Prometic™

Contents

2016 Therapeutic Highlights

Plasma-Derived Therapeutics Highlights:

Prometic's intravenous Plasminogen was the first PPPS™ generated plasma derived therapeutic to enter clinical trial stages. In August 2016, the Corporation completed enrolment of the congenital plasminogen deficient patients in its pivotal phase 2/3 clinical trial required for the accelerated regulatory approval pathway with the FDA. In October 2016, it was concluded that the phase 2/3 trial had met its primary and secondary endpoints with the intravenous plasminogen treatment. In addition to being safe, well tolerated and without any drug related serious adverse events, Prometic's plasminogen treatment achieved a 100% success rate of its primary end point, namely, a targeted increase in the blood plasma concentration level of plasminogen as a surrogate target. Moreover, all patients who had active visible lesions when enrolled in the trial had complete healing of their lesions within weeks of treatment, a 100% response rate for this secondary end point.

Following the Pre-Biologics License Application ("Pre-BLA") meeting held in October 2016 with the FDA, it was agreed that Prometic would continue along the Accelerated Approval Regulatory Pathway and file the pharmacokinetic safety data on 10 plasminogen deficient patients along with efficacy data available for each of these patients that have completed 12 weeks of treatment. Moreover, it was agreed that Prometic would not have to conduct additional clinical studies to demonstrate the clinical efficacy of its plasminogen, and that it would continue to monitor the patients currently enrolled in the study for an additional 36 weeks.

In December 2016 the Corporation initiated the rolling submission of its Biologics License Application ("BLA") for plasminogen with the U.S. FDA for treatment of patients with plasminogen congenital deficiency. As a result of having received a Fast Track designation, Prometic is allowed to file on a rolling basis, portions of the regulatory application to be submitted and reviewed by the FDA on an ongoing basis.

The Corporation is also pursuing tympanic membrane perforations as an additional clinical indication for plasma-derived plasminogen.

Prometic's IVIG is currently being studied in a pivotal phase 3 open label, single arm, two-cohort multicenter clinical trial investigating the safety, tolerability, efficacy and pharmacokinetics of Prometic's plasma purified IVIG in a total of 75 patients suffering from primary immunodeficiency diseases ("PIDD"), including 50 adults (cohort 1) and 25 children (cohort 2). The enrolment of the adult patient population has been completed and the enrolment of children is progressing as planned.

The scale up of the manufacturing process for additional plasma derived therapeutics is also on-going to enable the commencement of their respective clinical programs leading to an expected series of sequential product launches following plasminogen and IVIG.

Small Molecule Therapeutics Highlights:

In October, 2016 the Corporation announced its phase 2 clinical trial in patients with metabolic syndrome and type 2 diabetes had met its primary and secondary endpoints. In addition to safety and tolerability, the study evaluated the effect of PBI-4050 on metabolic syndrome parameters and on pro-inflammatory/fibrotic and diabetic biomarkers in blood and urine. PBI-4050 has been well tolerated with no serious drug related adverse events.

The pharmacological activity of PBI-4050 was confirmed through the clinically significant reduction in HbA1c between screening and Week 12. For instance, the 15 patients with a screening HbA1c $\geq$ 7.5% experienced a mean decrease of - 0.75% ($p = 0.0004$) while the 9 patients with a screening HbA1c $\geq$ 8.0% experienced a mean decrease of - 0.9% ($p = 0.007$). The 10 patients who participated in the study extension had a mean HbA1c of 7.7% at screening and experienced a reduction of - 0.8% at week 12 and this was maintained at week 24.

Several biomarkers measured in blood or urine of patients and associated with a high incidence of cardiovascular complications and kidney injury when elevated in metabolic syndrome were significantly reduced by PBI-4050.

In November 2016, the Corporation received clearance by Health Canada to commence a placebo-controlled phase 2 clinical trial with its PBI-4050 in patients with metabolic syndrome and type 2 diabetes. The objectives of this 12 week randomized, double-blind, placebo-controlled, multi-center, 4 arm with 67 patients per arm (1 placebo, 3 escalating doses) phase 2 clinical trial includes the evaluation of the effects of PBI-4050 on metabolic syndrome parameters and on pro-inflammatory/fibrotic and diabetic biomarkers in the blood and urine.

In November, 2016, the Corporation also announced positive interim results from its phase 2 open-label trial of PBI-4050 in patients with IPF conducted in six centers across Canada. In addition to demonstrating that PBI-4050 is safe and well tolerated in patients suffering from IPF, the objective of this study was to provide early evidence of clinical benefits of PBI-4050 treatment whether used alone or in addition to either nintedanib or pirfenidone.

In February, 2017, the Corporation announced positive results from its completed open label Phase 2 clinical trial in subjects suffering from IPF. The results further confirmed that PBI-4050 is safe and very well tolerated and also confirmed the preliminary results previously announced by Prometic in November, 2016.

As demonstrated in these previously mentioned large IPF clinical trials, IPF subjects typically experience a progressive decline in respiratory function. In contrast, in the ProMetic clinical study, the respiratory function of the subjects, measured as the forced vital capacity (FVC (ml)), remained stable after 12 weeks of treatment, in subjects treated with PBI-4050 alone and in those receiving PBI-4050 combined with one of the two approved drugs for the treatment of IPF ("Combi-1") and was superior to that of those subjects treated with PBI-4050 combined with the other approved drug for the treatment of IPF ("Combi-2"). There were no deaths in the Prometic study nor did any subjects experienced a decrease in FVC of 10% or more, contrary to the outcomes in the other IPF trials.

The completion of the studies in patients with metabolic syndrome and type 2 diabetes and with CKD with type 2 diabetes will enable the Corporation to file an Investigational New Drug ("IND") application with the FDA for the pivotal study in CKD and type 2 diabetes patients in the US. The resulting trial would likely be a pivotal trial designed as a multi-center, 3-arm, double-blind, placebo-controlled study involving two different doses of PBI-4050. The trial is expected to be performed at sites already identified in the US starting in 2017

The Corporation also announced that it has been cleared by Health Canada to commence a randomized double-blind placebo-controlled clinical trial in patients suffering from Cystic Fibrosis-Related Diabetes ("CFRD"). The objectives of this phase 2 study include the safety and tolerability of PBI-4050 in these patients as well as the evaluation of the effects of PBI-4050 on pancreatic and lung function.

The Corporation is also currently recruiting patients suffering from Alström syndrome in an open-label, single-arm phase 2 study conducted in the UK. The objectives of the study are to evaluate the safety and tolerability of PBI-4050, and the effects of PBI-4050 on key organ function, disease progression and inflammatory/fibrotic markers. The early efficacy results in the phase 2, open-label study demonstrated that the first five patients (100%) who completed 12 weeks of treatment with PBI-4050 had a significant reduction of liver fibrosis, as measured by transient elastography (FibroScan®).

On November 14, 2016, the Corporation presented new results at the American Heart Association's annual meeting in New Orleans from preclinical studies performed at the Montreal Heart Institute. Extensive preclinical studies were done to test the potential benefits of PBI-4050 on cardiac and lung fibrosis, respiratory function, and lung structural remodeling following a myocardial infarction ("MI") induced by coronary artery ligation. The preclinical study demonstrated that PBI-4050 effectively reduced pulmonary hypertension and right ventricular hypertrophy by reducing lung fibrosis and lung remodeling.

In January, 2017, the Corporation was granted an orphan drug designation status for PBI-4050 and the treatment of Alström Syndrome by the European Commission. During the same month, PBI-4050 was also issued a Promising Innovative Medicine designation by the UK Medicines and Healthcare Products Regulatory Agency for the treatment of Alström Syndrome.

On March 3, 2017, the Corporation announced that an orphan drug designation status was granted, by the United States Food and Drug Administration, for PBI-4050, for the treatment of Alström Syndrome.

2016 Operational Highlights

2016 was also a very busy year on the corporate and operational front at Prometic. Headcount significantly increased and now exceeds 400 employees. The majority of our new employees were added in departments of strategic importance to help manage the growing number of clinical trials and expanding product pipeline and clinical indications being pursued. We also increased corporate bandwidth in order to support the anticipated first commercial product launch expected to take place in the second half of 2017.

Our plasma purification facility located in Laval, Quebec, PBP, is currently developing and producing, for clinical trial and commercial launch purposes, plasma-derived protein therapeutics to address various medical conditions in both established and emerging markets. PBP's Laval facility also serves as a conceptual blue print and training center for Prometic and its potential future partners PPPS™ based plasma purification plants. PBP now employs more than 100 employees.

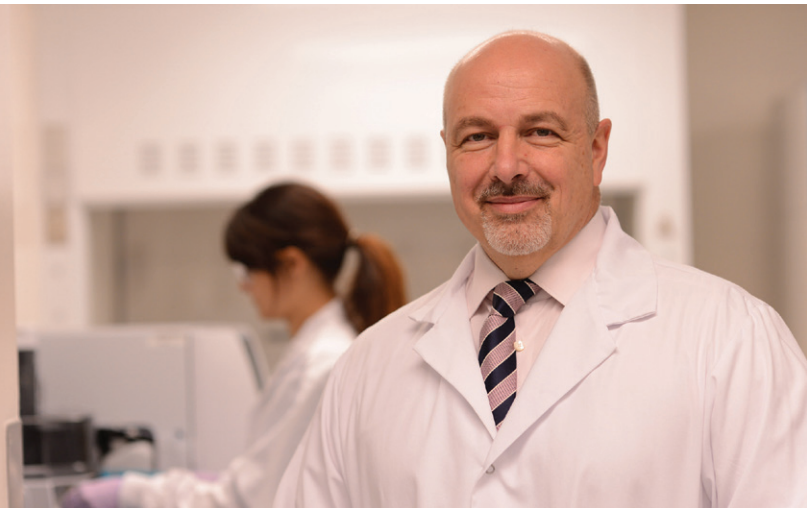
In 2015, Prometic entered into a strategic manufacturing agreement with Emergent. The long-term manufacturing agreement provided Prometic with access to additional cGMP capacity in an FDA-licensed facility, located in Winnipeg, Canada. In 2016, Prometic continued to tech-transfer and improve the efficiencies of this facility and currently uses this capacity for the development and manufacture of plasma-derived biopharmaceuticals using Prometic's proprietary plasma purification platform, PPPS™.

In 2015, the Corporation closed the acquisition of Emergent's plasma collection center located in Winnipeg, Canada. The plasma collection center has since then started to operate under Prometic's ownership following the grant and receipt of the regulatory licenses by and from the requisite regulatory authorities. In 2016, Prometic Plasma Resources ("PPR") has focused on expanding its plasma donor base, upgrading its plasmapheresis equipment and the automation of certain SOPs. PPR is the first plasma collection company in Canada having expanded its Health Canada license to harmonize with US plasma collection regulations in order to be able to collect plasma two times per week per donor, thus increasing operational capacity. PPR successfully passed its US FDA regulatory inspection in 2016.

Prometic is also building up its sales and marketing infrastructure ahead of the anticipated commercial launch of its first product, plasminogen. The commercial team is already hard at work preparing the launch strategy as well as the marketing and educational material for the medical community.

Prometic also closed its strategic acquisition, Telesta. Prometic is currently evaluating the various options concerning Telesta's manufacturing facilities in Belleville, Ontario and Montreal, Quebec with respect to their possible integration and use in improving efficiencies and further consolidating its plasma-derived therapeutics manufacturing and business activities.

Message to Shareholders



Dear Shareholders,

Prometic is only months away from becoming a fully-integrated biopharmaceutical company. Accordingly, we have rebranded the business, allowing us to position ourselves in the global pharmaceutical arena. Our first plasma-derived therapeutic, plasminogen, is expected to receive regulatory approval from the US FDA for the treatment of congenital plasminogen deficiency, resulting in an anticipated commercial launch in the second half of 2017. Our proprietary plasminogen is the first of an impressive number of drug candidates expected to reach commercial stages sequentially in the coming years, each targeting unmet medical needs and or therapeutic areas with tremendous growth potential.

All of this has been made possible as a result of significant past investments, both in Prometic's proprietary therapeutics' platform technologies, as well as its corporate infrastructure. This investment strategy has enabled us to potentially enter into various lucrative market places.

Prometic intends to develop plasminogen into a global product recognized for its key role in promoting the human body's natural healing process. Starting with the plasminogen congenital deficiency indication, following the demonstration of clinical efficacy in the recently completed pivotal phase 2/3 clinical trial, ProMetic is determined to expand the use of plasminogen to address other medical conditions associated with acute plasminogen deficiency.

The staggering 100% response rate observed in our clinical trial confirms how effective our plasminogen therapy really is. Patients, either in our pivotal phase 2/3 clinical trial, or treated under compassionate use programs, benefited from a rapid resolution of their lesions and in some cases, regained normal organ function. Moreover, this was achieved after only a few infusions. To date, patients having been treated with our plasminogen no longer have recurring lesions, nor do they require surgery.

These significant clinical benefits strongly support another very important parameter of growing interest: health economics. Proving safety and clinical efficacy is mandatory for receiving regulatory approval, but being able to demonstrate how the various healthcare systems, payers and patients benefit from a health economics point of view is also paramount. On this front, our plasminogen therapy projected economics exceed our most optimistic expectations.

To prepare for the launch of plasminogen and multiple follow-on, plasma-derived therapeutics, we have systematically built-up the relevant and necessary corporate and commercial infrastructures. This includes state-of-the-art GMP manufacturing facilities, strategic procurement of FDA certified sourced plasma as well as the establishment of marketing, sales and distribution capabilities.

On the small molecule therapeutics side, our orally-active lead drug candidate PBI-4050's performance also impressed in 3 open label phase 2 clinical trials. PBI-4050's safety and pharmacological activity has now been demonstrated in patients with idiopathic pulmonary fibrosis ("IPF"), in patients with metabolic syndrome & type 2 diabetes and in patients with Alström Syndrome.

Initially observed in multiple preclinical models, the demonstration of clinical efficacy observed in the lung, pancreas, liver and kidney of patients treated with PBI-4050 bodes very well for the future of the small molecule therapeutic pipeline. We are confidently proceeding with larger, placebo controlled [phase 2] clinical trials in metabolic syndrome and type 2 diabetes, IPF, chronic kidney diseases and cystic fibrosis. We are also scaling up the manufacturing of follow-on small molecule drug candidates, PBI-4547 and PBI-4425, which are also scheduled to enter into clinical trials later in 2017.

We look with pride at all the progress accomplished in the previous years and anticipate 2017 to be quite transformational, setting the momentum for the coming years. As we progress into late clinical trial stages, we expect to keep delivering the same strong levels of clinical efficacy demonstrated so far in previous clinical trials. We also further expect licensing agreements and various business development deals with large pharma companies to be concluded for large disease indications or specific geographical territories. I anticipate that Prometic will soon become known as one of the global leaders in fields of rare and orphan disease. Now, more than ever, I believe that we are very well positioned 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

Management Discussion & Analysis
Prometic Life Sciences Inc.
For the quarter and the year ended December 31, 2016

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, financial performance and results of operations, as well as the present and future business environment. This MD&A has been prepared as of March 23, 2017 and should be read in conjunction with Prometic's audited consolidated financial statements for the year ended December 31, 2016. Additional information related to the Corporation, including the Corporation's Annual Information Form, is available on SEDAR at www.sedar.com. All amounts in tables are in thousands of Canadian dollars, except where otherwise noted.

FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis of the results of operations and the financial condition may contain forward-looking statements about Prometic's objectives, strategies, financial condition, future performance, results of operations and businesses as of the date of this MD&A.

These statements are "forward-looking" because they represent Prometic's expectations, intentions, plans and beliefs about the markets the Corporation operates in and on various estimates and assumptions based on information available to its management at the time these statements are made. Without limiting the generality of the foregoing, words such as "may", "will", "expect", "believe", "anticipate", "intend", "could", "would", "estimate", "continue", "plan" or "pursue", or the negative of these terms, other variations thereof or comparable terminology, are intended to identify forward-looking statements although not all forward-looking information contains these terms and phrases. Forward-looking information is provided for the purposes of assisting the reader in understanding the Corporation and its business, operations, prospects and risks at a point in time in the context of historical and possible future developments and therefore the reader is cautioned that such information may not be appropriate for other purposes.

Actual events or results may differ materially from those anticipated in these forward-looking statements if known or unknown risks affect our business, or if our estimates or assumptions turn out to be inaccurate. Such risks and assumptions include, but are not limited to, Prometic's ability to develop, manufacture, and successfully commercialize value-added pharmaceutical products, regulatory approvals, the availability of funds and resources to pursue research and development ("R&D") projects, the successful and timely completion of clinical studies, our ability to take advantage of business opportunities in the pharmaceutical industry, reliance on key personnel, collaborative partners and third parties, our patents and proprietary technology, our ability to access capital, the use of certain hazardous materials, the availability and sources of raw materials, currency fluctuations, the value of our intangible assets, negative operating cash flow, legal proceedings, uncertainties related to the regulatory process, general changes in economic conditions and other risks related to Prometic's industry. More detailed assessment of the risks that could cause actual events or results to materially differ from our current expectations can be found in the Annual Information Form under the heading "Risks and Uncertainties Related to Prometic's Business".

Although Prometic has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Therefore, there can be no assurance that forward-looking statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, the reader should not place undue reliance on forward-looking statements.

As a result, Prometic cannot guarantee that any forward-looking statement will materialize. Prometic

assumes no obligation to update any forward-looking statement even if new information becomes available, as a result of future events or for any other reason, unless required by applicable securities laws and regulations.

Prometic is a publicly traded (TSX symbol: PLI) (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 is active in developing its own novel small molecule therapeutic products targeting unmet medical needs in the field of fibrosis, autoimmune disease/inflammation and cancer. Prometic also offers its state of the art technologies for large-scale drug purification of biologics, drug development, proteomics and the elimination of pathogens to several 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 and commercialize best-in-class therapeutics. A number of both the plasma-derived and small molecule products are under development for rare diseases and orphan drug indications. Headquartered in Laval (Canada), Prometic has R&D facilities in the UK, the US and Canada, manufacturing facilities in the Isle of Man and Canada and business development activities in the US, Europe and Asia.

UPDATE ON BUSINESS SEGMENTS ACTIVITIES

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, US;
- Prometic Bioseparations Ltd. ("**PBL**"), based in the United Kingdom (Isle of Man and Cambridge);
- NantPro Biosciences LLC ("**NantPro**") based in Delaware, US;
- Prometic Plasma Resources Inc. ("**PPR**"), the plasma collection center, based in Winnipeg, Manitoba, Canada; and
- Telesta Therapeutics Inc. ("**Telesta**"), the net assets and operating expenses related to the production facility located in Belleville, Ontario

Prometic and its Protein Technologies segment is known for its world-class expertise in bioseparation, specifically for large-scale purification of biologics and the elimination of pathogens. These technologies are being used by several industry leaders. 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 in both established and emerging markets.

With all the necessary elements to accelerate the development of a strong product pipeline, Prometic is becoming 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 as the Plasma Protein Purification System ("PPPS™"). PBL supplies the critical affinity separation materials as part of our integrated pipeline of

plasma-derived products while serving outside customers.

PBP is our plasma purification facility where we transfer the purification methods developed at our PBT laboratories to a commercial-scale production facility and manufacture best-in-class plasma-derived therapeutics to be used in the Corporation's current and upcoming plasma derived products clinical trials. The Laval facility also serves as a blueprint for other partners' future plants, as a technological showroom and training center.

With the following proteins already scheduled for production at PBP and at the Emergent Biosolutions plasma fractionation plant in Winnipeg ("the CMO"), namely plasminogen, Intravenous Immunoglobulin ("IVIG"), alpha-1 antitrypsin, and with several other plasma-derived therapeutics earmarked for further development including the very promising orphan drug candidate Inter-Alpha 1, Prometic is rapidly building a significant plasma-derived product pipeline of substantial value. Both the US Food and Drug Administration ("FDA") and European Commission have granted orphan drug designations status for Prometic's human plasma derived plasminogen drug for the treatment of plasminogen deficiency.

Prometic's intravenous Plasminogen was the first PPPS™ generated plasma-derived therapeutic to enter clinical trial stages. In August 2016, the Corporation completed enrolment of the congenital plasminogen deficient patients in its pivotal phase 2/3 clinical trial required for the accelerated regulatory approval pathway with the FDA. In October 2016, it was concluded that the phase 2/3 trial had met its primary and secondary endpoints with the intravenous plasminogen treatment. In addition to being safe, well tolerated and without any drug related serious adverse events, Prometic's plasminogen treatment achieved a 100% success rate of its primary end point, namely, a targeted increase in the blood plasma concentration level of plasminogen as a surrogate target. Moreover, all patients who had active visible lesions when enrolled in the trial had complete healing of their lesions within weeks of treatment, a 100% response rate for this secondary end point.

Following the Pre-Biologics License Application ("Pre-BLA") meeting held in October 2016 with the FDA, it was agreed that Prometic would continue along the Accelerated Approval Regulatory Pathway and file the pharmacokinetic safety data on 10 plasminogen deficient patients along with efficacy data available for each of these patients that have completed 12 weeks of treatment. Moreover, it was agreed that Prometic would not have to conduct additional clinical studies to demonstrate the clinical efficacy of its plasminogen, and that it would continue to monitor the patients currently enrolled in the study for an additional 36 weeks.

