PROMETIC

ANNUAL REPORT 2013

We care about rare.

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2013 can best be summarized as the year during which ProMetic significantly progressed in its transition towards becoming a vertically integrated, specialty Biopharmaceutical Corporation.

Accordingly, ProMetic via using its rich therapeutic product pipeline, has positioned itself to pursue various commercial opportunities in areas of unmet medical needs, including rare diseases and orphan drug opportunities.

The Corporation, on the back of its strengthening market capitalization, took the strategic decision to develop more of its assets to an advanced stage prior to partnering. This has allowed ProMetic to retain a greater portion of the future returns from those high-value products and lucrative markets, thereby ultimately increasing shareholder value.

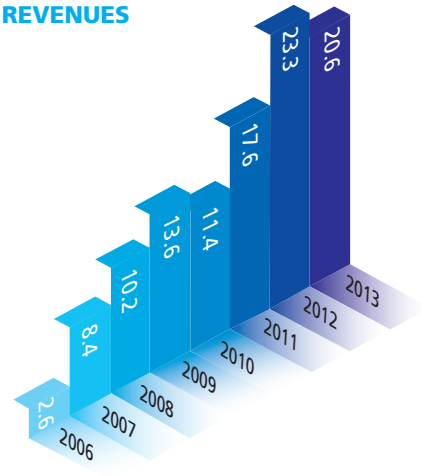
This change to the commercialization strategy, manifested itself, in the short term, in lower than anticipated service and licensing revenues from third parties as well as an increase in spending. Accordingly, ProMetic improved its financial position during 2013 by successfully raising over $30 million in debt and equity via two separate financial transactions and through the receipt of the Hepalink investment.

Early in the year, ProMetic announced it had finalized a $10 million strategic equity investment by Shenzhen Hepalink Pharmaceutical Co., LTD. ("Hepalink") at a premium to market share price. During the third quarter, the Corporation secured $10 million by way of a debt financing transaction with Thomvest Seed Capital Inc. Lastly, during the last quarter of 2013, the Corporation closed a common share offering and issued a total of 26,651,400 shares for total gross proceeds of $23,986,260 as part of that equity offering.

With this strengthened balance sheet, ProMetic can now concentrate its attention on further progressing its key corporate initiatives necessary in building substantial value for shareholders.

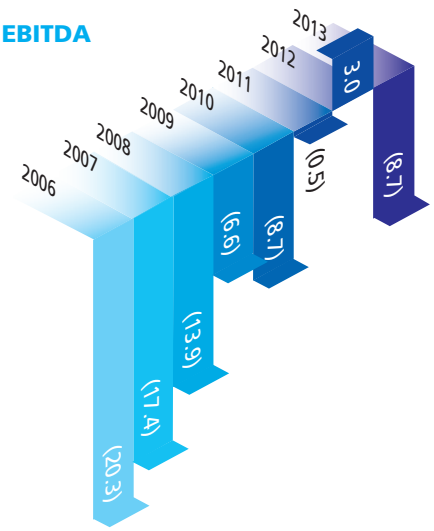
ProMetic shall continue to generate product and service revenues in the bioseparation space as well as in the plasma protein field by partnering some of its products and assets in 2014 and the coming years. However, the improved financial situation as well as the coming on-line of Prometic BioProduction Inc. shall allow for such partnering to take place at greater value. 2014 will also be pivotal for ProMetic since we expect some of the pipeline products to commence entering clinical development stages. ProMetic anticipates the filing of at least 3 Investigational New Drug applications ("IND") in 2014, at least 2 of which should be for plasma-derived products and one from its small molecule therapeutics division. The filing of these INDs followed by the beginning of clinical trials in patients are normally recognized as significant value creation events as they mark a critical stage allowing the entering into of the regulatory approval process.

REVENUES



The decrease in total revenues reflects the corporation's decision to retain greater portion of future value on some clinical assets, rather than seeking to licence early.

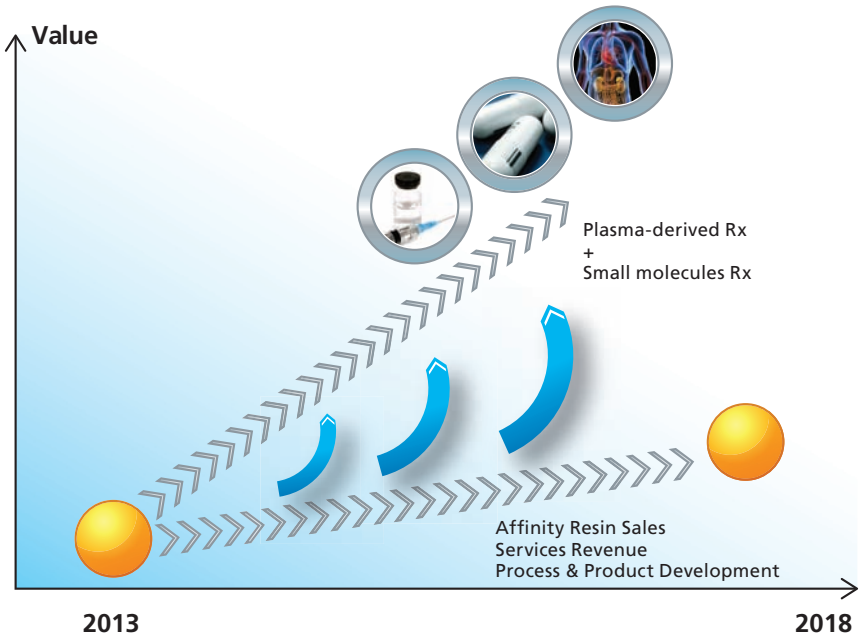
EBITDA



The decrease in total EBITDA reflects the decrease in contribution from the sale of goods due to the timing of certain deliveries, lower margin products, decrease in licensing revenues and increase in non-rechargeable research and development expenses due to the commencement of activities at the Laval production facility.

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.

Transitioning into a vertically integrated specialty Biopharmaceutical Corporation



This can be achieved with the execution of the current plan which balances activities generating short term revenue, long term annuity revenue and Product Development activities which can generate greater value to the shareholders. The business deals secured in the past and pursued not only provide for some revenue in the short term but almost more importantly, they provide a significant "off-balance sheet" contribution toward the execution of the plan.

ProMetic has been historically known for its world-class expertise in bioseparation, specifically for large-scale purification of biologics and the elimination of pathogens to a growing base of industry leaders. However, ProMetic has also leveraged its own industry leading affinity technology to develop a highly efficient extraction and purification process of therapeutic proteins from human plasma in order to develop best-in-class therapeutics and orphan drugs targeting unmet medical conditions and rare diseases.

With all the necessary elements to accelerate the development of a strong and deep product pipeline being concentrated to a focal point, ProMetic is now successfully transitioning into a vertically integrated specialty biopharmaceutical corporation.

Leveraging of proven manufacturing platform

At the core of this strategy resides the bioseparation technologies and products of the Corporation. The bioseparation technologies enable the capture of multiple targeted proteins directly from source products and provide for a highly efficient and cost-effective process. ProMetic's UK based subsidiary, ProMetic BioSciences Ltd ("PBL"), has been responsible for the development and commercialization of these unique and proprietary affinity adsorbents and bioprocesses technologies.

More than a decade ago, ProMetic started developing, in collaboration with the American Red Cross ("ARC"), a multi-product sequential purification process employing powerful affinity separation materials in a multi-step process to extract and purify commercially important plasma proteins in high yields. The Plasma Protein Purification System ("PPPS™") resulted from this great collaboration. The process rapidly allowed for the efficient targeting and removal of multiple high-value proteins from a single plasma sample at unprecedented activity levels through the use of ProMetic's Mimetic™ Ligand adsorbent technology.

After years of refining the process, ProMetic's U.S. - based subsidiary, ProMetic BioTherapeutics Inc., had successfully developed a robust and scalable manufacturing process. ProMetic has now implemented its own technology and launched its plasma purification facility, ProMetic BioProduction Inc. where it is now starting to develop best-in-class plasma-derived therapeutics to address unmet medical conditions in both established and emerging markets.

Small molecule therapeutics

ProMetic is also actively pursuing what could very well turn out to be the ultimate level of value creation within ProMetic with its small molecule drug discovery division, ProMetic BioSciences Inc. ("PBI"). PBI scientists are focused on developing orally active drugs with improved pharmaco-economics and safety profiles. ProMetic is focusing on targeting the following indications; fibrosis, inflammation and autoimmune diseases, with a focus on treating unmet medical needs in said indications.

As a result of positive data generated in 2012 and 2013 in some of the most stringent gold-standard animal models, indicating favorable effects in reducing the progression of fibrosis in various key organs and the overall progress achieved by the Corporation, ProMetic's lead drug candidate designated as PBI-4050, entered the clinical program stage in late 2013.

JANUARY
On January 8, 2013, ProMetic announced it had finalized a $10 million strategic equity investment by Shenzhen Hepalink Pharmaceutical Co., LTD. in ProMetic at a premium share price of $0.204 per share (or 63% over the October 15, 2012 closing share price). This investment was concluded to enable the execution of various strategic initiatives, including the operational launch of ProMetic's GMP plasma facility dedicated to the manufacturing of plasma derived products.

MARCH
On March 14, 2013, ProMetic's US based subsidiary, ProMetic BioTherapeutics Inc. received an orphan drug designation status for its plasma purified human plasminogen drug by the American Food and Drug Administration ("FDA"). The orphan drug designation is for the treatment of hypoplasminogenemia, or type I plasminogen deficiency ("T1PD").

APRIL
On April 12, 2013, ProMetic's common shares commenced trading on OTCQX International under the symbol PFSCF. OTCQX International is a segment of the OTCQX marketplace reserved for high-quality non-U.S. companies listed on a qualified stock exchange in their home country.

On April 30, 2013, ProMetic expanded its existing strategic collaboration with Sartorius Stedim Biotech ("SSB") to include a contribution of equipment to ProMetic's plasma purification facility as well as an agreement for the co-commercialization of PPPS™ on a global basis.

JUNE
On June 20, 2013, ProMetic received a $4.8 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 relates to the purchase of PrioClear™, a proprietary prion capture resin incorporated into Octapharma's manufacturing process for its solvent/detergent treated plasma product, Octaplas®.

JULY
On July 8, 2013, ProMetic entered into a licensing and long-term affinity resin supply agreement with one of its existing clients, a global leader in the biotherapeutics industry. This agreement followed the successful development and scale-up of a new affinity resin specifically designed to enhance the quality and purity of an existing biopharmaceutical product manufactured in multi-ton quantities.

AUGUST
On August 14, 2013, ProMetic selected Alpha1-Antitrypsin (AAT) as its second plasma-derived therapeutic to address a well-defined unmet medical need affecting an estimated 100,000 people in the USA alone with less than 10% treated.

SEPTEMBER
On September 9, 2013, ProMetic presented new preclinical data at the 2013 European Respiratory Society Annual Congress suggesting that PBI-4050 offers a new therapeutic approach to idiopathic pulmonary fibrosis. In a gold standard animal model proven to emulate pulmonary fibrosis in humans, PBI-4050 performed favorably compared to Pirfenidone.

On September 11, 2013, ProMetic secured financing from Thomvest Seed Capital Inc. ("Thomvest"), the Toronto-based investment vehicle of Peter J. Thomson, consisting of a long-term loan in the principal amount of $10 million. ProMetic has used part of the proceeds for the commissioning of its GMP facility to enable the manufacturing of plasma-derived orphan drugs.

On September 26, 2013, ProMetic successfully completed the required GLP toxicology studies performed by a certified contract research organization confirming that Prometic's lead drug candidate, PBI-4050, was safe to advance into clinical trial stages.

NOVEMBER
On November 4, 2013, ProMetic announced it had presented new preclinical data at the 2013 annual meeting of the American Association for the Study of Liver Diseases (AASLD) held in Washington on November 2-4 supporting the claims that PBI-4050 anti-fibrotic activity could also be used to address various liver conditions such as nonalcoholic steatohepatitis ("NASH"), a condition affecting 2% to 5% of Americans.

On November 6, 2013, ProMetic announced it had achieved a milestone related to its strategic agreement with Hematech Biotherapeutics Inc. worth $1.5 million.

On November 7, 2013, ProMetic closed a public offering of common shares in the capital of the Corporation. The Offering was conducted on a best efforts basis by a syndicate of agents led by Paradigm Capital Inc. and including Beacon Securities Limited, D&D Securities Inc. and Cormark Securities Inc. The Corporation issued a total of 26,651,400 Common Shares at a price of $0.90 per Common Share for total gross proceeds of $23,986,260, which included the issuance of 3,333,400 Common Shares issued pursuant to the exercise of the over-allotment option.

On November 12, 2013, ProMetic presented new preclinical data at the 2013 American Society of Nephrology ("ASN") annual meeting held in Atlanta on November 7-10, 2013 demonstrating the ability of PBI-4050 to reduce fibrosis in the kidney and overall improve the renal function in various animal models.

On November 19, 2013, ProMetic received a $5.1 million purchase order for the supply of affinity resin from an existing client, a global leader in the biotherapeutics industry.

DECEMBER
On December 11, 2013, ProMetic achieved a major corporate milestone by successfully completing the first commercial-scale production run at its plasma purification facility, ProMetic BioProduction Inc., located in Laval, Quebec. This production run was completed on schedule and generated better than expected results.

From day one, our goal was to leverage our unique proprietary technologies and know-how to build a company that would ultimately bring safer, cost-effective and more convenient therapeutic products to largely underserved patient populations in both existing and emerging markets.

I am very pleased to report that 2013 has brought us closer than ever to making this vision a reality.

2013 was a year during which we successfully progressed in our transition towards becoming a vertically integrated specialty biopharmaceutical company with a rich product pipeline targeting unmet medical needs, conditions and rare diseases opportunities.

In order to put ourselves within close range of accomplishing this vision, the strategic decision to develop more of our own assets ourselves, to an advanced stage prior to partnering was made. We believed that this would allow us to retain in the process a greater portion of the high value/profile products and assets we're currently developing. By exercising greater control and ownership over our own technological platforms rather than predominately enabling third parties with it, we strongly believe that we will significantly increase value creation for all our shareholders.

The transition to developing the technology using our financial resources rather than those of a partner, manifests to the benefit of our shareholders, in the reduction in our requirement to share future commercial revenues with external partners. This corporate strategy resulted in lower than originally anticipated total yearly revenues for 2013 as evidenced by the lower level of associated licensing revenues. We however expect this situation to be short lived and anticipate a return to revenue growth in 2014 and beyond.

To compensate for the diminishing external monetary contribution resulting from the voluntary decrease in external partners funding, it became imperative for ProMetic to significantly improve its overall financial position. As such, we were successful in raising more than $30 million in two separate financial transactions during the year. Early in 2013, ProMetic announced it had finalized a $10 million strategic equity investment by Shenzhen Hepalink Pharmaceutical Co., LTD. ("Hepalink") at a premium share price. Later on during the third quarter, the Corporation secured a $10 million loan and issued warrants in a financing transaction with Thomvest Seed Capital Inc. and finally during the last quarter of 2013, the Corporation closed a common share offering and issued a total of 26,651,400 shares for total gross proceeds of $23,986,260 as part of that equity offering.

Two specific corporate events clearly demonstrated our success in advancing our rare diseases franchise. The first event relates to ProMetic's US based subsidiary, ProMetic Biotherapeutics Inc. receiving an orphan drug designation status for its plasma purified human plasminogen drug by the American Food and Drug Administration ("FDA"). The orphan drug designation is for the treatment of hypoplasminogenemia, or Type 1 plasminogen deficiency. It is estimated that

2013 has proven to be the year during which we were finally able to put together the last missing pieces necessary to successfully undertake the transition towards becoming a specialty biopharmaceutical company.

approximately 10,000 patients suffer from this medical condition on a global scale. The second key event relates to the selection of Alpha 1 – Antitrypsin ("AAT") as the second plasma derived therapeutic to address a well-defined unmet medical need following a confirmed recovery yield vastly superior to the industry average. It is estimated that approximately 100,000 people in the US alone are affected with less than 10% treated.

Both products and the novel therapeutic solutions they represent are enabled by the successful scale-up of our proprietary plasma purification manufacturing platform, the Plasma Protein Purification System, ("PPPS™"). To this effect, ProMetic accomplished a major corporate milestone in late 2013 by completing the first commercial-scale production run at its ProMetic BioProdution Inc. plasma purification facility located in Laval, Quebec. We are especially proud to have completed that first commercial production run on schedule while generating better than expected results.

Our protein technologies segment was not the only one to significantly advance and progress in 2013. Our small molecule therapeutics segment also saw its lead compound PBI-4050 progress sufficiently to enter clinical phase after completing the required GLP toxicology studies performed at a certified contract research organization.

Furthermore, PBI-4050 continued to deliver solid new preclinical data in some of the most stringent fibrotic animal models. The data was presented at many prestigious industry conferences. For example, new data supporting the claims that PBI-4050 anti-fibrotic activity could also be used to address various liver conditions such as nonalcoholic steatohepatatis ("NASH") was presented at the 2013 Annual Meeting of the American Association for the Study of Liver Diseases held in Washington. ProMetic also presented new preclinical data at the 2013 American Society of Nephrology annual meeting held in Atlanta demonstrating the ability of PBI-4050 to reduce fibrosis in the kidney and overall improve the renal function in various animal models.

Having now strengthened the balance sheet, ProMetic will be able to concentrate its attention on further progressing its exciting product pipeline to commercialization.

ProMetic anticipates to continue generating service revenues and partnering some of its key products and assets in 2014 and the coming years. However, the improved financial situation should now allow for partnering to take place at greater value and more optimal timing. 2014 should also be the year during which some of the plasma-derived pipeline therapeutics will start entering clinical development stages. As such, ProMetic anticipates the filing of at least 3 Investigational New Drug ("IND") applications to take place during the coming year, 2 of which that are for already disclosed plasma-derived products (plasminogen and Alpha-1 Antitrypsin) and one from its small molecule therapeutics segment (PBI-4050). The filing of such INDs followed by the beginning of clinical trials in patients is normally recognized as a significant value creation event since it marks the beginning of the last stage before entering the regulatory approval process.

We also intend to fully utilize the operational benefits derived from the launch of our plasma purification facility in order to prepare additional plasma-derived products for upcoming IND filings to ensure a constant flow of movement and progress in the development of our product pipeline.

2013 has proven to be the year during which we were finally able to put together the last missing pieces necessary to successfully undertake the transition towards becoming a specialty biopharmaceutical company. None of this would have been possible without the hard work and dedication of our employees and collaborators, as well as the continued support and loyalty of all our shareholders. For all of that, we thank all involved and look forward to once again update them on our ongoing progress and milestone achievements.

Very best regards,

Pierre Laurin,
President and Chief Executive Officer

Rare diseases

are affecting more than 55 millions people in the U.S. and E.U. combined, or approximately 10% of all people worldwide

Orphan dugs are expected to account for

$ ± 127

billion of sales in 2018 representing almost 16% of the entire worldwide prescription market

Rare diseases is one of the most rapidly expanding areas of research and clinical development at the moment.

