PROMETIC

Growing for *life*

2014 ANNUAL REPORT

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

Historically known for its world-class expertise in bioseparation, ProMetic is continuing to transition into a vertically integrated biopharmaceutical corporation with a rapidly growing pipeline of drug candidates originating from two development platforms.

1- PROTEIN TECHNOLOGIES

BIOSEPARATION TECHNOLOGIES

The bioseparation technologies enable the capture of multiple, targeted proteins directly from source products and provide for a highly efficient and cost-effective process. In order to assure high quality standards required for protein pharmaceuticals, ProMetic has employed its affinity technologies to create a range of bioseparation products that assist in improving the purification of therapeutic proteins and antibodies. The Corporation's proprietary purification adsorbents and manufacturing processes for biological products are used by more than 30 companies in the pharmaceutical, biotechnology and medical industries, where ProMetic's clients employ this technology to purify proteins, remove impurities and pathogens, reduce manufacturing costs, and increase the yield of therapeutic products.

PLASMA-DERIVED BIOPHARMACEUTICALS

At the heart of our proprietary manufacturing process resides our bioseparation technologies and products, such as our affinity resins. These technologies and related know-how enable the capture of multiple targeted proteins and provide for a highly efficient and cost-effective plasma purification process.

More than a decade ago, ProMetic, in collaboration with the American Red Cross, started developing a sequential purification process employing powerful affinity separation materials in a multi-step process to extract and purify valuable plasma proteins in high yields. The Plasma Protein Purification System ("PPPS™") resulted from this great collaboration.

This platform 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 continuous improvement and significant investments, ProMetic is now operating a robust and scalable manufacturing process in its own plasma purification facility, ProMetic BioProduction Inc., situated in Laval, Quebec, where it is currently developing plasma-derived therapeutics to address unmet medical conditions. It is a well-known fact that plasma-derived drug candidates benefit from a simpler and quicker regulatory pathway to approval as compared to traditional new chemical entity drug candidates.

In addition to its first plasma-derived drug candidate (plasminogen) already in clinical trials in patients and with more plasma-derived therapeutics scheduled to enter clinical trial stages in 2015 and the coming years, ProMetic is rapidly building a significant plasma derived product pipeline of substantial value.

2- SMALL MOLECULE THERAPEUTICS

ProMetic is also actively pursuing the development of a small molecule product pipeline composed of orally active drug candidates targeting fibrosis, unmet medical needs as well as various rare disease opportunities affecting different key organs. ProMetic already possesses all the necessary elements to build such a deep product pipeline. With its lead drug candidate, PBI-4050, currently in clinical trials in patients for chronic kidney diseases, idiopathic pulmonary fibrosis and metabolic syndrome with its resulting type 2 diabetes, ProMetic is well positioned to create substantial value upon the demonstration of efficacy in such patient populations.

2014 SIGNIFICANT EVENTS

■ **JANUARY >** On January 22, 2014, ProMetic announced the achievement of a manufacturing milestone related to its strategic agreement with Hematech Biotherapeutics Inc. triggering a US$ 1.0 million payment to ProMetic. This milestone was achieved following the successful completion of the first large-scale production run at its ProMetic BioProduction Inc. ("PBP") plasma purification facility located in Laval, Quebec.

■ **FEBRUARY >** On February 6, 2014, ProMetic appointed Dr. John Moran as its new Chief Medical Officer, effective as of March 1st, 2014 and announced that its UK based subsidiary, ProMetic BioSciences Ltd., entered into a new agreement with a leading vaccines company, for the development of an affinity adsorbent and associated purification process for the production of a novel vaccine product.

■ **APRIL >** On April 2, 2014, ProMetic reported on a successful Pre-Investigational New Drug meeting held with the US Food and Drug Administration for a plasma-derived biopharmaceutical under development under the NantPro LLC partnership. The Pre-IND meeting focused on ProMetic's proprietary Plasma Protein Purification System ("PPPS™") manufacturing process as well as the clinical and regulatory pathway for this specific plasma-derived therapeutic.

On April 3, 2014, ProMetic presented new pre-clinical data at the 2014 International Society of Nephrology Nexus Symposium held in Bergamo, Italy. PBI-4050 was shown to significantly reduce oxidative stress markers as well as inflammatory and profibrotic cytokines in animal models designed to emulate chronic kidney disease (CKD) and diabetic kidney disease (DKD). In animal models designed to reproduce long term complications related to human Type 2 diabetes, PBI-4050 brought blood glucose levels back into the normal range.

On April 10, 2014, ProMetic presented new pre-clinical data at the 2014 annual meeting of the European Association for the Study of the Liver held in London, UK. The new data supports the claim that PBI-4050's anti-fibrotic activity could also address various liver conditions such as non-alcoholic steatohepatitis ("NASH"), a condition affecting 2% to 5% of Americans, as well as liver cancer.

■ **MAY >** On May 8, 2014, ProMetic increased its ownership in NantPro following the amendment of its related corporate and commercial agreements with NantPharma, LLC. The amended agreements provided ProMetic with the effective control of NantPro and a greater portion of the future value and revenues associated with the development and sales of IVIG in the US market. Following the revised and amended agreements, ProMetic's equity position in NantPro exceeded 65%.

■ **JUNE >** On June 5, 2014, ProMetic received a $5.6 million purchase order under its ongoing supply agreement with Octapharma. 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, OctaplasLG®.

On June 18, 2014, ProMetic reported having successfully completed its PBI-4050 Phase I clinical trial in 40 healthy volunteers. ProMetic's PBI-4050 was found to be safe and very well tolerated without any serious adverse events reported in any of the 5 cohorts tested. The objectives of this oral, double blind, placebo controlled, single ascending dose study were to demonstrate the safety and tolerability of PBI-4050 and to establish the pharmacokinetic profile of the drug candidate at different doses.

■ **JULY >** On July 10, 2014, ProMetic announced the launch of fibrinogen for commercial sales during the fourth quarter of 2014 after its successful scale-up at its Laval based plasma purification facility, ProMetic BioProduction Inc. The fibrinogen protein has many commercial applications ranging from harvesting and culturing stem cells to use in wound healing products, hemostatic bandages and drug delivery systems.

On July 24, 2014, ProMetic entered into an agreement with one of its existing multinational clients, a global leader in the biotherapeutics industry, for the development and scale-up of a new affinity resin and associated manufacturing process in order to enhance the quality and purity of an existing biopharmaceutical product manufactured in large quantities.

On July 31, 2014, ProMetic secured a follow-on investment from Thomvest Seed Capital Inc. consisting of a $20 million investment in a Loan and warrants. As partial consideration for the Loan, ProMetic granted Thomvest 16,723,807 warrants with an exercise price of $1.87 per common share. Part of the proceeds have been used for the development and manufacture of both additional and existing plasma-derived orphan drugs, the advancement of the ongoing PBI-4050 clinical program as well as the repayment of secured debt provided by certain shareholders.

■ **SEPTEMBER >** On September 3, 2014, ProMetic announced a successful Pre-Investigational New Drug ("Pre-IND) meeting with the US Food and Drug Administration ("FDA") for its anti-fibrotic, lead drug candidate, PBI-4050. This Pre-IND meeting with the FDA focused on ProMetic's proposed phase II clinical program, for PBI-4050, in patients with chronic kidney disease ("CKD"), other rare diseases as well as the manufacturing and pre-clinical package that ProMetic intends to include in the IND submission.

On September 16, 2014, ProMetic announced its addition to the S&P/TSX SmallCap Index ("Index"), effective after the close of trading on Friday, September 19, 2014, as a result of the annual review of the Index.

■ **OCTOBER >** On October 15, 2014, ProMetic announced the pursuit of IPF as one of its PBI-4050 orphan indications. This decision followed the completion of a favorable external review of the extensive anti-fibrotic preclinical data generated to date by an independent panel of world experts on idiopathic pulmonary fibrosis and the analysis of the current market landscape.

On October 28, 2014, ProMetic received clearance by the US Food and Drug Administration for its Investigational New Drug ("IND") application for ProMetic's IV plasminogen for the treatment of hypoplasminogenemia, or type I plasminogen deficiency. The FDA has also accepted that ProMetic's proposed Phase II / III clinical program for the IV plasminogen provides an adequate surrogate endpoint for licensure using the accelerated approval pathway.

■ **NOVEMBER >** On November 11, 2014, ProMetic reported that its small molecule lead compound PBI-4050 received approval to commence clinical trials in patients suffering from Chronic Kidney Disease ("CKD") following the CTA clearance by Health Canada.

On November 13, 2014, ProMetic disclosed during the Annual Meeting of the American Society of Nephrology (ASN) held in Philadelphia, USA, new preclinical data on PBI-4050. Dr. Raymond Harris and Dr. Ming-Zhi Zhang from the Department of Nephrology, Vanderbilt University School of Medicine performed studies in a very severe model of accelerated type 2 diabetes. The authors concluded that PBI-4050 attenuates the development of diabetic nephropathies in type 2 diabetes through the improvement of glycemic control and the inhibition of renal TGFβ-mediated fibrotic pathways, in association with decrease in macrophage infiltration, oxidative stress and increase in autophagy.

On November 18, 2014, ProMetic entered into an agreement with a syndicate of underwriters led by Canaccord Genuity Corp. under which the Underwriters have agreed to buy, on a bought deal basis, 15.2 million common shares in the capital of the Corporation at a price of $1.90 per share for gross proceeds of $28.8 million.

■ **DECEMBER >** On December 4, 2014, ProMetic announced the pursuit of a clinical program designed to evaluate the benefit of PBI-4050 in patients affected by the metabolic syndrome and resulting type 2 diabetes. The metabolic syndrome is a major risk factor for cardiovascular disease and for type 2 diabetes, and consists of the constellation of central (truncal) obesity, high blood triglycerides, low HDL ("good") cholesterol, elevated blood pressure, and elevated blood glucose.

On December 22, 2014, ProMetic entered into definitive agreements with GENERIUM Pharmaceuticals for several plasma-derived biopharmaceuticals to be manufactured and commercialized in Russia and CIS. The strategic alliance includes the granting of manufacturing rights by ProMetic to GENERIUM for several plasma-derived biopharmaceuticals using ProMetic's proprietary PPPS™ technology for the manufacture of said plasma-derived biopharmaceuticals in a up to 600, 000 liters per year facility to be built and operated by GENERIUM, in Russia.

MESSAGE TO SHAREHOLDERS

The most successful biopharmaceutical companies all have 1 thing in common. They all have deep product pipelines, filled with high quality assets at various stages of clinical development addressing well defined unmet medical needs. The milestones achieved by ProMetic in 2014 have favorably positioned us within this category.

In order to maximize its future commercial success potential, ProMetic has leveraged its own expertise and proprietary technologies to systematically build and advance a significant product pipeline. With numerous drug candidates progressing through and towards advanced stages of clinical development, ProMetic now possesses the deep and diversified product pipeline required to become a leader in the field of rare diseases.

Having dedicated the majority of our efforts and resources to the advancement of our lead clinical development programs during the past year, we can now affirm to have successfully continued our transition towards becoming a vertically integrated biopharmaceutical company.

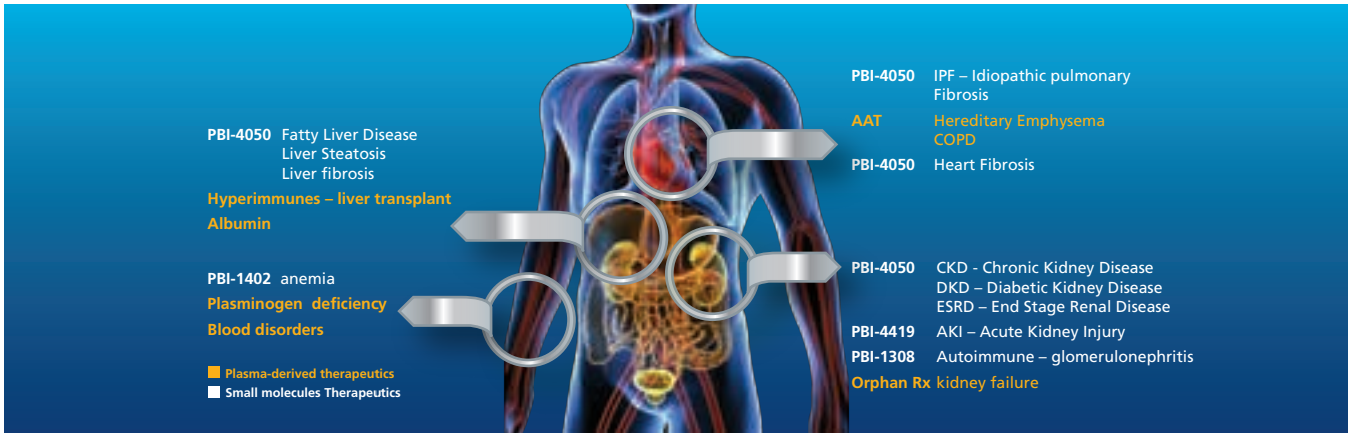
The successful advancement of this transition is best evidenced by the numerous milestones achieved throughout the year within both our plasma-derived and small molecule therapeutic segments. The achievement of our first commercial scale production run in December 2013 at our Laval, Quebec based plasma purification facility allowed us to demonstrate that cGMP grade biotherapeutics with industry leading yields and purity could efficiently be produced using our proprietary PPPS™ technology. The achievement of this manufacturing milestone was not only critical for the advancement of our plasminogen clinical program but for numerous other plasma derived therapeutics currently under development as well. This achievement clearly demonstrate the potential of our PPPS™ platform for creating a multi-product pipeline of plasma-derived proteins able to address a significant number of unmet and rare medical conditions.

Our belief that our proprietary manufacturing process could create a multi-product plasma-derived therapeutics pipeline was well founded. Following the decision to actively pursue the development of the plasminogen, IVIG and alpha-1 antitrypsin programs, we decided to increase our ownership in NantPro LLC in order to gain control of the IVIG program. This was done to insure that a greater portion of the future value and revenues associated with the development and sales of IVIG in the US market would indeed remain ours in the future. The potential for adding more plasma-derived therapeutics that could quickly generate commercial revenues was also further confirmed later in the year following the announcement that fibrinogen would be commercially available for sale by the end of the year. The successful advancement of our product pipeline will undoubtedly facilitate the pursuit of the commercialization of certain biotherapeutics under the ProMetic label.

Already known in the industry and throughout various regulatory authority bodies as a provider of world class bioseparation and purification solutions, ProMetic took advantage of its interaction with regulatory authorities in 2014 to demonstrate that its reputation as a purification solutions provider of choice to the industry was entirely justified. ProMetic successfully met with both Health Canada and the FDA regarding its proprietary PPPS™ manufacturing process as well as the clinical and regulatory pathway for some of its specific plasma-derived and small-molecule therapeutics.

These successful regulatory meetings resulted in some development programs entering and completing early clinical trial stages. For example, we reported in June 2014 having successfully completed our PBI-4050 Phase I clinical trial in 40 healthy volunteers where our orally active anti-fibrotic lead drug candidate was found to be safe and well tolerated without any serious adverse events being reported. Following this safety and tolerability milestone, we announced later in the year that we would also pursue in addition to diabetic kidney diseases, other follow-on indications such as idiopathic pulmonary fibrosis and the metabolic syndrome and its resulting type 2 diabetes. All scheduled PBI-4050 clinical development programs have been cleared by Health Canada so far to start clinical trial stages in patients.

ProMetic's plasma-derived therapeutics have progressed towards clinical trial stages with the Investigational New Drug application for plasminogen being cleared by the FDA to commence trials in patients for the treatment of hypoplasminogenemia, or type I plasminogen deficiency. ProMetic also filed late in 2014 its IND for the IVIG clinical program and intends to proceed with the filing of additional INDs before the end of 2015 for both plasma-derived



With numerous drug candidates progressing through and towards advanced stages of clinical development, ProMetic now possesses the deep and diversified product pipeline required to become a leader in the field of rare diseases.

products and small molecule therapeutics. The successful filing of INDs followed by the beginning of clinical trials in patients are normally recognized as significant value creation milestone events as they mark a significant progression within critical stages of the regulatory approval process.

2014 was also a year during which we successfully implemented previously undertaken changes to our commercialization strategy whereby the Corporation decided to further develop more of its assets to an advanced stage prior to partnering. This resulted in a reduction of service and licensing revenues during the first three quarters of 2014 but more importantly, it has allowed us to retain a greater portion of the future returns expected from the high-value products and lucrative markets currently being pursued, thereby serving to increase shareholder value. To compensate for the lower licensing revenue levels and increased costs attached to building a deeper product pipeline, ProMetic successfully completed 2 financings. The first one was a $20 million follow-on investment from Thomvest Seed Capital Inc. consisting of a $20 million investment in a loan and warrants, the second significant investment made by Thomvest. ProMetic also secured a bought deal financing totaling $28.8 million.

Our review of the year achievements would not be complete without mentioning the licensing agreement with GENERIUM Pharmaceuticals for several plasma-derived biopharmaceuticals to be manufactured and commercialized in Russia and CIS. This strategic alliance also included the granting of manufacturing rights for several plasma-derived biopharmaceuticals using ProMetic's proprietary PPPS™ technology for the manufacture of said plasma-derived biopharmaceuticals in a up to 600,000 liters per year facility to be built and operated by GENERIUM, in Russia. A clear demonstration that our state of the art technologies are now gaining international recognition.

Going forward in 2015 and the coming years, ProMetic will continue to advance its product pipeline, grow its product and service revenues in the bioseparation space as well as in the plasma protein field by partnering some of its products and assets. The Corporation is also anticipating to see growth in licensing revenues to take place as a result of the conclusion of some commercial partnership agreements.

We look at 2015 and the coming years with great excitement and confidence in our ability to create value for all our stakeholders. We believe the Corporation to be getting closer and closer to multiple significant inflexion points. Starting in 2016, and the following years, ProMetic should see the new market entry of at least one of its plasma-derived biotherapeutic every year. ProMetic also expects to see its orally-active lead small molecule drug candidate, PBI-4050 and other follow-on compounds, successfully demonstrating clinical efficacy in patients in various rare diseases and unmet medical conditions within that same time frame. Once validated in more advanced clinical trial stages, we expect partnerships with large pharma companies to take place regarding larger markets, resulting in a significant increase in revenue generation as well. ProMetic is now better than ever positioned to become a leading force in the rare disease and orphan indications universe and we intend to take full advantage of this situation.

We are very thankful for the hard work and dedication of our employees and collaborators, the stewardship of our Board of Directors as well as the continued support and loyalty of all our shareholders and look forward to updating them all as we continue building a stronger ProMetic.

Very best regards,

Pierre Laurin,
President and Chief Executive Officer

Continuing to transition into vertically integrated biopharmaceutical corporation with rapidly growing pipeline of drug candidates

two drug development platforms

From supplier of choice of bioseparation products

To integration of Prometic proprietary manufacturing technologies (PPPS ™)

To plasma purification facility fully operational

To small molecule therapeutics

To patients

Historically known for its world class expertise in bioseparation, ProMetic has 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 therapeutics and orphan drugs targeting unmet medical conditions and rare diseases.

ProMetic's proprietary and proven affinity adsorbent are incorporated in a downstream, multi-sequential chromatographic process to extract, isolate and purify high-value proteins with superior yield and efficiency compared to the industry Cohn based process. The process also incorporates viral inactivation as well as prion reduction, a first in the plasma purification industry. This gentle manufacturing process provides for significantly better yield and economic benefits and is easily adaptable to different protein market needs. ProMetic has already successfully scaled-up its Plasma Protein Purification System manufacturing process at its ProMetic BioProduction Inc. ("PBP") plasma purification facility based in Laval, Quebec.

1 - PLASMINOGEN

WHAT IT IS: Plasminogen is a naturally occurring protein that is synthesized by the liver and circulates in the blood. Activated plasminogen, plasmin, is an enzymatic component of the fibrinolytic system and is the main enzyme involved in the lysis of clots and clearance of extravasated fibrin. Plasminogen is therefore involved in wound healing, cell migration, tissue remodeling, angiogenesis and embryogenesis.

MEDICAL CONDITION: One of the most well-defined conditions associated with hypoplasminogenemia or type I 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 showing their first clinical manifestation at a median age of approximately 10 months.

While ligneous conjunctivitis is the most well characterized lesion of plasminogen deficiency, hypoplasminogenemia is actually a multisystem disease that can also affect the ears, sinuses, tracheobronchial tree, genitourinary tract, and gingiva.

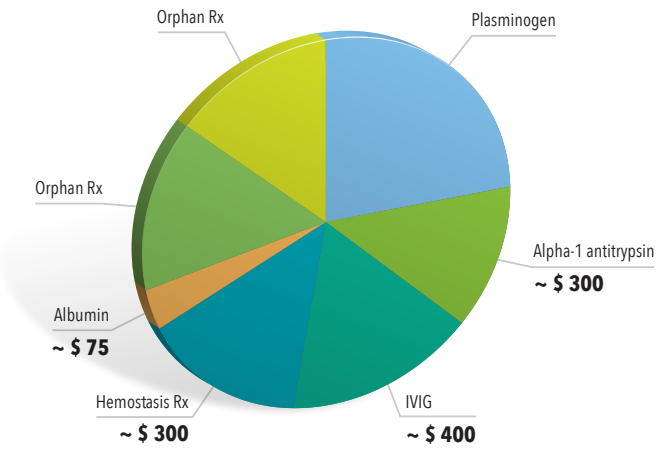
INCIDENCE: The incidence of type I plasminogen deficiency is approximately 1.6 / 1,000,000 people with approximately 10,000 patients worldwide and 2,500 patients in developed markets suffering from this deficiency. It is also estimated that a larger number of people suffer to various degrees from the type II plasminogen deficiency (lower concentration level of plasminogen).