During an Analysts' Day in New York in November 2016, Prometic disclosed its intent to focus on expanding the clinical uses of plasminogen as a priority over the coming years. In addition to the treatment of wounds such as diabetic foot ulcers and tympanic repair, acquired plasminogen deficiency in critical care such as severe burns was provided as an example. The expansion of plasminogen development program enables the Corporation to target multiple clinical indications with unmet medical needs and leverage the same proprietary API via different formulations and presentations. Combined with market exclusivity and significant growth opportunity, plasminogen is prioritized over advancing certain previously disclosed follow-ons therapeutics with competitive landscapes such as C1-INH.

In December 2016 the Corporation initiated the rolling submission of its Biologics License Application ("BLA") for plasminogen with the U.S. FDA for treatment of patients with plasminogen congenital deficiency. As a result of having received a Fast Track designation, Prometic is allowed to file on a rolling basis, portions of the regulatory application to be submitted and reviewed by the FDA on an ongoing basis.

Prometic's IVIG is currently being studied in a pivotal phase 3 open label, single arm, two-cohort multicenter clinical trial that will investigate the safety, tolerability, efficacy and pharmacokinetics of Prometic's plasma purified IVIG in a total of 75 patients suffering from primary immunodeficiency diseases ("PIDD"), including 50 adults (cohort 1) and 25 children (cohort 2). As of the date of the MD&A, the enrolment of the adult patient population has been completed and the enrolment of children is progressing as planned.

The scale up of the manufacturing process for additional plasma-derived therapeutics is also on-going to enable the commencement of their respective clinical programs leading to an expected series of sequential product launches following plasminogen and IVIG.

In December 2016, the Corporation amended its licensing agreement originally entered into with Hematech Biotherapeutics Inc. ("Hematech") in May 2012 and reacquired the rights, initially granted to Hematech under the License Agreement, to a 50% share of the worldwide profits regarding plasminogen congenital deficiency sales.

The **Small Molecule Therapeutics** segment is a small molecule drug discovery business. The principal entities are:

- Prometic Biosciences Inc. ("**PBI**"), based in Laval, Quebec, Canada
- Prometic Pharma SMT Ltd ("**PSMT**"), based in Cambridge, United Kingdom

The Small Molecule Therapeutics segment is a small-molecule drug development business, with a strong pipeline of products. Our 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 multiple pre-clinical experiments and early clinical trials and enjoy strong proprietary positions. The unmet medical needs targeted are in the fields of fibrosis, inflammation, autoimmune diseases and cancer.

The business model for this segment is to develop promising drug candidates and upon completion of proof of Phase 2 concept studies in humans, either pursue development and commercialization activities for orphan indications or partner medical indications requiring a much more substantial commercial reach. While the Small Molecule Therapeutics segment has several such promising drug candidates, Management has focused its efforts on its anti-fibrosis lead drug candidate PBI-4050.

A series of Clinical Trial Applications ("CTA") have been filed and cleared by Health Canada thereby authorizing Prometic to conduct clinical trials in patients suffering from Chronic Kidney Disease ("CKD"), Idiopathic Pulmonary Fibrosis ("IPF"), metabolic syndrome and its resulting type 2 diabetes ("MS T2D"), Cystic Fibrosis Related Diabetes ("CFRD") and by the MHRA in the UK for patients with Alström Syndrome.

The phase 1b/2 in CKD trial was successfully completed in Q1 2015 and confirmed that PBI-4050 was as well tolerated in patients with impaired renal function, and that the pharmacokinetics of the drug were not otherwise altered compared to healthy volunteers. This was an important achievement in that the treatment of such CKD patients would not require dose adjustment relative to their kidney function.

On October 20, 2016 the Corporation announced its phase 2 clinical trial in patients with metabolic syndrome and type 2 diabetes had met its primary and secondary endpoints. In addition to safety and tolerability, the study evaluated the effect of PBI-4050 on metabolic syndrome parameters and on pro-inflammatory/fibrotic and diabetic biomarkers in blood and urine. In this open label phase 2 clinical trial, PBI-4050 (800 mg) was administered once daily to 24 patients already being treated with "standard of care" drug regimes for a period of 12 weeks. Twelve of these patients were enrolled in an additional 12 weeks extension. PBI-4050 has been well tolerated with no serious drug related adverse events.

The fundamental physical criterion for the diagnosis of metabolic syndrome is waist circumference. The patients experienced a clinically and statistically significant reduction in waist circumference in 12 weeks, with a mean change of -1.5 cm ($p = 0.0091$). A strong trend in weight and Body Mass Index ("BMI") reduction was also observed ($p = 0.06$ and 0.07, respectively).

The pharmacological activity of PBI-4050 was confirmed through the clinically significant reduction in HbA1c between screening and Week 12 above that achieved by their existing treatment regimes. For instance, the 15 patients with a screening HbA1c ≥ 7.5% experienced a mean decrease of - 0.75% (p = 0.0004) while the 9 patients with a screening HbA1c ≥ 8.0% experienced a mean decrease of - 0.9% (p = 0.007). The 12 patients who participated in the study extension had a mean HbA1c of 7.7% at screening and experienced a reduction of - 0.8% at week 12 and this was maintained at week 24.

Diabetes & Metabolic Biomarkers in Blood	Changes from baseline	P-value
Fasting insulin	▼ 19%	0.017
Fasting C-peptide	▼ 11%	0.028
Adiponectin	▲ 18%	0.021
FGF-21	▲ 29%	0.024
Vaspin	▲ 40%	0.027

The improvement in HbA1c was associated with a decrease in fasting insulin and C-peptide, indicating that the improvement in HbA1c is, at least in part, explained by a reduction in insulin resistance. This is supported by the fact that the patients with the greatest reduction in their HbA1c values had the highest increase in adiponectin levels. Higher plasma adiponectin levels are known to protect diabetic patients from macrovascular complications and to improve their insulin sensitivity.

Several biomarkers measured in blood or urine of patients and associated with a high incidence of cardiovascular complications and kidney injury when elevated in metabolic syndrome were significantly reduced by PBI-4050.

Biomarkers for the kidney (urine)	Changes from baseline	P-value
IL-18	▼ 31%	0.017
Calbindin	▼ 31%	0.042
Cystatin C	▼ 20%	0.011
KIM-1	▼ 22%	0.035
TFF3	▼ 15%	0.036

In November 2016, the Corporation received clearance by Health Canada to commence a placebo-controlled phase 2 clinical trial with its PBI-4050 in patients with metabolic syndrome and type 2 diabetes. The objectives of this 12 week randomized, double-blind, placebo-controlled, multi-center, 4 arms with 67 patients per arm (1 placebo, 3 escalating doses) phase 2 clinical trial includes the evaluation of the effects of PBI-4050 on metabolic syndrome parameters and on pro-inflammatory/fibrotic and diabetic biomarkers in the blood and urine.

On November 17, 2016, the Corporation announced positive interim results from its phase 2 open-label trial of PBI-4050 in patients with IPF conducted in six centers across Canada. In addition to demonstrating that PBI-4050 is safe and well tolerated in patients suffering from IPF, the objective of this study was to provide early evidence of clinical benefits of PBI-4050 treatment whether used alone or in addition to either nintedanib or pirfenidone. Forty patients were enrolled in the study in 6 sites across Canada. The Corporation first reported on the first 30 patients that completed their 12 weeks of treatment.

On February 22, 2017, the Corporation announced positive results from its completed open label Phase 2 clinical trial in subjects suffering from IPF. The results further confirmed the fact that PBI-4050 is safe and very well tolerated. The results from the completed study confirmed the preliminary results previously announced by Prometic on November 17, 2016.

A total of 40 subjects were enrolled in the study conducted in 6 sites across Canada and completed the 12 weeks of treatment; 9 subjects received PBI-4050 alone, 16 received PBI-4050 & nintedanib and 15 received PBI-4050 & pirfenidone. The baseline characteristics of the subjects enrolled in this study were similar to those enrolled in prior IPF randomized controlled studies conducted by other pharmaceutical

companies, namely ASCEND and INPULSIS.

As demonstrated in these previously mentioned large clinical trials, IPF subjects typically experience a progressive decline in respiratory function. In contrast, in the Prometic clinical study, the respiratory function of the subjects, measured as the forced vital capacity (FVC (ml)), remained stable after 12 weeks of treatment, in subjects treated with PBI-4050 alone and in those receiving PBI-4050 combined with one of the two approved drugs for the treatment of IPF ("Combi-1") and was superior to that of those subjects treated with PBI-4050 combined with the other approved drug for the treatment of IPF ("Combi-2"). There were no serious adverse events requiring PBI-4050's discontinuation. The most frequent adverse event seen in all groups was diarrhea, but this was clearly much less significant in the subjects treated with PBI-4050 alone than in the groups receiving either of the currently approved drugs for the treatment of IPF, which are well-known for their significant side effect profiles.

This study has provided data to support the safety and tolerability of PBI-4050 in IPF patients receiving standard of care as well as the information needed to inform the design of a follow-on placebo controlled clinical study. The US FDA and the European Commission each granted an orphan drug designation to PBI-4050 for the treatment of Idiopathic Pulmonary Fibrosis for the US and for Europe respectively.

The completion of the studies in patients with metabolic syndrome and type 2 diabetes and with CKD with type 2 diabetes will enable the Corporation to file an Investigational New Drug ("IND") application with the FDA for the pivotal study in CKD and type 2 diabetes patients in the US. The resulting trial would likely be a pivotal trial designed as a multi-center, 3-arm, double-blind, placebo-controlled study involving two different doses of PBI-4050. The trial is expected to be performed at sites already identified in the US starting in 2017.

The Corporation also announced that it has been cleared by Health Canada to commence a randomized double-blind placebo-controlled clinical trial in patients suffering from Cystic Fibrosis-Related Diabetes ("CFRD"). The objectives of this phase 2 study include the safety and tolerability of PBI-4050 in these patients as well as the evaluation of the effects of PBI-4050 on pancreatic and lung function. Cystic Fibrosis ("CF") is a condition which affects approximately 70,000 individuals in North America and compromises their pulmonary, pancreatic and hepatic function. Over 70% of the CF patients develop glucose intolerance leading to diabetes. This study is involving several reference centers across Canada.

The Corporation is also currently recruiting patients suffering from Alström syndrome in an open-label, single-arm, phase 2 study conducted in the UK. The objectives of the study are to evaluate the safety and tolerability of PBI-4050, and the effects of PBI-4050 on key organ function, disease progression and inflammatory/fibrotic markers. The Corporation announced in October 2016 that the Drug Safety Monitoring Board ("DSMB") recommended that patient enrolment should continue in the Corporation's ongoing Alström syndrome phase 2 clinical trial. The early efficacy results in the phase 2, open-label study demonstrated that the first five patients who completed 12 weeks of treatment with PBI-4050 had a significant reduction of liver fibrosis, as measured by transient elastography (FibroScan®). The treatment period is six months and Prometic intends to extend the study as appropriate, based on the initial results.

The Corporation has also disclosed that additional orphan indications are expected to be targeted with PBI-4050 and or with other follow-on analogues such as PBI-4547.

On November 14, 2016, the Corporation presented new results at the American Heart Association's annual meeting in New Orleans from preclinical studies performed at the Montreal Heart Institute. Dr. Jocelyn Dupuis, MD, PhD, Professor, Department of Medicine, University of Montréal and a leader in Pulmonary Hypertension (PH) from the Montreal Heart Institute research performed an extensive preclinical study to test the potential benefits of PBI-4050 on cardiac and lung fibrosis, respiratory function, and lung structural remodeling following a myocardial infarction ("MI") induced by coronary artery ligation. The preclinical study demonstrated that PBI-4050 effectively reduced pulmonary hypertension and right ventricular hypertrophy by reducing lung fibrosis and lung remodeling. These results strongly suggest that PBI-4050 has the

potential to effectively treat the lung remodeling process in patients with Group 2 pulmonary hypertension and improve the right ventricular function. Moreover, PBI-4050 did not adversely affect the healing of the left ventricle and, in fact, some improvement in left ventricular function was observed.

In January, 2017, the Corporation was granted an orphan drug designation status for PBI-4050 and the treatment of Alström Syndrome by the European Commission. During the same month, PBI-4050 was also issued a Promising Innovative Medicine designation by the UK Medicines and Healthcare Products Regulatory Agency for the treatment of Alström Syndrome.

On March 3, 2017, the Corporation announced that an orphan drug designation status was granted, by the United States Food and Drug Administration, for PBI-4050, for the treatment of Alström Syndrome.

OTHER RECENT BUSINESS DEVELOPMENTS

On August 24, 2016, the Corporation announced it had entered into a binding agreement for the acquisition of the share capital of Telesta Therapeutics, Inc. at a share price of $0.14 payable in Prometic common shares and on October 31, 2016 (the "closing date"), the Corporation acquired 100% of the outstanding shares of Telesta. The acquisition was done by way of a plan of arrangement under the Canada Business Corporations Act.

The number of common shares issued by the Corporation to acquire Telesta was based on the volume weighted average closing price ("VWAP") of Prometic's common shares for the five trading days prior the closing date of the acquisition of $2.98. Accordingly, each Telesta common share was acquired for 0.04698 Prometic common share and a total of 14,258,213 Prometic common shares were issued to complete the acquisition. The Corporation also issued 277,910 warrants having an exercise price of $6.39 maturing on September 23, 2019 in replacement of the Telesta warrants.

This was a significant strategic transaction on several fronts: It brought approximately $36.2 million in additional cash, cash equivalents, marketable securities and short-term investments which extends the operating runway; a small group of key personnel who are highly complementary to our existing staff; approximately $50 million in potential tax losses to be used going forward; and lastly, a facility located in Belleville, Ontario with a recently refurbished section that could add to our existing manufacturing output longer term, and the potential to provide additional plasma processing capacity. It also widened the Corporation's trans-Canadian footprint, positioning it as a major supplier of plasma proteins to the Canadian market.

Concurrently, the Corporation closed a private placement entered into with Structured Alpha LP ("Structured Alpha"), an investment vehicle of Peter J. Thomson. This concurrent private placement was completed in connection with the exercise by Structured Alpha of its pre-emptive right. The private placement is for the subscription of 1,401,632 common shares of the Corporation at a price of $2.98 per common share. The proceeds from this private placement have been used to offset and reduce the total amount owed by Prometic to Structured Alpha under its second amended and restated loan agreement by $4.2 million.

The Corporation and GE Healthcare Biosciences AB ("GE") entered into a settlement and license agreement on October 25, 2016 to mutually discontinue all past claims and counterclaims between the parties and to commercialize the underlying technologies over the term of the license, which shall not extend, on a country-by-country basis, beyond October 2021 (the "Term"). In 2012, the Corporation had been served with a lawsuit in the Federal Court of Canada (Court) relating to a claim for infringement of two Canadian issued patents held by a third party plaintiff, GE. The Corporation had subsequently filed a statement of defence on the infringement claims, in addition to a counterclaim requesting that the Court declare both patents invalid and unenforceable. Under the agreement, Prometic shall pay GE an aggregate amount of $1.0 million between October 25, 2016 and October 25, 2020 in consideration thereof, Minimum Annual Royalty ("MAR") payments totaling $0.6 million over the Term and a 2% net sales royalty on sales

of certain Prometic bioseparation products to third parties and affiliates during the Term; which royalties are creditable against the MAR.

In February 2017, the Corporation announced that California Capital Equity, LLC, exercised 44,791,488 investment rights, equivalent to share purchase warrants, at a price of $0.47 per share for total proceeds of $21.1 million to the Corporation.

On March 23, 2017, the Corporation and the holder of the long-term debt entered into a binding agreement whereby the Corporation will receive $25 million in cash in consideration for the issuance of a $25 million loan to bear interest at 8.5% repayable in July 2022 and 10,600,407 warrants with an exercise price of $3.70 per warrant and expiring in October 2023. The transaction is subject to obtaining TSX approval and closing the definitive documentation.

FINANCIAL PERFORMANCE

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

Business Combination

On October 31, 2016 (the “closing date”), the Corporation acquired 100% of the outstanding shares of Telesta Therapeutics Inc., a Canadian based company at a price of $0.14 per Telesta common share, payable in Prometic common shares. The number of common shares issued by Prometic to acquire the Telesta common shares was based on the volume weighted average closing price of Prometic’s common shares for the five trading days prior to the closing date of the acquisition of $2.98. Accordingly, each Telesta common share was acquired for 0.04698 Prometic common share and a total of 14,258,213 Prometic common shares were issued. The Corporation also issued 277,910 warrants having an exercise price of $6.39 maturing on September 23, 2019 in replacement of the Telesta warrants.

The fair value of the consideration given is presented in the table below:

Common shares issued	$	40,208
Warrants issued		65
	$	40,273

The Corporation recognised all of the identifiable net assets at their acquisition date fair values as presented in the following table.

Net identifiable assets acquired:		
Cash and cash equivalents	$	13,495
Marketable securities and short-term investments		22,714
Account receivable		1,446
Prepaids		164
Non-current receivable		1,718
Capital assets		10,753
Accounts payable and accrued liabilities		(1,878)
Other non-current liability		(587)
Deferred revenues		(88)
Finance lease obligation		(12)
Long-term debt		(7,452)
Net assets	$	40,273

The assets and liabilities of Telesta are included in the consolidated statement of financial position as at December 31, 2016 and the operating results are reflected in its consolidated statement of operations since October 31, 2016. Between the acquisition date and the year ended December 31, 2016, rental income of $0.1 million and net loss of $3.6 million have been recognized in the consolidated statement of operations. In addition to the inclusion of the Teleta net loss on operations, acquisition related expenses and

severances amounting to $0.6 million and $2.1 million respectively, have been recognized as administration expenses in the consolidated statement of operations. The assets, liabilities and operating expenses relating to the Belleville production facility have been included in the Protein Technology segment as the Corporation is currently evaluating the feasibility of transforming the site to a plasma purification facility. As for the second production facility acquired as part of the transaction, Prometic is still assessing the best course of action which include amongst others, the possibility of using, selling or renting the site.

Results of operations

The condensed interim consolidated statement of operations for the quarter and year ended December 31, 2016 compared to the same period in 2015 are presented in the following table.

	Quarter ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
Revenues	$ 4,111	$ 14,066	$ 16,392	$ 24,534
Expenses				
Cost of goods sold	1,542	4,877	6,758	8,219
Research and development expenses	28,672	17,931	88,076	50,250
Administration, selling and marketing expenses	12,816	5,330	29,301	16,575
Loss (gain) on foreign exchange	(228)	(366)	423	(2,078)
Finance costs	1,349	951	4,527	2,854
Fair value variation of warrant liability	-	-	-	1,458
Loss on extinguishment of liabilities	1,609	-	4,194	9,592
Purchase gain on business combination	-	(412)	-	(412)
Net loss before income taxes	(41,649)	(14,245)	(116,887)	(61,924)
Income tax expense (recovery):				
Current	(5)	-	2	2
Deferred	(1,540)	(1,983)	(6,220)	(5,141)
	(1,545)	(1,983)	(6,218)	(5,139)
Net loss	$ (40,104)	$ (12,262)	$ (110,669)	$ (56,785)
Net loss attributable to:				
Owners of the parent	(37,308)	(10,673)	(100,807)	(50,961)
Non-controlling interests	(2,796)	(1,589)	(9,862)	(5,824)
	$ (40,104)	$ (12,262)	$ (110,669)	$ (56,785)
Loss per share				
Attributable to the owners of the parent				
Basic and Diluted	$ (0.06)	$ (0.02)	$ (0.17)	$ (0.09)
Weighted average number of outstanding shares (in thousands)	616,081	581,258	598,393	570,849

Revenues

Total revenues for the year ended December 31, 2016 were $16.4 million compared to $24.5 million during the comparative period of 2015, a decrease of $8.1 million. Total revenues for the quarter ended December 31, 2016 were $4.1 million compared to $14.1 million during the comparative period of 2015, representing a decrease of $10.0 million.

Revenues for both periods included revenues from product sales and development service revenues while in 2015, they also included milestone revenues. In 2016, a minor amount of rental revenues, coming from the Telesta acquisition, were recognized. Revenues from each source may vary significantly from period to period. The following table provides the breakdown of total revenues by source for the year and the quarter ended December 31, 2016 compared to the corresponding period in 2015.

	Quarter ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
Revenues from the sale of goods	$ 3,291	$ 12,238	$ 12,892	$ 21,424
Revenues from the rendering of services	691	489	3,371	1,771
Milestone and Licensing revenues	-	1,339	-	1,339
Rental Revenue	129	-	129	-
	$ 4,111	$ 14,066	$ 16,392	$ 24,534

Revenues from the sale of goods were $12.9 million during the year ended December 31, 2016 compared to $21.4 million during the corresponding period of 2015, representing a decrease of $8.5 million. The decrease in volumes of our affinity separation materials produced by PBL and sold to third parties were the main reason for the decline but this was also compounded by the impact of the lower GBP to CAD exchange rates in 2016 compared to the same period in 2015. Revenues from the sale of goods were $3.3 million during the fourth quarter of 2016 compared to $12.2 million during the corresponding period of 2015, representing a decrease of $8.9 million.

Service revenues were $3.4 million during the year ended December 31, 2016 compared to $1.8 million for the corresponding period of 2015, representing an increase of $1.6 million that was mainly related to the development of bioseparation products. Service revenues were $0.7 million for the fourth quarter of 2016 compared to $0.5 million during the corresponding period of 2015, representing an increase of $0.2 million.

