 for consideration to be mutually agreed upon within 30 days of the signing of the letter of intent. On January 24, 2011, the repayment terms were formally renegotiated and the Company agreed to issue to the lender 1,335,828 fully paid common shares and 714,285 warrants with an exercise price of $0.14 per share, exercisable for a period of three years. As per the new agreement, no cash interest has been charged to the Company for this extension. The loan bears no stated interest (the effective interest rate, taking into account the shares and warrants issued as consideration for the renegotiation, is 37.50%). The renegotiation created a debt extinguishment for accounting purposes. Consequently, the loan was derecognized and a new loan recognized at fair value, creating a loss on extinguishment of debt in the amount of $65. The fair value of $633 was estimated using discounted future cash flows and the residual was allocated to the warrants and shares in the amounts of $167 and $200, respectively. The carrying value of the loan at December 31, 2011 was $853. As at December 31, 2010, the carrying value of the loan was $910 ($1,536 on January 1, 2010).

   On December 31, 2011, the Company and the lender signed a letter of intent to extend the payment terms of the debt from July 1, 2012 to July 1, 2013 for consideration to be mutually agreed upon within 45 days of the signing of the letter of intent. On February 2, 2012, the repayment terms were formally renegotiated and the Company agreed to issue to the lender 960,000 fully paid common shares and 714,285 warrants with an exercise price of $0.14 per share, exercisable for a period of three years. As per the new agreement, no cash interest was charged to the Company for this extension. The loan was therefore reclassified as a long-term liability as at December 31, 2011. The renegotiation will be accounted for as a debt extinguishment for accounting purposes in February 2012.

2) Loan for an initial principal amount of $500 that could reach an amount of $1,000 under certain conditions. The loan is secured by hypothecs of $1,000 granted by the Company and a subsidiary on the universality of their movable property.

   As at December 31, 2010, the carrying value of the loan was $431 ($303 on January 1, 2010).

   On December 31, 2010, the Company and the lender signed a letter of intent to extend the payment terms of the debt from June 3, 2011 to July 1, 2012 for consideration to be mutually agreed upon within 30 days of the signing of the letter of intent. On January 24, 2011, the repayment terms were formally renegotiated and the Company agreed to issue to the lender 476,272 fully paid common shares and 357,142 warrants with an exercise price of $0.14 per share, exercisable for a period of three years. As per the new agreement, no cash interest has been charged to the Company for this extension. The loan bears no stated interest (the effective interest rate, taking into account the shares and warrants issued as consideration for the renegotiation, is 37.50%). The renegotiation was a debt extinguishment for accounting purposes. Consequently, the loan was derecognized and a new loan recognized at fair value, creating a loss on extinguishment of debt in the amount of $59. The fair value of $317 was estimated using discounted future cash flows and the residual was allocated to the warrants and shares in the amounts of $112 and $71, respectively. The carrying value at December 31, 2011 was $426.

   On December 31, 2011, the Company and the lender signed a letter of intent to extend the payment terms of the debt from July 1, 2012 to July 1, 2013 for consideration to be mutually agreed upon within 45 days of the signing of the letter of intent. On February 2, 2012, the repayment terms were formally renegotiated and the Company agreed to issue to the lender 480,000 fully paid common shares and 357,142 warrants with an exercise price of $0.14 per share, exercisable for a period of three years. As per the new agreement, no cash interest was charged to the Company for this extension. The loan was therefore reclassified as a long-term liability as at December 31, 2011. The renegotiation will be accounted for as a debt extinguishment for accounting purposes in February 2012.

3) Loan for a principal amount of $500. The loan is secured by hypothecs of $500 granted by the Company and a subsidiary on the universality of their movable property.

   As at December 31, 2010, the carrying value of the loan was $398 ($279 on January 1, 2010).

17. Long-term debt provided by shareholders (cont.)

On December 31, 2010, the Company and the lender signed a letter of intent to extend the payment terms of the debt from August 21, 2011 to July 1, 2012 for consideration to be mutually agreed upon within 30 days of the signing of the letter of intent. On January 24, 2011, the repayment terms were formally renegotiated and the Company agreed to issue to the lender 377,963 fully paid common shares and 357,142 warrants with an exercise price of $0.14 per share, exercisable for a period of three years. As per the new agreement, no cash interest has been charged to the Company for this extension. The loan bears no stated interest (the effective interest rate, taking into account the shares and warrants issued as consideration for the renegotiation, is 37.50%). The renegotiation was a debt extinguishment for accounting purposes. Consequently, the loan was derecognized and a new loan recognized at fair value, creating a loss on extinguishment of debt in the amount of $93. The fair value of $317 was estimated using discounted future cash flows and the residual was allocated to the warrants and shares in the amounts of $127 and $57, respectively. The carrying value at December 31, 2011 was $426.