DEVELOPMENT STAGE AND TIMELINES: ProMetic has already secured an orphan designation status by the American Food and Drug Administration ("FDA"). The FDA has also completed its review and has cleared the Investigational New Drug application for ProMetic's IV plasminogen for the treatment of hypoplasminogenemia, or type I plasminogen deficiency.

ProMetic's IV plasminogen is currently in a Phase I clinical trial, an open label, single ascending dose study investigating the safety, tolerability and pharmacokinetics of ProMetic's plasma purified human plasminogen in 6 patients suffering from hypoplasminogenemia. The Corporation expects to progress to Phase II / III in H2 2015, and to enroll a total of 15 to 18 patients. Under the current program the Corporation expects to be in a position to be ready to file a Biological License Application (BLA) for plasminogen commercialization in late 2015, early 2016 with a market entry sometime in 2016.

REVENUES (US$) PER LITER OF PLASMA*

PPPS™



*ESTIMATED

2 - INTRAVENOUS IMMUNOGLOBULIN ("IVIG")

WHAT IT IS: Intravenous immunoglobulin (IVIG) is a blood product administered intravenously. It contains the pooled, polyvalent, IgG antibodies extracted from the plasma of over one thousand blood donors. IVIG's effects last between 2 weeks and 3 months.

MEDICAL CONDITIONS: IVIG is mainly used as treatment in four major disease categories:

i) Primary Immune deficiencies such as X-linked agamma-globulinemia (XLA), Common variable immuno-deficiency (CVID) and hypogammaglobulinemia, ii) Acquired compromised immunity conditions (secondary immune deficiencies) featuring low antibody levels, iii) Autoimmune diseases, e.g. immune thrombocytopenia, and inflammatory diseases, e.g. Kawasaki disease and iv) Acute infections.

INCIDENCE: It is estimated that there are more than 250,000 people in the US suffering from primary immunodeficiency alone.

DEVELOPMENT STAGE AND TIMELINES: ProMetic has already held a successful pre-IND meeting with the FDA, filed its IND and is awaiting clearance of the IND before proceeding with patients enrolment in clinical trials. Prometic is targeting market approval in the US for IVIG in the second half of 2017.

3 - ALPHA-1 ANTITRYPSIN ("AAT")

WHAT IT IS: Alpha-1 Antitrypsin deficiency is a genetic disorder that causes defective production of alpha-1 antitrypsin, leading to decreased AAT activity in the blood and lungs, and deposition of excessive abnormal AAT protein in liver cells. There are several forms and degrees of deficiency, principally depending on whether the sufferer has one or two copies of the affected gene because it is a co-dominant trait.

MEDICAL CONDITIONS: Severe AAT deficiency causes panacinar emphysema or COPD in adult life in many people with the condition (especially if they are exposed to cigarette smoke), as well as various liver diseases in a minority of children and adults, and occasionally more unusual problems. It is treated by avoidance of damaging inhalants, and in severe cases by intravenous infusions of the AAT protein or by transplantation of the liver or lungs. It usually produces some degree of disability and reduced life expectancy.

INCIDENCE: Current evidence suggests that there are about 100,000 people with alpha-1 antitrypsin deficiency in the United States with less than 10% treated. There may be as much as 3% of the 20 million patients suffering from Chronic Obstructive Pulmonary Disease that may also have an undetected AAT deficiency.

DEVELOPMENT STAGE AND TIMELINES: ProMetic anticipates filing its IND in the second half of 2015 and is targeting market approval in the US in the second half of 2017.

4 - ADDITIONAL ORPHAN DRUGS

As ProMetic's manufacturing team is producing GMP material to support the clinical trials for its Plasminogen, IVIG and AAT programs, 2 other orphan drugs have been earmarked for development this year. Because these 2 other orphan drugs are sequentially recovered from the same liter of plasma from which plasminogen, IVIG and alpha-1 antitrypsin are produced, ProMetic can further leverage its core competencies and manufacturing capabilities to advance these additional Orphan Drug candidates at an affordable cost.

ProMetic 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.

PBI-4050, PROMETIC'S LEAD COMPOUND

PBI-4050 is an orally active lead drug candidate with excellent safety and efficacy profiles confirmed in several in vivo experiments targeting fibrosis. Fibrosis is a very complex process by which continuing inflammation causes vital organs to lose their function as normal tissue is replaced by fibrotic scar tissue. The proof of concept data generated to date confirms our lead drug candidates' anti-fibrotic activity in several key organs including the kidneys, the heart, the lungs and the liver. As a result of positive data generated in 2012, 2013 and 2014 in some of the most stringent gold-standard animal models and a successfully completed Phase I clinical trial in 40 healthy volunteers where ProMetic's PBI-4050 was found to be safe and very well tolerated without any serious adverse events reported, PBI-4050 has now entered clinical trials in patients in 3 different clinical indications with additional orphan indications to also be pursued in 2015.

1 - CHRONIC KIDNEY DISEASES ("CKD")

WHAT IT IS: Diabetic nephropathy is a complication of long-standing diabetes mellitus, of both Type 1 and Type 2.

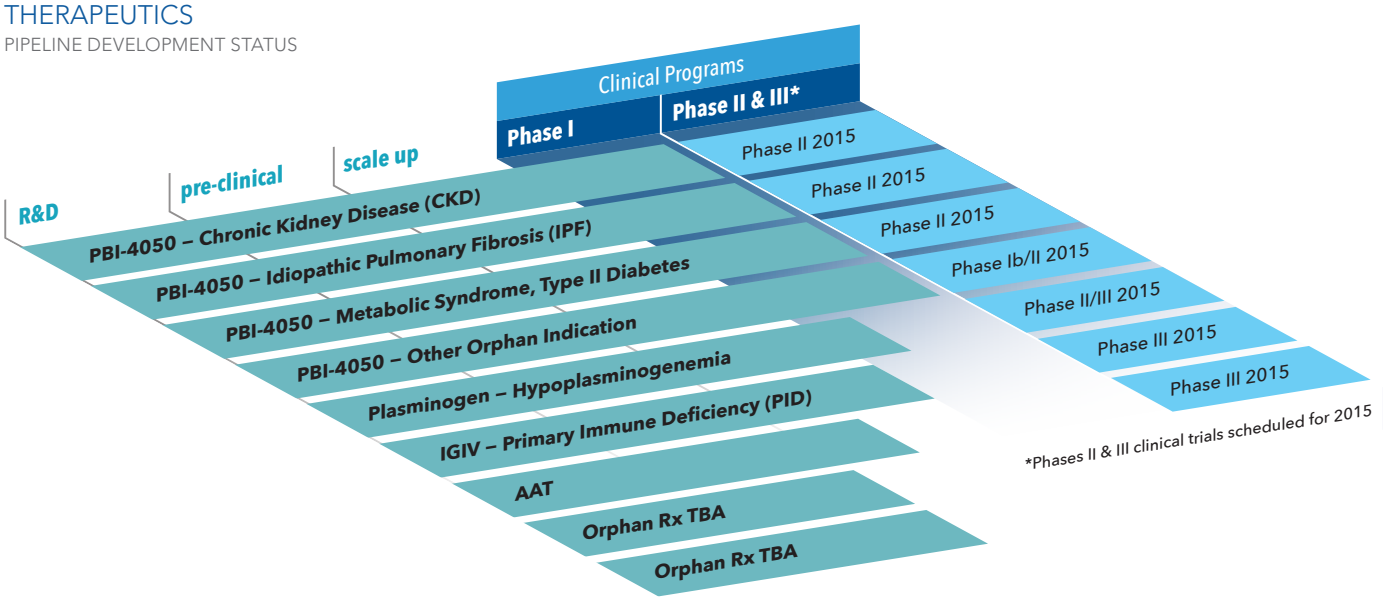
MEDICAL CONDITIONS: Patients with severe CKD stages (3 and 4) suffer from a gradual and accelerated loss of their renal function (end-stage renal disease or ESRD) leading to the need for hemodialysis. Cardiovascular complications for ESRD patients on hemodialysis are a common cause of death.

INCIDENCE: This medical condition is increasing in incidence throughout the world, and in many countries, including the United States and Canada and is the leading cause of end-stage renal disease requiring maintenance dialysis and/or kidney transplantation. Twenty six million patients in the U.S. alone are diagnosed with Chronic Kidney Diseases ("CKD").

DEVELOPMENT STAGE AND TIMELINES: ProMetic has completed the enrolment of patients with CKD in the multi-dose part of the phase Ib trial. PBI-4050 was found to be safe, well tolerated without any serious adverse events reported. ProMetic anticipates starting its phase II clinical trial in CKD patients in the second half of 2015.

THERAPEUTICS

PIPELINE DEVELOPMENT STATUS



2 - METABOLIC SYNDROME AND RESULTING TYPE 2 DIABETES

WHAT IT IS: Metabolic syndrome is a major risk factor for cardiovascular disease and for Type 2 diabetes, and consists of the constellation of central (truncal) obesity, high blood triglycerides, low HDL ("good") cholesterol, elevated blood pressure, and elevated blood glucose.

MEDICAL CONDITIONS: Obesity is believed to cause a chronic inflammatory state, which leads to insulin resistance and so may in turn result in cardiovascular disease and/or Type 2 diabetes. Given the global epidemic of obesity, both in the developed and developing world, the metabolic syndrome and its consequences present a devastating public health problem.

INCIDENCE: It is difficult to grasp the numbers and the overwhelming public health issues presented by the global epidemic of obesity, the metabolic syndrome, and Type 2 diabetes. The International Diabetes Federation estimates that in 2013 there were 300 million diabetics world-wide, and that that number will increase to 600 million by the year 2035. The Centers for Disease Control estimates that 1 of 3 children born in the U.S. during the year 2000 will develop diabetes during their lifetime.

DEVELOPMENT STAGE AND TIMELINES: PBI-4050, has commenced the clinical trial in patients suffering from metabolic syndrome and resulting Type 2 diabetes, following the CTA clearance by Health Canada. ProMetic will be looking during this trial to see whether the significant improvements observed in diabetic animals when treated with PBI-4050 can be translated to humans. In a study conducted by the Vanderbilt University, PBI-4050 demonstrated to have a direct effect on the pancreas itself, reduced inflammation and macrophage infiltration which led to the preservation of insulin production in the islets. The initial phase of this clinical program calls for the enrolment of a minimum of 12 patients and maximum of 36 patients.

3 - IDIOPATHIC PULMONARY FIBROSIS ("IPF")

WHAT IT IS: Idiopathic Pulmonary Fibrosis is a chronic, devastating, and ultimately fatal disease characterized by a progressive decline in lung function.

MEDICAL CONDITIONS: It is a specific type of interstitial lung disease in which the small air sacs of the lung, the "alveoli," gradually become replaced by fibrotic (scar) tissue and is the cause of worsening dyspnea (shortness of breath). IPF is usually associated with a poor prognosis. The term 'idiopathic' is used because the cause of pulmonary fibrosis is still unknown. IPF usually occurs in adult individuals of between 50 and 70 years of age, particularly those with a history of cigarette smoking, and affects men more often than women.

INCIDENCE: IPF affects about 130,000 people in the United States, with about 48,000 new cases diagnosed annually. Approximately 40,000 people die each year with IPF, a similar number of deaths to those due to breast cancer. The 5-year mortality rate for patients with IPF is estimated to range from 50% to 70%.

DEVELOPMENT STAGE AND TIMELINES: PBI-4050, has commenced the clinical trial in patients suffering from IPF, following the CTA clearance by Health Canada and ProMetic has been granted an orphan drug designation status by the FDA for the treatment of IPF. In gold standard animal models proven to emulate pulmonary fibrosis in humans, PBI-4050 performed favorably compared to recently approved drugs to treat such condition. PBI-4050 significantly reduced tissue scarring in the lungs observed in non-treated animals, indicating the potential for clinically significant improvement and stabilization in lung function. Moreover, the combination of PBI-4050 and another approved drug generated unprecedented reduction of fibrotic markers in this model, suggesting that synergistic clinical benefit may be found.

ProMetic will be looking during this 12 weeks open-label, single-arm, exploratory Phase II study to evaluate the safety and tolerability of PBI-4050 in 40 patients suffering from IPF and to gather data on the effects of PBI-4050 on pulmonary function, disease progression and inflammatory/fibrotic markers.

ProMetic continued to generate positive preclinical data in several gold-standard preclinical models throughout the year and presented it at various prestigious industry conferences during 2014.

2014 R&D ACHIEVEMENTS AND CONFERENCE PRESENTATIONS

2014 Annual Meeting of the European Association for the Study of the Liver ("EASL"):

ProMetic presented new data supporting the claim that PBI-4050's anti-fibrotic activity could also address various liver conditions such as non-alcoholic steatohepatitis ("NASH"), a condition affecting 2% to 5% of Americans, as well as liver cancer. PBI-4050's favorable effect in reducing the progression of fibrosis in the liver was demonstrated in a gold standard animal model where liver fibrosis is induced by chronic administration of carbon tetrachloride ("CCL4"), a chemical which at high chronic doses, causes irreversible damages to the liver and kidneys. Animals treated with PBI-4050 displayed a significant reduction of liver lesions as evidenced by histology and relevant biomarkers results. Following prolonged exposure to CCL4, a significant number of the non-treated animals also developed hepatocellular carcinoma contrary to the animals treated with PBI-4050.

2014 International Society of Nephrology ("ISN"): Nexus Symposium

ProMetic presented new preclinical data where PBI-4050 was shown to significantly reduce oxidative stress markers as well as inflammatory and profibrotic cytokines in animal models designed to emulate chronic kidney disease (CKD) and diabetic kidney disease (DKD). All of these mediators play a major role in the evolution of CKD and DKD, and some can be monitored in blood and in urine. In animal models designed to reproduce long term complications related to human Type 2 diabetes, PBI-4050 brought blood glucose levels back into the normal range. Ultimately the mice or rats treated with PBI-4050 displayed a significant improvement of their renal function and a significant reduction of fibrosis in their kidneys compared to the non-treated rats.

2014 Annual Meeting of the American Society of Nephrology (ASN)

ProMetic presented new preclinical data on PBI-4050 where Dr. Raymond Harris and Dr. Ming-Zhi Zhang from the Department of Nephrology, Vanderbilt University School of Medicine performed studies in a very severe model of accelerated type 2 diabetes, (eNOS -/- db/db mice). The animals in this model have concomitant type 2 diabetes and hypertension which mimic the conditions of several patients affected with Chronic Kidney Disease.

The authors concluded that PBI-4050 attenuates the development of diabetic nephropathies in type 2 diabetes through the improvement of glycemic control and the inhibition of renal TGFβ-mediated fibrotic pathways, in association with decrease in macrophage infiltration, oxidative stress and increase in autophagy. Dr. Harris and Dr. Zhang have shown in their model that PBI-4050 prevented further increase in proteinuria and decreased fibrosis, as measured by collagen deposition and confirmed by histology.

MANAGEMENT'S DISCUSSION & ANALYSIS

This Management's Discussion and Analysis (MD&A) is intended to help the reader to better understand ProMetic Life Sciences Inc.'s ["ProMetic" or the "Corporation"] operations, present and future business environment, financial performance and results of operations. This MD&A which has been prepared as of March 31, 2015, should be read in conjunction with ProMetic's consolidated financial statements for the year ended December 31, 2014. Additional information related to the Corporation, including the Corporation's Annual Information Form, is available on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

The information contained in Management's Discussion and Analysis of the results of operations and the financial condition contains statements regarding future financial and operating results. It also contains forward-looking statements with regards to partnerships 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, 2014. Shareholders are cautioned that these statements are predictions and 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, more 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. ProMetic is also active in developing its own novel small molecule therapeutic products targeting unmet medical needs in the field of fibrosis, autoimmune disease/inflammation and cancer. 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 Isle of Man and Canada 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;
- ProMetic BioSciences Ltd. ("**PBL**"), based in the United Kingdom (Isle of Man and Cambridge), and
- NantPro BioSciences LLC ("**NantPro**") based in Delaware, USA.

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 product pipeline, ProMetic is now successfully transitioning into a vertically integrated specialty biopharmaceutical corporation. At the heart 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 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 currently developing best-in-class plasma-derived therapeutics to address various 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 both the scalability and robustness of the process. PBP is currently operating a robust and scalable manufacturing process and manufacturing material that is being used in the Corporation's current and upcoming plasma derived products clinical trials. With the previously disclosed proteins already scheduled for production at PBP, namely IVIG, alpha-1 antitrypsin and plasminogen and with several plasma-derived therapeutics earmarked for further development, ProMetic is rapidly building a significant plasma-derived product pipeline of substantial value. The US Food and Drug Administration ("FDA") completed its review and cleared the Investigational New Drug ("IND") application for the treatment of hypoplasminogenemia or Type 1 plasminogen deficiency in October 2014. ProMetic's intravenous plasminogen is the first PPPS™ generated plasma-derived therapeutic to enter clinical trial stages and should be followed by additional plasma-derived therapeutics in 2015 and the coming years.

PBP's Laval facility will also serve in the future as a blueprint 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 have 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 segment has several of such promising drug candidates, Management has focused on working towards the Investigational New Drug ("IND") enabling and partnering activities for its anti-fibrosis lead drug candidate PBI-4050. 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 entered the clinical program stage in December 2013. PBI-4050 successfully completed in June 2014 its Phase I clinical trial in 40 healthy volunteers where it was found to be safe and very well tolerated without any serious adverse events reported in any of the 5 cohorts tested. ProMetic held a successful Pre-Investigational New Drug ("Pre-IND) meeting with the US Food and Drug Administration regarding PBI-4050 in 2014. This Pre-IND meeting with the FDA focused on ProMetic's proposed phase II clinical program, for PBI-4050, in patients with Chronic Kidney Disease ("CKD"), other rare diseases as well as the manufacturing and pre-clinical package that ProMetic intends to include in the IND submission. As a result of these successful Pre-IND meetings with both the FDA and Health Canada, a series of Clinical Trial Applications ("CTA") and INDs were filed before the end of 2014 and cleared by Health Canada in the latter part of 2014 and early 2015, thereby authorizing ProMetic to commence clinical in patients suffering from CKD, Idiopathic Pulmonary Fibrosis ("IPF") and the metabolic syndrome and its resulting Type 2 diabetes. Additional CTA and INDs are expected to be filed in the coming months and will target additional orphan indications.

The multi-center study for CKD will be 3-arm, double-blind, placebo-controlled involving 2 different doses of PBI-4050. The trial will be performed at sites already identified across Canada and in the USA. The clinical trials targeting unmet medical needs and some orphan indications will be open label in order to monitor progress against well-established disease state baselines. The trials will monitor safety and tolerability in patients as well as the effect of PBI-4050 on recognized biomarkers for fibrosis and diabetes in blood and urine.

ProMetic also presented some of its data generated so far at several of the most prestigious industry conferences throughout the year, including the 2014 annual meeting of the European Association for the Study of the Liver, the 2014 International Society of Nephrology: Nexus Symposium, 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. ProMetic also anticipates continuing to present new and additional data at leading industry conferences going forward.

QUARTER AND YEAR ENDED DECEMBER 31, 2014 IN SUMMARY

Throughout 2014, the Corporation successfully continued its transition towards becoming a vertically integrated biopharmaceutical company. The majority of efforts and corporate resources were dedicated to the advancement of clinical assets and development programs. This has resulted in the creation of a deep product pipeline that has favorably positioned the Corporation to maximize its future commercial success potential in the coming years.

As part of this transition, ProMetic continued the implementation of changes to its commercialization strategy whereby the Corporation decided to further develop more of its assets to an advanced stage prior to partnering. As a result, the Corporation experienced, as anticipated, a temporary reduction of service and licensing revenues during the first three quarters of 2014. This has however allowed ProMetic to retain a greater portion of the future returns expected from the high-value products and lucrative markets currently being pursued, thereby serving to ultimately increase shareholder value.

The Corporation realized some licensing revenues in the last quarter of 2014 with the completion of the GENERIUM Pharmaceuticals ("GENERIUM") licensing agreement for several plasma-derived biopharmaceuticals to be manufactured and commercialized in Russia and Commonwealth of Independent States ("CIS") as well as using ProMetic's proprietary PPPS™ technology for the manufacture of the plasma-derived biopharmaceuticals in a up to 600, 000 litres per year facility to be built and operated by GENERIUM, in Russia. Furthermore, as ProMetic continues to advance its various programs, licensing deals and associated revenues are expected to materialize following the finalization of additional commercial partnership agreements.

The licensing and service revenues shortfalls experienced during the first three quarters of the year and increased costs related to building a deeper product pipeline had to be compensated. To remedy this situation, the Corporation successfully completed two financings. Firstly, ProMetic secured a $20 million follow-on investment from Thomvest Seed Capital Inc., their second significant investment in the Corporation and secondly, ProMetic secured a bought deal financing totalling $28.8 million.

Total revenues reached $23.0 million for 2014 and in spite of the increase in spending related to the advancement of the various development and clinical programs as well as some non-cash items such as the variation in fair value of the warrant liability associated to the Thomvest Seed Capital Inc. ("Thomvest") financing transaction, the Corporation generated a net profit of $2.6 million for the year, mainly due to the recognition of a purchase gain on business combination of $14.8 million in regards to the additional 40.83% of equity acquired in NantPro and the recognition of a gain on revaluation of the equity investment of $34.4 million representing the difference between the fair value and the carrying amount of ProMetic's equity interest in NantPro just before the transaction.