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

Cost of goods sold

Cost of goods sold were $6.8 million during the year ended December 31, 2016 compared to $8.2 million for the corresponding period in 2015. . The decrease of $1.5 million was mainly due to a decrease in volumes sold which were partially offset by an increase in manufacturing costs and inventory write-downs of $0.5 million. Cost of goods sold were $1.5 million during the quarter ended December 31, 2016 compared to $4.9 million for the corresponding period in 2015, representing a decrease of $3.3 million, proportionately reflecting the decrease in sales over the two periods.

Revenues from the sale of goods is composed of different products and the margins on individual products vary significantly. Several of our products are custom designed for specific customers. Since key customers tend to place significant orders that may not be repeated on a yearly basis, the sales for individual products, just like our product sales in general are quite variable. This is compounded by the fact that a high proportion of our sales in a given period usually come from a limited number of customers. If our larger customers purchase higher margin product or lower margin product, it will create volatility in our total margins and in the cost of goods sold from period to period. In addition, the size of the orders will affect the batch size used in production. Larger batch sizes render higher gross margins.

Research and development expenses

Research and Development (“R&D”) expenses include the manufacturing of plasma-derived therapeutics used in the clinical trials in Laval and at the Winnipeg CMO. These manufacturing expenses represent approximately 37% or $32.6 million of the $88.1 million in R&D expenses reported during the year ended December 31, 2016. The Corporation is establishing a significant manufacturing infrastructure to enable the commercialization of several products with plasminogen expected to be launched in 2017, followed by IVIG and several other products currently under development. In the near future, some of these manufacturing expenses, for example the production costs associated with plasminogen designated for upcoming commercial sales, will migrate away from the R&D expense line to be allocated to the finished goods inventory on the statement of financial position and eventually recorded as cost of goods sold in the statement of operations when products are sold. During the third quarter of 2016, the Corporation started capitalizing raw materials related to the upcoming commercialisation of the plasminogen therapeutic

product, based on management's judgement that it is highly likely that the Corporation will receive regulatory approval for the commercialisation of the product in 2017. The cost of manufacturing therapeutics to be used in clinical trials will remain as R&D expenses.

R&D expenses were $88.1 million during the year ended December 31, 2016 compared to $50.3 million for the corresponding period in 2015, representing an increase of $37.8 million. Approximately $11.9 million of this increase is due to the increase in production expenses, excluding employee compensation expenditures, at the Laval and Winnipeg CMO production facilities. The activities at these two locations generate the data required to file the BLAs, provide clinical trial materials and contribute to setting up the commercial infrastructure. The increase in R&D expenses also corresponds to the overall increase in R&D activities with the advancement of several plasma-derived therapeutics, including IVIG and plasminogen progressing in phase 3 clinical trials, and PBI-4050 in multiple phase 2 trials. Employee compensation expenditures included in R&D expenses increased by approximately $8.1 million reflecting the increase in employees working on clinical trials, at our research centers, and at our production facility in Laval. Contract Research Organizations ("CRO") and investigator expenses incurred in relation to the clinical trials were higher by $9.6 million during the year ended December 31, 2016 compared to the same period in 2015 reflecting the increase in the number of trials in progress, the duration and higher patient enrolment of the trials. Finally, external pre-clinical study costs increased by approximately $5.7 million as the Corporation continues working towards the development of additional therapeutics and investigates the possibilities of expanding the fields of use of its plasma-derived therapeutics, of PBI-4050 and on follow-up drug candidates. R&D expenses were $28.7 million during the quarter ended December 31, 2016 compared to $17.9 million for the corresponding period in 2015, representing an increase of $10.7 million.

Administration, selling and marketing expenses

Administration, selling and marketing expenses were $29.3 million during the year ended December 31, 2016 compared to $16.6 million for the corresponding period in 2015, representing an increase of $12.7 million. The increase is mainly attributable to the increase in salary and benefit expenses of $6.6 million resulting from an increase in headcount and the related increase in operating costs, higher share-based payments expense of $1.9 million, severance expense of $2.1 million in relation to rationalisation efforts at Telesta, the recognition of $0.9 million in fees relating to the GE litigation and a provision for bad debts of $0.8 million. Administration, selling and marketing expenses were $12.8 million during the quarter ended December 31, 2016 compared to $5.3 million for the corresponding period in 2015, representing an increase of $7.5 million.

Share-based payments

Share-based payments expense represents the expense recorded as a result of stock options and restricted stock units 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,	
	2016	2015	2016	2015
Cost of goods sold	$ 151	$ 14	$ 261	$ 40
Research and development expenses	1,819	528	3,052	1,244
Administration, selling and marketing expenses	1,894	545	3,550	1,688
	$ 3,864	$ 1,087	$ 6,863	$ 2,972

Share-based payments were $6.9 million during the year ended December 31, 2016 compared to $3.0 million during the corresponding period of 2015, representing an increase of $3.9 million. Share-based payments were $3.9 million during the quarter ended December 31, 2016 compared to $1.1 million during the corresponding period of 2015, representing an increase of $2.8 million. The increase is mainly due to the increase in the RSU expense of $3.0 million. The higher expense reflects the greater number of employees who participate in the plan year over year as the number of executives has grown, the increase

in the grant date fair value of RSU granted over the years and also the fact that some key objectives became probable during the course of the year.

The RSU expense may vary significantly from period to period as certain milestones are met, others increase or decrease in likelihood as projects advance and the time to achieve the milestones before the RSU expiry decreases.

Finance costs

Finance costs were $4.5 million for the year ended December 31, 2016 compared to $2.9 million during the corresponding period of 2015, representing an increase of $1.6 million. This increase reflects the higher amount of debt the Corporation is carrying mainly as a result of the increase in the first Original Issue Discount ("OID") loan in February 2016.

Loss on extinguishment of liabilities and fair value variation of warrant liability

The following table provides the breakdown of the loss on extinguishment of liabilities by type of transaction for the quarter and year ended December 31, 2016 and 2015:

	Year ended December 31,	
	2016	2015
Loss on extinguishments of debt	$ 4,194	$ 7,725
Loss on reclassification of warrant liability to equity	-	1,867
	$ 4,194	$ 9,592

In 2016 and 2015, Structured Alpha, the holder of the long-term debt, used the set off of principal right under the loan agreements, to settle the amounts due to the Corporation following its participation in several private placements as listed below. These transactions were accounted for as an extinguishment of a portion of an OID loan and the difference between the adjustment to the carrying value of the loan and the amount recorded for the shares issued, was recorded as a loss on extinguishment of debt.

- In May 25, 2016, the face value of the second OID loan was reduced by $6.0 million, from $31.3 million to $25.3 million. The reduction of $6.0 million is equivalent to the value of 1,921,776 common shares issued at the agreed price of $3.10. A loss on extinguishment of $2.6 million was recognized on this transaction.
- On October 31, 2016, the face value of the second OID loan was reduced by $4.2 million, from $25.3 million to $21.2 million. The reduction of $4.2 million is the equivalent to the value of 1,401,632 common shares issued at the agreed price of $2.98. A loss on extinguishment of $1.6 million was recognized on this transaction.
- On May 6 and May 28, 2015, Structured Alpha had similarly reduced the face value of the first OID loan by $4.3 million in payment of 1,662,526 common shares at the agreed price of $2.60. This had resulted in the recording of a loss on extinguishment of debt $1.7 million.

In addition to the impacts of the transactions described above, in March 2015, the Corporation and Structured Alpha had amended the terms of the two OID loans and in consideration for modifications, Prometic issued 7,000,000 warrants to purchase common shares of the Corporation at an exercise price of $3.00 per common share to Structured Alpha.

The modification was accounted for as an extinguishment of the previous loans and the recognition of new loans at their fair value at the date of the transaction. The required adjustment to the OID loans of $1.8 million on the consolidated statement of financial position and the cost associated with this transaction representing mainly legal fees and the fair value of the warrants issued were recognised as a loss on extinguishment of debt amounting to $6.1 million.

The aggregate impact of these transactions resulted in a higher loss on extinguishments of debt in 2015 than in 2016.

Finally in May 2015, the shareholders approved modifications to the Second Warrants issued in the financing transaction in September 2013. Pursuant to the modification, the Second Warrants ceased to qualify as a derivative and became equity instruments. Up to May 13, 2015, the Second Warrants continued to be measured at fair value. The fair value of the warrant liability on that date was estimated at $26.1 million. This results in a loss on revaluation of the warrant liability of $1.5 million for the year ended December 31, 2015.

Following the modifications to the Second Warrant, the derivative liability was derecognised and the modified warrants were recorded in equity ("reclassification of warrant liability to equity") at their fair value on the date of the modification estimated at $28.0 million. The modification resulted in a loss of $1.9 million being recognized for the year ended December 31, 2015.

Income taxes
The Corporation recorded an income tax recovery of $6.2 million during the year ended December 31, 2016 compared to $5.1 million for the corresponding period of 2015. The Corporation recorded a slightly lower income tax recovery of $1.5 million during the quarter ended December 31, 2016 compared to $2.0 million for the corresponding period of 2015. These income tax recoveries are mainly due to the recognition of deferred tax assets pertaining to the unused tax losses attributable to Prometic as a partner in NantPro, our partnership with NantPharma to develop and commercialize IVIG for the US market.

Net loss
The Corporation incurred a net loss of $110.7 million during the year ended December 31, 2016 compared to a net loss of $56.8 million for the corresponding period of 2015, representing an increase of $53.9 million. The Corporation incurred a net loss of $40.1 million during the quarter ended December 31, 2016 compared to a net loss of $12.3 million for the corresponding period of 2015, representing an increase of $27.8 million. The year to date net loss in 2016 is higher since operating expenses are significantly higher than those in the corresponding period of 2015, with R&D and Administration, selling and marketing increasing by $37.8 million and $12.7 million respectively.

EBITDA analysis

The Adjusted EBITDA for the Corporation for the quarter and the year ended December 31, 2016 and 2015 are presented in the following tables:

	Quarter ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
Revenues	$ 4,111	$ 14,066	$ 16,392	$ 24,534
Expenses				
Cost of goods sold	1,542	4,877	6,758	8,219
Research and development expenses	28,672	17,931	88,076	50,250
Administration, selling and marketing expenses	12,816	5,330	29,301	16,575
Total	$ (38,919)	$ (14,072)	$ (107,743)	$ (50,510)
Adjustments to obtain Adjusted EBITDA				
Share-based compensation	3,864	1,087	6,863	2,972
Depreciation	912	715	3,250	2,437
Adjusted EBITDA	$ (34,143)	$ (12,270)	$ (97,630)	$ (45,101)

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 the Corporation against other companies.

Total Adjusted EBITDA for the Corporation was $(97.6) million for the year ended December 31, 2016 compared to $(45.1) million for the comparative period of 2015, representing an increase in Adjusted EBITDA loss of $52.5 million. Total Adjusted EBITDA was $(34.1) million for the quarter ended December 31, 2016 compared to $(12.3) million for the comparative period of 2015, representing an increase in Adjusted EBITDA loss of $21.9 million. The increase in R&D and administration, selling and marketing expenses of $37.8 million and $12.7 million, respectively during the year ended December 31, 2016 compared to the corresponding period in 2015, are the main factors explaining the increase in Adjusted EBITDA loss.

Segmented information analysis

For the year ended December 31, 2016 and 2015
The net loss before income taxes for each segment and for the total Corporation for the year ended December 31, 2016 and 2015 are presented in the following tables.

Year ended December 31, 2016	Small Molecule Therapeutics	Protein Technologies	Corporate	Total
Revenues	$ -	$ 16,392	$ -	$ 16,392
Costs of goods sold	-	6,758	-	6,758
Research & development expenses	14,232	73,844	-	88,076
Administration, selling and marketing	3,303	10,899	15,099	29,301
Loss (gain) on foreign exchange	(245)	(1,311)	1,979	423
Finance costs	873	2,759	895	4,527
Loss on extinguishment of liabilities	-	-	4,194	4,194
Net loss before income taxes	$ (18,163)	$ (76,557)	$ (22,167)	$ (116,887)

Year ended December 31, 2015	Small Molecule Therapeutics	Protein Technologies	Corporate	Total
Revenues	$ -	$ 24,534	$ -	$ 24,534
Costs of goods sold	-	8,219	-	8,219
Research & development expenses	9,275	40,975	-	50,250
Administration, selling and marketing	1,646	6,336	8,593	16,575
Loss (gain) on foreign exchange	7	7,034	(9,119)	(2,078)
Finance costs	591	1,972	291	2,854
Fair value variation of warrant liability	-	-	1,458	1,458
Loss on extinguishment of liabilities	-	-	9,592	9,592
Purchase gain on business combination	-	(412)	-	(412)
Net loss before income taxes	$ (11,519)	$ (39,590)	$ (10,815)	$ (61,924)

Net loss before income taxes for Small Molecule Therapeutics increased by $6.6 million during the year ended December 31, 2016 compared to the corresponding period in 2015. The increase in the net loss is mainly due to higher R&D expenditures of $5.0 million.

Presently, the segment is conducting three trials including a phase 2 trial for IPF at six sites and single-site phase 2 trials for both MS T2D and Alström. It is also preparing to launch the CFRD trial. In comparison, during the same period last year, the segment was commencing a single-site phase 2 MS T2D trial and the IPF trial. Pre-clinical work also intensified in 2016 as additional studies were performed to further investigate the possibilities of expanding the fields of use of PBI-4050 and on follow-up drug candidates. As such, the cost of external pre-clinical studies increased by $2.1 million over the prior period. As a result of the expanded clinical activities and pre-clinical work, the number of employees increased, leading to higher share-based payment expense, compensation expenses and related costs of approximately $2.2 million. External support expenses for conducting the trials were similar over both years.. Administration, selling and marketing expenses also increased reflecting the increase in administrative and business development support that the segment received.

Net loss before income taxes for Protein Technologies increased by $37.0 million for the year ended December 31, 2016 compared to the corresponding period in 2015. The main reasons for the increase in the net loss pertains to the increase in R&D expenses and administration, selling and marketing expenses of $32.9 million and $4.6 million respectively. This was partially offset by the change in foreign currency exchange gain and losses when comparing both periods, resulting from the variation in the USD to CAD foreign exchange rate affecting the translation of intercompany loans. This resulted in the segment going from a reported loss on exchange in 2015 to a gain on exchange in 2016, representing a reduction in net loss of $8.3 million for the year ended 2016 compared to the same period in 2015.

The increase in R&D expenses is mainly driven by an increase in employee compensation by $5.9 million, production costs, excluding employee compensation, of $11.9 million, CRO and investigator expenses of $9.7 million and external pre-clinical studies of $2.7 million. Compensation expenses increased reflecting the increase in the number of employees at 1) the PBT research center involved in supporting the on-going clinical trials and the regulatory process, 2) at the Laval and CMO manufacturing sites to meet the increased demand for the therapeutics needed for the trials, and 3) at our plasma collection centers as the collection capability of this facility ramps up. The increase in production expenses is driven by significantly higher quantities of plasma and other materials used in the production process.

CRO and investigator expenses and external pre-clinical expenses increased as the segment continues to expand its clinical programs and the development of new proteins. The phase 2/3 Plasminogen deficiency trials continued and completed enrollment during quarter. The IVIG phase 3 trial, which has completed the enrolment of the 50 adults required and continues with the recruitment of children for the trial, is now running in 12 sites. In the comparative year, there was only one active single-site trial for phase 1 of plasminogen and certain start-up cost in preparation for the launch of the IVIG phase 3 trial.

Administration, selling and marketing expenses also increased, reflecting the increase in administrative support that the segment received, as well as cost incurred in preparing for the commercial launch of plasminogen scheduled for 2017. In addition, the 2016 expenses include $0.9 million of fees recognized in regards to the GE settlement and license agreement concluded in October 2016 and a provision for bad debts of $0.8 million.

For the quarters ended December 31, 2016 and 2015

The net loss before income taxes for each segment and for the total Corporation for the quarters ended December 31, 2016 and 2015 are presented in the following tables.

Quarter ended December 31, 2016	Small Molecule Therapeutics	Protein Technologies	Corporate	Total
Revenues	$ -	$ 4,111	$ -	$ 4,111
Costs of goods sold	-	1,542	-	1,542
Research and development expenses	4,814	23,858	-	28,672
Administration, selling and marketing	1,137	4,027	7,652	12,816
Loss (gain) on foreign exchange	(116)	1,570	(1,682)	(228)
Finance costs	206	797	346	1,349
Loss on extinguishment of liabilities	-	-	1,609	1,609
Net loss before income taxes	$ (6,041)	$ (27,683)	$ (7,925)	$ (41,649)

Quarter ended December 31, 2015	Small Molecule Therapeutics	Protein Technologies	Corporate	Total
Revenues	$ -	$ 14,066	$ -	$ 14,066
Costs of goods sold	-	4,877	-	4,877
Research and development expenses	3,078	14,853	-	17,931
Administration, selling and marketing	1,048	2,387	1,895	5,330
Loss (gain) on foreign exchange	(8)	(3,829)	3,471	(366)
Finance costs	136	444	371	951
Purchase gain on business combination	-	(412)	-	(412)
Net loss before income taxes	$ (4,254)	$ (4,254)	$ (5,737)	$ (14,245)

Net loss before income taxes for Small Molecule Therapeutics increased by $1.8 million during the quarter ended December 31, 2016 compared to the corresponding period in 2015. The increase is mainly due to higher R&D expenditures resulting from an increase in compensation expenses, pre-clinical studies and the cost to purchase and supply PBI-4050 for the clinical trials. Administration, selling and marketing expenses increased reflecting the increase in administrative support that the segment received as well as business development support.

Net loss before income taxes for Protein Technologies increased by $23.4 million for the quarter ended December 31, 2016 compared to the corresponding period in 2015. The main reason for the increase is the increase in R&D and administration, selling and marketing expenses of $9.0 million and $1.6 million, respectively as well as the decrease in the net contribution from the revenues (revenues less cost of goods sold) of $6.6 million. The increase in R&D expenses is mainly driven by an increase in CRO and investigator expenses, headcount and manufacturing costs for the products used in the clinical trials. In addition, the segment continues to work on the development of new proteins and the eventual filing of new INDs. Administration, selling and marketing expenses increased reflecting the increase in compensation and related expenses as the segment is building the infrastructure to support the commercial launch of plasminogen and due to the increase in administrative support that the segment received. In addition, a bad debt provision of $0.8 million was recognized during the quarter ended December 31, 2016 when no such expense was recognized in the corresponding period in 2015.

Financial condition

The condensed consolidated statements of financial position at December 31, 2016 and December 31, 2015 are presented in the following table.

		2016		2015
Total current assets	$	64,261	$	45,139
Other long-term assets		4,243		2,444
Capital assets		41,193		19,041
Intangible assets		155,487		148,339
Deferred tax assets		110		325
Total assets	$	265,294	$	215,288
Total current liabilities	$	32,058	$	13,816
Long-term liabilities		48,588		24,662
Deferred tax liabilities		25,305		31,483
Total liabilities	$	105,951	$	69,961
Share capital		480,237		365,540
Contributed Surplus		12,919		7,367
Warrants and future investment rights		64,201		53,717
Accumulated other comprehensive income		(1,964)		262
Deficit		(423,026)		(313,533)
Equity attributable to owners of the parent		132,367		113,353
Non-controlling interests		26,976		31,974
Total equity		159,343		145,327
Total liabilities and equity	$	265,294	$	215,288

Current assets

Current assets increased by $19.1 million at December 31, 2016 compared to December 31, 2015. The increase in current assets is mainly due to the increase in inventories of $8.2 million and the holding of $11.1 million in marketable securities and short-term investments at December 31, 2016, which were acquired as part of the Telesta business combination. The increase in inventories year over year is mainly due to the capitalisation, started during the third quarter of 2016, of raw materials related to the expected upcoming commercialisation of the plasminogen therapeutic product, which management has determined that it is highly likely that the Corporation will receive regulatory approval for the commercialisation of the product in 2017. At December 31, 2016, the Corporation held $8.9 million in inventories for this purpose.

Capital assets

Capital assets increased by $22.2 million at December 31, 2016 compared to December 31, 2015. Of this increase, $10.8 million was due to the fixed assets acquired as part of the Telesta business combination on October 31, 2016 and $7.5 million is due to the investment in production equipment acquired by the Corporation to be used at the CMO plant in Winnipeg, the majority of the equipment being installed during Q3, 2016. This equipment is able to be relocated to other sites as needed. The Corporation also invested in production equipment at its Isle of Man bioseparations production facility to increase the manufacturing output level. These increases have been partially offset by a reduction of the value in the capital assets located at the Isle of Man and in Cambridge, U.K. due to a decline in the foreign currency conversion rate of the British pound to the Canadian dollar ("GBP/CAD translation rate") between December 2015 and 2016.

Intangible assets

Intangible assets increased by $7.1 million at December 31, 2016 compared to December 31, 2015 mainly due to the recognition of $7.1 million for the reacquisition of the rights that were initially granted in the license agreement with Hematech, to a 50% share of the worldwide profits pertaining to the sale of plasminogen for the treatment of plasminogen congenital deficiency, following the amendment of the licensing agreement in December 2016.