On December 31, 2011, the Company and the lender signed a letter of intent to extend the payment terms of the debt from July 1, 2012 to July 1, 2013 for consideration to be mutually agreed upon within 45 days of the signing of the letter of intent. On February 2, 2012, the repayment terms were formally renegotiated and the Company agreed to issue to the lender 480,000 fully paid common shares and 357,142 warrants with an exercise price of $0.14 per share, exercisable for a period of three years. As per the new agreement, no cash interest was charged to the Company for this extension. The loan was therefore reclassified as a long-term liability as at December 31, 2011. The renegotiation will be accounted for as a debt extinguishment for accounting purposes in February 2012.

4) Non interest bearing loans for principal amounts of $1,500, $500, $470 and $250. The loans are secured by hypothecs of $2,720 granted by the Company and a subsidiary on the universality of their movable property.

In May 2010, ProMetic repaid an amount of $720 of the loans. As at December 31, 2010, the carrying value of the loans was $1,812 ($1,912 on January 1, 2010).

On December 31, 2010, the Company and the lender signed a letter of intent to extend the payment terms of the two loans to July 1, 2012 for consideration to be mutually agreed upon within 30 days of the signing of the letter of intent. On January 24, 2011, the repayment terms were formally renegotiated and the Company agreed to issue to the lender, for both loans, a total of 2,318,436 fully paid common shares and 1,428,570 warrants with an exercise price of $0.14 per share, exercisable for a period of three years. As per the new agreement, no cash interest has been charged to the Company for this extension. The loan bears no stated interest (the effective interest rate, taking into account the shares and warrants issued as consideration for the renegotiation, is 37.50%). The renegotiation was a debt extinguishment for accounting purposes. Consequently, the loans were derecognized and new loans recognized at fair value, creating a loss on extinguishment of debt in the amount of $170. The fair values of the loans in the amount of $1,266 were estimated using discounted future cash flows and the residual was allocated to the warrants and shares in the amounts of $386 and $348, respectively. The carrying values at December 31, 2011 were $1,706.

On December 31, 2011, the Company and the lender signed a letter of intent to extend the payment terms of the debt from July 1, 2012 to July 1, 2013 for consideration to be mutually agreed upon within 45 days of the signing of the letter of intent. On February 2, 2012, the repayment terms were formally renegotiated and the Company agreed to issue to the lender 1,920,000 fully paid common shares and 1,428,570 warrants with an exercise price of $0.14 per share, exercisable for a period of three years. As per the new agreement, no cash interest was charged to the Company for this extension. The loans were therefore reclassified as a long-term liability as at December 31, 2011. The renegotiation will be accounted for as a debt extinguishment for accounting purposes in February 2012.

The combined effect of the renegociations described in 1) to 4) above was a total loss on extinguishment of debt of $387.

5) Loan of US $10,000,000 ($10,700) from Abraxis, issued in February 2010. The loan bears interest at a rate of 5% and is reimbursable in five annual installments. Abraxis has the option to request that each annual installment be converted into ProMetic common shares at the future prevailing market price at the time of the annual installment. As at December 31, 2010 the carrying value of the loan was $9,946.

On March 31, 2011, the Company entered into an agreement with Abraxis, a wholly-owned subsidiary of Celgene Corporation, whereby the Company would assign certain intellectual property rights regarding a protein technology to Celgene Corporation, for specific fields of use. As consideration for the assignment of the intellectual property rights, the US $10,000,000 loan entered into with Abraxis in February 2010 was forgiven. The agreement required the Company to comply with certain administrative milestones by February 9, 2012. Failure to meet these milestones would have resulted in a portion of the above loan being re-instated in the range of US$6,000,000 to US$8,000,000. For accounting purposes, the loan, including any accrued interest, was derecognized and the Company recognized licensing revenues in the amount of US$2,000,000 ($1,944) on March 31, 2011. The balance was recorded as deffered revenues until the required milestones were met.

In April 2011, one of the milestones was achieved. The Company recognized licensing revenues in the amount of US$2,000,000 ($1,897) during the second quarter ended June 30, 2011.

In February 2012, the Company announced that it signed a final agreement with Celgene Corporation relating to the above transaction for the assignment of the intellectual property rights. The Company had satisfied all remaining administrative milestones pertaining to the March 31, 2011 agreement during the fourth quarter ended December 31, 2011, and, as a result, met the conditions for recognizing the remaining licensing revenues amounting to US$6,000,000 ($6,162).The original loan can no longer be re-instated pursuant to the conditions in the March 31, 2011 agreement.

18. Advance on revenues from a supply agreement

Advance on revenues from a supply agreement for an initial amount of GBP 2,000,000 ($3,400) that could reach an amount of GBP 2,500,000, which was deemed to be the fair value at inception, bears interest at a rate of 5% per annum. The advance is repayable by the revenues received under the supply agreement as products are supplied. The advance has a five-year term and the balance due at the maturity date in 2014 is repayable in cash. The current portion of the advance on revenues from a supply agreement was determined with the expected product sales using forecasts from the customer, under the supply agreement in the coming 12 months. No products were supplied by the Company during the year ended December 31, 2011; as such there was no reduction in the advance. During the year ended December 31, 2010, a net reduction in the advance in the amount of $13 (accrued interest less credits for products shipped, excluding the effect of exchange rate variation) was made related to products supplied under the agreement.

19. 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.