2014 has proven to be a pivotal year for both the plasma-derived and small-molecule therapeutic development programs. Not only did the Corporation confirmed the pursuit of the development of its plasminogen, IVIG and alpha-1 antitrypsin programs, it also increased its own ownership in NantPro and obtained control of the American IVIG program. This in turn will secure a greater portion of the future expected profits associated with sales of IVIG in the US market, its largest market worldwide. With additional plasma-derived therapeutics expected to join clinical trial stages in 2015, ProMetic's product pipeline is poised for significant progress.

2014 also saw ProMetic enter and successfully complete an early clinical trial for its orally active anti-fibrotic lead drug candidate. In June 2014, the Corporation reported having successfully completed its PBI-4050 Phase I clinical trial in 40 healthy volunteers where it was found to be safe and well tolerated without any serious adverse events being reported. Following this safety and tolerability milestone, the decision was publicly disclosed to also pursue in addition to diabetic kidney diseases, other follow-on indications such as IPF and the metabolic syndrome and its resulting Type 2 diabetes.

With a rapidly growing number of drug candidates progressing through advanced stages of clinical development, ProMetic is now well positioned to become a leader in the field of rare diseases and orphan conditions.

2014 SIGNIFICANT EVENTS

- The Corporation announced in January that it had achieved a major corporate milestone in December 2013 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.
- The Corporation appointed Dr. John Moran as its new Chief Medical Officer ("CMO"), effective as of March 1, 2014.
- The Corporation entered into a new agreement with a leading vaccines company, for the development of an affinity adsorbent and associated purification process for the production of a novel vaccine product.
- The Corporation received approximately $3.2 million from InvHealth Holding Inc. ("Invhealth"), a corporation wholly-owned and controlled by Mr. Pierre Laurin, President and Chief Executive Officer of ProMetic, as repayment of the amended and restated loan entered into in March, 2010 with ProMetic.
- The Corporation reported a successful Pre-Investigational New Drug meeting with the US Food and Drug Administration ("FDA") for the plasma-derived biopharmaceutical, IVIG.
- The Corporation presented new pre-clinical data at the 2014 International Society of Nephrology conference held in Bergamo, Italy where PBI-4050 brought blood glucose levels back into the normal range in animal models designed to reproduce long term complications related to human Type 2 diabetes.
- The Corporation presented new pre-clinical data at the 2014 annual meeting of the European Association for the Study of the Liver held in London, UK. The new data supports the claim that PBI-4050's anti-fibrotic activity could also address various liver conditions such as non-alcoholic steatohepatitis ("NASH"), a condition affecting 2% to 5% of Americans, as well as liver cancer.
- The Corporation announced an increase in its ownership in NantPro following the amendment of its related corporate and commercial agreements with NantPharma, LLC. The amended agreements provide ProMetic with the effective control of NantPro and a greater portion of the future value and profits associated with the development and sales of IVIG in the US market.
- The Corporation received a $5.6 million purchase order under its ongoing supply agreement with Octapharma, a leading, Swiss, independent, global plasma fractionation company that specializes in human proteins.
- The Corporation successfully completed its PBI-4050 Phase I clinical trial in 40 healthy volunteers where ProMetic's PBI-4050 was found to be safe and very well tolerated without any serious adverse events reported in any of the 5 cohorts tested.
- The Corporation announced the launch of fibrinogen for commercial sales during the fourth quarter of 2014 after its successful scale-up at its Laval based plasma purification facility, ProMetic BioProduction Inc.
- The Corporation entered into an agreement with one of its existing multinational clients, a global leader in the biotherapeutics industry. The agreement relates to the development and scale-up of a new affinity resin and associated manufacturing process in order to enhance the quality and purity of an existing biopharmaceutical product manufactured in large quantities.
- The Corporation secured a follow-on investment from Thomvest Seed Capital Inc. consisting of a $20 million investment in a loan and warrants. ProMetic is using part of the proceeds for the development and manufacture of both additional and existing plasma-derived orphan drugs, the advancement of the ongoing PBI-4050 clinical program as well as the repayment of secured debt provided by certain shareholders.
- The Corporation announced the promotion of Mr. Bruce Pritchard to the newly created position of Chief Operating Officer ("COO") as well as the nomination of Mr. Stefan Clulow to its Board of Directors, both effective in August, 2014.
- The Corporation reported a successful Pre-Investigational New Drug meeting with the US Food and Drug Administration for its anti-fibrotic, lead drug candidate, PBI-4050. This Pre-IND meeting with the FDA focused on ProMetic's proposed phase II clinical program for patients with Chronic Kidney Disease, other rare diseases as well as the manufacturing and pre-clinical package.
- The Corporation announced that its addition to the S&P/TSX SmallCap Index ("Index") as the result of the annual review of the Index.
- The Corporation announced the pursuit of IPF as one of its PBI-4050 orphan indications. This decision follows the completion of a favorable external review of the extensive anti-fibrotic preclinical data generated to date by an independent panel of world experts on IPF and the analysis of the current market landscape.

- The Corporation announced that the US Food and Drug Administration completed its review and cleared the Investigational New Drug application for ProMetic's intravenous plasminogen for the treatment of hypoplasminogenemia, or Type 1 plasminogen deficiency.
- The Corporation announced that its small molecule lead compound PBI-4050 has been approved to commence clinical trials in patients suffering from CKD following the Clinical Trial Application clearance by Health Canada.
- The Corporation announced during the Annual Meeting of the American Society of Nephrology (ASN) held in Philadelphia, USA, new preclinical data on PBI-4050. Dr. Raymond Harris and Dr. Ming-Zhi Zhang from the Department of Nephrology, Vanderbilt University School of Medicine performed studies in a very severe model of accelerated Type 2 diabetes. The authors concluded that PBI-4050 attenuates the development of diabetic nephropathies in Type 2 diabetes through the improvement of glycemic control and the inhibition of renal TGFβ-mediated fibrotic pathways, in association with decrease in macrophage infiltration, oxidative stress and increase in autophagy.
- The Corporation entered into an agreement with a syndicate of underwriters led by Canaccord Genuity Corp. under which the Underwriters have agreed to buy, on a bought deal basis, 15.2 million common shares including the overallotment in the capital of the Corporation at a price of $1.90 per share for gross proceeds of $28.8 million.
- The Corporation announced the pursuit of a clinical program designed to evaluate the benefit of PBI-4050 in patients affected by the metabolic syndrome and resulting Type 2 diabetes. The metabolic syndrome is a major risk factor for cardiovascular disease and for Type 2 diabetes, and consists of the constellation of central (truncal) obesity, high blood triglycerides, low HDL ("good") cholesterol, elevated blood pressure, and elevated blood glucose.
- The Corporation entered into definitive agreements with GENERIUM Pharmaceuticals for several plasma-derived biopharmaceuticals to be manufactured and commercialized in Russia and CIS. The strategic alliance includes the granting of manufacturing rights by ProMetic to GENERIUM for several plasma-derived biopharmaceuticals using ProMetic's proprietary PPPS™ technology for the manufacture of said plasma-derived biopharmaceuticals in a up to 600,000 liters per year facility to be built and operated by GENERIUM, in Russia.

2015 SIGNIFICANT EVENTS

- The Corporation announced the approval for its orally active anti-fibrotic lead drug candidate PBI-4050 to commence the clinical trial in patients suffering from metabolic syndrome and resulting Type 2 diabetes, following the CTA clearance by Health Canada.
- The Corporation announced the approval for its orally active anti-fibrotic lead drug candidate PBI-4050 to commence the clinical trial in patients suffering from idiopathic pulmonary fibrosis, following the CTA clearance by Health Canada.
- The Corporation announced an $11.4 million purchase order for the supply of affinity resin from an existing client, a global leader in the biotherapeutics industry.
- The Corporation announced the grant of an orphan drug designation status by the FDA for its orally active anti-fibrotic lead drug candidate, PBI-4050, for the treatment of IPF.
- The Corporation reported that it has successfully completed its PBI-4050 Phase Ib multi-dose clinical trial in patients with Chronic Kidney Disease. ProMetic's orally active lead drug candidate, PBI-4050, was found to be safe and well tolerated without any serious adverse events reported.
- On March 27, 2015, the Corporation and Octapharma who is party to the advance on revenues from a supply agreement amended the loan agreement further extending the maturity date of the unpaid balance of the advance, if any, to April 30, 2018.
- On March 31, 2015, the Corporation and Structured Alpha LP, assignee of Thomvest Seed Capital Inc. and the holder of the long-term debt, amended the terms of the two Original Issue Discount ("OID") loans by extending the maturity dates of the loans to July 31, 2022 without changing their face values, modifying certain terms and conditions, including affirmative and negative covenants, and a right of repayment of the OID loans commencing on September 13, 2018. In consideration of the above modifications, ProMetic has issued 7 million warrants to purchase common shares of the Corporation at an exercise price of $3.00 per common share. The warrants expire on July 31, 2022. The Corporation also granted a pre-emptive right to the debt holder to participate into in any future public offering or private placement of ProMetic's common shares or securities convertible or exchangeable into common shares.

FINANCIAL PERFORMANCE

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

BUSINESS COMBINATION

On May 8, 2014 ("date of acquisition"), the Corporation and NantPharma, LLC ("NantPharma") amended the terms of their partnership in NantPro BioSciences, LLC. Prior to the transaction, the Corporation's equity position in NantPro was 24.38% while NantPharma's equity position in NantPro was 75.62%. In accordance with the terms of the transaction, $6,607 (US$6,085,998) of accounts receivable due from NantPro to ProMetic, which normally would have been paid by NantPro with the NantPharma funding, was invested by ProMetic in order to obtain an additional 40.83% of equity units in NantPro. As a result of this investment, ProMetic owned 65.21% and NantPharma owned 34.79% of the equity units respectively on May 8, 2014.

From the date of acquisition onwards, NantPro is entirely funded by ProMetic and as a result, ProMetic continued to acquire equity units in NantPro until it reached the maximum of 73% allowed in accordance with the agreement while NantPharma's ownership has been reduced to 27%.

This issuance of units combined with the amendments to the terms of the partnership, including providing ProMetic with three out of five board seats, resulted in ProMetic obtaining control over NantPro, and NantPro being considered a subsidiary from the date of acquisition. ProMetic's former investment in an associate is deemed to have been disposed of for accounting purposes. From May 8, 2014 onwards, the Corporation is consolidating the assets and liabilities of NantPro and its results of operations for the period subsequent to the change in control.

This transaction qualifies as a business combination and was accounted for using the acquisition method of accounting. To account for the transaction, the Corporation performed a business valuation of NantPro at the date of acquisition and a purchase price allocation. The business valuation essentially values NantPro's right to develop and sell IVIG in the US market. The Corporation engaged an independent business valuator to assist with this work. The valuator was paid a fee which is not contingent on the valuation provided.

These fair value assessments require management to make significant estimates and assumptions as well as applying judgment in selecting the appropriate valuation techniques. Fair value estimates involve significant estimates and assumptions regarding amongst others the risk regarding the protein not being approved for sale, cash flow projections, production capacity, manufacturing costs, clinical trial costs, the IVIG output per litre of plasma, expected market penetration, economic risk and weighted cost of capital rates.

This transaction was initially accounted for during the second quarter of 2014 based on a preliminary business valuation of $99.5 million. As a result of this initial valuation, the Corporation recorded a gain on revaluation of $24.3 million and a gain on a bargain purchase price of $8.1 million. During the fourth quarter, the business valuation of NantPro as well as the purchase price allocation were finalized. The final value of NantPro as of the date of the transaction is evaluated to be $141 million. The accounting impact of the transaction was adjusted during the fourth quarter to reflect the final valuation outcome.

The aggregate impact of the business combination on the consolidated statement of financial position and consolidated statement of operations for the year ended December 31, 2014 was as follows:

- A gain on revaluation of the 24.38% equity investment in the amount of $34.4 million, representing the difference between the fair value and the carrying amount ($Nil) of ProMetic's equity interest in NantPro just before the acquisition was recognized;
- From May 8, 2014 onwards, the Corporation is consolidating the assets and liabilities of NantPro and its results of operations for the period subsequent to the change in control. This means that the operating expenses of NantPro are included in the results and that the intangible assets recognized in the business combination are presented in the consolidated statement of financial position;
- NantPharma's share in the net assets and results of NantPro are included in the non-controlling interests captions on the consolidated statement of operations and the consolidated statement of financial position;
- Service revenues and research and development rechargeable expenses that other subsidiaries of ProMetic invoice to NantPro subsequent to May 8, 2014 are eliminated upon consolidation. As a result, revenues will no longer include any new services billed to NantPro and the cost relating to providing those services will remain in research and development expenses non-rechargeable;

- The Corporation recognised all of the identifiable net assets of NantPro at their acquisition date fair value which mainly consisted of intangible assets of $141 million and a deferred income tax liabilities of $36.2 million. Also recorded was the non controlling interest in NantPro of $49.1 million and a gain on a bargain purchase price of $14.8 million.

Further details on this transaction are provided in note 6 of the annual consolidated financial statements for the year ended December 31, 2014.

The business valuation results confirm, in-line with the original announcement that the Corporation made a relatively small investment of $6.6 million to acquire an additional 40.83% of NantPro, a business valued approximately at $141 million at the time of the transaction took place. By obtaining control of Nantpro, ProMetic reacquired the right to sell IVIG into the US market. At present the US market for IVIG accounts for around US$4 Billion in sales, approximately half of the global annual IVIG sales of $8 Billion (source: The Worldwide Plasma Proteins Market 2012 Revised report, Marketing Research Bureau Inc.).

RESULTS OF OPERATIONS

The condensed consolidated statement of operations for the quarter and the year ended December 31, 2014 compared to the same period in 2013 are presented in the following table.

	Quarter ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
Revenues	$ 10,546	$ 5,078	$ 23,010	$ 20,644
Expenses				
Cost of goods sold	2,356	2,004	7,015	6,671
R&D expenses recharged	326	(341)	3,053	5,050
R&D expenses non-rechargeable	11,477	6,710	32,147	13,728
Administration, selling and marketing expenses	5,022	3,762	12,905	8,332
Gain on foreign exchange	(112)	(212)	(102)	(638)
Gain on recognition of loan receivable	-	(3,015)	-	(3,015)
Loss on extinguishment of debt	-	-	-	423
Finance costs	935	678	2,760	1,806
Fair value variation of warrant liability	2,933	2,863	15,365	5,485
Loss in an associate	-	-	-	69
Gain on revaluation of equity investment	(10,118)	-	(34,376)	-
Purchase gain on business combination	(6,747)	-	(14,812)	-
Gain on settlement of litigation	(465)	-	(465)	-
Net profit (loss) before income taxes	4,939	(7,371)	(480)	(17,267)
Income taxes expenses (recovery)	(3,556)	131	(3,056)	131
Net profit (loss)	$ 8,495	$ (7,502)	$ 2,576	$ (17,398)
Net profit (loss) attributable to:				
Owners of the parent	9,222	(7,010)	5,939	(16,489)
Non-controlling interests	(727)	(492)	(3,363)	(909)
	$ 8,495	$ (7,502)	$ 2,576	$ (17,398)
Earnings (loss) per share				
Attributable to the owners of the parent				
Basic	$ 0.02	$ (0.01)	$ 0.01	$ (0.03)
Diluted	$ 0.02	$ (0.01)	$ 0.01	$ (0.03)

Revenues

Total revenues for the year ended December 31, 2014 were $23.0 million compared to $20.6 million during the comparative period of 2013, representing an increase of $2.4 million. Total revenues for the quarter ended December 31, 2014 were $10.5 million compared to $5.1 million in 2013 representing an increase of $5.5 million.

Revenues for the years ended December 31, 2014 and 2013 were derived from product sales, development service revenues as well as milestone 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 ended December 31, 2014 compared to the corresponding periods in 2013.

	Quarter ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
Revenues from the sale of goods	$ 3,485	$ 2,761	$ 10,815	$ 9,531
Revenues from the rendering of services	205	1,277	4,788	8,538
Milestone and Licensing revenues	6,856	1,040	7,407	2,575
	$ 10,546	$ 5,078	$ 23,010	$ 20,644

Revenues from the sale of goods were $10.8 million for the year ended December 31, 2014 compared to $9.5 million during the corresponding period of 2013, representing an increase of $1.3 million. The increase is principally attributable to exchange rate movements, with similar quantities of product being sold in local currency year-over-year. Revenues from the sale of goods were stronger during the fourth quarter of 2014 compared to the previous quarters. Sales were $3.5 million during the fourth quarter of 2014 compared to $2.8 million for the corresponding period in 2013, representing an increase of $0.7 million. The increase is mainly due to an increase in volume of product being sold compared to the previous period.

Service revenues were $4.8 million during the year ended December 31, 2014 compared to $8.5 million during the corresponding period of 2013, representing a decrease of $3.8 million. Service revenues were $0.2 million for the fourth quarter of 2014 compared to $1.3 million during the corresponding period of 2013, representing a decrease of $1.1 million. Service revenues during 2013 and the beginning of 2014 mainly were derived from the services rendered to NantPro when it was treated as an associate. The decrease in revenues for both of the 2014 periods over the same periods in 2013 are mainly due to the fact that services revenues earned by PBT on providing services to NantPro since May 8, 2014 are no longer being reflected in consolidated revenues. The Corporation is expecting revenues generated by rendering services to increase in the upcoming quarters compared to the two last quarters of 2014 as a result of the services that will be provided under the Generium agreement.

Milestone and licensing revenues were $7.4 million during the year ended December 31, 2014 compared to $2.6 million during the corresponding period of 2013, representing an increase of $4.8 million. The milestone and licensing revenues increased significantly during the fourth quarter of 2014 as a result of signing the Generium agreement in December which triggered revenues of $6.9 million (US$6,000,000). The remainder of the milestone and licensing revenues in both periods result from attaining milestones in regards to the Hematech licensing agreement.

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

Cost of goods sold

Cost of goods sold were $7.0 million during the year ended December 31, 2014 compared to 6.7 million during the corresponding period in 2013, representing an increase of $0.3 million. The increase is due to the exchange rate movements which was partially offset by a reduction in the cost of goods sold in local currency. Cost of goods sold were $2.4 million during the fourth quarter of 2014 compared to $2.0 million for the corresponding period in 2013, representing an increase of $0.4 million due mainly to the increase in sales volume compared to the previous period.

Research and development expenses recharged

Research and development ("R&D") expenses recharged were $3.1 million for the year ended December 31, 2014 compared to $5.1 million for the corresponding period in 2013, representing a decrease of $2.0 million. Similarly to the service revenues, the expenses under R&D recharged no longer includes the expenses incurred in performing services to NantPro since it is now being consolidated and the costs are fully borne by the Corporation. This is the main reason for the decrease compared to the 2013 periods. Consequently, the expenses incurred in developing the IVIG protein for NantPro are now grouped in the R&D non rechargeable line in the consolidated financial statements.

Research and development expenses – non-rechargeable

Non-rechargeable research and development expenses were $32.1 million for the year ended December 31, 2014 compared to $13.7 million for the corresponding period in 2013, representing an increase of $18.4 million. Non rechargeable research and development expenses were $11.5 million during the fourth quarter of 2014 compared to $6.7 million for the corresponding period in 2013, representing an increase of $4.8 million. The increase is due in part to the inclusion of all the IVIG development and related IND preparation expenses under this caption since the NantPro acquisition and the increase in the IVIG development expense year over year in view of the preparation of the IND which was filed in December 2014. The increase is also due to the overall increase in the other development activities the Corporation is pursuing compared to 2013. This includes the operating costs relating to the Laval plasma purification facility in 2014 while at this point in 2013, ProMetic was in amidst the construction of the facility. Protein Technology R&D costs have also increased resulting from the higher level of research activities in PBT as a result of the Corporation's work towards the filing, in September 2014, of the IND filing for plasminogen.

R&D expenses in the Therapeutics segment also increased in 2014 compared to 2013, namely in regards to the PBI-4050 clinical program currently underway, as the Corporation worked on preparing several CTA and INDs, some of which were filed during 2014 and others planned for 2015.

On a year-to-date basis, the total research and development expenses were $35.2 million compared to $18.8 million for the corresponding period in 2013, representing an increase of $16.4 million. The overall increase is mainly due to an increase in the headcount, the consulting fees, external analysis and the cost of plasma purification activities.

Administration, selling and marketing expenses

Administration, selling and marketing expenses were $12.9 million during the year ended December 31, 2014 compared to $8.3 million for the corresponding period in 2013, representing an increase of $4.6 million. Administrative, selling and marketing expenses were $5.0 million during the fourth quarter of 2014 compared to $3.8 million for the corresponding period in 2013, representing an increase of $1.3 million. The increase is mainly attributable to the increase in compensation expense resulting from an increase in headcount over the one year period, as well as an increase in share-based payment expenses and professional fees.