The market opportunities:
An orphan or rare disease is normally defined by less than 200,000 patients in the US, less than 250,000 patients in the EU and less than 50,000 patients in Japan. The commercial incentives granted for such designation usually include 7 Years of marketing exclusivity from approval in the US and 10 Years of marketing exclusivity from approval in the EU. There are also other financial incentives via reduced R&D costs, grants for phase I to phase III clinical trials and waived user fees.

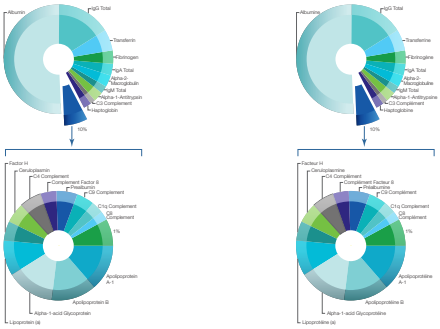
Rare diseases is one of the most rapidly expanding areas of research and clinical development at the moment. It is estimated that:

- There are approximately 7,000 to 8,000 rare diseases world-wide already identified;
- ~ 250 new rare diseases are identified annually;
- Rare diseases are affecting more than 25 million people in the US alone, more than 55 million people in the US and EU combined; or approximately 10% of all people worldwide;
- Orphan drugs make up approximately 22% of total drug sales;
- Orphan drugs are expected to account for ~ $127B. of sales in 2018, representing almost 16% of the entire worldwide prescription market (excluding generics).

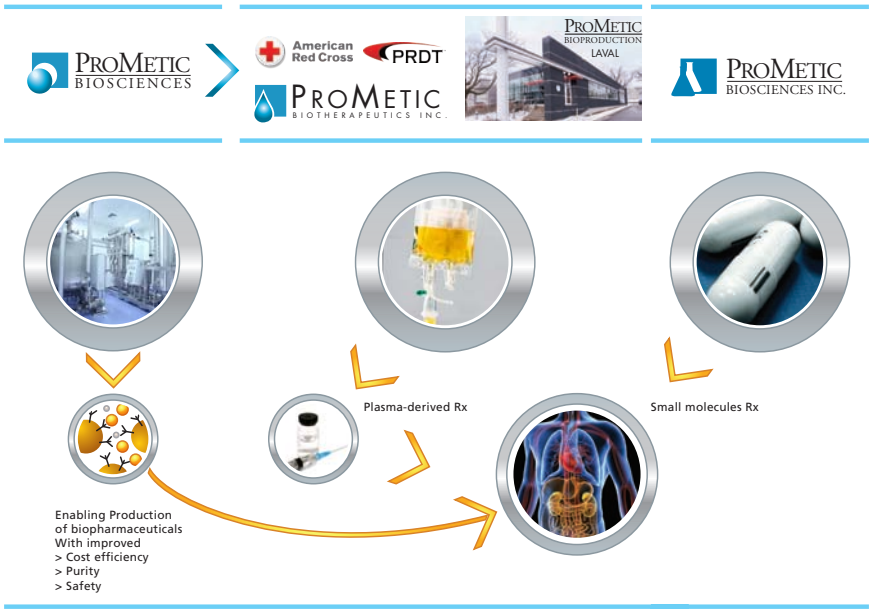
Why plasma proteins?
A multitude of rare diseases and medical conditions are known to be directly related to either missing, insufficient quantities of or non-functional proteins. ProMetic's proprietary PPPS™ manufacturing process allows for superior extraction and recovery capabilities of such valuable proteins.

- 75% of revenues are generated from 4 proteins only (Albumin, IgG, Factor VIII and AAT)
- 74% of revenues come from only 16% of the population (US – EU)
- Asia – Pacific region with more than 50% of the world population represent less than 15% of usage

PLASMA-DERIVED PRODUCTS MARKET



PBP will also serve in the future as a blue print for other partners' future plants, as a technological showroom and training center.



Leveraging internal technologies to build a product franchise & significant value:

ProMetic already exploits a proprietary platform derived from the use of its UK based subsidiary (ProMetic BioSciences Ltd.) affinity technology while 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™").

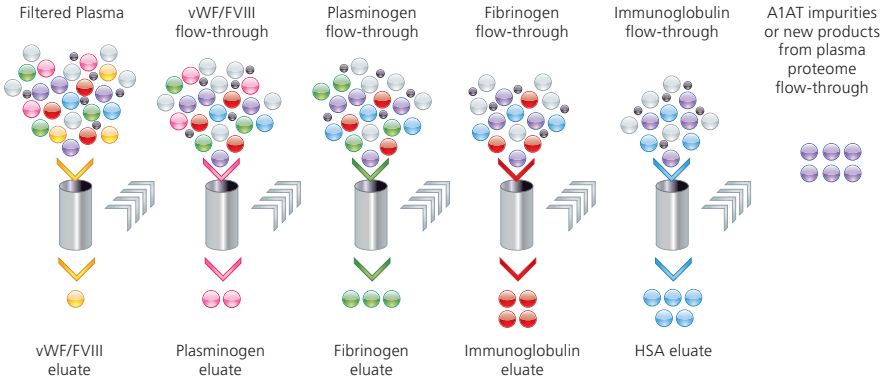
ProMetic's state of the art technologies and products are already embedded into a successfully scaled-up manufacturing process for the development, manufacturing and commercialization of best in class plasma-derived therapeutics. ProMetic's proprietary and proven affinity adsorbents are incorporated in a downstream, multi-sequential chromatographic process to extract, isolate and purify high-value proteins with superior yield and efficiency from what is currently available from the industry. The process also incorporates viral inactivation as well as prion reduction that surpass the industry alcohol based extraction process. The gentle process provides for significantly better yield and economic benefits and is easily adaptable to different protein market needs.

The PPPS™ manufacturing process offers many significant benefits and advantages over more traditional technologies such as the largely used Cohn precipitation techniques developed during the 2nd World War for the primary recovery of Albumin from plasma for the treatment of hypovolemic shock. The main advantages are:

- Orphan Drug opportunities through:
  - The recovery of proteins with established therapeutic value that cannot be effectively extracted using more conventional industry methods
  - The Recovery of proteins that are not the focus of large plasma fractionators
- Improved economics over industry averages through:
  - Superior recovery yield
  - Much smaller foot-print for same manufacturing output
  - Greatly reduced processing time
  - More products from less plasma
- Improved purity
- Improved safety – pathogen removal and viral inactivation

ProMetic's proprietary technologies have allowed the Corporation to successfully progress in its transition in 2013 from a simple provider of enabling affinity resins used as components in its clients' drug manufacturing process to a manufacturer and producer of bulk active pharmaceutical ingredients by leveraging its own affinity resin technology and proprietary PPPS™ process. As a result of this ongoing transition, ProMetic is now also actively pursuing the commercialization of its own therapeutic products addressing unmet medical needs and rare diseases opportunities.

PPPS™ OVERVIEW



Prometic BioProduction inc. ("PBP") – the last piece of the puzzle

The completed development of PPPS™ as a manufacturing process, the number of licensees and improved financial situation have all contributed to the implementation and operational launch of ProMetic's plasma purification facility located in Laval, Quebec, Canada. ProMetic's plasma purification facility will be providing for the recovery of therapeutic proteins from plasma for amongst others :

- cGMP clinical trial supplies
- Conformance lots post BLA
- Initial commercial requirements
- Supply of bulk active proteins to partners

PBP successfully completed in December 2013 the first commercial-scale production run on schedule and generated better than expected results confirming at the same time the scalability and robustness of the process. The installation of specialized process equipment is now completed. A seasoned team of experts has been hired and trained and they are currently performing a series of trial production batches. The operational launch of the plasma facility represented a pivotal point in the development history of ProMetic as it was the last remaining piece of puzzle left to put in place in order to move forward with the goal of building an orphan drugs franchise. During the first half of 2014, the PBP team will be focused on performing the necessary manufacturing activities to enable the upcoming filing of previously disclosed INDs.

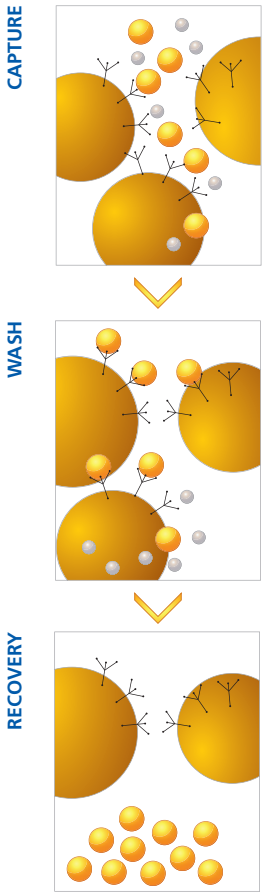
PBP will also serve in the future as a blue print for other partners' future plants, as a technological showroom and training center.

Building the pipeline:

From the multitude of rare diseases and medical conditions known to be proteins related, ProMetic has already identified and successfully scaled-up the extraction and recovery process using its proprietary PPPS™ manufacturing process for a few of them. ProMetic also has a small-molecule drug discovery business, with a strong pipeline of products. ProMetic's 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 already possesses all the necessary elements to build a rich and deep product pipeline with best-in-class therapeutics targeting large unmet medical needs as well as various rare disease opportunities affecting numerous key organs.

AFFINITY CHROMATOGRAPHY



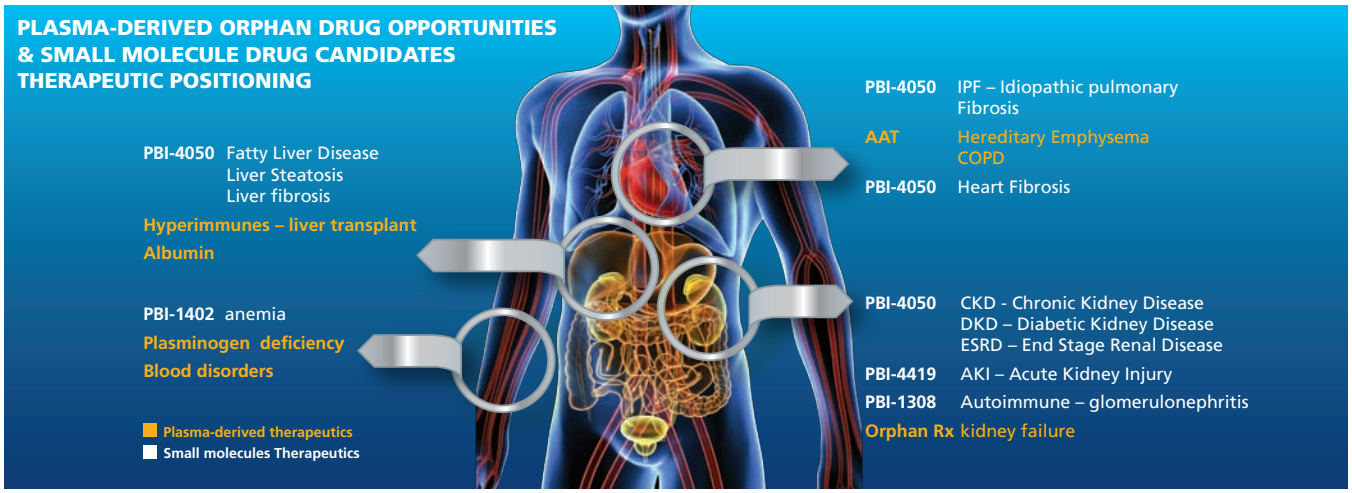
We are dedicated
to improve lives
of rare disease patients

PPPS™

The PPPS™ manufacturing process offers many significant benefits and advantages:



- **> Orphan drug opportunities**
- **> Improved economics over industry averages**
- **> Improved purity**
- **> Improved safety**



A- PLASMA-DERIVED THERAPEUTICS

1- Hypoplasminogenemia (type 1 plasminogen deficiency):

ProMetic has already received an orphan drug designation status for its plasma purified human plasminogen drug by the American Food and Drug Administration ("FDA"). The orphan drug designation is for the treatment of hypoplasminogenemia, or type I plasminogen deficiency ("T1PD").

Plasminogen is a naturally occurring protein synthesized by the liver and circulates in the blood. Plasminogen converts into plasmin and is therefore a critical protein involved in wound healing, cell migration, tissue remodeling, angiogenesis and embryogenesis.

One of the most well-defined conditions associated with plasminogen deficiency is ligneous conjunctivitis, which is characterized by thick, woody (ligneous) growths on the conjunctiva of the eye, and if left untreated, can lead to blindness. Most affected cases are infants and children. This is a Multisystem disease that affect the ears, sinuses, tracheobronchial tree, genitourinary tract, and gingiva.

The incidence of Type-1 plasminogen deficiency is approximately 1.6 / 1,000,000 people, with roughly 10,000 patients worldwide and 2,500 patients in developed markets.

ProMetic anticipates filing its Investigational New Drug ("IND") application in the second quarter of 2014 with the start of its clinical trials in the second half of 2014 and hopes to be filing its Biological License Application ("BLA") early in 2015.

2- Alpha – 1 antitrypsin ("AAT")

ProMetic has selected Alpha – 1 Antitrypsin as its second plasma-derived therapeutic to be developed targeting a well-defined unmet medical need.

There is an estimated 100,000 people affected by AAT deficiency in the USA alone with less than 10% treated. According to the Alpha-1 Foundation, there may be as many as 3% of the 20 million patients suffering from Chronic Obstructive Pulmonary Disease (COPD) that may also have an undetected AAT deficiency.

One of the key functions of AAT, which is mainly produced in the liver, is to protect the lungs from inflammation caused by infection and inhaled irritants such as tobacco smoke. AAT Deficiency is a genetic condition that leads to a lack of AAT in the blood which can then result in serious lung disease in adults and/or liver disease at any age.

ProMetic anticipates filing its Investigational New Drug ("IND") application in the last quarter of 2014 with the start of its clinical trials in the first half of 2015 and hopes to be filing its Biological License Application ("BLA") early in 2016.

3- More plasma-derived therapeutics:

Prometic also hopes to be filing additional INDs in the second half of 2014 and in 2015 and regularly thereon in the following years with the objective of having 1 new product reaching the regulatory approval stage every year starting in 2016.

B- SMALL MOLECULE THERAPEUTICS

1- PBI-4050

ProMetic has generated positive data in 2013 in several gold-standard animal models clearly indicating favorable effects in reducing the progression of fibrosis in various key organs. The data was presented at various prestigious industry conferences throughout the year.

- **2013 American Society of Nephrology annual meeting, Atlanta, November 7-10, 2013.**

Cardiovascular diseases, in their broad spectrum, are collectively the major cause of death in patients on dialysis. One of the studies performed was to determine the effect of a permanent vascular catheter on heart fibrosis and to investigate the potential protective effect of PBI-4050 on the kidneys and the heart of 5/6 nephrectomised rats. In this study, the nephrectomised rats with a catheter had 4 times more heart lesions (fibrosis, necrosis and inflammation) compared to those who did not have a catheter. The rats with catheter and treated with

A multitude of rare diseases

and medical conditions are known to be protein related.

ProMetic

has already identified and successfully scaled-up the extraction and recovery process for certain proteins.

These results clearly indicates that PBI-4050 anti-fibrotic activity is at the core of the fibrosis regulation pathway affecting multiple organs and tissues.

PBI-4050 had a significant reduction of heart lesions, fibrosis and collagen compared to the non-treated animals. The nephrectomised rats treated with PBI-4050 also displayed a significant improvement of their renal function and a significant reduction of inflammation and fibrosis in their kidneys compared to the non-treated rats.

- **2013 American Association for the Study of Liver Diseases (AASLD) annual meeting, Washington, November 2-4, 2013**

PBI-4050's favorable effect in reducing the progression of fibrosis in liver was demonstrated in two different "gold-standard" animal models. The first is a diabetic mouse model in which the animals develop liver steatosis. Similar to what is observed in humans, the untreated animals accumulate fat in the liver causing inflammation and leading to permanent damage and scarring, and reducing the ability for the liver to function properly. Diabetic mice treated with PBI-4050 had a significant reduction of liver lesions and steatosis measured by histology as well as a significant reduction in key biomarkers such as including TGFß-1, Collagen 1, MMP2 and TIMP-1.

In a second model, the liver fibrosis is induced by chronic administration of carbon tetrachloride (CCL4), a chemical which at high chronic dose, causes irreversible damage to the liver and the kidney. Again animals treated with PBI-4050 displayed a significant reduction of liver lesions as evidenced by histology and relevant biomarkers.

These results clearly indicate that PBI-4050 anti-fibrotic activity is at the core of the fibrosis regulation pathway affecting multiple organs and tissues.

- **2013 European Respiratory Society annual congress, Barcelona, September 2013**

In a gold standard animal model proven to emulate pulmonary fibrosis in humans, PBI-4050 performed favorably compared to Pirfenidone, the only commercially approved product for such medical use. PBI-4050 significantly reduced the tissue scarring in the lungs otherwise observed in the lungs of non-treated animals. Moreover, the combination of PBI-4050 and Pirfenidone generated unprecedented reduction of fibrosis resulting in a significant improvement of organ function.

The study results presented at the ERS annual conference demonstrated that the oral administration of PBI-4050 whether alone or in with Pirfenidone significantly reduced:

- Histological lesions and scars in the lungs
- Inflammatory/profibrotic cytokines (TGF-ß1, CTGF, IL-23p 19 and IL-6)
- Fibrotic markers (collagen 1 and fibronectin)
- Remodeling markers (SPARC and MMP-2)

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 "Corporation"] and the key elements of its financial results. It explains the trends of the financial situation and the operating results of the Corporation for the 2013 financial year compared to the financial situation and operating results for the 2012 financial year. 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 Corporation'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, 2014, at which date 528,303,995 common shares, 12,496,350 options to purchase common shares and 69,974,711 warrants to purchase common shares were issued and outstanding.

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 Corporation'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 Corporation's Annual Information Form for the year ended December 31, 2013. 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 long-established, publicly traded (TSX symbol: PLI) (OTCQX symbol: PFSCF), biopharmaceutical Corporation with globally recognized expertise in bioseparation, plasma-derived therapeutics and small-molecule drug development. ProMetic is focused on bringing safer, cost-effective and more convenient products to both existing and emerging markets. ProMetic offers its state of the art technologies for large-scale drug purification of biologics, drug development, proteomics and the elimination of pathogens to a growing base of industry leaders and uses its 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 and orphan drugs. ProMetic is also active in developing its own novel small molecule therapeutic products targeting unmet medical needs in the field of fibrosis, neutropenia, cancer, and autoimmune disease/inflammation as well as certain nephropathies. A number of both the plasma-derived and small molecule products are under development for orphan drug indications. Headquartered in Laval (Canada), ProMetic has R&D facilities in the UK, the U.S. and Canada, manufacturing facilities in the UK and business development activities in the U.S., Europe and Asia.

BUSINESS SEGMENTS

The **Protein Technologies** segment comprises different operating subsidiaries. The principal subsidiaries are:

- ProMetic BioProduction Inc. ("**PBP**"), based in Laval, Quebec, Canada;
- ProMetic BioTherapeutics Inc ("**PBT**"), based in Rockville, MD, USA; and
- ProMetic BioSciences Ltd ("**PBL**"), based in the United Kingdom (Isle of Man and Cambridge).

