

PROMETIC LIFE SCIENCES INC.

Investor Update

July to September 2002

This present release must be considered as the quarterly report to shareholders.

1. Letter to Shareholders Dated November 21, 2002
2. Management Discussion and Analysis of the Financial Position and Operating Results
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4. Consolidated Statements of Operations and Deficit
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November 21, 2002



PROMETIC
LIFE SCIENCES INC.

Letter to our Shareholders

Dear Shareholder:

During the third quarter, ProMetic made significant advances in all of its business ventures. The second quarter financing allowed management to intensify business development activities and accelerate product development programs, which will significantly enhance shareholder value.

Our most significant achievement during the third quarter was the approval by both the FDA and Health Canada to commence clinical trials of our first therapeutic product, Dermolastin®, in patients suffering from atopic dermatitis. Dermolastin, a proprietary topical formulation of recombinant alpha 1-antitrypsin, is the first product to be developed by Arriva-ProMetic, our joint venture company established with partner Arriva Pharmaceuticals, Inc.

Following the success of our Dermolastin® product development, we announced that preclinical and manufacturing work for PBI-1402 is complete and the promising drug for application in the field of oncology is ready for clinical trials. Recent discoveries will also result in the filing of additional patents, which further strengthens the Company's proprietary position.

The joint venture company established with the American Red Cross is progressing according to plan on the prion removal device development program and has also created the opportunity to file additional patents, which will expand its already extensive intellectual property position.

Adding to these successes, the Company also achieved two technology milestones during this quarter. ProMetic identified a Mimetic Ligand™ to purify alkaline phosphatase, a novel therapeutic approach to sepsis and septic shock. ProMetic also completed final steps for commercialization of a family of patented products used in the large-scale purification of DNA for pharmaceutical bioprocessing and plasmid DNA research applications.

In conclusion, I would like to thank our management team for their success in expanding the commercial applications of our core technologies, which should lead to significant revenue growth over the coming months and our R&D team for shepherding the therapeutic compounds to the clinical stage.

Financial Highlights

	3rd Quarter ended September 30, 2002	3rd Quarter ended September 30, 2001
	<u>(in millions of \$)</u>	<u>(in millions of \$)</u>
Cash, cash equivalents and subscriptions receivable	26.8	9.8
Shareholders' equity	38.7	18.6
Revenues	0.7	1.1
R&D Expenses	2.8	1.7
Loss before R&D expenses (\$ million)	(0.4)	(0.2)
Loss per share before R&D expenses	(\$0.005)/share	(\$0.003)/share
Net loss per share	(\$0.04)/share	(\$0.03)/share

MANAGEMENT DISCUSSION AND ANALYSIS

Third Quarter Results

Revenues in the third quarter reached \$745,293, compared to \$1,111,096 in the third quarter of 2001. As the revenue base is still low at the moment, it is normal to observe variances from one quarter to another. The company anticipates that overall revenues in the current financial year should be greater than those in 2001.

The net loss for the quarter ending September 30, 2002 was \$3,201,709 or \$0.04 per share, compared to \$1,856,903 or \$0.03 per share for the third quarter of 2001. This variance is mainly due to additional investments in R&D programs. It is important to note that the loss per share before R&D expenses is at \$0.005.

Development expenditures increased to \$2,792,024 during the quarter, compared to \$1,694,319 in the quarter ending September 30, 2001. This increase is due to the final preclinical preparation work on our two main compounds. Dermolastin™, ProMetic's rAAT product (recombinant alpha 1-antitrypsin from yeast) for atopic dermatitis entered phase 1b clinical trials at the beginning of November 2002. During November we also scaled up the manufacturing process for synthesis of PBI-1402, our investigational oncology product, which is expected to enter clinical trials early in 2003.

Total expenditures before R&D, amortization of capital assets and financial expenses were \$975,845 for the quarter ending September 30, 2002, compared to \$1,117,805 for the same quarter of 2001. This slight decrease is due to timing difference in the recognition of certain expenses from one quarter to the other. On a cumulative basis, expenditures for the nine months of 2002 exceeded expenditures for the corresponding period of 2001. The company has accelerated its investment in its corporate development programs and its international business development strategies.

André Bédard, Executive Vice-President and Chief Financial Officer of ProMetic, made the following comments regarding results for the last quarter: "Losses in this quarter and in the preceding quarters are mainly due to the substantial investment made in R&D to prepare two compounds for clinical trials. ProMetic is now sufficiently well-capitalized and has the resources necessary to accelerate to marketplace all its current projects in a timely manner to meet its strategic goals for growth."