Share Capital

	December 31, 2011		December 31, 2010		January 1, 2010	
	Number	**Amount**	Number	Amount	Number	Amount
Issued and fully paid common shares	**396,193,349**	**$221,227**	353,164,339	$ 215,716	331,743,400	$ 213,178
Share purchase loan to an officer, without interest and due no later than December 31, 2012 (*)		**(450)**		(450)		(450)
Balance at end of the year		**$220,777**		$ 215,266		$ 212,728

(*) The share purchase loan to an officer has been extended for a year, having a new maturity date of December 31, 2012.

a) Share issue:

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

	Number of shares	**Amount**
Issued and fully paid		
Balance at January 1, 2010	331,743,400	$ 212,728
Issued for cash	20,992,857	3,501
Issuance of future investment rights	-	(1,014)
Payment of expenses	428,082	51
Balance at December 31, 2010	**353,164,339**	**$215,266**
Issued for cash	**36,322,272**	**$ 4,602**
Exercise of options	**100,000**	**17**
Payment of expenses	**2,098,239**	**216**
Issued in relation to debt renegotiation (note 17)	**4,508,499**	**676**
Balance at December 31, 2011	**396,193,349**	**$220,777**

19. Share capital (cont.)

In February 2010, the Company issued 17,850,000 common shares to a strategic partner (Abraxis) for a consideration of $3,201 recorded in the share capital based on the quoted price of the common shares on the issuance date. Issuance costs of $70 were recorded in the consolidated statements of changes in shareholders' deficiency in accordance with the Company's accounting policy. Also, in 2010, the Company concluded a private placement for which 3,000,000 shares were issued for a consideration of $300. Interest charges for a total of $51 were paid by the issuance of 428,082 shares. In addition, 142,857 shares were also issued at the beginning of 2010, after having received regulatory approval in relation to a loan agreement concluded in 2009.

In February 2010, 14,495,452 future investment rights given to Abraxis on a previous financing dated September 3, 2008 were cancelled and immediately reissued, having the same conditions except for the term which was extended from 3.5 years to 7 years. These modified rights could not be exercised for a period of four months from their issuance. The fair value of these modified future investment rights was determined using the Black-Scholes option pricing model, with a volatility of 81.46%, a risk-free interest rate of 3% and a share price of $0.18. The incremental value as a result of the modification of the term of the investment rights resulted in an adjustment to share capital in the amount of $1,014.

Granted concurrently with the February 2010 investment were a further 30,296,036 future investment rights granted to Abraxis, having the same terms as the future investment rights above. Du to certain contingencies associated with these rights never having been resolved by Abraxis, with no intention of resolution ever declared, these rights were never issued or recorded at fair value at the time of the 2008 investment. Concurrent with the February 2010 investment, the contingencies associated with these 30,296,036 future investment rights were resolved. As a result, the fair value of these investment rights has now been assessed using the Black-Scholes option pricing model, with a volatility of 81.46%, a risk-free interest rate of 3% and a share price of $0.18, resulting in an adjustment of $3,333 to the Company's deficit, on the basis that ProMetic has given nothing new in exchange for these rights.

In January 2011, the Company issued 4,508,499 common shares following the renegotiation with the lenders to extend the payment terms of the loans as described in note 17. Also, during the first three quarters of the year 2011, the Company issued a total of 23,185,910 shares for private placements for a total consideration of $3,355. In the fourth quarter of the year ended December 31, 2011, the Company issued 13,136,362 shares and 5,261,545 warrants, with an exercise price of $0.18 per share and exercisable for two years, resulting in gross proceeds of $1,455. The net proceeds were allocated to share capital and warrants (contributed surplus) based on their relative fair values. The fair value of the warrants was estimated using the Black-Scholes option pricing model using a weighted average volatility of 91%, an expected life of two years and a weighted average risk-free interest rate of 0.96%. As a result of these issuances, share capital was increased by an amount of $1,247 and contributed surplus was increased by an amount of $208.

Also, 100,000 shares were issued for a total consideration of $17, resulting from the exercise of options granted in the past, and 2,098,239 shares for payment of expenses in the amount of $216.

b) Warrants and Rights

As at December 31, 2011, the following warrants and rights to acquire shares were outstanding:

Warrants and rights to acquire shares	Expiry date	Exercise price
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
375,000	April 2013	$0.22
1,454,546	October 2013	$0.18
1,945,454	November 2013	$0.18
1,861,545	December 2013	$0.18
2,857,139	January 2014	$0.14
14,495,452	February 2017	$0.47
30,296,036	February 2017	$0.47

The Company uses the Black-Scholes option pricing model to calculate the fair value of warrants and rights to acquire shares. During the year 2011, 8,118,684 warrants (44,791,488 rights to acquire shares and 375,000 warrants during the year 2010) were issued having a fair value of $999 ($6,542 in 2010) and expiring in October 2013, November 2013, December 2013 and January 2014 (February 2017 and April 2013, respectively for the year 2010).