ProMetic and its Protein Technologies segment has been historically known for its world-class expertise in bioseparation, specifically for large-scale purification of biologics and the elimination of pathogens to a growing base of industry leaders. However, ProMetic has also leveraged its own industry leading affinity technology to develop a highly efficient extraction and purification process of therapeutic proteins from human plasma in order to develop best-in-class therapeutics and orphan drugs targeting unmet medical conditions and rare diseases.

With all the necessary elements to accelerate the development of a strong and deep product pipeline, ProMetic is now successfully transitioning into a vertically integrated specialty biopharmaceutical corporation. At the core of this strategy resides the bioseparation technologies and products of the Corporation. The bioseparation technologies enable the capture of multiple targeted proteins directly from source products and provide for a highly efficient and cost-effective process.

Using its bioseparation technologies, ProMetic has developed a multi-product sequential purification process employing powerful affinity separation materials in a multi-step process to extract and purify commercially important plasma proteins in high yields. This purification process is known and referred to as the Plasma Protein Purification System ("PPPS™"). ProMetic has now implemented its own technology and launched its plasma purification facility, ProMetic BioProduction Inc. where it is now starting to develop best-in-class plasma-derived therapeutics to address unmet medical conditions in both established and emerging markets.

The completed development of PPPS™ as a manufacturing process, the number of licensees and improved financial situation have all contributed to the implementation and operational launch of ProMetic's plasma purification facility.

PBP successfully completed in December 2013 the first commercial-scale production run on schedule and generated better than expected results confirming at the same time the scalability and robustness of the process. The installation of specialized process equipment is now completed. A seasoned team of experts has been hired and trained and they are currently performing a series of trial production batches.

PBP will also serve in the future as a blue print for other partners' future plants, as a technological showroom and training center.

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.

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 2013 in several gold-standard animal models clearly indicating favorable effects in reducing the progression of fibrosis in various key organs and overall progress achieved by the Corporation, PBI-4050 has now entered the clinical program stage in September 2013. The positive data generated was also presented at some of the most prestigious industry conferences throughout the year such as the 2013 American Society of Nephrology annual meeting, the 2013 American Association for the Study of Liver Diseases (AASLD) annual meeting and the 2013 European Respiratory Society annual congress.

2013 IN SUMMARY

2013 can best be summarized as the year during which ProMetic significantly progressed in its transition towards becoming a vertically integrated, specialty Biopharmaceutical Corporation. Accordingly, ProMetic via using its rich therapeutic product pipeline, has positioned itself to pursue various commercial opportunities in areas of unmet medical needs, including rare diseases and orphan drug opportunities.

The Corporation, on the back of its strengthening market capitalization, took the strategic decision to develop more of its assets to an advanced stage prior to partnering. This has allowed ProMetic to retain a greater portion of the future returns from those high-value products and lucrative markets, thereby ultimately increasing shareholder value.

This change to the commercialization strategy, manifested itself, in the short term, in lower than anticipated service and licensing revenues from third parties as well as an increase in spending. Accordingly, ProMetic improved its financial position during 2013 as a result of $40 million in cash received from a strategic equity investment by Shenzen Hepalink Pharmaceutical Co., LTD. ("Hepalink") and from two important financial transactions.

Early in the year, ProMetic received a $10 million strategic equity investment by Hepalink at a premium to market share price. During the third quarter, the Corporation secured $10 million by way of a debt financing transaction with Thomvest Seed Capital Inc. Lastly, during the last quarter of 2013, the Corporation closed a common share offering and issued a total of 26,651,400 shares for total gross proceeds of $24.0 million as part of that equity offering.

With this strengthened balance sheet, ProMetic can now concentrate its attention on further progressing its key corporate initiatives necessary in building substantial value for shareholders.

ProMetic shall continue to generate product and service revenues in the bioseparation space as well as in the plasma protein field by partnering some of its products and assets in 2014 and the coming years. However, the improved financial situation as well as the commercialization of Prometic BioProduction Inc. shall allow for such partnering to take place at a greater value. 2014 will also be pivotal for ProMetic since we expect some of the pipeline products to commence entering clinical development stages. ProMetic anticipates the filing of at least 3 Investigational New Drug applications ("IND") in 2014, at least 2 of which should be for plasma-derived products and one from its small molecule therapeutics division. The filing of these INDs followed by the beginning of clinical trials in patients are normally recognized as significant value creation events as they mark a critical stage allowing the entering into of the regulatory approval process

2013 SIGNIFICANT EVENTS

- The Corporation received a $10 million strategic equity investment by Hepalink. in ProMetic at a premium share price of $0.204 per share (or 63% over the October 15, 2012 closing share price);

- The Corporation US based subsidiary, ProMetic BioTherapeutics Inc. received an orphan drug designation status for its plasma purified human plasminogen drug by the American Food and Drug Administration ("FDA") for the treatment of hypoplasminogenemia, or type I plasminogen deficiency ("T1PD");

- The Corporation common shares commenced trading on OTCQX International under the symbol PFSCF;

- The Corporation expanded its existing strategic collaboration with Sartorius Stedim Biotech ("SSB") to include a contribution of equipment to ProMetic's plasma purification facility as well as an agreement for the co-commercialization of PPPS™ on a global basis;

- The Corporation received a $4.8 million purchase order under its ongoing supply agreement with Octapharma;

- The Corporation entered into a licensing and long-term affinity resin supply agreement with one of its existing clients, a global leader in the biotherapeutics industry;

- The Corporation announced that the recovery yield for Alpha-1 Antitrypsin ("AAT") achieved with its proprietary PPPS™ represents a 220% improvement over existing industry average and that it has selected AAT as its second plasma-derived therapeutic to address a well-defined unmet medical need;

- The Corporation presented new pre-clinical data at the 2013 European Respiratory Society ("ERS") annual congress held in Barcelona, Spain, suggesting that PBI-4050 offers a new therapeutic approach to Idiopathic Pulmonary Fibrosis ("IPF");

- The Corporation secured a $10.0 million loan and issued warrants in a financing transaction with Thomvest Seed Capital Inc., the Toronto-based investment vehicle of Peter J. Thomson. The Company will use part of the proceeds for the commissioning of its GMP facility, which will enable the manufacturing of plasma-derived orphan drugs;

- The Corporation announced that it has successfully completed the required GLP toxicology studies performed by a certified contract research organization confirming that its lead drug candidate, PBI-4050, is safe to advance into clinical trial stages;

- The Corporation achieved two milestones related to its strategic agreement with Hematech Biotherapeutics Inc. which resulted in US $2.5 million of revenues;

- The Corporation closed a public offering of common shares in the capital of the Corporation issuing a total of 26,651,400 Common Shares at a price of $0.90 per Common Share for gross proceeds of $24.0 million. The net proceeds to the Corporation from the Offering will be used for the advancement of the plasma-derived orphan drug and small molecule therapeutics clinical programs and will also allow the Corporation to exercise greater control and ownership over its technology platforms rather than solely enabling third parties;

- The Corporation received a $5.1 million purchase order for the supply of affinity resin from an existing client, a global leader in the biotherapeutics industry; and

- The Corporation achieved a major corporate milestone by successfully completing the first commercial-scale production run at its ProMetic BioProduction Inc. plasma purification facility located in Laval, Quebec. This production run was completed on schedule and generated better than expected results.

FINANCIAL PERFORMANCE

Amounts in tables are expressed in thousands of Canadian dollars, except per share amounts.

Financial condition

The condensed consolidated statements of financial position at December 31, 2013 and 2012 are presented in the following table.

At December 31,	2013	2012
Total current assets	$ 35,410	$ 17,318
Other long term assets	168	294
Capital assets	9,706	1,127
Licenses and Patents	4,588	4,252
Total Assets	$ 49,872	$ 22,991
Total cash disbursing current liabilities	$ 14,498	$ 10,716
Non-cash disbursing liabilities		
Deferred revenues	984	2,355
Warrant liability	9,311	-
Long-term liabilities	6,441	4,101
Total liabilities	$ 31,234	$ 17,172
Share capital	263,320	234,563
Contributed Surplus	15,206	11,762
Future investment rights	6,542	6,542
Accumulated other comprehensive income	122	207
Deficit	(264,858)	(246,470)
Equity attributable to owners of the parent	20,332	6,604
Non-controlling interests	(1,694)	(785)
Total equity	18,638	5,819
Total liabilities and equity	$ 49,872	$ 22,991

Current assets

Current assets increased by $18.1 million in 2013 compared to December 31, 2012. The increase is mainly due to an increase in cash by $16.2 million due principally to the funds raised in September following the completion of a financing transaction with Thomvest Capital Seed Inc. and in November following the successful completion of a share offering by prospectus. In the period between the closing of these financing transactions and the year-end date, funds have been disbursed as described elsewhere in the MD&A.

An increase in accounts receivable by $9.4 million, due to an increase in the amount outstanding with the entity's associate and the recognition of a loan receivable from Invhealth Capital Inc. in the amount of $3.0 million, also contributed to the increase in current assets. These increases were mainly offset due to the fact that there was no amount outstanding for share subscriptions at December 31, 2013 whereas a receivable in the amount of $9.8 million was recorded at December 31, 2012.

Capital assets

Capital assets increased by $8.6 million in 2013 compared to December 31, 2012 mainly due to the investment in PBP's production facility during the year.

Total cash disbursing current liabilities
The total cash disbursing current liabilities increased by $3.8 million in 2013 compared to December 31, 2012 mainly due to an increase in trade payables relating to the investment in PBP's production facility and to the classification of the advance on revenues from a supply agreement from long-term liabilities to current liabilities. These increases were partially offset by a reduction in bank and other loan and in the promissory notes and long-term debt provided by shareholders. Subsequent to December 31, 2013, the Corporation and the supplier amended the advance agreement whereby the remainder of the advance will be repayable on April 1, 2015, subject to continuing commercial negotiations which are currently ongoing.

Deferred revenues
Deferred revenues decreased by $1.4 million in 2013 compared to December 31, 2012 as a result of product shipments to which those deferred revenues related, having been completed during the financial year. Also fewer new up-front payments were received in 2013 compared to 2012.

Warrant liability
In September 2013, the Corporation completed a financing transaction with Thomvest Seed Capital Inc. in which the Corporation issued long-term debt, warrants classified in equity and finally warrants that met the definition of a derivative liability under IFRS. The details of this transaction and the accounting for it are provided in note 17 to the annual consolidated financial statements. The warrants that are classified in the statement of financial position as a warrant liability, namely the "Second Warrants", are measured at their fair value at each reporting date. The variation in the fair value of the warrant liability between reporting periods is recorded as a gain or a loss in the statement of operations. There is no future cash-disbursement associated with the recorded liability on the balance sheet, however, if the warrants were to be exercised, the holder would have to pay the exercise price to the Corporation, which would amount to $15.6 million.

Long-term liabilities
Long-term liabilities increased by $2.3 million in 2013 compared to December 31, 2012. The net increase is the result of an increase in the long-term debt resulting from the financing transaction with Thomvest Seed Capital Inc. and the reclassification of the portion of the advance on revenues from a supply agreement previously presented amongst the long-term liabilities at December 31, 2012 to current liabilities at December 31, 2013.

Share capital
Share capital increased by $28.8 million in 2013 compared to December 31, 2012. The increase results amongst others from the issuance of common shares following the exercise of warrants and stock options and the completion of renegotiations with lenders to extend the maturity dates of loans. However, the main transaction contributing to the increase in 2013 was the issuance of 26,651,400 common share following an offering by way of prospectus for gross proceeds of $24.0 million.

Contributed surplus
Contributed surplus increased by $3.4 million in 2013 compared to December 31, 2012 mainly due to the recognition of share-based payment expense and the issuance of warrants in financing transactions including loan renegotiations. The increase was partially offset by a decrease resulting from the exercise of warrants and stock options.

Deficit
The deficit increased as a result of the net loss and the recognition of share issuance expense incurred during the year.

Non-controlling interest
Non-controlling interest deficit increased during the year as the non-controlling members are attributed with their share of the losses incurred in PBP and in PRDT during the year.

Results of operations

The condensed consolidated statements of operations for the quarter and the year ended December 31, 2013 compared to the same periods in 2012 are presented in the following table.

	Quarter ended December 31,		Year ended December 31,	
	2013	2012	2013	2012
Revenues	$ 5,078	$ 8,323	$ 20,644	$ 23,321
Expenses				
Cost of goods sold	1,925	1,878	6,594	5,351
Research and development expenses recharged	(465)	1,704	4,888	2,657
Research and development expenses non-rechargeable	6,668	1,258	13,672	7,764
Administration and marketing expenses	3,982	2,031	8,581	5,830
Loss (gain) on foreign exchange	(212)	115	(638)	116
Loss on disposal of capital assets, licenses and patents	25	12	46	49
Gain on recognition of loan receivable	(3,015)	-	(3,015)	-
Loss on extinguishment of debt	-	-	423	497
Finance costs	678	380	1,806	1,483
Fair value variation of warrant liability	2,863	-	5,485	-
Net loss (profit) in an associate	-	(69)	69	(2)
Net profit (loss) before income taxes	(7,371)	1,014	(17,267)	(424)
Income taxes - current	131	-	131	-
Net loss	$ (7,502)	$ 1,014	$ (17,398)	$ (424)
Net (loss) income attributable to:				
Owners of the parent	(7,010)	1,181	(16,489)	234
Non-controlling interests	(492)	(167)	(909)	(658)
	$ (7,502)	$ 1,014	$ (17,398)	$ (424)
Earnings (Loss) per share				
Basic and diluted earnings (loss) per share attributable to the owners of the parent	$ (0.01)	$ 0.00	$ (0.03)	$ 0.00

Revenues

Total revenues for 2013 were $20.6 million compared to $23.3 million for 2012, a decrease of $2.7 million. Total revenues for the fourth quarter of 2013 were $5.1 million compared to $8.3 million in 2012 representing a decrease of $3.2 million. Revenues are derived predominantly from product sales, development service revenues and licensing revenues. Revenues from each source may vary significantly from period to period. The following table provides the breakdown of total revenues by source for the quarter and the year ending December 31, 2013 and the comparative periods of 2012.

	Quarter ended December 31,		Year ended December 31,	
	2013	2012	2013	2012
Revenues from the sale of goods	$ 2,762	$ 4,295	$ 9,531	$ 11,548
Revenues from the rendering of services	1,276	3,028	8,538	5,343
Licensing revenues	1,040	1,000	2,575	6,430
	$ 5,078	$ 8,323	$ 20,644	$ 23,321

Revenues from the sale of goods were $9.5 million in 2013 compared to $11.5 million in 2012, representing a decrease of $2.0 million. This decrease, attributable to the timing of deliveries associated with the Corporation's bioseparation products was partially offset by an increase in the conversion rate of the GBP to the Canadian dollar in 2013 which affects the conversion of the results of a foreign subsidiary.

Service revenues were $8.5 million in 2013 compared to $5.3 million in 2012, representing an increase of $3.2 million. Service revenues are derived mainly from to the services rendered to an associated company, NantPro, under an agreement concluded in 2012 whereby the Corporation development efforts regarding a plasma derived biopharmaceutical product are billed to Nantpro. The year over year increase is principally due to the fact that the development services under the agreement only started in the third quarter of 2012 compared to a full year of services provided in 2013. This increase was partially offset by a decrease in revenues in 2013 regarding the development of bioseparation products.

Licensing revenues were $2.6 million in 2013 compared to $6.4 million in 2012, representing a decrease of $3.9 million. The current year licensing revenues relate to milestones achieved in the third and fourth quarters of 2013 with Hematech whereas in 2012 the licensing revenues were earned in relation to several license agreements including those with Hematech, Hepalink and signed with the associated company, NantPro. This decrease reflects the Corporation's decision to retain greater portion of future value on some clinical assets, rather than seeking to licence early. It is important to state that licensing revenues, which usually entail the attainment of specified milestones, are only recognized when the milestones are met while the research and development expenses involved in attaining the milestones (presented as research and development expenses non-rechargeable) are recognized in the period those costs are incurred which can be several reporting periods prior to the revenue recognition.

The above revenues all pertain to the Protein Technology segment. There were no significant revenues from the Therapeutics division.

Costs of goods sold
Costs of goods sold were $6.6 million in 2013 compared to $5.4 million in 2012, representing an increase of $1.2 million. Although the revenues from the sale of products declined, the mix of product sold were more heavily weighted towards products with lower gross margins in 2013 compared to the previous year. The increase in the conversion rate of GBP to CAD, used to convert the results of a foreign subsidiary, also contributed to the increase in the cost of goods sold.

Recharged research and development expenses
Research and development ("R&D") expenses recharged were $4.9 million in 2013 compared to $2.7 million in 2012, representing an increase of $2.2 million. The increase results from a full year of development services to Nantpro compared to a shorter period in 2012. Service revenues contribute a lower gross margin than product revenues as most of the services are billed using a cost plus margin formula. During the quarter ended December 31, 2013, certain estimates affecting the allocation of expenses between recharged and non-rechargeable research and development expense during the year were adjusted in the fourth quarter leading to a decrease in R&D expenses recharged and an increase in R&D expenses non-rechargeable compared to the third quarter of 2013.

Research and development expenses – non-rechargeable
Non-rechargeable research and development expenses were $13.7 million in 2013 compared to $7.8 million in 2012, representing an increase of $5.9 million. The increase is mainly due to the higher level of research activities in the Therapeutics segment, namely in regards to the PBI-4050 clinical program currently underway, as a result of more stable funding in 2013, and an increase of expenses in the Protein Technology segment as a result of the costs associated with preparing the Laval plant for launch which more specifically required the facility to operate with a significant number of staff in order to prepare for cGMP validation.

Administrative and marketing expenses
Administrative and marketing expenses were $8.6 million in 2013 compared to $5.8 million in 2012 representing an increase of $2.8 million. The increase is mainly attributable to the increase in compensation expense relating to share-based payments and increased professional and legal fees.

Share-based payments
Share-based payments expense represents the expense recorded as a result of stock options and restricted stock units ("RSUs") issued to employees and board members. This expense as been recorded under cost of goods sold, research and development and administration and marketing expenses as indicated in the following table:

	Quarter ended December 31,		Year ended December 31,	
	2013	2012	2013	2012
Cost of goods sold	$ 61	$ -	$ 76	$ 25
Research and development expenses recharged	92	3	109	10
Research and development expenses non-rechargeable	616	24	692	101
Administration and marketing expenses	2,177	72	2,534	369
	$ 2,946	$ 99	$ 3,411	$ 505

Share-based payments increased by $2.8 million and $2.9 million during the fourth quarter and the year ended December 31, 2013, respectively, compared to 2012. The increase is mainly due to a grant of RSUs to senior executives which was made in the fourth quarter of 2013. The expense relating to stock options also increased mainly due to the increase in the grant date fair value used as a basis to calculate the expense as a result of the increase in the price of the underlying common shares. The share-based payments expense is a non-cash expense which is derived from the estimated fair value of the awards granted. The fair value estimates are calculated using the Black Scholes Merton option valuation model, a model widely used by entities for this purpose.

