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QUARTERLY REPORT
FOR THE PERIOD ENDED JUNE 30, 2005

**WE'RE
CREATING
A HEALTHIER
FUTURE**

PROMETIC LIFE SCIENCES INC.

Quarterly Report

Six-month period ended June 30, 2005

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

- 1. Management's Discussion and Analysis of Operating Results and Financial Position**
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Management's Discussion and Analysis of Operating Results and Financial Position

The following information should be read in conjunction with the Company's audited consolidated financial statements and notes thereto as at and for the year ended December 31, 2004 included in the Company's annual report to shareholders. Information as at June 30, 2005 and for the periods ended June 30, 2005 and 2004 are unaudited.

RESULTS OF OPERATIONS

Revenues for the second quarter of 2005 reached \$1.1 million compared to \$5.2 million in the same period last year. Sales and contract revenues, for the second quarter, have increased by \$0.3 million compared to the same period last year. However, no licence revenues were recorded during the quarter. Year to date revenues amounted to \$6.3 million compared to \$5.7 million last year for the same period.

Research and development expenses amounted to \$3.7 million during the second quarter compared to \$4.5 million in the same period in 2004. For the first six months ended June 30, 2005, research and development expenses were \$7.7 million compared to \$8.2 million for last year. Advancement in the Company's major R&D programs both in the Therapeutic and Enabling Technology Divisions constitute the principal source of R&D investment of the Company.

Administration, marketing and other expenses, excluding amortization, were \$1.9 million for the second quarter of 2005, compared to \$1.5 million for the same period in 2004. For the first six months of the year, the Company incurred a total of \$3.5 million of these expenses, an increase of \$0.6 million compared to last year for the same period.

A write-down of *short term investment*, in relation to the market value of Hemosol shares held by the Company was recorded during the second quarter for an amount of \$2.3 million. The total write-down of Hemosol's share during the year is \$3.2 million.

Net loss for the quarter was \$7.5 million, or \$0.07 per share, compared to \$1.4 million, or \$0.01 per share, for the same quarter in 2004.

Cash and cash equivalents amounted to \$5.9 million and short-term investment totalled \$8.0 million as at June 30, 2005 which includes Hemosol's share valued at \$2.0 million.

Cash flows used in operating activities totalled \$4.0 million for the second quarter, compared to \$3.8 million for the same period in 2004. During the quarter the company successfully completed a public issuance of shares with a net proceed totalling \$14.0 million. In addition, the company concluded a \$1.1 million loan.

Cash flows used in investing activities amounted to \$6.8 million for the second quarter and mostly resulted in an acquisition of a short term investment of \$6.0 million.

As at June 30, 2005, the Company had 116,501,784 subordinate voting shares outstanding (December 31, 2004: 86,486,784) and 3,475,227 options granted under the employee stock option plan (December 31, 2004: 3,615,702). A total of 1,710,000 warrants were granted during the quarter following the issuance of subordinate voting shares.

RISKS AND UNCERTAINTIES

The information contained in the Management's Discussion and Analysis of Operating Results and Financial Position contains statements regarding future financial and operating results. It also contains forward-looking statements with regards to partnerships, joint ventures and agreements and future opportunities based on these. There are also statements related to the discovery and development of intellectual property as well as other statements about future expectations, goals and plans.

These statements should not be construed as guarantees of future performance and are subject to certain risks and uncertainties beyond ProMetic's control. These risks could cause actual results to differ materially from those expressed or implied in the Management's Discussion and Analysis of Operating Results and Financial Position. Some of the risks include: a change in general economic and/or business conditions; changes in government regulations; adverse results in drug discovery and development and pre-clinical or clinical trials. Other risks include: the ability of our development and marketing partners to deliver on contractual obligations and/or meet milestones; intellectual property issues and the timing and decisions of regulatory bodies such as HPFB⁽¹⁾, FDA⁽²⁾ and EMEA⁽³⁾ as well as changes in the competitive landscape and the continued availability of new capital to finance activities. Finally, there are risks involved in the performance of contractual obligations, the failure to meet major milestones or the failure to realize expected synergies in our major partnerships, or our ability to manage them.