19. Share capital (cont.)

c) Stock options:

The Company has established a stock option plan for its directors, officers and employees or service providers. The plan provides that the aggregate number of shares reserved for issuance at any time under the plan and any other employee incentive plans may not exceed 15,913,317 common shares. Since September 10, 2001, the new options issued may be exercised over a period not exceeding five years and one month from the date they were granted (with the exception of certain options which are either immediately vested on grant, or vest after one year from grant, most options vest 20% per annum, after one year following the date at which 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. As at December 31, 2011, the number of options still available to be issued is 4,116,666.

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 January 1, 2010	8,669,391	0.39
Granted	951,800	0.18
Forfeited	(83,240)	0.32
Expired	(550,500)	1.07
Total number of options as at December 31, 2010	8,987,451	0.33
Granted	2,765,750	0.14
Exercised	(100,000)	0.17
Forfeited	(127,900)	0.24
Expired	(471,250)	0.37
Total number of options as at December 31, 2011	11,054,051	0.28

The following tables summarize information about stock options outstanding as at December 31, 2011:

Range of exercise price	Number outstanding	Weighted average remaining contractual life (in years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
0.11 - 0.18	6,454,150	3.70	0.16	4,070,600	0.17
0.19 - 0.40	2,981,067	1.21	0.37	2,416,067	0.37
0.41 - 0.60	910,000	0.36	0.48	858,000	0.48
0.61 - 0.90	508,834	0.97	0.64	407,068	0.64
0.91 - 1.35	100,000	0.30	1.00	100,000	1.00
1.36 - 1.50	100,000	0.30	1.50	100,000	1.50
	11,054,051	2.56	0.28	7,951,735	0.31

As at December 31, 2010, 7,113,637 stock options were exercisable at a weighted average exercise price of $0.32.

d) Stock-based compensation:

The Company uses the Black-Scholes option pricing model (a binomial model) to calculate the fair value of options at the date of grant, using the following assumptions:

The fair value of each option granted was estimated on the grant date for purposes of determining stock-based compensation expense using the binomial option pricing model. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over a historical period equal to the expected life of the option. The significant inputs into the model were as follows:

	Years ended December 31, 2011	2010
Expected dividend yield	**0**	0
Expected volatility of share price	**90.16%**	86.17 %
Risk-free interest rate	**1.72%**	2.92 %
Expected life in years	**5 years**	5 years
Weighted average grant date fair value	**$ 0.09**	$ 0.12

19. Share capital (cont.)

A compensation expense of $198 was recorded in the stock-based compensation for the year ended December 31, 2011 and an amount of $376 in 2010 as a result of stock options granted to directors, officers, employees and consultants.

The risk-free rate used in determining the fair value of the share option awards are based on the Government of Canada yield curve.

The resulting fair value is expensed over the service period of one to five years on the assumption that 5.67% (6.48% in 2010) of the options will lapse over the service period as employees leave the Company.

e) Restricted share units

In May 2011, the Company granted a total of 3,200,000 equity-settled restricted share units ("RSUs") to certain executive officers of the Company, as part of an incentive program designed to align the interests of its executives with those of its shareholders, and in accordance with its Long Term Incentive Plan ("LTIP"). The RSUs only vest upon achievement of various important corporate and commercial objectives that would create significant shareholder value.

The expense is evaluated taking into consideration the probability of each objective being reached and the estimated date (which cannot exceed December 31, 2013), upon which it is expected that each objective will likely be reached.

A compensation expense of $113 for the year ended December 31, 2011 was recorded in the stock- based compensation.

20. Related party transactions

On December 5, 2008, the Company entered into an agreement to provide a guarantee (the "Guarantee") in favor 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 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 interest 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 $2,300 plus interest and penalties, without taking into consideration the net proceeds arising from the disposal of the 9,500,000 pledged shares of the Company. The Company has not required any consideration in exchange for this Guarantee.

As at January 1, 2010, the Loan had an outstanding balance of $920.

On March 25, 2010, the parties entered into a settlement agreement, which called for the Company to pay to Camofi an amount of $837 (US$800,000) on April 1, 2010, in addition to a payment of $261 (US$250,000) made by the Company in January 2010, for the full payment of the outstanding balance of the Loan and the termination of the obligations of the borrower and the Company.

In the year ended December 31, 2010, the Company recognized an amount of $180 as a loss on this guarantee. As at December 31, 2011 and 2010, no receivable from the borrower was recorded given that collectability was not reasonably assured.

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. Furthermore, should certain stock price thresholds be reached, the Company may require the borrower to pay the outstanding balance of the loan. This amended and restated loan agreement received shareholder approval at the May 5, 2010 Annual and Extraordinary Meeting of the shareholders. The said loan is secured by a pledge in favor of the Company by the borrower of 9,500,000 shares of the Company stock. The loan is also secured by a pledge in favor of the Company by Invhealth Capital Inc. (a wholly-owned subsidiary of a senior officer of the Company) of all its shares of the borrower and by a pledge in favor of the Company by the senior officer of the Company of all of his shares of InvHealth Capital Inc.

Included in the trade and other payables in the statement of financial position is an amount of $35 due to a manager of the Company as at December 31, 2011.