Gain on recognition of loan receivable
During the fourth quarter of 2013, the Corporation recognized in the consolidated statement of financial position $3.0 million representing the sums due to ProMetic under a loan to Invhealth Capital Inc. a corporation wholly-owned by the CEO of the ProMetic.

The loan payments, made between 2008 and 2010 in relation to a loan guarantee provided by the Corporation, had originally been expensed as "Charges related to a guarantee" since the collectability of the loan was not reasonably assured at the time. The loan to Invhealth Capital Inc. in the amount of USD 2,011,000, bears interest at 10% per annum and is secured by a pledge in favour of the Corporation by Invhealth Capital Inc. of all of its shares in Invhealth Holding Inc. and by a pledge in favor of the Corporation by the CEO of the Corporation of all of his shares of Invhealth Capital Inc. As a result of these pledges, the loan is ultimately secured by 9,500,000 shares of the Corporation. The loan was due for repayment on March 31, 2016 but was fully repaid in March 2014.

Fair value variation of warrant liability
In September 2013, the Corporation completed a financing transaction with Thomvest Seed Capital Inc. in which the Corporation issued long-term debt, warrants classified in equity and finally warrants that met the definition of a liability under IFRS. The details of this transaction and the accounting for it are provided in note 17 to the annual consolidated financial statements. The warrants that are classified in the statement of financial position as a warrant liability, namely the "Second Warrants", are measured at their fair value at each reporting date. The variation in the fair value of the warrant liability between reporting periods is recorded as a gain or a loss in the statement of operations. There is no future cash-disbursement associated with the recorded liability on the balance sheet, however, if the warrants were to be exercised, the holder would have to pay the exercise price to the Corporation.

EBITDA analysis

For the years ended December 31, 2013 and December 31, 2012

The EBITDA for each segment and for the total Corporation for the years ended December 31, 2013 and 2012 is presented in the following tables.

Year ended December 31, 2013	Protein Technologies	Therapeutics	Corporate	Total
Revenues	$ 20,630	$ 14	$ -	$ 20,644
Costs of goods sold	(6,412)	-	-	(6,412)
R&D expenses recharged	(4,779)	-	-	(4,779)
R&D expenses non-rechargeable	(8,020)	(4,113)	-	(12,133)
Administration and marketing expenses	(608)	-	(5,417)	(6,025)
EBITDA	$ 811	$ (4,099)	$ (5,417)	$ (8,705)

Year ended December 31, 2012	Protein Technologies	Therapeutics	Corporate	Total
Revenues	$ 23,290	$ 31	$ -	$ 23,321
Costs of goods sold	(5,280)	-	-	(5,280)
R&D expenses recharged	(2,647)	-	-	(2,647)
R&D expenses non-rechargeable	(5,405)	(1,539)	-	(6,944)
Administration and marketing expenses	(556)	-	(4,892)	(5,448)
EBITDA	$ 9,402	$ (1,508)	$ (4,892)	$ 3,002

EBITDA is a non-GAAP measure, employed by the Corporation 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 Corporation calculates its EBITDA by subtracting from revenues, its cost of goods sold, its research and development expenses recharged and non-rechargeable as well as its administration and marketing expenses and excluding depreciation of capital assets, amortization of licenses and patents and share-based payments.

The total amounts presented in the EBITDA tables for Cost of goods sold, R&D recharged and non-recharged expenses, and for administration and marketing expenses exclude depreciation, amortization and share-based payments. The following table reconciles these amounts to those presented in the condensed consolidated statements of operations:

	Totals per EBITDA tables	Depreciation and amortization	Share-based payments	Total per statements of operations
Year ended December 31, 2013				
Revenues	$ 20,644	$ -	$ -	$ 20,644
Costs of goods sold	(6,412)	(106)	(76)	(6,594)
R&D expenses recharged	(4,779)	-	(109)	(4,888)
R&D expenses non-rechargeable	(12,133)	(741)	(692)	(13,566)
Administration and marketing expenses	(6,025)	(22)	(2,534)	(8,581)
	$ (8,705)	$ (869)	$ (3,411)	$ (12,985)
Year ended December 31, 2012				
Revenues	$ 23,321	$ -	$ -	$ 23,321
Costs of goods sold	(5,280)	(46)	(25)	(5,351)
R&D expenses recharged	(2,647)	-	(10)	(2,657)
R&D expenses non-rechargeable	(6,944)	(719)	(101)	(7,764)
Administration and marketing expenses	(5,448)	(14)	(369)	(5,830)
	$ 3,002	$ (779)	$ (505)	$ 1,718

Total EBITDA for the Corporation decreased by $11.7 million for the year ended December 31, 2013 compared to the corresponding period in 2012 with all segments reporting lower EBITDA in 2013.

EBITDA for the Protein technologies decreased by $8.6 million resulting from a decrease in the contribution from the sale of goods (revenues less cost of goods sold), due to the timing of certain deliveries and the sale of products more heavily weighted to products generating lower margins, a decrease in licencing revenues and an increase in non-rechargeable research and development expenses mainly due to the commencement of activities at the Laval production facility. More specifically, $2.1 million in expenses have been included in non-rechargeable R&D in 2013 that pertain to the preparation of the plant for start-up and the work performed towards cGMP validation. This was partially offset by an increase in the contribution from development services (revenues from the rendering of services less research and development recharged) mainly attributable to the increase in development services performed for Nantpro in 2013 compared to 2012.

EBITDA for the Therapeutics segment decreased by $2.6 million mainly due to the higher level of research activities, namely in regards to the PBI-4050 clinical program currently underway, as a result of more stable funding in 2013.

The cost of the corporate activities increased by $0.5 million resulting mainly from an increase in employee benefits and an increase in legal, professional and filing fees in 2013 compared to 2012.

For the quarters ended December 31, 2013 and December 31, 2012
The EBITDA for each segment and for the total Corporation for the quarters ended December 31, 2013 and 2012 presented in the following tables.

Quarter ended December 31, 2013	Protein Technologies	Therapeutics	Corporate	Total
Revenues	$ 5,074	$ 4	$ -	$ 5,078
Costs of goods sold	(1,837)	-	-	(1,837)
R&D expenses recharged	557	-	-	557
R&D expenses non-rechargeable	(3,892)	(1,910)	-	(5,802)
Administration and marketing expenses	(147)	-	(1,648)	(1,795)
EBITDA	$ (245)	$ (1,906)	$ (1,648)	$ (3,799)

Quarter ended December 31, 2012	Protein Technologies	Therapeutics	Corporate	Total
Revenues	$ 8,315	$ 8	$ -	$ 8,323
Costs of goods sold	(1,855)	-	-	(1,855)
R&D expenses recharged	(1,701)	-	-	(1,701)
R&D expenses non-rechargeable	(835)	(271)	-	(1,106)
Administration and marketing expenses	(159)	-	(1,798)	(1,957)
EBITDA	$ 3,765	$ (263)	$ (1,798)	$ 1,704

The following table reconciles these amounts to those presented in the condensed consolidated statements of operations:

	Totals per EBITDA tables	Depreciation and amortization	Share-based payments	Total per statements of operations
Quarter ended December 31, 2013				
Revenues	$ 5,078	$ -	$ -	$ 5,078
Costs of goods sold	(1,837)	(27)	(61)	(1,925)
R&D expenses recharged	557	-	(92)	465
R&D expenses non-rechargeable	(5,802)	(223)	(616)	(6,641)
Administration and marketing expenses	(1,795)	(10)	(2,177)	(3,982)
	$ (3,799)	$ (260)	$ (2,946)	$ (7,005)
Quarter ended December 31, 2012				
Revenues	$ 8,323	$ -	$ -	$ 8,323
Costs of goods sold	(1,855)	(23)	-	(1,878)
R&D expenses recharged	(1,701)	-	(3)	(1,704)
R&D expenses non-rechargeable	(1,106)	(128)	(24)	(1,258)
Administration and marketing expenses	(1,957)	(2)	(72)	(2,031)
	$ 1,704	$ (153)	$ (99)	$ 1,452

Total EBITDA for the Corporation decreased by $5.5 million for the quarter ended December 31, 2013 compared to the corresponding period in 2012.

EBITDA for the Protein technologies decreased by $4.0 million resulting from a decrease in the contribution from the sale of goods (revenues less cost of goods sold) due to the timing of certain deliveries and the sale of products more heavily weighted to products generating lower margins and an increase in non-rechargeable research and development expenses mainly due to the commencement of activities at the Laval production facility. During the quarter ended December 31, 2013, certain estimates affecting the allocation of expenses between the two R&D lines during the year were adjusted leading to a decrease in R&D expenses recharged and an increase in R&D expenses non-rechargeable.

EBITDA for the Therapeutics segment decreased by $1.6 million mainly due to the higher level of research activities, namely in regards to the PBI-4050 clinical program currently underway, as a result of more stable funding in 2013.

The cost of the corporate activities remained relatively consistent, decreasing slightly by $0.2 million.

Cash flow analysis

The condensed consolidated statements of cash flows from the quarter and the year ending December 31, 2013 and the comparatives periods in 2012 are presented below.

	Quarter ended December 31,		Year ended December 31,	
	2013	2012	2013	2012
Cash used in operating activities	$ (7,705)	$ 904	$ (17,073)	$ (2,133)
Cash from financing activities	21,201	334	41,055	3,694
Cash flows used in investing activities	(4,132)	(538)	(7,550)	(719)
Net increase in cash	9,564	700	16,432	842
Net effect of currency exchange rate on cash	(193)	(53)	(241)	88
Cash, beginning of the period	8,025	558	1,205	275
Cash, end of the period	$ 17,396	$ 1,205	$ 17,396	$ 1,205

Cash flow used in operating activities increased by $8.4 million and $14.9 million during the quarter and the year ended December 31, 2013 compared to the same periods in 2012 respectively mainly due to the reduction in the EBITDA for the Corporation in 2013 and an increase in non-cash working capital items. These increases are in line with the investment in the clinical development program for PBI-4050, the investment in the Laval plant operations and as a result of lower cash generation from operations when compared to the previous year. As a result of the Corporation's ability to secure financing during the year, it was able to increase its investment in its research projects.

Cash flows from financing activities increased by $20.9 million and $37.4 million during the quarter and the year ended December 31, 2013 compared to the same periods in 2012 respectively mainly from the proceeds from share and warrant issuances, notably the share offering by prospectus completed in November 2013. The Corporation also completed a $10 million financing transaction in September 2013 whereby the Corporation issued debt and warrants. Some of the proceeds from this transaction were used for the repayment of some shareholder debt.

Cash flows used in investing activities increased by $3.6 million and $6.8 million during the quarter and the year ended December 31, 2013 compared to the same periods in 2012 respectively mainly due to the investment in capital assets relating to the Laval production facility. The larger part of this investment occurred during the third and fourth quarters of 2013.

LIQUIDITY

As a result of the Corporation's position in regards to total cash generating current assets, including cash, net of total cash disbursing current liabilities of $20.0 million at December 31, 2013, the Corporation expects it will be able to meet its contractual obligations over the next year and continue to fund its planned activities for 2014. As a result of the increase in the share price of the Corporation during 2013 and in the beginning of 2014, all of the Corporation's warrants, rights and stock options outstanding are in-the-money as of the date of this MD&A, and although the timing of the exercise of the holders' rights cannot predicted, the Corporation is currently well positioned to obtain additional financing upon their exercise in the future.

CONTRACTUAL OBLIGATIONS

The Corporation expects to discharge its financial obligations, off-balance sheet obligations such as operating leases, and other commitments using its current cash and the cash inflows to be generated from the cash generating current assets.

Financial obligations

The financial obligations of the Corporation recognized in the consolidated statement of financial position at December 31, 2013, by maturity date, are presented in the table below:

At December 31, 2013	Carrying amount	Contractual Cash flows	Payable within 1 year	4 -5 years	Total
Trade and other payables	$ 7,877	$ 7,877	$ 7,877	$ -	$ 7,877
Promissory notes from shareholders	10	10	10	-	10
Repayable government grant and finance leases	4	4	4	-	4
Long-term debt provided by shareholders	3,026	3,550	3,550	-	3,550
Advance on revenues from a supply agreement	3,447	3,550	3,550	-	3,550
Long-term debt	6,217	15,605	-	15,605	15,605
	$ 20,581	$ 30,596	$ 14,991	$ 15,605	$ 30,596

Commitments

a) The Corporation has total commitments in the amount of $12,577 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:

2014	$ 1,998
2015	2,061
2016	2,058
2017	1,391
2018 and thereafter	5,069
	$ 12,577

b) In April 2006, the Corporation 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"). 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.

c) An officer of the Corporation is entitled to receive royalties based on the sales of certain products made available to ProMetic before joining the Corporation. These royalties are 0.5% of net sales or 3% of revenues received by the Corporation. 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.

d) In the normal course of business, the Corporation enters into license agreements for the market launching or commercialization of products. Under these licenses, including those mentioned above, the Corporation has committed to pay royalties ranging generally between 0.5% and 10% of net sales from products it commercializes.

SELECTED ANNUAL INFORMATION

The following table presents selected audited annual information for the years ended December 31, 2013, 2012 and 2011.

	2013	2012	2011
Revenues	**$ 20,644**	$ 23,321	$ 17,589
Net profit (loss) attributable to owners of the parent	**(16,489)**	234	(2,554)
Net profit (loss) per share attributable to owners of the parent (basic and diluted)	**(0.03)**	0.00	(0.01)
Total assets	**49,872**	22,991	8,692
Total non-current financial liabilities	**$ 6,217**	$ 3,875	$ 5,264

The mix and the amounts generated from the three main sources of revenues of the Corporation, namely revenues from the sale of goods, revenues from rendering services and licence revenues has changed significantly over the last three years. Revenues from the sales of goods increased significantly from $5.2 million in 2011 to $11.5 million in 2012 to then decrease to $9.5 million in 2013 while licensing revenues declined over the three-year period. The Corporation did not enter into new licensing agreements reflecting its decision to retain a greater portion of the future value on some clinical assets. Revenues from rendering services increased over the three year period as its development service agreement with Nantpro ramped up.

The net loss attributable to the owners of the parent improved in 2012 from 2011 mainly due to the stronger revenues and profits generated on the sale of goods. In 2013, the net loss increase significantly due to several factors including the increase in share-based payment expense as a result of RSU grants and vesting thereof, the loss recognized on the fair value variation of the warrant liability and the important increase in non-rechargeable research and development as the Corporation increased its investment in both the Protein technology segment and the Therapeutic segment. The net loss per share on a basic and diluted basis varied consistently with the net loss.

The total assets increased from year to year as the Corporation continued investment in capital assets, especially in 2013. The significant increase in 2013 is also the result of increases in accounts receivables, inventories and finally cash. The high level of cash in 2013 is the result of successful financing transactions completed in the third and fourth quarters of 2013.

Non-current financial liabilities have remained relatively stable over the three years as new debts are issued and others are repaid in cash or by the issuance of equity instruments.

SUMMARY OF QUARTERLY RESULTS

Quarter ended	Revenues	Net profit/ (loss) attributable to owners of the parent	
		Total	Per share basic and diluted
December 31, 2013	$ 5,078	$ (7,010)	$ (0.01)
September 30, 2013	5,960	(5,258)	(0.01)
June 30, 2013	5,161	(2,450)	(0.01)
March 31, 2013	4,445	(1,771)	0.00
December 31, 2012	8,322	1,036	0.00
September 30, 2012	7,669	2,479	0.01
June 30, 2012	6,271	798	0.00
March 31, 2012	$ 1,059	$ (4,206)	$ (0.01)

Revenues from period to period vary significantly as these are affected by the timing of orders for goods and the shipment of the orders, the achievement of milestones and depend on the timing and the level of service agreements. The timing of the recognition of these revenues and the timing of the recognized expense will cause significant variability in the results from quarter to quarter.

In addition to the variability in the results mentioned above, the following elements have had an important impact on the results in a given quarter. For the quarters ending in September and December 2013, the loss increased as a result of the loss on the fair value variation of the warrant liability and the increase in investment in non-rechargeable R&D expenses, notably the investment in the Laval plant and PBI-4050. In the quarter ending on December 31, 2013, the Corporation recorded a gain as the result of the recognition of a loan receivable which partially offset the increase in share-based payment expenses recorded in that period.

TRANSACTIONS BETWEEN RELATED PARTIES

Loan to a Corporation, wholly-owned by an officer of the Corporation

During the fourth quarter of 2013, the Corporation recognized in the consolidated statement of financial position $3.0 million representing the sums due to ProMetic under a loan to Invhealth Capital Inc. a corporation wholly-owned by the CEO of the ProMetic.

The loan payments, made between 2008 and 2010 in relation to a loan guarantee provided by the Corporation, had originally been expensed as "Charges related to a guarantee" since the collectability of the loan was not reasonably assured at the time. The loan to Invhealth Capital Inc. in the amount of USD 2,011,000, bears interest at 10% per annum and is secured by a pledge in favour of the Corporation by Invhealth Capital Inc. of all of its shares in Invhealth Holding Inc. and by a pledge in favour of the Corporation by the CEO of the Corporation of all of his shares of Invhealth Capital Inc. As a result of these pledges, the loan is ultimately secured by 9,500,000 shares of the Corporation. The loan was due for repayment on March 31, 2016 but was fully repaid in March 2014.

Consulting agreement with a director of the Corporation

Following a consulting agreement entered into with a director of the Corporation, success fees of 5% of the relevant proceeds received by the Corporation, for a total of $600, are payable to the director. As at December 31, 2013, $250 remained unpaid ($500 for the year ended December 31, 2012).

CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements requires the use of 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. The critical accounting estimates involved in the preparation of the consolidated financial statements are as follows:

Revenue recognition – The Corporation does at times enter into revenue agreements which provide, among other payments, for upfront payments in exchange for licenses and other access to intellectual property. Management applies its judgment to assess whether these payments were received in exchange for the provision of goods or services which have stand-alone value to the customer.

Expense recognition of restricted stock units – The expense recognized in regards to the restricted stock units for which the performance conditions have not been met is 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 is known. For the year ending on December 31, 2013, the outcome of all the outstanding restricted stock units is known and the expense in regards to all vested restricted stock units was recognized in the statement of operations. During the interim reporting periods of 2013 and 2012, the outcome for certain awards was uncertain and the expense recognized in a given period was based on the estimations described above.

Accounting for loan modifications – When the terms of a loan are modified, it is often accounted for as a de-recognition 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 of the new loan, the Corporation 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 Corporation seeks comparable interest rates. If unavailable, it uses those considered appropriate for the risk profile of a corporation in the industry.

Fair value of financial instruments – The individual fair values attributed to the different components of a financing transaction, notably warrants and debts issued concurrently, are determined using valuation techniques. The Corporation uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine 1) the values attributed to each component of a transaction at the time of their issuance, 2) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis and 3) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates also require that management make estimates and applies its judgment in determining certain assumptions. The fair value estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

Valuation of deferred income tax assets – To determine the extent to which deferred income tax assets can be recognized, management estimates the amount of probable future taxable profits that will be available against which deductible temporary differences and unused tax losses can be utilized. Management exercises judgment to determine the extent to which realization of future taxable benefits is probable, considering the history of taxable profits, budgets and forecasts and availability of tax strategies.