This statement should not be interpreted as a warning vis-à-vis any individual risk but rather as a general disclaimer about forward-looking statements and an identification of some sources of risk.

FORWARD-LOOKING STATEMENTS

The Management's Discussion and Analysis of Operating Results and Financial Position contains "forward-looking statements", in the sense of security and exchange laws, which are based on certain estimates and expectations. The statements, which are not based on historical facts, such as statements related to management's opinions and expectations, are forward-looking statements. These statements are subject to certain risks and uncertainties, and the actual results could differ sensibly to those presented. Management does not commit to revise these forward-looking statements to take into account new information, events to come or other factors.

(1) HPFB : Health Products and Food Branch, Health Canada (2) FDA : U.S. Food and Drug Administration
(3) EMEA : European Agency for the Evaluation of Medicinal Products

PROMETIC LIFE SCIENCES INC.
CONSOLIDATED BALANCE SHEETS

(In thousands of Canadian dollars)
(Unaudited)

	June 30	December 31
	2005	2004
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ASSETS		
Current assets		
Cash and cash equivalents	\$5,926	\$6,770
Short-term investment (note 3 et 6)	8,028	2,340
Accounts receivable (note 4)	2,931	2,796
Inventories	909	921
Prepaid expenses	890	789
	18,684	13,616
Investments (note 5)	5,152	4,479
Capital assets	5,178	5,190
Licenses and patents	5,340	5,430
Deferred development costs	489	990
	\$34,843	\$29,705
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LIABILITIES		
Current liabilities		
Bank loans (note 6)	\$2,109	\$1,029
Accounts payable and accrued liabilities	4,769	4,999
Provision related to a lawsuit (note 7)	2,715	2,715
Deferred revenues	27	243
Current portion of long-term debt	414	440
	10,034	9,426
Long-term debt	195	407
Preferred shares, retractable at the holder's option	1,861	1,586
	12,090	11,419
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SHAREHOLDERS' EQUITY		
Share capital (note 8)	150,697	135,682
Contributed surplus	152	99
Deficit	(128,096)	(117,495)
	22,753	18,286
	\$34,843	\$29,705
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The accompanying notes are an integral part of the consolidated financial statements.

The unaudited quarterly financial statements have not been reviewed by external auditors

PROMETIC LIFE SCIENCES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Quarter ended June 30		Six month ended June 30	
	2005	2004	2005	2004
Revenues				
Sales and contract	\$ 1,127	\$ 823	\$ 2,349	\$ 1,351
Licensing	-	4,370	4,000	4,370
	1,127	5,193	6,349	5,721
Charges				
Research and development expenses	3,745	4,485	7,722	8,204
Administration, marketing and other expenses	1,886	1,459	3,462	2,840
Amortization of capital assets	271	272	544	528
Amortization of licenses and patents and deferred development costs	394	417	785	799
	6,296	6,633	12,513	12,371
Loss before the following items	(5,169)	(1,440)	(6,164)	(6,650)
Write-down of short-term investment (note3)	(2,254)	-	(3,242)	-
Net interest income (expenses)	(33)	76	(65)	170
Net loss	(\$7,456)	(\$1,364)	(\$9,471)	(\$6,480)
Net loss per share (basic and diluted)	(\$ 0.07)	(\$ 0.01)	(\$ 0.09)	(\$ 0.07)
Weighted average number of outstanding shares (in thousands)	103,813	99,503	101,677	99,354

*The unaudited quarterly financial statements have not been reviewed by external auditors
The accompanying notes are an integral part of the consolidated financial statements*

PROMETIC LIFE SCIENCES INC.
CONSOLIDATED STATEMENTS OF DEFICIT
(In thousands of Canadian dollars)
(Unaudited)