23. Commitments

The Company has total commitments in the amount of $12,156 under various operating leases for the rental of offices, production plant, and laboratory space and office equipment. The payments for the coming years and thereafter are as follows:

2012	1,891
2013	1,607
2014	1,450
2015	1,483
2016 and thereafter	5,726
	$12,157

The total rental expenses for the year ended December 31, 2011 amounted to $2,243 ($2,300 as at December 31, 2010).

a) In April 2006, the Company paid the American Red Cross an amount of US $1,000,000 for an exclusive license for access to and use of intellectual property rights for PPPS project. ProMetic will collect revenues derived 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 revenues derived from sales of products to third parties. Also, every year, an annual minimum royalty of US$30,000 is payable.

b) An officer of the Company is entitled to receive royalties based on the sales of certain products made available 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. To date, no royalties have been accrued or paid.

c) 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.

24. 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 4% of their annual salary. The Company's contributions for the year amounted to $316 ($346 in 2010).

25. Financial instruments and financial risk management

	December 31, 2011	December 31, 2010	January 1, 2010
Financial assets			
Held-for-trading			
Cash measured at fair value	**$ 275**	$ 252	$ 493
Restricted cash, measured at fair value	**233**	228	356
	508	480	849
Loans and receivables			
Accounts receivable and share purchase loan to an officer, recorded at amortized cost	**699**	1,279	2,126
Available-for-sale			
Convertible preferred shares of AM-Pharma, recorded at cost	**27**	52	253
Financial liabilities			
Other financial liabilities			
Bank and other loans, measured at amortized cost	**$ 752**	$ 652	$ 911
Trade and other payables, measured at amortized cost	**7,091**	4,508	6,956
Promissory notes from shareholders, measured at amortized cost	**817**	-	-
Repayable government grants and finance leases, measured at amortized cost	**746**	16	38
Long-term debt provided by shareholders, measured at amortized cost	**4,161**	13,746	5,394
Advance on revenues from a supply agreement, measured at amortized cost	**3,063**	2,868	3,142
	16,630	21,790	16,441

25. Financial instruments and financial risk management (cont.)

Fair value hierarchy

Financial instruments recorded at fair value on the consolidated statements of financial position 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.

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.

a) Fair value:

The carrying value of cash, accounts receivable, restricted cash, bank loan, other loan, trade and other payables, promissory notes from shareholders and repayable grants equals their fair value because of the near-term maturity of these instruments.

The fair value of the investment in AM-Pharma Holding B.V. was considered to have an impairment and was written down accordingly. The other loans are carried at their amortized cost, which approximates fair value due to the use of discount rates the Company would expect for similar loans. The carrying value of the long-term debt with Abraxis, the repayable government grant and the advance on the revenues from a supply agreement are considered to approximate fair value as the rates are similar to those the Company would expect for similar loans having the same maturities and relationships with the lenders.

b) 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, restricted cash and trade accounts receivable.

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 receivable balances based on the age of the receivable, credit history of the customers and past collection experience. As at December 31, 2011, there were doubtful amounts related to past due accounts as indicated in the following table:

	December 31, 2011	December 31, 2010	January 1, 2010
Trade and other receivables:			
Current and not impaired	**$ 166**	$ 784	$ 1,521
Past due in the following periods			
31 to 60 days	**37**	15	4
61 to 90 days	**3**	-	-
Over 90 days	**261**	526	574
Allowance for doubtful accounts - over 90 days	**(260)**	(526)	(568)
Trade receivables	**207**	799	1,531
Other receivables	**43**	29	145
Total accounts receivables	**$ 250**	$ 828	$ 1,676

25. Financial instruments and financial risk management (cont.)

The Company invests its cash in titles of high quality investments issued by government agencies and financial institutions and diversifies its investment in order to limit its exposure to credit risk while implementing investment guidelines in place.

The Trade accounts receivable included amounts from four customers which represent approximately 87% (16%, 16%, 21% and 34%, respectively) of the Company's total trade accounts receivable as at December 31, 2011 and two customers representing 62% (15% and 47%, respectively) of total trade receivable as at December 31, 2010.

ii) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. Given the Company's current revenue expectations, there is some uncertainty as to whether it will have sufficient working capital to fund its current operating and working capital requirements for the next 12 months. To the extent that the Company does not believe it has sufficient liquidity to meet its current obligations, management considers securing additional funds through equity, debt or partnering transactions (note 1). The Company manages its liquidity risk by continuously monitoring forecasts and actual cash flows.

	Less than 3 months	3 - 6 months	6 months to 1 year	More than 1 year	Total
Bank and other loans	$ 752	$ -	$ -	$ -	$ 752
Trade and other payables	7,091	-	-	-	7,091
Promissory notes from shareholders	817	-	-	-	817
Repayable government grants and finance leases	724	3	5	14	746
Long-term debt provided by shareholders	750	-	-	4,000	4,750
Advance on revenues from a supply agreement	338	288	597	1,840	3,063
	$10,472	$ 291	$ 602	$ 5,854	$17,219

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

iii) Market risk:

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

a) Interest risk

The majority of the Company's debt is at a fixed rate, therefore 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 a portion of its expenses incurred and revenues generated are in U.S dollars 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 foreign exchange risk by holding foreign currencies to support forecasted cash outflows in foreign currencies. The majority of the Company's revenues are in U.S. dollars and in pound sterling which serve to mitigate the foreign exchange risk.