Total current liabilities
Total current liabilities increased by $18.2 million at December 31, 2016 compared to December 31, 2015 mainly due to the increase in accounts payable and accrued liabilities of $12.8 million reflecting the general increase in operating activities reflected in both trade payables and accrued wages but also the balance of severances payable in regards to former Telesta employees. The year over year increase also reflects the increase in the current portion of long-term debt of $5.8 million mainly as a result of the long-term debt assumed as part of the Telesta acquisition.

Long-term liabilities
Long-term liabilities increased by $23.9 million at December 31, 2016 compared to December 31, 2015 mainly due to the increase of the carrying value of the long-term debt. The rise results primarily from an increase of the carrying value of first OID loan by $19.4 million following a financing transaction, comprising the issuance of debt and warrants, concluded with Structured Alpha on February 29, 2016 for total proceeds of $30.0 million. As a result of the transaction, the face value of the first OID loan increased from $11.3 million to $61.7 million. The long-term debt was further increased by interest accretion of $4.8 million during the year ended December 31, 2016.

Two extinguishment of debt transactions partially offset this increase. First, in May 2016, Structured Alpha used the set off of principal right under the OID loan agreements, to settle the amounts due to the Corporation following its participation in a private placement on May 25, 2016. As a result, the face value of the second OID loan was reduced by $6.0 million, from $31.3 million to $25.3 million and the carrying value of the loan decreased by $3.2 million.

Secondly, on October 31, 2016, concurrently with the closing of the Telesta acquisition, the Corporation entered into a private placement agreement with Structured Alpha for 1,401,632 common shares. Structured Alpha elected to use the set off of principal right under the OID loan agreements for this transaction as well and as a result, the face value of the second OID loan was reduced by $4.2 million, from 25.3 million to 21.2 million and the carrying value of the loan decreased by $2.3 million.

Finally, long-term liabilities increased because the Corporation was carrying other non-current liabilities of $3.4 million at December 31, 2016 relating to various transaction concluded during 2016.

Deferred tax liabilities
Deferred tax liabilities decreased by $6.2 million at December 31, 2016 compared to December 31, 2015 due mainly to the recognition of deferred income tax assets relating to NantPro losses during the year ended December 31, 3016.

Share Capital
Share capital increased by $114.7 million at December 31, 2016 compared to December 31, 2015 principally following the issuance of shares resulting from the May 2016 bought deal with gross proceeds of $60.1 million, the issuance of $40.2 million in common shares in exchange of the Telesta common shares as part of the business combination and the private placements concluded in May 2016 and October 2016 discussed above.

Contributed surplus
Contributed surplus increased by $5.6 million at December 31, 2016 compared to December 31, 2015. The increase, principally due to the recognition of share-based payment expense of $6.9 million was partially offset by the transfer of $1.3 million out of contributed surplus resulting from the exercise of stock options and the issuance of share under the RSU plan.

Warrants and future investment rights
Warrants and future investment rights increased by $10.5 million at December 31, 2016 compared to December 31, 2015 mainly due to the issuance of 11,793,380 warrants, having an exercise price of $4.70 per warrant, pursuant to the February 29, 2016 financing transaction with Structured Alpha.

Accumulated other comprehensive loss
The accumulated other comprehensive loss presented in the consolidated statement of financial position represents the cumulated unrealized foreign currency exchange gains or losses on translation of the financial statements of foreign subsidiaries, the most important of which is PBL, which have the British pounds as their functional currency. It also comprises the foreign currency gains or losses on long-term loans by the parent entity when these are considered as long-term investments. During the year of 2016, the GBP/CAD translation rate declined from approximately 2.04 to 1.66. This caused the net liabilities of the foreign subsidiaries to be translated into lower amounts in Canadian dollars at December 31, 2016 compared to December 31, 2015, resulting in a foreign currency translation gain. However this gain was surpassed by the foreign currency exchange loss recognized on the long-term loans receivable considered as an investment by the parent entity and denominated in GBP. This lead to the Corporation recognizing a net loss of $2.2 million in "other comprehensive loss" during the year ended December 31, 2016.

Non-controlling interests ("NCI")
The non-controlling interests decreased by $5.0 million during the year ended December 31, 2016 compared to the year ended December 31, 2015 due to non-controlling interests share in the net losses of two subsidiaries, PBP and PRDT. The non-controlling interest in NantPro remained unchanged as the NCI's share in NantPro's losses was offset by the NCI's share in Prometic's funding of that entity's activities.

The variation in the NCI between December 31, 2016 and December 31, 2015 is shown below:

NCI balance at December 31, 2015	$	31,974
NCI share in losses		(9,862)
NCI share in Prometic's funding of NantPro		4,864
NCI balance at December 31, 2016	$	26,976

Cash flow analysis

The condensed consolidated statements of cash flows for the year ended December 31, 2016 and the comparative period in 2015 are presented below.

	Year ended December 31,	
	2016	2015
Cash used in operating activities	$ (97,693)	$ (45,647)
Cash from financing activities	86,938	54,802
Cash flows from (used) in investing activities	9,900	(7,429)
Net increase in cash	(855)	1,726
Net effect of currency exchange rate on cash	(624)	457
Cash, beginning of the period	29,285	27,102
Cash, end of the period	$ 27,806	$ 29,285

Cash flow used in operating activities increased by $52.0 million during the year ended December 31, 2016 compared to the same period in 2015. The increase is due in part to the increase in the Adjusted EBITDA loss of $52.5 million for the Corporation in 2016 which was driven mainly by the increase of $37.8 million in R&D expenses.

Cash flows from financing activities increased by $32.1 million during the year ended December 31, 2016 compared to the same period in 2015 mainly due to the proceeds of $30.0 million from debt and warrant

issuances in 2016 while no similar transactions occurred in comparative period of 2015, and higher proceeds from the issuance of shares during the current period.

Cash flows from investing activities increased by $17.3 million during the year ended December 31, 2016 compared to the same period in 2015 mainly due to the $13.5 million cash and $11.7 million marketable securities acquired from the Telesta business combination. These increases were partially offset by an increase in investment in capital assets of $8.4 million in 2016 compared to the prior year.

USE OF PROCEEDS

On May 25, 2016, the Corporation issued common shares following a bought deal public offering. The net proceeds of received upon closing of the transaction were $56.6 million.

The following table below presents how the proceeds were used compared to the combined estimates, per type of activity, provided by the Corporation at the time of each prospectus.

	Total disbursements at December 31, 2016	Expenditure estimate provided in Prospectuses
Advancement of clinical programs relating to the Corporation's orally active anti-fibrotic drug PBI-4050	$ 4,417	$ 11,300
Scale-up of PBI-4050 follow-up drug candidates and their advancement into clinical stages	4,220	5,600
Advancement of clinical indications for Plasminogen, including wound healing	32,453	11,300
Expansion of clinical uses and proprietary positions on some plasma-derived orphan drugs	6,199	8,500
Expansion of manufacturing capabilities related to the plasma-derived therapeutics	5,900	11,300
General working capital	3,411	8,600
	$ 56,600	$ 56,600

The disbursements made towards the advancement of the PBI-4050 clinical programs include our internal cost to support the on-going trials, the research for potential additional indications that could benefit from this drug, the preparations for the filing of INDs and to launch new trials such as the upcoming CFRD trial. They also include disbursements made to consultants, expenditures in regards to the clinical sites and drug substance manufacturing costs for the three on-going clinical trials for PBI-4050.

The disbursements regarding follow-on drug candidates to PBI-4050 mainly involve our internal cost to support the pre-clinical research in addition to external analysis and consulting expenses.

The advancement of indications for Plasminogen has incurred significant costs as the plasminogen congenital deficiency phase 2/3 clinical trial continues to progress. The Corporation is also advancing its research in the field of wound healing. Disbursements include our internal costs to support the trials, CRO, investigator and consultant expenses in addition to manufacturing cost relating to the production of the drug substance to support the clinical trial.

The disbursements regarding the expansion of the manufacturing capabilities related to the plasma-derived therapeutics include expenditures on production equipment, acquired and installed at the Winnipeg CMO, in order to increase our manufacturing capabilities to supply the product requirements for the clinical trials

and in view of the eventual sale of commercial products. This figure also includes investment in production equipment at the Isle of Man bioseparations production facility to increase the manufacturing output level.

LIQUIDITY AND CONTRACTUAL OBLIGATIONS

At December 31, 2016, the Corporation's position in regards to total current assets net of total current liabilities is a surplus of $32.2 million. Since then, the Corporation received in February $21.1 million in proceeds from the exercise of 44,791,488 future investment rights, similar to a warrant, having an exercise price of $0.47 per right and has entered, on March 23, 2017, into a binding agreement for the issuance of additional long-term debt and warrants in a financing transaction with Structured Alpha for which it will receive $25 million. The transaction is subject to obtaining TSX approval and closing the definitive documentation.

The Corporation expects that its financial position together with the revenues to be generated from its operating activities will be sufficient to fund its operating activities and meet its contractual obligations 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, 2016 are presented in the table below:

		Contractual Cash flows			
At December 31, 2016	**Carrying amount**	**Payable within 1 year**	**2 - 3 years**	**More than 5 years**	**Total**
Accounts payable and accrued liabilities	$ 23,835	$ 23,835	$ -	$ -	$ 23,835
Advance on revenues from a supply agreement	2,167	345	1,900	-	2,245
Settlement fee payable	270	120	230	-	350
Royalty payment obligation	2,523	-	2,758	-	2,758
Other employee benefit liabilities	535	-	631	-	631
Long-term debt *	48,115	6,021	1,965	82,876	90,862
	$ 77,445	$ 30,321	$ 7,484	$ 82,876	$ 120,681

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

Commitments

CMO Lease

In May 2015, the Corporation signed a long-term manufacturing contract with a third party which provides the Corporation with additional manufacturing capacity ("the CMO contract"). The payments under the CMO contract cover the use of the production facility, a specified number of direct and indirect labour hours and the related overhead expense during a minimum of 20 weeks per year, over a 15-year term. The term of the agreement will be automatically extended after the initial term for successive terms of five years, unless a notification of termination is produced by one of the parties. The annual minimum payments under the agreement are subject to escalation annually calculated as the greatest of 3% or the Industrial Product Price / Pharmaceutical and Medicine Manufacturing index under the North American Industry Classification System. The annual payments are also subject to an adjustment calculated as 50% of the exchange rate between the U.S. dollar and the Canadian dollar at December 31st of each year.

The following table represent the future minimum operating lease payment as of December 31, 2016:

	within 1 year	2 - 5 years	Later than 5 years	Total
Future minimum operating lease payment	$ 3,367	$ 14,510	$ 36,195	$ 54,072

The above payments include non-lease elements pertaining to the arrangement as it was impracticable to separate the operating expenses from the lease payment.

Other Leases

The Corporation has total commitments in the amount of $37.7 million under various operating leases for the rental of offices, production plant, laboratory space and office equipment. The payments for the coming years and thereafter are as follows:

2017	$ 4,903
2018	4,927
2019	4,262
2020	4,065
2021 and thereafter	19,572
	$ 37,729

Royalties

In April 2006, the Corporation entered into an agreement with the American Red Cross for an exclusive license to use intellectual property rights relating to the Plasma Protein Purification System (“PPPS”). As per the agreement, Prometic could pay a royalty to the American Red Cross in addition to an annual minimum royalty of US$30,000 to maintain the license.

A company owned by an officer of the Corporation is entitled to receive a royalty of 0.5% on net sales and 3% of license revenues in regards to certain small-molecule therapeutics commercialized by the Corporation. 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 the one mentioned above, the Corporation has committed to pay royalties ranging generally between 1.5% and 15.0% of net sales from products it commercializes.

Other commitments

In connection with the CMO contract, the Corporation has committed to a minimum spending between $4.4 million and $9.0 million each year from 2017 to 2030 (the end of the initial term). As of December 31, 2016, the remaining payment commitment under the CMO contract was $109 million or $55.0 million after deduction of the minimum lease payments under the CMO contract disclosed above.

The Corporation has entered into a plasma purchase agreement whereby it has committed to purchase varying volumes of plasma between January 1, 2016 and December 31, 2020. As at December 31, 2016, this represented a commitment of $59.6 million in aggregate.

The Corporation may be required under a license agreement to make future payments depending on the achievement of the multiple milestones for a total amount of US$4.25 million. In addition, the Corporation has committed to make payments of US$250,000 per quarter, under a research service agreement, until November 2018 for a total of US$1.75 million in future payments remaining as at December 31, 2016.

SELECTED ANNUAL INFORMATION

The following table presents selected audited annual information for the years ended December 31, 2016, 2015 and 2014.

	2016	2015	2014
Revenues	$ 16,392	$ 24,534	$ 23,010
Net profit (loss) attributable to owners of the parent	(100,807)	(50,961)	5,939
Net profit (loss) per share attributable to owners of the parent (basic and diluted)	(0.17)	(0.09)	0.01
Total assets	265,294	215,288	203,443
Total non-current financial liabilities	$ 47,463	$ 24,159	$ 23,244

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 shown a lot of variability over the last three years. Revenues from the sales of goods increased by $10.6 million in 2015 compared to 2014 whereas they have decreased by $8.5 million during 2016. Service revenues declined significantly from $4.8 million in 2014 to $1.8 million in 2015 to then increase to $3.4 million in 2016. Finally, milestone and licensing revenues decreased from $7.4 million in 2014 to $1.3 million in 2015. There were no milestone and licensing revenues earned in 2016.

The net loss attributable to the owners of the parent increased significantly in 2016 from 2015 by $49.8 million due to several factors including an increase of $37.8 million in the total research and development expenses as the Corporation continues to expand the number of proteins under development and indications being pursued with PBI-4050 and progresses with the ongoing clinical trials. This increase continues the ongoing trend for the past several years, as the Corporation's R&D activities keep growing. In 2014, the R&D expenses amounted to $36 million. Similarly, administration, selling and marketing expenses increased from $12.1 million in 2014 to $16.6 million in 2015 and $29.3 million in 2016 reflecting the increase in headcount and the related compensation expense to support the increasing activities. Included in the net loss attributable to the owners of the parent in 2016 and 2015 were losses on extinguishments of liabilities $4.2 million and $9.6 million, respectively. 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 included 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 and that the Corporation had started picking up the majority of the cost of developing IVIG following the NantPro acquisition.

The net loss per share on a basic and diluted basis varied consistently with the net profit or loss and also reflects the increasing number of shares outstanding.

The total assets increased from year to year as the Corporation's financial situation has improved. The Corporation has continued investing in capital assets to increase its production capacity and intangible assets such as the expansion of its patent portfolio but has also invested to broaden its activities as demonstrated with the acquisition of Telesta in 2016, the plasma collection center in 2015 and NantPro in 2014.

Non-current financial liabilities remained at similar levels in 2014 and 2015 whereas they increased by $23.3 million between 2015 and 2016 mainly due to the issuance of additional long-term debt of $19.4 million, the assumption of liabilities from the Telesta business combination of $7.5 million and the general increase for interest accretion of $4.8 million in 2016.

SUMMARY OF QUARTERLY RESULTS

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

		Net earnings (loss) attributable to the owners of the parent		
Quarter ended	Revenues	Total	Per share Basic	Per share Diluted
December 31, 2016	$ 4,111	$ (37,308)	$ (0.06)	$ (0.06)
September 30, 2016	3,737	(25,569)	(0.04)	(0.04)
June 30, 2016	3,295	(22,351)	(0.04)	(0.04)
March 31, 2016	5,249	(15,579)	(0.03)	(0.03)
December 31, 2015	14,066	(10,673)	(0.02)	(0.02)
September 30, 2015	5,661	(9,227)	(0.02)	(0.02)
June 30, 2015	2,898	(12,281)	(0.02)	(0.02)
March 31, 2015	1,909	(18,780)	(0.03)	(0.03)

Revenues from period to period vary significantly as these are affected by the timing of orders for goods and the shipment of the orders, the achievement of milestones and depend on the timing of the provision of research services under 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.

Revenues were lower during the quarter ended March 31, 2015 reflecting lower product sales and the fact that no milestone or licencing revenues were earned. R&D expenses were lower than in the previous quarter as the cost of preparation of IND filings decreased. The share-based payment expense at $0.8 million were at a more normal level than the $2.5 million recognized in the previous quarter. The warrant liability continued to increase as the share price increased negatively impacting results by $3.4 million. Also during the quarter the Corporation recognised a loss on extinguishment of liabilities of $6.1 million as a result of the modifications to its long-term debt.

Despite revenues being slightly higher during the quarter ended June 30, 2015 compared to the previous quarter, revenues remained low at $2.9 million. Total R&D expenses and administration, selling and marketing expenses were slightly higher than those of the first quarter of 2015 by $0.9 million and $0.4 million respectively. The fair value of the warrant liability decreased prior to its de-recognition reflecting the decrease in the share price between March 31, 2015 and May 13, 2015, creating a gain of $2.0 million. The Corporation also recognized a loss on extinguishment of the warrants liability and part of an OID loan for a total of $3.5 million.

Revenues increased during the quarter ended September 30, 2015 compared to the previous quarters in the current year to reach $5.7 million reflecting higher affinity resin sales. Total R&D expenses and administration, selling and marketing expenses continued their trend since the beginning of the 2015 and were higher than the previous quarters of 2015. The Corporation started incurring expenses in regards to the CMO facility as operations commenced in July 2015.

Revenues, mainly from sales of goods, reached their highest level for a given quarter during the last two years during the quarter ended December 31, 2015, for a total of $14.1 million while the same could be said for total R&D expenses and administrative, selling and marketing expenses. There were several on-going clinical trials during the quarter in relation to plasminogen, IVIG and PBI-4050 and preparatory work for forthcoming clinical programs.

Revenues, mainly from the sale of goods were $5.2 million during the quarter ended March 31, 2016. R&D and Administration, selling and marketing expense were both slightly lower than during the fourth quarter of 2015 but surpassed $21 million combined. Research and development expenses for the period were lower by $1.5 million at $16.5 million mainly reflecting the fact that there were no plasma fractionation activities scheduled at the CMO in Winnipeg during the quarter.

During the second quarter of 2016, the R&D expense and the administration, selling and marketing expense were $19.4 million and $5.2 million respectively, which were higher than previous quarter due to the increase in the level of pre-clinical and clinical activities within the Corporation. Also, a non-cash loss on extinguishment of liabilities of $2.6 million was recorded as the holder of the long-term debt decided to reduce the face value of the loan in consideration of the shares they received pursuant to a private placement. Finally, slightly lower sales of goods were registered in the second quarter compared to previous quarter.

Revenues during the quarter ended September 30, 2016 totalled $3.7 million. Total R&D expenses increased by $4.2 million compared to the previous quarter. The majority of the increase is due to the increase in the production expenses at the Laval manufacturing facility resulting from an increase in production levels during the quarter and an increase in the expenses regarding the CMO mainly reflecting the timing of the production schedule which in 2016 takes place throughout the third and fourth quarters. The remainder of the increase is due to higher employee compensation and related expenses as the number of employees increased. Administration, selling and marketing expenses were $6.5 million, an increase of $1.3 million from the prior quarter which was mainly due to the recording of $0.9 million in fees regarding the GE settlement and license agreement.

Revenues during the quarter ended December 31, 2016 totaled $4.1 million. Total R&D expenses were $28.7 million, an increase of $5.1 million compared to the previous quarter due to increase clinical trial spend, employee compensation and an increase in share-based payment expenses of $1.8 million. Administration, selling and marketing expenses were $12.8 million, an increase of $6.3 million from the prior quarter which was mainly attributable to salary and benefit expenses resulting from an increase in headcount and the related increase in operating costs, higher share-based payments expense of $1.5 million, severance expense of $2.1 million in relation to rationalisation efforts at Telesta and a provision for bad debts of $0.8 million.

OUTSTANDING SHARE DATA

The Corporation is authorized to issue an unlimited number of common shares. At March 23, 2017, 668,691,694 common shares, 13,717,230 options to purchase common shares, 6,841,940 restricted share units and 57,071,692 warrants to purchase common shares were issued and outstanding.

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 transactions between the Corporation and other related parties are disclosed below.

The share purchase loan to the CEO in the amount of $400,000 dollars at December 31, 2016, bears interest at prime plus 1%, and has a maturity date of the earlier of (i) March 31, 2019 or (ii) 30 days preceding a targeted NASDAQ or NYSE listing date of Prometic's shares. During the year ended December 31, 2016, interest revenues in the amount of $15,000 dollars ($18,000 dollars for the year ended December 31, 2015) were recorded on the share purchase loan to an officer and included in advances and interest on loan due from an officer.

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 up-front 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.

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, 2016 and 2015 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 other things, the primary economic environment in which an entity operates, the currency in which the activities are funded 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 equity interest in Telesta Therapeutics Inc. ("Telesta") fell within the scope of IFRS 3, *Business Combination*, management evaluated whether Telesta 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 Telesta 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. Management concluded that it had inputs, processes and other elements making it a business and therefore accounted for the acquisition as a business combination.

Assets arising from a business combination - The Corporation acquired Telesta and the Winnipeg plasma collection center in 2016 and 2015, respectively. The cost to acquire the businesses must be allocated to the identifiable assets and liabilities acquired based on their estimated fair values calculated in accordance with the requirements of IFRS 3, *Business Combinations*. The estimated lives and amortization periods for certain identifiable assets must also be determined.

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 the value a market participant would be willing to pay for capital assets and intangibles. 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.

