ANNUAL REPORT **2012**

# *We believe*

*in our values and vision*

ProMetic


We believe
in our values and vision

# *We have*

**+14**

*applications and products utilizing prometic's technologies already approved*

**+28**

*applications in development nearing scale-up and product approval stages*

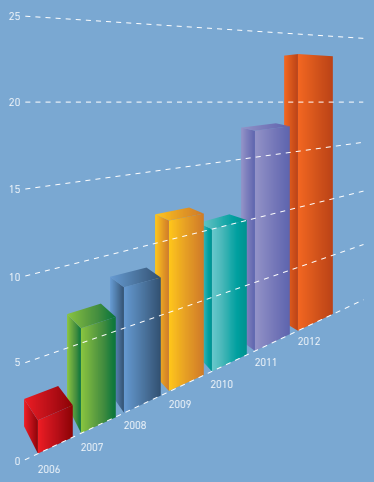
*Our Intellectual property patent portfolio comprises 192 issued patents, 36 of which were granted in 2012 and 155 pending applications that are covered in more than 50 countries*

2012 was a fruitful year for ProMetic on many different fronts: It was a year in which the Corporation successfully continued to put in place the necessary conditions to achieve the next stage of its growth. The Corporation has, as planned, significantly improved its overall financial performance delivering in excess of its projected $21 million of revenues on its base case. This, combined with the strategic equity investment made by Shenzhen Hepalink Pharmaceutical Co., Ltd. ("Hepalink"), has had the direct result of improving its key financial metrics and has provided funds for projects that will support future growth.

A growing number of transactions and strategic partnerships were secured impacting directly on the 2012 results and more importantly laying the foundation for sustainable growth into the future. The commercial opportunities being sought by the business development team continued to be focused on those which will provide a long-term annuity revenue stream to the business. The Corporation has seen its technologies play an important role in allowing several of its clients' product development programs to confidently move forward in 2012. In addition, ProMetic continued to add to its solid pipeline of business through new strategic partnerships as a result of the numerous commercial advantages provided by its state of the art enabling technologies.

In 2013 and beyond, management will continue to focus on growing shareholder value by seeking further collaborations and strategic alliances that are synergistic to ProMetic's core competencies, and that leverage the value of its technology platforms both immediately and over the long term. Management is confident that the difficult liquidity situation faced in the recent past will continue to improve in the coming months, through improved trading conditions and as a result of strategic initiatives such as bringing the Laval Plasma purification plant ProMetic BioProduction inc., on-stream. Naturally, the Company will also continue to simultaneously monitor and control its cost structure as much as possible.

**REVENUES**




**EBITDA**


The improving trend in financial performance, observed over recent years, continued in 2012 as the Corporation delivered the best annual financial performance in its history.

- Revenues increased by 32% to $23.3 million compared to 2011
- EBITDA * in 2012 ended up at $2.5 million compared to ($0.5) in 2011

* 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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## WHO WE ARE

ProMetic Life Sciences Inc is a long-established, biopharmaceutical company with globally recognised expertise in bioseparations, plasma-derived therapeutics and small-molecule drug development. Headquartered in Montreal, Canada and listed on the Toronto Stock Exchange (TSX symbol PLI), ProMetic's mission is to bring safer, cost-effective and more patient-friendly products to market.

We offer our state of the art technologies for large-scale drug purification, drug development, and the elimination of pathogens to a growing base of industry leaders and use our own affinity technology that provides for highly efficient extraction and purification of therapeutic proteins from human plasma in order to develop best-in-class therapeutics. We are also developing our own novel small-molecule therapeutics products targeting unmet medical needs in the fields of fibrosis, haematology and oncology.

## WHAT WE DO:

ProMetic's business is organized and based upon 2 distinct business segments: protein technologies (bioseparation, plasma-derived biotherapeutics) and small molecule therapeutics.

### BIOSEPARATION:

Bioseparation has been a fast growing and profitable business segment for ProMetic since 2007. Our UK (Isle of Man and Cambridge) based subsidiary, ProMetic BioSciences Ltd ("**PBL**"), is responsible for the development and commercialization of our core bioseparations technologies and products. Through this subsidiary, we offer the following:

- Development of unique and proprietary affinity adsorbents and bioprocesses based on our Mimetic Ligand™ purification platform.
- Licensing of technologies to biopharmaceutical companies
- Sale of unique and proprietary affinity adsorbents (affinity resins) to biopharmaceutical companies
- Supply of necessary proprietary affinity adsorbents (affinity resins) used in our own manufacturing processes, ProMetic's Plasma Protein Purification System ("**PPPS™**"). PPPS™ is a multi-product sequential purification process that provides for highly efficient extraction and purification of therapeutic proteins from human plasma in order to develop best-in-class therapeutics.

Our proprietary affinity adsorbents and Mimetic Ligand™ purification platform are used by numerous medical, pharmaceutical and biopharmaceutical companies worldwide. The vast selection of our ligand libraries' allows for the selection of almost any target protein.

Our bioseparation 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.

### PLASMA-DERIVED BIOTHERAPEUTICS

Our U.S.-based subsidiary, ProMetic BioTherapeutics Inc. ("PBT") is responsible for the development and commercialization 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 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.

This proprietary process 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.

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 unmet medical needs or target very large and established markets but with a significant safety and cost leadership advantage.

To this effect, ProMetic created a new subsidiary, ProMetic BioProduction Inc. ("PBP") formerly known as "NewCo", located in Laval, Quebec for the development and manufacturing of high-value plasma-derived therapeutics biosimilars for its current and future clients.

### SMALL MOLECULE 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 therapeutics, 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.

## SIGNIFICANT EVENTS

# 2012

### JANUARY

**On January 26, 2012,** ProMetic received a $2.5 million purchase order under its ongoing supply agreement with Octapharma, a leading, Swiss based, independent global plasma fractionation company that specializes in human proteins.

This order related to the purchase of PrioClear™, a proprietary prion capture resin incorporated into Octapharma's manufacturing process for its solvent/detergent treated plasma product, Octaplas LG®. Octaplas LG® is approved for marketing in several European countries and the USA

### FEBRUARY

**On February 17, 2012,** ProMetic completed its renegotiation of its long term debt by restructuring the repayment of $4 million worth of secured loans previously provided by some of its long term stakeholders and improved its short term liquidity by securing an additional $1 million equity investment in ProMetic from one of the Stakeholders.

### MARCH

**On March 6, 2012,** ProMetic signed an agreement with an existing client to proceed to the next stage of an ongoing commercial development program. This phase of the commercial development program called for activities that provided ProMetic with an estimated $2.5 million of service revenues throughout 2012. An upfront payment of $0.8 million was also triggered on the signing of the agreement.

### APRIL

**On April 24, 2012,** ProMetic secured a $1.4 million agreement with a European biotechnology manufacturing company. Under this agreement, ProMetic will develop an affinity resin product and its related manufacturing process providing its client, a leader in its field, with a biosimilar product thereby enhancing the client's ability to increase its share of a well-established and lucrative market.

**On April 25, 2012,** ProMetic received a $1.9 million follow-on purchase order pursuant to an existing long-term supply agreement entered into with a US based biopharmaceutical company for the manufacturing of an established biopharmaceutical product. This $1.9 million purchase order related to the supply of a proprietary affinity adsorbent developed and manufactured by ProMetic's UK subsidiary, ProMetic Biosciences Ltd.

### MAY

**On May 3, 2012,** ProMetic announced the publication of the final results of the Prion-filtered vs. standard Red cells in Surgical and Multi-transfused patients ("PRISM") study by the UK Advisory Board for the Safety of Blood Tissues and Organs ("SaBTO").

The final conclusions of the study were that following administration of P-Capt® filtered red cells to patients:

None of the antibodies found in study patients were attributable to use of the filter;

There was no significant difference in the number of definite and probable adverse events in patients receiving P-Capt® filtered red cells and controls patients who received standard red cells;

The use of the P-Capt® filter does not reduce the overall safety of transfusion (i.e. the filter is safe to use);

If implemented, the use of P-Capt® filters would require post-marketing surveillance to assess continued safety in large populations of transfused patients.

**On May 7, 2012,** ProMetic signed definitive agreements with Hematech BioTherapeutics Inc. ("HBI") for the co-development and co-exclusive commercialization, on a world-wide basis (excluding China), of a plasma-derived biopharmaceutical product targeting a rare medical condition ("Orphan Drug") and for a strategic manufacturing alliance.

ProMetic may receive $10 million of milestone payments from HBI which will fund the Orphan Drug's development program up to regulatory approval. Following the completion of clinical trials and regulatory approval, the Orphan Drug will be commercialized jointly by ProMetic and HBI on a global basis (excluding China), with both parties sharing profits equally. The Orphan Drug will be manufactured by ProMetic in its Laval facility and in HBI's planned facility in Taiwan.

The deal includes a strategic alliance providing HBI rights to ProMetic's proprietary PPPS™ to manufacture plasma-derived biopharmaceuticals in a Taiwanese facility to be built and operated by HBI.

**On May 15, 2012,** ProMetic received a $4.2 million follow-on purchase order pursuant to its ongoing long-term supply agreement entered into with a major global pharmaceutical company in 2009.

This $4.2 million purchase order relates to the purchase of a proprietary Mimetic Ligand™ affinity adsorbent developed and manufactured by ProMetic's UK subsidiary.

## JULY

**On July 30, 2012,** ProMetic and NantPharma LLC announced the formation of an affiliate biopharmaceutical company, NantPro BioSciences, LLC, to develop and commercialize a plasma-derived bio-pharmaceutical product for the US market. The newly formed US based company has entered into exclusive development, licensing and manufacturing agreements with ProMetic.

Under these agreements, ProMetic has granted NantPro BioSciences LLC rights to its Plasma Protein Purification System ("PPPS™") and Prion Reduction technologies for the exclusive development and commercialization of a plasma-derived biopharmaceutical product for the US market. The agreements provide ProMetic with grant back rights to the biopharmaceutical product for markets outside the US, subject to payment of royalties by ProMetic to NantPro BioSciences LLC arising from ProMetic sales outside the US.

## OCTOBER

**On October 16, 2012,** ProMetic announced two strategic agreements with Shenzhen Hepalink Pharmaceutical Co., LTD, ("Hepalink"). A commercial agreement that relates to a research and development project based on ProMetic's proprietary protein technologies and which includes $11 million in licensing fees and milestone payments to ProMetic, of which $2 million was paid up front. ProMetic may receive remaining milestones for product development activities to be performed on behalf of Hepalink.

The strategic investment, which is in addition to the commercial agreement, consists of a $9.8 million equity investment in ProMetic at a share price of $0.204 per share (or 63% over the October 15, 2012 closing share price). This investment is enabling the execution of various strategic initiatives, including the operational launch of ProMetic's GMP plasma facility, located in Laval, Quebec and dedicated to the manufacturing of plasma derived products. ProMetic's clients and partners such as NantPharma LLC and Hematech BioTherapeutics shall rely on the supply of cGMP bulk products from the Laval facility to support their respective clinical trials and commercial product launches.

## NOVEMBER

**On November 1, 2012,** ProMetic presented new and positive data on two of its orally active anti-fibrotic drug candidates at the annual Meeting of the American Society of Nephrology in San Diego, California. The new data demonstrates efficacy in diabetic kidney disease and other fibrotic models.

Diabetic nephropathy is increasing in incidence and is now the number one cause of end-stage renal disease. In a gold standard animal model used to mimic the long term detrimental effects of diabetes on the kidney and the liver, ProMetic's once a day oral treatment with PBI-4050 demonstrated a significant reduction in kidney hyperfiltration, proteinuria and hepatic steatosis. These results suggest that PBI-4050 could potentially be used as a novel therapy for diabetic kidney disease and liver steatosis. PBI-4050 has been shown to treat fibrosis in several different animal models and is now being prepared to enter into clinical development in 2013.

## DECEMBER

**On December 5, 2012,** ProMetic announced the achievement of the first milestone related to the advancement of a plasma-derived biopharmaceutical product targeting a rare medical condition ("Orphan Drug") in partnership with Hematech Biotherapeutics Inc. ("Hematech").

The $1.0 million milestone payment is part of an overall $10 million drug licensing and development agreement concluded with Hematech in May, 2012

Following the completion of clinical trials and regulatory approval, the Orphan Drug will be commercialized jointly by ProMetic and Hematech on a global basis (excluding China), with both parties sharing profits equally. The Orphan Drug will be manufactured by ProMetic in its Laval, Quebec facility and in HBI's planned facility in Taiwan.

**On December 20, 2012,** ProMetic announced that it is developing a second plasma derived biopharmaceutical for NantPharma LLC.

This development program emanates from ProMetic's Plasma Protein Purification System ("PPPS™") and Prion Reduction Technology. ProMetic is responsible for the development and manufacturing services, including the production in its Laval, Quebec facility of cGMP bulk active product to enable the IND filing and provide product required for bioequivalence trials. Upon FDA approval, ProMetic will exclusively manufacture and supply the commercial requirements of the cGMP bulk active to NantPharma LLC, who will be responsible for completing the final sterile manufacturing steps.

By the end of December 2012, all regulatory clearances were received for Hepalink's investment to proceed.

2012

**WE HAVE DRAMATICALLY IMPROVED OUR OVERALL FINANCIAL PERFORMANCE, REACHING NEW HIGHS ON MANY OF OUR KEY FINANCIAL INDICATORS. WITH RECORD ANNUAL SALES EXCEEDING $23 MILLION, POSITIVE ANNUAL EBITDA OF $2.5 MILLION AND A SIGNIFICANT IMPROVEMENT OF OUR BALANCE SHEET, WE ARE NOW WELL POSITIONED TO CONTINUE BUILDING UPON THESE SOLID ACHIEVEMENTS.**

2012 was also a successful year in regards to our business development initiatives and efforts. We have seen our technologies play an important role in allowing our clients' product development programs to confidently move forward. We have secured new strategic partnerships in both established and emerging markets and increasing market recognition of the numerous commercial advantages provided by our state of the art enabling technologies.

We had set for ourselves some ambitious corporate objectives for 2012. Amongst which were the broadening of our customer base both in territory and types and the establishment of meaningful new product development programs and strategic alliances with key industry players. It was also our ambition to see our continuous efforts finally starting to be reflected through the significant improvement of our financial performance. The results are obvious; we have indeed successfully improved the vast majority of our key financial indicators. We are pleased by our achievements but remain fully aware of the tasks lying ahead to insure we reach all our ambitious corporate objectives. We remain unequivocally focused on our goal to position the company as the global player of choice in all of its activity sectors and dedicated in having our state of the art technologies increasingly recognized as industry standards.

Certain significant events especially come to mind as we review and analyze our much improved yearly performance. These events have played a key role in our strong 2012 performance but more importantly, they will play a critical role in the coming years in insuring our future growth.

The agreement with our partner Nantpharma LLC to secure the formation of an affiliate biopharmaceutical company (NantPro BioSciences LLC) for the development and commercialization of a plasma-derived biopharmaceutical product for the US market is a perfect example of this. We can already see the mutual benefits of such an association as demonstrated in late 2012 by the addition of a second plasma-derived biopharmaceutical product to the product pipeline. ProMetic has already started transitioning towards greater value creation as evidenced by its responsibility towards product development and manufacturing services, including the production in its Laval facility of the cGMP bulk active pharmaceutical ingredient. The leveraging of our existing technologies and processes has finally started and we intend to relentlessly pursue similar additional opportunities in order to insure that our future growth ambitions are met successfully.

Another 2012 commercial highlight demonstrating our migration towards greater value creation is the signature of definitive agreements with Hematech BioTherapeutics. These agreements target the co-development and co-commercialization on a global basis (excluding China) of a plasma derived biopharmaceutical enabled through our technology and targeting a rare medical condition ("Orphan Disease"). We have also secured with Hematech a strategic

alliance for the manufacturing of other plasma derived biopharmaceutical products in a Taiwanese facility to be built and operated by Hematech.