As at December 31, 2011, the Company is exposed to currency risk through the following assets and liabilities denominated respectively in U.S. dollars and pound sterling.

25. Financial instruments and financial risk management (cont.)

In U.S. dollars	December 31, 2011 US dollar	December 31, 2011 CDN dollar	December 31, 2010 US dollar	December 31, 2010 CDN dollar
Cash	**2,710**	**2,756**	78,460	78,036
Accounts receivable	**89,746**	**91,271**	646,459	642,968
Accounts payable and accrued liabilities	**(3,580,907)**	**(3,641,783)**	(2,412,282)	(2,399,256)
Long-term debt	**(403,489)**	**(410,348)**	(10,011,453)	(9,957,391)
Net exposure	**(3,891,940)**	**(3,958,104)**	(11,698,816)	(11,635,643)

In Pound Sterling	December 31, 2011 Pound Sterling	December 31, 2011 CDN dollar	December 31, 2010 Pound Sterling	December 31, 2010 CDN dollar
Cash	**104,968**	**165,839**	33,057	51,282
Accounts receivable	**209,351**	**330,753**	120,230	186,512
Accounts payable and accrued liabilities	**(727,298)**	**(1,149,058)**	(407,388)	(631,981)
Advance on revenues from a supply agreement and long-term debt	**(2,395,232)**	**(3,784,227)**	(1,848,817)	(2,868,070)
Net exposure	**(2,808,211)**	**(4,436,693)**	(2,102,918)	(3,262,257)

Based on the above net exposures as at December 31, 2011, and assuming that all other variables remain constant, a 10 % depreciation or appreciation of the Canadian dollar against the U.S. dollar would result in a decrease or an increase of the consolidated net loss of approximately $400.

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 approximately $440. The Company has not hedged its exposure to currency fluctuations.

26. Income taxes

Effective income tax rate

The Company's effective income tax is derived as follows:

	December 31, 2011	December 31, 2010
Net loss	**$ (3,267)**	$ (11,314)
Combined Canadian statutory income tax rate	**28,4%**	29.9%
Computed income tax provision	**(928)**	(3,383)
Decrease (increase) in income taxes resulting from:		
Expiration of non-capital losses and other tax attributes	**1,122**	1,475
Unrecorded potential tax benefit arising from current period losses and other deductible temporary differences	**2,814**	2,417
Effect of tax rate differences in foreign subsidiaries	**(3,931)**	(851)
Non-deductible items	**789**	770
Future tax rate differences	**134**	(428)
	$ -	$ -

The combined statutory tax rate was 28.4% for 2011 and 29.9% for 2010. As of January 1, 2011, the Canadian federal corporate tax rate decreased from 18% to 16.5%.

26. Income taxes (cont.)

Available temporary differences not recognized at the reporting date are as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Deferred tax assets not recognized at the reporting date:			
Non-capital losses	**$ 102,180**	$ 87,883	$ 83,009
Capital losses	**37,203**	37,546	37,546
Unused research and development expenses	**19,243**	18,762	16,886
Unrealized loss on exchange rate	**1,861**	2,326	-
Share issue expenses	**448**	950	1,737
Interest expenses carried foward	**4,656**	6,676	5,813
Trade and other payables	**2,281**	2,437	2,906
Capital assets	**724**	32	772
Licenses and patents	**1,677**	1,660	423
Start-up expense	**7,098**	7,486	6,870
	$ 177,371	$ 165,758	$ 155,962
Unused tax credits	**5,353**	5,164	5,031

If the Company were to recognize all deferred tax assets, profit would increase by $50,658.

As at December 31, 2011, the Company had available the following unrecognized temporary differences:

	Canada		Foreign
	Federal	Provincial	Countries
Deductions:			
Research and development expenses, without time limit	$19,243	$ 28,325	$ -
Share Issue expenses	448	950	-
Interest deductions carryover	-	-	4,656
	$19,691	$ 29,275	$ 4,656
Losses carried forward expiring in:			
2012	$ -	$ -	$ 222
2014	1,775	1,382	-
2017	-	-	1,015
2018	-	-	379
2020	-	-	12
2021	-	-	1,537
2023	-	-	4,286
2024	-	-	4,611
2025	664	143	4,456
2026	6,550	5,086	8,706
2027	7,152	5,847	9,747
2028	8,684	7,372	8,762
2029	3,151	2,099	4,421
2030	3,681	2,511	8,588
2031	5,533	4,880	8,247
	$37,190	$ 29,320	$ 64,989

The Company also has capital losses of $37,203 without a time limit.

27. Additional information on the consolidated statement of cash flows

	December 31, 2011	December 31, 2010
Change in working capital items		
Accounts receivable	**$ 360**	$ 716
Inventories	**(193)**	1,005
Prepaid expenses	**(7)**	(22)
Trade and other payables	**2,810**	(2,302)
Deferred revenues	**178**	(632)
	$ 3,148	$ (1,235)

28. Segmented information

The financial information is presented in two different operating segments, which are In-house Therapeutics and Protein Technology.