Going concern - In assessing whether the going concern assumption is appropriate and whether there are material uncertainties that may cast significant doubt about the Corporation's ability to continue as a going concern, management must estimate future cash flows for a period of at least twelve months following the end of the reporting period by considering relevant available information about the future. Management has considered a wide range of factors relating to expected cash inflows such as product sales, including whether the Corporation will obtain regulatory approval for commercialization of therapeutics, licensing and milestone revenues and potential sources of debt and equity financing including the exercise of in-the-money warrants and options. Management has also estimated expected cash outflows such as operating and capital expenditures and debt repayment schedules, including the ability to delay uncommitted expenditures. These cash flow estimates are subject to uncertainty.

Estimates and assumptions

Assessing the recoverable amount of intangibles not yet available for use – In determining the value in use as part of the annual impairment test on the intangible asset that is not yet available for use (see note 11 to the December 31, 2016 consolidated financial statements) performed as of November 30 each year, management must make estimates and assumptions regarding the estimated future cash flows such as production capacities and costs, market penetration, the commencement date for commercialisation, etc. The future cash flows are estimated using a five-year projection of cash flows before taxes which are based on the most recent budgets and forecasts available to the Corporation. The fifth year was then extrapolated, including a 2% annual growth rate. The estimated cash flows are then discounted to their net present value using a pre-tax discount rate that includes a risk premium specific to the line of business .The Corporation determined its value in use by applying a pre-tax discount rate of 17.33 % at November 30, 2016 (18.83 % at November 30, 2015) equivalent to a post-tax discount rate of 11.87% at the same date (13.53% at November 30, 2015). The values of the Canadian to U.S. dollar exchange rates used over the forecasting period ranged from 1.10 to 1.3 CAD/USD rate and were based on the spot rate on November 30, 2016 together with forward rates and economic forecasts.

Expense recognition of restricted share units – The expense recognized in regards to the RSU for which the performance conditions have not yet been met is based on an estimation of the probability of the successful achievement of a number of performance conditions, many of which depend on research, regulatory process and business development outcomes which are difficult to predict, 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 debt 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 and 2) for disclosing the fair value of financial instruments subsequently carried at amortized cost. 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 (accounted for until May 2015) and the long-term debt are disclosed in notes 14 and 15 of the December 31, 2016 consolidated financial statements, 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.

CHANGES IN ACCOUNTING POLICIES

The Corporation did not adopt or make a change to its accounting policies during the year ended December 31, 2016.

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. The extent of the impact of the adoption of these standards has not yet been determined.

IAS 7, *Statement of Cash Flows* ("IAS 7")
In January 2016, the IASB issued amendments to IAS 7 pursuant to which entities will be required to provide enhanced information about changes in their financial liabilities, including changes from cash flows and non-cash changes. The Corporation will be adopting the IAS 7 amendments and presenting the additional disclosures as required as of January 1, 2017.

IAS 12, *Income Taxes* ("IAS 12")
In January 2016, the IASB issued amendments to IAS 12 which clarify guidance on the recognition of deferred tax assets related to unrealized losses resulting from debt instruments that are measured at their fair value on a continuous basis. The IAS 12 amendments are effective for annual periods beginning on or after January 1, 2017. At December 31, 2016, the Corporation does not hold any debt instruments measured at fair value for which there are unrealized losses. Therefore the adoption of this standard will have no impact on the consolidated financial statement on the adoption date.

IFRS 9, *Financial Instruments – Recognition and Measurement* ("IFRS 9")
In July 2014, the IASB issued the final version of IFRS 9, 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.

IFRS 15, *Revenue from contracts with customers* ("IFRS 15")
In May 2014, the IASB issued IFRS 15, 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 year beginning on January 1, 2018, with earlier adoption permitted.

IFRS 16, *Leases* ("IFRS 16")
In January 2016, the IASB issued IFRS 16, a new standard that replaces IAS 17, *Leases*. IFRS 16 is a major revision of the way in which companies account for leases and will no longer permit off balance sheet leases. Adoption of IFRS 16 is mandatory and will be effective for the Corporation's fiscal year beginning on January 1, 2019. Early application is permitted for companies that also apply IFRS 15.

The Corporation is in the process of evaluating the impact of adopting the amendments to IFRS 9, IFRS 15 and IFRS 16 to its consolidated financial statements.

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, 2016 and 2015.

	2016	2015
Financial assets		
Cash and cash equivalents	$ 27,806	$ 29,285
Marketable securities and short-term investments	11,063	-
Accounts receivable	3,649	4,394
Other non-current receivables	1,996	180
Share purchase loan to an officer	400	450
Available for sale financial assets	1,227	1,233
Financial liabilities		
Accounts payable and accrued liabilities	22,831	10,483
Advance on revenues from a supply agreement	2,167	2,585
Long-term debt	48,115	21,998
Other non-current financial liabilities	3,328	-

Impact of financial instruments in the consolidated statements of operations
The following line items in the consolidated statement of operations for the quarter and year ended December 31, 2016 include income, expense, gains and losses relating to financial instruments:

- finance costs;
- Administration, selling and marketing which includes bad debt provision expense;
- foreign exchange gains and losses; and
- loss on extinguishment of liabilities.

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 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 and cash equivalents, short-term investments, 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

Disclosure Controls and Procedures
The Corporation maintains disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in its reports filed under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

The Corporation's CEO and CFO have evaluated, or caused the evaluation of, under their supervision, the design and operating effectiveness of the Corporation's disclosure controls and procedures. Based upon the evaluation, the CEO and CFO have concluded that the Corporation's disclosure controls and procedures were effective as of December 31, 2016 considering the limitation on scope of design explained below.

Internal control over Financial Reporting
Internal controls over financial reporting (ICFR) are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Due to its inherent limitation, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

The Corporation's CEO and CFO are responsible for establishing and maintaining adequate ICFR. They have evaluated, or caused the evaluation of, under their supervision, the design and operating effectiveness of the Corporation's ICFR as of December 31, 2016 based on the framework established in Internal Control – Integrated Framework (2013) by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, the CEO and CFO concluded that the Corporation's ICFR were effective as of December 31, 2016 considering the limitation on scope of design explained below.

Limitation on scope of design

The Corporation's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have limited the scope of the design of disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of Telesta, which was acquired on October 31, 2016. This scope limitation is in accordance with Section 3.3 of National Instrument 52-109. respecting certification of disclosure in issuers' annual and interim filings which allows an issuer to limit its design of controls over financial reporting and disclosure controls of a company acquired not more than 365 days before the end of the financial period to which the certificate relates.

The summarized financial information regarding Telesta at December 31, 2016 and for the two month period that Prometic has owned Telesta and that is not covered by the certifying officers attestation is presented below.

Condensed statement of financial position:

At December 31,		**2016**
Current assets	$	36,184
Long-term assets		12,121
Total assets	$	48,305
Current liabilities	$	9,144
Long-term liabilities		2,438
Shareholders equity		36,723
Total liabilities and equity	$	48,305

Condensed statement of operations:

For the two months period ended December 31,		**2016**
Revenues	$	129
Research and development expenses		191
Administration expenses		3,456
Other expenses		32
Net loss for the period	$	(3,550)

Change in Internal Controls over Financial Reporting

In accordance with the National Instrument 52-109, the Corporation has filed certificates signed by the CEO and CFO that, among other things, report on the design of disclosure controls and procedures and the design of ICFR as at December 31, 2016.

There have been no changes in the Corporation's ICFR that occurred during the quarter ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect its ICFR.

Annual consolidated financial statements of
Prometic Life Sciences Inc.
For the years ended December 31, 2016 and 2015

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, 2016 and 2015, 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, 2016 and 2015, 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 23, 2017
[1] **CPA auditor, CA public accountancy permit no. A120254**

PROMETIC LIFE SCIENCES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In thousands of Canadian dollars)

At December 31		2016		2015
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**27,806**	$	29,285
Marketable securities and short-term investments (note 6)		**11,063**		-
Accounts receivable (note 7)		**8,790**		8,438
Inventories (note 8)		**13,658**		5,492
Prepaids		**2,944**		1,924
Total current assets		**64,261**		45,139
Non-current income tax receivable		**1,020**		1,031
Other non-current assets (note 9)		**3,223**		1,413
Capital assets (note 10)		**41,193**		19,041
Intangible assets (note 11)		**155,487**		148,339
Deferred tax assets (note 25)		**110**		325
Total assets	**$**	**265,294**	$	215,288
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (note 12)	**$**	**23,835**	$	11,044
Advance on revenues from a supply agreement (note 13)		**345**		424
Current portion of long-term debt (note 15)		**5,802**		-
Deferred revenues		**2,076**		2,348
Total current liabilities		**32,058**		13,816
Long-term portion of advance on revenues from a supply agreement (note 13)		**1,822**		2,161
Long-term portion of lease inducements and obligations		**1,007**		503
Other non-current liabilities (note 16)		**3,446**		-
Long-term debt (note 15)		**42,313**		21,998
Deferred tax liabilities (note 25)		**25,305**		31,483
Total liabilities	**$**	**105,951**	$	69,961
EQUITY				
Share capital (note 17a)	**$**	**480,237**	$	365,540
Contributed surplus (note 17b)		**12,919**		7,367
Warrants and future investment rights (note 17c)		**64,201**		53,717
Accumulated other comprehensive income (loss)		**(1,964)**		262
Deficit		**(423,026)**		(313,533)
Equity attributable to owners of the parent		**132,367**		113,353
Non-controlling interests (note 18)		**26,976**		31,974
Total equity		**159,343**		145,327
Total liabilities and equity	**$**	**265,294**	$	215,288

Commitments (note 29) and subsequent events (note 32)

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

On behalf of the Board Director Director

PROMETIC LIFE SCIENCES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands of Canadian dollars except for per share amounts)

Years ended December 31,		2016		2015
Revenues (note 20)	**$**	**16,392**	$	24,534
Expenses				
Cost of goods sold		**6,758**		8,219
Research and development expenses (notes 2l, 22a)		**88,076**		50,250
Administration, selling and marketing expenses		**29,301**		16,575
Loss (gain) on foreign exchange		**423**		(2,078)
Finance costs (note 22b)		**4,527**		2,854
Fair value variation of warrant liability (note 14)		**-**		1,458
Loss on extinguishment of liabilities (note 21)		**4,194**		9,592
Purchase gains on business combinations (note 5)		**-**		(412)
Net loss before income taxes	**$**	**(116,887)**	$	(61,924)
Income tax recovery (note 25)		**(6,218)**		(5,139)
Net loss	**$**	**(110,669)**	$	(56,785)
Net loss attributable to:				
Owners of the parent		**(100,807)**		(50,961)
Non-controlling interests (note 18)		**(9,862)**		(5,824)
	$	**(110,669)**	$	(56,785)
Loss per share				
Attributable to the owners of the parent				
Basic and diluted	**$**	**(0.17)**	$	(0.09)
Weighted average number of outstanding shares (in thousands)		**598,393**		570,849

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

PROMETIC LIFE SCIENCES INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands of Canadian dollars)

Years ended December 31,		**2016**		2015
Net loss	**$**	**(110,669)**	$	(56,785)
Other comprehensive income (loss)				
Items that may be subsequently reclassified to profit and loss:				
Change in unrealized foreign exchange differences on translation of financial statements of foreign subsidiaries		**(2,226)**		36
Total comprehensive loss	**$**	**(112,895)**	$	(56,749)
Total comprehensive loss attributable to:				
Owners of the parent		**(103,033)**		(50,925)
Non-controlling interests		**(9,862)**		(5,824)
	$	**(112,895)**	$	(56,749)

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

PROMETIC LIFE SCIENCES INC.
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, 2015	294,870	10,923	19,803	226	(255,856)	69,966	34,465	104,431
Net loss	-	-	-	-	(50,961)	(50,961)	(5,824)	(56,785)
Foreign currency translation reserve	-	-	-	36	-	36	-	36
Issuance of shares (note 17a)	61,319	-	-	-	-	61,319	-	61,319
Share-based payments (note 17b)	-	2,972	-	-	-	2,972	-	2,972
Exercise of stock options (note 17b)	817	(320)	-	-	-	497	-	497
Shares issued pursuant to restricted share unit plan (note 17b)	6,208	(6,208)	-	-	-	-	-	-
Exercise of warrants (note 17c)	2,326	-	(1,626)	-	-	700	-	700
Issuance of warrants (note 17c)	-	-	7,539	-	-	7,539	-	7,539
Reclass of warrant liability to equity (note 17c)	-	-	28,001	-	-	28,001	-	28,001
Share and warrant issuance expense (note 17a,c)	-	-	-	-	(3,383)	(3,383)	-	(3,383)
Effect of funding arrangements on non-controlling interest (note 18)	-	-	-	-	(3,333)	(3,333)	3,333	-
Balance at December 31, 2015	**365,540**	**7,367**	**53,717**	**262**	**(313,533)**	**113,353**	**31,974**	**145,327**
Net loss	**-**	**-**	**-**	**-**	**(100,807)**	**(100,807)**	**(9,862)**	**(110,669)**
Foreign currency translation reserve	**-**	**-**	**-**	**(2,226)**	**-**	**(2,226)**	**-**	**(2,226)**
Issuance of shares (note 17a)	**112,711**	**-**	**-**	**-**	**-**	**112,711**	**-**	**112,711**
Reimbursement of share purchase loan to an officer (note 17a)	**50**	**-**	**-**	**-**	**-**	**50**	**-**	**50**
Share-based payments (note 17b)	**-**	**6,863**	**-**	**-**	**-**	**6,863**	**-**	**6,863**
Exercise of stock options (note 17b)	**979**	**(354)**	**-**	**-**	**-**	**625**	**-**	**625**
Shares issued pursuant to restricted share unit plan (note 17b)	**957**	**(957)**	**-**	**-**	**-**	**-**	**-**	**-**
Issuance of warrants (note 17c)	**-**	**-**	**10,484**	**-**	**-**	**10,484**	**-**	**10,484**
Share and warrant issuance expense (note 17a,c)	**-**	**-**	**-**	**-**	**(3,822)**	**(3,822)**	**-**	**(3,822)**
Effect of funding arrangements on non-controlling interest (note 18)	**-**	**-**	**-**	**-**	**(4,864)**	**(4,864)**	**4,864**	**-**
Balance at December 31, 2016	**480,237**	**12,919**	**64,201**	**(1,964)**	**(423,026)**	**132,367**	**26,976**	**159,343**

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

PROMETIC LIFE SCIENCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of Canadian dollars)

Years ended December 31,		2016		2015
Cash flows used in operating activities				
Net loss for the year	**$**	**(110,669)**	$	(56,785)
Adjustments to reconcile net loss to cash flows used in operating activities :				
Finance costs		**5,283**		657
Change in lease inducements and obligations		**947**		464
Carrying value of capital and intangible assets disposed		**174**		80
Fair value variation of warrant liability (note 14)		**-**		1,458
Purchase gain on business combination (note 5)		**-**		(412)
Change in other non-current liabilities		**336**		-
Loss on extinguishment of liabilities (note 21)		**4,194**		9,592
Deferred tax recovery (note 25)		**(6,220)**		(5,141)
Share-based payments (note 17b)		**6,863**		2,972
Depreciation of capital assets (note 10)		**2,519**		1,832
Amortization of intangible assets (note 11)		**731**		605
		(95,842)		(44,678)
Change in non-cash working capital items		**(1,851)**		(969)
	$	**(97,693)**	$	(45,647)
Cash flows from financing activities				
Proceeds from share issuances (note 17a)		**60,140**		57,558
Proceeds from debt and warrant issuances (note 15,17c)		**30,010**		-
Exercise of options (note 17b)		**625**		497
Exercise of warrants (note 17c)		**-**		700
Debt, share and warrant transaction costs		**(3,887)**		(3,953)
Reimbursement of share purchase loan to an officer (note 17a)		**50**		-
	$	**86,938**	$	54,802
Cash flows from (used in) investing activities				
Additions to capital assets		**(14,085)**		(5,725)
Additions to intangible assets		**(1,448)**		(1,200)
Marketable securities		**11,651**		-
Cash and cash equivalents acquired in a business combination (note 5)		**13,495**		(841)
Additions to non-current assets		**(82)**		-
Interest received		**369**		337
	$	**9,900**	$	(7,429)
Net change in cash and cash equivalent during the year		**(855)**		1,726
Net effect of currency exchange rate on cash and cash equivalents		**(624)**		457
Cash and cash equivalents, beginning of year		**29,285**		27,102
Cash and cash equivalents, end of the year	**$**	**27,806**	$	29,285
Comprising of:				
Cash		**19,933**		29,285
Cash equivalents		**7,873**		-
	$	**27,806**	$	29,285

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

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. The Corporation is active in developing its own novel small molecule therapeutic products targeting unmet medical needs in the field of fibrosis, autoimmune disease/inflammation and cancer. Prometic also offers its exclusive technology platform for large-scale drug purification of biologics, drug development, proteomics and the elimination of pathogens to 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

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 23, 2017.

b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for cash, marketable securities, 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 subsidiaries at December 31, 2016 and 2015 are as follows:

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Name of subsidiary	Segment activity	Place of incorporation and operation	Proportion of ownership interest held by the group	
			2016	2015
Prometic Biosciences Inc.	Small Molecule Therapeutics	Quebec, Canada	**100%**	100%
Prometic Bioproduction Inc.	Protein Technology	Quebec, Canada	**87%**	87%
Prometic Bioseparations Ltd (formerly Prometic Biosciences Ltd)	Protein Technology	Isle of Man, British Isles	**100%**	100%
Prometic Biotherapeutics, Inc.	Protein Technology	Delaware, U.S.A.	**100%**	100%
Prometic Biotherapeutics Ltd	Protein Technology	Cambridge, United Kingdom	**100%**	100%
Prometic Manufacturing Inc.	Protein Technology	Quebec, Canada	**100%**	100%
Pathogen Removal and Diagnostic Technologies Inc.	Protein Technology	Delaware, U.S.A.	**77%**	77%
NantPro Biosciences, LLC	Protein Technology	Delaware, U.S.A.	**73%**	73%
Prometic Plasma Resources Inc.	Protein Technology	Winnipeg, Canada	**100%**	100%
ProMetic Pharma SMT Holdings Limited	Small Molecule Therapeutics	Cambridge, United Kingdom	**100%**	100%
Prometic Pharma SMT Limited	Small Molecule Therapeutics	Cambridge, United Kingdom	**100%**	100%
Telesta Therapeutics Inc.	Protein Technology	Quebec, Canada	**100%**	N/A
Telesta Pharma Inc.	N/A	Quebec, Canada	**100%**	N/A
Telesta Therapeutics IP Inc.	N/A	Quebec, Canada	**100%**	N/A
Econiche Corp	Protein Technology	Ontario, Canada	**100%**	N/A
Telesta Therapeutics USA, Inc.	N/A	Delaware, U.S.A.	**100%**	N/A

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.

e) Financial instruments

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

i) Financial assets and financial liabilities at fair value through profit and loss
Cash, marketable securities, 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.

ii) Loans and receivables
Cash equivalents, short-term investments, trade receivables, advances and interest receivable on loan due from an officer, other receivables and non-current 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.

iii) Available-for-sale financial assets

Investments in common or preferred shares of private corporations are classified as available-for-sale and are measured at cost since their fair value cannot be measured reliably.

iv) Financial liabilities

Trade payable, wages and severances payable, other employee benefit liabilities, settlement fee payable, royalty payment obligation, other non-current liabilities, 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.

Cash and cash equivalents

Cash and cash equivalents comprise deposits in banks and highly liquid investments having an original maturity of 90 days or less when issued.

f) 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.

g) 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
Buildings and improvements	20 years
Leasehold improvements	The lower of the lease term and the useful life
Production and laboratory equipment	5 - 20 years
Furniture	5 - 10 years
Computer equipment	3 - 5 years

The estimated useful lives, residual values and depreciation methods 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.

h) 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.

i) Intangible Assets

Intangible assets include acquired rights such as licenses for product manufacturing and commercialization, donor lists, 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, 10 years for donor lists, 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.

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j) Impairment of tangible and intangible assets

At the end of each reporting period, the Corporation reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If 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 yet 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.

k) 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, sale of goods and leasing arrangements, 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.

Rental revenue
The Corporation accounts for the lease with its tenant as an operating lease and recognizes rental income when the Corporation has not transferred substantially all of the risks and benefits of ownership of its property. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. The total amount of contractual rent to be received from the operating lease is recognized on a straight-line basis over the term of the lease. Rental revenue also includes recoveries of operating expenses and property taxes.

l) Research and development expenses

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.

Research and development expenses presented in the statement of operations comprise the cost of Prometic Bioproduction Inc. (including the Winnipeg CMO expenses), to manufacture the plasma-derived therapeutics used in the clinical trials. It also includes the cost of therapeutics used in the PBI-4050 clinical trials, external consultants supporting the clinical trials and pre-clinical research, employee compensation and other operating expenses involved in research and development activities.

m) Foreign currency translation

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.

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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 Share Units ("RSU") is determined using the market value of the Corporation's shares on the grant date. Since the vesting of RSU is dependent on meeting performance targets, to determine the expense to recognize over the vesting period, the Corporation will 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.

For RSU where the underlying objectives are considered probable of being achieved, the Corporation will recognize, over the expected period of accomplishment, the probability weighted expense. On this basis, if the likelihood of a milestone being met increases over time, a higher portion of the expense would be recognized, and the opposite, if the probability decreases.