China National Biotech Group in China ("CNBG") successfully scaled-up our proprietary manufacturing platform and process for plasma derived therapeutics. All the engineering and technical data generated along with the plant footprint and use of equipment can easily be transferred and adapted to the reality of our Laval facility. This represents significant off-balance sheet investments and upcoming project timelines related savings from which our Laval facility will greatly benefit in 2013. This should more than compensate for the additional delays encountered into 2012.

The NantPharma LLC and Hematech partnerships clearly validate our decision to invest significant monetary and human resources to develop our own manufacturing platform as well as the necessity to have our own plasma treatment facility. They are tangible examples that our manufacturing platform creates value for our commercial partners and provide undeniable competitive advantages. They also reflect our ambition to eventually pursue ourselves the commercialization of highly valuable products targeting rare diseases and unmet medical needs.

Finally, a review of our 2012 achievements would certainly not be complete without the mention of the $21 million commercial and strategic equity investment agreements secured with Shenzhen Hepalink Pharmaceutical. On top of the $11 million commercial agreement, the $10 million equity investment made by Hepalink will not only facilitate the operational launch of our plasma facility in Laval, Quebec, it has also provided us with the financial means to allow one of our lead therapeutic compounds to progress towards clinical trial stages, another generally recognized value creation event.

We are also quite pleased to have recognized early enough the need for ProMetic to establish a strong presence in emerging markets. Many years of hard work and key relationships development are starting to bear fruit. ProMetic is now extremely well positioned to become a dominant industry player in what is considered by many to be one of the most phenomenal growth vectors for many years to come. We anticipate our partnerships with some of the most recognized emerging markets industry leaders (such as China National Biotech Group) to play a key role in our market expansion strategies.

It is also worth noting that all these agreements and the ones to come represent significant recurring revenue streams in the making. They will play a critical role in the future enabling and execution of strategic initiatives tied to our growth and financial performance objectives.

While the progression of the Protein Technologies business drew most attention in 2012, our small molecule therapeutics finalized the necessary steps required to take one of its lead drug candidates in a state of readiness to enter the clinics. PBI-1402 program has been further advanced, the chemical synthesis of PBI-4050 further optimized and scaled up, and several tests confirming the safety profile of these drugs completed.

The quality of our R&D program and performance of our lead drug candidates to date has drawn the interest of leading medical experts who are in turn very involved to define the respective clinical programs that would be required to secure regulatory approval for the targeted indications. 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.

In addition to Protein Technologies' expected growth in 2013, we anticipate that our proprietary drug candidates will also contribute significantly to the value creation this year and beyond.

2012 has proven to be the year in which the necessary and pivotal agreements to allow for future growth came to life. 2013 is now the year in which we intend to continue building upon and definitely a year in which operational execution will be of crucial importance. As such, we intend to make the following our key priorities for 2013:

### A BUSINESS DEVELOPMENT:

- Broadening of client base
- Leveraging of existing relationships to secure new business opportunities with existing clients
- Increasing recognition of technological advantages by the industry

### B REVENUES AND FINANCIAL METRICS

- Continuing revenue growth
- Continuing improvement of liquidity and financial position
- Continuing improvement in all key financial indicators

### C OPERATIONAL EXECUTION

- Operational launch of ProMetic's plasma purification facility in Laval, Quebec
- Meeting various development milestones

### D THERAPEUTICS

- Lead compounds advancing to clinical trial stages
- Closing of licensing agreements
- Secure orphan drug designation and filing of first INDs

We wholeheartedly wish to thank all our employees and collaborators for their dedication, 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. We look forward to updating you on our ongoing progress and achievements as we keep building a stronger Company.

Best regards,

**Pierre Laurin**
President and Chief Executive Officer

# *We operate*

***in a fast growing and lucrative plasma derived products market worth in excess of***

## $12 billion

***per year"***

***The Sartobind® Jumbo is a 5 liter membrane chromatography device for large scale capturing and impurity removal at high flow rates.***

Source : Sartorius : Sartobind® Jumbo
ProcessScale Membrane Adsorbers Ion Exchange

**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.**

## A- BIOSEPARATION

### THE TECHNOLOGY

Our bioseparation technologies are used in 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. This is a process commonly known as "affinity chromatography". This process is mainly used for the separation and isolation of proteins. The technique relies upon the ability of proteins to recognize and bind to target biomolecules (ligands) in a specific and reversible manner. Affinity chromatography uses an adsorbent comprised of a porous support matrix to which the ligand is attached. An affinity separation is then performed by passing the protein solution over the adsorbent, incorporating the ligand, so that the target protein is adsorbed while allowing contaminants (other proteins, lipids, carbohydrates, DNA, pigments, etc.) to pass through without hindrance. The adsorbent is normally contained within a chromatography column. Following adsorption, the adsorbent is washed with buffer to remove residual contaminants and then the bound protein is eluted in pure form.

### COMMERCIAL APPLICATIONS

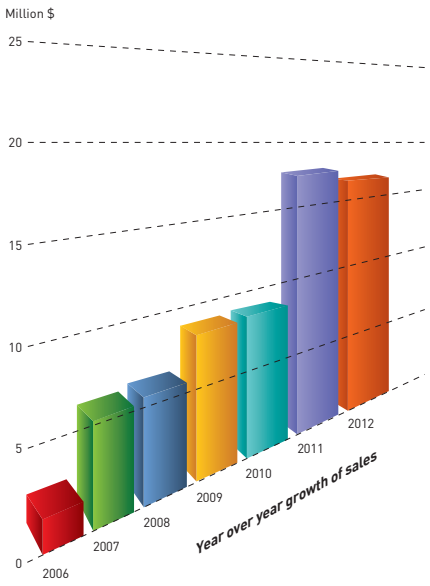
Our proprietary affinity adsorbents are manufactured in our UK based subsidiary (Isle of Man), ProMetic BioSciences Ltd ("**PBL**"). They are sold to and used by some of the most reputable biopharmaceutical companies in the world in their respective drugs manufacturing processes. Through years of research and development, PBL has built an extensive ligand library and now offers ligands targeting a vast selection of proteins. PBL has experienced continued revenue growth and profitability since 2007. In 2012, PBL contributed to the growth and increased profitability of the Corporation by shipping products for more than $11.5 million compared to $5.2 million in 2011. With more than 28 commercial applications and products currently under development and more than 14 applications and products already approved utilizing ProMetic's technologies, PBL's growing stream of recurring revenues is expected to achieve critical mass status and play an important role in the overall growth and profitability objectives of the Corporation in the coming years.

As an example of the commercial potential of the technology, one of ProMetic's many clients placed a $4.2 million purchase order again in May 2012 relating to the purchase of a proprietary Mimetic Ligand™ affinity adsorbent developed and manufactured by ProMetic's UK subsidiary. It is worth noting that this client has not yet received regulatory approval for its product currently being developed and that the anticipated order quantities are expected to significantly increase once the product reaches regulatory approval and commercialization stages. This principle holds true in general for the vast majority of projects in which ProMetic's technology is involved.

Another example of a commercialized proprietary affinity resin is PrioClear™. The PrioClear™ range of prion binding affinity resins was developed through Pathogen Reduction and Diagnostic Technologies, Inc. ("**PRDT**"), initiated as a collaborative venture with the American Red Cross and now majority owned by ProMetic BioSciences Ltd (PBL). PRDT has applied its proven affinity technologies to the design and development of a panel of affinity adsorbents that enable the highly effective capture of prion from a range of biological materials. The PrioClear™ resins are used commercially to increase the safety of blood and blood-derived products.

ProMetic is already seeing the commercial benefits of selling PrioClear™. ProMetic received a $2.5 million purchase order under its ongoing supply agreement with Octapharma, a leading, Swiss based, independent global plasma fractionation company that specializes in human proteins. In this application, PrioClear™ is incorporated into Octapharma's manufacturing process for its solvent/detergent treated plasma product, Octaplas LG®. Octaplas LG® is approved for marketing in several European countries and the USA and ProMetic's sales to OctaPharma are expected to increase on a yearly basis.

As demonstrated in the graphic below, revenues from PBL augments year over year and should continue to do so as ProMetic's clients receive regulatory approval and move into commercial production and supply.



## B- PLASMA PROTEIN PURIFICATION SYSTEM (PPPS™)

### THE TECHNOLOGY

ProMetic exploits a proprietary platform derived from the use of PBL's affinity technology. ProMetic's US based subsidiary, ProMetic BioTherapeutics Inc., is responsible for the development and commercialization of the plasma purification process designated as Plasma Protein Purification System (PPPS™). PPPS™ is a multi product sequential purification process originally developed in collaboration with the American Red Cross. It employs powerful affinity separation materials in a multi-step process to extract and purify commercially valuable plasma proteins in high yields. It allows for a highly efficient extraction and purification of therapeutic proteins from human plasma in order to develop best in class biotherapeutic products.

ProMetic's PPPS™ technology provides for enhanced yield, safety and purity of blood plasma derived products compared to industry standards. Each protein is removed from the plasma by a proprietary process which includes specific Mimetic Ligand adsorbents and subsequently purified in a side stream. The removal sequence has been optimized to give exceptionally high protein recoveries. Due to the process, some of the rarest and most valuable proteins can be accessed, at unprecedented activity levels. This gentle purification process significantly reduces the protein losses incurred as compared to the more conventional Cohn precipitation method and ultimately leads to lower costs of goods sold, a definitive competitive advantage in costs sensitive markets.compared to the more conventional Cohn precipitation method and ultimately leads to lower costs of goods sold, a definitive competitive advantage in costs sensitive markets.

### COMMERCIAL APPLICATIONS

2012 has proven to be a strong year for the advancement of ProMetic's proprietary PPPS™ technology both in terms of development and partnering / commercialization point of views.

**A- PPPS™:**

**Enabling of third party manufacturing processes:**

Following the successful expansion and strengthening in 2011 of the China National Biotech Group ("CNBG") partnership, the PPPS™ technology has been successfully scaled up. The Corporation anticipates the regulatory filing by CNBG of the first Investigational New Drug applications ("IND") with the Chinese regulatory authorities, a recognized value creation event in the product development continuum. Finally, the implementation and scale up of PPPS™ has helped ProMetic in the design and setting up of its own Laval facility.

ProMetic also secured a deal with Hematech BioTherapeutics Inc. ("HBI") that includes a strategic alliance providing HBI rights to ProMetic's proprietary PPPS™ as well as training and technical support to manufacture plasma-derived biopharmaceuticals in a Taiwanese facility to be built and operated by Hematech.

**B- PPPS™:**

**Co-commercialization**

We saw the leveraging of the PPPS™ technology when ProMetic announced in 2012 the signature of definitive agreements with HBI for the co-development and co-exclusive commercialization, on a world-wide basis (excluding China), of a plasma-derived biopharmaceutical product targeting a rare medical condition.

A significant demonstration of the value of the PPPS™ technology was seen when ProMetic and NantPharma LLC also announced the formation of an affiliate biopharmaceutical company, NantPro BioSciences, LLC, to develop and commercialize a plasma-derived biopharmaceutical product for the US market. The newly formed US based company has entered into exclusive development, licensing and manufacturing agreements with ProMetic.

Under these agreements, ProMetic has granted NantPro rights to its Plasma Protein Purification System ("PPPS™") and Prion Reduction technologies for the exclusive development and commercialization of a plasma-derived biopharmaceutical product for the US market. The agreements provide ProMetic with grant back rights to the biopharmaceutical product for markets outside the US, subject to payment of royalties by ProMetic to NantPro arising from ProMetic sales outside the US.

| PLASMA | Medical Uses | Current Market Size | Yield advantage PPPS vs. Industry Avg |
|---|---|---|---|
| Coagulating Factors | Hemophilia | ~$ 2 Billion | ~+ 50 % |
| Plasminogen | Congenital deficiency | Not commercially available | ~+ 75 % |
| Fibrinogen | "Biologic glue" / Fibrin sealant | ~$ 1 Billion | ~+ 120 % |
| Immunoglobulins | Immunodeficiencies Autoimmune diseases | >$ 6 Billion | ~+ 40 % |
| Albumin | Hypovolumic shock | $ 1.5 Billion | ~ |
| Alpha-1 Antitrypsin | Emphesyma | $ 0.7 Billion | ~+ 170 % |
| Orphan Drugs<br>Orphan Drugs<br>Orphan Drug | There are several Rare diseases for Which the medical Condition is known to be related to a miss-ing or non functional protein | Such proteins may be from difficult to impossible to extract with current manufacturing process | ProMetic PPPS™ process is able to extract and recover such valuable proteins and efficiently address rare diseases |

The Corporation also announced the development of a second plasma derived biopharmaceutical for NantPharma LLC. In this case, ProMetic will be responsible for the development and manufacturing services, including the production in its Laval, Quebec facility of cGMP bulk active product. Upon FDA approval, ProMetic will exclusively manufacture and supply the commercial requirements of the cGMP bulk active to NantPharma, who will be responsible for completing the final sterile manufacturing steps.

**C- PPPS™:**
**Enabling of manufacturing process**

The development of PPPS™, the critical mass of licensees and deals allowed for the implementation and upcoming operational launch of ProMetic's GMP plasma facility, located in Laval, Quebec; dedicated to the manufacturing of plasma derived products. ProMetic's clients and partners such as NantPharma and Hematech BioTherapeutics rely on the supply of cGMP bulk products from the Laval facility to support their respective clinical trials and commercial product launches.

ProMetic's facility will also serve as a blue print for other partners' future plants and will serve as a technological showroom and training centre for partners' employees.

ProMetic anticipates the official operational launch to take place in late 2013 and a ramp up of production and revenue generation starting in 2014 and accelerating the following years.

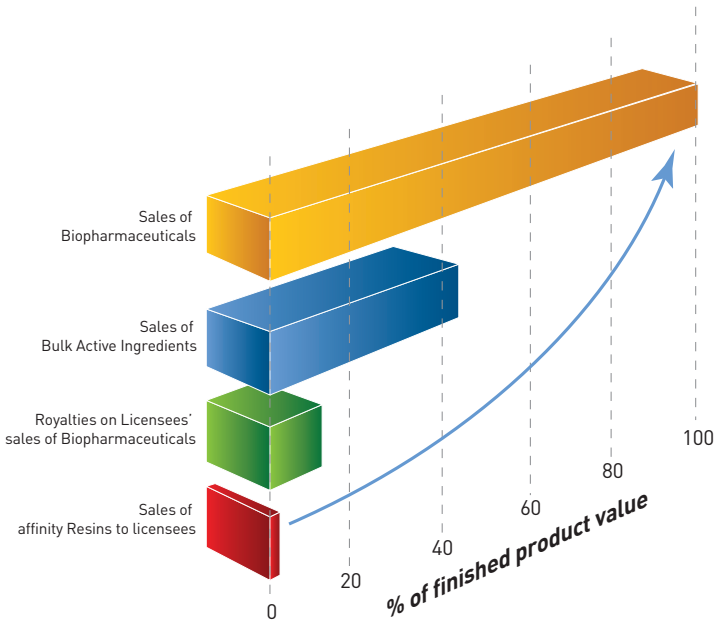
The plasma derived products market is a fast growing and lucrative market worth in excess of $12 billion per year. Whilst 2/3 of the current markets are in Europe and North America, it is estimated that the emerging markets of the Asia & Pacific region will grow rapidly in the coming years. With its new secured partnership and recent technological progress, ProMetic is now more than ever well positioned to become a key industry player with recognized world standard manufacturing processes. The increasing exploitation of ProMetic's PPPS™ platform by its licensees and the Company itself will play an increasing role in achieving the corporate objective of developing best in class, price competitive and safer plasma derived biotherapeutics.

ProMetic has made great progress in 2012 in regards to its corporate strategy and objective of moving higher up in the value creation hierarchy. Most of the fundamental requirements and steps to insure that the process is accomplished successfully have been advanced significantly during the last year. ProMetic has advanced its technical platform, increased its critical mass of clients, improved its financial situation and secured the necessary alliances to allow for the transition towards higher value creation to take place.

As one can see from the following graphic, ProMetic is successfully transitioning from a simple provider of enabling affinity resins used as components in our clients' drug manufacturing processes to a manufacturer and producer of bulk active pharmaceutical ingredients by leveraging its own affinity resin technology and proprietary PPPS™ process aiming to ultimately commercialize its own therapeutic products.