In-house Therapeutics: This operating segment has lead compounds, namely PBI-1402 and analogues PBI-4419, which target unmet medical needs such as the treatment of fibrosis in patients with chronic kidney diseases and certain cancers, and the side effects associated with chemotherapy.

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

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

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

Prion Capture/Pathogen Removal: Provides a technology platform that improves the safety profile of blood products and blood-derived therapeutics.

The accounting policies for the operating segments are the same as those outlined in note 2.

a) Revenues and expenses by operating segments:

For the year ended December 31, 2011

	Therapeutics	Protein Technology	Corporate	Total
	$	$	$	$
Revenues	**7**	**17,582**	**-**	**17,589**
Costs of goods sold	**-**	**1,854**	**-**	**1,854**
Research and development expenses rechargeable	**-**	**1,351**	**-**	**1,351**
Research and development expenses non-rechargeable	**1,800**	**8,079**	**-**	**9,879**
Administration and marketing expenses	**-**	**575**	**5,214**	**5,789**
Loss on foreign exchange	**-**	**-**	**140**	**140**
Loss on disposals and impairment of assets	**48**	**20**	**-**	**68**
Impairment of investment	**-**	**25**	**-**	**25**
Loss on extinguishment of debt	**-**	**-**	**387**	**387**
Finance costs	**53**	**207**	**1,103**	**1,363**
Net (profit) loss	**1,894**	**(5,471)**	**6,844**	**3,267**

28. Segmented information (cont.)

For the year ended December 31, 2010

	Therapeutics	Protein Technology	Corporate	Total
	$	$	$	$
Revenues	2	11,431	-	11,433
Costs of goods sold	-	2,826	-	2,826
Research and development expenses rechargeable	-	2,272	-	2,272
Research and development expenses non rechargeable	2,069	8,197	-	10,266
Administration and marketing expenses	-	750	4,753	5,503
Gain on foreign exchange	-	-	(77)	(77)
Loss (gain) on disposals and impairment of assets	(191)	1	13	(177)
Impairment of investment	-	186	-	186
Charges related to a guarantee	-	-	180	180
Finance costs	31	170	1,567	1,768
Net loss	1,907	2,971	6,436	11,314

Segmented information by operating segment

b) Assets by operating segments

	December 31, 2011	December 31, 2010
Therapeutics	**$ 2,867**	$ 2,759
Protein Technology	**5,464**	5,577
Corporate	**361**	257
	$ 8,692	$ 8,593

c) Capital assets and licenses and patents by operating segments

	December 31, 2011	December 31, 2010
Therapeutics	**$ 1,865**	$ 1,831
Protein Technology	**3,343**	3,122
Corporate	**40**	66
	$ 5,248	$ 5,019

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

	December 31, 2011	December 31, 2010
Therapeutics	**$ 301**	$ 442
Protein Technology	**695**	519
Corporate	**30**	6
	$ 1,026	$ 967

28. Segmented information (cont.)

e) Liabilities by operating segments

	December 31, 2011	December 31, 2010
Therapeutics	**$ 1,910**	$ 1,590
Protein Technology	**9,110**	590

32. Adoption of IFRS (cont.)

In the conversion from Canadian GAAP to IFRS, IFRS 1 specifies that hindsight is not to be used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS.

The accounting policies set out in note 2 have been applied in preparing the cosolidated financial statements for the year ended December 31, 2011 and the comparative information presented in these consolidated financial statements for the year ended December 31, 2010 and in the preparation of an opening IFRS consolidated statement of financial position as at January 1, 2010.

In preparing its opening IFRS consolidated statement of financial position, the Company has adjusted amounts reported previously in consolidated financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of IFRS Adoption for the consolidated statement of financial position

	January 1, 2010			December 31, 2010		
	Canadian GAAP	Effect of transition to IFRS	IFRS balance	Canadian GAAP	Effect of transition to IFRS	IFRS balance
Assets						
Current assets						
Cash	$ 493	$ -	$ 493	$ 252	$ -	$ 252
Accounts receivable	2,612	-	2,612	1,790	-	1,790
Inventories	2,128	-	2,128	1,032	-	1,032
Prepaid expenses	201	-	201	220	-	220
	5,434	-	5,434	3,294	-	3,294
Restricted cash	356	-	356	228	-	228
Investments	253	-	253	52	-	52
Capital assets	1,133	-	1,133	883	-	883
Licenses and patents	3,908	-	3,908	4,136	-	4,136
	$ 11,084	$ -	$ 11,084	$ 8,593	$ -	$ 8,593
Liabilities and shareholders' deficiency						
Current liabilities						
Bank loan	$ 911	$ -	$ 911	$ -	$ -	$ -
Other loan	-	-	-	652	-	652
Accounts payable and accrued liabilities	6,956	-	6,956	4,508	-	4,508
Deferred revenues	910	-	910	271	-	271
Repayable government grants and finance leases	23	-	23	12	-	12
Current portion of long-term debt provided by shareholders	3,114	-	3,114	2,239	-	2,239
Current portion of advance on revenues from a supply agreeement	1,316	-	1,316	1,172	-	1,172
	13,230	-	13,230	8,854	-	8,854
Long-term portion of finance lease obligations	16	-	16	4	-	4
Long-term debt provided by shareholders	2,280	-	2,280	11,507	-	11,507
Advance on revenues from a supply agreement	1,826	-	1,826	1,696	-	1,696
	17,352	-	17,352	22,061	-	22,061
Shareholders' deficiency						
Share capital	212,728		212,728	215,266	-	215,266
Contributed surplus (note a)	7,824	622	8,446	8,169	652	8,821
Future investment rights	2,195	-	2,195	6,542	-	6,542
Accumulated other comprehensive loss (note b)	(735)	735	-	(480)	735	255
Deficit	(228,279)	(1,357)	(229,636)	(242,965)	(473)	(243,438)
Deficiency attributable to owners of the parent	(6,267)	-	(6,267)	(13,468)	914	(12,554)
Non-controlling interests (note e)	-	-	-	-	(914)	(914)
	$ 11,084	$ -	$ 11,084	$ 8,593	$ -	$ 8,593