CHANGES IN ACCOUNTING POLICIES

On January 1, 2013, a number of new accounting standards became effective for the Corporation. Information on the new standards that are relevant to the Corporation is presented below:

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (OCI) ("IAS 1")
The amendments to IAS 1 changes 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 became effective for annual periods beginning on or after July 1, 2012 and it applies retrospectively. The adoption of this standard did not have a significant impact on the corporation.

IFRS 10 Consolidated Financial Statements ("IFRS 10")
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 became effective for annual periods beginning on or after January 1, 2013 and is applied retrospectively. The adoption of this standard did not have a significant impact on the corporation.

IFRS 12 Disclosure of Involvement with Other Entities ("IFRS 12")
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 became effective for annual periods beginning on or after January 1, 2013. The adoption of this standard has resulted in certain additional disclosures included in the consolidated financial statements.

IFRS 13 Fair Value Measurement ("IFRS 13")
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 became effective for annual periods beginning on or after January 1, 2013 and it applies retrospectively. The adoption of this standard did not have a significant impact on the Corporation.

FINANCIAL INSTRUMENTS

Use of financial instruments
The financial instruments that are used by the Corporation result from its operating and investing activities, namely in the form of accounts receivables and payables, and from its financing activities resulting usually in the issuance of long-term debt. The Corporation does not use financial instruments for speculative purposes. The following table presents the carrying amounts of the Corporation's financial instruments at December 31, 2013 and 2012.

	December 31, 2013	December 31, 2012
Financial assets		
Cash	**$ 17,396**	$ 1,205
Restricted cash	**139**	198
Trade receivables, loan to a Corporation, advance to an officer and other	**11,709**	2,708
Share purchase loan to an officer	**450**	450
Share subscription receivable	**-**	9,822
Convertible preferred shares of AM-Pharma	**29**	27
Financial liabilities		
Warrant liability	**9,311**	-
Bank and other loan	**-**	1,636
Trade and other payables	**7,877**	5,094
Promissory notes from shareholders	**10**	250
Repayable government grant and finance leases	**4**	564
Long-term debt provided by shareholders	**3,026**	4,017
Advance on revenues from a supply agreement	**3,447**	3,030
Long-term debt	**$ 6,217**	$ -

Warrant liability
In September 2013, the Corporation completed a financing transaction with Thomvest Seed Capital Inc. in which the Corporation issued long-term debt, warrants classified in equity and finally warrants that met the definition of a derivative liability under IFRS. The details of this transaction and the accounting for it are provided in note 17 to the annual consolidated financial statements. The warrants that are classified in the statement of financial position as a warrant liability, namely the "Second Warrants", are measured at their fair value at each reporting date. The variation in the fair value of the warrant liability between reporting periods is recorded as a gain or a loss under the caption Fair value variation of warrant liability in the statement of operations. There is no future cash-disbursement associated with the recorded liability on the balance sheet, however, if the warrants were to be exercised, the holder would have to pay the exercise price to the Corporation.

The fair value of the Second Warrants may change significantly from period to period mainly due to the underlying change in the Corporation's share price. If the conversion option is not exercised prior to maturity, the warrants' fair value will be zero when it expires. The fair value of these warrants is determined using in combination; i) a Monte Carlo simulation in order to take into consideration the Market Capitalization Event barrier and ii) a binomial model to compute the warrant valuation for each path obtained in the Monte Carlo simulation and arrive to an overall fair value for the warrants.

The fair value of the Second Warrants was estimated at $3,826 and $9,311 as of September 10, 2013 and December 31, 2013, respectively. Consequently, the increase in the fair value of $5,485 over this period was recognized as a loss in the statement of operations.

The following assumptions were used in determining the fair value of the warrants upon issuance and for the subsequent measurement on December 31, 2013: volatility 62%, marketability discount 35%, risk-free interest rates ranging from 2.29% to 2.90% over the potential life period of the warrants and an expected dividend rate of nil. The actual figures for the number of fully diluted shares outstanding was used as the estimated number of fully diluted of shares over the warrants life. The significant unobservable inputs used in the fair value estimate are the volatility and the marketability discount.

Impact of financial instruments in the consolidated statements of operations
In addition to the fair value variation of the warrant liability discussed above, the following line items in the consolidated statement of operations for the year ended December 31, 2013 include income, expense, gains and losses relating to financial instruments:

- finance costs;
- gain on recognition of loan receivable;
- loss on extinguishment of debt
- foreign exchange gains and losses.

Financial risk management
The Corporation has exposure to credit risk, liquidity risk and market risk. The Corporation's Board of Directors has the overall responsibility for the oversight of these risks and reviews the Corporation'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 Corporation if a customer, partner or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's cash, 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 Corporation reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance.

The Corporation evaluates accounts receivable balances based on the age of the receivable, credit history of the customers and past collection experience.

ii) Liquidity risk:
Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. The Corporation manages its liquidity risk by continuously monitoring forecasts and actual cash flows. To the extent that the Corporation does need to raise additional funding in the future, management considers securing additional funds through equity, debt or partnering transactions.

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

a) Interest risk:
The majority of the Corporation's debt is at a fixed rate, therefore there is limited exposure to changes in interest payments as a result interest rate risk.

b) Foreign exchange risk:

The Corporation is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Corporation 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 Great British Pounds ("GBP"). Financial instruments potentially exposing the Corporation 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 Corporation manages foreign exchange risk by holding foreign currencies to support forecasted cash outflows in foreign currencies. The majority of the Corporation's revenues are in U.S. dollars and in GBP which serve to mitigate a portion of the foreign exchange risk.

RISK FACTORS

For a detailed discussion of risk factors which could impact the Corporation's results of operations and financial position, other than those risks pertaining to the financial instruments, please refer to the Corporation's Annual Information Form filed on www.sedar.com.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures

The Corporation's Chief Executive Officer and its Chief Financial Officer are responsible for establishing and maintaining the Corporation's disclosure controls and procedures. They are assisted in this responsibility by the other Officers of the Corporation. 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 Corporation's disclosure controls and procedures as at December 31, 2013, have concluded that the Corporation'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 Corporation's financial reporting and compliance with IFRS in its financial statements. The Corporation'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 Corporation's business. As at December 31, 2013, 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 "Corporation"), which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of operations, comprehensive loss, changes in equity 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, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP[1]

Montreal, Canada
March 25, 2014

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In thousands of Canadian dollars)

At December 31	2013	2012
ASSETS (NOTE 21)		
Current assets		
Cash (NOTE 6)	**$ 17,396**	$ 1,205
Accounts receivable (NOTE 7)	**14,172**	4,750
Share subscription receivable (NOTE 22)	**-**	9,822
Inventories (NOTE 8)	**2,979**	1,238
Total cash generating current assets	**34,547**	17,015
Prepaid expenses	**863**	303
Total current assets	**35,410**	17,318
Restricted cash (NOTE 6)	**139**	198
Other investment (NOTE 9)	**29**	27
Investment in an associate (NOTE 10)	**-**	69
Capital assets (NOTE 11)	**9,706**	1,127
Licenses and patents (NOTE 12)	**4,588**	4,252
Total assets	**$ 49,872**	$ 22,991
LIABILITIES AND EQUITY		
Current liabilities		
Bank and other loan (NOTE 13)	**$ -**	$ 1,636
Trade and other payables (NOTE 14)	**7,877**	5,094
Income tax payable	**134**	-
Promissory notes from shareholders (NOTE 15)	**10**	250
Current portion of repayable government grant and finance lease obligations	**4**	560
Current portion of long-term debt provided by shareholders	**3,026**	600
Current portion of advance on revenues from a supply agreement	**3,447**	2,576
Total cash disbursing current liabilities	**14,498**	10,716
Deferred revenues (NOTE 16)	**984**	2,355
Warrant liability (NOTE 17)	**9,311**	-
Total curent liabilities	**24,793**	13,071
Long-term portion of lease inducement	**224**	226
Long-term portion of government grant and finance lease obligations (NOTE 18)	**-**	4
Long-term debt provided by shareholders (NOTE 19)	-	3,417
Advance on revenues from a supply agreement (NOTE 20)	**-**	454
Long-term debt (NOTE 21)	**6,217**	-
Total liabilities	**$ 31,234**	$ 17,172
EQUITY		
Share capital issued and to be issued (NOTE 22)	**263,320**	234,563
Contributed surplus	**15,206**	11,762
Future investment rights	**6,542**	6,542
Accumulated other comprehensive income	**122**	207
Deficit	**(264,858)**	(246,470)
Equity attributable to owners of the parent	**20,332**	6,604
Non-controlling interests (NOTE 23)	**(1,694)**	(785)
Total equity	**18,638**	5,819
Total liabilities and equity	**$ 49,872**	$ 22,991
Commitments and contingencies (NOTES 32 and 33)		

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

On behalf of the Board

Director

Director

CONSOLIDATED STATEMENTS OF OPERATIONS

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

Years ended December 31	2013	2012
Revenues (NOTE 25)	**$ 20,644**	$ 23,321
Expenses (NOTE 26)		
Cost of goods sold	**6,594**	5,351
Research and development expenses recharged	**4,888**	2,657
Research and development expenses non-rechargeable	**13,672**	7,764
Administration and marketing expenses	**8,581**	5,830
Loss (gain) on foreign exchange	**(638)**	116
Loss on disposal of capital assets, licenses and patents	**46**	49
Gain on recognition of loan receivable (NOTE 7)	**(3,015)**	-
Loss on extinguishment of debt (NOTE 19)	**423**	497
Finance costs (NOTE 26)	**1,806**	1,483
Fair value variation of warrant liability (NOTE 17)	**5,485**	-
Net loss (profit) in an associate (NOTE 10)	**69**	(2)
Net loss before income taxes	**(17,267)**	(424)
Income taxes - current (NOTE 29)	**131**	-
Net loss	**$ (17,398)**	$ (424)
Net (loss) income attributable to:		
Owners of the parent	**(16,489)**	234
Non-controlling interests (NOTE 23)	**(909)**	(658)
	$ (17,398)	$ (424)
Earnings (Loss) per share		
Basic and diluted earnings (loss) per share attributable to the owners of the parent	**$ (0.03)**	$ 0.00
Weighted average number of outstanding shares (in thousands)	**493,236**	421,073

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands of Canadian dollars)

Years ended December 31	2013	2012
Net loss	**$ (17,398)**	$ (424)
Other comprehensive income		
Items that may be subsequently reclassified to profit and loss:		
Change in unrealized exchange differences on translation of financial statements of foreign subsidiaries	**(85)**	48
Total comprehensive loss	**$ (17,483)**	$ (376)
Total comprehensive (loss) income attributable to:		
Owners of the parent	**(16,574)**	282
Non-controlling interests	**(909)**	(658)
	$ (17,483)	$ (376)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of Canadian dollars)

	Share capital	Contributed Surplus		Foreign currency translation reserve	Future investment rights	Deficit	Total	Non-controlling interets	Total equity (deficiency)
		Share-based payments	Warrants						
	$	$	$	$	$	$	$	$	$
Balance at January 1, 2012	220,777	2,711	7,421	159	6,542	(246,051)	(8,441)	(127)	(8,568)
Net Loss	-	-	-	-	-	234	234	(658)	(424)
Foreign currency translation reserve	-	-	-	48	-	-	48	-	48
Share issue expenses (NOTE 22)	-	-	-	-	-	(653)	(653)	-	(653)
Share-based payments (NOTE 22)	-	505	-	-	-	-	505	-	505
Exercise of warrants (NOTE 22)	191	-	(56)	-	-	-	135	-	135
Issuance of shares (NOTE 22)	3,773	-	-	-	-	-	3,773	-	3,773
Share capital to be issued (NOTE 22)	9,822	-	-	-	-	-	9,822	-	9,822
Issuance of warrants (NOTE 22)	-	-	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
Net loss	**-**	**-**	**-**	**-**	**-**	**(16,489)**	**(16,489)**	**(909)**	**(17,398)**
Foreign currency translation reserve	**-**	**-**	**-**	**(85)**	**-**	**-**	**(85)**	**-**	**(85)**
Share issue expenses (NOTE 22)	**-**	**-**	**-**	**-**	**-**	**(1,899)**	**(1,899)**	**-**	**(1,899)**
Share-based payments (NOTE 22)	**-**	**3,411**	**-**	**-**	**-**	**-**	**3,411**	**-**	**3,411**
Exercise of options (NOTE 22)	**1,294**	**(308)**	**-**	**-**	**-**	**-**	**986**	**-**	**986**
Exercise of warrants (NOTE 22)	**2,702**	**-**	**(784)**	**-**	**-**	**-**	**1,918**	**-**	**1,918**
Issuance of shares (NOTE 22)	**24,761**	**-**	**-**	**-**	**-**	**-**	**24,761**	**-**	**24,761**
Issuance of warrants (NOTE 22)	**-**	**-**	**1,125**	**-**	**-**	**-**	**1,125**	**-**	**1,125**
Balance at December 31, 2013	**263,320**	**6,319**	**8,887**	**122**	**6,542**	**(264,858)**	**20,332**	**(1,694)**	**18,638**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of Canadian dollars)

Years ended December 31	2013	2012
Cash flows used in operating activities		
Net loss for the year	**$ (17,398)**	$ (424)
Adjustments to reconcile net loss to cash flows used in operating activities:		
Expenses paid with shares	**6**	45
Net loss in an associate	**69**	(2)
Finance costs	**1,615**	704
Licensing revenues	**-**	(474)
Loss on disposal of capital assets, licenses and patents	**68**	51
Fair value variation of warrant liability	**5,485**	-
Loss on extinguishment of debt	**423**	497
Share-based payments	**3,411**	505
Advance on revenues from a supply agreement	**133**	133
Unrealized foreign exchange loss	**33**	2
Depreciation of capital assets	**351**	301
Amortization of license and patents	**518**	478
	(5,286)	1,816
Change in non-cash working capital items	**(11,787)**	(3,949)
	$ (17,073)	$ (2,133)
Cash flows from financing activities		
Proceeds from share and warrant issuances	**33,894**	3,270
Exercise of options	**986**	-
Exercise of warrants	**1,918**	-
Share issue expenses	**(2,150)**	(122)
Interest paid	**(153)**	286
Promissory notes from shareholders	**-**	100
Issuance of bank and other loan	**-**	884
Issuance of long-term debt, warrants and warrant liability, net of finance costs (NOTE 17)	**9,892**	-
Repayment of promissory notes from shareholders	**(240)**	(260)
Repayment of a repayable government grant and finance leases	**(556)**	(226)
Repayment of long-term debt provided by shareholders	**(900)**	-
Repayment of bank loan and other loan	**(1,636)**	-
Repayment of the advance on revenues from a supply agreement	**-**	(238)
	$ 41,055	$ 3,694
Cash flows used in investing activities		
Interest received	**23**	-
Disposal of an investment	**68**	35
Additions to capital assets	**(6,930)**	(487)
Additions to licenses and patents	**(711)**	(267)
	$ (7,550)	$ (719)
Net change in cash during the year	**16,432**	842
Net effect of currency exchange rate on cash	**(241)**	88
Cash, beginning of the year	**1,205**	275
Cash, end of the year	**$ 17,396**	$ 1,205

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

(In thousands of Canadian dollars, except share and per share amounts or as otherwise specified)

1. Nature of operations

ProMetic Life Sciences Inc. ("ProMetic" or the "Corporation"), incorporated under the Canada Business Corporations Act, is a long-established, publicly traded (TSX symbol: PLI) (OTCQX symbol: PFSCF), biopharmaceutical Corporation with globally recognized expertise in bioseparations, plasma-derived therapeutics and small-molecule drug development. ProMetic is focused on bringing safer, cost-effective and more convenient products to both existing and emerging markets. ProMetic offers its exclusive technology platform for large-scale drug purification of biologics, drug development, proteomics and the elimination of pathogens to a growing base of industry leaders and uses its own affinity technology that provides for efficient extraction and purification of therapeutic proteins from human plasma in order to develop therapeutics and orphan drugs. ProMetic is also active in developing its own novel small molecule therapeutic products targeting unmet medical needs in the field of fibrosis, neutropenia, cancer, and autoimmune disease/inflammation as well as certain nephropathies.

The Corporation's head office is located at 440, Boul. Armand-Frappier, suite 300, Laval, Québec, Canada, H7V 4B4. ProMetic has R&D facilities in the UK, the U.S. and Canada, manufacturing facilities in the UK and business development activities in the U.S., Europe and Asia.

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, 2014.

b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for cash, restricted cash and the warrant liability 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 Corporation's functional currency.

d) Basis of consolidation

The consolidated financial statements include the accounts of ProMetic Life Sciences Inc., and those of its subsidiaries. The Group's material subsidiaries at the end of the year are as follows:

Name of subsidiary	Segment activity	Place of incorporation and operation	Proportion of ownership interest held by the group	
			31/12/2013	31/12/2012
ProMetic BioSciences Inc.	Therapeutics	Quebec, Canada	100%	100%
ProMetic BioProduction Inc.	Protein Technology	Quebec, Canada	87%	87%
ProMetic Biosciences (USA), Inc.	Protein Technology	Maryland, U.S.A	100%	100%
ProMetic BioSciences Ltd	Protein Technology	United Kingdom	100%	100%
ProMetic BioTherapeutics Inc.	Protein Technology	Delaware, U.S.A	100%	100%
ProMetic BioTherapeutics Ltd.	Protein Technology	United Kingdom	100%	100%
ProMetic Manufacturing Inc.	Protein Technology	Quebec, Canada	100%	100%
Pathogen Removal and Diagnostic Technologies Inc. ("PRDT")	Protein Technology	Delaware, U.S.A	77%	77%

The Corporation consolidates investees when, based on the evaluation of the substance of the relationship with the Corporation, it concludes that it controls the investees. The Corporation controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent corporation, using consistent accounting policies. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

e) Investment in an associate

The Corporation's investment in its associate, NantPro BioSciences, LLC ("NantPro") is accounted for using the equity method. An associate is an entity in which the Corporation 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 Corporation's share of net assets of the associate.

The consolidated statement of operations reflect the Corporation'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 Corporation recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Profits and losses resulting from transactions between the Corporation and the associate are recognized in the Corporation's consolidated financial statements only to the extent of the unrelated investors' interests in the associate.

If the Corporation's share of cumulative losses of an associate equals or exceeds its interest in the associate, the Corporation discontinues recognising its share of further losses. After the interest in an associate is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the Corporation has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Corporation resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

After application of the equity method, the Corporation determines whether it is necessary to recognise an additional impairment loss on its investment in its associate. The Corporation 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 Corporation 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 Net profit (loss) in an associate in the consolidated statement of operations.

Upon loss of significant influence over the associate, the Corporation 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 Corporation's financial instruments are as follows:

Financial assets and financial liabilities at fair value through profit and loss

Cash, restricted cash and the warrant liability are respectively classified 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. Directly related transaction costs are recognized in the consolidated statements of operations.

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 corporation, are classified as available-for-sale and are measured at cost since their fair value cannot be measured reliably.

Financial liabilities

Bank and other loans, trade and other payables, promissory notes from shareholders, repayable government grant, long-term debt provided by shareholders, advance on revenues from a supply agreement and long-term debt are classified as other financial liabilities. They are measured at amortized cost using the effective interest method.

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.