Cash Flows

During the quarter ending September 30, 2002, cash flows connected to operating activities reached (\$2,831,645), compared to (\$1,691,512) during the same quarter of last year. This variance is mainly a result of increased losses that are mostly due to increased R&D expenditures. Cash flows from financial activities amounted to \$868,238, including \$924,480 in proceeds from the issue of shares. Cash flows connected to investment activities reached \$471,218, mainly because of acquisitions of capital assets and intellectual property.

Nine-Month Period Ending September 30, 2002

Revenues for the nine-month period ending September 30, 2002 were \$1,923,924, compared to \$1,935,341 for the same period last year. Net losses for the nine-month period were \$9,942,467 or \$0.13 per share, compared to \$5,686,882 or \$0.09 per share for the same period in 2001. The increase in net loss is attributable to higher expenditures on research and development of therapeutic product candidates, and increased business development activity.

For the nine-month period ending September 30, 2002, total expenditures before R&D, amortization of capital assets and intellectual property and financial expenses were \$3,863,923, compared to \$2,989,665 for the same period in 2001. R&D expenditures reached \$7,446,743, compared to \$4,219,552 for the same period last year. In 2002, ProMetic made significant investments in business development programs, international corporate development initiatives, and therapeutic research and development programs.

Outlook

As ProMetic transitions to therapeutic drug development, we also continue to build upon an already strong positioning in the bioprocessing market. The company continues to successfully meet the special needs and high standards of large pharmaceutical and biotechnology enterprises, while building an impressive therapeutic product pipeline of clinical and pre-clinical product candidates. Management believes that the considerable investments in intellectual property, scientific capability and business development will continue to materialize and create true shareholder value in the months ahead.

PROMETIC LIFE SCIENCES INC.

CONSOLIDATED BALANCE SHEETS

	September 30	December 31,
	2002	2001
	(unaudited)	(audited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 26,852,136	\$ 2,606,798
Accounts and other receivables (Note 3)	1,296,995	924,159
Subscriptions receivable	-	9,150,000
Inventories	426,397	292,333
Prepaid expenses	448,591	228,093
	29,024,119	13,201,383
Investment (Note 4)	2,285,435	2,281,245
Capital assets	3,138,710	1,973,001
Intellectual Property (Note 5)	4,220,424	3,272,535
Deferred development costs	3,369,689	3,583,831
	\$ 42,038,377	\$ 24,311,995
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,990,982	\$ 3,271,521
Current portion of capital lease obligations	146,911	0
	3,137,893	3,271,521
Capital lease obligations (note 6)	232,613	-
Shareholders' equity:		
Share capital (Note 7)	112,914,270	83,500,266
Deficit	(74,246,399)	(62,459,792)
	38,667,871	21,040,474
Commitment (Note 8)		
	\$ 42,038,377	\$ 24,311,995

PROMETIC LIFE SCIENCES INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

(unaudited)

	Quarters Ended		Nine-Month periods ended	
	September 30		September 30	
	2002	2001	2002	2001
Revenues	\$ 745,293	\$ 1,111,096	\$ 1,923,924	\$ 1,935,341
Cost of sales and expenses other than the undernoted items	975,845	1,117,805	3,863,923	2,989,665
Research and development expenses	2,792,024	1,694,319	7,446,743	4,219,552
Depreciation of capital assets	192,606	112,381	455,887	335,493
Amortization of intellectual property	80,217	46,994	242,902	130,609
Net financial revenues	93,690	3,500	143,064	53,096
Net loss	3,201,709	1,856,903	9,942,467	5,686,882
Deficit, beginning of the period	71,043,448	55,994,290	62,459,792	52,097,456
Share issue expenses	1,242	1,121,252	1,844,140	1,188,107
Deficit, end of period	\$ 74,246,399	\$ 58,972,445	\$ 74,246,399	\$ 58,972,445
Net loss per share	0.04	0.03	0.13	0.09
Weighted average number of outstanding shares (in thousands)	83,003	62,662	75,519	61,064