	Quarter ended		Six month ended	
	June 30		June 30	
	2005	2004	2005	2004
Deficit, beginning of the period	\$119,510	\$ 105,460	\$117,495	\$100,117
Adjustment for change in stock-based compensation	-	-	-	44
Deficit, beginning of the period as restated	119,510	105,460	117,495	100,161
Net loss	7,456	1,364	9,471	6,480
Share issue expenses	1,130	(1)	1,130	182
Deficit, end of period	\$128,096	\$ 106,823	\$128,096	\$106,823

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

The unaudited quarterly financial statements have not been reviewed by external auditors

PROMETIC LIFE SCIENCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of Canadian dollars)
(Unaudited)

	Quarter ended June 30		Six month ended June 30	
	2005	2004	2005	2004
Cash flows from (used in) operating activities				
Net loss	(\$7,456)	(\$1,364)	(\$9,471)	(\$6,480)
Adjustments to reconcile net loss to cash flows used in operating activities				
Revenue paid in shares	-	-	(3,000)	-
Stock-based compensation	23	19	53	19
Write-down of short-term investment (note 3)	2,254	-	3,312	-
Amortization of capital assets	271	272	544	528
Amortization of deferred development costs	251	261	501	516
Amortization of licenses and patents	143	156	284	283
	(4,514)	(656)	(7,777)	(5,134)
Change in working capital items (note 9a)	489	(3,123)	(173)	(3,409)
	(4,025)	(3,779)	(7,950)	(8,543)
Cash flows from (used in) financing activities				
Proceeds from share issues	15,005	-	15,015	3,056
Share issue expenses	(1,074)	8	(1,074)	(398)
Bank Loan	1,080	-	1,080	-
Repayment of long-term debt	(120)	(123)	(238)	(232)
	14,891	(115)	14,783	2,426
Cash flows from (used in) investing activities				
Disposal (acquisition) of short-term investments	(6,000)	15,534	(6,000)	-
Acquisition of an investment	(197)	(182)	(398)	(182)
Additions to capital assets	(609)	(348)	(1,203)	(890)
Additions to licenses and patents	(7)	(181)	(76)	(1,082)
	(6,813)	14,823	(7,677)	(2,154)
Net (decrease) increase in cash and cash equivalents	4,053	10,929	(844)	(8,271)
Cash and cash equivalents, beginning of period	1,873	4,852	6,770	24,052
Cash and cash equivalents, end of period	\$5,926	\$15,781	\$5,926	\$15,781

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

The unaudited quarterly financial statements have not been reviewed by external auditors

ProMetic Life Sciences Inc. ("ProMetic" or the "Company"), incorporated under the Canada Business Corporations Act, is an international biopharmaceutical company engaged in the research, development, manufacturing and marketing of a variety of applications developed from its own exclusive technology platform. The Company owns proprietary technology essential for use in the large-scale purification of drugs, genomics and proteomics products as well as medical and therapeutic applications.

These financial statements have been prepared on a going concern basis, which assume that the Company will continue in operation for the foreseeable future and accordingly will be able to realize its assets and discharge its liabilities in the normal course of operations. Since inception, the Company has concentrated on research and development. It has had no net earnings, minimal revenues, negative operating cash flows and has financed its activities through the issuance of shares. The Company's ability to continue as a going concern is dependent on obtaining additional investment capital and the achievement of profitable operations. There can be no assurance that the Company will be successful in increasing revenue or raising additional investment capital to generate sufficient cash flows to continue as a going concern. These financial statements do not reflect the adjustments that might be necessary to the carrying amount of reported assets, liabilities and revenue and expenses and the balance sheet classification used if the Company were unable to continue operation in accordance with this assumption.