Capital asset	Period
Leasehold improvements	2.5 - 16 years
Equipment and tools	5 - 15 years
Office equipment and furniture	5 - 10 years
Computer equipment	3 - 5 years

The estimated useful lives, residual values and depreciation method are reviewed annually 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 not exceeding 20 years. Licenses and patents are assessed for impairment at each reporting date when there are indicators of impairment present. The estimated useful lives and amortization method are reviewed annually, 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 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 Corporation has not capitalized any development costs.

k) Impairment of tangible and intangible assets

At the end of each reporting period, the Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation. Non-refundable license fees are recognized as revenue when the Corporation 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 Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Corporation 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 Corporation's consolidated financial statements are presented in Canadian dollars, which is also the parent corporation's functional currency.

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Corporation 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. 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 Corporation 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 Corporation has a stock option plan and a restricted share unit plan. The fair value of stock options granted is determined at the grant date using the Black-Scholes option pricing model, and is expensed over the vesting period of the options. Awards with graded vesting are considered to be multiple awards for fair value measurement. The fair value of restricted stock units is determined using the market value of the Corporation's shares on the grant date. In determining the expense to recognize over the vesting period, the Corporation will, in the case of restricted share units and stock options for which vesting is dependent on meeting performance targets, estimate the outcome of the performance targets and revise those estimates until the final outcome is determined. An estimate of the number of awards that are expected to be forfeited is also made at the time of grant and revised periodically if actual forfeitures differ from those estimates. The Corporation's policy is to issue new shares upon the exercise of stock options and when the shares earned under the restricted share unit plan are issued.

p) Earnings per share

The Corporation presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares, which comprise warrants, stock options and restricted share units. For the years ending on December 31, 2013 and 2012, all warrants, stock options and restricted share units were anti-dilutive since the Corporation reported net losses.

q) Share issue expenses

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

r) Borrowing costs

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

s) Statement of financial position presentation

Following the issuance by the Corporation in September 2013, of a warrant liability, that entails no future cash disbursement by the Corporation and is presented as a current liability, the Corporation decided that it is relevant to the understanding of the entity's financial position to sub-totals within current assets and current liabilities, representing the carrying value of those items that will generate or require future cash flows. Management uses these measures, amongst others, in assessing its short-term liquidity needs.

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 – The Corporation does at times enter into revenue agreements which provide, among other payments, for upfront payments in exchange for licenses and other access to intellectual property. Management applies its judgment to assess whether these payments were received in exchange for the provision of goods or services which have stand-alone value to the customer.

Consolidated financial statements – In determining that the Corporation did not control, but had only significant influence on an associated corporation 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 are made. A conclusion that the Corporation controlled the investment would have required that its assets and liabilities and results of operations be consolidated with those of the Corporation, 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, 2013, no changes were deemed necessary. In addition, judgment is applied in order to determine whether the inter-company loans denominated in foreign currencies form part of the parent Corporation's net investment in the foreign subsidiary. Considering such loans as part of the net investment in the foreign subsidiary results in foreign currency translation gains or losses resulting from the translation of these loans being recorded in other comprehensive loss instead of the statement of operations.

Estimates and assumptions

Expense recognition of restricted stock units – The expense recognized in regards to the restricted stock units for which the performance conditions have not been met is 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 is known. For the year ended on December 31, 2013, the outcome of all the outstanding restricted stock units is known and the expense in regards to all vested restricted stock units was recognized in the consolidated statement of operations.

Accounting for loan modifications – As described in note 19 (b), when the terms of a loan are modified, it is often accounted for as a de-recognition of the carrying value of the pre-modified loan and the recognition of a new loan at the then fair value. In the determination of fair value, the Corporation 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 Corporation seeks comparable interest rates. If unavailable, it uses those considered appropriate for the risk profile of a corporation in the industry.

Fair value of financial instruments – The individual fair values attributed to the different components of a financing transaction, notably warrants and debts issued concurrently, are determined using valuation techniques. The Corporation uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine 1) the values attributed to each component of a transaction at the time of their issuance, 2) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis and 3) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates also require that management make estimates and applies its judgment in determining certain assumptions. The fair value estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market. The assumptions regarding the warrant liability and the long-term debt issued during the year are disclosed in notes 17 and 21 respectively.

Valuation of deferred income tax assets – To determine the extent to which deferred income tax assets can be recognized, management estimates the amount of probable future taxable profits that will be available against which deductible temporary differences and unused tax losses can be utilized. Management exercises judgment to determine the extent to which realization of future taxable benefits is probable, considering the history of taxable profits, budgets and forecasts and availability of tax strategies.

4. Adoption of new accounting standards

On January 1, 2013, a number of new accounting standards became effective for the Corporation. Information on the new standards that are relevant to the Corporation is presented below:

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (OCI) ("IAS 1")
The amendments to IAS 1 changes 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 became effective for annual periods beginning on or after July 1, 2012 and it applies retrospectively. The adoption of this standard did not have a significant impact on the Corporation.

IFRS 10 Consolidated Financial Statements ("IFRS 10")
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 became effective for annual periods beginning on or after January 1, 2013 and is applied retrospectively. The adoption of this standard did not have a significant impact on the Corporation.

IFRS 12 Disclosure of Involvement with Other Entities ("IFRS 12")
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 became effective for annual periods beginning on or after January 1, 2013. The adoption of this standard has resulted in certain additional disclosures included in the consolidated financial statements.

IFRS 13 Fair Value Measurement ("IFRS 13")
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 became effective for annual periods beginning on or after January 1, 2013 and it applies retrospectively. The adoption of this standard did not have a significant impact on the Corporation.

5. New standards and interpretations not yet adopted

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

IFRS 9 Financial Instruments ("IFRS 9")
The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety with IFRS 9. To date, the sections dealing with recognition, classification, measurement and derecognition of financial assets and liabilities as well as the section dealing with hedge accounting have been published but limited amendments are still being considered. The section dealing with impairment methodology is still being developed. In November 2013, the IASB decided to defer to a date to be announced the implementation of IFRS 9 however entities may choose to early implement certain sections of the standard. The full impact of IFRS 9 on the Corporation will be evaluated after the remaining stages of the IASB 's project to replace IAS 39 are finalized.

IFRIC 21 Levies
In May 2013, the IASB issued the IFRIC 21 Levies that sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what an obligating event is that gives rise to pay a levy and when should a liability be recognized. This interpretation is effective for annual periods beginning on or after January 1, 2014, and is applied retroactively, with earlier adoption permitted. The Corporation is currently assessing the impact of this interpretation on its consolidated financial statements.

6. Cash and restricted cash

Cash consists of cash balances with banks. Restricted cash is composed of a guaranteed investment certificate, bearing interest at 0.35% per annum (one guaranteed investment certificate at December 31, 2012, bearing interest at 0.35%), pledged as collateral for a letter of credit to a landlord in the amount of $130 as at December 31, 2013 and 2012), which automatically renews until the end of the lease.

7. Accounts receivable

	2013	2012
Trade	$ 8,519	$ 2,622
Loan to a Corporation, wholly-owned by an officer of the Corporation	3,015	-
Tax credits receivable	1,422	1,893
Sales taxes receivable	1,041	149
Advance to an officer	82	-
Other	93	86
	$ 14,172	$ 4,750

Loan to a Corporation, wholly-owned by an officer of the Corporation
During the fourth quarter of 2013, the Corporation recognized in the consolidated statement of financial position the loan to a corporation wholly-owned by an officer of the Corporation. The loan payments, made between 2008 and 2010 in relation to a loan guarantee provided by the Corporation, had originally been expensed as "Charges related to a guarantee" since the collectability of the loan was not reasonably assured at the time. The principal of the loan in the amount of USD 2,011,000, bears interest at 10% per annum and is secured by a pledge in favor of the Corporation by Invhealth Capital Inc. (a wholly-owned subsidiary of a senior officer of the Corporation) of all of its shares in Invhealth Holding Inc. and by a pledge in favor of the Corporation by the senior officer of the Corporation of all of his shares of Invhealth Capital Inc. As a result of these pledges,

the loan is ultimately secured by 9,500,000 shares of the Corporation. The loan was originally due for repayment no later than March 31, 2013 but the loan agreement was amended during the year and the reimbursement period was extended to March 31, 2016. Furthermore, should certain stock price thresholds be reached, the Corporation may require the borrower to pay the outstanding balance of the loan.

The loan principal as well as the accumulated interest earned as of December 31, 2013, for an aggregate amount of $3,015, was recognized since the collectability of the loan was reasonably assured as a result of the increase in value of the assets guaranteeing the loan and an equivalent gain on recognition of loan receivable has been recorded in the consolidated statement of operations. In March 2014, the full amount of the loan was repaid to the Corporation.

8. Inventories

	2013	2012
Raw materials	$ 1,971	$ 730
Work in progress and finished goods	1,008	508
	$ 2,979	$ 1,238

During the year ended December 31, 2013, total inventories in the amount of $ 6,518 ($5,280 for the year ended December 31, 2012) were recognized as cost of goods sold.

9. Other investment

The investment is composed of convertible preferred shares of AM-Pharma Holding B.V., a private Corporation based in the Netherlands.

10. Investment in an associate

On June 29, 2012, the Corporation and an unrelated partner established an entity, NantPro BioSciences, LLC 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 Corporation 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 Corporation 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 Corporation 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 Corporation 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 are made, and that NantWorks has the current right to make additional capital contributions that could ultimately decrease the Corporation's investment to 10 % of the equity units, the Corporation 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 Corporation 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, 2013, the Corporation provided development services to NantPro and recognized revenues from the rendering of services of $6,978 ($1,549 – 2012). As at December 31, 2013, the Corporation had a balance receivable NantPro of $3,894 ($1,275 at December 31, 2012).

The summarized financial information of NantPro (unaudited) and the Corporation's share of the associate's losses, the net loss in the associate and the carrying amount of its investment in the associate at December 31, 2013 and 2012 and for the year then ended are as follows:

	2013	2012
Place of business	Delaware	Delaware
Percentage of interest	30.47%	54.23%
Current assets	$ 106	$ 86
Non-current assets	6,886	7,255
Current liabilities	3,894	-
Net assets of an associate	$ 3,098	$ 7,341
The Corporation's net investment in an associate - carrying amount	$ -	$ 69
Loss and comprehensive loss of an associate	$ (7,365)	$ (1,666)
The Corporation's share in the loss and comprehensive loss of the associate	(2,865)	(952)
Dilution gain	1,314	954
Net profit (loss) in an associate	$ (1,551)	$ 2
Unrecorded portion of losses	1,482	-
Net profit (loss) in an associate recognized in consolidated financial statements	$ (69)	$ 2

During the year ended December 31, 2013, the Corporation's net loss in an associate was recognized to the extent of the carrying amount of its investment in an associate at December 31, 2012.

11. Capital assets

	Leasehold improvements $	Equipment and tools $	Office equipment and furniture $	Computer equipment $	Total $
Cost					
Balance at January 1, 2012	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**
Additions	**3,795**	**4,493**	**189**	**381**	**8,858**
Disposals	**(480)**	**(431)**	**(70)**	**(188)**	**(1,169)**
Effect of foreign exchange differences	**190**	**155**	**22**	**20**	**387**
Balance at December 31, 2013	**5,946**	**7,951**	**717**	**889**	**15,503**
Accumulated depreciation					
Balance at January 1, 2012	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**
Depreciation charge for the year	**72**	**192**	**35**	**52**	**351**
Disposals	**(480)**	**(409)**	**(70)**	**(185)**	**(1,144)**
Effect of foreign exchange differences	**138**	**120**	**18**	**14**	**290**
Balance at December 31, 2013	**1,986**	**2,831**	**492**	**488**	**5,797**
Carrying amounts					
At December 31, 2012	185	806	67	69	1,127
At December 31, 2013	**3,960**	**5,120**	**225**	**401**	**9,706**

At December 31, 2013, the amount of expenditures recognized in the carrying amount of capital assets currently under construction totalled $7,514 (nil as at December 31, 2012). Depreciation of these assets has not yet started. Certain investments in equipment are eligible for reimbursable investment tax credits. The tax credit receivable is recorded in the same period as the eligible addition and is credited against the capital assets addition. During the year ended December 31, 2013, the Corporation recognized $380 (nil for 2012) in investment tax credits related to equipment purchases.

12. Licenses and Patents

	Licenses	Patents	Total
Cost			
Balance at January 1, 2012	$ 3,840	$ 3,722	$ 7,562
Additions	-	420	420
Disposals	-	(63)	(63)
Effect of foreign exchange differences	10	44	54
Balance at December 31, 2012	**3,850**	**4,123**	**7,973**
Additions	**-**	**745**	**745**
Disposals	**-**	**(51)**	**(51)**
Effect of foreign exchange differences	**40**	**187**	**227**
Balance at December 31, 2013	**$ 3,890**	**$ 5,004**	**$ 8,894**
Accumulated amortization			
Balance at January 1, 2012	$ 2,462	$ 780	$ 3,242
Amortization expense	231	247	478
Disposals	-	(14)	(14)
Effect of foreign exchange differences	5	10	15
Balance at December 31, 2012	**2,698**	**1,023**	**3,721**
Amortization expense	**231**	**287**	**518**
Disposals	**-**	**(7)**	**(7)**
Effect of foreign exchange differences	**20**	**54**	**74**
Balance at December 31, 2013	**$ 2,949**	**$ 1,357**	**$ 4,306**
Carrying amounts			
At December 31, 2012	1,152	3,100	4,252
At December 31, 2013	**$ 941**	**$ 3,647**	**$ 4,588**

During the year ended December 31, 2013, $44 of patents were disposed ($49 for the year ended December 31, 2012) following periodic reviews which were conducted in order to identify licenses and patents that are no longer used by the Corporation.

13. Bank and other loans

	2013	2012
Bank loan for an authorized amount of $803 (500,000 GBP) bearing interest at 10 % and repayable in equal monthly instalments of $67 (41,250 GBP) over a 12 month period. The loan was repaid in September 2013.	**$ -**	$ 803
Loan from Investissement Québec for an authorized amount of $833 in 2012 related to research and development tax credits receivable of $1,893 as of December 31, 2012, collateralized by a hypothec for that amount on all present and future research and development tax credits bearing interest at prime plus 4 %. The loan is repayable upon receipt of the tax credits [(1)].	**-**	833
	$ -	$ 1,636

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

14. Trade and other payables

	2013	2012
Trade	$ 4,650	$ 2,353
Other payables	3,227	2,741
	$ 7,877	$ 5,094

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

15. Promissory notes from shareholders

During the year ended December 31, 2013, the Corporation reimbursed a total of $240 on the promissory notes to shareholders leaving an unpaid balance of $10 to one shareholder at December 31, 2013. The promissory notes are payable on demand, unsecured and bear interest at an annual rate of 12%.

16. Deferred revenues

	2013	2012
Deferred service revenues	$ 228	$ 589
Deferred product sales	756	1,666
Deferred license fees	-	100
	$ 984	$ 2,355

17. Warrant liability

On September 10, 2013, the Corporation issued a secured loan and warrants (referred to as First Warrants and Second Warrants) for an aggregate amount of $10,010. The different financial components in this financing transaction were identified as a secured loan, accounted as a financial liability carried at amortized cost, the First Warrants, accounted for as an equity instrument and the Second Warrants accounted for as a derivative financial liability carried at fair value. The total proceeds were allocated initially to the financial liability instruments based on their fair values and the residual amount was attributed to the equity instrument. Further details regarding the secured loan are provided in note 21, and for the First Warrants are provided in note 22.

The Second Warrants give the holder the right to acquire common shares, the number of which is based on a formula, in exchange for $15,605 paid either in cash or in consideration of the lender's cancellation of the secured loan obligation (principal and the interest due over the 5 year duration). The maximum number of shares that can be issued under the warrant is 20,276,595 and consequently the effective exercise price cannot fall below $0.77 per share. The Second Warrants expire on September 10, 2021, however the maturity period is shortened upon occurrence of a Market Capitalization Event whereby the market capitalization of the Corporation is greater than $1.5 billion for 60 consecutive days. If such an event was to occur before September 10, 2018, the Second Warrants would expire on September 10, 2018. If a Market Capitalization Event occurred after September 10, 2018, the warrants would expire within 90 days after the said event.

Although the Second Warrants are legally equity instruments of the Corporation, they do not qualify as such, under IAS 32 *Financial Instruments - Presentation*, for accounting presentation because of the variability in the number of shares that could be obtained upon exercise. As such, they are presented on the consolidated statement of financial position as a warrant liability. Since this liability, a derivative financial liability, is required to be carried at fair value at each reporting date, the variations in fair value are recorded in the statement of operations in the period they occur. There is no future cash-payment associated with the recognized liability. However, if the warrants were to be exercised, the holder would have to pay the exercise price to the Corporation.

The fair value of the Second Warrants may change significantly from period to period mainly due to the underlying change in the Corporation's share price. If the conversion option is not exercised prior to maturity, the Second Warrants' fair value will be zero when it expires. The fair value of these warrants is determined using in combination; i) a Monte Carlo simulation in order to take into consideration the Market Capitalization Event barrier and ii) a binomial model to compute the warrant valuation for each path obtained in the Monte Carlo simulation and arrive to an overall fair value for the warrants. This measurement is considered a Level III fair value measurement. Assessment of the significance of a particular input of the fair value measurement requires judgement and may affect the placement within the fair value hierarchy level.

The fair value of the Second Warrants was estimated at $3,826 and $9,311 as of September 10, 2013 and December 31, 2013 respectively. Consequently, the increase in the fair value of $5,485 over this period was recognized as a loss in the consolidated statement of operations.

The following assumptions were used in determining the fair value of the warrants upon issuance and for the subsequent measurement on December 31, 2013: volatility 62%, marketability discount 35%, risk-free interest rates ranging from 2.29% to 2.90% over the potential life period of the warrants and an expected dividend rate of nil. The actual figures for the number of fully diluted shares outstanding was used as the estimated number of fully diluted shares over the warrants' life.

The effect of a change in the marketability discount and the volatility assumptions, which are significant unobservable inputs used in the fair value estimate, by 10% would have the following effect on the consolidated financial statements:

	Increase (decrease) in fair value of the warrant liability resulting from			
	at December 31, 2013		at September 10, 2013	
Assumption changed	a 10% increase	a 10% decrease	a 10% increase	a 10% decrease
Volatility	$ 623	$ (738)	$ 574	$ (602)
Marketability discount	(702)	596	(590)	556

18. Repayable government grant and finance lease obligations

(a) Repayable government grant
The balance of the repayable government grant from the Isle of Man Government Department of Economic Development of $551 (GBP 340,858) at December 31, 2012 and bearing interest at an annual rate of 5%, was paid in full in September 2013.

(b) Finance lease obligations
Obligations under finance leases of $4 bearing interest at 1.08% ($13 as at December 31, 2012), payable in monthly installments of $0.7 and maturing in July 2014.