Share-based payments

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

	Quarter ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
Cost of goods sold	$ 67	$ 64	$ 123	$ 77
R & D expenses recharged	59	107	121	162
R & D expenses non-rechargeable	547	563	1,216	634
Administration, selling and marketing expenses	1,864	2,212	3,676	2,538
	$ 2,537	$ 2,946	$ 5,136	$ 3,411

Share-based payments were $5.1 million during the year ended December 31, 2014 compared to $3.4 million during the corresponding period of 2013, representing an increase of $1.7 million. Share-based payments were $2.5 million during the fourth quarter of 2014 compared to $2.9 million for the corresponding quarter in 2013, representing a decrease of $0.4 million. The annual increase is due mainly to an increase of $1.0 million in the RSU expense in 2014 compared that of December 31, 2013 resulting mainly from the increase in the grant date fair value of the RSUs granted in 2014 compared to those granted in 2013. The option expense makes up the remainder of the increase. This increase was due to the increase in the average grant date fair value of the options over the last two years and was partially offset by the reduction in awards granted in 2014 compared to 2013.

The RSU expense increased during the fourth quarter compared to the third quarter of 2014 as management's assessment of the probability of the objectives, underlying the RSU grant, being met improved. In comparison to the fourth quarter of 2013, the RSU expense decreased principally due to the fact that the 2014-2016 RSU grants were made in April 2014 and the 2014 expense has been recognized over nine months whereas the 2013-2015 grants were made in December 2013 and were vested in the same month which resulted in the entire year's RSU expense being recognized in the fourth quarter of 2013.

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 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 15 of the December 31, 2014 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. There is no future cash-disbursement associated with the recorded liability on statement of financial position, however, if the warrants were to be exercised, the holder would have to pay the exercise price to the Corporation, which would amount to $15.7 million. The fair value of the warrant liability increased by $15.4 million during the year ended December 31, 2014 mainly due to an increase in the market price of the Corporation's shares from December 31, 2013 whereas the fair value of the warrant liability increased by $2.9 million during the fourth quarter of 2014 compared to the value at September 30, 2014 for the same reason. This resulted in a loss of $15.4 million and a loss of $2.9 million in the statement of operations for the respective periods.

Gain on revaluation of equity investment

As a result of the NantPro business combination described previously, the Corporation recognized a gain on revaluation of the equity investment of $34.4 million during the year ended December 31, 2014 representing the difference between the fair value and the carrying amount ($Nil) of ProMetic's equity interest in NantPro just before the acquisition. The gain was recognized initially at $24.3 million during the second quarter of 2014 based on a preliminary business valuation and was adjusted by $10.1 million in the fourth quarter in order to reflect the outcome of the final business valuation.

Purchase gain on business combination

The Corporation's share in the net assets recognized in the consolidated statement of financial position as a result of the acquisition exceeded the total consideration paid by the Corporation for its share in NantPro, giving rise to a purchase gain of $14.8 million during the year ended December 31, 2014. The consideration paid for the Corporation's share in NantPro at the acquisition date of $41.0 million consists of the fair value of the Corporation's 24.38% interest in NantPro before the acquisition and the settlement of receivables for additional equity units. The Corporation's share in the net assets represents the intangibles recognized net of the non-controlling interest's share in those identifiable assets and deferred tax liability.

The purchase gain was recognized initially at $8.1 million during the second quarter of 2014 based on a preliminary business valuation and was adjusted by $6.7 million in the fourth quarter to reflect the outcome of the final business valuation.

Income taxes

The Corporation recorded an income tax recovery of $3.1 million during the year ended December 31, 2014 compared to an income tax expense of $0.1 million for the corresponding period of 2013. The current year's recovery is due to the recognition of deferred tax assets pertaining to the unused tax losses attributable to ProMetic as a partner in NantPro. This recovery was partially offset by the current tax expense.

Net profit (loss)

Net profit was $2.6 million during the year ended December 31, 2014 compared to a net loss of $17.4 million for the corresponding period of 2013. The reasons for the variation are numerous as explained above but the most significant reasons are the increase in profit due to the gains recognized as a result of the Nantpro business combination which were partially offset by the loss recognized on the fair value variation of the warrant liability and the increase in research and development expenses.

SEGMENTED INFORMATION ANALYSIS

For the years ended December 31, 2014 and 2013

The net profit (loss) before income taxes and the adjusted EBITDA for each segment and for the total Corporation for the years ended December 31, 2014 and 2013 are presented in the following tables.

Year ended December 31, 2014	Protein Technologies	Therapeutics	Corporate	Total
Revenues	$ 22,997	$ 13	$ -	$ 23,010
Costs of goods sold	(6,754)	-	-	(6,754)
R&D expenses recharged	(2,772)	-	-	(2,772)
R&D expenses non-rechargeable	(23,771)	(5,828)	-	(29,599)
Administration and marketing expenses	(5,048)	(1,880)	(2,237)	(9,165)
Gain on settlement of litigation	465	-	-	465
Adjusted EBITDA	$ (14,883)	$ (7,695)	$ (2,237)	$ (24,815)
Depreciation and amortization	(1,385)	(243)	(66)	(1,694)
Share-based payments	(1,853)	(254)	(3,029)	(5,136)
Gain (loss) on foreign exchange	(2,518)	3	2,617	102
Finance costs	(175)	(15)	(2,570)	(2,760)
Fair value variation of warrant liability	-	-	(15,365)	(15,365)
Gain on revaluation of equity investment	34,376	-	-	34,376
Purchase gain on business combination	14,812	-	-	14,812
Net profit (loss) before income taxes	$ 28,374	$ (8,204)	$ (20,650)	$ (480)

Year ended December 31, 2013	Protein Technologies	Therapeutics	Corporate	Total
Revenues	$ 20,630	$ 14	$ -	$ 20,644
Costs of goods sold	(6,441)	-	-	(6,441)
R&D expenses recharged	(4,888)	-	-	(4,888)
R&D expenses non-rechargeable	(8,279)	(4,122)	-	(12,401)
Administration and marketing expenses	(3,072)	(2,289)	(410)	(5,771)
Adjusted EBITDA	$ (2,050)	$ (6,397)	$ (410)	$ (8,857)
Depreciation and amortization	(642)	(205)	(22)	(869)
Share-based payments	(1,069)	(421)	(1,921)	(3,411)
Gain (loss) on foreign exchange	-	-	638	638
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)
Loss in an associate	-	-	(69)	(69)
Net loss before income taxes	$ (3,994)	$ (7,023)	$ (6,250)	$ (17,267)

Adjusted EBITDA is a non-GAAP measure that is not defined or standardized under IFRS and it is unlikely to be comparable to similar measures presented by other companies. The Corporation believes that Adjusted EBITDA provides an additional insight in regards to the cash used in operating activities on an on-going basis. It also reflects how management analyzes the Corporation's performance and compares that performance against other companies. In addition, we believe that Adjusted EBITDA is a useful measure as some investors and analysts use EBITDA and similar measures to compare us against other companies.

Adjusted EBITDA for the Protein technologies segment decreased by $12.8 million for the year ended December 31, 2014 compared to the corresponding period in 2013. The decrease is mainly due to the significant increase in non rechargeable research and development expenditures over the year resulting from the heightened level of activities in 2014 as the

Corporation prepared and filed the plasminogen and IVIG INDs, started preparation of the plasminogen clinical trials and due to a full year of operations for the plasma purification facility in Laval which only commenced operations in December 2013. This increase in expenditures was partially offset by an overall increase in revenues of $2.4 million resulting from an increase in product sales and licensing and milestone revenues which more than offset the decline in services revenues compared to 2013 due to the fact that revenues from NantPro are no longer included in the consolidated revenues. Administration, selling and marketing expenses increased in order to support the R&D activities but also as the segment increases its marketing efforts in view of the eventual commercialisation of plasminogen and IVIG and continues its business development activities.

Net profit for the Protein technologies segment was $28.4 million for the year ended December 31, 2014 compared to a loss of $4.0 million in the corresponding period of 2013. The increase of $32.4 million reflects the gains recognized as a result of the Nantpro business combination which include the gain on revaluation of equity investment and the purchase gain on business combination. Depreciation and amortization expenses increased compared to 2013 as the Corporation continues to invest in its capital and intangible assets and as depreciation on the plasma purification facility was taken for a full year in 2014 compared to an insignificant amount recorded in 2013. Share-based payment expenses also increased in 2014 compared to the previous year, negatively impacting the net profit.

Adjusted EBITDA for the Therapeutics segment decreased by $1.3 million during the year ended December 31, 2014 compared to the corresponding period of 2013 mainly due to the higher level of research activities, namely in regards to the PBI-4050 clinical program currently underway, as the Corporation prepared and filed the PBI-4050 CTA for Chronic Kidney Disease in the later part of the year, started preparations for the clinical trials after receiving clearance from Health Canada and continued development in view of identifying other potential indications. The net loss for the Therapeutics segment increased by $1.2 million compared to the corresponding period of 2013 for the same reasons has the decrease in Adjusted EBITDA.

The Adjusted EBITDA for the corporate activities decreased by $1.8 million during the year ended December 31, 2014 compared to the corresponding period in 2013 mainly due to an increase in compensation expense as the headcount supporting Corporate activities increased over the one year period as well as professional fees. The net loss for the Corporate activities increased by $14.4 million compared to the corresponding period in 2013 in part for the above reasons but in addition due to the significant loss recorded on the fair value variation of the warrant liability which was $9.9 million higher than the previous year, the higher share-based payment expense and the increase in finance costs reflecting the issuance of long-term debt in 2013 and 2014. Affecting the comparison is also the fact that in 2013, the Corporation had recognized a $3.0 million gain on recognition of loan receivable which was not repeated in 2014.

Total Adjusted EBITDA for the Corporation decreased by $16.0 million for the year ended December 31, 2014 compared to the corresponding period in 2013.

For the quarters ended December 31, 2014 and December 31, 2013

The net loss before income taxes and the adjusted EBITDA for each segment and for the total Corporation for the quarter ended December 31, 2014 and 2013 are presented in the following tables.

Quarter ended December 31, 2014	Protein Technologies	Therapeutics	Corporate	Total
Revenues	$ 10,544	$ 2	$ -	$ 10,546
Costs of goods sold	(2,302)	-	-	(2,302)
R&D expenses recharged	(226)	-	-	(226)
R&D expenses non-rechargeable	(8,108)	(2,368)	-	(10,476)
Administration and marketing expenses	(1,532)	(626)	(976)	(3,134)
Gain on settlement of litigation	465	-	-	465
Adjusted EBITDA	$ (1,159)	$ (2,992)	$ (976)	$ (5,127)
Depreciation and amortization	(414)	(68)	(24)	(506)
Share-based payments	(919)	(108)	(1,510)	(2,537)
Gain (loss) on foreign exchange	(2,170)	(1)	2,283	112
Finance costs	(44)	3	(894)	(935)
Fair value variation of warrant liability	-	-	(2,933)	(2,933)
Gain on revaluation of equity investment	10,118	-	-	10,118
Purchase gain on business combination	6,747	-	-	6,747
Net profit (loss) before income taxes	$ 12,159	$ (3,166)	$ (4,054)	$ 4,939

Quarter ended December 31, 2013	Protein Technologies	Therapeutics	Corporate	Total
Revenues	$ 5,074	$ 4	$ -	$ 5,078
Costs of goods sold	(1,900)	-	-	(1,900)
R&D expenses recharged	447	-	-	447
R&D expenses non-rechargeable	(3,997)	(1,941)	-	(5,938)
Administration and marketing expenses	(912)	(1,060)	434	(1,538)
Adjusted EBITDA	$ (1,288)	$ (2,997)	$ 434	$ (3,851)
Depreciation and amortization	(196)	(54)	(10)	(260)
Share-based payments	(936)	(400)	(1,610)	(2,946)
Gain (loss) on foreign exchange	-	-	212	212
Gain on recognition of loan receivable	-	-	3,015	3,015
Finance costs	(40)	-	(639)	(678)
Fair value variation of warrant liability	-	-	(2,863)	(2,863)
Net loss before income taxes	$ (2,460)	$ (3,451)	$ (1,460)	$ (7,371)

Adjusted EBITDA for the Protein technologies remained essentially at the same level for the quarter ended December 31, 2014 compared to the corresponding period in 2013. This was due to the increase in research and development expenses which was offset by an increase in revenues, notably the milestone and licensing revenues generated from the GENERIUM agreement. During the quarter ended December 31, 2014, the segment recorded a net profit of $12.2 million compared to a net loss of $2.5 million in the corresponding period of 2013. The profit reflects the adjustments made in the fourth quarter of 2014 to the gains recognized as a result of the Nantpro business combination which include the gain on revaluation of equity investment and the purchase gain on business combination. The gains were partially offset by foreign exchange losses.

Adjusted EBITDA and the net loss for the Therapeutics segment for the quarter ended December 31, 2014 remained at the essentially the same levels as the corresponding period in 2013 as the increase in research and development expenditures were offset by a similar decrease in administration expenses.

Adjusted EBITDA for the corporate activities decreased by $1.4 million during the quarter ended December 31, 2014 compared to the corresponding period in 2013 due to the increase in headcount and due to the fact that the corporate allocation to the segments was adjusted during the fourth quarter of 2013, resulting in a higher transfer of costs to the segments and a credit in Corporate. The net loss for the Corporate activities increased by $2.6 million during the quarter ended December 31, 2014 compared to the corresponding period in 2013 due to the increase in administration expenses which offset by a foreign exchange gain. Also affecting the comparison is also the fact that during the fourth quarter of 2013, the Corporation had recognized a $3.0 million gain on recognition of loan receivable which was not repeated in the corresponding period of 2014.

Total adjusted EBITDA for the Corporation decreased by $1.3 million for the quarter ended December 31, 2014 compared to the corresponding period in 2013.

FINANCIAL CONDITION

The condensed consolidated statements of financial position at December 31, 2014 and December 31, 2013 are presented in the following table.

		2014		2013
Total current assets	$	43,320	$	35,410
Other long-term assets		176		168
Capital assets		13,784		9,631
Intangible assets		146,163		4,663
Total assets	$	203,443	$	49,872
Total cash disbursing current liabilities	$	12,293	$	14,498
Non-cash disbursing current liabilities				
Deferred revenues		1,041		984
Warrant liability		24,676		9,311
Deferred income tax liability		37,198		-
Long-term liabilities		23,804		6,441
Total liabilities	$	99,012	$	31,234
Share capital	$	294,870	$	263,320
Contributed Surplus		10,923		6,319
Warrants and future investment rights		19,803		15,429
Accumulated other comprehensive income		226		122
Deficit		(255,856)		(264,858)
Equity attributable to owners of the parent		69,966		20,332
Non-controlling interests		34,465		(1,694)
Total equity		104,431		18,638
Total liabilities and equity	$	203,443	$	49,872

Current assets

Current assets increased by $7.9 million at December 31, 2014 compared to December 31, 2013. The increase is mainly due to an increase in cash of $9.7 million which was partially offset by a decrease in accounts receivable of $2.3 million. The change in cash is explained below in the cash flow section while the decrease in receivables is mainly due to the receipt of the InvHealth loan included in the December 31, 2013 balance, and due to the absence of receivables from NantPro in the December 31, 2014 amounts as a result of the consolidation of NantPro. These reductions were partially offset by the increase in receivable resulting from higher fourth quarter revenues in 2014 compared to 2013, particularly due to the license revenues generated from the GENERIUM agreement.

Capital assets

Capital assets increased by $4.2 million during the year ended December 31, 2014 compared to December 31, 2013 mainly due to the continuation of the investment in PBP's plasma purification plant, investments made in PBL's production facility and to expand PBT's research and development laboratory. These increases were partially offset by the depreciation expense during the year ended December 31, 2014.

Intangible assets

Intangible assets increased by $141.5 million during the year ended December 31, 2014 compared to December 31, 2013 mainly due to the recognition of the NantPro intangible assets acquired in the business combination valued at $141 million. The amortization of these intangibles has not commenced since they are not considered to be available for use until FDA approval is received to sell the IVIG protein in the US market.

Total cash disbursing current liabilities

The total cash disbursing current liabilities decreased by $2.2 million during the year ended December 31, 2014 compared to December 31, 2013 mainly due to the reimbursement of the shareholder debt during the third quarter which was partially offset by an increase in accounts payable.

Warrant liability

The warrant liability increased by $15.4 million during the year ended December 31, 2014 compared to December 31, 2013 mainly due to the increase in the market price of the Corporation's shares over the period. The variation in the fair value of the warrant liability during the year ended December 31, 2014 was recorded as a loss in the statement of operations.

During the third quarter, the Corporation and the Second warrant holder agreed to modify the terms of the Second Warrants. The objective of the modifications is to replace the formula that was being used to determine the number of shares that would be issued upon exercise of the warrants with a fixed number of warrants, since this formula, although it was allowing a potentially small variation in quantity, was causing the Second warrants to be treated as a derivative liability in the financial statements. As a result of this accounting treatment and the significant increase in the Corporation's share price since their issuance, a significant liability and significant losses have been recognized in the consolidated financial statements. Pursuant to the modification, the number of shares to be issued upon exercise would be fixed to 20,276,595 for an exercise price of $15,653. The ultimate expiry date of the Second warrants would remain unchanged at September 10, 2021 and the potential trigger to shorten the expiry date, the Market Capitalization Event, would be removed.

In accordance to the TSX rules, the modification must be approved by the Shareholders' of the Corporation before they become effective. In accordance with the terms of the agreement, these amendments must be approved no later than July 1, 2015 otherwise they will become null. Consequently, the Second warrants will continue to be accounted for as a derivative liability with the variations of fair value recorded in the statement of operations until the amendments are approved. If and when these amendments become effective, the Second Warrants would cease to be a derivative liability and would become an equity instrument. The warrants would be recorded in equity at the fair value of the modified Second Warrants at the effective date.

Deferred income tax liability

The Corporation recognized a deferred tax liability of $37.2 million at December 31, 2014 mainly as a result of the recognition of the intangibles acquired in the business combination. The deferred tax liability recognized on these intangible assets are based on ProMetic's share of the difference between the accounting and tax basis of the intangible assets at the tax rate that will be applicable when the temporary differences are expected to reverse. This was partially offset by the deferred tax asset recorded in regards to the income tax recovery of $3.1 million also recorded during the year ended December 31, 2014. Those deferred tax assets pertain to the unused tax losses attributable to ProMetic as a partner in NantPro.

Long-term liabilities

Long-term liabilities increased by $17.4 million during the year ended December 31, 2014 compared to December 31, 2013 mainly due to the issuance of an Original Issue Discount loan on July 31, 2014 (discussed below) and interest accretion on the outstanding OID loans during the year.

On July 31, 2014, the Corporation issued an OID loan and warrants for total proceeds of $20.0 million. The total proceeds were allocated to the debt portion based on its fair value at the issue date and the residual amount was attributed to the warrants that are classified as equity. Under the terms of the loan, the Corporation will repay the face value of the OID loan, in the amount of $31.3 million at maturity, on July 31, 2019. The OID loan was recorded at its fair value at the transaction date less the associated transaction costs for a net amount of $14.7 million. The warrants issued in this financing transaction (the "Third Warrants"), give the holder the right to acquire one common share at an exercise price of $1.87 paid either in cash or in consideration of the lender's cancellation of an equivalent amount of the face value of the OID loan maturing on July 31, 2019. On March 31, 2015, the OID loans were modified. Further details are provided in the *Liquidity and Contractual Obligations* section of this MD&A.

Share capital

Share capital increased by $31.6 million during the year ended December 31, 2014 compared to December 31, 2013 mainly due to the issuance of 15,180,000 common shares following an offering by way of a prospectus for gross proceeds of $28.8 million. Share capital also increased as certain warrants and options were exercised and shares were issued pursuant to the restricted share unit plan.

Contributed surplus

Contributed surplus increased by $4.6 million during the year ended December 31, 2014 compared to December 31, 2013 due to the recognition of share-based payment expense of $5.1 million which was partially offset by the reclassification of the value recorded in contributed surplus in regards to the equity instruments exercised or released from contributed surplus to share capital.

Warrants and future investment rights

Warrants and future investment rights increased by $4.4 million during the year ended December 31, 2014 compared to December 31, 2013 mainly due to the issuance of the Third Warrants as part of the July 31, 2014 financing transaction, recorded at an amount of $5.2 million. This increase was partially offset due to the reclassification of the value recorded in regards to warrants exercised into share capital of $0.8 million.

Non-controlling interest ("NCI")

The non-controlling interests increased significantly during the year ended December 31, 2014 as a result of the recognition of the NCI in NantPro (please refer to note 6 of the annual consolidated financial statements for the year ended December 31, 2014 for details of the transaction and how the initial non-controlling interest in NantPro was determined). The NCI also increased due to the attribution of its share of ProMetic's funding of NantPro. These increases were partially offset by the non-controlling interests share in the net losses of the subsidiaries in which they have ownership during the period and the effect of the decrease in NantPro's non controlling interest ownership after the acquisition date.

The variation in the NCI between December 31, 2014 and December 31, 2013 is explained below:

NCI balance at December 31, 2013	$ (1,694)
NCI share in losses	(3,363)
NCI arising from the NantPro business combination	49,055
Effect of the change in the NantPro NCI as a result of the decrease in the NCI's interest in the partnership since the change in control and the NCI's interest in ProMetic's funding	(9,533)
NCI balance at December 31, 2014	$ 34,465

CASH FLOW ANALYSIS

The condensed consolidated statements of cash flows from the year ended December 31, 2014 and the comparative period in 2013 are presented below.