The difference in value creation resulting from this is significant as the sales of affinity resins normally represent 3 to 4 % of the finished product value. Providing the platform and process to our partners to enable them to achieve the manufacturing of their own products usually allows for royalties on their sales in the range of single digit royalties. Moving up the hierarchy to become the provider of the bulk active pharmaceutical ingredient usually represents a substantial gain in value creation of approximately 30% of the finished product value. In some cases, ProMetic will even commercialize itself the biopharmaceutical product and capture the ultimate 100% of the value as the seller of the drug.

Transitioning from pure enabling resin sales to a mix of sales of resins, royalties, sales of bulk API & sales of biopharmaceuticals.




# *We know*

***The importance of successfully addressing some of the most important unmet medical conditions. Chronic Kidney Diseases ("CKD") and cardiovascular complications represent 50% of the General Medicare costs of $343 billion in 2010 in the US.***

## $343 billion

***The medical conditions we are targeting.***

## AT PBI, SCIENTISTS ARE FOCUSED ON DEVELOPING DRUGS THAT CAN EMULATE THE ACTIVITY OF PROVEN BIOLOGICS WITH IMPROVED PHARMACO-ECONOMICS AND SAFETY PROFILE.

### 2- SMALL MOLECULE THERAPEUTICS

### THERAPEUTICS

PBI drug discovery program has generated a strong pipeline of orally active drug candidates, with efficacy and high safety profiles confirmed in several in vivo experiments and solid proprietary positions. The unmet medical applications targeted are fibrosis, inflammation, autoimmune diseases, oncology and hematopoietic disorders.

**Fibrosis**

In 2012, PBI continued to focus on 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.

The proof of concept data generated to date confirms our lead drug candidates' anti-fibrotic activity in several key organs including the kidneys, the heart, the lungs and the liver. For example, following a myocardial infarctus or long standing chronic conditions such as hypertension or chronic kidney diseases (CKD), the buildup of scarring tissue in the heart will lead to congestive heart failure (CHF).

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 (end stage renal disease or ESRD) leading to the need for hemodialysis. Cardiovascular complications for ESRD patients on hemodialysis are a common cause of death.

The positive effects of PBI-4050 observed in several different animal models designed to reproduce chronic kidney diseases have been presented at the American Society of Nephrology Annual meeting in San Diego and can be summarized as follows:

- ∧ GFR (improvement of the renal function)
- V Proteinuria (reduction of protein found in urine)
- V Serum creatinine (reduction of creatinine in blood)
- V Serum urea (reduction of urea in blood)
- V Histological lesions (reduction of fibrosis & lesions, leading to a more functional and normal renal tissue)
- V of collagen deposition in the tissue
- V several biomarkers confirming the reduction of inflammation and fibrosis

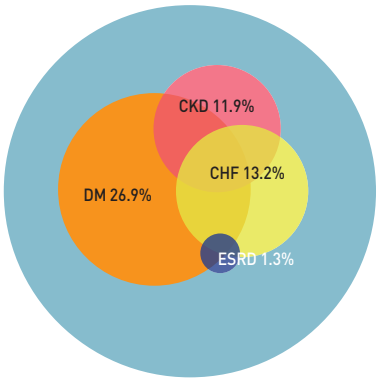
During the past year, ProMetic scientists have been performing a series of test to help validate whether the clinical benefits observed in animals will also translate to humans. This was achieved by demonstrating the superior performance of Prometic's compounds compared to commercially available drugs and by demonstrating equivalent efficacy on human cells. Furthermore a series of tests were performed to ensure that our lead drug candidates would tick the box on safety.

Finally, our scientists have been optimizing the manufacturing process and performing technical transfers to GMP manufacturers so that the Corporation can be in a state of readiness to move into the clinical trials in 2013.

As a result of the performance and quality of data generated so far by our lead compounds, we now have several medical experts helping us prepare and design clinical trial programs that will maximize our chances to obtain regulatory approval for the targeted indications. We intend to initially target smaller indications before proceeding with broader medical conditions and more lucrative markets as a strategy to increase market acceptance and recognition.

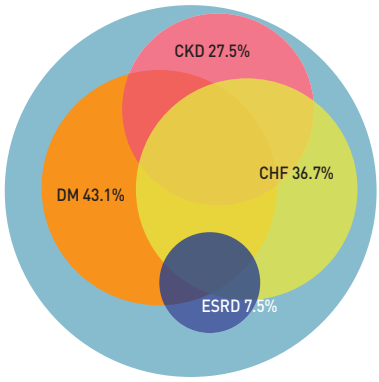
**MEDICARE POPULATION 2010**

General Medicare: population, 2010
(n=31,484,849; mean age 69.2)




**MEDICARE COSTS 2010**

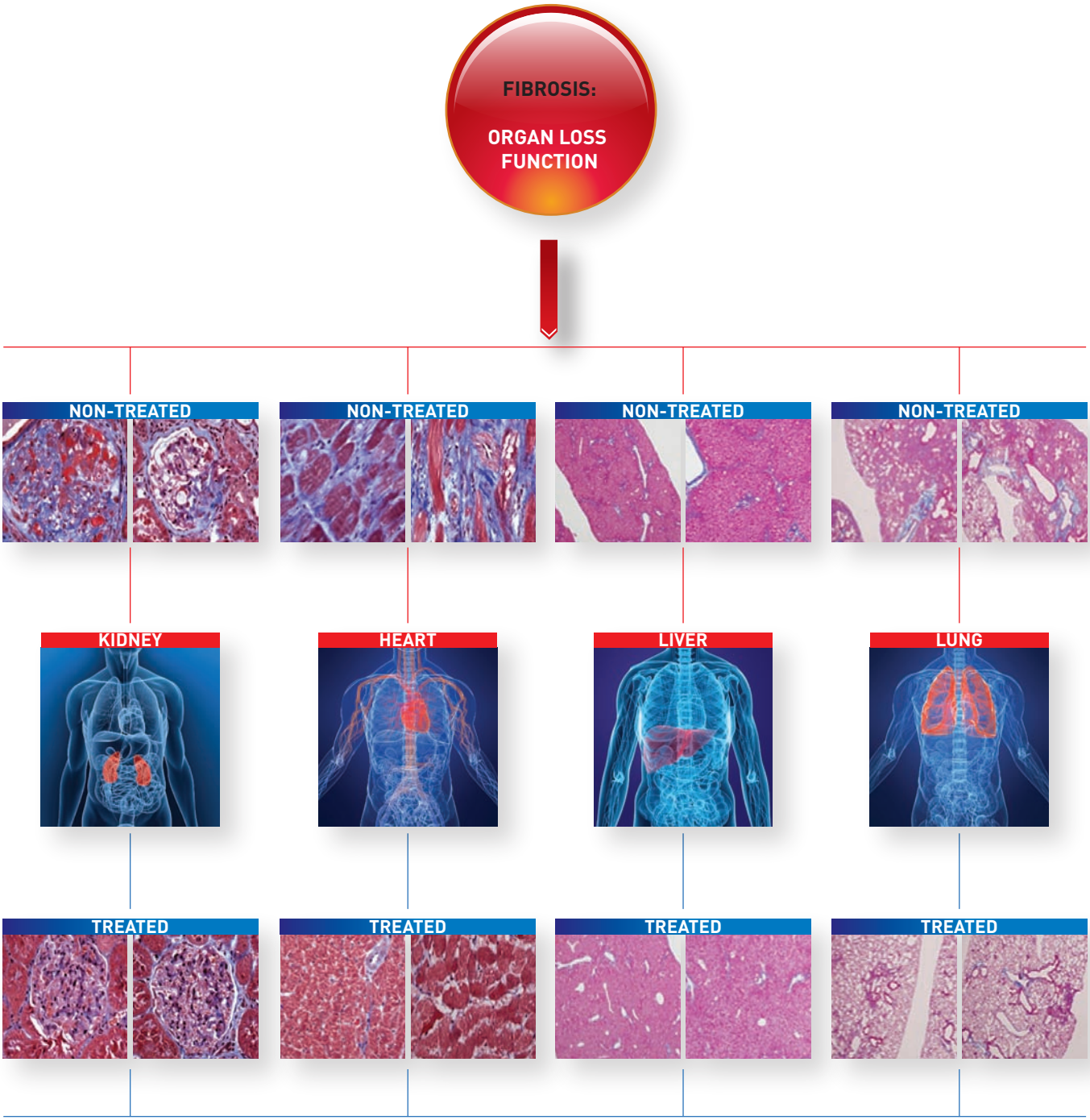
General Medicare: costs, 2010
($343 billion)




CKD Chronic kidney diseases
ESRD End stage renal disease
CHF Congestive heart failure
DM Diabetes Mellitus

CKD, ESRD and CHF represented over $175 billion or over 50% of the General Medicare costs in the USA alone in 2010.

Source: USDRS 2012 Annual Data Report




Following an injury, activated macrophages and neutrophils clean up tissue debris, dead cells, and invading organisms. In the normal and subsequent wound healing process, the wound contracts, collagen fibers become more organized, blood vessels are restored to normal, scar tissue is eliminated with the damaged tissue restored to its normal appearance.

In the case of chronic wounds, the normal healing process is disrupted. Persistent inflammation, tissue necrosis, and infection lead to chronic myofibroblast activation and excessive accumulation of fibrotic material.

**PBI-COMPOUNDS**

Fibrosis refers to the excessive and persistent formation of scar tissue which is associated to organ failure in a variety of chronic diseases affecting the kidneys, heart, liver and lungs.

ProMetic compounds have been shown to reduce or delay the progression of fibrosis. The histological images above illustrate how PBI-compounds reduce the overproduction of extracellular matrix deposition (collagen, colored in blue in tissue) leading to reduction of fibrosis in the kidneys, heart, liver and lungs and this without affecting the healing process.

This Management's Discussion and Analysis of Operating Results and Financial Position, aims at helping the reader to better understand the business of ProMetic Life Sciences Inc. ["ProMetic" or 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 2012 financial year compared to the 2011 operating results. It is intended to complement and supplement its annual consolidated financial statements and other financial information found in the Annual Report and consequently it should be read in conjunction with these and other public documents such as the Company's Annual Information Form, which may be found at www.sedar.com. All amounts in tables are in thousands of Canadian dollars, except where otherwise noted. This Management's Discussion and Analysis ["MD&A"] is current as at March 25, 2013, at which date 487,126,993 common shares and 11,695,067 options to purchase common shares and 59,169,751 warrants to purchase common shares were issued and outstanding.

The Company's December 31, 2012 audited consolidated financial statements have been prepared on the basis of the going concern assumption which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. The use of these principles may not be appropriate because, as at December 31, 2012, there is significant doubt that the Company will be able to continue as a going concern without achieving profitable operations or raising additional financial resources. Since inception, the Company has incurred losses and has an accumulated deficit of $246 million as at December 31, 2012. To date, the Company has financed its activities through collaboration and licensing agreements, bank loans, government financial support, investment tax credits and the issuance of debt and equity. Subsequent to December 31, 2012, the Company received the share subscription receivable of $9.8 million from a strategic equity investment with Shenzhen Hepalink Pharmaceuticals Co. Ltd. and completed the renegotiation of the repayment terms of $4 million of the long-term debt provided by shareholders. While this provides improvement in the Company's near-term liquidity, the Company's committed cash obligations and expected level of expenditures for the next 12 months exceed its committed sources of funds.

The Company's ability to continue as a going concern is dependent upon its ability to obtain the ongoing support of its lenders and the continued activity of its core business including the advancement of collaboration and licensing agreements for pipeline projects, and raising additional financing either from the issuance of shares or long-term debt on acceptable commercial terms. There can be no assurance of the success of the Company's operations, on its plans to achieve profitability, nor on its access to further financing which may be required to execute these plans.

The Company's December 31, 2012 audited 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 statement of financial position classification used if the Company were unable to continue operations in accordance with the going concern assumption. Such adjustments could be material.

## 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, 2012. 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.

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** segment comprises five operating subsidiaries:

- ProMetic BioSciences Ltd ("**PBL**"), based in the United Kingdom (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
- ProMetic BioProduction Inc. ("**PBP**"), based in Laval, Quebec, Canada., formerly referred to as "Newco".

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. Where appropriate this may involve the establishment of a strategic partnership with the end-user of ProMetic's technology. 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-generating 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 subsidiaries. Revenues from this business unit do not accrue evenly during the year, so assessment of its profitability must be made on an annualized basis.

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 Red Blood Cells ("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.

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. The recent relationship with NantPharma LLC ("NantPharma"), leading to the creation of NantPro BioSciences, LLC ("NantPro") is a prime example of the execution of this strategy.

ProMetic created a new subsidiary, ProMetic BioProduction Inc., which has entered into a long-term lease on favorable conditions with Quebec's Institut National de la Recherche Scientifique ("INRS") for an existing state-of-the-art facility. ProMetic BioProduction Inc. will undertake the development and manufacturing of high-value plasma-derived therapeutics for ProMetic's current and future clients. PBP will be funded via third-party investments and it is anticipated that PBP will become self-sustaining through end product services and sales to ProMetic's existing clients. An initial $1.5 million investment was received in 2011. A portion of the Hepalink strategic investment is also earmarked to fund the start up of PBP's facility.

The **Therapeutics** segment is a small molecule drug discovery business comprised of one entity:

- 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 on developing orally active drugs that can emulate the activity of proven biologics, and provide competitive advantages including improved pharmaco-economics and safety profiles. 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.

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 Investigational New Drug ("IND") enabling and partnering activities for its anti-fibrosis lead drug candidate PBI-4050 are incurred. As a result of positive data generated in 2012 and overall progress achieved by the Company, it is anticipated that PBI-4050 would be advanced toward the clinical program in 2013.

## 2012 IN SUMMARY

2012 was a fruitful year for ProMetic on many different fronts. It was a year in which the Company successfully put in place what it believes to be the necessary foundation to achieve the next stage in its growth. The Company has, as planned, significantly improved its overall financial performance delivering in excess of its projected $21 million of revenues in its base case. This, combined with the strategic equity investment by Hepalink has improved key financial metrics.

2012 was also a successful year in regards to the Company's business development initiatives. These impacted directly on the results of 2012, and more importantly, have laid the foundation for future growth. The Company has seen its technologies play an important role in allowing its clients' product development programs to move forward, all the while adding to its solid pipeline of business through new strategic partnerships in both established and emerging markets. The Company is achieving increased market recognition as a result of the numerous commercial advantages provided by its state-of-the-art enabling technologies.

Although the Company achieved its financial objectives for the year, the revenues of the business do not necessarily accrue in a straight line on a quarterly basis. The complex manufacturing process means that there is often a significant lead-time between receipt of an order and the shipment of products; this, coupled with the non-linear nature of the work associated with development programs leads to uneven recognition of revenue throughout the year and on a year-over-year basis. The Company, therefore, believes that its financial results are best analyzed and compared on a year-to-year basis period. This feature is expected to continue in 2013.

Analyzing the business segment performance for the year shows a consistent performance of the Therapeutics segment in 2012 and 2011. The Protein Technologies segment showed a significant improvement in profit for the year 2012 compared to 2011. This performance was mainly attributable to much stronger license, product and services revenues. In the Corporate division, the net loss is slightly higher in 2012 mainly due to increased administration costs and foreign exchange movements.

### PROFIT (LOSS)

| (in thousands of Canadian dollars) | 2012 | 2011 | Change $ |
|---|---|---|---|
| Therapeutics | (1,815) | (1,894) | 79 |
| Protein Technologies | 8,560 | 5,471 | 3,089 |
| Corporate | (7,169) | (6,844) | (325) |
| Total Profit (Loss) | (424) | (3,267) | 2,843 |

## 2012 SIGNIFICANT EVENTS

### PROTEIN TECHNOLOGIES

- The Company signed a significant research and development agreement for a project based on its proprietary prion technologies with Hepalink. The agreement includes $11 million in licensing fees and milestone payments. In addition, ProMetic may also receive further funding for product development activities to be performed on behalf of Hepalink. Hepalink also became a strategic investor in the Company through a $9.8 million equity investment.