19. Long-term debt provided by shareholders

	2013	2012
Loans from a director (a)	$ -	$ 600
Other loans (b)	3,026	3,417
	3,026	4,017
Less: current portion of long-term debt	3,026	600
	$ -	$ 3,417

(a) Loans from a director
The demand loan from a corporation controlled by a director of the Corporation bears interest at an annual rate of 15%. During the year ended December 31, 2012, the principal amount of the loan was reduced by $150 to $100, and $34 in accrued interest was reimbursed by the issuance of 1,373,572 shares of the Corporation. During the year ended December 31, 2013, the principal amount of the loan was reduced by $50 to $50 and $9 in accrued interest was reimbursed by the issuance of 163,432 shares of the Corporation. In November 2013, the balance of the principal and accrued interest was repaid in cash.

The demand loan for an amount of $500 from a company controlled by a director bears interest at the rate of 12% per annum and was subject to a $45 fee. 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. During the year ended December 31, 2013, the principal amount of the loan was reduced by $100 to $400 and $35 in accrued interest was reimbursed by the issuance of 375,951 shares of the Corporation. The loan, principal and accrued interest, were repaid in cash in November 2013.

The Corporation had granted a second rank hypothec on the universality of the movable property of the Corporation and a subsidiary, to guarantee the above mentioned loans from a director.

(b) Other loans
1) Loan secured by hypothecs in the amount of $6,000 granted by the Corporation and a subsidiary on the universality of their movable property (*).

On December 31, 2011, the Corporation and the lender signed a letter of intent to extend the maturity date of the unpaid balance of the loan, in the amount of $1,000, 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 Corporation 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 Corporation 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 accounted for as a debt extinguishment for accounting purposes in February 2012 and resulted in a loss of $124. The new loan was remeasured at its fair value on the date of the modification. The fair value of $638 of the loan was estimated using discounted future cash flows and the residual value between the principal amount of the loan and the fair value was allocated to the warrants and shares in the amounts of $237 and $125, respectively.

On December 31, 2012, the Corporation and the lender signed a letter of intent to extend the maturity date of the loan 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 20, 2013, the repayment terms were formally renegotiated and the Corporation 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 agreement, no cash interest was charged to the Corporation 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 loan was therefore reclassified as a long-term liability as at December 31, 2012. The renegotiation was accounted for as a debt extinguishment for accounting purposes in February 2013 and resulted in a loss on modification of debt of $105. The new loan was remeasured at its fair value on the date of the modification with an effective interest rate of 37.5%. The fair value of $649 of the loan was estimated using discounted future cash flows and the residual value between the principal amount of the loan and the fair value was allocated to the warrants and shares in the amounts of $229 and $122, respectively. In September 2013, the Corporation reimbursed $200 of the loan, reducing the principal balance to $800. The carrying value of the loan as at December 31, 2013 was $682 ($854 as at December 31, 2012).

2) Loan secured by hypothecs of $1,000 granted by the Corporation and a subsidiary on the universality of their movable property (*).

On December 31, 2011, the Corporation and the lender signed a letter of intent to extend the maturity date of the $500 loan 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 Corporation 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 Corporation 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 treated as 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 difference between the principal amount of the loan and the fair value was allocated to the warrants and shares in the amounts of $119 and $62, respectively.

On December 31, 2012, the Corporation and the lender signed a new letter of intent to extend the maturity date of the loan 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 20, 2013, the repayment terms were formally renegotiated and the Corporation 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 agreement, no cash interest was charged to the Corporation 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 loan was therefore reclassified as a long-term liability as at December 31, 2012. The renegotiation was also accounted for as a debt extinguishment in 2013. Consequently, the loan was derecognized and a new loan recognized at fair value, resulting in a loss on extinguishment of debt of $53. The new loan was remeasured at its fair value on the date of the modification with an effective interest rate of 37.5%. The fair value of $324 was estimated using discounted future cash flows, and the difference between the fair value and the principal amount was allocated to the warrants and shares

in the amounts of $115 and $61, respectively. In October 2013, the Corporation repaid $125 of the loan, reducing the principal balance to $375. The carrying value of the loan as at December 31, 2013 was $320 ($428 as at December 31, 2012).

3) Loan secured by hypothecs of $500 granted by the Corporation and a subsidiary on the universality of their movable property (*).

On December 31, 2011, the Corporation and the lender signed a letter of intent to extend the maturity date of the $500 loan 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 Corporation 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 Corporation 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 difference between the principal amount of the loan and the fair value was allocated to the warrants and shares in the amounts of $119 and $62, respectively.

On December 31, 2012, the Corporation 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 20, 2013, the repayment terms were formally renegotiated and the Corporation 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 Corporation 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 loan was therefore reclassified as a long-term liability as at December 31, 2012. The renegotiation was also accounted for as a debt extinguishment in 2013. Consequently, the loan was derecognized and a new loan recognized at fair value, resulting in a loss on extinguishment of debt of $53. The new loan was remeasured at its fair value on the date of the modification with an effective interest rate of 37.5%. The fair value of $324 was estimated using discounted future cash flows, and the difference between the fair value and the principal amount was allocated to the warrants and shares in the amounts of $115 and $61, respectively. In October 2013, the Corporation repaid an amount of $125 of the loan reducing the principal balance to $375. The carrying value of the loan as at December 31, 2013 was $320 ($428 as at December 31, 2012).

4) Loans secured by hypothecs of $2,720 granted by the Corporation and a subsidiary on the universality of their movable property (*).

On December 31, 2011, the Corporation 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 Corporation 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 Corporation 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 treated as a debt extinguishment for accounting purposes. Consequently, the loans were derecognized and new loans were 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 difference between the fair value and the principal amounts of the loans was allocated to the warrants and shares in the amounts of $474 and $250, respectively.

On December 31, 2012, the Corporation and the lender signed a letter of intent to extend the payment terms of the loans 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 20, 2013, the repayment terms were formally renegotiated and the Corporation agreed to issue to the lender 521,738 fully paid common shares and 377,357 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 Corporation 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 loans were therefore reclassified as a long-term liability as at December 31, 2012. The renegotiation was also accounted for as a debt extinguishment in 2013. Consequently, the loans were derecognized and new

loans were recognized at fair value, resulting in a loss on extinguishment of debt of $212. The new loan was remeasured at its fair value on the date of the modification with an effective interest rate of 37.5%. The fair values of $1,298 were estimated using discounted future cash flows, and the difference between the fair values and the principal amounts was allocated to the warrants and shares in the amounts of $457 and $245, respectively. The carrying value of the loan as at December 31, 2013 was $1,705 ($1,709 as at December 31,2012).

(*) During 2013, the securities given under the above loans were modified from a first ranking hypothec on all moveable property to second ranking hypothecs on all moveable property, excluding intellectual property.

As a result of the above loans being recorded at amounts which differs from the principal amounts of the loans, an interest accretion expense is recognized over the duration of the loans in order that the carrying value of the loans at maturity equals the principal amounts due.

20. Advance on revenues from a supply agreement

In 2009, the Corporation entered into a loan agreement with a customer whereby it received an advance on revenues relating to a supply agreement between the parties amounting to $3,400 (GBP 2,000,000). The advance bears interest at a rate of 5% per annum. The advance was being repaid as products were supplied and revenues received under the supply agreement, until both parties agreed to a moratorium on repayments during the year ended December 31, 2012. The advance has a five-year term and the unpaid balance is due at the maturity date in September 2014. 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. Since the moratorium on the repayments, the balance owed under the agreement has increased as interest on the advance is cumulating. In March 2014, the Corporation and the customer amended the loan agreement, extending the maturity date until April 1, 2015 as discussed in note 36.

21. Long-term debt

On September 10, 2013, the Corporation issued a secured loan and warrants for a cash consideration (refer to note 17 for details of the financing transaction). The $10,000 loan bears interest at a rate of 9% per annum, compounding monthly, to be paid on maturity of the loan together with the principal on September 10, 2018. The Corporation may at its discretion, repay the loan in its entirety or partially as of the fourth anniversary of the loan. The loan is secured by all the assets of the Corporation excluding patents. The loan requires that certain covenants be respected including maintaining an adjusted working capital ratio. As at December 31, 2013, the Corporation was in compliance with all of the debt covenants. The loan initially was recorded at fair value less the associated transaction costs for a net amount of $5,851. The fair value of the callable loan was determined using a discounted cash flow model for the debt instrument with a market interest rate of 19.23%.

22. Share capital issued and to be issued

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.

	2013		2012	
	Number	**Amount**	Number	Amount
Issued and fully paid common shares	**523,168,666**	**$ 263,770**	432,531,873	$ 225,191
Share purchase loan to an officer [1]	**-**	**(450)**	-	(450)
Issued and fully paid common shares	**523,168,666**	**263,320**	432,531,873	224,741
Share capital to be issued	**-**	**-**	-	9,822
Balance - end of year	**523,168,666**	**$ 263,320**	432,531,873	$ 234,563

[1] The share purchase loan to an officer, bearing interest at prime plus 1%, was extended until March 31, 2016. The modification to the terms of the loan were approved by the shareholders at the 2013 annual shareholders' meeting.

a) Share capital

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

	2013		2012	
Issued and fully paid shares	**Number**	**Amount**	Number	Amount
Balance - beginning of year	**432,531,873**	**$ 224,741**	396,193,349	$ 220,777
Issued for cash	**74,798,453**	**33,808**	28,499,996	2,903
Issued in relation to debt renegotiation (NOTE 19)	**1,043,476**	**491**	3,840,000	499
Reimbursement of loans from a director (NOTE 19)	**539,383**	**194**	2,141,608	284
Exercise of warrants	**10,900,833**	**2,702**	1,125,000	191
Exercise of options	**3,118,138**	**1,294**	-	-
Payment of expenses	**236,510**	**90**	731,920	87
Balance - end of year	**523,168,666**	**$ 263,320**	432,531,873	$ 224,741

2013

During the year ended December 31, 2013, the Corporation issued 48,147,053 common shares pursuant to a share subscription for a private placement agreement with a strategic investor entered into on October 15, 2012, for net proceeds of $9,907 and 26,651,400 common shares following an offering by way of a prospectus, for net proceeds of $22,115 (net of share issuance cost of $1,871). Also, 1,043,476 common shares were issued following the renegotiation with the lenders to extend the maturity dates of the loans as described in note 19 (b).

The Corporation also issued 539,383 shares for the reimbursement of principal and interest related to loans from a director for a total $194 (see note 19 (a)) and a total of 236,510 shares in payment of $90 of other expenses.

During the year ended December 31, 2013, 3,118,138 options were exercised resulting in cash proceeds of $986 and a transfer from contributed surplus to share capital of $308. During the same period, 10,900,833 warrants were exercised resulting in cash proceeds of $1,918 and a transfer from contributed surplus to share capital of $784.

2012

During the year ended December 31, 2012, the Corporation 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 have an exercise price of $0.18 per share and are 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 Corporation entered into a private placement agreement with a strategic investor to issue 48,147,053 common shares at an agreed 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.

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

In February 2012, the Corporation issued 3,840,000 common shares following the renegotiation with its lenders to extend the payment terms of the loans as described in note 19 (b).

The Corporation 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 19 (a)). The Corporation issued 1,125,000 shares for the exercise of warrants. As a result of this issuance, the share capital was increased by $191. During the year ended December 31, 2012, 1,125,000 warrants were exercised resulting in cash proceeds of $135 and a transfer from contributed surplus to share capital of $56.

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

b) Warrants and Rights

During the year ended December 31, 2013, 754,715 warrants with an estimated value of $915 were issued in relation to the renegotiation of the loans. During the year ended December 31, 2012, 2,857,139 warrants with an estimated value of $949 were issued in relation to the renegotiation of the loans and 6,345,451 warrants with an estimated value of $232 were issued in connection with private placements.

On September 10, 2013, the Corporation issued a secured loan and warrants for a cash consideration of $10,010 (refer to note 17 for details of the financing transaction). The Corporation issued 1,000,000 First Warrants, each one giving the right to the holder to acquire one common share at an exercise price of $0.52. The warrants expire on September 10, 2021. The value attributed to the warrants was $210. The Corporation also issued Second Warrants which are described in note 17 and are presented as a current liability.

The following table summarizes the changes in the number of warrants outstanding:

	2013		2012	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance - beginning of year	62,487,763	$ 0.38	59,575,171	$ 0.39
Issued for cash	1,000,000	0.52	6,345,451	0.18
Issued in relation to debt renegotiation (NOTE 19)	754,715	0.53	2,857,140	0.14
Exercised	(10,900,833)	0.19	(1,125,000)	0.12
Expired	-	-	(5,164,999)	0.14
Balance - end of year	53,341,645	$ 0.43	62,487,763	$ 0.38

As at December 31, 2013, the following warrants and rights, classified as equity, to acquire shares were outstanding:

Number	Expiry date	Exercise price
1,428,570	January 2014	$ 0.14
709,733	March 2014	0.18
1,254,545	April 2014	0.18
545,454	June 2014	0.18
2,857,140	February 2015	0.14
754,715	February 2015	0.53
14,495,452	February 2017	0.47
30,296,036	February 2017	0.47
1,000,000	September 2021	0.52
53,341,645		$ 0.43

c) Share-based payments

Stock options

The Corporation has established a stock option plan for its directors, officers and employees and service providers. The plan provides that the aggregate number of shares reserved for issuance at any time under the plan may not exceed 24,336,349 (15,913,317 at December 31, 2012) common shares and the maximum number of common shares, which may be reserved for issuance to any individual, may not exceed 5% of the outstanding common shares. The new options issued under the plan may be exercised over a period not exceeding five years and one month from the date they were granted. The vesting period of the options varies from immediate vesting to vesting over a period not exceeding 5 years. In some circumstances, the vesting of options is conditional to attaining performance conditions. The vesting conditions are established by the Board of Directors on the grant date. The exercise price is based on the weighted average share price for the five business days prior to the grant.

Changes in the number of stock options outstanding are as follows:

	2013		2012	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance - beginning of year	12,274,538	$ 0.19	11,054,051	$ 0.28
Granted	4,095,250	0.38	3,957,000	0.13
Forfeited	(507,250)	0.25	(224,929)	0.19
Exercised	(3,118,138)	0.32	-	-
Expired	-	-	(2,511,584)	0.51
Balance - end of year	12,744,400	$ 0.22	12,274,538	$ 0.19

The weighted average share price on the date of exercise of the options in 2013 was $0.58.

At December 31, 2013, options issued and outstanding by range of exercise price are as follows:

Range of exercise price	Number outstanding	Weighted average remaining contractual life (in years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
$0.12 - $0.20	8,860,400	2.39	$ 0.15	7,324,550	$0.15
$0.31 - $0.40	3,703,750	4.35	0.36	732,000	0.34
$0.71 - $0.88	180,250	4.90	0.88	10,000	0.88
	12,744,400	3.00	$ 0.22	8,066,550	$0.17

The Corporation uses the Black-Scholes option pricing model to calculate the fair value of options at the date of grant. The weighted average inputs into the model and the resulting grant date fair values were as follows:

	2013	2012
Expected dividend yield	-	-
Expected volatility of share price	88.55 %	88.52 %
Risk-free interest rate	1.31 %	1.32 %
Expected life in years	5.0	5.0
Weighted average grant date fair value	$ 0.26	$ 0.09

The expected volatility was mainly based on historical volatility of the common shares while the expected life was based on the historical holding patterns. The fair value of the grants is expensed over the vesting period on the assumption that 5.6% (5.67% in 2012) of the unvested options will be forfeited annually over the service period as employees leave the Corporation.

A compensation expense of $607 was recorded as a share-based payment for the year ended December 31, 2013 ($365 in 2012) as a result of stock options granted to directors, officers, employees and consultants.

Restricted share units

The Corporation has established an equity-settled restricted share units ("RSUs") plan for executive officers of the Corporation, 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 vesting conditions are established by the Board of Directors on the grant date and must generally be met within 3 years. In 2011 and in 2013, the Corporation granted 3,200,000 and 3,800,000 RSUs respectively, of which 4,666,250 vested in 2013. The price of the shares on the grant dates were $0.175 and $0.83 in 2011 and 2013 respectively. All of the non-vested RSUs were cancelled in December 2013. At December 31, 2013, there is a total of 4,666,250 outstanding RSUs which have been earned for which the underlying common shares will be issued in 2014.

The expense for a given period is evaluated taking into consideration the probability of each objective being reached and the estimated year during which it is expected that each objective will likely be reached.

A compensation expense of $2,804 for the year ended December 31, 2013 ($140 for the year ended December 31, 2012) was recorded as share-based payments.

The total share-based payment expenses has been included in the consolidated statement of operations as indicated in the following table:

	2013	2012
Cost of goods sold	$ 76	$ 25
Research and development expenses recharged	109	10
Research and development expenses non-rechargeable	692	101
Administration and marketing expenses	2,534	369
	$ 3,411	$ 505

In previous periods, the share-based payment expense was presented under administration and marketing expenses. Due to the increase in share-based payments, particularly in the fourth quarter of 2013 with the vesting of the RSUs, the Corporation decided to allocate the expense to each function for both 2013 and 2012.

23. Non-controlling interests

The shares of two of the Corporation's subsidiaries are partially held by non-controlling interests. These are ProMetic BioProduction Inc. ("PBP") and PRDT of which the Corporation holds 87% and 77% of the ownership interests respectively. Summarized financial information for PBP, which is considered to have a material non-controlling interest, for the years ending December 31, 2013 and 2012 is provided in the following tables. This information is based on amounts before inter-company eliminations. The carrying amount of the interest of the non-controlling interest in PBP is also provided below.

Summarized statements of financial position.

	2013	2012
Investment tax credits and other receivables (current)	$ 1,221	$ 18
Inventories and other current assets	680	1
Capital assets (non-current)	7,208	78
Trade and other payables (current)	(3,240)	(632)
Inter-company loans (non-current)	(9,471)	93
Total equity	$ (3,602)	$ (442)
Attributable to non-controlling interest	$ 1,041	$ 1,378

Summarized statement of operations

	2013	2012
Revenues or services rendered to other members of the group	$ 690	$ 197
Research and development activities recharged	(281)	-
Research and development activities non-rechargeable	(2,235)	-
Other	(1,335)	(1,083)
Net loss and comprehensive loss	$ (3,161)	$ (886)
Attributable to non-controlling interest	$ (337)	$ (95)

Summarized cash flow information	2013	2012
Cash flows used in operating activities	$ (2,037)	$ (699)
Cash flows from financing activities	9,564	699
Cash flows used in investing activities	(7,530)	-
Net increase and (decrease) in cash during the year	$ (3)	$ -

The losses allocated to the non-controlling interests and the accumulated balances of the non-controllings interests per subsidiary are as follows:

	2013	2012
In the consolidated statements of financial position		
PBP	$ 1,041	$ 1,378
PRDT	(2,735)	(2,163)
Total non-controlling interests	$ (1,694)	$ (785)
In the consolidated statements of operations		
PBP	$ (337)	$ (95)
PRDT	(572)	(563)
Total non-controlling interests	$ (909)	$ (658)

24. Capital disclosures

	2013	2012
Bank and other loan	$ -	$ 1,636
Warrant liability	9,311	-
Promissory notes from shareholders	10	250
Repayable government grant and finance lease obligations	4	564
Long-term debt provided by shareholders	3,026	4,017
Long-term debt	6,217	-
Shareholder's equity	18,638	5,819
Cash	(17,396)	(1,205)
	$ 19,810	$ 11,081

The Corporation'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 Corporation makes every effort to manage its liquidity to minimize dilution to its shareholders, whenever possible. The Corporation is subject to one externally imposed capital requirement (refer to note 21) and the Corporation's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2012.