	Quarter ended December 31,		Year ended Decembre 31,	
	2014	2013	2014	2013
Cash used in operating activities	$ (8,522)	$ (7,437)	$ (25,954)	$ (17,005)
Cash from financing activities	27,171	21,201	44,348	41,055
Cash flows used in investing activities	(2,049)	(4,200)	(8,749)	(7,618)
Net (decrease) increase in cash	16,600	9,564	9,645	16,432
Net effect of currency exchange rate on cash	119	(193)	61	(241)
Cash, beginning of the period	10,383	8,025	17,396	1,205
Cash, end of the period	$ 27,102	$ 17,396	$ 27,102	$ 17,396

Cash flows used in operating activities increased by $8.9 million during the year ended December 31, 2014 compared to the same period in 2013 due to the reduction in the Adjusted EBITDA for the Corporation in 2014. In 2013 however, the cash flows used in operating activities were quite higher than the 2013 Adjusted EBITDA due to an unfavorable change in the non-cash working capital items and this partially offset the impact of the decreased Adjusted EBITDA. Cash flows used in operating activities during the quarter ended December 31, 2014 also increased in comparison to the corresponding period of 2013. These increases reflect the higher level of activity across all functions and segments of ProMetic.

Cash flows from financing activities increased by $3.3 million during the year ended December 31, 2014 compared to the same period in 2013 mainly due to the higher level of long-term debt issued during 2014 which was partially offset by lower proceeds from share issuances. Cash flows from financing activities increased by $6.0 million during the quarter ended December 31, 2014 compared to the corresponding period of 2013 mainly due to the higher proceeds from shares issuances.

Cash flows used in investing activities increased by $1.1 million during the year ended December 31, 2014 compared to the same period in 2013. Despite the lower capital assets expenditure in 2014, the cash outflows are higher in 2014 due to the carry forward of payments made at the beginning of the year to suppliers and contractors for work performed and delivery of equipment in regards to the Laval plasma purification plant during the last quarter of 2013. In addition, the investment in intangible assets such as patents has increased slightly in 2014 compared to 2013. Cash flow used in investing activities decreased during the quarter ended December 31, 2014 compared to the corresponding period of 2013 because of the high investment in the plasma purification plant which occurred at that time.

LIQUIDITY AND CONTRACTUAL OBLIGATIONS

At December 31, 2014, the Corporation's position in regards to total cash generating current assets, including cash, net of total cash disbursing current liabilities is a surplus of $30.1 million. The Corporation expects that considering its planned activities for 2015 and its financial position at December 31, 2014, it will be able to meet its contractual obligation over the next year.

Financial obligations

The timing and expected contractual outflows required to settle the financial obligations of the Corporation recognized in the consolidated statement of financial position at December 31, 2014 in addition to the operating leases are presented in the table below:

		Contractual Cash flows				
At December 31, 2014	Carrying amount	Payable within 1 year	2 -3 years	4 -5 years	More than 5 years	Total
Trade and other payables	$ 9,102	$ 9,102	$ -	$ -	$ -	$ 9,102
Advance on revenues from a supply agreement	3,191	3,246	-	-	-	3,246
Long-term debt *	23,244	-	-	46,959	-	46,959
Operating leases	-	2,917	5,928	5,216	11,757	25,818
	$ 35,537	$ 15,265	$ 5,928	$ 52,175	$ 11,757	$ 85,125

* Under the terms of the long-term debt, the holder of Second and Third Warrants may decide to cancel a portion of the face values of the OID loans as payment on the exercise of these warrants. The maximum repayment due on these loans has been included in the above table.

Subsequent events

On March 27, 2015, the Corporation and Octapharma who is party to the advance on revenues from a supply agreement (see note 14 to the consolidated financial statements for the year ended December 31, 2014) amended the loan agreement further extending the maturity date of the unpaid balance of the advance, if any, to April 30, 2018.

On March 31, 2015, the Corporation and Structured Alpha LP, assignee of Thomvest Seed Capital Inc. and the holder of the long-term debt, amended the terms of the two Original Issue Discount ("OID") loans (refer to note 16 to the consolidated financial statements for the year ended December 31, 2014) by extending the maturity dates of the loans to July 31, 2022 without changing their face values, modifying certain terms and conditions, including affirmative and negative covenants, and including a right of repayment of the OID loans commencing on September 13, 2018. In consideration of the above modifications, ProMetic has issued seven million warrants to purchase common shares of the Corporation at an exercise price of $3.00 per common share. The warrants expire on July 31, 2022. The Corporation also granted a pre-emptive right to the debt holder to participate in any future public offering or private placement of ProMetic's common shares or securities convertible or exchangeable into common shares. The Corporation is currently assessing the accounting treatment for these modifications.

The modifications to the advance on revenues from a supply agreement and the OID loans have not been reflected in the above contractual obligation table.

Off balance sheet commitments (excluding leases)

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.

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.

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 15.5% of net sales from products it commercializes.

SELECTED ANNUAL INFORMATION

The following table presents selected audited annual information for the years ended December 31, 2014, 2013 and 2012.

	2014	2013	2012
Revenues	$ 23,010	$ 20,644	$ 23,321
Net profit (loss) attributable to owners of the parent	5,939	(16,489)	234
Net profit (loss) per share attributable to owners of the parent (basic and diluted)	0.01	(0.03)	-
Total assets	203,443	49,872	22,991
Total non-current financial liabilities	$ 23,244	$ 6,217	$ 3,875

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 milestone and license revenues has changed significantly over the last three years. Revenues from the sales of goods declined by $2.0 million in 2013 compared to 2012 whereas they have increased by $1.3 million during the last year. Service revenues increased from $5.3 million in 2012 to $8.5 million in 2013 to then decrease to $4.8 million in 2014. The changes over the three years reflect the level of revenues earned from NantPro that get reflected in the consolidated financial statements. Finally, milestone and licensing revenues declined over 2012 to 2013 while the Corporation did not sign any licensing agreements in 2013 whereas it increased again in 2014, primarily due to the licensing agreement with GENERIUM.

The net loss attributable to the owners of the parent increased significantly in 2013 from 2012 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. During 2014, the Corporation reported a net profit attributable to the owners of the parent of $5.9 million. The increase in profit was due principally to the gains recognized as a result of the Nantpro business combination which include the gain on revaluation of equity investment and the purchase gain on business combination amounting in aggregate to $49.2 million. These gains were partially offset by the loss recorded on the fair value variation of the warrant liability in the amount of $15.4 million. Total R&D expenses increased by $16.4 million in 2014 compared to 2013.

The net loss per share on a basic and diluted basis varied consistently with the net profit or loss.

The total assets increased from year to year as the Corporation's financial situation has improved reflecting its increased ability to obtain financing. During the 3 years, the amount of cash held at December 31 of each year has increased. The Corporation has also continued investing in capital assets, especially in 2013 with the start-up of the plasma purification plant. In 2014, as a result of the NantPro business combination, the Corporation recorded the intangible assets acquired in the transaction valued at $141 million which explains the significant increase in total assets over 2013.

Non-current financial liabilities remained at similar levels in 2012 and 2013 whereas they increased by $17.0 million in 2014 mainly due to the issuance of additional long-term debt during the year.

SUMMARY OF QUARTERLY RESULTS

The following table presents selected quarterly financial information for the last eight quarters.

		Net profit (loss) attributable to the owners of the parent		
Quarter ended	Revenues	Total	Per share Basic	Per share Diluted
December 31, 2014	$ 10,546	$ 9,222	$ 0.02	$ 0.02
September 30, 2014	2,315	(19,279)	(0.04)	(0.04)
June 30, 2014	4,411	23,959	0.05	0.04
March 31, 2014	5,738	(7,963)	(0.02)	(0.02)
December 31, 2013	5,078	(7,010)	(0.01)	(0.01)
September 30, 2013	5,960	(5,257)	(0.01)	(0.01)
June 30, 2013	5,161	(2,450)	(0.01)	(0.01)
March 31, 2013	4,445	(1,771)	0.00	0.00

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, the conclusion of licensing arrangements 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.

During the quarter ending March 31, 2014, the Corporation continued to recognize a loss on the fair value of the warrant liability of $3.8 million. Non-rechargeable R&D expenses decreased slightly compared to the previous quarter but remained high as the Corporation continued working towards the filing of three INDs in 2014.

In the second quarter of 2014, the results of operations were significantly impacted in several ways by the NantPro business combination. The key impacts were a $24.3 million gain on revaluation of the interest held in NantPro prior to the business combination, an $8.1 million purchase gain recorded on the business combination, the consolidation of NantPro which resulted in an increase to research and development expenses non-rechargeable from May 8, 2014 and onwards and the discontinuation of sales and profit being recorded on services provided to NantPro from that same date. During this quarter the Corporation recognized a gain on the fair value variation of the warrant liability of $1.8 million. The quarter ended in a net profit and as a result, the outstanding dilutive equity instruments were considered in the computation of diluted EPS whereas previously they were anti-dilutive.

Research and development expenses during the quarter ended September 30, 2014 were high in comparison to previous quarters due to an increase in activities as the Corporation advances the filings of IND for several products and since the revenues relating to NantPro are eliminated on consolidation since the acquisition completed in the previous quarter. Administration, selling and marketing expenses increased as the general level of activities increased and due to higher share-based payment expenses. Finally the loss was significantly impacted by the loss of $10.4 million recorded on the warrant liability reflecting the increase in the Corporation's share price during the quarter.

During the quarter ended December 31, 2014, the Corporation recorded an adjustment of the gain on revaluation of the interest held in NantPro prior to the business combination as well as an adjustment on the purchase gain of $10.1 million and $6.7 million respectively in the fourth quarter to reflect the outcome of the final business valuation. The Corporation's revenues were strong during the period, mainly due to the recognition of significant milestone and licensing revenues. Overall R&D and administration, selling and marketing expenditures increased reflecting the high level of activities with two INDs being filed during the quarter.

OUTSTANDING SHARE DATA

The Corporation is authorized to issue an unlimited number of common shares. At March 30, 2015, 554,185,470 common shares, 11,736,284 options to purchase common shares, 6,500,000 restricted share units and 82,791,890 warrants and rights to purchase common shares were issued and outstanding. The number of warrants excludes the seven million warrants issued on March 31, 2015 (see subsequent events disclosure in the liquidity and obligation section).

TRANSACTIONS BETWEEN RELATED PARTIES

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation. Details of the other transactions between the Corporation and related parties are disclosed below.

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, 2014, $Nil remained unpaid ($250 at December 31, 2013).

During the year ended December 31, 2014, interest revenues in the amount of $19 ($16 for the year ended December 31, 2013) were recorded on the share purchase loan to an officer and included in the advance to an officer.

At December 31, 2014, an officer of the Corporation owed to ProMetic $80 under an advance, $450 as a share purchase loan and $34 in interest due on the loan.

SIGNIFICANT JUDGMENTS AND CRITICAL ACCOUNTING ESTIMATES

The preparation of the 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. The significant accounting judgments and critical accounting estimates applied by the Corporation are as follows:

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.

Determining the level of influence the Corporation has over an investment in an entity – In determining the level of influence the Corporation has over an investment in an entity, resulting either in control or significant influence over the investment, consideration is 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 controls the investment leads to the consolidation of the assets and liabilities and results of operations of the investment with those of the Corporation, along with the elimination of all inter-company transactions. A conclusion that the Corporation has significant influence over the investment will result in that investment being accounted for as an associate.

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, 2014 and 2013, no changes were deemed necessary. This assessment is also performed for new subsidiaries. When assessing the functional currency of a foreign subsidiary, management's judgment is applied in order to determine amongst others the primary economic environment in which an entity operates, the currency in which funds the activities and the degree of autonomy of the foreign subsidiary from the reporting entity in its operations and financially. Judgment is also applied in determining 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.

Determining whether assets acquired constitute a business – In determining whether the acquisition of an additional equity interest in NantPro BioSciences, LLC fell within the scope of IFRS 3, *Business Combination*, management evaluated whether NantPro represented an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower cost or other economic benefits directly to investors or other owners, members or participants. In making this evaluation, management considered whether NantPro had inputs, processes and other elements making it a business. Although businesses usually have outputs, outputs are not required for an integrated set to qualify as a business. The key elements taken into consideration include the fact that NantPro has licenses to use ProMetic's technology and intellectual property, to develop and manufacture the intravenous immunoglobulin or IVIG, and the exclusive right to market, sell and distribute the licensed product in the United States. In addition NantPro has manufacturing and service development contracts with ProMetic under which it has the ability to access qualified resources, production capacity and the ProMetic affinity resins used in the production process, and to follow documented standards and protocols. Furthermore, NantPro also has the non-exclusive right to manufacture or have manufactured by another third party should ProMetic not wish or be able to manufacture all of NantPro's commercial requirements of IVIG.

Although NantPro is a development stage entity, management concluded that it had inputs, processes and other elements making it a business and therefore accounted for the acquisition as a business combination. If management had made a different determination, it would have accounted for the transaction as an asset acquisition and consequently the transaction would have been accounted for differently such as there would not have been a purchase price gain recorded in the consolidated statement of operations and the net asset acquired would have been recorded on a cost basis instead of fair value.

Assets arising from a business combination - The Corporation acquired a business in May 2014. The cost of the acquisition must be allocated to the underlying net assets acquired based on their estimated fair values calculated in accordance with the requirements of IFRS 3, *Business Combinations*. As NantPro assets consist mainly of intangible assets in the form of rights and licenses contributed by ProMetic when the partnership was created, the assets acquired generally represent reacquired rights. Management concluded that the contracts giving rise to the reacquired rights were neither favorable or unfavorable relative to the terms of current market transactions for the same or similar items and consequently no settlement gain or loss was recognized based on their respective estimated fair values.

As part of this allocation process, the Corporation must identify and attribute values and estimated lives to the identifiable assets acquired. These determinations involve significant estimates and assumptions regarding cash flow projections, the risk regarding the protein not being approved for sale, economic risk, weighted average cost of capital rates, expected market penetration, terminal values and manufacturing costs. These estimates and assumptions determine the amount allocated to the identifiable intangible assets and the amortization period for identifiable intangible assets with finite lives. If future events or results differ from these estimates and assumptions, the Corporation could record increased amortization or impairment charges in the future.

Determining the fair value of a business – In order to account for the business combination, the Corporation must determine the value of the business acquired which in turn affects the values used in determining the fair value of the equity investment, an investment in an associate (at the acquisition date), the gain on revaluation of the equity investment, the purchase gain recognized on the business combination and the purchase price allocation. In determining the fair value of the business, the same significant estimates and assumptions as those involved in attributing values to the identifiable assets, discussed above are used. If different estimates and assumptions were made, the amounts recorded for intangibles assets, non controlling interest, the purchase gain on a business combination, the gain on the revaluation of equity investment and the deferred tax liability might have been significantly different.

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.

Accounting for loan modifications – When the terms of a loan are modified, management must evaluate whether the modification should be accounted for as a derecognition of the carrying value of the pre-modified loan and the recognition of a new loan at the then fair value or as a modification with no accounting impact. When the determination of the fair value

of the new loan is required, the Corporation uses discounted cash flow techniques which includes inputs that are not based on observable market data and inputs that are derived from observable market data. When determining the appropriate discount rates to use, the Corporation seeks comparable interest rates where available. 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 15 and 16 respectively to the consolidated financial statements.

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, 2014, a number of new accounting standards became effective. Information on the new standard that was relevant to the Corporation is presented below:

IFRIC 21, *Levies*

IFRIC 21, *Levies* 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. The adoption of this interpretation did not have a significant impact on the Corporation's financial statements.

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 15, *Revenue from contracts with customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, a new standard that specifies the steps and timing for issuers to recognize revenue as well as requiring them to provide more informative, relevant disclosures. IFRS 15 supersedes IAS 11, *Construction Contracts*, and IAS 18, *Revenue* and related interpretations. Adoption of IFRS 15 is mandatory and will be effective for the Corporation's fiscal years beginning on January 1, 2017, with earlier adoption permitted. The Corporation is currently assessing the impact of adopting this standard on its consolidated financial statements.

IFRS 9, *Financial Instruments – Recognition and Measurement*

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments* with a mandatory effective date of January 1, 2018. The new standard brings together the classification and measurements, impairment and hedge accounting phases of the IASB's project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. In addition to the new requirements for classification and measurement of financial assets, a new general hedge accounting model and other amendments issued in previous versions of IFRS 9, the standard also introduces new impairment requirements that are based on a forward-looking expected credit loss model. Management anticipates that the standard will be adopted in the consolidated financial statements for the annual period beginning January 1, 2018. The extent of the impact of the adoption of IFRS 9 has not yet been determined.

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 and has not issued or acquired derivative financial instruments for hedging purposes. The following table presents the carrying amounts of the Corporation's financial instruments at December 31, 2014 and 2013.

		2014		2013
Financial assets				
Cash	$	27,102	$	17,396
Restricted cash		151		139
Trade receivables, loan to a Corporation, advance and interest receivable from an officer and other		8,633		11,709
Share purchase loan to an officer		450		450
Other investments		25		29
Financial liabilities				
Accounts payable and accrued liabilities		9,102		7,877
Debt provided by shareholders and other debt		-		3,040
Advance on revenues from a supply agreement		3,191		3,447
Warrant liability		24,676		9,311
Long-term debt		23,244		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 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 15 and 16 to the December 31, 2014 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, which would amount to $15.7 million or could request that the OID loan maturing in September 2018 be cancelled in consideration for the exercise amount. The fair value of the Second Warrants has and may continue to 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.

During the third quarter, the Corporation and the Second warrant holder agreed to modify the terms of the Second Warrants. The objective of the modifications is to replace the formula that was being used to determine the number of shares that would be issued upon exercise of the warrants with a fixed number of warrants, since this formula, although it was allowing a potentially small variation in quantity, was causing the Second warrants to be treated as a derivative liability. As a result of this treatment and the significant increase in the Corporation's share price since their issuance, a significant liability and significant losses have been recognized in the financial statements. Pursuant to the modification, the number of shares to be issued upon exercise would be fixed to 20,276,595 for an exercise price of $15.7 million. The ultimate expiry date of the Second warrants would remain unchanged at September 10, 2021 and the potential trigger to shorten the expiry date, the Market Capitalization Event, would be removed.

In accordance to the TSX rules, the modification must be approved by the Shareholders' of the Corporation before they become effective. In accordance with the terms of the agreement, these amendments must be approved no later than July 1, 2015 otherwise they will become null. Consequently, the Second warrants will continue to be accounted for as a derivative liability with the variations of fair value recorded in the statement of operations until the amendments are approved. If and when these amendments become effective, the Second Warrants would cease to be a derivative liability and would become an equity instrument, similarly to the other warrants issued by the Corporation. The warrants would be recorded in equity at the fair value of the modified Second Warrants at the effective date.

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, 2014 include income, expense, gains and losses relating to financial instruments:

- finance costs;
- 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, investments, receivables 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.

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 are in U.S dollars and in Great British Pounds ("GBP"). 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 relating to the expenditures. Financial instruments potentially exposing the Corporation to foreign exchange risk consist principally of cash, receivables, trade and other payables, 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.

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

The Corporation's disclosure controls and procedures are designed by or under the supervision of the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) to ensure that all important information about ProMetic, including operating and financial activities, is communicated fully, accurately and in a timely way to them and that information required to be disclosed by the issuer in its annual and interim filings and other reports is reported within the time periods specified in securities legislation.

Internal controls over financial reporting are designed by or under the supervision of the CEO and CFO to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Due to its inherent limitation, the internal controls may not to prevent and detect all misstatements due to error or fraud.

The Corporation's CEO and CFO have certified that the disclosure controls and procedures and the internal controls over financial reporting were designed to meet the objectives described above as of December 31, 2014. They have evaluated the effectiveness of the disclosure controls and procedures as well as the internal controls over financial reporting as of December 31, 2014 and concluded that these controls were operating effectively. The Corporation did not make any material changes in the internal controls over financial reporting that materially affected or are reasonably likely to materially affect the Corporation's internal control over financial reporting during the quarter ended December 31, 2014.