1. Basis of presentation

The unaudited consolidated balance sheet as at June 30, 2005 and the related unaudited consolidated statements of operations and deficit, and cash flows, for the six-month periods ended June 30, 2005 and 2004, have been prepared using accounting principles and practices consistent with those used and described in the annual financial statements. The interim financial statements do not include all disclosures required for annual financial statements. Accordingly, they should be read in conjunction with the Company's audited consolidated financial statements and notes thereto as at and for the year ended December 31, 2004 included in the Company's annual report to shareholders. Information as at June 30, 2005 and for the periods ended June 30, 2005 and 2004 are unaudited.

2. Information included in the consolidated statement of operations

	Quarter ended June 30		Six-month ended June 30	
	2005	2004	2005	2004
Amortization of capital assets	\$ 271	\$ 272	\$ 544	\$ 528
Amortization of deferred development costs	251	261	501	516
Amortization of licenses and patents	143	156	284	283
Research and development tax credits	75	-	275	-
Interest on long-term debt	43	24	76	50

The unaudited quarterly financial statements have not been reviewed by external auditors

3. Short-term investment

Investments	June 30 2005	December 31 2004
Discount note, 2.35 %. Expiration: November 14 th , 2005.	\$6,000	\$ -
Hemosol shares * (note 6)	2,028	2,340
	\$8,028	\$2,340

* As at June 30, 2005, the value of the investment has been written-down by \$3,242,384 (\$530,000 as at December 2004) following a decrease in the Hemosol share price which was below the carrying value. During the quarter, the Hemosol's shares were consolidated on the basis of four shares to one share.

	June 30 2005	December 31 2004
Number of Hemosol shares, a public company	1,622,093	750,000
Cost, minus the write-down	\$2,028	\$2,340
Fair market value	\$2,028	\$3,030

4. Accounts receivable

	June 30 2005	December 31 2004
Trade	\$589	\$673
Sales taxes receivable	223	277
Tax credits receivable (note 6)	1,573	1,298
Advance to an officer, without interest	450	360
Accrued interest and other	96	188
	\$2,931	\$2,796

The unaudited quarterly financial statements have not been reviewed by external auditors

5. Investments

	June 30 2005	December 31 2004
Convertible preferred shares of Arriva Pharmaceuticals, Inc.	\$2,281	\$2,281
Convertible preferred shares of AM-Pharma Holding B.V.	358	358
Cash subject to certain limitations	452	254
Guaranteed Investment Certificate related to a letter of credit	200	-
Excess of the interest in the joint venture Pathogen Removal and Diagnostic Technologies Inc. over proportionate share in consolidated net assets	1,861	1,586
	\$5,152	\$4,479

6. Bank loans

	2005	2004
Bank loan (authorized up to \$1,5 million) guaranteed by the investment in Hemosol. A ratio of 40 % of the fair market value of Hemosol's shares has to be respected. The loan bears an annual interest of 8 %. (note 3)	\$1,080	\$ -
Bank loan related to research and development tax credits and secured by an hypothec in the amount of \$1,3 million on all present and future assets of the subsidiary (other than intellectual property and certain investments) guaranteed by the Company, bearing interest at prime plus 1.75% (6% as at June 30, 2005 and December 31, 2004), payable upon receipt of the corresponding tax credits.	1,029	1 029
	\$ 2,109	\$1,029

7. Provision related to a lawsuit

A legal hypothec in the amount of \$2,762,458 (with interests and additional indemnity as provided by law) resulting from a judgment, was registered on December 23, 2004 in favour of Bank of Montreal and charging certain movable assets of ProMetic Life Sciences Inc. ("PLI"), including shares held by it in the capital of its subsidiaries and Hemosol Corp., Arriva Pharmaceuticals Inc., Arriva-ProMetic Inc., AM-Pharma Holding B.V., Pathogen Removal and Diagnostic Technologies Inc., any sums lent to them by PLI and sums held by PLI with National Bank Trust Inc.