The Corporation's policy is to issue new shares upon the exercise of stock options and the release of RSU for which conditions have been met.

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 year. 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, future investment rights, 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.

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 up-front 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.

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, 2016 and 2015 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 other things, the primary economic environment in which an entity operates, the currency in which the activities are funded 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 equity interest in Telesta Therapeutics Inc. ("Telesta") fell within the scope of IFRS 3, *Business Combination* (see note 5), management evaluated whether Telesta 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 Telesta 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. Management concluded that it had inputs, processes and other elements making it a business and therefore accounted for the acquisition as a business combination.

Assets arising from a business combination - The Corporation acquired two businesses in transactions described in note 5. The cost of the acquisition of businesses must be allocated to the identifiable assets and liabilities acquired based on their estimated fair values in accordance with the requirements of IFRS 3, *Business Combinations*. The estimated lives and amortization periods for certain identifiable assets must also be determined.

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 the value a market participant would be willing to pay for capital assets and intangibles. These estimates and assumptions determine the amount allocated to the identifiable capital and intangible assets and the amortization period for capital assets and 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.

Going concern - In assessing whether the going concern assumption is appropriate and whether there are material uncertainties that may cast significant doubt about the Corporation's ability to continue as a going concern, management must estimate future cash flows for a period of at least twelve months following the end of the reporting period by considering relevant available information about the future. Management has considered a wide range of factors relating to expected cash inflows such as product sales, including whether the Corporation will obtain regulatory approval for commercialization of therapeutics, licensing and milestone revenues and potential sources of debt and equity financing including the exercise of in-the-money warrants and options. Management has also estimated expected cash outflows such as operating and capital expenditures and debt repayment schedules, including the ability to delay uncommitted expenditures.These cash flow estimates are subject to uncertainty.

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Estimates and assumptions

Assessing the recoverable amount of intangibles not yet available for use – In determining the value in use as part of the impairment test on the intangible asset that is not yet available for use (note 11) performed as of November 30 each year, management must make estimates and assumptions regarding the estimated future cash flows such as production capacities and costs, market penetration, the commencement date for commercialisation, etc. The future cash flows are estimated using a five-year projection of cash flows before taxes which are based on the most recent budgets and forecasts available to the Corporation. The fifth year was then extrapolated, including a 2% annual growth rate. The estimated cash flows are then discounted to their net present value using a pre-tax discount rate that includes a risk premium specific to the line of business. The Corporation determined its value in use by applying a pre-tax discount rate of 17.33% at November 30, 2016 (18.83% % at November 30, 2015) equivalent to a post-tax discount rate of 11.87% at the same date (13.53% at November 30, 2015). The values of the Canadian to U.S. dollar exchange rates used over the forecasting period ranged from 1.10 to 1.3 CAD/USD rate and were based on the spot rate on November 30, 2016 together with forward rates and economic forecasts.

Expense recognition of restricted share units – The expense recognized in regards to the RSU for which the performance conditions have not yet been met is based on an estimation of the probability of the successful achievement of a number of performance conditions, many of which depend on research, regulatory process and business development outcomes which are difficult to predict, 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 debt 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 the values attributed to each component of a transaction at the time of their issuance and for disclosing the fair value of financial instruments subsequently carried at amortized cost. 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 (accounted for until May 2015) and the long-term debt are disclosed in notes 14 and 15 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. 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.

IAS 7, *Statement of Cash Flows* ("IAS 7")
In January 2016, the IASB issued amendments to IAS 7 pursuant to which entities will be required to provide enhanced information about changes in their financial liabilities, including changes from cash flows and non-cash changes. The Corporation will be adopting the IAS 7 amendments and presenting the additional disclosures as required as of January 1, 2017.

IAS 12, *Income Taxes* ("IAS 12")
In January 2016, the IASB issued amendments to IAS 12 which clarify guidance on the recognition of deferred tax assets related to unrealized losses resulting from debt instruments that are measured at their fair value on a continuous basis. The IAS 12 amendments are effective for annual periods beginning on or after January 1, 2017. At December 31, 2016, the Corporation does not hold any debt instrument measured at their fair value for which there are unrealized losses. Therefore, the adoption of this standard will have no impact on the consolidated financial statements on the adoption date.

IFRS 9, *Financial Instruments – Recognition and Measurement* ("IFRS 9")
In July 2014, the IASB issued the final version of IFRS 9, with a mandatory effective date of January 1, 2018. The new standard brings together the classification and measurements, impairment a nd 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.

IFRS 15, *Revenue from contracts with customers* ("IFRS 15")
In May 2014, the IASB issued IFRS 15, 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 year beginning on January 1, 2018, with earlier adoption permitted.

IFRS 16, *Leases* ("IFRS 16")
In January 2016, the IASB issued IFRS 16, a new standard that replaces IAS 17, *Leases.* IFRS 16 is a major revision of the way in which companies account for leases and will no longer permit off balance sheet leases. Adoption of IFRS 16 is mandatory and will be effective for the Corporation's fiscal year beginning on January 1, 2019. Early application is permitted for companies that also apply IFRS 15.

The Corporation is in the process of evaluating the impact of adopting the amendments to IFRS 9, IFRS 15 and IFRS 16 to its consolidated financial statements.

5. Business combinations

2016
On October 31, 2016 (the "closing date"), the Corporation acquired 100% of the outstanding shares of Telesta Therapeutics Inc., a Canadian based company at a price of $0.14 per Telesta common share, payable in Prometic common shares. The number of common shares issued by Prometic to acquire the Telesta common shares was based on the volume weighted average closing price ("VWAP") of Prometic's common shares for the five trading days prior to the closing date of the acquisition of $2.98. Accordingly, each Telesta common share was acquired for 0.04698 Prometic common share and a total of 14,258,213 Prometic common shares were issued. The Corporation also issued 277,910 warrants having an exercise price of $6.39 maturing on September 23, 2019 in replacement of the Telesta warrants.The fair value of the common shares issued by the Corporation was calculated using the closing market price of the shares on the closing date of $2.82. The fair value of the warrants issued was determined using a Black-Scholes pricing model and the following assumptions: volatility 56%, interest-free rate 0.56% and a marketability discount of 20%.

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The fair value of the consideration given is presented in the table below:

Common shares issued	$	**40,208**
Warrants issued		**65**
	$	**40,273**

The Corporation recognised all of the identifiable net assets at their acquisition date fair values as presented in the following table.

Net identifiable assets acquired:		
Cash and cash equivalents	$	**13,495**
Marketable securities and short-term investments		**22,714**
Account receivable		**1,446**
Prepaids		**164**
Non-current receivable		**1,718**
Capital assets		**10,753**
Accounts payable and accrued liabilities		**(1,878)**
Other non-current liability		**(587)**
Deferred revenues		**(88)**
Finance lease obligation		**(12)**
Long-term debt		**(7,452)**
Net assets	$	**40,273**

The following financial instruments have gross contractual amounts which are different than the fair value recognized.

	Contractual amounts	Fair value
Non-current receivable	$ 1,845	$ 1,718
Accounts payable and accrued liabilities	(1,897)	(1,878)
Other non-current liability	(698)	(587)
Long-term debt	(7,986)	(7,452)

The assets and liabilities of Telesta are included in the consolidated statement of financial position as at December 31, 2016 and the operating results are reflected in its consolidated statement of operations since October 31, 2016. Between the acquisition date and the year ended December 31, 2016, rental income of $129 and net loss of $3,550 have been recognized in the consolidated statement of operations. In addition to the inclusion of Telesta's net loss on operations, acquisition related expenses amounting to $577 have been recognized as administration expenses in the consolidated statement of operations. The assets, liabilities and operating expenses relating to the Belleville production facility have been included in the Protein Technology segment.

2015

On August 10, 2015, the Corporation acquired the assets of a plasma collection center located in Winnipeg, Canada pursuant to an agreement entered into in May 2015 with a third-party for a cash consideration of $841. It was determined that the assets acquired constitute a business and the transaction was accounted for as a business combination using the acquisition method of accounting. To account for the transaction, the Corporation performed a valuation of the identifiable assets and liabilities and a purchase price allocation.

(In thousands of Canadian dollars)

The Corporation recognised all of the identifiable net assets at their acquisition date fair values as follows:

Total consideration paid	$	841
Net identifiable assets acquired:		
Inventory	$	113
Capital assets		85
Donors list		225
License		1,043
Deferred tax liabilities		(213)
Net assets	$	1,253
Purchase gain on business combination	$	(412)

The transaction resulted in the recognition of a purchase gain on the business combination reflecting the circumstances in which the transaction occurred. The business was no longer strategic to the vendor who was considering either selling the center's assets or ceasing the operations of the center. It is likely that there were few potential buyers for the center since there are no private plasma collection centers in proximity and no other manufacturer of plasma-derived proteins in Canada other than Prometic. These circumstances resulted in a favorable purchase price for the Corporation as well as an opportunity for Prometic to start developing its ability to collect plasma.

The assets and liabilities of the new entity created for the plasma collection activities, Prometic Plasma Resources Inc., are included in the consolidated statement of financial position as of December 31, 2016 and 2015 and the operating results are reflected in the consolidated statement of operations since August 10, 2015.

Between the acquisition date and the year ended December 31, 2015, the plasma collection center had minimal revenue and incurred a net loss of $351.

6. Marketable securities and short-term investments

The Corporation holds various marketable securities and short-term investments with maturities greater than 90 days as follows:

		December 31, 2016		December 31, 2015
Marketable securities:				
Bonds issued in CAD currency, earning interest at rates ranging from 0.77% to 1.30% and maturing on various dates from January 9, 2017 to February 23, 2017	**$**	**2,198**	$	-
Short-term investments:				
Guaranteed investment certificate issued in CAD currency, earning interest at 0.90% and maturing on January 9, 2017	**$**	**459**	$	-
Term deposits having a principal of US $4,758,260 earning interest at rates ranging from 0.86% to 0.90% and maturing on various dates from January 23, 2017 to February 8, 2017		**6,389**		-
Treasury bill having a principal of US $1,502,536 earning interest at 0.53% and maturing on February 10, 2017		**2,017**		-
	$	**8,865**		-
	$	**11,063**	$	-

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7. Accounts receivable

	December 31, 2016	December 31, 2015
Trade receivables	$ 3,340	$ 4,264
Tax credits and government grants receivable	4,545	3,474
Sales taxes receivable	596	570
Advances and interest receivable on loan due from an officer	8	74
Other receivables	301	56
	$ 8,790	$ 8,438

8. Inventories

	December 31, 2016	December 31, 2015
Raw materials	$ 11,727	$ 2,880
Work in progress	967	1,059
Finished goods	964	1,553
	$ 13,658	$ 5,492

During the year ended December 31, 2016, inventories in the amount of $5,764 were recognized as cost of goods sold ($7,085 for the year ended December 31, 2015). Inventory write-downs of $546 were recorded during the year ended December 31, 2016 ($nil for the year ended December 31, 2015).

9. Other non-current assets

	December 31, 2016	December 31, 2015
Restricted cash	$ 175	$ 180
Non-current receivables	1,821	-
Available-for-sale financial assets	1,227	1,233
	$ 3,223	$ 1,413

Restricted cash is composed of a guaranteed investment certificate, bearing interest at 0.35% per annum (at December 31, 2015, bearing interest at 0.35%), pledged as collateral for a letter of credit to a landlord which automatically renews until the end of the lease.

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10. Capital assets

	Land and Buildings	Leasehold improvements	Production and laboratory equipment	Furniture and computer equipment	Total
Cost					
Balance at January 1, 2015	$ -	$ 7,778	$ 11,196	$ 1,303	$ 20,277
Additions	-	1,007	5,168	435	6,610
Acquired in a business combination (note 5)	-	-	85	-	85
Disposals	-	-	(737)	(130)	(867)
Effect of foreign exchange differences	-	468	394	43	905
Balance at December 31, 2015	**$ -**	**$ 9,253**	**$ 16,106**	**$ 1,651**	**$ 27,010**
Additions	-	2,645	11,346	1,236	15,227
Acquired in a business combination (note 5)	4,501	268	5,799	185	10,753
Disposals	-	-	(240)	(134)	(374)
Effect of foreign exchange differences	-	(1,021)	(948)	(107)	(2,076)
Balance at December 31, 2016 [1]	**$ 4,501**	**$ 11,145**	**$ 32,063**	**$ 2,831**	**$ 50,540**
Accumulated depreciation					
Balance at January 1, 2015	$ -	$ 2,378	$ 3,496	$ 619	$ 6,493
Depreciation expense	-	438	1,156	238	1,832
Disposals	-	-	(698)	(126)	(824)
Effect of foreign exchange differences	-	241	203	24	468
Balance at December 31, 2015	**$ -**	**$ 3,057**	**$ 4,157**	**$ 755**	**$ 7,969**
Depreciation expense	27	473	1,644	375	2,519
Disposals	-	-	(216)	(98)	(314)
Effect of foreign exchange differences	-	(424)	(358)	(45)	(827)
Balance at December 31, 2016	**$ 27**	**$ 3,106**	**$ 5,227**	**$ 987**	**$ 9,347**
Carrying amounts					
At December 31, 2016	**$ 4,474**	**$ 8,039**	**$ 26,836**	**$ 1,844**	**$ 41,193**
At December 31, 2015	-	6,196	11,949	896	19,041

[1] As at December 31, 2016, included in production and laboratory equipment, office and computer equipment and leasehold improvements are $12,751, $94 and $3,427 respectively of assets under construction, net of government grants ($2,351 and $1,688 of additions to production and laboratory equipment and leasehold improvements for the year ended December 31, 2015).

Certain investments in equipment are eligible for reimbursable investment tax credits or government grants (refer to note 24). The tax credits and the government grants receivable are recorded in the same period as the eligible additions and are credited against the capital asset addition. During the year ended December 31, 2016, the Corporation recognized $64 ($98 during the year ended December 31, 2015) in investment tax credits related to equipment purchases and $4 ($990 during the year ended December 31, 2015) in government grants.

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11. Intangible Assets

	Licenses and others	Patents	Software	Total
Cost				
Balance at January 1, 2015	$ 144,901	$ 5,563	$ 666	$ 151,130
Additions	334	652	304	1,290
Acquired in a business combination (note 5)	1,268	-	-	1,268
Disposals	-	(154)	(14)	(168)
Effect of foreign exchange differences	93	423	8	524
Balance at December 31, 2015	**$ 146,596**	**$ 6,484**	**$ 964**	**$ 154,044**
Additions	7,109	723	536	8,368
Disposals	-	(140)	(36)	(176)
Effect of foreign exchange differences	(102)	(965)	(13)	(1,080)
Balance at December 31, 2016	**$ 153,603**	**$ 6,102**	**$ 1,451**	**$ 161,156**
Accumulated amortization				
Balance at January 1, 2015	$ 3,056	$ 1,661	$ 250	$ 4,967
Amortization expense	114	391	100	605
Disposals	-	(117)	(14)	(131)
Effect of foreign exchange differences	40	215	9	264
Balance at December 31, 2015	**$ 3,210**	**$ 2,150**	**$ 345**	**$ 5,705**
Amortization expense	151	431	149	731
Disposals	-	(26)	(36)	(62)
Effect of foreign exchange differences	(68)	(625)	(12)	(705)
Balance at December 31, 2016	**$ 3,293**	**$ 1,930**	**$ 446**	**$ 5,669**
Carrying amounts				
At December 31, 2016	**$ 150,310**	**$ 4,172**	**$ 1,005**	**$ 155,487**
At December 31, 2015	143,386	4,334	619	148,339

Intangible assets include $141 million pertaining to a license held by NantPro Biosciences, LLC (“NantPro”) that is not yet available for use for which the amortization has not commenced. At November 30, 2016, the Corporation performed an impairment test on the license and concluded that no impairment was required (see note 3).

12. Accounts payable and accrued liabilities

	December 31, 2016	December 31, 2015
Trade payables	**$ 14,269**	$ 8,623
Wages and severances payable	**7,606**	1,860
Royalty payment obligation (note 16b)	**577**	-
Other employee benefit liabilities	**379**	-
Short-term portion of lease inducements and obligations	**1,004**	561
	$ 23,835	$ 11,044

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13. Advance on revenues from a supply agreement

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 (2,000,000 Great British pounds, "GBP") and originally maturing in September 2014. The principal amount of the advance bears interest at a rate of 5% per annum and is being repaid as products are supplied and revenues received. In May 2014, the Corporation and the customer amended the loan agreement extending the maturity date to April 1, 2015 and on March 27, 2015, the loan agreement was amended further extending the maturity date to April 30, 2018.

14. Warrant liability

On May 13, 2015, the shareholders approved modifications to the warrants issued to Structured Alpha LLP in a financing transaction in September 2013, namely the "Second Warrants", to replace the formula that was being used to determine the number of shares that would be issued upon exercise of the warrants for a fixed number of shares. The number of shares to be issued upon exercise was fixed at 20,276,595 for an exercise price of $15,653. The expiry date of the Second Warrants remains unchanged at September 10, 2021 however the potential trigger to shorten the expiry date, the Market Capitalization Event, was removed. Pursuant to the modifications, the warrants which were initially treated as a derivative liability and were required to be carried at fair value at each reporting date with the variations in fair value recorded in the consolidated statement of operations in the period they occur, ceased to qualify as a derivative liability and qualify as equity instruments.

Up to May 13, 2015, the Second Warrants continued to be measured at fair value. The fair value of the warrant liability on that date was estimated at $26,134 ($24,676 at December 31, 2014). This resulted in a loss on revaluation of the warrant liability of $1,458 for the year ended December 31, 2015.

The fair value of the Second Warrants prior to the modifications was determined using in combination; i) a Monte Carlo simulation in order to take into consideration the Market Capitalization Event barrier and ii) a binomial model to compute the warrant valuation for each path obtained in the Monte Carlo simulation and arrive to an overall fair value for the warrants. This measurement is considered a Level III fair value measurement. Assessment of the significance of a particular input of the fair value measurement requires judgement and may affect the placement within the fair value hierarchy level.

Following the modifications to the Second Warrants, the derivative liability was derecognised and the modified warrants were recorded in equity ("reclassification of warrant liability to equity") at their fair value on the date of the modification estimated at $28,001 using a Black Scholes option pricing model. The modification resulted in a loss of $1,867 being recognized in the consolidated statement of operations (note 21).

The following assumptions were used in determining the fair value of the Second Warrants on May 13, 2015:

Volatility	**56%**
Marketability discount	**20%**
Risk-free interest rate range	**1.28% - 1.76%**
Potential life range in years	**3.3 - 6.3**
Expected dividend rate	**-**

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15. Long-term debt

The transactions during the years ended December 31, 2016 and 2015 and the carrying value of the long-term debt at December 31, 2016 and 2015 were as follows:

		2016		2015
Balance at January 1,	**$**	**21,998**	$	23,244
Interest accretion		**4,781**		2,592
Increase in the face value of the first OID loan by $50,373		**19,427**		-
Long-term debt assumed in a business combination (note 5)		**7,452**		-
Adjustments due to extinguishments of debt		**(5,543)**		(3,838)
	$	**48,115**		21,998
Less: current portion of long-term debt		**(5,802)**	$	-
Balance at December 31,	**$**	**42,313**	$	21,998
Comprised of the following loans:				
OID loan having a face value of $61,704 maturing on July 31, 2022 with an effective interest rate of 14.8% [1]	**$**	**28,492**	$	-
OID loan having a face value of $21,172 maturing on July 31, 2022 with an effective interest rate of 10.6% [1]		**12,078**		-
Government term loan having a principal amount of $3,194 repayable in three installments of $1,000 plus stated interest of 3.15% on January 31, 2017, August 31, 2017 and August 31, 2018 with an effective interest rate of 9.23% [2), 3)]		**2,986**		-
Non-interest bearing government term loan having a principal amount of $2,800 repayable in equal monthly installments of $133 until July 1, 2018 with an effective interest rate of 9.23% [2]		**2,640**		-
Non-interest bearing government term loan having a principal amount of $1,991 repayable in two installments of $960 and $1,031 on October 31, 2016 and October 31, 2017 respectively with an effective interest rate of 9.12% [2), 4)]		**1,919**		-
OID loan having a face value of $11,331 maturing on July 31, 2022 with an effective interest rate of 10.6%		**-**		5,846
OID loan having a face value of $31,306 maturing on July 31, 2022 with an effective interest rate of 10.6%		**-**		16,152
	$	**48,115**	$	21,998

(1) The loans are secured by all the assets of the Corporation excluding patents and require that certain covenants be respected including maintaining an adjusted working capital ratio.

(2) These loans were assumed as part of the Telesta business combination (note 5) and were recognized at their fair values on the closing date of the transaction. The fair value was determined using a discounted cashflow model and an effective interest rate specific to the loan as disclosed in the table above.

(3) The loan is secured by the land, the manufacturing facility and equipments located in Belleville. At December 31, 2016, the carrying value of the secured assets are $9,108.

(4) The lender has accepted the delay of the October 31, 2016 payment while the terms of the loan are being renegotiated.

2016

On February 29, 2016, pursuant to an additional financing for total proceeds of $30,010, the Corporation issued additional debt and warrants (the “Fifth Warrants”) to the holder of the long-term debt. Under the terms of this addendum to the first Original Issue Discount (“OID”) loan, the face value of the OID loan to be repaid at the maturity loan, which remains unchanged at July 31, 2022, increased by $50,373. This brought the total face value of the first OID loan to $61,704. Further details concerning the warrants issued are provided in note 17c.