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, 2014 and 2013, 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, 2014 and 2013, 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 31, 2015

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(IN THOUSANDS OF CANADIAN DOLLARS)

At December 31	2014	2013
ASSETS		
Current assets		
Cash (NOTE 7)	**$ 27,102**	$ 17,396
Accounts receivable (NOTE 8)	**11,850**	14,172
Income tax receivable	**901**	-
Inventories (NOTE 9)	**2,586**	2,979
Total cash generating current assets	**42,439**	34,547
Prepaid expenses	**881**	863
Total current assets	**43,320**	35,410
Restricted cash (NOTE 7)	**151**	139
Other investment	**25**	29
Capital assets (NOTE 11)	**13,784**	9,631
Intangible assets (NOTE 12)	**146,163**	4,663
Total assets	**$ 203,443**	$ 49,872
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**$ 9,102**	$ 7,877
Income tax payable	**-**	134
Debt provided by shareholders and other debt (NOTE 13)	**-**	3,040
Advance on revenues from a supply agreement (NOTE 14)	**3,191**	3,447
Total cash disbursing current liabilities	**12,293**	14,498
Deferred revenues	**1,041**	984
Warrant liability (NOTE 15)	**24,676**	9,311
Total current liabilities	**38,010**	24,793
Deferred tax liabilities (NOTE 25)	**37,198**	-
Long-term portion of lease inducements	**560**	224
Long-term debt (NOTE 16)	**23,244**	6,217
Total liabilities	**$ 99,012**	$ 31,234
EQUITY		
Share capital (NOTE 17)	**294,870**	263,320
Contributed surplus	**10,923**	6,319
Warrants and future investment rights (NOTE 17)	**19,803**	15,429
Accumulated other comprehensive income	**226**	122
Deficit	**(255,856)**	(264,858)
Equity attributable to owners of the parent	**69,966**	20,332
Non-controlling interests (NOTE 18)	**34,465**	(1,694)
Total equity	**104,431**	18,638
Total liabilities and equity	**$ 203,443**	$ 49,872

Contingencies and commitments (NOTES 30 AND 31)
Subsequent events (NOTE 34)

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	2014	2013
Revenues (NOTE 20)	**$ 23,010**	$ 20,644
Expenses (NOTE 21)		
Cost of goods sold (NOTE 9)	**7,015**	6,671
Research and development expenses recharged	**3,053**	5,050
Research and development expenses non-rechargeable	**32,147**	13,728
Administration, selling and marketing expenses	**12,905**	8,332
Gain on foreign exchange	**(102)**	(638)
Gain on recognition of loan receivable (NOTE 8)	**-**	(3,015)
Loss on extinguishment of debt (NOTE 13)	**-**	423
Finance costs (NOTE 21)	**2,760**	1,806
Fair value variation of warrant liability (NOTE 15)	**15,365**	5,485
Loss in an associate (NOTE 10)	**-**	69
Gain on revaluation of equity investment (NOTE 10)	**(34,376)**	-
Purchase gain on business combination (NOTE 6)	**(14,812)**	-
Gain on settlement of litigation (NOTE 24)	**(465)**	-
Net profit (loss) before income taxes	**(480)**	(17,267)
Income taxes expense (recovery) (NOTE 25)	**(3,056)**	131
Net profit (loss)	**$ 2,576**	$ (17,398)
Net profit (loss) attributable to:		
Owners of the parent	**5,939**	(16,489)
Non-controlling interests (NOTE 18)	**(3,363)**	(909)
	$ 2,576	$ (17,398)
Earnings (loss) per share (NOTE 26)		
Attributable to the owners of the parent		
Basic	**$ 0.01**	$ (0.03)
Diluted	**0.01**	(0.03)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(IN THOUSANDS OF CANADIAN DOLLARS)

Years ended December 31		2014		2013
Net profit (loss)	**$**	**2,576**	$	(17,398)
Other comprehensive income (loss)				
Items that may be subsequently reclassified to profit and loss:				
Change in unrealized exchange differences on translation of financial statements of foreign subsidiaries		**104**		(85)
Total comprehensive income (loss)	**$**	**2,680**	$	(17,483)
Total comprehensive income (loss) attributable to:				
Owners of the parent		**6,043**		(16,574)
Non-controlling interests		**(3,363)**		(909)
	$	**2,680**	$	(17,483)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(IN THOUSANDS OF CANADIAN DOLLARS)

	Equity attributable to owners of the parent							
	Share capital $	Contributed surplus $	Warrants and future investment rights $	Foreign currency translation reserve $	Deficit $	Total $	Non-Controlling interests $	Total equity $
Balance at January 1, 2013	234,563	3,216	15,088	207	(246,470)	6,604	(785)	5,819
Net loss	-	-	-	-	(16,489)	(16,489)	(909)	(17,398)
Foreign currency translation reserve	-	-	-	(85)	-	(85)	-	(85)
Share and warrant issue expenses (NOTE 17)	-	-	-	-	(1,899)	(1,899)	-	(1,899)
Share-based payments (NOTE 17)	-	3,411	-	-	-	3,411	-	3,411
Issuance in relation to debt renegotiation (NOTE 13)	490	-	915	-	-	1,405	-	1,405
Issuance in payment of expenses (NOTE 17)	284	-	-	-	-	284	-	284
Exercise of options (NOTE 17)	1,294	(308)	-	-	-	986	-	986
Exercise of warrants (NOTE 17)	2,702	-	(784)	-	-	1,918	-	1,918
Issuance of shares (NOTE 17)	23,987	-	-	-	-	23,987	-	23,987
Issuance of warrants (NOTE 17)	-	-	210	-	-	210	-	210
Balance at December 31, 2013	**263,320**	**6,319**	**15,429**	**122**	**(264,858)**	**20,332**	**(1,694)**	**18,638**
Net profit (loss)	-	-	-	-	5,939	5,939	(3,363)	2,576
Foreign currency translation reserve	-	-	-	104	-	104	-	104
Non-controlling interest arising from a business combination (NOTE 6)	-	-	-	-	-	-	49,055	49,055
Effect of changes in the ownership of a subsidiary and funding arrangements on non-controlling interest (NOTE 18)	-	-	-	-	5,213	5,213	(9,533)	(4,320)
Share and warrant issue expenses (NOTE 17)	-	-	-	-	(2,150)	(2,150)	-	(2,150)
Share-based payments (NOTE 17)	-	5,136	-	-	-	5,136	-	5,136
Exercise of options (NOTE 17)	933	(314)	-	-	-	619	-	619
Shares issued pursuant to restricted share unit plan (NOTE 17)	218	(218)	-	-	-	-	-	-
Exercise of warrants (NOTE 17)	1,557	-	(805)	-	-	752	-	752
Issuance of shares (NOTE 17)	28,842	-	-	-	-	28,842	-	28,842
Issuance of warrants (NOTE 17)	-	-	5,179	-	-	5,179	-	5,179
Balance at December 31, 2014	**294,870**	**10,923**	**19,803**	**226**	**(255,856)**	**69,966**	**34,465**	**104,431**

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	2014	2013
Cash flows used in operating activities		
Net profit (loss) for the year	**$ 2,576**	$ (17,398)
Adjustments to reconcile net profit (loss) to cash flows used in operating activities		
Expenses paid with shares	**-**	6
Net loss in an associate	**-**	69
Finance costs	**2,569**	1,716
Change in lease inducements	**336**	(2)
Carrying value of capital and intangibles assets disposed	**112**	68
Fair value variation of warrant liability	**15,365**	5,485
Gain on revaluation of equity investment (NOTE 10)	**(34,376)**	-
Purchase gain on business combination (NOTE 6)	**(14,812)**	-
Loss on extinguishment of debt (NOTE 13)	**-**	423
Deferred tax liability recovery	**(3,271)**	-
Share-based payments (NOTE 17)	**5,136**	3,411
Depreciation of capital assets (NOTE 11)	**1,205**	351
Amortization intangible assets (NOTE 12)	**489**	518
	(24,671)	(5,353)
Change in non-cash working capital items	**(1,283)**	(11,652)
	$ (25,954)	$ (17,005)
Cash flows from financing activities		
Proceeds from share issuances (NOTE 17)	**28,842**	33,894
Proceeds from debt and warrant issuances (NOTE 17)	**20,010**	10,010
Exercise of options	**619**	986
Exercise of warrants	**752**	1,918
Debt, share and warrant issue expenses	**(2,243)**	(2,268)
Repayment of a repayable government grant and other debt	**(14)**	(796)
Repayment of debt provided by shareholders (NOTE 13)	**(3,550)**	(900)
Repayment of bank loan and other loan	**-**	(1,636)
Interest paid	**(68)**	(153)
	$ 44,348	$ 41,055
Cash flows used in investing activities		
Additions to capital assets	**(7,964)**	(6,930)
Additions to intangible assets	**(1,059)**	(711)
Interest received	**274**	23
	$ (8,749)	$ (7 618)
Net change in cash during the year	**9,645**	16,432
Net effect of currency exchange rate on cash	**61**	(241)
Cash, beginning of year	**17,396**	1,205
Cash, end of the year	**$ 27,102**	$ 17,396

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

(IN THOUSANDS OF CANADIAN DOLLARS)

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, autoimmune disease/inflammation and cancer.

The Corporation's head office is located at 440, Boul. Armand-Frappier, suite 300, Laval, Québec, Canada, H7V 4B4. ProMetic has Research and development ("R&D") facilities in the UK, the U.S. and Canada, manufacturing facilities in the Isle of Man and Canada 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 and were authorized for issue by the Board of Directors on March 31, 2015.

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	
			2014	2013
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%
NantPro BioSciences, LLC	Protein Technology	Delaware, U.S.A	**73%**	30%

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.

When a subsidiary is not owned at 100% the Corporation recognizes the non-controlling interests' share of the net assets and results of operations in the subsidiary. When the proportion of the equity held by non-controlling interests' changes without resulting in a change of control, the carrying amount of the controlling and non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiary. In these situations, the Corporation recognizes directly in equity the effect of the change in ownership of a subsidiary on the non-controlling interests. Similarly, after picking up its share of the operating losses, the non-controlling interest is adjusted for its share of the equity contribution made by ProMetic that does not modify the interest held by either party. The offset to this adjustment is recorded in the deficit. The effect of these transactions are presented in the statement of changes in equity for the year ended December 31, 2014.

e) Investment in an associate

Investments in associates are accounted for using the equity method. An associate is an entity over 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 change. 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.

When the level of influence over an associate changes either following a loss of significant influence over the associate or the obtaining of control over the associate, the Corporation measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate at the time of the change in influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

f) Financial instruments

Financial instruments are initially measured at fair value. They are subsequently measured in accordance to their classification as described below:

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

Cash, restricted cash and the warrant liability are respectively classified as 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

Trade accounts receivable, loan to a Corporation, wholly-owned by an officer of the Corporation, advance to an officer and other receivables are classified as loans and receivables. They are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method.

Financial liabilities

Accounts payable and accrued liabilities, long-term debt provided by shareholders and other debt, 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 the 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	The lower of the lease term and the useful life
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) Intangible Assets

Intangible assets include acquired rights as well as licenses for product manufacturing and marketing, external patent costs and software costs. They are carried at cost less accumulated amortization. Amortization is calculated over the estimated useful lives of the intangible assets acquired using the straight-line method over a period not exceeding 30 years for licenses, 20 years for patents and 5 years for software costs and amortization commences when the intangible asset is available for use. 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 capital 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 impairment indicators exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. For intangible assets not available for use, an impairment test is performed annually at November 30 until amortization commences, whether or not there are impairment indicators. When 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) which represents 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 and milestone 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 and milestone payments

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 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 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 at the dates when the initial transactions took place.

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 loss. On disposal of a foreign operation, the component of other comprehensive 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 deferred 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 (EPS)

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.

q) Share and warrant issue expenses

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

r) 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 present 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.

Determining the level of influence the Corporation has over an investment in an entity – In determining the level of influence the Corporation has over an investment in an entity, resulting either in control or significant influence over the investment, consideration is 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 controls the investment leads to the consolidation of the assets and liabilities and results of operations of the investment with those of the Corporation, along with the elimination of all inter-company transactions. A conclusion that the Corporation has significant influence over the investment will result in that investment being accounted for as an associate.

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 years ended December 31, 2014 and 2013, no changes were deemed necessary. This assessment is also performed for new subsidiaries. When assessing the functional currency of a foreign subsidiary, management's judgment is applied in order to determine amongst others the primary economic environment in which an entity operates, the currency in which funds the activities and the degree of autonomy of the foreign subsidiary from the reporting entity in its operations and financially. Judgment is also applied in determining 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.

Determining whether assets acquired constitute a business – In determining whether the acquisition of an additional equity interest in NantPro BioSciences, LLC ("NantPro") (see note 6) fell within the scope of IFRS 3, *Business Combination*, management evaluated whether NantPro represented an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower cost or other economic benefits directly to investors or other owners, members or participants. In making this evaluation, management considered whether NantPro had inputs, processes and other elements making it a business. Although businesses usually have outputs, outputs are not required for an integrated set to qualify as a business. The key elements taken into consideration include the fact that NantPro has licences to use ProMetic's technology and intellectual property, to develop and manufacture the intravenous immunoglobulin or IVIG, and the exclusive right to market, sell and distribute the licenced product in the United States. In addition NantPro has manufacturing and service development services contracts under which it has the ability to access qualified resources, production capacity and the ProMetic affinity resins used in the production process, and to follow documented standards and protocols. Furthermore, NantPro also has the non-exclusive right to manufacture or have manufactured by another third party should ProMetic not wish or be able to manufacture all of NantPro's commercial requirements of IVIG.

Although NantPro is a development stage entity, management concluded that it had inputs, processes and other elements making it a business and therefore accounted for the acquisition as a business combination. If management had made a different determination, it would have accounted for the transaction as an asset acquisition and consequently the transaction would have been accounted for differently such as there would not have been a purchase price gain recorded in the consolidated statement of operations and the net asset acquired would have been recorded on a cost basis instead of fair value.

Assets arising from a business combination - The Corporation acquired a business in May 2014 (refer to note 6). The cost of the acquisition must be allocated to the underlying net assets acquired based on their estimated fair values calculated in accordance with the requirements of IFRS 3, *Business Combinations*. As NantPro assets consist mainly of intangible assets in the form of rights and licenses contributed by ProMetic when the partnership was created, the assets acquired generally represent reacquired rights. Management concluded that the contracts giving rise to the reacquired rights were neither favorable nor unfavorable relative to the terms of current market transactions for the same or similar items and consequently no settlement gain or loss was recognized based on their respective estimated fair values.

As part of this allocation process, the Corporation must identify and attribute values and estimated lives to the identifiable assets acquired. These determinations involve significant estimates and assumptions regarding cash flow projections, the risk regarding the protein not being approved for sale, economic risk, weighted average cost of capital rates, expected market penetration, terminal values and manufacturing costs. These estimates and assumptions determine the amount allocated to the identifiable intangible assets and the amortization period for identifiable intangible assets with finite lives. If future events or results differ from these estimates and assumptions, the Corporation could record increased amortization or impairment charges in the future.

Determining the fair value of a business – In order to account for the business combination described in note 6, the Corporation must determine the value of the business acquired which in turn affects the values used in determining the fair value of the equity investment, an investment in an associate (at the acquisition date), the gain on revaluation of the equity investment, the purchase gain recognized on the business combination and the purchase price allocation. In determining the fair value of the business, the same significant estimates and assumptions as those involved in attributing values to the identifiable assets, discussed above are used. If different estimates and assumptions were made, the amounts recorded for intangibles assets, non controlling interest, the purchase gain on a business combination and the gain on the revaluation of equity investment might have been significantly different.

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.

Accounting for loan modifications – When the terms of a loan are modified, management must evaluate whether the modification should be accounted for as a derecognition of the carrying value of the pre-modified loan and the recognition of a new loan at the then fair value or as a modification with no accounting impact. When the determination of the fair value of the new loan is required, the Corporation uses discounted cash flow techniques which includes inputs that are not based on observable market data and inputs that are derived from observable market data. When determining the appropriate discount rates to use, the Corporation seeks comparable interest rates where available. 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 15 and 16 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, 2014, a number of new accounting standards became effective. Information on the new standard that was relevant to the Corporation is presented below:

IFRIC 21, *Levies*

IFRIC 21, *Levies* 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. The adoption of this interpretation did not have a significant impact on the Corporation's financial statements.

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 15, *Revenue from contracts with customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, a new standard that specifies the steps and timing for issuers to recognize revenue as well as requiring them to provide more informative, relevant disclosures. IFRS 15 supersedes IAS 11, *Construction Contracts*, and IAS 18, *Revenue* and related interpretations. Adoption of IFRS 15 is mandatory and will be effective for the Corporation's fiscal years beginning on January 1, 2017, with earlier adoption permitted. The Corporation is currently assessing the impact of adopting this standard on its consolidated financial statements.

IFRS 9, *Financial Instruments – Recognition and Measurement*

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments* with a mandatory effective date of January 1, 2018. The new standard brings together the classification and measurements, impairment and hedge accounting phases of the IASB's project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. In addition to the new requirements for classification and measurement of financial assets, a new general hedge accounting model and other amendments issued in previous versions of IFRS 9, the standard also introduces new impairment requirements that are based on a forward-looking expected credit loss model. Management anticipates that the standard will be adopted in the consolidated financial statements for the annual period beginning January 1, 2018. The extent of the impact of the adoption of IFRS 9 has not yet been determined.

6. BUSINESS COMBINATION

On May 8, 2014 ("date of acquisition"), the Corporation and NantPharma, LLC ("NantPharma") amended the terms of their partnership in NantPro BioSciences, LLC ("NantPro"). Prior to the transaction, the Corporation's equity position in NantPro was 24.38% (NantPharma's equity position in NantPro was 75.62%), following the payment by NantPharma of an outstanding capital contribution amounting to $857 (US$801,367) which was converted into units of Nantpro at a rate of US$131,579 per 1% of ownership, as defined in the original terms of the partnership agreement for NantPro and equated to 6.09% of additional ownership for NantPharma. In accordance with the terms of the transaction, $6,607 (US$6,085,998) of accounts receivable due from NantPro to ProMetic, which normally would have been paid by NantPro with the NantPharma funding, was invested by ProMetic in order to obtain an additional 40.83% of equity units in NantPro. After consideration of the above investments by the partners, ProMetic owned 65.21% and NantPharma owned 34.79% of the equity units respectively on May 8, 2014. From the date of acquisition onwards, NantPro is entirely funded by ProMetic and as a result, ProMetic continued to acquire equity units in NantPro until it reached the maximum of 73% allowed in accordance with the agreement, while NantPharma's ownership has been reduced to 27%. At December 31, 2014, the Corporation held 73% of the equity units of the partnership.

This issuance of units combined with the amendments to the terms of the partnership, including providing ProMetic with three out of five board seats, resulted in ProMetic obtaining control over NantPro, and NantPro being considered a subsidiary from the date of acquisition. ProMetic's former investment in an associate is deemed to have been disposed of for accounting purposes (refer to note 10 for the accounting impact of the revaluation of the equity investment). From May 8, 2014 onwards, the Corporation is consolidating the assets and liabilities of NantPro and its results of operations for the period subsequent to the change in control.

This transaction qualifies as a business combination and was accounted for using the acquisition method of accounting. To account for the transaction, the Corporation has performed a business valuation of NantPro at the date of acquisition and a purchase price allocation. These fair value assessments require management to make significant estimates and assumptions as well as applying judgment in selecting the appropriate valuation techniques.

The Corporation recognised all of the identifiable net assets of the partnership at their acquisition date fair values and the resulting deferred income tax liabilities, non-controlling interest in NantPro and purchase gain on a business combination as follows:

Settlement of receivables for additional equity units	$	6,607
Acquisition date fair value of the previously held equity (NOTE 10)		34,376
Total consideration		40,983
Net identifiable assets acquired:		
Intangible assets		141,000
Deferred tax liability		(36,150)
		104,850
Non-controlling interest		(49,055)
Net assets		55,795
Purchase gain on business combination	$	(14,812)

The Corporation elected to measure the non-controlling interest in NantPro using the proportionate share of its interest in NantPro's identifiable net assets as per applicable IFRS guidelines.

The parties to this transaction applied the terms of the partnership agreement which established the amount of funding required to acquire 1% of the partnership prior to the clinical trials phase. The additional units were only earned when the cash injection was made. Under the service agreement, ProMetic is performing the requested development work and subsequently invoicing these services to NantPro. Upon acknowledgment of the invoice, NantPharma was to fund NantPro and at the same time earn the additional equity units in NantPro. In June 2013, NantPharma advised ProMetic of its interest to renegotiate the agreement, to potentially reduce or stop its funding of future development work. While discussions where ongoing, ProMetic continued to provide services to NantPro pursuant to the service agreement.

The parties finalized the negotiations in May 2014 with the result that $6,607 (US$6,085,998) of accounts receivable due from NantPro was invested by ProMetic in order to obtain an additional 40.83% of equity units in NantPro. The parties agreed that the terms of the original funding agreement should apply to ProMetic's funding since June 2013. As a result of the ongoing development work, the value of the business increased over time and the values attributed to the funding requirements to acquire 1% of the partnership for either pre-clinical or development phases is no longer representative of the value of 1% of the business. This has resulted in the recognition of a purchase gain in the consolidated statement of operations in regards to the additional 40.83% of equity acquired in NantPro.

The Corporation will be recognising NantPharma's (the "non-controlling interest") share in the net assets and results of NantPro. Service revenues and research and development rechargeable expenses that other subsidiaries of ProMetic invoice to NantPro subsequent to May 8, 2014 will be eliminated upon consolidation. Certain materials, previously presented as inventories in the consolidated statement of financial position, will no longer generate product sales or

service revenues on a consolidated basis and therefore no longer qualify to be presented as inventories. These inventories held as of the date of the transaction have been expensed in the consolidated statement of operation as research and development expenses non-rechargeable while future purchase of these materials will be expensed as those materials are received, regardless of whether they have been consumed.

7. 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, 2013, 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, 2014 and 2013 which automatically renews until the end of the lease.

8. ACCOUNTS RECEIVABLE

		2014		2013
Trade receivables	$	8,448	$	8,519
Loan to a Corporation, wholly-owned by an officer of the Corporation		-		3,015
Tax credits and government grants receivable		2,654		1,422
Sales taxes receivable		563		1,041
Advance to an officer		80		82
Interest receivable from loan to an officer		34		-
Other receivables		71		93
	$	11,850	$	14,172

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 bore interest at 10% per annum and was 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 was 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 2013 and the reimbursement period was extended to March 31, 2016. Furthermore, should certain stock price thresholds be reached, the Corporation may have required 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.

9. INVENTORIES

		2014		2013
Raw materials	$	1,129	$	1,971
Work in progress and finished goods		1,457		1,008
	$	2,586	$	2,979

As a result of the NantPro BioSciences, LLC ("NantPro") business combination and the consolidation of NantPro as a subsidiary, inventories held by certain subsidiaries to perform rechargeable research and development services to NantPro when it was an associate no longer qualify to be presented as inventories as of May 8, 2014, the date NantPro is included in the consolidation perimeter. This is because on a consolidated basis, intercompany revenues are eliminated and as such, the materials will not generate product sales nor rechargeable research and development revenues in the foreseeable future.