PROMETIC LIFE SCIENCES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2002	2001	2002	2001
Cash flows from operating activities:				
Net loss	\$ (3,201,709)	\$ (1,856,903)	\$ (9,942,467)	\$ (5,686,882)
Adjustments to reconcile net loss to cash flows used by operating activities:				
Depreciation of capital assets	186,248	112,381	455,887	335,493
Amortization of Intellectual property	86,575	46,993	242,902	130,609
Amortization of deferred development costs	97,241	6,017	214,142	17,757
	(2,831,645)	(1,691,512)	(9,029,536)	(5,203,023)
Net change in non-cash operating working capital items				
	636,758	(74,248)	1,006,576	(274,392)
	(2,194,887)	(1,765,760)	(8,022,960)	(5,477,415)
Cash flows from financing activities:				
Proceeds from share issues	924,480	6,867,488	38,564,004	8,627,488
Share issue expenses	(56,242)	(696,677)	(2,836,220)	(763,532)
Repayment of long-term debt	-	(19,351)	-	(68,677)
	868,238	6,151,460	35,727,784	7,795,279
Cash flows from investing activities:				
Advance to an executive	-	-	(380,000)	-
Disposal of short-term investments	-	-	-	2,000,000
Acquisition of an investment	-	-	(4,190)	-
Additions to capital assets	(340,009)	(48,468)	(1,884,505)	(413,834)
Additions to Intellectual property	(131,209)	(89,430)	(1,190,791)	(430,439)
Deferred development costs	-	(154,712)	-	(448,954)
	(471,218)	(292,610)	(3,459,486)	706,773
Increase in cash and cash equivalents	(1,797,867)	4,093,090	24,245,338	3,024,637
Cash and cash equivalents, beginning of period	28,650,003	1,201,863	2,606,798	2,270,316
Cash and cash equivalents, end of period	\$ 26,852,136	\$ 5,294,953	\$ 26,852,136	\$ 5,294,953
Other information related to cash flows:				
Interests paid during the period	\$ 51,900	\$ 1,281	\$ 53,900	\$ 6,518
Interests received during the period	\$ 144,289	\$ 8,790	\$ 179,538	\$ 129,062

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

ProMetic is a leading biopharmaceutical company engaged in the research, development, manufacturing and commercialisation of a variety of commercial applications from its platform technology. ProMetic owns proprietary enabling technology essential for use in large-scale drug purification proteomics, medical applications and therapeutics.

1- Basis of Presentation

The unaudited consolidated balance sheet as of September 30, 2002 and the related unaudited consolidated statements of operations and deficit and cash flows for the nine-month periods ended September 30, 2002 and 2001, have been prepared using accounting principles and practices consistent with those used and described in the annual financial statements, but do not include all disclosures required by generally accepted accounting principles. Accordingly, they should be read in conjunction with the Company's audited consolidated financial statements and notes thereto as of and for the year ended December 31, 2001 included in the Company's annual report to shareholders.

2- Change in Accounting Policy

Effective January 1, 2002, the Company adopted the new Recommendations of Canadian Institute of Chartered Accountants with respect to the accounting for stock-based compensation and other stock-based payments. The new Recommendations are applied prospectively to all stock-based payments to non-employees, and to employee awards that are direct awards of stock, call for settlement in cash or other assets, or are stock appreciation rights that call for settlement by the issuance of equity instruments, granted on or after January 1, 2002.

The Company accounts for all stock-based payments to non-employees, and employee awards that are direct awards of stock, call for settlement in cash or other assets, or are stock appreciation rights that call for settlement by the issuance of equity instruments, granted on or after January 1, 2002, using the fair value based method. No compensation cost is recorded for all other stock-based employee compensation awards. Consideration paid by employees on the exercise of stock options is recorded as share capital.

3- Accounts and Other Receivables

	September 30	December 31
	<u>2002</u>	<u>2001</u>
Trade	\$ 274,372	\$ 414,965
Sales taxes receivable	207,732	150,060
Government grant and R&D tax credit	54,129	177,510
Advance to an executive *	450,000	70,000
Other	30,762	111,624
	<u>\$ 1,296,995</u>	<u>\$ 924,159</u>

*Loan used for the exercise of options and for acquiring ProMetic shares.

4- Investment

On April 8, 2002, ProMetic announced the formation of a new joint venture company (JV) with the American Red Cross, which is named Pathogen Removal and Diagnostic Technologies Inc (PRDT) dedicated to researching, developing and commercializing diagnostic and removal systems for pathogens that may cause Transmissible Spongiform Encephalopathies (TSEs) and certain viruses.

Under the terms of the JV agreement, ProMetic and the American Red Cross will each contribute intellectual property and technical expertise to develop diagnostic and removal systems. Specifically, the JV will utilize ProMetic's proprietary Mimetic Ligand™ technology in combination with the American Red Cross' expertise in diagnostics and pathogen removal systems in blood and blood components. The JV will also investigate developing other commercial applications for detecting and removing TSEs for industries such as biopharmaceuticals, food, cosmetics and personal care. This JV, of which ProMetic owns 26% (the cost of this placement is \$4,190), has been created in the second quarter of 2002.

Pursuant to the terms of the agreement and as part of its ongoing R&D budget, ProMetic included an allocation of US\$ 2.3 Million over the next two years to be contributed in cash, services and in kind to PRDT. Any such contribution will be compensated by means of issuance of Preferred Shares to ProMetic bearing interest at 14% per annum.