- The Company announced the signing of definitive agreements with Hematech BioTherapeutics ["Hematech"] for the co-development and co-exclusive commercialization, on a world-wide basis (excluding China), of a plasma-derived biopharmaceutical product targeting a rare medical condition. The deal includes a strategic alliance providing Hematech rights to ProMetic's proprietary PPPS™ as well as training and technical support to manufacture other plasma-derived biopharmaceuticals in a Taiwanese facility to be built and operated by Hematech.

- The Company announced the development of a second plasma derived biopharmaceutical for NantPharma. ProMetic is responsible for development and manufacturing services, including the production in its Laval, Quebec facility of cGMP bulk active product. Upon FDA approval, ProMetic will exclusively manufacture and supply the commercial requirements of the cGMP bulk active to NantPharma, who will be responsible for completing the final sterile manufacturing steps. This second plasma derived biopharmaceutical development program follows the previously disclosed formation by NantPharma and ProMetic of a biopharmaceutical company, NantPro BioSciences, LLC, whose primary mission is to develop and commercialize a plasma-derived biopharmaceutical product for the US market. Additional details may be found below under "Investment in a new associated company".

### THERAPEUTICS

- ProMetic presented new and positive data on two of its orally anti-fibrotic drug candidates at the annuel meeting of the American Society of Nephrology in San Diego, California. The new data demonstrates efficacy in diabetic kidney disease and other fibrotic models.
- Diabetic nephropathy is increasing in incidence and is now the number one cause of end-stage renal disease. In a gold standard animal model used to mimic the long term detrimental effects of diabetes on the kidney and the liver, ProMetic's once a day oral treatment with PBI-4050 demonstrated a significant reduction in kidney hyperfiltration, proteinuria and hepatic steatosis. These results suggest that PBI-4050 could potentially be used as a novel therapy for diabetic kidney disease and liver steatosis. PBI-4050 has been shown to treat fibrosis in several different animal models and is now being prepared to enter into clinical developement in 2013.

## RESULTS OF OPERATIONS

Year ended December 31, 2012, compared to year ended December 31, 2011.

### SELECTED ANNUAL INFORMATION

| | | December, 31 | |
|---|---|---|---|
| (In thousands of Canadian dollars) | 2012 | 2011 | 2010 |
| Revenues | 23,321 | 17,589 | 11,433 |
| Net profit (loss) attributable to owners of the parent | 234 | (2,554) | (11,283) |
| Net profit (loss) per share attributable to owners of the parent (basic and diluted) | 0.00 | (0.01) | (0.03) |
| Total assets | 22,991 | 8,692 | 8,593 |
| Long-term debt (*) | 4,831 | 5,724 | 13,762 |

*The long-term debt includes the promissory notes from shareholders, the repayable government grants and finance lease obligations and the long-term debt provided by shareholders.

### REVENUES

Total revenues for 2012 were $23.3 million and were derived predominantly from product sales, development service revenues and licensing revenues.

In the year ended December 31, 2012, the Company's product revenues amounted to $11.5 million compared to $5.2 million in the previous year. This increase was attributable to higher levels of underlying business associated with the company's Bioseparation products. Service revenues in 2012 were higher than 2011 at

$5.3 million versus $2.4 million. This increase was mostly due to new services agreements signed with NantPro. Finally, licensing revenues totaling $6.4 million were recorded during 2012 and are related to the contracts with Hepalink, Hematech and NantPro. This compares to $10 million of licensing revenues recognized in the year ended December 31, 2011 from the Celgene transaction.

There were no significant revenues associated with the Therapeutics business unit in 2012 or 2011.

### 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, 2012, totalled $8.0 million compared to $3.2 million for the year ended December 31, 2011. This difference is explained by the increase in volume of products sold and the relative product mix.

Based on the combined cost of goods sold and the rechargeable research and development expenses, a gross profit (sales of goods plus rendering of services less costs of goods sold and less research and development expenses rechargeable) of 53% was achieved during the year ended December 31, 2012 compared to 58% for the year ended December 31, 2011. There were no costs associated with licensing revenues.

### RESEARCH AND DEVELOPMENT EXPENSES – NON RECHARGEABLE

Non rechargeable research and development expenses were $7.7 million for the year ended December 31, 2012, compared to $9.9 million for the year ended December 31, 2011. This is due to the level of internal versus client-funded research and development activity undertaken.

### ADMINISTRATIVE AND MARKETING EXPENSES

Administrative and marketing expenses were $6.0 million for the year ended December 31, 2012 which is broadly consistent with the $5.8 million for the year ended December 31, 2011.

### NET LOSS

The Company generated a net loss of $0.4 million or $0.00 per share (basic and diluted), for the year ended December 31, 2012, as compared to a net loss of $3.3 million or ($0.01) per share (basic and diluted) for the year ended December 31, 2011. The decrease in net loss is primarily due to stronger product and services revenues.

### EBITDA BY SEGMENT

YTD December 31, 2012 - In thousands of dollars

| | Protein Technologies | Therapeutics | Corporate | Total |
|---|---|---|---|---|
| Revenues | 23,290 | 31 | - | 23,321 |
| Costs of goods sold | (5,326) | - | - | (5,326) |
| R&D expenses rechargeable | (2,647) | - | - | (2,647) |
| R&D expenses non rechargeable | (5,922) | (1,741) | - | (7,663) |
| Administration and marketing expenses | (556) | - | (5,410) | (5,966) |
| Amortization | 564 | 203 | 12 | 779 |
| EBITDA | **9,403** | **(1,507)** | **(5,398)** | **2,498** |

EBITDA is a non-GAAP measure, employed by the Company to monitor its performance. As a financial measure that is not defined or standardized under IFRS, 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.

### INVESTMENT IN A NEW ASSOCIATED COMPANY

On June 29, 2012, the Company and an unrelated partner established an entity, NantPro BioSciences, LLC ("NantPro") for the purposes of developing and commercializing a plasma-derived biopharmaceutical product for the US market.

At inception, in exchange for 66.66% of the equity units in NantPro, the Company contributed a license to certain of its intellectual property. The other investor in NantPro, NantWorks LLC ("NantWorks"), contributed $2.5 million (US$ 2,500,000) in exchange for 33.33% of the equity units. The Company measured the initial cost of its investment in NantPro based on the implied fair value of its contribution to the extent attributable to the other investor. Consequently, the initial cost of the investment amounted to $1.7 million (US$1,667,000), with a corresponding recognition of licensing revenue. Concurrent with the initial investment and as part of the development work carried out by the Company, the Company also granted access to a specific protein to NantPro ("the Technology Access Fee") for a non-refundable amount of $2.5 million (US$ 2,500,000). Of this sum, $102,000 (US$100,000) has been deferred as at December 31, 2012. The Company recognized $815,000 (US$ 800,160) as licensing revenue, which is based on the extent of the other investor's interest. The balance of $1.6 million (US$ 1,599,840) was recorded as a reduction in the carrying amount of the investment.

As a result of the composition of NantPro's board membership, the manner and timing in which financing and operation decisions will be made, and that NantWorks has the current right to make additional capital contributions that could ultimately decrease the Company's investment to 10% of the equity units, the Company has determined that it does not control the investment, but does have the ability to exercise significant influence and will therefore account for it as an associate. The funds will be used by NantPro to pay the Company to carry out the development and manufacturing costs of plasma-derived product. The additional capital contributions by NantWorks will result in dilution gains or losses and corresponding adjustments in the carrying value of the investment.

During the year ended December 31, 2012, the Company provided development services to NantPro and recognized revenues from the rendering of services of $1.5 million. As at December 31, 2012, the Company had an account receivable from NantPro of $438,000.

## CAPITAL RESOURCES

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

As mentioned earlier, PBP has been funded by third-party equity investments. This relieves a significant capital expenditure hurdle for ProMetic, allowing it to realize in its objectives in a very cost-effective and non-dilutive manner. It is anticipated that PBP Inc. will become self-sustaining through end product services and sales to ProMetic's existing clients. The recently announced investment by Hepalink will allow the business to finalize the fit-out of the plant, bringing it to operational readiness during the second half of 2013.

It is also important to note that PBL's current manufacturing capacity exceeds its current level of sales. At the present time, the resources are being fully employed, but there 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. Over the coming periods, it may be necessary for the Company to invest in further capital expenditures in order to service the requirements of some of its contracts.

## LIQUIDITY

As discussed above, the Company's December 2012 consolidated financial statements include going concern uncertainty disclosures in Note 1 and reference is made here to these disclosures. Significant progress has been made in recent months in closing business deals and securing recurring purchase orders from major biopharmaceutical companies. These transactions improve the revenue pipeline for the business and reduce its ultimate need for external financing. That said, the Company is investing in its future, and as such, the revenues generated from operations are being reinvested into strategic projects that will drive the next stage of value creation for the Company. It may therefore be necessary, from time-to-time, to raise additional capital at a certain level of financing for strategic initiatives.

On January 31, 2011, the Company finalized the restructuring of the terms of its secured debt, effective December 31, 2010, deferring $4 million of debt repayments to July 2012. In February 2012, the Company finalized a further restructuring of the terms of this secured debt, effective December 31, 2011, deferring $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' share capital. The stakeholders also collectively received 5,714,278 warrants. In December 2012, the Company signed letters of intent with the lenders deferring $4 million of debt repayments to July 2014. In February 2013, the Company finalized the terms of this secured debt, effective December 31, 2012, moving $4 million of debt repayments to July 2014. As consideration for the above-mentioned debt restructuring, the Stakeholders have collectively received 1,043,476 shares in ProMetic' share capital and 754,715 warrants.

The arrangements discussed above to restructuring the secured loans required the up-front payment of interest in the form of shares. While this funding is partially dilutive, the level of dilution is 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.

Subsequent to December 31, 2012, the Company again renegotiated its working capital grants with the Isle of Man Government Department of Economic Development, resulting in the balance now being offset in the future against capital grants receivable from the Isle of Man Government with any balance owing on March 31, 2014 repayable in cash.

During 2011, the Company secured a $500,000 loan from 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. The term has been indefinitely extended with the permission of the lender and is payable on demand.

During the year of 2012, the Company was successful in raising equity financing in the amount of $3.1 million in exchange of 28,499,996 shares and 6,345,451 warrants from long term shareholders and new strategic investors. In addition, the Company entered into a loan agreement with the Isle of Man's Conister Bank, borrowing $0.8 million at an interest rate of 10% per annum. The loan was initially reimbursable in December 2012. The loan was renegotiated and is repayable in 12 equal monthly installments over 2013.

During the third quarter of 2012, the Company entered into a strategic investment agreement with Hepalink, consisting of a $9.8 million equity investment in ProMetic at a price of $0.204 per share which was at a premium to the stock market price at the time in exchange for the issuance of 48,147,053 shares representing approximately 10.02% of ProMetic outstanding shares on a post-transaction basis. The issued shares are subject to a three (3) year hold period. The investment was approved on December 31, 2012 by the parties' respective regulatory authorities. This particular investment is seen as a key to unlocking the next stage in the Company's value creation, by allowing the business to advance the status of some if its key assets, including bringing online its Laval-based, pilot bio-manufacturing facility and progressing with the next phase of development of certain of its therapeutic compounds. It also allows for a greater return to the Company's shareholders by limiting the need to externally finance the launch of the Laval plasma facility and therefore retaining a greater portion of its ownership. The $9,8 million equity investment was received on January 7th, 2013.

As at December 31, 2012, the cash position was $1.2 million compared to $0.3 million as at December 31, 2011.

Current assets totaled $17.3 million as at December 31, 2012, and $3.2 million as at December 31, 2011. Accounts receivable were $4.8 million as at December 31, 2012, compared to $1.4 million as at December 31, 2011. Accounts receivable consist mostly of trade receivables related to the sale of resin, licensing agreements as well as research and development tax credits receivable related to the activities of the Therapeutics and the Protein Technology Units. The current assets also include an amount of $9.8 million for the share subscription receivable relating to the Hepalink investment in ProMetic which was received on January 7th, 2013. The net capital assets were at $1.1 million as at December 31, 2012 compared to $0.9 million as at December 31, 2011.

Included in Current liabilities is an amount of $5.1 million relating to Trade and other payables. This balance although improving, is still high, partly as a result of the company's cash situation, and partly due to increased working capital requirements to service the growing revenue stream. The recent improvements in the Company's liquidity noted herein are expected to improve upon this during fiscal 2013.

## CONTRACTUAL OBLIGATIONS

(in thousands of dollars)

| | | Payment due by period | | | |
|---|---|---|---|---|---|
| Contractual Obligations | Total | Less than 1 year | 1 - 3 years | 4 – 5 years | After 5 years |
| Debt | 10,067 | 5,613 | 4,454 | - | - |
| Capital leases and obligations | 13 | 9 | 4 | - | - |
| Operating leases | 12,591 | 1,888 | 3,490 | 3,835 | 3,378 |
| Other obligations | 203 | 203 | - | - | - |
| Total contractual obligations | 22,874 | 7,713 | 7,948 | 3,835 | 3,378 |

## CASH FLOWS

The consolidated statement of cash flows in the consolidated financial statements shows that cash flows used in operating activities amounted to $2.1 million for the year ended December 31, 2012 compared with $7.4 million for the year ended December 31, 2011. The reduction is principally due to the non monetary licensing revenues from the Celgene transactions in 2011. The cash inflows from financing activities amounted to $3.7 million for the year ended December 31, 2012 compared to inflows of $8.5 million for the year ended December 31, 2011. In 2011, the Company received promissory notes for $1.0 million from shareholders. Also in 2011, long-term debts were contracted for a total of $1.7 million of which $0.5 million came from a shareholder, and $1.2 million from the government of the Isle of Man. The company also received a loan of $0.8 million from Investissement Québec and issued shares to a non-controlling interest for a total of $1.5 million.

## SUMMARY OF QUARTERLY RESULTS

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

| | 2012 | | | |
|---|---|---|---|---|
| | December 31 | September 30 | June 30 | March 31 |
| Revenues | 8.3 | 7.7 | 6.3 | 1.1 |
| Net profit/(loss) | 1.0 | 2.5 | 0.8 | (4.7) |
| Net profit/(loss) per share (basic and diluted) | 0.00 | 0.01 | 0.00 | (0.01) |
| Weighted average number of outstanding shares | 431 | 428 | 421 | 404 |

| | 2011 | | | |
|---|---|---|---|---|
| | 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 profit/(loss) per share (basic and diluted) | 0.01 | (0.01) | (0.00) | (0.01) |
| Weighted average number of outstanding shares | 387 | 378 | 373 | 356 |

## 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, 2012, and 2011.

| | 2012 | 2011 |
|---|---|---|
| Revenues | **8,322** | 8,423 |
| Operating expenses | **6,870** | 4,735 |
| Operating profit (loss) | **1,452** | 3,688 |
| Gain (Loss) on foreign exchange | **(115)** | 42 |
| Loss on disposition and impairment of assets | **(12)** | (59) |
| Finance costs | **(379)** | (318) |
| Share of net profit in an associated company | **69** | - |
| Net profit | **1,015** | 3,355 |
| Net profit (loss) attributable to the owners of the parent | **1,036** | (1,951) |
| Basic and diluted profit (loss) per share attributable to the owners of the parent | **0.00** | 0.01 |

Revenues for the fourth quarter of 2012 were $8.3 million, similar to revenues of the same quarter of 2011. Operating expenses were $6.9 million for the fourth quarter of 2012 compared to $4.7 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.

Cash inflows from operating activities were $1.2 million compared to a cash outflows of $0.3 million for the same period in 2011. This increase was attributed to non monetary licensing revenues in 2011.

Cash outflows from financing activities were $0.1 million in 2012 compared to cash inflows of $1.3 million in the fourth quarter of 2011. This is mainly attributed to the repayable government grant, the other loan and the proceeds from the shares issued in 2011.