32. Adoption of IFRS (cont.)

Reconciliation of consolidated statement of operations and comprehensive loss

	Year ended December 31, 2010		
	Canadian GAAP [1]	Effect of transition to IFRS	IFRS balance
Revenues	$ 11,433	$ -	$ 11,433
Expenses			
Costs of goods sold (note c)	2,818	8	2,826
Research and development expenses rechargeable	2,272	-	2,272
Research and development expenses non-rechargeable (note c)	9,596	670	10,266
Administration and marketing expenses (notes a and c)	5,452	51	5,503
Loss on foreign exchange	(77)	-	(77)
Amortization and write-off of capital assets (note c)	299	(299)	-
Amortization and write-off of licenses and patents (note c)	399	(399)	-
Gain on disposal of capital assets	(177)	-	(177)
Impairment of an investment	186	-	186
Charges related to a guarantee	180	-	180
Net interest expenses and penalties	1,768	-	1,768
Net loss	(11,283)	(31)	(11,314)
Basic and diluted loss per share	(0.03)	-	(0.03)
Weighted average number of outstanding shares (in thousands)	348,035	-	348,035
Comprehensive loss			
Net loss	(11,283)	(31)	(11,314)
Change in unrealized exchange differences on translating of financial statements of foreign subsidiaries	255	-	255
Total comprehensive loss	(11,028)	(31)	(11,059)

[1] Certain Canadian GAAP figures in the December 31, 2010 consolidated statement of operations and comprehensive loss have been reclassified to conform to the presentation adopted for the current year.

a) Stock-based compensation

The Company elected not to avail itself of the exemption provided under IFRS 1 and applied IFRS 2 for all equity instruments granted after January 1, 2004, the date at which the Company commenced disclosing fair value of equity instruments.

Under Canadian GAAP, for grants of share-based awards with a graded vesting, the total fair value of the award is recognized on a straight-line basis over the service period necessary to vest the award. Also, forfeitures of awards are recognized as they occur.

Under IFRS, each tranche in an award with graded vesting is considered a separate grant with a different vesting date, expected life and fair value. An estimate is required for the number of awards that are expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. As a result, the Company has adjusted its expense, as well as accumulated contributed surplus and deficit, for share-based awards to reflect these differences.

b) Foreign currency translation

Under Canadian GAAP, the Company recognized translation differences on certain foreign subsidiaries in a separate component of equity. Cumulative currency translation differences are deemed to be zero as at January 1, 2010. The resulting adjustment was recognized against the deficit.

32. Adoption of IFRS (cont.)

c) Presentation of consolidated statements of operations and comprehensive loss

Under Canadian GAAP, the consolidated statements of operations and comprehensive loss was presented by a combination of function and nature of expenses and presented the amortization expense relating to capital assets and licenses and patents as a separate line item.

Under IFRS, the Company elected to present its items in the consolidated statements of operations and comprehensive loss by function. The amount of amortization expense has been allocated to the related function.

The effect of the above adjustment is the reclassification of the amortization expense in the different affected functions. For the year ended December 31, 2010, amortization expense in the amount of $698 was reclassified in costs of goods sold, administration and marketing expenses and research and development expenses non-rechargeable for amounts of $8 and $20 and $670, respectively.

d) Consolidated statement of cash flows

The transition from Canadian GAAP to IFRS has not had a material impact on the consolidated statement of cash flows.

e) Non-controlling interests

Under IFRS, profit or loss and each component of other comprehensive income or loss are attributed to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. As required under IFRS 1, this was applied prospectively from the Transition Date.

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Listing: Toronto Stock Exchange
Symbol: PLI
Outstanding shares as of December 31, 2011: 396,193,349

Annual Meeting of Shareholders
Wednesday, May 9 2012 at 10:30 (EDT)
Auditorium of the Montreal Exchange
The Stock Exchange Tower
800 Square Victoria, 4th floor
Montreal, Quebec H4Z 1A9
Canada

Annual Information Form
The 2011 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.

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

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