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. The carrying amount of the debt increased by the issue date fair value of the additional sum to repay at the maturity date less the associated transaction costs of $165, representing a net amount of $19,427. The fair value of the increased payment of $50,373 at the maturity date was determined using a discounted cash flow model for the debt instrument with a market interest rate of 15.84%. When combining the loan that was outstanding at the date of the increase with

the addendum, the combined effective rate that will be used to recognise the interest expense on the first OID loan going forward is 14.8%.

In May 2016, the holder of the long-term debt used the set off of principal right under the loan agreements, to settle the amounts due to the Corporation following its participation in a private placement for 1,921,776 common shares which occurred concurrently with the closing of a public offering of common shares, on May 25, 2016.

As a result, the face value of the second OID loan was reduced by $5,958, from $31,306 to $25,348. The reduction of $5,958 is equivalent to the value of the shares issued at the agreed price of $3.10 concluded in connection with the private placement. This transaction was accounted for as an extinguishment of a portion of the OID loan and the difference between the adjustment to the carrying value of the loan of $3,200 and the amount recorded for the shares issued of $5,785, as explained in the following paragraph, was recorded as a loss on extinguishment of a loan of $2,585.

The shares were recorded at fair value, determined using the closing price of $3.01 on the date of issue May 25, 2016, resulting in a value of the shares issued of $5,785.

On October 31, 2016, concurrently with the closing of the Telesta acquisition, the Corporation entered into a private placement agreement with the holder of the long-term debt for 1,401,632 common shares. The holder of the long-term debt has used the set off of principal rights under the loan agreements, to settle the amounts due to the Corporation following its participation in the private placement.

As a result, the face value of the second OID loan was reduced by $4,176, from $25,348 to $21,172. The reduction of $4,176 is equivalent to the value of the shares issued at the 5-day VWAP of $2.98 concluded in connection with the private placement. This transaction was accounted for as an extinguishment of a portion of the OID loan and the difference between the adjustment to the carrying value of the loan of $2,343 and the amount recorded for the shares issued of $3,953, as explained in the following paragraph, was recorded as a loss on extinguishment of a loan of $1,609.

The shares were recorded at fair value, determined using the closing price of $2.82 on the date of issue October 31, 2016, resulting in a value of the shares issued of $3,953.

The OID loans are secured by all the assets of the Corporation, excluding patents. At December 31, 2016, the Corporation was in compliance with covenants for both loans.

2015

On March 31, 2015, the Corporation and the holder of the long-term debt amended the terms of the two OID loans by; extending the maturity dates of the loans from September 10, 2018 and July 31, 2019 to July 31, 2022 without changing their face values, modifying certain terms and conditions, including affirmative and negative covenants, and including a right of prepayment of the OID loans starting from September 13, 2018. In consideration of the above modifications, ProMetic issued 7,000,000 warrants (the “Fourth Warrants”) to purchase common shares of the Corporation at an exercise price of $3.00 per common share (note 17c).

The modification was accounted for as an extinguishment of the previous loans and the recognition of new loans at their fair value at the date of the transaction. The required adjustment to the OID loans of $1,752 on the consolidated statement of financial position and the cost associated with this transaction representing mainly legal fees of $263 and the fair value of the warrants issued (note 17c) were recognised as a loss on extinguishment of liabilities amounting to $6,050 in the consolidated statements of operations. The fair value of the OID loans was determined using a discounted cash flow model for the debt instrument with a market interest rate of 10.6%.

In May 2015, the holder of the long-term debt used the set off of principal right under the loan agreements, to settle the amounts due to the Corporation following its participation in a private placement which occurred concurrently with the closing of a public

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offering of common shares and subsequent exercise of the over-allotment right, on May 6, 2015 and on May 28, 2015 respectively.

As a result, the face value of the first OID loan was reduced by $4,322 from $15,653 to $11,331. This reduction of $4,322 is equivalent to the value of the shares (1,662,526 common shares) issued at the agreed price of $2.60 concluded in connection with the private placement. This transaction was accounted for as an extinguishment of a portion of the OID loan and the difference between the adjustment to the carrying value of the loan of $2,086 and the amount recorded for the shares issued of $3,761 was recorded as a loss on extinguishment of a loan of $1,675. The amount used to record the shares issued, the fair value of the shares, was determined using the closing price on the date of issue. The 1,445,675 shares issued on May 6, 2015 were recorded using the closing price of $2.24 and the 216,851 shares issued on May 28, 2015 were recorded using the closing price of $2.41, resulting in an overall value of the shares issued of $3,761.

16. Other non-current liabilities

		December 31, 2016		December 31, 2015
Settlement fee payable (a)	$	270	$	-
Royalty payment obligation (b)		3,100		-
Other employee benefit liabilities		914		-
Other non-current liabilities		118		-
	$	4,402	$	-
Less:				
Current portion of royalty payment obligation (note 12)		(577)		-
Current portion of employee benefit liabilities (note 12)		(379)		-
	$	3,446	$	-

a) Settlement of litigation

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 held by a third party plaintiff, GE Healthcare Biosciences AB ("GE"). The Corporation filed a statement of defence on the infringement claims, in addition to a counterclaim requesting that the Court declare both patents invalid and unenforceable.

The Corporation and GE entered into a settlement and license agreement on October 25, 2016 to mutually discontinue all past claims and counterclaims between the parties and to commercialize the underlying technologies over the term of the license, which shall not extend, on a country-by-country basis, beyond October 2021 (the "Term"). Under the agreement, Prometic shall pay GE an aggregate amount of $1,000 between October 25, 2016 and October 25, 2020 in consideration thereof, Minimum Annual Royalty ("MAR") payments totaling $587 over the Term and a 2% net sales royalty on sales of certain Prometic bioseparation products to third parties and affiliates during the Term; the royalties being creditable against the MAR. The net sales royalty expense will be recorded as such product sales are incurred.

As a result, the Corporation recorded an expense of $913 representing the present value of the $1,000 settlement fee determined using an effective interest rate of 15.84%, under administration expenses in the consolidated statement of operations for the year ended December 31, 2016.

b) Royalty payment obligation

On December 16, 2016, the Corporation and one of its licensee's modified the terms of a license agreement entered into by the parties. As a result, the Corporation has reacquired the rights initially granted in the license agreement, to a 50% share of the worldwide profits pertaining to the sale of plasminogen for the treatment of plasminogen congenital deficiency (the "Reacquired Right"). As consideration for the Reacquired Right, the Corporation issued 1,683,040 common shares (note 17a), accepted to

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forego the payment of an outstanding receivable balance of $1,334 and agreed to make royalty payments on the sales of plasminogen for congenital deficiency, using a rate of 5% up to a total of US$2,500,000. If by December 31, 2020 the full royalty obligation has not been paid, the unpaid balance will become due. The Corporation has recognized a royalty payment obligation of $3,100 in the consolidated statement of financial position at December 31, 2016, representing the discounted value of the expected royalty payments to be made until December 31, 2020, using a discount rate of 9.2%. The aggregate value of the consideration given of $7,059 was recognized as an addition to intangible assets.

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.

	December 31, 2016		December 31, 2015	
	Number	**Amount**	Number	Amount
Issued and fully paid common shares	**623,229,331**	**$ 480,637**	581,930,868	$ 365,990
Share purchase loan to an officer	**-**	**(400)**	-	(450)
Balance - end of period	**623,229,331**	**$ 480,237**	581,930,868	$ 365,540

In February 2016, $50 of the principal amount of the share purchase loan to an officer was reimbursed together with $55 in interest receivable. As a result, the principal amount of the loan has been reduced to $400. In March 2016, the maturity date of the loan was amended to the earlier of (i) March 31, 2019 or (ii) 30 days preceding a targeted NASDAQ or NYSE listing date of Prometic's shares. The share purchase loan bears interest at prime plus 1%.

Changes in the issued and outstanding common shares during the years ended December 31, 2016 and 2015 were as follows:

	2016		2015	
	Number	**Amount**	Number	Amount
Balance - beginning of year	**581,930,868**	**$ 365,540**	547,627,835	$ 294,870
Issued for cash	**19,400,000**	**60,140**	22,137,500	57,558
Issued in consideration of loan extinguishment	**3,323,408**	**9,737**	1,662,526	3,761
Exercise of warrants	**-**	**-**	2,897,570	2,326
Exercise of options	**2,022,590**	**979**	1,506,515	817
Shares issued under restricted share units plan	**611,212**	**957**	6,098,922	6,208
Issued in relation to the business combination (note 5)	**14,258,213**	**40,208**	-	-
Issued in consideration of reaquired rights (Note 16b)	**1,683,040**	**2,626**	-	-
Reimbursement of share purchase loan to an officer	**-**	**50**	-	-
Balance - end of year	**623,229,331**	**$ 480,237**	581,930,868	$ 365,540

2016

On May 25, 2016, the Corporation issued 19,400,000 common shares following a bought deal public offering for gross proceeds of $60,140. The underwriters received a cash commission of 5% of the gross proceeds of the offering. Concurrently with the bought deal public offering, the Corporation concluded a private placement with the holder of the long-term debt. Using the rights conveyed under the loan agreement, the holder of the long-term debt elected to extinguish a portion of the face value of the second OID loan as consideration for the 1,921,776 shares issued (note 15). The aggregate issuance costs related to these issuances, including the commission, in the amount of $3,549, were recorded against the deficit.

On October 31, 2016, the Corporation issued 14,258,213 common shares having a fair value of $40,208 to acquire Telesta (note 5). Concurrently with the share issuance, the Corporation concluded a private placement with the holder of the long-term debt. Using the rights conveyed under the loan agreement, the holder of the long-term debt elected to extinguish a portion of

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the face value of the second OID loan as a consideration for the 1,401,632 common shares issued (note 15). The aggregate issuance costs related to the shares of $93 were recorded against the deficit in December 31, 2016.

On December 16, 2016, the Corporation issued 1,683,040 common shares having a fair value of $2,626 as part of the consideration given to reaquire a right from a licensee.The aggregate issuance cost related to the shares of $13 were recorded against the deficit in December 31, 2016.

2015
On May 6, 2015, the Corporation issued 19,250,000 common shares following a bought deal public offering for gross proceeds of $50,050. On May 28, 2015, the underwriters exercised their over-allotment option to acquire an additional 2,887,500 common shares for a gross proceeds of $7,508. The underwriters received a cash commission of 5% of the gross proceeds of the offering.

Concurrently with the bought deal public offering, the Corporation concluded a private placement with the holder of the long-term debt. Using the rights conveyed under the loan agreement, the holder of the long-term debt elected to extinguish a portion of the face value of the first OID loan as consideration for the 1,662,526 shares issued (note 15). The aggregate issuance costs related to these shares, including the commission, for a total of $3,383, were recorded against the deficit in December 31, 2015.

b) Contributed surplus (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 29,101,982 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 stock 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 stock options varies from immediate vesting to vesting over a period not exceeding 5 years. In some circumstances, the vesting of stock options may be 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, 2016 and 2015 were as follows:

	2016		2015	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Balance - beginning of year	**13,513,736**	**$ 0.92**	11,950,799	$ 0.45
Granted	**3,024,100**	**2.91**	3,131,887	2.47
Forfeited	**(140,106)**	**2.27**	(61,435)	1.11
Exercised	**(2,022,590)**	**0.31**	(1,506,515)	0.33
Expired	**(2,500)**	**0.13**	(1,000)	0.12
Balance - end of year	**14,372,640**	**$ 1.41**	13,513,736	$ 0.92

During the year ended December 31, 2016, 2,022,590 stock options were exercised resulting in cash proceeds of $625 and a transfer from contributed surplus to share capital of $354. During the year ended December 31, 2015, 1,506,515 stock options were exercised resulting in cash proceeds of $497 and a transfer from contributed surplus to share capital of $320. The weighted average share price on the date of exercise of the stock options during the year ended December 31, 2016 was $2.75 ($2.29 for the year ended December 31, 2015).

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At December 31, 2016, stock 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	6,008,999	0.9	$ 0.25	5,336,130	$ 0.25
$0.88 - $1.59	2,270,154	2.4	1.12	1,508,342	1.12
$1.84 - $2.44	3,012,787	3.5	2.36	1,269,713	2.39
$2.55 - $3.19	3,080,700	4.4	2.98	368,221	2.98
	14,372,640	2.4	$ 1.41	8,482,406	$ 0.84

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:

	2016	2015
Expected dividend rate	-	-
Expected volatility of share price	**63.31%**	63.13%
Risk-free interest rate	**0.74%**	0.76%
Expected life in years	**3.8**	3.7
Weighted average grant date fair value	**$ 1.36**	$ 1.14

The expected volatility was based on historical volatility of the common shares while the expected life was based on the historical holding patterns. The fair value of the grants is expensed over the vesting period on the assumption that between 2.8% to 4.6% (between 2.8% and 5.0% in 2015) of the unvested stock options will be forfeited annually over the service period.

A share-based payment compensation expense of $2,871 was recorded for the stock options for the year ended December 31, 2016 ($2,021 for the year ended December 31, 2015).

Restricted share units

The Corporation has established an equity-settled restricted share units 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. The RSU only vest upon achievement of various important corporate and commercial objectives. The vesting conditions are established by the Board of Directors on the grant date and must generally be met within 3 years. Each vested RSU gives the right to receive a common share.

Changes in the number of RSU outstanding during the years ended December 31, 2016 and 2015 were as follows:

	2016	2015
Balance - beginning of year	**7,869,117**	9,920,000
Granted	**2,741,346**	4,048,039
Released	**(611,212)**	(6,098,922)
Balance - end of year	**9,999,251**	7,869,117

The Corporation granted 2,741,346 RSU to management (the “2016-2018 RSU”). The grant date fair value of a 2016-2018 RSU is $2.87. A share-based payment compensation expense of $3,992 was recorded during the year ended December 31, 2016. At December 31, 2016, 1,214,479 vested RSU were outstanding.

The Corporation granted 4,048,039 RSU to management (the “2015-2017 RSU”). The grant date fair value of a 2015-2017 RSU is $1.71. A share-based payment compensation expense of $951 was recorded during the year ended December 31, 2015. At December 31, 2015, there were no vested RSU outstanding.

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Share-based payment expense

The total share-based payment expense has been included in the consolidated statements of operations for the years ended December 31, 2016 and 2015 as indicated in the following table:

		2016		2015
Cost of goods sold	**$**	**261**	$	40
Research and development expenses		**3,052**		1,244
Administration, selling and marketing expenses		**3,550**		1,688
	$	**6,863**	$	2,972

c) 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, 2016 and 2015:

	2016			2015		
	Number		**Weighted average exercise price**	Number		Weighted average exercise price
Balance - beginning of year	**89,791,890**	**$**	**1.00**	65,412,865	$	0.82
Issued for cash	**11,793,380**		**4.70**	-		-
Issued in relation to the business combination (note 5)	**277,910**		**6.39**	-		-
Issued in relation to debt modification	**-**		**-**	7,000,000		3.00
Modification of warrants	**-**		**-**	20,276,595		0.77
Exercised	**-**		**-**	(2,897,570)		0.24
Balance - end of year	**101,863,180**	**$**	**1.44**	89,791,890	$	1.00

2016
On February 29, 2016, pursuant to an additional financing for total proceeds of $30,010, the Corporation issued additional debt and the Fifth Warrants to the holder of the long-term debt. Further details concerning the debt issued are provided in note 15.

The Fifth Warrants consist of 11,793,380 warrants, each giving the holder the right to acquire one common share at an exercise price of $4.70, paid either in cash or in consideration of the lender's cancellation of an equivalent amount of the face value of an OID loan. The warrants expire on July 31, 2022. The value of the proceeds attributed to the warrants of $10,418 was recorded in warrants and future investment rights.

On October 31, 2016, the Corporation issued 277,910 warrants in replacement of the Telesta warrants and in connection with the business combination of Telesta (note 5). The warrants have an exercise price of $6.39 and expire on September 23, 2019.

The aggregate issuance cost related to the warrants, in the amount of $167, has been recorded against the deficit.

2015
On March 31, 2015, 7,000,000 warrants, the Fourth Warrants, having an exercise price of $3.00 per share and expiring in July 31, 2022 were issued in connection with the debt modification discussed in note 15. The warrants have been recognized at their fair value determined using a Black-Scholes pricing model and the following assumptions: volatility 61%, interest-free rate 1.5% and a marketability discount of 20%. The fair value of the warrants of $7,539 was recognized as part of the loss on extinguishment of the debt with the offsetting credit recorded in warrants and future investment rights.

On May 13, 2015, the shareholders approved the proposed modifications to the Second Warrants issued in the financing transaction in September 2013 (note 14). Consequently, there resulted a reclassification of the warrant liability to equity. The Second Warrants were recorded in warrant and future investment rights at their estimative fair value of $28,001. The Second

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Warrants post-modification, give the right to acquire 20,276,595 common shares for an exercice price of $15,653 and expire on September 10, 2021.

During the year ended December 31, 2015, 2,897,570 warrants were exercised resulting in cash proceeds of $700 and a transfer from warrants to share capital of $1,626.

As at December 31, 2016, the following warrants and rights, classified as equity, to acquire shares were outstanding:

Number	Expiry date	Exercise price
44,791,488	February 2017	$ 0.47
277,910	September 2019	6.39
1,000,000	September 2021	0.52
20,276,595	September 2021	0.77
16,723,807	July 2022	1.87
7,000,000	July 2022	3.00
11,793,380	July 2022	4.70
101,863,180		$ 1.44

18. Non-controlling interests

The shares of three of the Corporation's subsidiaries are partially held by non-controlling interests. The subsidiaries are Prometic Bioproduction Inc. (PBP), Pathogen Removal and Diagnostic Technologies Inc. (PRDT) and NantPro. The Corporation held on December 31, 2016 and 2015, 87.0%, 77.0% and 73.0% of the ownership interests respectively.

Summarized financial information for PBP, PRDT and NantPro, for the years ended December 31, 2016 and 2015 is provided in the following tables. This information is based on amounts before inter-company eliminations.

2016

Summarized statements of financial position

	PBP	PRDT	NantPro
Investment tax credits receivables, inventories and other current assets	$ 7,464	$ -	$ -
Fixed and intangible assets (non-current)	18,624	566	141,025
Trade and other payables (current)	(4,925)	(374)	-
Intercompany loans (non-current)	(78,703)	(13,801)	-
Total equity	$ (57,540)	$ (13,609)	$ 141,025
Attributable to non-controlling interests	$ (5,972)	$ (5,122)	$ 38,070

Summarized statements of operations

	PBP	PRDT	NantPro
Revenues or services rendered to other members of the group	$ 5,440	$ 126	$ -
Research and development expenses	(34,698)	(234)	(17,897)
Adminstration and other expenses	(2,936)	(1,009)	(119)
Net loss and comprehensive loss	$ (32,194)	$ (1,117)	$ (18,016)
Attributable to non-controlling interests	$ (4,185)	$ (813)	$ (4,864)

During the year ended December 31, 2016, PBP used $25,962 and $9,653 in cash for its operating and investing activities respectively and received $35,602 from financing activities.

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2015

Summarized statements of financial position

	PBP	PRDT	NantPro
Investment tax credits receivables and other current assets	$ 1,453	$ 6	$ -
Fixed and intangible assets (non-current)	9,615	761	141,025
Trade and other payables (current)	(2,516)	(475)	-
Intercompany loans (non-current)	(33,898)	(15,683)	-
Total equity	$ (25,346)	$ (15,391)	$ 141,025
Attributable to non-controlling interests	$ (1,787)	$ (4,309)	$ 38,070

Summarized statements of operations

	PBP	PRDT	NantPro
Revenues or services rendered to other members of the group	$ 6,826	$ 549	$ -
Research and development expenses	(17,039)	(375)	(12,279)
Adminstration and other expenses	(2,629)	(1,580)	(40)
Net loss and comprehensive loss	$ (12,842)	$ (1,406)	$ (12,319)
Attributable to non-controlling interests	$ (1,670)	$ (821)	$ (3,333)

During the year ended December 31, 2015, PBP used $10,379 and $833 in cash for its operating and investing activities respectively and received $11,145 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:

	2016	2015
Consolidated statements of financial position :		
Prometic Bioproduction Inc.	**$ (5,972)**	$ (1,787)
Pathogen Removal and Diagnostic Technologies Inc.	**(5,122)**	(4,309)
NantPro Biosciences, LLC	**38,070**	38,070
Total non-controlling interests	**$ 26,976**	$ 31,974

	2016	2015
Consolidated statements of operations :		
Prometic Bioproduction Inc.	**$ (4,185)**	$ (1,670)
Pathogen Removal and Diagnostic Technologies Inc.	**(813)**	(821)
NantPro Biosciences, LLC	**(4,864)**	(3,333)
Total non-controlling interests	**$ (9,862)**	$ (5,824)

19. Capital disclosures

	2016	2015
Long-term debt	**$ 48,115**	$ 21,998
Total equity	**159,343**	145,327
Cash and cash equivalents	**(27,806)**	(29,285)
Marketable securities and short-term investments	**(11,063)**	-
Total Capital	**$ 168,589**	$ 138,040

The Corporation's objective in managing capital is to ensure sufficient liquidity to finance its research and development activities, administration, selling 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 15) and the Corporation's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2015.