## 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, 2012 are included in the contractual obligations table above.

One letter of credit amounting to $130,000 was issued to the lessor of our facility in Maryland as collateral for our performance of obligations under the leases. This letter of credit is collateralized by a guaranteed investment certificate for the same amount. The guaranteed investment certificate related to the letter of credit has been classified as restricted cash.

## CONTINGENT LIABILITY

During the year 2012, the Company was served with a lawsuit in the Federal Court of Canada (Court) relating to a claim for infringement of two patents held by a third party plaintiff. The Company instructed outside legal counsel to prepare, serve and file a statement of defense on the infringement claims, in addition to a counterclaim requesting that the Court declare both patents invalid and unenforceable. Since the plaintiff has claimed unspecified damages and none of the allegations in the claim provide any information as to the basis upon which the plaintiff would be claiming monetary compensation and on the basis that the Company does not believe that this claim will be successful, the Company has not taken a provision in the consolidated financial statements.

## CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements requires the use of judgment, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures. The uncertainty that is often inherent in estimates and assumptions could result in outcomes that result in material adjustments to assets or liabilities affected in future periods.

During the year ended December 31, 2012, the Company signed revenue agreements which provided for, among other payments, upfront payments in exchange for licenses and other access to intellectual property. This required careful judgment whether these payments were received in exchange for the provision of goods or services which had stand-alone value to the customer.

In determining that the Company did not control, but had only significant influence in the investment in an associated company described in note 10, consideration was given to the composition of the entity's board of directors and the manner in which key operating and financing decisions were to be made. Had the Company reached the conclusion that it controlled the investment would have required that its assets and liabilities and results of operations be consolidated with those of the Company, along with the elimination of all inter-company transactions.

The functional currency of foreign subsidiaries is reviewed on an ongoing basis to assess if changes in the underlying transactions, events and conditions have result in a change. During the year ended December 31, 2012 and 2011, no changes were deemed necessary. In addition, judgment is applied the treatment and amount of the currency translation of inter-company loans in order to determine if they form part of the parent company's net investment in the foreign subsidiary. This treatment results in foreign currency adjustments from translation recorded in other comprehensive (loss) income.

Whether an asset is impaired requires management to determine whether there is an indication of impairment based on the consideration of external and internal indicators. If an indication of impairment exists, management must determine if the carrying value of the asset exceeds its recoverable amount. The Company's Therapeutics segment has approximately 34% of the Company's aggregate capital assets and licenses and patents (2011 - 36%) for which a nominal amount of revenue was recognized in 2012 and 2011. Supporting a judgment that the indicators of the impairment of these assets are not present is an assessment of detailed business plans and recent business development activity directly related to these assets.

The Company received its previous assumptions in relation to the useful life of its assets and concluded that no changes were required.

The fair value of the restricted stock units discussed in note 20 e) of the December 31, 2012 consolidated financial statements is based on an estimate of the probability of the successful achievement of a number of performance conditions, as well as the timing of their achievement. The final expense is only determinable when the outcome is known, which will be in 2013. The estimated expense of $140,000 (2011 - $113,000) recorded during the year ended December 31, 2012 is recorded in the Corporate Segment.

As described in note 18 (b) to the December 31, 2012 consolidated financial statements, when the terms of a loan are modified, it is often accounted for as a derecognition of the carrying value of the pre-modified loan and the recognition of a new loan at fair value. In the determination of fair value, the Company uses a discounted cash flow technique which includes inputs that are not based on observable market data and inputs that are derived from observable market data. In the case of its loan modifications, where available, the Company seeks comparable interest rates. If unavailable, it uses those rates considered appropriate for the risk profile of a company in the industry. During the year ended December 31, 2012, the Corporate segment recorded an extinguishment loss of $497,000 (2011 – $387,000)

## RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation. Details of transactions between the Company and other related parties are disclosed in the notes of the December 31, 2012 consolidated financial statements.

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

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

In conjunction with the above, the Company 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 $2.3 million plus interest and penalties, without taking into consideration the net proceeds arising from the disposal of the 9,500,000 pledged shares of the Company. The Company has not required any consideration in exchange for this Guarantee.

As at December 31, 2012 and 2011, no receivable from the borrower was recorded in the consolidated financial statements 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. On March 7, 2013, the Company and Invhealth Holding Inc. entered into a Re-Amended and Restated Loan Agreement pursuant to which the term of the loan was changed from March 31, 2013 to March 31, 2016, subject to shareholder approval.

Included in the trade and other payables in the statement of financial position is an amount of $46,000 due to a manager of the Company as at December 31, 2012 ($35,000 as at December 31, 2011).

Following a consulting agreement entered into with a director of the Company, success fees of 5% of the relevant proceeds received by the Corporation, for a total of $600,000 are payable to said director. As at December 31, 2012, $500,000 remained unpaid (nil for the year ended December 31, 2011). However, pursuant to the terms and conditions of said consulting agreement, the Company will not be required to pay more than $250,000 per year to said director pursuant to said agreement. The remaining amounts owed will be paid over the coming years and all payments will be subject to the previously mentioned $250,000 annual cap.

During the year ended December 31, 2012, the Company provided development services to NantPro and recognized revenues from the rendering of services of $1.5 million. As at December 31, 2012, the Company had a balance receivable from NantPro of $438,000.

## FINANCIAL INSTRUMENTS

### 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 a 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 a 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 its foreign exchange risk by holding foreign currencies to support forecasted cash outflows in foreign currencies. The majority of the Company's revenues are in US dollars and in pound sterling which mitigates foreign exchange risk.

## RISK FACTORS

For a more detailed discussion of risk factors which could impact the Company's results of operations and financial position, please refer to its Annual Information Form filed on www.sedar.com

## OVERSIGHT OF RELIABILITY OF DISCLOSURES

### DISCLOSURE CONTROLS AND PROCEDURES

The Company's Chief Executive Officer, as of March 25, 2013, and its Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures. They are assisted in this responsibility by the other Officers of the Company. This group requires that it be fully appraised of any material information affecting the Company so that it may evaluate and discuss this information and determine the appropriateness and timing of public release.

The Chief Executive Officer and the Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures as at December 31, 2012, have concluded that the Company's disclosure controls and procedures are adequate and effective to ensure that material information relating to the Company and its subsidiaries would have been known to them.

### INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal control over financial reporting ("ICFRs") are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and compliance with IFRS in its financial statements. The Company's Chief Executive Officer and Chief Financial Officer, together with other members of management have designed and evaluated the ICFRs to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. This design evaluation included documentation activities, management inquiries and other reviews as deemed appropriate by management in consideration of the size and the nature of the Company's business. As at December 31, 2012, management assessed the effectiveness of the Company's ICFRs and, based on that assessment, concluded that the Company's ICFRs was effective and that there were no material weaknesses in our ICFRs.

## 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, 2012 and 2011, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, 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, 2012 and 2011, and its financial performance and its cash flows for the years then ended 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 $424,000 during the year ended December 31, 2012 and as of that date, the Company had an accumulated deficit of $246,470,000. 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

Montreal, Canada
March 25, 2013

[1] CPA auditor, CA public accountancy permit no. A120254

## 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, 2012 | As at December 31, 2011 |
|---|---|---|
| ASSETS (note 18) | | |
| Current assets | | |
| Cash | $ 1,205 | $ 275 |
| Accounts receivable (note 6) | 4,750 | 1,438 |
| Share subscription receivable (note 20) | 9,822 | - |
| Inventories (note 7) | 1,238 | 1,243 |
| Prepaid expenses | 303 | 228 |
| | 17,318 | 3,184 |
| Restricted cash (note 8) | 198 | 233 |
| Other investment (note 9) | 27 | 27 |
| Investment in an associated company (note 10) | 69 | - |
| Capital assets (note 11) | 1,127 | 928 |
| Licenses and patents (note 12) | 4,252 | 4,320 |
| | $ 22,991 | $ 8,692 |
| LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY) | | |
| Current liabilities | | |
| Bank loan and other loan (note 13) | $ 1,636 | $ 752 |
| Trade and other payables (note 14) | 5,094 | 7,091 |
| Promissory notes from shareholders (note 15) | 250 | 817 |
| Deferred revenues (note 16) | 2,355 | 447 |
| Repayable government grants and finance lease obligations (note 17) | 560 | 733 |
| Current portion of long-term debt provided by shareholders (note 18) | 600 | 750 |
| Current portion of advance on revenues from a supply agreement (note 19) | 2,576 | 1,223 |
| | 13,071 | 11,813 |
| Long-term portion of lease inducement | 226 | 183 |
| Long-term portion of government grant and finance lease obligations (note 17) | 4 | 13 |
| Long-term debt provided by shareholders (note 18) | 3,417 | 3,411 |
| Advance on revenues from a supply agreement (note 19) | 454 | 1,840 |
| | 17,172 | 17,260 |
| SHAREHOLDERS' EQUITY (DEFICIENCY) | | |
| Share capital (note 20) | 224,741 | 220,777 |
| Share capital to be issued (note 20 a) | 9,822 | - |
| Contributed surplus | 11,762 | 10,132 |
| Future investment rights | 6,542 | 6,542 |
| Accumulated other comprehensive income | 207 | 159 |
| Deficit | (246,470 ) | (246,051 ) |
| Equity (deficiency) attributable to owners of the parent | 6,604 | (8,441 ) |
| Non-controlling interests | (785 ) | (127 ) |
| | 5,819 | (8,568 ) |
| | $ 22,991 | $ 8,692 |

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

Commitments (note 24)
Contingencies (note 31)
Subsequent events (note 32)

On behalf of the Board Director Director

## 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, | |
|---|---|---|
| | **2012** | 2011 |
| **Revenues** (note 5) | **$23,321** | $17,589 |
| **Expenses** | | |
| Costs of goods sold | **5,326** | 1,854 |
| Research and development expenses rechargeable | **2,647** | 1,351 |
| Research and development expenses non-rechargeable | **7,663** | 9,879 |
| Administration and marketing expenses | **5,966** | 5,789 |
| Loss on foreign exchange | **116** | 140 |
| Impairment of licenses and patents | **49** | 68 |
| Impairment of other investment (note 9) | **-** | 25 |
| Loss on extinguishment of debt (note 18) | **497** | 387 |
| Finance costs (note 23) | **1,483** | 1,363 |
| Share of net profit of an associated company (note 10) | **(2)** | - |
| **Net loss** | **($424)** | ($3,267) |
| **Other comprehensive loss** | | |
| Change in unrealized exchange differences on translation of financial statements of foreign subsidiaries | **48** | (96) |
| **Total comprehensive loss** | **($376)** | ($3,363) |
| **Net loss attributable to:** | | |
| Owners of the parent | **234** | ($2,554) |
| Non-controlling interests | **(658)** | (713) |
| | **($424)** | ($3,267) |
| **Total comprehensive loss attributable to:** | | |
| Owners of the parent | **$282** | ($2,650) |
| Non-controlling interests | **(658)** | (713) |
| | **($376)** | ($3,363) |
| **Earnings (Loss) per share** | | |
| Basic and diluted earnings (loss) per share attributable to the owners of the parent | **$0.00** | ($0.01) |
| **Weighted average number of outstanding shares (in thousands)** | **421,073** | 373,635 |

For supplemental operations information, see note 23

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

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)

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

| | | Contributed Surplus | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Stock-based compensation | Warrants | Foreign currency translation reserve | Future investment rights | Deficit | Total | Non-controlling interets | Total deficiency |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| Balance at January 1st, 2011 | 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 interest | - | - | - | - | - | - | - | 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 20 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)** |
| **Loss for the year** | **-** | **-** | **-** | **-** | **-** | **234** | **234** | **(658)** | **(424)** |
| **Foreign currency translation reserve** | **-** | **-** | **-** | **48** | **-** | **-** | **48** | **-** | **48** |
| **Share issue expenses** | **-** | **-** | **-** | **-** | **-** | **(653)** | **(653)** | **-** | **(653)** |
| **Stock-based compensation** | **-** | **505** | **-** | **-** | **-** | **-** | **505** | **-** | **505** |
| **Issuance of shares (note 20 a)** | **3,964** | **-** | **(56)** | **-** | **-** | **-** | **3,908** | **-** | **3,908** |
| **Share capital to be issued (note 20 a)** | **9,822** | **-** | **-** | **-** | **-** | **-** | **9,822** | **-** | **9,822** |
| **Issuance of warrants** | **-** | **-** | **1,181** | **-** | **-** | **-** | **1,181** | **-** | **1,181** |
| **Balance at December 31, 2012** | **234,563** | **3,216** | **8,546** | **207** | **6,542** | **(246,470)** | **6,604** | **(785)** | **5,819** |

*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, | |
|---|---|---|
| | **2012** | 2011 |
| **Cash flows used in operating activities** | | |
| Net loss | **$(424)** | $(3,267) |
| Adjustments to reconcile net loss to cash flows used in operating activities | | |
| Expenses paid with shares | **45** | 216 |
| Finance costs | **704** | 841 |
| Share of net profit in an associated company | **(2)** | - |
| Impairment of licenses and patents | **49** | 68 |
| Loss on disposal of capital assets | **2** | - |
| Licensing revenues | **(474)** | (10,003) |
| Impairment of an investment | **-** | 25 |
| Finance lease | **-** | 25 |
| Loss on extinguishment of debt | **497** | 387 |
| Stock-based compensation | **505** | 311 |
| Advance on revenues from a supply agreement | **133** | 143 |
| Unrealized foreign exchange loss (gain) | **2** | (14) |
| Depreciation of capital assets | **301** | 322 |
| Amortization of license and patents | **478** | 436 |
| | **1,816** | (10,510) |
| Change in working capital items (note 28) | **(3,949)** | 3,148 |
| | **(2,133)** | (7,362) |
| **Cash flows from financing activities** | | |
| Proceeds from share and warrant issuance | **3,270** | 4,827 |
| Shares issued to non-controlling interest | **-** | 1,500 |
| Share issue expenses | **(122)** | (59) |
| Interest paid | **286** | 107 |
| Promissory notes from shareholders | **100** | 997 |
| Issuance of bank and other loans | **884** | 752 |
| Issuance of a repayable government grant | **-** | 1,162 |
| Issuance of a long-term debt provided by a shareholder | **-** | 500 |
| Repayment of promissory notes from shareholders | **(260)** | (180) |
| Repayment of a repayable government grant and finance leases | **(226)** | (462) |
| Repayment of other loan | **-** | (652) |
| Repayment of the advance on revenues from a supply agreement | **(238)** | - |
| | **3,694** | 8,492 |
| **Cash flows used in investing activities** | | |
| Disposal of an investment | **35** | - |
| Additions to capital assets | **(487)** | (371) |
| Additions to licenses and patents | **(267)** | (655) |
| | **(719)** | (1 026) |
| Net change in cash during the year | **842** | 104 |
| Net effect of currency exchange rate on cash | **88** | (81) |
| Cash, beginning of the year | **275** | 252 |
| **Cash, end of the year** | **$1,205** | $275 |

For supplemental cash flow information, see note 28

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

## 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 on the basis of the going concern assumption, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. The use of these principles may not be appropriate because, as at December 31, 2012, there is significant doubt that the Company will be able to continue as a going concern without achieving profitable operations or raising additional financial resources. Since inception, the Company has incurred losses and has an accumulated deficit of $246,470 as at December 31, 2012. To date, the Company has financed its activities through collaboration and licensing agreements, bank loans, government financial support, investment tax credits and the issuance of debt and equity. Subsequent to December 31, 2012, the Company received the share subscription receivable of $9,822 from a strategic equity investment with Shenzhen Hepalink Pharmaceuticals Co. Ltd. (see note 20) and completed the renegotiation of the repayment terms of $4,000 of the long-term debt provided by shareholders (note 15). While this provides improvement in the Company's near-term liquidity, the Company's committed cash obligations and expected level of expenditures for the next 12 months exceed its committed sources of funds.

The Company's ability to continue as a going concern is dependent upon its ability to obtain the ongoing support of its lenders and the continued activity of its core business including the advancement of collaboration and licensing agreements for pipeline projects, and raising additional financing either from the issuance of shares or long-term debt on acceptable commercial terms. There can be no assurance of the success of the Company's operations, on its plans to achieve profitability, nor on its access to further financing which may be required to execute these plans.