During the year ended December 31, 2014, total inventories in the amount of $6,341 ($6,518 for the year ended December 31, 2013) were recognized as cost of goods sold.

10. INVESTMENT IN AN ASSOCIATE

On May 8, 2014, the Corporation and the other partner in the NantPro partnership, NantPharma, amended the partnership agreement and the Corporation increased its investment in NantPro (note 6). As a result of the amendment, the Corporation obtained control over NantPro, and as of the acquisition date, its investment in NantPro represents an investment in a subsidiary. Further details regarding this transaction are provided in note 6. For accounting purposes, the investment in the associate, 24.38% of NantPro's equity units at the transaction date, is deemed to have been disposed of on the date of change of control and is revalued at fair value. Consequently, the Corporation has recognized a gain on revaluation of the equity investment of $34.4 million representing the difference between the fair value and the carrying amount ($Nil) of ProMetic's equity interest in NantPro just before the transaction.

Up to May 8, 2014, the investment in NantPro was still accounted for as an investment in an associate and consequently the Corporation recognized revenues from the rendering of services to NantPro of $3,665 for the year ended December 31, 2014 ($6,978 for the year ended December 31, 2013). No revenues have been recorded since May 8, 2014.

The Corporation's share of the associate's losses and the net loss in the associate up to May 8, 2014 with the comparative figures, are as follows:

		2014		2013
Loss and comprehensive loss of an associate	$	(3,811)	$	(6,134)
The Corporation's share of the loss and comprehensive loss of the associate		(1,161)		(2,574)
Dilution gain		195		1,305
Net loss in an associate	$	(966)	$	(1,269)
Unrecorded portion of losses		966		1,200
Net loss in an associate recognized in consolidated financial statements	$	-	$	(69)

The accumulated balance of unrecorded losses at May 8, 2014 was $2,374 ($1,482 at December 31, 2013).

11. CAPITAL ASSETS

	Leasehold improvements	Production and laboratory equipment	Office equipment and furniture	Computer equipment	Total
	$	$	$	$	$
Cost					
Balance at January 1, 2013	2,441	3,734	576	382	7,133
Additions	3,795	4,493	189	304	8,781
Disposals	(480)	(431)	(70)	(94)	(1,075)
Effect of foreign exchange differences	190	155	22	13	380
Balance at December 31, 2013	**5,946**	**7,951**	**717**	**605**	**15,219**
Additions [1]	**1,784**	**3,279**	**109**	**181**	**5,353**
Disposals	**-**	**(78)**	**(242)**	**(77)**	**(397)**
Effect of foreign exchange differences	**48**	**44**	**5**	**5**	**102**
Balance at December 31, 2014	**7,778**	**11,196**	**589**	**714**	**20,277**
Accumulated depreciation					
Balance at January 1, 2013	2,256	2,928	509	322	6,015
Depreciation expense	72	192	35	42	341
Disposals	(480)	(409)	(70)	(92)	(1,051)
Effect of foreign exchange differences	138	120	18	7	283
Balance at December 31, 2013	**1,986**	**2,831**	**492**	**279**	**5,588**
Depreciation expense	**349**	**697**	**64**	**95**	**1,205**
Disposals	**-**	**(67)**	**(242)**	**(75)**	**(384)**
Effect of foreign exchange differences	**43**	**35**	**3**	**3**	**84**
Balance at December 31, 2014	**2,378**	**3,496**	**317**	**302**	**6,493**
Carrying amounts					
At December 31, 2014	**5,400**	**7,700**	**272**	**412**	**13,784**
At December 31, 2013	3,960	5,120	225	326	9,631

[1] As at December 31, 2014, included in additions to Production and laboratory equipment is $631 ($Nil for the year ended December 31, 2013) of production equipment under construction net of government grants. The depreciation of these assets has not commenced since they are not considered to be available for use.

Certain investments in equipment are eligible for reimbursable investment tax credits or government grants (refer to note 23). The tax credits receivable and the government grants are recorded in the same period as the eligible additions and are credited against the capital asset addition. During the year ended December 31, 2014, the Corporation recognized $148 ($380 during the year ended 2013) in investment tax credits related to equipment purchases and $529 ($83 during the year ended 2013) in government grants.

12. INTANGIBLE ASSETS

	Licenses	Patents	Software	Total
	$	$	$	$
Cost				
Balance at January 1, 2013	3,850	4,123	295	8,268
Additions	-	745	77	822
Disposals	-	(51)	(93)	(144)
Effect of foreign exchange differences	40	187	5	232
Balance at December 31, 2013	**3,890**	**5,004**	**284**	**9,178**
Additions	**-**	**678**	**381**	**1,059**
Acquired in a business combination [1]	**141,000**	**-**	**-**	**141,000**
Disposals	**-**	**(178)**	**-**	**(178)**
Effect of foreign exchange differences	**11**	**59**	**1**	**71**
Balance at December 31, 2014	**144,901**	**5,563**	**666**	**151,130**
Accumulated amortization				
Balance at January 1, 2013	2,698	1,023	285	4,006
Amortization expense	231	287	10	528
Disposals	-	(7)	(93)	(100)
Effect of foreign exchange differences	20	54	7	81
Balance at December 31, 2013	**2,949**	**1,357**	**209**	**4,515**
Amortization expense	**81**	**367**	**41**	**489**
Disposals	**-**	**(79)**	**-**	**(79)**
Effect of foreign exchange differences	**26**	**16**	**-**	**42**
Balance at December 31, 2014	**3,056**	**1,661**	**250**	**4,967**
Carrying amounts				
At December 31, 2014	**141,845**	**3,902**	**416**	**146,163**
At December 31, 2013	941	3,647	75	4,663

[1] On May 8, 2014, the Corporation completed a business combination in which intangible assets, valued at $141 million, were acquired (note 6). The intangible assets have an estimated useful life of 30 years. The amortization of these intangibles has not commenced since they are not considered to be available for use. At November 30, 2014, the Corporation performed an impairment test on the intangible assets not available for use and concluded that no impairment was required.

13. DEBT PROVIDED BY SHAREHOLDERS AND OTHER DEBT

The balance of the debt provided by shareholders and other debt comprises of the following:

	2014	2013
Loans having the following principal balances as of December 31		
In the amount of $800	$ -	$ 682
In the amount of $375	-	320
In the amount of $375	-	320
In the amount of $2,000	-	1,705
Other debt	-	13
	$ -	$ 3,040

Loan in the amount of $800 at December 31, 2013, secured by hypothecs granted by the Corporation and a subsidiary on the universality of their movable property (*).

On February 20, 2013, the Corporation and the lender renegotiated the payment terms to extend the maturity date from July 1, 2013 to July 1, 2014 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 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 $123, 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. A payment of $800 was made in August 2014 in settlement of the loan.

Loan of $375 at December 31, 2013, secured by hypothecs granted by the Corporation and a subsidiary on the universality of their movable property (*).

On February 20, 2013, the Corporation and the lender renegotiated the payment terms to extend the maturity date from July 1, 2013 to July 1, 2014 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 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. In March 2014 and in August 2014 the Corporation paid $50 and $325 respectively in settlement of the loan.

Loan of $375 at December 31, 2013, secured by hypothecs granted by the Corporation and a subsidiary on the universality of their movable property (*).

On February 20, 2013, the Corporation and the lender renegotiated the payment terms to extend the maturity date from July 1, 2013 to July 1, 2014 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 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. In March 2014 and in August 2014 the Corporation paid $50 and $325 respectively in settlement of the loan.

Loans of $2,000 at December 31, 2013, secured by hypothecs granted by the Corporation and a subsidiary on the universality of their movable property (*).

On February 20, 2013, the Corporation and the lender renegotiated the payment terms to extend the maturity date from July 1, 2013 to July 1, 2014 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 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. A payment of $2,000 was made in August 2014 in settlement of the loan.

(*) 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 was recognized over the duration of the loans in order that the carrying value of the loans at maturity equals the principal amounts due.

14. 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. In May 2014, the Corporation and the customer amended the loan agreement, extending the maturity date from September 2014 to April 1, 2015. Since then, the two parties have agreed to lift the moratorium on repayments and the Corporation has resumed making payments. On March 27, 2015, the loan agreement was amended further extending the maturity date April 30, 2018 (note 34 subsequent events).

15. WARRANT LIABILITY

The warrants issued in a financing transaction in September 2013 (note 16), namely the "Second Warrants", give the holder the right to acquire common shares, the number of which is based on a formula, in exchange for $15,653 paid either in cash or in consideration of the lender's cancellation of the Original Discount Issue ("OID") loan maturing on September 10, 2018. The maximum number of shares that can be issued under the warrants 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.

The Second warrants are presented in the consolidated statement of financial position as a derivative financial liability which is required to be carried at fair value at each reporting date; the variations in fair value are recorded in the

consolidated 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 judgment and may affect the placement within the fair value hierarchy level.

The fair value of the Second Warrants is estimated at $24,676 at December 31, 2014 ($9,311 at December 31, 2013) resulting in a loss of $15,365 for the year recorded in the consolidated statement of operations ($5,485 loss during the year ended December 31, 2013).

The following assumptions were used in determining the fair value of the warrants on December 31, 2014 and 2013:

	2014	2013
Volatility	**63%**	62%
Marketability discount	**35%**	35%
Risk-free interest rate range	**1.64% - 1.96%**	2.29% - 2.90%
Potential life range in years	**3.69 - 6.69**	4.69 - 7.69
Expected dividend rate	**-**	-

The effect of a change in the marketability discount and the volatility assumptions, which are the significant unobservable inputs used in the fair value estimate, by 10% at December 31, 2014 would have the following effect on the consolidated financial statements:

	Increase (decrease) in fair value of the warrant liability resulting from	
Assumption changed	a 10% increase	a 10% decrease
Volatility	$ 534	$ (548)
Marketability discount	(520)	534

Concurrently with the July 31, 2014 debt modification described in note 16, the Corporation and the Second Warrant holder agreed to modify the terms of the Second Warrants. The objective of the modification is to replace the formula that is being used to determine the number of shares that would be issued upon exercise of the warrants with a fixed number of shares, since this formula, although it is allowing a potentially small variation in quantity, is causing the Second Warrants to be treated as a derivative liability. As a result of this treatment and the significant increase in the Corporation's share price since their issuance, a significant liability and significant losses have been recognized in the consolidated financial statements. Pursuant to the modification, the number of shares to be issued upon exercise would be fixed to 20,276,595 for an exercise price of $15,653. The expiry date of the Second Warrants would remain unchanged at September 10, 2021 and the potential trigger to shorten the expiry date, the Market Capitalization Event, would be removed.

In accordance with the TSX rules, the modification must be approved by the Shareholders of the Corporation before they become effective. In accordance with the terms of the agreement, these amendments must be approved no later than July 1, 2015 otherwise they will become null. Consequently, the Second Warrants will continue to be accounted for as a derivative liability until the amendments are approved. If and when these amendments become effective, the Second Warrants would cease to be a derivative liability and would become an equity instrument. The warrants would be recorded in equity at the fair value of the modified Second Warrants at the effective date.

16. LONG-TERM DEBT

The carrying value of the long-term debt at December 31, 2014 and 2013 consists of the following:

		2014		2013
OID loan having a face value of $15,653 maturing on September 10, 2018 with an effective interest rate of 21.8%	$	7,558	$	6,217
OID loan having a face value of $31,306 maturing on July 31, 2019 with an effective interest rate of 16.3%		15,686		-
	$	23,244	$	6,217

On July 31, 2014, the Corporation issued an Original Issue Discount loan and warrants (the "Third Warrants") for total proceeds of $20,010. The total proceeds were allocated to the debt based on its fair value at the issue date and the residual amount was attributed to the warrants that are classified as equity. Further details concerning the warrants are provided in note 17. Under the terms of the loan, the Corporation will repay the face value of the OID loan, in the amount of $31,306 at maturity on July 31, 2019. The loan is secured by all the assets of the Corporation excluding patents and requires that certain covenants be respected including maintaining an adjusted working capital ratio. The OID loan was recorded at its fair value at the transaction date less the associated transaction costs of $117 for a net amount of $14,713. The fair value of the loan was determined using a discounted cash flow model for the debt instrument with a market interest rate of 16.11%.

Concurrently, with the above transaction, the Corporation modified certain of the terms pertaining to the loan issued in September 2013. This loan has been modified from a loan with a principal of $10,000 bearing 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, to an OID loan having a face value of $15,653 maturing on the same date. These amendments were accounted for as a debt modification with no accounting impact to recognize on the date of the revised agreement. As well, the Corporation and the holder of the OID loans who in addition holds the Second Warrants also agreed to modify the terms of the Second Warrants. Further details regarding the proposed modifications are provided in note 15 – Warrant liability.

The loans are secured by all the assets of the Corporation, excluding patents. At December 31, 2014, the Corporation was in compliance with covenants for both loans.

17. SHARE CAPITAL AND OTHER EQUITY INSTRUMENTS

a) Share capital

Authorized and without par value:

Unlimited number of common shares, participating, carrying one vote per share, entitled to dividends.
Unlimited number of preferred shares, no par value, issuable in one or more series.

	2014			2013		
	Number		**Amount**	Number		Amount
Issued and fully paid common shares	**547,627,835**	**$**	**295,320**	523,168,666	$	263,770
Share purchase loan to an officer [1]	**-**		**(450)**	-		(450)
Balance - end of year	**547,627,835**	**$**	**294,870**	523,168,666	$	263,320

[1] The share purchase loan to an officer in the amount of $450, bears interest at prime plus 1%, and matures on March 31, 2016. However, if ProMetic's shares trade for a price per share equal or higher than $2.00 for 10 consecutive days, the Corporation may request a repayment of the loan.

Changes in the issued and outstanding common shares during the years ended December 31, 2014 and 2013 were as follows:

	2014			2013		
Issued and fully paid shares	**Number**		**Amount**	Number		Amount
Balance - beginning of year	**523,168,666**	**$**	**263,320**	432,531,873	$	224,742
Issued for cash	**15,180,000**		**28,842**	74,798,453		33,808
Issued in relation to debt renegotiation	-		-	1,043,476		490
Reimbursement of loans from a director	-		-	539,383		194
Exercise of warrants	**4,652,587**		**1,557**	10,900,833		2,702
Exercise of options	**3,380,332**		**933**	3,118,138		1,294
Shares issued under restricted share units plan	**1,246,250**		**218**	-		-
Payment of expenses	-		-	236,510		90
Balance - end of year	**547,627,835**	**$**	**294,870**	523,168,666	$	263,320

2014

During the year ended December 31, 2014, the Corporation issued 15,180,000 common shares following an offering by way of a prospectus for gross proceeds of $28,842. The related issuance costs in the amount of $2,039 were recorded against the deficit.

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 gross proceeds of $23,986 ($22,115 net of share issuance cost of $1,871). Also, 1,043,476 common shares for a total of $490 were issued following the renegotiation with the lenders to extend the maturity dates of the loans as described in note 13.

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

b) Warrants and future investment rights ("rights")

The warrants and future investment rights issued by the Corporation provide essentially the same rights to the holders. The following table summarizes the changes in the number of warrants and rights outstanding during the years ended December 31, 2014 and 2013:

	2014		2013	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance - beginning of year	**53,341,645**	**$ 0.43**	62,487,763	$ 0.38
Issued for cash	**16,723,807**	**1.87**	1,000,000	0.52
Issued in relation to debt renegotiation	**-**	**-**	754,715	0.53
Exercised	**(4,652,587)**	**0.16**	(10,900,833)	0.19
Balance - end of year	**65,412,865**	**$ 0.82**	53,341,645	$ 0.43

2014

On July 31, 2014, the Corporation issued an original issue discount loan and warrants for an aggregate cash consideration of $20,010. Details regarding the loan issued are provided in note 16. As part of this financing transaction, the Corporation issued 16,723,807 Third Warrants, each giving the holder the right to acquire one common share at an exercise price of $1.87 paid either in cash or in consideration of the lender's cancellation of an equivalent amount of the face value of the OID loan maturing on July 31, 2019 (see note 16). The warrants expire on July 31, 2022. The value of the proceeds attributed to the Third Warrants was $5,179. The issuance costs related to the warrants, in the amount of $96, has been recorded against the deficit. During the year ended December 31, 2014, 4,652,587 warrants were exercised resulting in cash proceeds of $752 and a transfer from warrants to share capital of $805.

2013

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 and 10,900,833 warrants were exercised resulting in cash proceeds of $1,918 and a transfer from contributed surplus to share capital of $784.

On September 10, 2013, the Corporation issued a secured loan and warrants for a cash consideration of $10,010 (refer to note 16 for details of the financing transaction and the modification to the debt during 2014). 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 15 and are presented as a current liability.

As at December 31, 2014, the following warrants and rights, classified as equity, to acquire shares were outstanding:

Number	Expiry date	Exercise price
2,142,855	February 2015	$ 0.14
754,715	February 2015	0.53
44,791,488	February 2017	0.47
1,000,000	September 2021	0.52
16,723,807	July 2022	1.87
65,412,865		$ 0.82

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 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 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 during the years ended December 31, 2014 and 2013 were as follows:

	2014		2013	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance - beginning of year	**12,744,400**	**$ 0.22**	12,274,538	$ 0.19
Granted	**2,742,281**	**1.20**	4,095,250	0.38
Forfeited	**(104,500)**	**1.08**	(507,250)	0.25
Exercised	**(3,380,332)**	**0.18**	(3,118,138)	0.32
Expired	**(51,050)**	**0.17**	-	-
Balance - end of year	**11,950,799**	**$ 0.45**	12,744,400	$ 0.22

During the year ended December 31, 2014, 3,380,332 options were exercised resulting in cash proceeds of $619 and a transfer from contributed surplus to share capital of $314. 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. The weighted average share price on the date of exercise of the options during the year ended December 31, 2014 was $1.44 ($0.58 for the year ended December 31, 2013).

At December 31, 2014, 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 - $0.40	9,168,974	2.5	$ 0.22	6,703,855	$ 0.21
$0.88 - $1.59	2,605,769	4.4	1.12	479,348	1.12
$2.10	176,056	4.9	2.10	25,278	2.10
	11,950,799	2.9	$ 0.45	7,208,481	$ 0.28

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:

	2014	2013
Expected dividend rate	-	-
Expected volatility of share price	74.35%	88.55%
Risk-free interest rate	1.49%	1.31%
Expected life in years	4.7	5.0
Weighted average grant date fair value	$ 0.76	$ 0.26

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 between 2.8% to 5.0% (5.6% in 2013) of the unvested options will be forfeited annually over the service period as employees leave the Corporation.

A share-based payment compensation expense of $1,314 was recorded for the options for the year ended December 31, 2014 ($607 for the year ended December 31, 2013).

Restricted share units ("RSU")

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.

During the year ended December 31, 2014, 1,246,250 vested RSU were released and an equivalent number of shares were issued out of treasury. The Corporation granted 6,500,000 RSU to management (the "2014-2016 RSU"). The grant date fair value of a 2014-2016 RSU is $1.23. The RSU will only vest if the service and performance conditions set out are achieved. The expense is determined taking into account management's best estimate of whether or not the particular vesting conditions will be met as well as, in the case of those RSU that are expected to vest, the period it will take to meet the vesting requirements. These estimates are reviewed on an ongoing basis. A share-based payment compensation expense of $3,822 was recorded during the year ended December 31, 2014 ($2,803 for the year ended December 31, 2013). At December 31, 2014, 5,298,439 vested RSU and 4,621,561 unvested RSU were outstanding (4,666,250 vested as at December 31, 2013).

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.

Share-based payment expense

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

	2014	2013
Cost of goods sold	$ 123	$ 77
Research and development expenses recharged	121	162
Research and development expenses non-rechargeable	1,216	634
Administration and marketing expenses	3,676	2,538
	$ 5,136	$ 3,411

18. NON-CONTROLLING INTERESTS

The shares of three of the Corporation's subsidiaries are partially held by non-controlling interests. These are ProMetic BioProduction Inc. ("PBP"), Pathogen Removal and Diagnostic Technologies Inc. ("PRDT") and since May 8, 2014, NantPro. The Corporation holds on December 31, 2014, 87.0%, 77.0% and 73.0% (on December 31, 2013, 87.0%, 77.0% and 30.47%) of the ownership interests respectively.

Summarized financial information for PBP, PRDT and NantPro, which are considered to have a material non-controlling interest, for the years ended December 31, 2014 and 2013 is provided in the following tables. This information is based on amounts before inter-company eliminations.

2014

Summarized statements of financial position

	PBP	PRDT	NantPro
Investment tax credits and other receivables (current)	$ 1,359	$ -	$ -
Inventories and other current assets	157	4	-
Fixed and intangible assets (non-current)	9,071	676	141,000
Trade and other payables (current)	(1,285)	(320)	-
Intercompany loans (non-current)	(21,806)	(12,744)	-
Total equity	$ (12,504)	$ (12,384)	$ 141,000
Attributable to non-controlling interests	$ (117)	$ (3,488)	$ 38,070

Summarized statements of operations

	PBP	PRDT	NantPro
Revenues or services rendered to other members of the group	$ 4,092	$ 675	$ -
Research and development activities recharged	(9,736)	-	-
Research and development activities non-rechargeable	(745)	(424)	(8,836)
Adminstration and other expenses	(2,513)	(1,604)	(141)
Net loss and comprehensive loss	$ (8,902)	$ (1,353)	$ (8,977)
Attributable to non-controlling interests	$ (1,157)	$ (755)	$ (1,451)

During the year ended December 31, 2014, PBP used $9,693 and $2,408 in cash for its operating and investing activities respectively and received $12,177 from financing activities.