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20. Revenues

		2016		2015
Revenues from the sale of goods	$	**12,892**	$	21,424
Revenues from the rendering of services		**3,371**		1,771
Milestone and licensing revenues		**-**		1,339
Rental Revenue		**129**		-
	$	**16,392**	$	24,534

21. Loss on extinguishment of liabilities

The following table represent the details of loss on extinguishment of liabilities for the years ended December 31, 2016 and 2015.

		2016		2015
Loss on extinguishments of debt (note 15)	$	**4,194**	$	7,725
Loss on reclassification of warrant liability to equity (note 14)		**-**		1,867
	$	**4,194**	$	9,592

22. Information included in the consolidated statements of operations

Year ended December 31,		2016		2015
a) Government assistance included in research and development				
Gross research and development expenses	$	**89,744**	$	51,570
Research and development tax credits		**(1,668)**		(1,320)
	$	**88,076**	$	50,250
b) Finance costs				
Interest on long-term debt	$	**4,860**	$	2,732
Other interest expense, transaction and bank fees		**30**		496
Interest income		**(363)**		(374)
	$	**4,527**	$	2,854
c) Wages and salaries				
Wages and salaries	$	**36,191**	$	23,605
Employer's benefits		**6,766**		4,536
Share-based payments		**6,863**		2,972
Total employee benefit expense	$	**49,820**	$	31,113

23. Pension plan

The Corporation contributes to a defined contribution pension plan for all of its permanent employees. The Corporation matches employees contributions up to a maximum percentage of their annual salary. The Corporation's contributions recognized as an expense for the year ended December 31, 2016 amounted to $1,154 ($847 for the year ended December 31, 2015).

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24. 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, 2016, it would be required to repay $1,599 in relation to grants received in the past amounting to $1,839. No provision has been made in these consolidated financial statements for any future repayment relating to the above agreement.

25. Income taxes

The income tax recovery reported in the consolidated statement of operations for the years ended December 31, 2016 and 2015 are as follows:

		2016		2015
Current income taxes	**$**	**2**	$	2
Deferred income taxes		**(6,220)**		(5,141)
	$	**(6,218)**	$	(5,139)

The following table provides a reconciliation of the income tax recovery calculated at the combined statutory income tax rate to the income tax recovery recognized in the consolidated statements of operations:

		2016		2015
Net loss before income taxes	**$**	**(116,887)**	**$**	(61,924)
Combined Canadian statutory income tax rate		**26.9%**		26.9%
Income tax at combined income tax rate		**(31,443)**		(16,658)
Increase (decrease) in income taxes resulting from:				
Unrecorded potential tax benefit arising from current-period losses and other deductible temporary differences		**23,501**		19,222
Effect of tax rate differences in foreign subsidiaries		**(2,988)**		2,763
Non-deductible or taxable items		**2,847**		(148)
Change in tax rate		**2,107**		-
Loss on conversion of warrants from debt to equity		**-**		502
Loss on extinguishment of debt		**-**		1,627
Recognition of previous years unrecognized deferred tax assets		**(242)**		(12,336)
Purchase gain on business combination		**-**		(111)
	$	**(6,218)**	**$**	(5,139)

(In thousands of Canadian dollars)

The following table presents the nature of the deferred tax assets and liabilities that make up the deferred tax assets and deferred tax liabilities balance at December 31, 2016 and 2015.

	Intangible assets	Capital assets	Losses	Other	Total
As at January 1, 2015	$ 40,469	$ 1,278	$ (5,827)	$ 1,277	$ 37,197
Charged (credited) to profit or loss	(74)	(1,268)	(3,365)	(1,544)	(6,251)
Acquired in business combination	212	-	-	-	212
As at December 31, 2015					
Deferred tax liabilities	**$ 40,607**	**$ 10**	**$ (9,192)**	**$ (267)**	**$ 31,158**
Charged (credited) to profit and loss	**83**	**10**	**(6,234)**	**178**	**(5,963)**
As at December 31, 2016	**$ 40,690**	**$ 20**	**$ (15,426)**	**$ (89)**	**$ 25,195**
Comprised of the following :					
Deferred tax assets	**-**	**(15)**	**31**	**94**	**110**
Deferred tax liabilities	**$ 40,690**	**$ 5**	**$ (15,395)**	**$ 5**	**$ 25,305**

Available temporary differences not recognized at December 31, 2016 and 2015 are as follows:

	2016	2015
Tax losses (non-capital)	**$ 278,197**	$ 129,070
Tax losses (capital)	**34,053**	33,962
Unused research and development expenses	**130,443**	29,939
Undeducted financing expenses	**10,770**	7,108
Interest expenses carried forward	**7,316**	8,432
Trade and other payable	**1,631**	216
Capital assets	**804**	448
Intangible assets	**55**	108
Start-up expense	**4,434**	6,629
Other	**379**	808
	$ 468,082	$ 216,720

At December 31, 2016, the Corporation has non-capital losses of $342,768 of which $278,197 are available to reduce future taxable income for which the benefits have not been recognized. These losses expire at various dates from 2024 to 2036 (except for the non-capital losses in the United Kingdom). The Corporation also has capital losses of $34,053 and unused research and development expenses of $130,443 that are available to reduce future taxable income for which the benefits have not been recognized. These tax attributes can be carried forward indefinitely.

At December 31, 2016, the Corporation also has unused federal tax credits that are available to reduce future income tax in the amount of $26,777 expiring between 2018 and 2036. Those tax credits have not been recorded and no deferred income tax assets have been recognized in respect to those tax credits.

Included in the table above are non-capital losses of $95,283 and unused research and development expenses of $73,391 relating to the business combination of Telesta (note 5).

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

	Canada		Foreign
At December 31, 2016	Federal	Provincial	Countries
Losses carried forward expiring in:			
2022	-	-	1,516
2023	-	-	2,463
2024	2,046	2,046	3,312
2025	6,481	6,348	2,588
2026	5,766	5,766	2,488
2027	4,609	4,692	9,732
2028	3,510	3,495	10,220
2029	3,173	3,250	4,104
2030	8,613	8,621	9,555
2031	15,721	15,727	9,362
2032	878	897	1,482
2033	14,706	14,466	2,168
2034	13,855	13,355	13,635
2035	43,860	43,005	28,759
2036	36,865	36,680	45,266
	$ 160,083	$ 158,348	$ 146,650

At December 31, 2016, the Corporation also has tax losses which arose in the United Kingdom of $36,035 that are available to reduce future taxable income for which benefits have not been recognized. These tax attributes can be carried forward indefinitely.

26. Segmented information

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

Small MoleculeTherapeutics: This operating segment is a small molecule drug discovery and development business. It has lead compounds, namely PBI-4050 which target unmet medical needs such as the treatment of idiopathic pulmonary fibrosis, metabolic syndrome and its resulting type 2 diabetes, cystic fibrosis related diabetes and Alström syndrome. The operating segment is also working on multiple follow-on drugs at pre-clinical stage.

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

Biotherapeutics: Develops manufacturing processes, based on Prometic's own affinity technology, to provide efficient extraction and purification of therapeutirc proteins from human plasma, the Plasma Protein Purification System (PPPS™), a multi-product sequential purification process. This technology is key for extracting valuable proteins, which Prometic plans to commercialize with an emphasis on therapeutic products targeting orphan designated indications.

Bioseparation: Develops and manufactures Prometic's core bioseparation technologies and products. Its proprietary affinity absorbents and Mimetic Ligand™ purification platform are used by pharmaceutical and medical companies worldwide and for its own extraction and purification manufacturing processes.

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 remaining activities not included in the above segments. In most part, these expenses generally pertain to public entity reporting obligations, investor relations, financing and other corporate office activities.

The accounting policies of segments are the same as the accounting policies described in note 2.

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a) Revenues and expenses by operating segments

For the year ended December 31, 2016	Small Molecule Therapeutics	Protein Technology	Corporate	Total
Revenues	$ -	$ 16,392	$ -	$ 16,392
Costs of goods sold	-	6,758	-	6,758
Research and development expenses	14,232	73,844	-	88,076
Administration, selling and marketing expenses	3,303	10,899	15,099	29,301
Loss (gain) on foreign exchange	(245)	(1,311)	1,979	423
Finance costs	873	2,759	895	4,527
Loss on extinguishment of liabilities	-	-	4,194	4,194
Net loss before income taxes	$ (18,163)	$ (76,557)	$ (22,167)	$ (116,887)

For the year ended December 31, 2015	Small Molecule Therapeutics	Protein Technology	Corporate	Total
Revenues	$ -	$ 24,534	$ -	$ 24,534
Costs of goods sold	-	8,219	-	8,219
Research and development expenses	9,275	40,975	-	50,250
Administration, selling and marketing expenses	1,646	6,336	8,593	16,575
Loss (gain) on foreign exchange	7	7,034	(9,119)	(2,078)
Finance costs	591	1,972	291	2,854
Fair value variation of warrant liability	-	-	1,458	1,458
Loss on extinguishment of liabilities	-	-	9,592	9,592
Purchase gain on business combination	-	(412)	-	(412)
Net loss before income taxes	$ (11,519)	$ (39,590)	$ (10,815)	$ (61,924)

Segmented information by operating segment

b) Total assets

	2016	2015
Small Molecule Therapeutics	**$ 4,990**	$ 5,152
Protein Technology	**215,855**	184,167
Corporate	**44,449**	25,969
	$ 265,294	$ 215,288

c) Capital and intangible assets

	2016	2015
Small Molecule Therapeutics	**$ 3,279**	$ 2,958
Protein Technology	**190,418**	163,481
Corporate	**2,983**	941
	$ 196,680	$ 167,380

d) Acquisition of capital and intangible assets

	2016	2015
Small Molecule Therapeutics	**$ 767**	$ 768
Protein Technology	**31,288**	8,133
Corporate	**2,293**	352
	$ 34,348	$ 9,253

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e) Total liabilities

		2016		2015
Small Molecule Therapeutics	$	**2,647**	$	1,254
Protein Technology		**55,238**		44,486
Corporate		**48,066**		24,221
	$	**105,951**	$	69,961

Information by geographic area

f) Total assets by geographic area

		2016		2015
Canada	$	**88,032**	$	42,208
United States		**156,300**		147,043
United Kingdom		**20,962**		26,037
	$	**265,294**	$	215,288

g) Capital and intangible assets by geographic area

		2016		2015
Canada	$	**32,624**	$	12,382
United States		**153,630**		145,525
United Kingdom		**10,426**		9,473
	$	**196,680**	$	167,380

h) Acquisition of capital and intangible assets by geographic area

		2016		2015
Canada	$	**21,796**	$	3,971
United States		**9,029**		1,666
United Kingdom		**3,523**		3,616
	$	**34,348**	$	9,253

i) Revenues by location

		2016		2015
Switzerland	$	**7,967**	$	10,237
United States		**3,038**		6,321
Canada		**1,636**		587
United Kingdom		**1,059**		189
Netherlands		**965**		485
Denmark		**528**		6
Germany		**386**		183
Austria		**133**		4,399
Taiwan		**-**		1,339
Other countries		**680**		788
	$	**16,392**	$	24,534

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, 2016, there was one customer who accounted for 51% of total revenues in the Protein Technologies segment. During the year ended December 31, 2015, there were three customers who accounted for 69% (11%, 18% and 40%, respectively) of total revenues in the Protein Technologies segment.

(In thousands of Canadian dollars)

27. 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. These transactions have been recorded at the exchange amount, meaning the amount agreed to between the parties.

During the year ended December 31, 2016, interest revenues in the amount of $15 ($18 for the year ended December 31, 2015) were recorded on the share purchase loan to an officer and included in advances and interest receivable on loan due from an officer.

28. Compensation of key management personnel

The Corporation's key management personnel comprises the external directors, officers and executives which included 23 individuals in 2016 and 17 individuals in 2015. The remuneration of the key management personnel during the years ended December 31, 2016 and 2015 was as follows:

		2016		2015
Short-term employee benefits [(1)]	**$**	**6,760**	$	4,231
Pension costs		**278**		176
Share-based payments		**5,330**		2,009
	$	**12,368**	$	6,416

[(1)] Short-term employee benefits include director fees paid in cash, salaries, bonuses and the cost of other employee benefits.

29. Commitments

CMO Lease
In May 2015, the Corporation signed a long-term manufacturing contract with a third party which provides the Corporation with additional manufacturing capacity ("the CMO contract"). The payments under the CMO contract cover the use of the production facility, a specified number of direct and indirect labour hours and the related overhead expense during a minimum of 20 weeks per year, over a 15-year term. The term of the agreement will be automatically extended after the initial term for successive terms of five years, unless a notification of termination is produced by one of the parties. The annual minimum payments under the agreement are subject to escalation annually calculated as the greatest of 3% or the Industrial Product Price / Pharmaceutical and Medicine Manufacturing index under the North American Industry Classification System. The annual payments are also subject to an adjustment calculated as 50% of the exchange rate between the U.S. dollar and the Canadian dollar at December 31st of each year.

The following table represent the future minimum operating lease payment as of December 31, 2016:

		within 1 year		**2 - 5 years**		**Later than 5 years**		**Total**
Future minimum operating lease payment	**$**	3,367	**$**	14,510	**$**	36,195	**$**	54,072

The above payments include non-lease elements pertaining to the arrangement as it was impracticable to separate the operating expenses from the lease payment. The operating lease expense recognised in the consolidated statements of operations for the CMO contract was $4,771 for the year ended December 31, 2016 ($2,786 for the year ended December 31, 2015), which includes contingent rent of $791 for the year ended December 31, 2016 ($nil for the year ended December 31, 2015).

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Other Leases

The Corporation has total commitments in the amount of $37,729 under various operating leases for the rental of offices, production plant, laboratory space and office equipment. The payments for the coming years and thereafter are as follows:

2017	$	4,903
2018		4,927
2019		4,262
2020		4,065
2021 and thereafter		19,572
	$	37,729

The operating lease expense recognised in the consolidated statements of operations was $4,373 for the year ended December 31, 2016 ($3,299 for the year ended December 31, 2015).

Royalties

In April 2006, the Corporation entered into an agreement with the American Red Cross for an exclusive license to use intellectual property rights relating to the PPPS. As per the agreement, Prometic could pay a royalty to the American Red Cross in addition to an annual minimum royalty of US$30,000 to maintain the license.

A company owned by an officer of the Corporation is entitled to receive a royalty of 0.5% on net sales and 3% of license revenues in regards to certain small-molecule therapeutics commercialized by the Corporation. 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 the one mentioned above, the Corporation has committed to pay royalties ranging generally between 1.5% and 15.0% of net sales from products it commercializes.

Other commitments

In connection with the CMO contract, the Corporation has committed to a minimum spending between $4,369 and $9,000 each year from 2017 to 2030 (the end of the initial term). As of December 31, 2016, the remaining payment commitment under the CMO contract was $109,069 or $54,997 after deduction of the minimum lease payments under the CMO contract disclosed above.

The Corporation has entered into a plasma purchase agreement whereby it has committed to purchase varying volumes of plasma until December 31, 2020. As at December 31, 2016, this represented a commitment of $59,626 in aggregate.

The Corporation may be required under a license agreement to make future payments depending on the achievement of the multiple milestones for a total amount of US$4.25 million. In addition, the Corporation has committed to make payments of US$250,000 per quarter, under a research service agreement, until November 2018 for a total of US$1.75 million in future payments remaining as at December 31, 2016.

(In thousands of Canadian dollars)

30. 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:

	2016		2015	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Cash	**$ 19,933**	**$ 19,933**	$ 29,285	$ 29,285
Restricted cash	**175**	**175**	180	180
Marketable securities	**2,198**	**2,198**	-	-
Non-current receivables	**1,821**	**1,821**	-	-
Financial liabilities				
Advance on revenues from a supply agreement	**2,167**	**2,167**	2,585	2,585
Settlement fee payable	**270**	**272**	-	-
Royalty payment obligation	**3,100**	**2,832**	-	-
Other employee benefit liabilities	**914**	**911**	-	-
Long-term debt	**48,115**	**53,551**	21,998	16,976

The fair value of the long-term debt at December 31, 2016 was calculated using a discounted cashflow model via the market interest rate specific to the term of the loans ranging from 8.16% to 11.11%. The fair value differs from the carrying value of the long-term debt of $48,115 which is carried at amortized cost.

The fair value of the advance on revenues from a supply agreement approximates the carrying amount since the loan bears interest at a fixed rate of interest approximating market rates for this type of advance.

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, restricted cash and marketable securities are considered to be level 1 fair value measurements.

The non-current receivables, advance on revenues from a supply agreement, settlement fee payable, royalty payment obligation, other employee benefit liabilities and long-term debt are level 2 measurements.

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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.

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, 2016 and 2015, the allocation of the trade receivables based on aging is indicated in the following table:

	2016	2015
Current and not impaired	**$ 1,596**	$ 2,222
Past due in the following periods:		
31 to 60 days	**1,212**	143
61 to 90 days	**1**	1,456
91 to 180 days	**541**	443
Over 180 days	**827**	-
Allowance for doubtful accounts	**(837)**	-
	$ 3,340	$ 4,264

Trade receivables included amounts from four customers which represent approximately 87% (34%, 22%, 16% and 15% respectively) of the Corporation's total trade accounts receivable as at December 31, 2016 and four customers which represent approximately 85% (32%, 24%, 15% and 14% respectively) of the Corporation's total trade accounts receivable as at December 31, 2015.

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, 2016.

		Contractual Cash flows			
At December 31, 2016	**Carrying amount**	**Payable within 1 year**	**2 - 3 years**	**More than 5 years**	**Total**
Accounts payable and accrued liabilities	$ 23,835	$ 23,835	$ -	$ -	$ 23,835
Advance on revenues from a supply agreement	2,167	345	1,900	-	2,245
Settlement fee payable	270	120	230	-	350
Royalty payment obligation	2,523	-	2,758	-	2,758
Other employee benefit liabilities	535	-	631	-	631
Long-term debt *	48,115	6,021	1,965	82,876	90,862
	$ 77,445	$ 30,321	$ 7,484	$ 82,876	$ 120,681

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

(In thousands of Canadian dollars)

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.

i) Interest risk

The majority of the Corporation's debt is at a fixed rate or a fixed amount including interest. Therefore there is limited exposure to changes in interest payments as a result of interest rate risk.

ii) 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 and cash equivalents, short-term investments, 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, 2016 and 2015, the Corporation was exposed to currency risk through the following assets and liabilities denominated respectively in U.S. dollars and GBP:

	2016		2015	
Exposure in US dollars	**Amount due in U.S. dollar**	**Equivalent in full CDN dollar**	amount due in U.S, dollar	Equivalent in full CDN dollar
Cash and cash equivalents	**11,597,289**	**15,571,679**	1,795,463	2,484,921
Short-term investments	**6,260,796**	**8,406,371**	-	-
Accounts receivable	**815,417**	**1,094,861**	2,940,423	4,069,546
Accounts payable and accrued liabilities	**(8,240,224)**	**(11,064,149)**	(2,259,602)	(3,127,289)
Other non-current liabilities	**(2,054,433)**	**(2,758,487)**	-	-
Net exposure	**8,378,845**	**11,250,275**	2,476,284	3,427,178

	2016		2015	
Exposure in GBP	**Amount due in GBP**	**Equivalent in full CDN dollar**	Amount due in GBP	Equivalent in full CDN dollar
Cash	**949,682**	**1,573,053**	1,816,600	3,707,136
Accounts receivable	**1,541,373**	**2,553,131**	415,694	848,307
Accounts payable and accrued liabilities	**(1,376,044)**	**(2,279,279)**	(947,637)	(1,933,843)
Advance on revenues from a supply agreement	**(1,308,000)**	**(2,166,571)**	(1,059,000)	(2,161,101)
Net exposure	**(192,989)**	**(319,666)**	225,657	460,499

Based on the above net exposures as at December 31, 2016, and assuming that all other variables remain constant, a 10 % depreciation or appreciation of the Canadian dollar against the U.S. dollar would result in a decrease or an increase of the consolidated net loss of approximately $1,125 while a 10 % depreciation or appreciation of the Canadian dollar against the GBP would result in a decrease or an increase of the other comprehensive loss of approximately $32. The Corporation has not hedged its exposure to currency fluctuations.

At December 31, 2016, the Corporation holds a receivable in Taiwan dollars ("TWD") in the amount of 24,554,000 TWD which is the equivalent of $1,021 (2015 – 24,554,000 TWD for $1,031). Assuming that all other variables remain constant, a 10 % depreciation or appreciation of the Canadian dollar against the TWD would result in a decrease or an increase of the consolidated net loss of approximately $102.

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31. Comparative information

Certain of the December 31, 2015 figures have been reclassified to conform to the current year's presentation.

32. Subsequent events

In February 2017, the future investment rights were exercised, resulting in the issuance of 44,791,488 common shares and the Corporation receiving $21,052 in cash.

On March 23, 2017, the Corporation and the holder of the long-term debt entered into a binding agreement whereby the Corporation will receive $25 million in cash in consideration for the issuance of a $25 million loan to bear interest at 8.5% repayable in July 2022 and 10,600,407 warrants with an exercise price of $3.70 per warrant and expiring in October 2023. The transaction is subject to obtaining TSX approval and closing the definitive documentation.