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 statement of financial position classification used if the Company were unable to continue operations in accordance with the going concern assumption. Such adjustments could be material.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and were authorized for issue by the Board of Directors on March 25, 2013.

### 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.

### c) Functional and presentation currency

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

### d) Basis of consolidation

The consolidated financial statements include the accounts of ProMetic Life Sciences Inc., and those of its subsidiaries ProMetic BioSciences Inc., ProMetic BioProduction Inc. (also referred to as "Newco"), ProMetic BioSciences (USA), Inc., ProMetic BioSciences Ltd., ProMetic BioTherapeutics Inc., ProMetic BioTherapeutics Ltd., 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.

### e) Investment in an associated company

The Company's investment in its associate, NantPro BioSciences, LLC ("NantPro") is accounted for using the equity method. An associate is an entity in which the Company has significant influence. Under the equity method, the investment in the associate is carried on the consolidated statement of financial position at cost plus post acquisition changes in the Company's share of net assets of the associate.

The consolidated statement of operations and comprehensive loss reflects the Company's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in shareholder's equity (deficiency). Profits and losses resulting from transactions between the Company and the associate are recognized in the Company's consolidated financial statements only to the extent of unrelated investors' interests in the associate.

After application of the equity method, the Company determines whether it is necessary to recognise an additional impairment loss on its investment in its associate. The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of profit of an associate' in the consolidated statement of operations.

Upon loss of significant influence over the associate, the Company measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

### 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 and share subscription receivable, excluding tax credits receivable and sales taxes receivable, are classified as loans and receivables. They are initially recognized at fair value and subsequently carried at amortized cost using the effective interest 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, repayable government grants and advance on revenues from a supply agreement are classified as other financial liabilities. They are measured at amortized cost using the effective interest method.

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

Impairment of 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.

### 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.

### h) Capital assets

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

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 |
| Equipment 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.

### i) 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.

### j) 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.

### k) 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.

### l) 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.

### m) 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.

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 recognised 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 recognised in the consolidated statement of operations and comprehensive loss.

### n) 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.

### o) 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.

### p) Share issue expenses

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

### q) 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. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTY

The preparation of these consolidated financial statements requires the use of judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures. The uncertainty that is often inherent in estimates and assumptions could result in material adjustments to assets or liabilities affected in future periods.

**Significant judgments**

**Revenue recognition**

During the year ended December 31, 2012, the Company signed revenue agreements which provided, among other payments, upfront payments in exchange for licenses and other access to intellectual property. This required careful judgment to assess whether these payments were received in exchange for the provision of goods or services which had stand-alone value to the customer.

**Consolidated financial statements**

In determining that the Company did not control, but had only significant influence in the investment in an associated company described in note 10, consideration was given to the composition of the entity's board of directors and the manner in which key operating and financing decisions will be made. A conclusion that the Company controlled the investment would have required that its assets and liabilities and results of operations be consolidated with those of the Company, along with the elimination of all inter-company transactions.

**Functional currency**

The functional currency of foreign subsidiaries is reviewed on an ongoing basis to assess if changes in the underlying transactions, events and conditions have resulted in a change. During the year ended December 31, 2012, no changes were deemed necessary. In addition, judgment is applied the treatment and amount of the currency translation of inter-company loans in order to determine if they form part of the parent company's net investment in the foreign subsidiary. This treatment results in foreign currency adjustments from translation recorded in other comprehensive (loss) income.

**Impairment of tangible and intangible assets**
Whether an asset is impaired requires management to determine whether there is an indication of impairment based on the consideration of external and internal indicators. If an indication of impairment exists, management must determine if the carrying value of the asset exceeds its recoverable amount.

The Company's Therapeutics segment has approximately 34% of the Company's aggregate capital assets and licenses and patents (2011 - 36%) for which a nominal amount of revenue was recognized in 2012 and 2011. Supporting a judgment that the indicators of the impairment of these assets are not present is an assessment of detailed business plans and recent business development activity directly related to these assets.

The Company rewiewed its previous assumptions in relation to the useful life of its assets and concluded that no changes were incurred.

**Estimates and assumptions**

**Fair value of restricted stock units**
The fair value of the restricted stock units discussed in note 20 e) based on an estimation of the probability of the successful achievement of a number of performance conditions, as well as the timing of their achievement. The final expense is only determinable when the outcome will be known, which will be in 2013.

**Accounting for loan modifications**
As described in note 18 (b), when the terms of a loan are modified, it is often accounted for as a derecognition of the carrying value of the pre-modified loan and the recognition of a new loan at fair value. In the determination of fair value, the Company uses a discounted cash flow technique which includes inputs that are not based on observable market data and inputs that are derived from observable market data. In the case of its loan modifications, where available, the Company seeks comparable interest rates. If unavailable, it uses those considered appropriate for the risk profile of a company in the industry.

## 4. 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.

**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.

## 5. REVENUES

| | Year ended December 31, 2012 | Year ended December 31, 2011 |
|---|---|---|
| Revenues from the sale of goods | $ 11,548 | $ 5,198 |
| Revenues from the rendering of services | 5,343 | 2,388 |
| Licensing revenues | 6,430 | 10,003 |
| | 23,321 | 17,589 |

See note 29 for an analysis of revenues by major products and services.

## 6. ACCOUNTS RECEIVABLE

| | 2012 | 2011 |
|---|---|---|
| Trade | $ 2,622 | $ 207 |
| Tax credits receivable (note 13) | 1,893 | 1,102 |
| Sales taxes receivable | 149 | 87 |
| Other | 86 | 42 |
| | $ 4,750 | $ 1,438 |

## 7. INVENTORIES

| | 2012 | 2011 |
|---|---|---|
| Raw materials | $ 730 | $ 611 |
| Work in progress and finished goods | 508 | 632 |
| | $ 1,238 | $ 1,243 |

During the year ended December 31, 2012, total inventories in the amount of $ 5,326 ($1,854 for the year ended December 31, 2011) were recognized as cost of goods sold.

## 8. RESTRICTED CASH

The restricted cash is composed of a guaranteed investment certificate, bearing interest at 0.35% per annum (two guaranteed investment certificates at December 31, 2011, bearing interest at 1.0% and 0.25%, respectively), pledged as collateral for a letter of credit to a landlord in the amount of $130 as at December 31, 2012 ($168 as at December 31, 2011 for two letters of credit), which automatically renews until the end of the lease. Restricted cash also includes a Grant Treasury Deposit for a total of $68 as at December 31, 2012 ($65 as at December 31, 2011), pledged in favour of the Isle of Man government for grants received.

## 9. OTHER 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, 2012, no impairment was recorded to the investment ($25 for the year ended December 31, 2011).

## 10. INVESTMENT IN AN ASSOCIATED COMPANY

On June 29, 2012, the Company and an unrelated partner established an entity, NantPro BioSciences, LLC ("NantPro") for the purposes of developing and commercialising a plasma-derived biopharmaceutical product for the US market.

At inception, in exchange for 66.66% of the equity units in NantPro, the Company contributed a license to certain of its intellectual property. The other investor in NantPro, NantWorks LLC ("NantWorks"), contributed $2,548 (US$ 2,500,000) in exchange for 33.33% of the equity units. The Company measured the initial cost of its investment in NantPro based on the implied fair value of its contribution to the extent attributable to the other investor. Consequently, the initial cost of the investment amounted to $1,699 (US$1,667,000), with a corresponding recognition of licensing revenue. Concurrent with the initial investment, the Company also granted access to a specific protein to NantPro (the "Technology Access Fee") for a non-refundable amount of $2,549 (US$ 2,500,000). Of this sum, $102 (US$ 100,000) has been deferred as at December 31,2012. The Company recognized $815 (US$ 800,160) as licensing revenue, which is based on the extent of the other investor's interest. The balance of $1,632 (US$ 1,599,840) was recorded as a reduction in the carrying amount of the investment.

As a result of the composition of Nantpro's board membership, the manner and timing in which substantive financing and operation decisions will be made, and that NantWorks has the current right to make additional capital contributions that could ultimately decrease the Company's investment to 10% of the equity units. The Company has determined that it does not control the investment, but does have the ability to exercise significant influence and will therefore account for it as an associate. The contributions will be used by NantPro to pay the Company to carry out the development and manufacturing costs of a plasma-derived product. The additional capital contributions by NantWorks will result in dilution gains or losses and corresponding adjustments in the carrying value of the investment.

During the year ended December 31, 2012, the Company provided development services to NantPro and recognized revenues from the rendering of services of $1,549. As at December 31, 2012, the Company had a balance receivable from NantPro of $438.

The unaudited summarized financial information of NantPro as at December 31, 2012 is as follows:

| | |
|---|---|
| Current assets | $86 |
| Non-current assets | 7,375 |
| Current liabilities | - |
| Non-current liabilities | - |
| Equity | 7,461 |

The Company's share of NantPro's loss and other adjustments to the carrying amount of its investment for the year ended December 31, 2012 are as follows:

| | 2012 |
|---|---|
| Carrying amount of the investment - January 1 | - |
| Initial investment | $67 |
| Activity during the year: | |
| Share of net losses | (952) |
| Net dilution gains | 954 |
| Share of net profit of an associated company | 2 |
| Carrying amount of the investment - December 31 | 69 |

## 11. CAPITAL ASSETS

| | Leasehold improvements | Equipment and tools | Office equipment and furniture | Computer Equipment | Total |
|---|---|---|---|---|---|
| **Cost** | $ | $ | $ | $ | $ |
| Balance at January 1, 2011 | 2,168 | 3,227 | 512 | 677 | 6,584 |
| Additions | 224 | 63 | 71 | 13 | 371 |
| Disposals | (29) | (87) | (19) | (23) | (158) |
| Effect of foreign exchange differences | 36 | 27 | 2 | 7 | 72 |
| **Balance at December 31, 2011** | **2,399** | **3,230** | **566** | **674** | **6,869** |
| Additions | **-** | **461** | **6** | **24** | **491** |
| Disposals | **(5)** | **-** | **-** | **(27)** | **(32)** |
| Effect of foreign exchange differences | **47** | **43** | **4** | **5** | **99** |
| **Balance at December 31, 2012** | **2,441** | **3,734** | **576** | **676** | **7,427** |
| **Depreciation and impairment losses** | | | | | |
| Balance at January 1, 2011 | 2,087 | 2,640 | 423 | 551 | 5,701 |
| Depreciation charge for the year | 59 | 129 | 77 | 57 | 322 |
| Disposals | (29) | (87) | (19) | (23) | (158) |
| Effect of foreign exchange differences | 35 | 32 | 2 | 7 | 76 |
| **Balance at December 31, 2011** | **2,152** | **2,714** | **483** | **592** | **5,941** |
| Depreciation charge for the year | **62** | **182** | **22** | **35** | **301** |
| Disposals | **(5)** | **-** | **-** | **(25)** | **(30)** |
| Effect of foreign exchange differences | **47** | **32** | **4** | **5** | **88** |
| **Balance at December 31, 2012** | **2,256** | **2,928** | **509** | **607** | **6,300** |
| **Carrying amounts** | | | | | |
| At December 31, 2011 | 247 | 516 | 83 | 82 | 928 |
| **At December 31, 2012** | **185** | **806** | **67** | **69** | **1,127** |

During the year ended December 31, 2012, the Company recorded a loss on disposal of capital assets of $2 (nil for the year ended December 31, 2011).

The unpaid capital assets as at December 31, 2012 was $4 (nil for the year ended December 31, 2011).

## 12. LICENSES AND PATENTS

| | Licenses | Patents | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Cost** | | | |
| Balance at January 1, 2011 | 3,831 | 3,118 | 6,949 |
| Additions | - | 655 | 655 |
| Impairment | - | (83) | (83) |
| Effect of foreign exchange differences | 9 | 32 | 41 |
| **Balance at December 31, 2011** | **3,840** | **3,722** | **7,562** |
| Additions | **-** | **420** | **420** |
| Impairment | **-** | **(63)** | **(63)** |
| Effect of foreign exchange differences | **10** | **44** | **54** |
| **Balance at December 31, 2012** | **3,850** | **4,123** | **7,973** |
| **Accumulated amortization and impairment** | | | |
| Balance at January 1, 2011 | 2,228 | 585 | 2,813 |
| Amortization expense | 231 | 205 | 436 |
| Impairment | - | (15) | (15) |
| Effect of foreign exchange differences | 3 | 5 | 8 |
| **Balance at December 31, 2011** | **2,462** | **780** | **3,242** |
| Amortization expense | **231** | **247** | **478** |
| Impairment | **-** | **(14)** | **(14)** |
| Effect of foreign exchange differences | **5** | **10** | **15** |
| **Balance at December 31, 2012** | **2,698** | **1,023** | **3,721** |
| **Carrying amounts** | | | |
| At December 31, 2011 | 1,378 | 2,942 | 4,320 |
| **At December 31, 2012** | **1,152** | **3,100** | **4,252** |

During the ended December 31, 2012, an amount of $49 was written off for patents ($68 for the year ended December 31, 2011) following its monthly impairment reviews, which was conducted in order to identify licenses and patents that are no longer used by the Company. The unpaid licenses and patents as at December 31, 2012 was $153 (nil for the year ended December 31, 2011).

## 13. BANK AND OTHER LOANS

| | 2012 | 2011 |
|---|---|---|
| Bank loan for an authorized amount of $803 (500,000 GBP) bearing interest at 10 % and repayable in equal monthly instalments of $67 (41,250 GBP) over a 12 month period with the final payment due on December 30, 2013. The loan was made to a subsidiary of the Company, ProMetic BioSciences Ltd, and is also guaranteed by the Company. | $ 803 | $ - |
| Loan from Investissement Québec for an authorized amount of $833 in 2012 ($752 in 2011) related to research and development tax credits (see note 6), collateralized by a hypothec for that amount on all present and future research and development tax credits bearing interest at prime plus 4 % (7% as at December 31, 2012 and 2011). The loan is repayable upon receipt of the tax credits (1). | 833 | 752 |
| | $ 1,636 | $ 752 |

(1) The loan from Investissement Québec is collateralized by a personal guarantee provided by an officer who is also a director of the Company. The loan was repaid in full in February 2013 upon receipt of research and development tax credits (note 32).

## 14. TRADE AND OTHER PAYABLES

| | 2012 | 2011 |
|---|---|---|
| Trade | $ 2,353 | $ 4,431 |
| Other payables | 2,741 | 2,660 |
| | $ 5,094 | $ 7,091 |

The other payables consist principally of accruals in relation to trade payables. Smaller sums relating to salaries payable, vacation payable and statutory benefit payable are also included.

## 15. PROMISSORY NOTES FROM SHAREHOLDERS

During the year ended December 31, 2012, the Company signed an unsecured promissory note in favor of a shareholder for a total amount received of $100 ($997 for the year ended December 31, 2011).

A total of $667 was reimbursed to shareholders during the year ended December 31, 2012 ($180 was reimbursed during the year ended December 31, 2011). Included in this total is a promissory note of $407 that was retired by the lender as partial-consideration toward the Technology Access Fee (note 10). The balance of that Technology Access Fee was paid in cash.

All promissory notes are payable on demand, are unsecured and bear interest at a rate of 12% (weighted average rate of 9% as at December 31, 2011).

## 16. DEFERRED REVENUES

| | 2012 | 2011 |
|---|---|---|
| Deferred service revenues | $ 589 | $ 160 |
| Deferred product sales | 1,666 | 287 |
| Deferred license fees | 100 | - |
| | $ 2,355 | $ 447 |

## 17. REPAYABLE GOVERNMENT GRANTS AND FINANCE LEASE OBLIGATIONS

(a) Repayable government 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 was repayable in six equal monthly 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 against revenues from a $4,000 follow-on purchase order pursuant to a long-term supply agreement entered into with a customer in 2009. This grant of GBP 500,000 bears interest at 5% per annum. Both grants were renegotiated into a single instrument, during the second quarter of 2012 which is now repayable, in one installment, no later than February 23, 2013 and bears interest at 5%. The funds have been granted for working capital purposes in a subsidiary of the Company, ProMetic Biosciences Limited. Subsequent to December 31, 2012, the loan was renegotiated (note 32).