2013

Summarized statements of financial position

		PBP		PRDT
Investment tax credits and other receivables (current)	$	1,221	$	-
Inventories and other current assets		680		-
Fixed and intangible assets (non-current)		7,208		579
Trade and other payables (current)		(3,240)		(370)
Intercompany loans (non-current)		(9,471)		(10,980)
Total equity	$	(3,602)	$	(10,771)
Attributable to non-controlling interests	$	1,041	$	(2,735)

Summarized statements of operations

		PBP		PRDT
Revenues or services rendered to other members of the group	$	690	$	949
Research and development activities recharged		(281)		-
Research and development activities non-rechargeable		(2,235)		(164)
Adminstration and other expenses		(1,335)		(1,652)
Net loss and comprehensive loss	$	(3,161)	$	(867)
Attributable to non-controlling interests	$	(337)	$	(572)

During the year ended December 31, 2013, PBP used $2,037 and $7,530 in cash for its operating and investing activities respectively and received $9,564 from financing activities.

The losses allocated to the non-controlling interests and the carrying amount of the non-controlling interest on the consolidated statement of financial position, per subsidiary are as follows:

		2014		2013
In the consolidated statements of financial position				
PBP	**$**	**(117)**	$	1,041
PRDT		**(3,488)**		(2,735)
NantPro		**38,070**		-
Total non-controlling interests	**$**	**34,465**	$	(1,694)

	2014	2013
In the consolidated statements of operations		
PBP	$ (1,157)	$ (337)
PRDT	(755)	(572)
NantPro	(1,451)	-
Total non-controlling interests	$ (3,363)	$ (909)

Between the date of acquisition of NantPro and December 31, 2014, the Corporation increased by 7.79% its interest in NantPro and consequently decreased the ownership of the non-controlling interest by the same, as a result of funding NantPro's activities and obtaining additional units during this period. The Corporation currently owns 73% of the equity units thus the maximum ownership it may acquire.

19. CAPITAL DISCLOSURES

	2014	2013
Warrant liability	$ 24,676	$ 9,311
Debt provided by shareholders and other debt	-	3,040
Long-term debt	23,244	6,217
Shareholders' equity	104,431	18,638
Cash	(27,102)	(17,396)
Total Capital	$ 125,249	$ 19,810

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 expenditures on capital and intangible assets. 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 16) and the Corporation's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2013.

20. REVENUES

	2014	2013
Revenues from the sale of goods	$ 10,815	$ 9,531
Revenues from the rendering of services	4,788	8,538
Milestone and licensing revenues	7,407	2,575
	$ 23,010	$ 20,644

21. INFORMATION INCLUDED IN THE CONSOLIDATED STATEMENTS OF OPERATIONS

		2014		2013
a) Government assistance included in research and development				
Gross research and development expenses	**$**	**36,635**	$	19,738
Research and development tax credits		**(1,435)**		(960)
	$	**35,200**	$	18,778
b) Finance costs				
Interest on long-term debt	**$**	**3,011**	$	1,683
Other interest expense, transaction and bank fees		**59**		165
Interest income		**(310)**		(42)
	$	**2,760**	$	1,806
c) Wages and salaries				
Wages and salaries	**$**	**16,339**	$	11,537
Employer's benefits		**3,698**		1,522
Share-based payments		**5,136**		3,411
Total employee benefit expense	**$**	**25,173**	$	16,470

22. 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% (5% in 2013) of their annual salary. The Corporation's contributions for the year ended December 31, 2014 amounted to $956 ($461 in 2013).

23. GOVERNMENT ASSISTANCE

The Corporation has received government grants from the Isle of Man Government relating 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%.

If the Corporation were to cease operations in the Isle of Man as December 31, 2014, it would be required to repay $403 in relation to past grants amounting to $598. No provision has been made in these consolidated financial statements for any future repayment relating to the above agreement.

24. GAIN ON SETTLEMENT OF LITIGATION

As a result of a settlement of the litigation with a third party supplier, ProMetic Biosciences Limited recovered during 2014, $375 related to lost profits in 2012 when a supplier incorrectly labelled raw materials which resulted in lost sales to a third party. In addition to this, the Corporation also received compensation for other expenses incurred in the amount of $90 resulting in the recognition of a gain on settlement of litigation totaling $465.

25. INCOME TAXES

The income tax expense (recovery) reported in the consolidated statement of operations for the years ended December 31, 2014 and 2013 are as follows:

		2014		2013
Current income taxes	**$**	**215**	$	131
Deferred income taxes		**(3,271)**		-
	$	**(3,056)**	$	131

The following table provides a reconciliation of the income tax expense (recovery) calculated at the combined statutory income tax rate to the income tax expense (recovery).

		2014		2013
Net profit (loss)	**$**	**(480)**	$	(17,267)
Combined Canadian statutory income tax rate		**26.9%**		26.9%
Income tax at combined income tax rate		**(129)**		(4,645)
Decrease (increase) in income taxes resulting from:				
Unrecorded potential tax benefit arising from current-period losses and other deductible temporary differences		**6,385**		1,414
Effect of tax rate differences in foreign subsidiaries		**(1,124)**		(24)
Non-deductible or taxable items		**5,046**		3,398
Gain on investment in an associate		**(9,247)**		-
Gain on acquisition of additional interest in NantPro		**(3,984)**		-
Other		**(3)**		(12)
	$	**(3,056)**	$	131

The following table presents the nature of the deferred tax assets and liabilities that make up the deferred tax liability balance at December 31, 2014 and 2013.

	Intagible assets	Capital assets	Losses	Other	Total
	$	$	$	$	$
As at January 1, 2013	-	119	(208)	89	-
Charged (credited) to profit or loss	-	49	(239)	190	-
As at December 31, 2013	-	168	(447)	279	-
Charged (credited) to profit or loss	-	1,110	(5,380)	999	(3,270)
Acquired in business combination	36,150	-	-	-	36,150
Recognized in equity	4,319	-	-	-	4,319
As at December 31, 2014	**40,469**	**1,278**	**(5,827)**	**1,278**	**37,199**

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

	2014	2013
Tax losses (non capital)	$ 131,327	$ 111,624
Tax losses (capital)	37,546	37,203
Unused research and development expenses	29,109	28,128
Undeducted financing expenses	3,385	2,229
Interest expenses carried forward	6,009	5,391
Capital assets	1,490	292
Intangible assets	2,310	1,852
Start-up expense	6,191	6,128
Other	696	143
	$ 218,063	$ 192,990

At December 31, 2014, the Corporation has non-capital losses of $146,758, of which $131,327 are available to reduce future taxable income for which the benefits have not been recognized. These losses expire at various dates from 2015 to 2034. The Corporation also has capital losses of $37,546 and unused research and development expenses of $29,109 that are available to reduce future taxable income for which the benefits have not been recognized. These tax attributes can be carried forward indefinitely.

If the Corporation were to recognize all deferred tax assets, profit would increase by $62,181.

At December 31, 2014, the Corporation also had unused federal tax credits available to reduce future income tax in the amount of $7,455 expiring between 2020 and 2034. Those tax credits have not been recorded and no deferred income tax assets have been recorded in respect to those tax credits.

The unused non-capital losses expire as indicated in the table below:

	Canada		
At December 31, 2014	Federal	Provincial	Foreign Countries
Losses carried forward expiring in:			
2015	$ 832	$ -	$ -
2022	-	-	1,682
2023	-	-	2,734
2024	-	-	3,676
2025	-	-	2,873
2026	5,642	5,008	2,762
2027	5,914	4,772	9,564
2028	8,245	6,918	9,911
2029	3,151	2,099	3,866
2030	3,681	2,511	9,213
2031	4,463	4,393	8,737
2032	3,923	3,102	1,645
2033	8,065	7,454	451
2034	18,458	18,302	10,913
	$ 62,374	$ 54,559	$ 68,030

At December 31, 2014, the Corporation also has tax losses which arose in the United Kingdom of $16,354 that are available to reduce future taxable income for which benefits have not been recognized. These tax attributes can be carried forward indefinitely.

26. DILUTED EARNINGS (LOSS) PER SHARE

The diluted earnings (loss) per share calculation assumes the conversion of the warrant liability, warrants and rights, stock options and RSU only when their individual effect is dilutive. In the periods where the Corporation incurred net losses, these instruments are anti-dilutive.

The denominators used to calculate diluted earnings (loss) per share for the years presented were calculated as follows:

	2014	2013
Denominator		
Weighted average number of shares outstanding - basic	**530,422,168**	485,102,588
Adjusted for the assumed exercise of:		
Warrants and rights	**34,566,304**	-
Stock options	**9,564,174**	-
Restricted stock units	**3,542,918**	-
Weighted average number of shares outstanding - diluted	**578,095,564**	485,102,588

No adjustments were required to the numerators.

27. SEGMENTED INFORMATION

The Corporation has two operating segments which are Therapeutics and Protein Technology.

Therapeutics: This operating segment is a small molecule drug discovery business. It 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.

Corporate: The Corporate results include the activities and the related expenses pertaining to public entity reporting obligations, investor relations, financing and other corporate office activities.

The accounting policies for the segments are the same as those outlined in note 2. During the quarter ended September 30, 2014, ProMetic modified the presentation of the segmented information by reflecting in the segments the allocation of administrative support expenses from Corporate to the Therapeutics and Protein Technology segments. This change has been applied retrospectively for all the periods presented.

The operating expenses for NantPro are included in the Protein Technology segment since May 8, 2014. When it was accounted for as an associate, the net loss in an associate was presented under Corporate.

a) Revenues and expenses by operating segments

For the year ended December 31, 2014	Therapeutics	Protein Technology	Corporate	Total
Revenues	$ 13	$ 22,997	$ -	$ 23,010
Cost of goods sold	-	7,015	-	7,015
Research and development expenses recharged	-	3,053	-	3,053
Research and development expenses non-rechargeable	6,325	25,822	-	32,147
Administration, selling and marketing expenses	1,880	5,693	5,332	12,905
Loss (gain) on foreign exchange	(3)	2,518	(2,617)	(102)
Finance costs	15	175	2,570	2,760
Fair value variation of warrant liability	-	-	15,365	15,365
Gain on revaluation of equity investment	-	(34,376)	-	(34,376)
Purchase gain on business combination	-	(14,812)	-	(14,812)
Gain on settlement of litigation	-	(465)	-	(465)
Net profit (loss) before income taxes	**$ (8,204)**	**$ 28,374**	**$ (20,650)**	**$ (480)**

For the year ended December 31, 2013	Therapeutics	Protein Technology	Corporate	Total
Revenues	$ 14	$ 20,630	$ -	$ 20,644
Costs of goods sold	-	6,671	-	6,671
Research and development expenses recharged	-	5,050	-	5,050
Research and development expenses non-rechargeable	4,748	8,980	-	13,728
Administration, selling and marketing expenses	2,289	3,690	2,353	8,332
Loss on foreign exchange	-	-	(638)	(638)
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
Loss in an associate	-	-	69	69
Net loss before income taxes	**$ (7,023)**	**$ (3,994)**	**$ (6,250)**	**$ (17,267)**

Segmented information by operating segment

b) Total assets by operating segment

	2014	2013
Therapeutics	**$ 3,351**	$ 3,157
Protein Technology	**172,965**	28,757
Corporate	**27,127**	17,958
	$ 203,443	$ 49,872

c) Capital and intangible assets by operating segment

	2014	2013
Therapeutics	$ 2,492	$ 2,160
Protein Technology	156,986	11,941
Corporate	469	193
	$ 159,947	$ 14,294

d) Acquisition of capital and intangible assets by operating segment

	2014	2013
Therapeutics	$ 600	$ 549
Protein Technology [1]	146,470	8,870
Corporate	342	184
	$ 147,412	$ 9,603

[1] On May 8, 2014, the Corporation completed a business combination in which intangible assets, valued at $141 million were acquired (note 6).

e) Total liabilities by operating segment

	2014	2013
Therapeutics	$ 1,849	$ 597
Protein Technology	47,372	10,551
Corporate	49,791	20,086
	$ 99,012	$ 31,234

Information by geographic area

f) Total assets by geographic area

	2014	2013
Canada	$ 41,419	$ 30,491
United States	151,479	8,829
United Kingdom	10,545	10,552
	$ 203,443	$ 49,872

g) Capital and intangible assets by geographic area

	2014	2013
Canada	$ 12,198	$ 9,652
United States	144,283	2,312
United Kingdom	3,466	2,330
	$ 159,947	$ 14,294

h) Acquisition of capital and intangible assets by geographic area

		2014		2013
Canada	**$**	**3,510**	$	7,943
United States		**142,321**		944
United Kingdom		**1,581**		716
	$	**147,412**	$	9,603

i) Revenues by location

		2014		2013
Russia	**$**	**6,856**	$	-
Austria		**5,465**		7,663
United States		**5,126**		8,594
Switzerland		**3,795**		1,013
Netherlands		**981**		142
Taiwan		**551**		2,575
United Kingdom		**71**		490
Other countries		**165**		167
	$	**23,010**	$	20,644

Revenues are attributed to countries based on the location of customers or the licensees.

The Corporation derives significant revenues from certain customers. During the year ended December 31, 2014, there were three customers (one of them being NantPro) who accounted for 69% (16%, 23% and 30% respectively) of total revenues in the Protein Technologies segment. For the year ended December 31, 2013, there were three customers (one of them being NantPro) who accounted for 83% (12%, 34% and 37% respectively) of total revenues, also in the Protein Technologies segment.

28. 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 to the nature of the transactions.

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, 2014, $Nil remained unpaid ($250 at December 31, 2013).

During the year ended December 31, 2014, interest revenues in the amount of $19 ($16 for the year ended December 31, 2013) were recorded on the share purchase loan to an officer and included in the advance to an officer.

29. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The Corporation's key management personnel comprises the external directors and the majority of the management team. The remuneration of the key management personnel during the years ended December 31, 2014 and 2013 was as follows:

		2014		2013
Short-term employee benefits [1]	**$**	**3,292**	$	2,650
Pension costs		**115**		95
Share-based payments		**4,455**		2,822
	$	**7,862**	$	5,567

[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.

30. CONTINGENCIES

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 Canadian issued patents (numbers CA 2,394,369 and CA 2,392,811) held by a third party plaintiff, GE Healthcare Biosciences AB. 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. The statement of defence was filed in August 2012. The Corporation received a reply and defence to its counterclaim from the plaintiff in November 2012. The proceedings are following their normal course and a court hearing is scheduled for November 2016. 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.

31. COMMITMENTS

a) The Corporation has total commitments in the amount of $25,818 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:

2015	$	2,917
2016		2,985
2017		2,943
2018		2,690
2019 and thereafter		14,283
	$	25,818

The total rental expenses for the year ended December 31, 2014 amounted to $2,398 ($1,590 for the year ended December 31, 2013).

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 15.5% of net sales from products it commercializes.

32. 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:

	2014		2013	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Cash	**$ 27,102**	**$ 27,102**	$ 17,396	$ 17,396
Restricted cash	**151**	**151**	139	139
Financial liabilities				
Warrant liability	**24,676**	**24,676**	9,311	9,311
Long-term debt	**23,244**	**24,633**	6,217	6,829

The warrant liability is carried at fair value and the methodology used is discussed in note 15. The fair value of the long-term debt at December 31, 2014 is $15,992 for the OID loan maturing on July 31, 2019 and $8,641 for the OID loan maturing on September 10, 2018 and was calculated using the same methodology as disclosed in note 16 and a market interest rate of 15.58% and 14.31%. This amount differs from the carrying value of the long-term debt of $23,244 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 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:

		2014		2013
Trade receivables				
Current and not impaired	$	8,121	$	3,410
Past due in the following periods:				
31 to 60 days		167		293
61 to 90 days		11		2,177
Over 90 days		149		2,899
Allowance for doubtful accounts - over 90 days		-		(260)
	$	8,448	$	8,519

Trade receivables included amounts from two customers which represent approximately 93% (11% and 82% respectively) of the Corporation's total trade accounts receivable as at December 31, 2014 and three customers which represent approximately 93% (16%, 31%, 46%, respectively) of total trade receivables as at December 31, 2013.

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 as of December 31, 2014.

			Contractual Cash flows		
At December 31, 2014		Carrying amount	Payable within 1 year	4 -5 years	Total
Trade and other payables	$	9,102	$ 9,102	$ -	$ 9,102
Advance on revenues from a supply agreement		3,191	3,246	-	3,246
Long-term debt *		23,244	-	46,959	46,959
	$	35,537	$ 12,348	$ 46,959	$ 59,307

* Under the terms of the long-term debt, the holder of Second and Third Warrants (see notes 15 and 16) may decide to cancel a portion of the face values of the OID loans as payment on the exercise of these warrants. The maximum repayment due on these loans has been included in the above table.

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 are in U.S dollars and in Great British Pounds ("GBP"). 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 relating to the expenditures. Financial instruments potentially exposing the Corporation to foreign exchange risk consist principally of cash, receivables, trade and other payables, 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.

As at December 31, 2014 and 2013, the Corporation was exposed to currency risk through the following assets and liabilities denominated respectively in U.S. dollars and GBP:

	2014		2013	
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	**605,507**	**702,449**	54,198	57,644
Accounts receivable	**6,798,339**	**7,886,753**	8,222,171	8,745,102
Trade and other payables	**(2,443,195)**	**(2,834,350)**	(1,622,841)	(1,726,054)
Net exposure	**4,960,652**	**5,754,852**	6,653,528	7,076,692

	2014		2013	
Exposure in GBP	**Amount due in GBP**	**Equivalent in full CDN dollar**	Amount due in GBP	Equivalent in full CDN dollar
Cash	**138,845**	**250,907**	450,725	794,492
Accounts receivable	**1,358,577**	**2,455,084**	1,082,650	1,908,388
Trade and other payables	**(913,105)**	**(1,650,072)**	(806,450)	(1,421,530)
Advance on revenues from a supply agreement	**(1,766,372)**	**(3,192,010)**	(1,955,527)	(3,447,007)
Net exposure	**(1,182,055)**	**(2,136,091)**	(1,228,602)	(2,165,657)

Based on the above net exposures as at December 31, 2014, 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 profit of approximately $575.

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 income of approximately $213. The Corporation has not hedged its exposure to currency fluctuations.

33. COMPARATIVE INFORMATION

Certain of the December 31, 2013 figures have been reclassified to conform to the current year's presentation.

34. SUBSEQUENT EVENTS

On March 27, 2015, the Corporation and the customer who is party to the advance on revenues from a supply agreement disclosed in note 14, amended the loan agreement further extending the maturity date of the unpaid balance of the advance, if any, to April 30, 2018.

On March 31, 2015, the Corporation and the holder of the long-term debt disclosed in note 16 amended the terms of the two OID loans by extending the maturity dates of the loans to July 31, 2022 without changing the face values of the loans, modifying certain terms and conditions including affirmative and negative covenants, and including a right of repayment of the OID loans commencing on September 13, 2018. In consideration of the above modifications, the Corporation has issued seven million warrants to purchase common shares of the Corporation. The exercise price for a warrant shall be the greater of (i) $3.00 per common share and (ii) the volume weighted average trading price of the common shares on the TSX for the five trading day-period following the date of release of the annual financial statements of the Corporation for the period ended December 31, 2014. The warrants expire on July 31, 2022. The Corporation also granted a pre-emptive right to the debt holder to participate in any future public offering or private placement of ProMetic's common shares or securities convertible or exchangeable into common shares. The Corporation is currently assessing the accounting treatment for these modifications.

MANAGEMENT TEAM

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President & Chief Executive Officer
ProMetic Life Sciences Inc.

Bruce Pritchard, BA, CA, MIoD.
Chief Operating Officer &
Chief Financial Officer
ProMetic Life Sciences Inc.

Patrick Sartore, B.Sc., LLB
General Counsel &
Corporate Secretary
ProMetic Life Sciences Inc.

Dwun-Hou (Tom) Chen, Ph.D.
Senior Vice-President of
Product and Asia-Pacific Development
ProMetic BioTherapeutics, Inc.

John Moran, MD
Chief Medical Officer
ProMetic Life Sciences Inc.

Frédéric Dumais, B.Com., LLB
Director, Communications
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ProMetic Life Sciences Inc.

BOARD OF DIRECTORS

Simon Best [1, 2, 3]
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Chairman of
Edinburgh Bioquarter

Stefan Clulow
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Bruce Wendel [3]
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Scientific Protein Laboratories LLC
Chief Strategy Officer
Hepalink USA
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Benjamin Wygodny [1, 3]
President
Angus Partnership Inc
and 3188795 Canada Inc.

Positions – Committees

[1] **Audit & Risk Committee**
Paul Mesburis *(Chair)*
Simon Best
Nancy Orr
Benjamin Wygodny

[2] **HR & Compensation Committee**
Nancy Orr *(Chair)*
Simon Best
Raymond Hakim
Louise Ménard

[3] **Corporate Governance Committee**
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Simon Best
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CORPORATE INFORMATION

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Listing: Toronto Stock Exchange
Symbol: PLI
Outstanding shares as of
December 31, 2014:
547,627,835

OTCQX
Symbol: PFSCF

Annual Meeting of Shareholders
Wednesday, May 13, 2015 at 10:30 (AM)
Montreal Stock Exchange Tower
800 Square-Victoria Street
Montreal, Quebec H3C 1E8
Canada

Annual Information Form
The 2014 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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