25. Revenues

	2013	2012
Revenues from the sale of goods	$ 9,531	$ 11,548
Revenues from the rendering of services	8,538	5,343
Licensing revenues	2,575	6,430
	$ 20,644	$ 23,321

26. Information included in the consolidated statements of operations

	2013	2012
a) Government assistance included in net loss		
Gross research and development expenses	$ 19,520	$ 11,378
Research and development tax credits	(960)	(957)
	$ 18,560	$ 10,421
b) Finance costs		
Interest on long-term debt	$ 1,683	$ 1,250
Interest on bank loan, other loan and other interest expenses	56	194
Transaction costs and bank fees	109	39
Interest income	(42)	-
	$ 1,806	$ 1,483
c) Wages and salaries		
Wages and salaries	$ 11,537	$ 9,649
Employer's benefits	1,061	845
Pension costs	461	316
Share-based payments	3,411	505
Total employee benefit expense	$ 16,470	$ 11,315

27. Pension plan

The Corporation contributes to a defined contribution pension plan for all of its permanent employees. The Corporation matches most employees' contributions up to 5% (4% in 2012) of their annual salary. The Corporation's contributions for the year ended December 31, 2013 amounted to $461, ($316 in 2012).

28. Government assistance

The Corporation was approved for government grants from the Isle of Man Government in the amounts of $1,073 and $80 in 2005 and 2006 respectively. The grants relate to operating and capital expenditures to be incurred by the Corporation and are disbursed to the Corporation when such expenditures are made.

The Isle of Man government reserves the right to reclaim in part or all of the grants received should the Corporation 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 $83 in 2013 and $93 in 2012 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.

29. Income taxes

	2013	2012
Net loss	$ (17,267)	$ (424)
Combined Canadian statutory income tax rate	26.9%	26.9%
Income tax at combined income tax rate	(4,645)	(114)
Decrease (increase) in income taxes resulting from:		
Unrecorded potential tax benefit arising from current-period losses and other deductible temporary differences	1,414	(292)
Effect of tax rate differences in foreign subsidiaries	(24)	(1,009)
Non-deductible items	3,398	(1,415)
Other	3	-
	$ 131	$ -

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

	2013	2012
Tax losses (non capital)	$ 111,624	$ 102,544
Tax losses (capital)	37,203	37,924
Unused research and development expenses	28,128	19,243
Unrealized loss on exchange rate	45	2,585
Share issue expenses	2,229	634
Interest expenses carried forward	5,391	2,624
Trade and other payables	97	2,066
Capital assets	292	775
Licenses and patents	1,852	1,662
Start-up expense	9,112	6,399
	$ 195,973	$ 176,456

At December 31, 2013, the Corporation and its subsidiaries have non-capital losses of $111,911 available to reduce future taxable income for which the benefits have not been recognized. These losses expire at various dates to 2033.

At December 31, 2013, the Corporation also had unused federal tax credits available to reduce future income tax in the amount of $6,694 expiring between 2020 and 2033. Those tax credits have not been recorded and no deferred income tax assets have been recorded in respect to those tax credits.

If the Corporation were to recognize all deferred tax assets, profit would increase by $52,374.

At December 31, 2013		Canada Federal	Canada Provincial	Foreign Countries
Deductions:				
Research and development expenses, without time limit		$ 23,109	$ 34,454	$ -
Share issue expenses		2,229	448	-
Interest deductions carryover		-	-	5,391
		$ 25,338	$ 34,902	$ 5,391
Losses carried forward expiring in:				
	2014	$ 1,775	$ 1,382	$ -
	2015	521	-	-
	2021	-	-	1,457
	2023	-	-	2,368
	2024	-	-	3,184
	2025	-	-	2,488
	2026	6,455	5,008	2,516
	2027	6,164	4,864	8,677
	2028	8,245	6,918	8,840
	2029	3,151	2,099	3,472
	2030	3,681	2,511	8,231
	2031	4,547	4,393	7,927
	2032	4,139	3,102	1,425
	2033	7,993	7,919	391
		$ 46,671	$ 38,196	$ 50,976

The Corporation has tax losses which arose in the United Kingdom of $13,978 that are available indefinitely for offsetting against future taxable profits of the subsidiaries in which the losses arose.

30. 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-4050 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, 2013	Therapeutics	Protein Technology	Corporate	Total
Revenues	$ 14	$ 20,630	$ -	$ 20,644
Cost of goods sold	-	6,594	-	6,594
Research and development expenses recharged	-	4,888	-	4,888
Research and development expenses non-rechargeable	4,748	8,924	-	13,672
Administration and marketing expenses	-	608	7,973	8,581
Gain on foreign exchange	-	-	(638)	(638)
Loss on disposal of capital assets, licenses and patents	-	46	-	46
Gain on recognition of loan receivable	-	-	(3,015)	(3,015)
Loss on extinguishment of debt	-	-	423	423
Finance costs	-	233	1,573	1,806
Fair value variation of warrant liability	-	-	5,485	5,485
Net loss in an associate	-	-	69	69
Net loss before income taxes	$ (4,734)	$ (663)	$ (11,870)	$ (17,267)

For the year ended December 31, 2012	Therapeutics	Protein Technology	Corporate	Total
Revenues	$ 31	$ 23,290	$ -	$ 23,321
Cost of goods sold	-	5,351	-	5,351
Research and development expenses recharged	-	2,657	-	2,657
Research and development expenses non-rechargeable	1,781	5,983	-	7,764
Administration and marketing expenses	-	556	5,274	5,830
Loss on foreign exchange	-	-	116	116
Loss on disposal of capital assets, licenses and patents	37	10	2	49
Loss on extinguishment of debt	-	-	497	497
Finance costs	68	269	1,146	1,483
Net profit in an associate	-	-	(2)	(2)
Net profit (loss) before income taxes	$ (1,855)	$ 8,464	$ (7,033)	$ (424)

Segmented information by operating segment

b) Total assets by operating segment

At December 31	2013	2012
Therapeutics	**$ 3,157**	$ 3,675
Protein Technology	**28,757**	8,790
Corporate	**17,958**	10,526
	$ 49,872	$ 22,991

The investment in an associate is included in the corporate operating segment.

c) Capital assets, licences and patents by operating segment

At December 31	2013	2012
Therapeutics	$ 2,160	$ 1,828
Protein Technology	11,941	3,520
Corporate	193	31
	$ 14,294	$ 5,379

d) Acquisition of capital assets, licences and patents by operating segment

At December 31	2013	2012
Therapeutics	$ 549	$ 204
Protein Technology	8,870	702
Corporate	184	5
	$ 9,603	$ 911

e) Total liabilities by operating segment

At December 31	2013	2012
Therapeutics	$ 597	$ 1,315
Protein Technology	10,551	9,739
Corporate	20,086	6,118
	$ 31,234	$ 17,172

Information by geographic area

f) Total assets by geographic area

At December 31	2013	2012
Canada	$ 30,491	$14,420
United States	8,829	2,968
United Kingdom	10,552	5,603
	$ 49,872	$22,991

g) Capital assets, licenses and patents by geographic area

At December 31	2013	2012
Canada	$ 9,652	$ 1,978
United States	2,312	1,569
United Kingdom	2,330	1,832
	$ 14,294	$ 5,379

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

At December 31	2013	2012
Canada	$ 7,943	$ 209
United States	944	169
United Kingdom	716	533
	$ 9,603	$ 911

i) Revenues by location

	2013	2012
United States	$ 8,594	$ 12,642
Austria	7,663	3,239
Taiwan	2,575	2,000
Switzerland	1,013	2,407
United Kingdom	490	135
Netherlands	142	-
China	59	2,188
India	32	-
Iceland	27	-
Germany	20	594
Other countries	29	16
	$ 20,644	$ 23,321

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

The Corporation derives significant revenues from certain customers. During the year ended December 31, 2013, there were three customers who accounted for 83% (37%, 34% and 12% respectively) of total revenues in the protein technologies segment. In 2012, there were three customers who accounted for 47% (18%, 15% and 14% respectively) of total revenues, also in the protein technologies segment.

31. Related party transactions

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

As at December 31, 2012, an amount of $46 (Nil-December 31, 2013) due to an officer of the Corporation was included in trade and other payables.

Following a consulting agreement entered into with a director of the Corporation in 2012, success fees of 5% of the relevant proceeds received by the Corporation, for a total of $600, were payable to the director. As at December 31, 2013, $250 remained unpaid ($500 at December 31, 2012).

Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the years ended December 31, 2013 and 2012 was as follows:

	2013	2012
Short-term employee benefits [1]	$ 2,650	$ 2,983
Pension costs	95	98
Share-based payments	3,092	366
	$ 5,837	$ 3,447

[1] Short-term employee benefits include all fees paid to directors and to certain senior management employees such as salaries, bonuses and the cost of other employee benefits.

32. Contingent liabilities

During the year ended December 31, 2012, the Corporation 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 Corporation 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 Corporation does not believe that this claim will be successful, the Corporation has not taken a provision in the consolidated financial statements.

33. Commitments

a) The Corporation has total commitments in the amount of $12,577 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:

2014	$ 1,998
2015	2,061
2016	2,058
2017	1,391
2018 and thereafter	5,069
	$ 12,577

The total rental expenses for the year ended December 31, 2013 amounted to $1,590 ($1,835 for the year ended December 31, 2012).

b) In April 2006, the Corporation 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"). 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.

c) An officer of the Corporation is entitled to receive royalties based on the sales of certain products made available to ProMetic before joining the Corporation. These royalties are 0.5% of net sales or 3% of revenues received by the Corporation. 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.

d) In the normal course of business, the Corporation enters into license agreements for the market launching or commercialization of products. Under these licenses, including those mentioned above, the Corporation has committed to pay royalties ranging generally between 0.5% and 10% of net sales from products it commercializes.

34. Financial instruments and financial risk management

a) Fair value

The fair values of financial assets and financial liabilities for which fair value disclosure is required, together with the carrying amounts included in the statement of financial position, are as follows:

	December 31, 2013		December 31, 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash	$ 17,396	$ 17,396	$ 1,205	$ 1,205
Restricted cash	139	139	198	198
Convertible preferred shares of AM-Pharma	29	29	27	27
Financial liabilities				
Warrant liability	9,311	9,311	-	-
Long-term debt	$ 6,217	$ 6,829	$ -	$ -

The fair value of the convertible preferred shares cannot be measured reliably since these are shares of a private corporation. In the table above, the cost amount has been used as an indication of fair value.

The warrant liability is carried at fair value and the methodology used is discussed in note 17. The fair value of the long-term debt at December 31, 2013 is $6,829 and was calculated using the same methodology as disclosed in note 21 and a market interest rate of 17.2%. This amount differs from the carrying value of the long-term debt of $6,217 which is carried at amortized cost.

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. Cash and restricted cash are considered to be level 1 fair value measurements, the long-term debt a level 2 measurement whereas the warrant liability is considered a level 3 measurement.

b) Financial risk management
The Corporation has exposure to credit risk, liquidity risk and market risk.

The Corporation's Board of Directors has the overall responsibility for the oversight of these risks and reviews the Corporation'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 Corporation if a customer, partner or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation'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 Corporation reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance.

The Corporation evaluates accounts receivable balances based on the age of the receivable, credit history of the customers and past collection experience. As at December 31, 2013, there were doubtful amounts related to past due accounts as indicated in the following table:

	2013	2012
Trade receivables		
Current and not impaired	**$ 3,410**	$ 1,308
Past due in the following periods:		
31 to 60 days	**293**	1,298
61 to 90 days	**2,177**	10
Over 90 days	**2,899**	266
Allowance for doubtful accounts - over 90 days	**(260)**	(260)
	$ 8,519	$ 2,622

Trade receivables included amounts from three customers which represent approximately 93% (16%, 31%, 46%, respectively) of the Corporation's total trade accounts receivable as at December 31, 2013 and three customers which represent approximately 90% (17%, 32% and 42%, respectively) of total trade receivables as at December 31, 2012.

ii) Liquidity risk:
Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. The Corporation manages its liquidity risk by continuously monitoring forecasts and actual cash flows.

The following table presents the contractual maturities of the financial liabilities, excluding operating leases (see note 33) as of December 31, 2013.

At December 31, 2013	Carrying amount	Contractual Cash flows	Payable within 1 year	4 -5 years	Total
Trade and other payables	$ 7,877	$ 7,877	$ 7,877	$ -	$ 7,877
Promissory notes from shareholders	10	10	10	-	10
Repayable government grant and finance leases	4	4	4	-	4
Long-term debt provided by shareholders	3,026	3,550	3,550	-	3,550
Advance on revenues from a supply agreement	3,447	3,550	3,550	-	3,550
Long-term debt	6,217	15,605	-	15,605	15,605
	$ 20,581	$ 30,596	$ 14,991	$ 15,605	$ 30,596

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 Corporation's income or the value of its financial instruments.

a) Interest risk
The majority of the Corporation's debt is at a fixed rate, therefore there is limited exposure to changes in interest payments as a result of interest rate risk.

b) Foreign exchange risk:
The Corporation is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Corporation 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 Great British Pounds ("GBP"). Financial instruments potentially exposing the Corporation to foreign exchange risk consist principally of cash, receivables, share subscription receivable, bank loan, trade and other payables, repayable government grant, and advance on revenues from a supply agreement. The Corporation manages foreign exchange risk by holding foreign currencies to support forecasted cash outflows in foreign currencies. The majority of the Corporation's revenues are in U.S. dollars and in GBP which serve to mitigate a portion of the foreign exchange risk.

As at December 31, 2013, the Corporation is exposed to currency risk through the following assets and liabilities denominated respectively in U.S. dollars and GBP.

	December 31, 2013		December 31, 2012	
Exposure in US dollars	**Amount due in US dollar**	**Equivalent in full CDN dollar**	Amount due in US dollar	Equivalent in full CDN dollar
Cash	**54,198**	**57,644**	326,720	325,053
Accounts receivable	**8,222,171**	**8,745,102**	1,357,670	1,350,746
Trade and other payables	**(1,622,841)**	**(1,726,054)**	(2,365,801)	(2,353,736)
Net exposure	**6,653,528**	**7,076,692**	(681,411)	(677,937)

Exposure in GBP	December 31, 2013 Amount due in GBP	December 31, 2013 Equivalent in full CDN dollar	December 31, 2012 Amount due in GBP	December 31, 2012 Equivalent in full CDN dollar
Cash	**450,725**	**794,492**	522,549	845,380
Accounts receivable	**1,082,650**	**1,908,388**	853,444	1,380,702
Bank loan	**-**	**-**	(496,102)	(802,595)
Trade and other payables	**(806,450)**	**(1,421,530)**	(299,388)	(484,351)
Repayable government grant	**-**	**-**	(340,858)	(551,440)
Advance on revenues from a supply agreement	**(1,955,527)**	**(3,447,007)**	(1,872,861)	(3,029,915)
Net exposure	**(1,228,602)**	**(2,165,657)**	(1,633,216)	(2,642,219)

Based on the above net exposures as at December 31, 2013, 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 $708.

A 10 % depreciation or appreciation of the Canadian dollar against the GBP would result in a decrease or an increase of the accumulated other comprehensive loss of approximately $217. The Corporation has not hedged its exposure to currency fluctuations.

35. Comparative information

Certain of the December 31, 2012 figures have been reclassified to conform to the current period's presentation.

36. Subsequent event

During March 2014, the Corporation and a supplier with whom the Corporation has a liability in the form of an advance on revenues (refer to note 20 for additional details) agreed to extend the maturity date of the advance in the amount of $3,447 which was scheduled to mature in September 2014 to April 1, 2015 subject to continuing commercial negotiations which are currently ongoing.

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
General 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.

John Moran
Chief Medical Officer,
ProMetic Life Sciences Inc.

Frédéric Dumais
Director, Communications
and Investor relations
ProMetic Life Sciences Inc.

BOARD OF DIRECTORS

G.F. Kym Anthony (1) (2) (3)
Chairman of the Board
ProMetic Life Sciences Inc.
Executive Chairman
Hybrid Partners Ltd.

Raymond M. Hakim
Attending Physician
Vanderbilt University
Medical Center

Charles Kenworthy
executive Vice-President
Corporate Strategy
Nant Works

Robert Lacroix (1)
Retired

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

Louise Ménard (2) (3)
President
Groupe Méfor inc. and
Corporate Director

Paul Mesburis (1)
Chartered Accountant

John Moran (2)
Chief Medical Officer
ProMetic Life Sciences Inc.

Nancy Orr (1) (2)
Consultant in the energy and
recycling sectors

Bruce Wendel (3)
Consultant in Pharmaceutical
Industry

Benjamin Wygodny (3)
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)
G.F. Kim Anthony
Louise Ménard
John Moran

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

HEADQUARTERS

ProMetic Life Sciences Inc.
(Canada)
440 Boul. Armand-Frappier, Suite 300
Laval, Quebec H7V 4B4
Canada
Tel: +450.781.0115
Fax: +450.781.4477
Email: info@prometic.com
Web: www.prometic.com

Investor Relations
Frédéric Dumais, B. Comm., L.L.B.
Tel: +450.781.0115 ext. 2234
Email: f.dumais@prometic.com
Email: investor@prometic.com

THERAPEUTICS

ProMetic BioSciences Inc.
(Canada)
500 Cartier Blvd. West, Suite 150
Laval, Quebec H7V 5B7
Canada
Tel: +450.781.0115
Fax: +450.781.1403
Email: info@prometic.com

BIOSEPARATION TECHNOLOGIES AND PLASMA-DERIVED THERAPEUTICS (BIOLOGICALS)

ProMetic BioSciences Ltd
(United Kingdom)
R&D
Horizon Park
Barton Road, Comberton
Cambridge CB23 7AJ
United Kingdom
Tel: +44(0)1223.420.300
Fax: +44(0)1223.420.270
Email: sales-pbl@prometic.com

Manufacturing
(United Kingdom)
Freeport
Ballasalla, Isle of Man
IM9 2AP
British Isles
Tel: +44(0)1624.821.450
Fax: +44(0)1624.821.451
Email: sales-pbl@prometic.com

North American Sales Office
Tel: +301.251.8821
Fax: +301.251.8826
Email: sales-pbl@prometic.com

Manufacturing
(Canada)
531 Boulevard des Prairies, Bldg. 15
Laval, Quebec H7V 1B7
Canada
Tel: +450.781.0115
Fax: +450.781.4477
Email: sales-pbl@prometic.com

ProMetic BioTherapeutics, Inc.
(United States)
1330 Piccard Drive, Suite 201
Rockville, Maryland 20850
USA
Tel: +301.917.6320
Fax: +301.838.9023
Email: info@prometic.com

Auditors
Ernst & Young LLP
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, 2013: 523,168,666

Annual Meeting of Shareholders
Wednesday, May 14, 2014 at 10:30 (AM)
Le Centre Sheraton Montreal
1201 boul. René-Lévesque West
Montreal, Quebec H3B 2L7
Canada

Annual Information Form
The 2013 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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www.prometic.com