As at December 31, 2012, an amount of $551 (GBP 340,858) ($720 (GBP 456,246) as at December 31, 2011) was outstanding.

(b) Finance lease obligations

Obligations under finance leases of $13 bearing interest at 1.08% (from 1.08% to 13.87% as at December 31, 2011), payable in monthly installments of $0.7 ($0.4 to $0.7 as at December 31, 2011) and maturing in July 2014 (from August 2012 to July 2014 as at December 31, 2011).

## 18. LONG-TERM DEBT PROVIDED BY SHAREHOLDERS

| | 2012 | 2011 |
|---|---|---|
| Loans from a director (a) | $ 600 | $ 750 |
| Other loans (b) | 3,417 | 3,411 |
| | 4,017 | 4,161 |
| Less: current portion of long-term debt | 600 | 750 |
| | $ 3,417 | $ 3,411 |

(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. During the year ended December 31, 2012, an amount of $150 plus interest of $34 due under the loan was reimbursed to the director by issuing 1,373,572 shares.

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. During the year ended December 31, 2012, an amount of $100 representing the fees of $45 and $55 of interest due under the debt were reimbursed to the director by issuing 768,036 shares.

The Company granted a second rank hypothec on the universality of the movable property of 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, the Company 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.

On December 31, 2011, the Company and the lender signed a letter of intent to extend the maturity date 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 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 $124. The fair value of $638 was estimated using discounted future cash flows and the residual was allocated to the warrants and shares in the amounts of $237 and $125, respectively. The carrying value of the loan as at December 31, 2012 was $854 ($853 as at December 31, 2011).

On December 31, 2012, the Company and the lender signed a letter of intent to extend the maturity date of the debt from July 1, 2013 to July 1, 2014 for consideration to be mutually agreed upon within 60 days of the signing of the letter of intent. On February 20th, 2013, the repayment terms were formally renegotiated and the Company agreed to issue to the lender 260,869 fully paid common shares and 188,679 warrants with an exercise price of $0.53 per share, exercisable for a period of two 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, 2012. The renegotiation will be accounted for as a debt extinguishment for accounting purposes in February 2013.

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.

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.

On December 31, 2011, the Company and the lender signed a letter of intent to extend the maturity date 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 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 $62. The fair value of $319 was estimated using discounted future cash flows and the residual was allocated to the warrants and shares in the amounts of $119 and $62, respectively. The carrying value of the loan as at December 31, 2012 was $428 ($426 as at December 31, 2011).

On December 31, 2012, the Company and the lender signed a letter of intent to extend the maturity date of the debt from July 1, 2013 to July 1, 2014 for consideration to be mutually agreed upon within 60 days of the signing of the letter of intent. On February 20th, 2013, the repayment terms were formally renegotiated and the Company agreed to issue to the lender 130,434 fully paid common shares and 94,340 warrants with an exercise price of $0.53 per share, exercisable for a period of two 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, 2012. The renegotiation will be accounted for as a debt extinguishment for accounting purposes in February 2013.

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. 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.

On December 31, 2011, the Company and the lender signed a letter of intent to extend the maturity date 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 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 $62. The fair value of $319 was estimated using discounted future cash flows and the residual was allocated to the warrants and shares in the amounts of $119 and $62, respectively. The carrying value of the loan as at December 31, 2012 was $428 ($426 as at December 31, 2011).

On December 31, 2012, the Company and the lender signed a letter of intent to extend the maturity date of the debt from July 1, 2013 to July 1, 2014 for consideration to be mutually agreed upon within 60 days of the signing of the letter of intent. On February 20th, 2013, the repayment terms were formally renegotiated and the Company agreed to issue to the lender 130,435 fully paid common shares and 94,339 warrants with an exercise price of $0.53 per share, exercisable for a period of two 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, 2012. The renegotiation will be accounted for as a debt extinguishment for accounting purposes in February 2013.

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.

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.

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, for both loans, a total of 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 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 $249. The fair values of the loans in the amount of $1,276 were estimated using discounted future cash flows and the residual was allocated to the warrants and shares in the amounts of $474 and $250, respectively. The carrying values of the loans as at December 31, 2012 were $1,707 ($1,706 as at December 31, 2011).

On December 31, 2012, the Company and the lender signed a letter of intent to extend the payment terms of the debt from July 1, 2013 to July 1, 2014 for consideration to be mutually agreed upon within 60 days of the signing of the letter of intent. On February 20th, 2013, the repayment terms were formally renegotiated and the Company agreed to issue to the lender 521,738 fully paid common shares and 377,359 warrants with an exercise price of $0.53 per share, exercisable for a period of two 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, 2012. The renegotiation will be accounted for as a debt extinguishment for accounting purposes in February 2013.

The combined effect of the renegotiations that occurred in February 2012 and described in 1) to 4) above was a total loss on extinguishment of debt of $497 ($387 for 2011).

5) Loan of US$10,000,000 ($10,700) from Abraxis, originally issued in February 2010. The loan bore interest at a rate of 5% and was reimbursable in five annual installments. Abraxis had 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.

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 for an amount ranging from 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 deferred revenues and recognized in revenues upon meeting the required milestones.

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 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).

## 19. ADVANCE ON REVENUES FROM A SUPPLY AGREEMENT

Advance on revenues from a supply agreement for an initial amount of $3,400 (GBP 2,000,000) that could reach an amount of $4,250 (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 as revenues are 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 as a percentage of the expected product sales in the coming 12 months using forecasts from the customer, under the supply agreement. During the year ended December 31, 2012, a net reduction in the advance in the amount of $238 was made related to products supplied under the agreement. During the year ended December 31, 2011, no products were supplied by the Company; as such there was no reduction in the advance in 2011.

## 20. 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.

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | Number | Amount | Number | Amount |
| Issued and fully paid common shares | 432,531,873 | $ 225,191 | 396,193,349 | $ 221,227 |
| Share purchase loan to an officer, without interest and due February 15, 2013 (*) | | (450) | | (450) |
| Balance at end of the period | | $ 224,741 | | $ 220,777 |

(*) The share purchase loan to an officer was extended for 45 days, having a new maturity date of February 15, 2013. The terms of the loan were again renegotiated on March 7, 2013, subject to shareholder approval, as described in note 32.

a) **Share capital:**

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

| | Number of shares | Amount |
|---|---|---|
| **Issued and fully paid** | | |
| Balance at January 1, 2011 | 353,164,339 | $215,266 |
| Issued for cash | 36,322,272 | 4,602 |
| Issued in relation to debt renegotiation (note 18) | 4,508,499 | 676 |
| Payment of expenses | 2,098,239 | 216 |
| Exercise of options | 100,000 | 17 |
| Balance at December 31, 2011 | 396,193,349 | $220,777 |
| Issued for cash | 28,499,996 | $ 2,903 |
| Issued in relation to debt renegotiation (note 18) | 3,840,000 | 499 |
| Reimbursment of principal, interest and fees related to loans from a director | 2,141,608 | 284 |
| Exercise of warrants | 1,125,000 | 191 |
| Payment of expenses | 731,920 | 87 |
| **Balance at December 31, 2012** | 432,531,873 | $224,741 |
| **To be issued** | | |
| Balance at January 1, 2012 | - | $ - |
| Share subscription receivable | 48,147,053 | 9,822 |
| **Balance at December 31, 2012** | 48,147,053 | $ 9,822 |

**2012**

During the year ended December 31, 2012, the Company issued a total of 28,499,996 shares and 6,345,451 warrants for private placements for a total consideration of $3,135. The warrants had an exercise price of $0.18 per share and exercisable for two years. 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 93%, an expected life of two years and a weighted average risk-free interest rate of 1.23%. As a result of these issuances, share capital was increased by an amount of $2,903 and contributed surplus was increased by an amount of $232.

On October 15, 2012, the Company entered into a private placement agreement with a strategic investor to issue 48,147,053 common shares at an agreed upon price of $0.204 per common share, for gross proceeds of approximately $9,822. As the share subscription was receivable at December 31, 2012, the shares were considered to be outstanding, including in the computation of the earnings (loss) per share and the diluted earnings (loss) per share. The share subscription receivable was received and the shares issued on January 7, 2013. The shares are not freely tradable before three years.

In February 2012, the Company issued 3,840,000 common shares following the renegotiation with its lenders to extend the payment terms of the loans as described in note 18.

The Company also issued 2,141,608 shares for the reimbursement of principal, interest and fees related to loans from a director for a total $284 (note 18). The Company issued 1,125,000 shares for the exercise of warrants. As a result of this issuance, the share capital was increased by $191.

Finally, 731,920 shares were issued to suppliers for the payment of $87 of expenses.

Share issue expenses related to the above were $653 and were recorded as an increase of the deficit.

**2011**

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 0.91%, 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.

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 18. A total of 2,098,239 shares were issued for payment of expenses in the amount of $216.

Finally, 100,000 shares were issued for a total consideration of $17, resulting from the exercise of options granted in the past

Share issue expenses related to the above were $59 and were recorded as an increase of the deficit.

**b) Warrants and Rights**

During the year ended December 31, 2012, 2,857,139 warrants with an estimated fair value of $949 were issued in relation to the renegotiation of the loans and 6,345,451 warrants with an estimated fair value of $232 were issued in connection with private placements. As at December 31, 2012, the following warrants and rights to acquire shares were outstanding:

| Warrants and rights to acquire shares | Expiry date | Exercise price |
|---|---|---|
| 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 |
| 909,090 | March 2014 | $0.18 |
| 1,254,545 | April 2014 | $0.18 |
| 3,636,362 | May 2014 | $0.18 |
| 545,454 | June 2014 | $0.18 |
| 2,857,139 | February 2015 | $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 ended December 31, 2012, 9,202,590 warrants were issued having a fair value of $1,181 and expiring from March 2014 to February 2015. During the year ended December 31, 2011, 8,118,684 warrants were issued having a fair value of $999 and expiring in October 2013, November 2013, December 2013 and January 2014.

**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. 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, 2012, the number of options still available to be issued is 2,896,179 (4,116,666 as at December 31, 2011).

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** |
|---|---|---|
| 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 |
| Granted | 3,957,000 | 0.13 |
| Forfeited | (224,929) | 0.19 |
| Expired | (2,511,584) | 0.51 |
| Total number of options as at December 31, 2012 | 12,274,538 | 0.19 |

| 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 | 10,181,621 | 3.33 | 0.15 | 7,081,421 | 0.15 |
| 0.19 - 0.40 | 2,092,917 | 0.70 | 0.40 | 1,804,417 | 0.40 |
| | 12,274,538 | 2.88 | 0.19 | 8,885,838 | 0.20 |

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 weighted average inputs into the model and the resulting grant date fair values were as follows:

| | Years ended December 31, | |
|---|---|---|
| | **2012** | 2011 |
| Expected dividend yield | **$ 0.00** | $ 0.00 |
| Expected volatility of share price | **88.52 %** | 90.16 % |
| Risk-free interest rate | **1.32 %** | 1.72 % |
| Expected life in years | **5 years** | 5 years |
| Weighted average grant date fair value | **$ 0.09** | $ 0.09 |

A compensation expense of $365 was recorded in the stock-based compensation for the year 2012 ($198 for the year 2011) 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 5.35% (5.67% in 2011) 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 its 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 $140 for the year ended December 31, 2012 ($113 for the year ended December 31, 2011) was recorded in the stock-based compensation.

## 21. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below and in other notes accordingly.

**Camofi Guarantee**

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

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

In conjunction with the above, the Company 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 December 31, 2012 and 2011, 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. Subsequent to year-end, on March 7, 2013, the loan was renegotiated, subject to shareholder approval, as described in note 32.

**Other related party transactions**

Included in the trade and other payables in the statement of financial position is an amount of $46 due to a manager of the Company as at December 31, 2012 ($35 as at December 31, 2011).

Following a consulting agreement entered into with a director of the Company, success fees of 5% of the relevant proceeds received by the Corporation, for a total of $600, are payable to said director. As at December 31, 2012, $500 remained unpaid (nil for the year ended December 31, 2011). However, pursuant to the terms and conditions of said consulting agreement, the Company will not be required to pay more than $250 per year to said director pursuant to said agreement. The remaining amounts owed will be paid over the coming years and all payments will be subject to the previously mentioned $250 annual cap.

**Compensation of key management personnel**

The remuneration of directors and other members of key management personnel during the years ended December 31, 2012 and 2011 was as follows:

| | Years ended December 31, | |
|---|---|---|
| | **2012** | 2011 |
| Short-term employee benefits [1] | **2,983** | 1,600 |
| Pension costs | **98** | 96 |
| Stock-based compensation | **366** | 277 |
| | **3,447** | 1,975 |

(1) Short-term employee benefits include all fees paid to directors and for certain senior management employees, salaries, bonuses and the cost of other employee benefits.

## 22. CAPITAL DISCLOSURES

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Bank and other loans | $ 1,636 | $ 752 |
| Promissory notes from shareholders | 250 | 817 |
| Repayable government grants and finance lease obligations | 564 | 746 |
| Long-term debt provided by shareholders | 4,017 | 4,161 |
| Shareholder's equity (deficiency) | 5,819 | (8,568) |
| Cash | (1,205) | (275) |
| | $ 11,081 | $ (2,367) |

The Company's objective in managing capital is to ensure sufficient liquidity to finance its research and development activities, administration and marketing expenses, working capital and overall capital expenditures, including those associated with patents and trademarks. The Company makes every effort to manage its liquidity to minimize dilution to its shareholders, whenever possible. The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2011.

## 23. INFORMATION INCLUDED IN THE CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| a) Government assistance | | |
| Gross research and development expenses | $ 11,267 | $ 12,229 |
| Research and development tax credits | (957) | (999) |
| | 10,310 | 11,230 |
| b) Finance costs | | |
| Interest on long-term debt | 1,250 | 1,195 |
| Interest on bank loan, other loan and other interest expenses | 233 | 168 |
| | 1,483 | 1,363 |
| c) Wages and salaries | | |
| Wages and salaries | 9,649 | 8,890 |
| Employer's benefits | 845 | 760 |
| Pension costs | 316 | 264 |
| Stock-based compensation | 505 | 311 |
| Total employee benefit expense | 11,315 | 10,225 |

## 24. COMMITMENTS

The Company has total commitments in the amount of $12,591 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:

| | |
|---|---|
| 2013 | 1,888 |
| 2014 | 1,730 |
| 2015 | 1,760 |
| 2016 | 1,823 |
| 2017 and thereafter | 5,390 |
| | $ 12,591 |

The total rental expenses for the year ended December 31, 2012 amounted to $1,835 ($2,243 as at December 31, 2011).

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 the Plasma Protein Purification System ("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.

## 25. 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 ($316 in 2011).

## 26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| **Financial assets** | | |
| **Held-for-trading** | | |
| Cash, measured at fair value | $ 1,205 | $ 275 |
| Restricted cash, measured at fair value | 198 | 233 |
| | 1,403 | 508 |
| **Loans and receivables** | | |
| Accounts receivable and share purchase loan to an officer, recorded at amortized cost | 3,158 | 699 |
| Share subscription receivable recorded at amortized cost | 9,822 | - |
| | 12,980 | 699 |
| **Available-for-sale** | | |
| Convertible preferred shares of AM-Pharma, recorded at cost | 27 | 27 |
| | 14,410 | 1,234 |
| **Financial liabilities** | | |
| **Other financial liabilities** | | |
| Bank and other loans, measured at amortized cost | $ 1,636 | $ 752 |
| Trade and other payables, measured at amortized cost | 5,094 | 7,091 |
| Promissory notes from shareholders, measured at amortized cost | 250 | 817 |
| Repayable government grants and finance leases, measured at amortized cost | 564 | 746 |
| Long-term debt provided by shareholders, measured at amortized cost | 4,017 | 4,161 |
| Advance on revenues from a supply agreement, measured at amortized cost | 3,030 | 3,063 |
| | 14,591 | 16,630 |

**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, share subscription 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 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 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 subscription receivable 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, 2012, there were doubtful amounts related to past due accounts as indicated in the following table:

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Trade and other receivables: | | |
| Current and not impaired | $ 1,308 | $ 166 |
| Past due in the following periods | | |
| 31 to 60 days | 1,298 | 37 |
| 61 to 90 days | 10 | 3 |
| Over 90 days | 266 | 261 |
| Allowance for doubtful accounts - over 90 days | (260) | (260) |
| Trade receivables | 2,622 | 207 |
| Other receivables | 86 | 43 |
| Total accounts receivable | $ 2,708 | $ 250 |

Trade receivables included amounts from three customers which represent approximately 90% (17%, 32%, 42%, respectively) of the Company's total trade accounts receivable as at December 31, 2012 and four customers which represent approximately 87% (16%, 16%, 21% and 34%, respectively) of total trade accounts receivable as at December 31, 2011.