5- Intellectual Property

On June 6, 2002, the Company acquired for \$400,000, patents and pre-clinical data pertaining to three therapeutic compounds in the field of applications of oncology, inflammation and infectious diseases. Further payments are to be paid if positive results are achieved at completion of main development phases.

6- Capital Lease Obligations

The Company rents laboratory equipments as per capital lease contract. Obligations are reimbursed by monthly payments of \$11,386, bearing no interest and maturing in April 2005.

7- Share Issuance

Changes in the issued and outstanding subordinate voting shares were as follows:

	<u>Number</u>	<u>Amount (\$)</u>
Balance as at December 31, 2001	54,056,402	70,908,876
Shares issued pursuant to:		
Private Placements	5,619,370	11,831,334
Public Offering	9,340,000	25,218,000
Exercise of warrants and options	1,200,500	1,514,672
Conversion of shares	235,211	-
Balance as at September 30, 2002	70,451,483	109,472,882
Other categories of shares	14,876,375	3,441,388
Share capital as at September 30, 2002	85,327,858	112,914,270

8- Commitment

As part of the Company's Intellectual Property Management Systems, one executive and some senior level managers are entitled to an on-going royalty on the sales of certain products from opportunities brought to ProMetic by employees generally prior to them joining the Company, at a rate varying between 0.1% to 0.5% of net sales or 1% to 3% of revenues collected by the Company. They also hold an exclusive right to exploit these projects should the Company does not pursue their developments and/or not commercialize them or one of them for any reason.

9- Stock-Based Plan

During the quarter, no options were granted to employees of the Company, under its «stock option plan». The Company applies the settlement method of accounting for stock options granted to employees. Had the compensation cost for the Company's "stock option plan" been determined based on the fair value at the grant date, the company's net earnings would have been adjusted to the pro-forma amounts indicated below for the period ended September 30, 2002.

	2002 <u>(3rd Quarter)</u>	2002 <u>(9 months)</u>
Net loss as reported	\$ 3,201,709	\$ 9,942,467
Pro-forma compensation expense	2,597	5,194
Pro-forma net loss	<u>\$ 3,204,306</u>	<u>\$ 9,947,661</u>
Pro-forma net loss per share	<u>\$ 0.04</u>	<u>\$ 0.13</u>

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option price model with the following assumptions:

Risk-Free interest rate:	4.74%
Dividend yield	0%
Expected volatility of share market price	87.11%
Expected life	5 years

10- Segmented Information

Revenues by geographic segment are as follows:

	Quarters ended September 30		Nine-month periods ended September 30	
	2002	2001	2002	2001
United States	\$ 46,304	\$ 854,014	\$ 244,231	\$ 1,374,190
United Kingdom	347,315	127,745	913,536	297,298
Europe (excluding United Kingdom)	341,615	120,564	730,252	179,986
Other	695	8,528	26,541	54,556
Canada	9,364	245	9,364	29,311
	<u>\$ 745,293</u>	<u>\$ 1,111,096</u>	<u>\$ 1,923,924</u>	<u>\$ 1,935,341</u>

Net losses by geographic segment are as follows:

	Quarters ended September 30		Nine-month periods ended September 30	
	2002	2001	2002	2001
Canada	\$ 1,554,817	\$ 949,065	\$ 5,873,624	\$ 2,326,484
United States	35,037	(118,544)	940,492	91,046
United Kingdom	1,611,855	1,026,382	3,128,351	3,269,352
	\$ 3,201,709	\$ 1,856,903	\$ 9,942,467	\$ 5,686,882

Assets by geographic segment are as follows:

	September 30		December 31	
	2002	2001	2002	2001
Canada	\$ 34,820,943	\$ 17,695,636		
United States	692,842	664,872		
United Kingdom	6,254,592	5,951,487		
	\$ 42,038,377	\$ 24,311,995		

Capital assets and intellectual property by geographic segment are as follows:

	September 30		December 31	
	2002	2001	2002	2001
Canada	\$ 4,433,474	\$ 2,800,958		
United States	22,432	22,460		
United Kingdom	2,903,228	2,422,118		
	\$ 7,359,134	\$ 5,245,536		

Capital and intellectual property expenditures by geographic segment are as follows:

	Quarters ended September 30		Nine-month periods ended September 30	
	2002	2001	2002	2001
Canada	\$ 390,079	\$ 176,930	\$ 1,890,312	\$ 772,343
United States	-	-	4,032	6,990
United Kingdom	81,139	-	918,043	103,971
	\$ 471,218	\$ 176,930	\$ 2,812,387	\$ 883,304

11- Comparative Figures

Comparative figures have been reclassified in order to conform with the current period's presentation.