8. Share capital

	June 30, 2005		December 31, 2004	
	Number	Amount	Number	Amount
Issued and fully paid:				
Subordinate voting shares	116,501,784	\$ 149,584	86,486,784	\$ 134,569
Multiple voting shares	13,026,375	1,563	13,026,375	1,563
Share purchase loan to an officer, (without interest and due no later than 2009)		(450)		(450)
Balance, at end of year		\$ 150,697		\$ 135,682

a) Share issue

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

	Number	Amount
Balance as at December 31, 2004	86,486,784	\$134,569
Shares issued pursuant to:		
Exercise of warrants and options	15,000	15
Public offerings	30,000,000	15,000
Balance as at June 30, 2005	116,501,784	\$149,584

b) Stock options

The Company has established a stock option plan for its directors, officers and employees or consultants. The following table summarizes the changes in the number of stock options outstanding over the last years

	Options	Weighted average exercise price per share
Number of options as at December 31, 2004	3,615,702	\$1.62
2005 Granted	47,500	2.70
Exercised	(15,000)	1.00
Cancelled	(172,975)	2.58
Number of options as at June 30, 2005	3,475,227	\$1.59

c) Stock-based compensation and other stock-based payments

The Company uses the Black-Scholes option valuation model to calculate the fair value of options at the date of grant, using the following assumptions:

	June 30 2005
Risk-free interest rate	3.59 %
Dividend yield	0 %
Expected volatility of share price	81.63 %
Expected life	5 years

The estimated fair value of options granted during the quarter ended June 30, 2005 is \$0.26.

(d) Warrants:

As part of the issue of subordinate voting shares pursuant to public and private offerings, the Company also granted warrants for the purchase of subordinate voting shares.

As at June 30, 2005, the following warrants were outstanding:

Warrants	Expiry date	Exercise price
1,710,000	June 2006	\$0.575

9. Additional information on the consolidated statement of cash flows

	Quarter ended June 30		Six-month ended June 30	
	2005	2004	2005	2004
a) Change in working capital items				
Accounts receivable	\$1,853	(\$246)	(\$135)	(\$398)
Inventories	(31)	(73)	12	(239)
Prepaid expenses	198	74	(101)	(94)
Accounts payable and accrued liabilities	(1,392)	(1,078)	267	(878)
Deferred revenue	(139)	(1,800)	(216)	(1,800)
	\$489	(\$3,123)	(\$173)	(\$3,409)

The unaudited quarterly financial statements have not been reviewed by external auditors

b) Non-cash transactions

Unpaid additions to capital assets and licenses and patents	\$(32)	\$169	\$284	\$169
Excess of the interest in the joint venture Pathogen Removal and Diagnostic Technologies Inc. over the proportionate share in the consolidated net assets	142	214	275	347
Preferred shares retractable at the holder's option	142	214	275	347
Unpaid share issue expenses	56	7	64	7

The unaudited quarterly financial statements have not been reviewed by external auditor

10. Segmented information:

The Company operates in one reporting segment consisting in research, development, manufacturing and commercialization of a variety of commercial applications from its technology platform.

a) Revenues by geographic segment ⁽¹⁾

	Quarter ended June 30		Six-month ended June 30	
	2005	2004	2005	2004
Canada	\$289	\$4,375	\$4,714	\$4,365
United States	55	275	317	315
United Kingdom	109	148	228	341
Europe (excluding United Kingdom)	674	395	1,090	658
Other countries	-	-	-	42
	\$1,127	\$5,193	\$6,349	\$5,721

(1) Revenues are attributed to countries based on location of customer and not on location of subsidiaries.

b) Assets by geographic segment

	June 30	December 31
	2005	2004
Canada	\$25,727	\$18,928
United States	321	288
United Kingdom	8,795	10,489
	\$34,843	\$29,705

c) Capital assets and licenses and patents by geographic segment

	June 30	December 31
	2005	2004
Canada	\$4,757	\$5,076
United States	88	87
United Kingdom	5,673	5,457
	\$10,518	\$10,620

The unaudited quarterly financial statements have not been reviewed by external auditor