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.

As at December, 31, 2012

| | Less than 3 months | 3 - 6 months | 6 months to 1 year | More than 1 year | Total |
|---|---|---|---|---|---|
| Bank and other loans | $ 1,636 | $ - | $ - | $ - | $ 1,636 |
| Trade and other payables | 5,094 | - | - | - | 5,094 |
| Promissory notes from shareholders | 250 | - | - | - | 250 |
| Repayable government grants and finance leases | 553 | 2 | 5 | 4 | 564 |
| Long-term debt provided by shareholders | 600 | - | - | 4,000 | 4,600 |
| Advance on revenues from a supply agreement | 549 | 563 | 1,464 | 454 | 3,030 |
| | $8,682 | $565 | $1,469 | $ 4,458 | $15,174 |

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, share subscription receivable, bank loan, trade and other payables, repayable government grants, and advance on revenues from a supply agreement. 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, 2012, the Company is exposed to currency risk through the following assets and liabilities denominated respectively in U.S. dollars and pound sterling.

| In U.S. dollars | December 31, 2012 US dollar | December 31, 2012 CDN dollar | December 31, 2011 US dollar | December 31, 2011 CDN dollar |
|---|---|---|---|---|
| Cash | 326,720 | 325,053 | 2,710 | 2,756 |
| Accounts receivable | 1,357,670 | 1,350,746 | 89,746 | 91,271 |
| Trade and other payables | (2,365,801) | (2,353,736) | (3,580,907) | (3,641,783) |
| Long-term debt provided by shareholders | - | - | (403,489) | (410,348) |
| Net exposure | (681,411) | (677,937) | (3,891,940) | (3,958,104) |

| In pound sterling | December 31, 2012 Pound Sterling | December 31, 2012 CDN dollar | December 31, 2011 Pound Sterling | December 31, 2011 CDN dollar |
|---|---|---|---|---|
| Cash | 522,549 | 845,380 | 104,968 | 165,839 |
| Accounts receivable | 853,444 | 1,380,702 | 209,351 | 330,753 |
| Bank loan | (496,102) | (802,595) | - | - |
| Trade and other payables | (299,388) | (484,351) | (727,298) | (1,149,058) |
| Repayable government grants | (340,858) | (551,440) | - | - |
| Advance on revenues from a supply agreement | (1,872,861) | (3,029,915) | (2,395,232) | (3,784,227) |
| Net exposure | (1,633,216) | (2,642,219) | (2,808,211) | (4,436,693) |

Based on the above net exposures as at December 31, 2012, 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 $68.

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 $264. The Company has not hedged its exposure to currency fluctuations.

## 27. INCOME TAXES

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Net loss | $ (422) | $ (3,267) |
| Combined Canadian statutory income tax rate | 26.9 % | 28.4 % |
| Computed income tax provision | (114) | (928) |
| Decrease (increase) in income taxes resulting from: | | |
| Unrecorded potential tax benefit arising from current-period losses and other deductible temporary differences | (292) | 3,936 |
| Effect of tax rate differences in foreign subsidiaries | (1,009) | (3,931) |
| Non-taxable items | 1,415 | 789 |
| Future tax rate differences | - | 134 |
| | $ - | $ - |

The combined statutory tax rates were 26.9% for 2012 and 28.4% for 2011. As of January 1, 2012, the federal corporate tax rate decreased from 16.5% to 15% thus explaining the decrease of the statutory income tax rate.

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

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Deferred tax assets not recognized at the reporting date: | | |
| - Tax losses (non capital) | $ 102,544 | $ 102,180 |
| - Tax losses (capital) | 37,924 | 37,203 |
| - Unused research and development expenses | 19,243 | 19,243 |
| - Unrealized loss on exchange rate | 2,585 | 1,861 |
| - Share issue expenses | 634 | 448 |
| - Interest expenses carried forward | 2,624 | 4,656 |
| - Trade and other payables | 2,066 | 2,281 |
| - Capital assets | 775 | 724 |
| - Licenses and patents | 1,662 | 1,677 |
| - Start-up expense | 6,399 | 7,098 |
| | $ 176,456 | $ 177,371 |

As at December 31, 2012, The Corporation and its subsidiaries have non-capital lossess of $102,544 available to reduce future taxable income for which the benefits have not been recognized. These losses expire at various dates to 2032.

As at December 31, 2012, the Company also had unused federal tax credits available to reduce future Canadian taxable income in the amount of $5,661 and expiring between 2020 to 2031. Those tax credits have not been recorded and no future income tax liability has been recorded with respect to those tax credits.

If the Company were to recognize all deferred tax assets, profit would increase by $50,365

| | Canada | | Foreign |
|---|---|---|---|
| | Federal | Provincial | Countries |
| Deductions: | | | |
| Research and development expenses, without time limit | $ 19,243 | $ 28,198 | $ - |
| Share issue expenses | 634 | 634 | - |
| Interest deductions carryover | - | - | 2,624 |
| | 19,877 | 28,832 | 2,624 |
| Losses carried forward expiring in: | | | |
| 2013 | $ - | $ - | $ - |
| 2014 | 1,775 | 1,382 | - |
| 2015 | 521 | - | - |
| 2016 | - | - | - |
| 2017 | - | - | - |
| 2018 | - | - | - |
| 2019 | - | - | - |
| 2020 | - | - | - |
| 2021 | - | - | 1,443 |
| 2022 | - | - | - |
| 2023 | - | - | 2,345 |
| 2024 | - | - | 3,153 |
| 2025 | - | - | 2,464 |
| 2026 | 6,455 | 5,008 | 3,492 |
| 2027 | 6,164 | 4,864 | 8,364 |
| 2028 | 8,491 | 7,179 | 8,500 |
| 2029 | 3,151 | 2,099 | 3,340 |
| 2030 | 3,681 | 2,511 | 7,911 |
| 2031 | 4,944 | 4,291 | 7,567 |
| 2032 | 5,703 | 6,534 | 1,410 |
| | $ 40,885 | $ 33,868 | $ 49,989 |

The Company has tax losses which arose in the United Kingdom of $11,672 that are available indefinitely for offsetting against future taxable profits of the subsidiaries in which the losses arose.

## 28. ADDITIONAL INFORMATION ON THE CONSOLIDATED STATEMENTS OF CASH FLOWS

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Change in working capital items | | |
| Accounts receivable | $ (3,278) | $ 360 |
| Inventories | 34 | (193) |
| Prepaid expenses | (74) | (7) |
| Trade and other payables | (2,501) | 2,810 |
| Deferred revenues | 1,870 | 178 |
| | $ (3,949) | $ 3,148 |

## 29. SEGMENTED INFORMATION

The financial information is presented in two different operating segments, which are 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, 2012**

| | Therapeutics | Protein Technology | Corporate | Total |
|---|---|---|---|---|
| Revenues | $ 31 | $23,290 | $ - | $ 23,321 |
| Costs of goods sold | - | 5,326 | - | 5,326 |
| Research and development expenses rechargeable | - | 2,647 | - | 2,647 |
| Research and development expenses non-rechargeable | 1,741 | 5,922 | - | 7,663 |
| Administration and marketing expenses | - | 556 | 5,410 | 5,966 |
| Loss on foreign exchange | - | - | 116 | 116 |
| Impairment of licenses and patents | 37 | 10 | 2 | 49 |
| Loss on extinguishment of debt | - | - | 497 | 497 |
| Finance costs | 68 | 269 | 1,146 | 1,483 |
| Share of net profit of an associated company | - | - | (2) | (2) |
| **Net profit (loss)** | (1,815) | 8,560 | (7,169) | (424) |

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 |
| Impairment of licenses and patents | 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) |

Segmented information by operating segment

b) Total assets by operating segments

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Therapeutics | $ 3,675 | $ 2,867 |
| Protein Technology | 8,790 | 5,464 |
| Corporate | 10,526 | 361 |
| | $ 22,991 | $ 8,692 |

The investment in an associated company is included in the corporate operating segment.

c) Capital assets and licenses and patents by operating segments

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Therapeutics | $ 1,828 | $ 1,865 |
| Protein Technology | 3,520 | 3,343 |
| Corporate | 31 | 40 |
| | $ 5,379 | $ 5,248 |

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

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Therapeutics | $ 204 | $ 301 |
| Protein Technology | 702 | 695 |
| Corporate | 5 | 30 |
| | $ 911 | $ 1,026 |

e) Total liabilities by operating segments

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Therapeutics | $ 1,315 | $ 1,910 |
| Protein Technology | 9,739 | 9,110 |
| Corporate | 6,118 | 6,240 |
| | $17,172 | $17,260 |

Segmented information by geographic segment

f) Total assets by geographic area

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Canada | $14,420 | $ 3,450 |
| United States | 2,968 | 1,717 |
| United Kingdom | 5,603 | 3,525 |
| | $22,991 | $ 8,692 |

g) Capital assets and licenses and patents by geographic area

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Canada | $ 1,978 | $ 2,059 |
| United States | 1,569 | 1,566 |
| United Kingdom | 1,832 | 1,623 |
| | $ 5,379 | $ 5,248 |

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

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Canada | $ 209 | $ 426 |
| United States | 169 | 356 |
| United Kingdom | 533 | 244 |
| | $ 911 | $ 1,026 |

i) Revenues by location

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| United States | $ 12,642 | $ 15,836 |
| Austria | 3,239 | 13 |
| Switzerland | 2,407 | 892 |
| China | 2,188 | 131 |
| Taiwan | 2,000 | - |
| Germany | 594 | 23 |
| United Kingdom | 135 | 369 |
| South Korea | 36 | - |
| Canada | 35 | - |
| Other countries | 45 | 325 |
| | $ 23,321 | $ 17,589 |

Revenues are attributed to countries based on the location of customers and not the location of subsidiaries.

The Company derives significant revenues from certain customers. During the year ended December 31, 2012, there were three customers who accounted for 47% (18%, 15% and 14% respectively) of total revenues in the protein technologies segment. In 2011, there were two customers who accounted for 80% (57% and 23% respectively) of total revenues, also in the protein technologies segment.

## 30. GOVERNMENT ASSISTANCE

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

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

The grants received amounted to $93 in 2012 and $16 in 2011 and were recorded as a reduction of the related capital assets.

No provision has been made in these consolidated financial statements for any future repayment relating to the above agreement.

## 31. CONTINGENT LIABILITIES

In 2009, the Company was served with a lawsuit relating to a claim for payment for unpaid services for a total of $195. On the basis that the Company did not feel it was probable that this claim would be successful, no provision was made in the consolidated financial statements. During the year ended December 31, 2012, the Company received confirmation from its legal advisor that, pursuant to a judgment, the claim has been dismissed.

During the year ended December 31, 2012, the Company was served with a lawsuit in the Federal Court of Canada (Court) relating to a claim for infringement of two patents held by a third party plaintiff. The Company instructed outside legal counsel to prepare, serve and file a statement of defence on the infringement claims, in addition to a counterclaim requesting that the Court declare both patents invalid and unenforceable. Since the plaintiff has claimed unspecified damages and none of the allegations in the claim provide any information as to the basis upon which the plaintiff would be claiming monetary compensation and on the basis that the Company does not believe that this claim will be successful, the Company has not taken a provision in the consolidated financial statements.

## 32. SUBSEQUENT EVENTS

On January 7th, 2013, the Company received the $9,822 share subscription receivable and 48,147,053 common shares were issued under a private placement agreement.

On February 20, 2013, the Company completed its renegotiation of its long-term debt provided by shareholders, resulting in the postponement of related payments from July 2013 to July 2014 amounting to $4,000 (see note 18).

Also, subsequent to December 31, 2012, the Company again renegotiated its working capital grants with the Isle of Man Government Department of Economic Development, resulting in the balance now being offset in the future against capital grants receivable from the Isle of Man Government with any balance owing on March 31, 2014, repayable in cash.

On March 7, 2013, the share purchase loan to an officer of $450 was extended having a new maturity date of March 31, 2016, subject to approval by the Company's shareholders. As of February 15, 2013, the loan bears interest at a rate equal to the Bank of Canada's prime rate plus 1% per annum. If the share price is equal or higher than $2.00 per share for 10 consecutive trading days, the Company may request that the officer repays all outstanding amounts under the loan including interest within 30 days following such request.

On March 7, 2013, the Company and Invhealth Holding Inc. entered into a Re-Amended and Restated Loan Agreement pursuant to which the term of the loan was changed from March 31, 2013 to March 31, 2016, subject to shareholder approval.

## MANAGEMENT TEAM

### PIERRE LAURIN
President and
Chief Executive Officer
ProMetic Life Sciences Inc.

### STEVEN BURTON
Chief Executive Officer
ProMetic BioSciences Ltd

### BRUCE PRITCHARD
Chief Financial Officer
ProMetic Life Sciences Inc.

### PATRICK SARTORE
Senior Legal Counsel,
IP and Corporate Secretary
ProMetic Life Sciences Inc.

### 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.

### FRÉDÉRIC DUMAIS
Director, Communications
and Investor relations

## BOARD OF DIRECTORS

### G.F. KYM ANTHONY [1] [3]
Chairman of the Board
ProMetic Life Sciences Inc.
Executive Chaiman
Hybrid Partners Ltd.

### ROBERT LACROIX [1]
Senior Vice-President
CTI Capital Securities Inc.

### PIERRE LAURIN
President and
Chief Executive Officer
ProMetic Life Sciences Inc.

### DIANE LIGUORI [2] [3]
Executive Management
Consultant

### LOUISE MÉNARD [3]
President
Groupe Méfor inc. and
Corporate Director

### PAUL MESBURIS [1]
Chartered Accountant

### JOHN MORAN [2]
Vice-President,
Clinical Affairs
Home Modalities, Da Vita Inc.

### NANCY ORR [1] [2]
Consultant in the energy and
recycling sectors

### BRUCE WENDEL [3]
Retired Executive and
Consultant in Pharmaceutical
Industry

### BENJAMIN WYGODNY [2]
President
Angus Partnership and
3188795 Canada Inc.

Positions – Committees

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

**(2) Compensation & HR Committee**
Nancy Orr (Chairman)
Diane Liguori
John Moran
Benjamin Wygodny

**(3) Corporate Governance Committee**
Louise Ménard (Chairman)
G.F. Kim Anthony
Diane Liguori
Bruce Wendel

## HEADQUARTERS

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**Investor Relations**
**Frédéric Dumais,** B. Comm., L.L.B.
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## THERAPEUTICS

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## BIOSEPARATION TECHNOLOGIES AND PLASMA-DERIVED THERAPEUTICS (BIOLOGICALS)

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Fax: +301.838.9023
Email: info@prometic.us

## AUDITORS

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800 René-Lévesque Blvd. W., Suite 1900
Montreal, Quebec H3B 1X9
Canada

## TRANSFER AGENT AND REGISTRAR

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

## LISTING: TORONTO STOCK EXCHANGE

Symbol: PLI
Outstanding shares as of December 31, 2012:
432,531,873

## ANNUAL MEETING OF SHAREHOLDERS

Wednesday, May 8, 2013 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 2012 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. ou sur notre site internet à l'adresse **www.prometic.com.**

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