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QUARTERLY REPORT

FOR THE PERIOD ENDED MARCH 31, 2006



PROMETIC

PROMETIC LIFE SCIENCES INC.

Quarterly Report

Three-month period ended March 31, 2006

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, 2005 included in the Company's annual report to shareholders. Information as at March 31, 2006 and for the periods ended March 31, 2006 and 2005 are unaudited.

These quarterly financial statements have been prepared on a going concern basis, which assumes 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, the achievement of profitable operations and meeting the covenants related to the convertible term notes.

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, revenues and expenses and the balance sheet classification used if the Company were unable to continue operations in accordance with this assumption.

Results of Operations

All amounts are in Canadian dollars unless indicated otherwise.

Revenues for the first quarter of 2006 amounted to \$0.5 million compared to \$5.2 million in the same period last year. Lower revenues are mainly explained by the recognition of a licence fee received in 2005 of \$4.0 million from Hemosol, a licensee of the PPPS technology. Other causes are the delay in signing product development agreements and delay in shipment of products due to the Hemosol insolvency.

Research and development expenses amounted to \$3.8 million for the first quarter, slightly below the 2005 amount of \$4.0 million. Research and development expenses consisted primarily of bio-separation activities, advancement of PBI-1402 and PBI-1393 clinical and pre-clinical development, and plasma fractionation activities.

Administration, marketing and other expenses, excluding amortization, were slightly below at \$1.5 million for the first quarter of 2006, compared to \$1.6 million for the same period in 2005.

Net interest expenses were higher in the first quarter of 2006 compared to 2005. The increase is mainly attributed to the interest expenses related to the convertible term notes issued by the company at the end of 2005 and at the beginning of 2006.

Net loss for the quarter was \$6.3 million, or \$0.05 per share, compared to \$2.0 million, or \$0.02 per share, for the same quarter in 2005.

Cash and cash equivalents amounted to \$6.4 million as at March 31, 2006.

Cash flows used in operating activities totalled \$5.1 million for the first quarter, compared to \$3.9 million for the same period in 2005 due to lower revenues.

Cash flows provided by financing activities totalled \$1.1 million for the first quarter of 2006 and are related to the completion in January 2006 of a second tranche of senior secured convertible notes issued for an aggregate proceeds of \$1.5 million.

As at March 31, 2006, the Company had 116,501,784 subordinate voting shares outstanding (same as December 31, 2005) and 2,997,375 options granted under the employee stock option plan (same as December 31, 2005). A total of 25,293,486 warrants were outstanding (22,294,092 as at December 31, 2005).

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 about ProMetic's objectives, strategies and businesses that involve risks and uncertainties. These statements are "forward-looking" because they are based on our current expectations about the markets we operate in and on various estimates and assumptions. 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, the Company's ability to develop, manufacture, and successfully commercialize value-added pharmaceutical products, the availability of funds and resources to pursue R&D projects, the successful and timely completion of clinical studies, the ability of the Company to take advantage of business opportunities in the pharmaceutical industry, uncertainties related to the regulatory process and general changes in economic conditions. You will find a more detailed assessment of the risks that could cause actual events or results to materially differ from our current expectations on page 17 of the Company's Annual Information Form for the year ended December 31, 2005, under the heading "Risk Factors". As a result, we cannot guarantee that

any forward-looking statement will materialize. We assume 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.

PROMETIC LIFE SCIENCES INC.
CONSOLIDATED BALANCE SHEETS

(In thousands of Canadian dollars)
(Unaudited)

	March 31 2006	December 31 2005
ASSETS		
Current assets		
Cash and cash equivalents	\$6,363	\$10,525
Accounts receivable (note 3)	3,230	2,914
Inventories (note 4)	2,184	1,935
Prepaid expenses	689	518
	12,466	15,892
Investments (note 5)	2,986	2,876
Capital assets	5,091	5,324
Licenses and patents	4,823	5,098
Deferred development costs	-	43
Deferred financing expenses	568	563
	\$25,934	\$29,796
LIABILITIES		
Current liabilities		
Bank loan (note 6)	\$1,029	\$1,029
Accounts payable and accrued liabilities	5,327	5,319
Deferred revenues	128	-
Provision related to a lawsuit (note 8)	2,955	-
Current portion of long-term debt	286	366
Current portion of liability component of the convertible term notes	1,067	524
	10,792	7,238
Liability component of the convertible term notes (note 7)	4,424	3,490
Long-term debt	42	46
Provision related to a lawsuit (note 8)	-	2,921
Preferred shares, retractable at the holder's option	2,358	2,248
	17,616	15,943
SHAREHOLDERS' EQUITY		
Share capital (note 9)	150,697	150,697
Contributed surplus	6,812	5,929
Deficit	(149,191)	(142,773)
	8,318	13,853
	\$25,934	\$29,796

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 March 31	
	2006	2005
Revenues		
Sales and contract	\$456	\$1,222
Licensing	40	4,000
	496	5,222
Charges		
Research and development expenses	3,809	3,976
Administration, marketing and other expenses	1,484	1,577
Amortization of capital assets	256	273
Amortization of licenses and patents and deferred development costs	436	391
Amortization of deferred financing expenses	53	-
	6,038	6,217
Loss before the following items	(5,542)	(995)
Provision related to a lawsuit (note 8)	(34)	-
Write-down of short-term investment	-	(988)
Net interest expenses	(771)	(32)
Net loss	(\$6,347)	(\$2,015)
Net loss per share (basic and diluted)	(0.05)	(0.02)
Weighted average number of outstanding shares (in thousands)	129,528	99,516

For supplemental operations information see note 10

*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 DEFICIT
(In thousands of Canadian dollars)
(Unaudited)

	Quarter ended March 31	
	2006	2005
Deficit, beginning of the period	\$142,773	\$117,495
Net Loss	6,347	2,015
Share issue expenses	71	-
Deficit, end of period	\$149,191	\$119,510

*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 STATEMENT OF CONTRIBUTED SURPLUS

(In thousands of Canadian dollars)

(Unaudited)

For the quarter ended March 31, 2006

	Stock-based compensation	Conversion option on term notes	Warrants	Total contributed surplus
Contributed surplus, beginning of the quarter	\$ 258	\$ 2,505	\$ 3,166	\$ 5,929
Stock-based compensation	53	-	-	53
Conversion option on term notes (note 7)	-	429	-	429
Issuance of warrants related to the convertible term notes (note 7)	-	-	401	401
Issuance of warrants as financing expenses	-	-	-	-
Contributed surplus, end of the quarter	\$311	\$2,934	\$3,567	\$6,812

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 March 31	
	2006	2005
Cash flows used in operating activities		
Net loss	\$ (6,347)	\$ (2,015)
Adjustments to reconcile net loss to cash flows used in operating activities		
Write-down of short term investment	-	1,058
Revenues received in shares	-	(3,000)
Interests on convertible term notes	775	-
Stock-based compensation	53	30
Amortization of capital assets	256	273
Amortization of deferred development costs	43	250
Amortization of licenses and patents	392	141
Amortization of deferred financing expenses	53	-
	(4,775)	(3,263)
Change in working capital items (note 11)	(311)	(662)
	(5,086)	(3,925)
Cash flows from financing activities		
Proceeds from share issues	-	10
Share issue expenses	(263)	-
Deferred financing expenses	(58)	-
Issuance of convertible term notes	1,531	-
Repayment of long-term debt	(84)	(118)
	1,126	(108)
Cash flows used in investing activities		
Acquisition of an investment	-	(201)
Additions to capital assets	(72)	(594)
Additions to licenses and patents	(130)	(69)
	(202)	(864)
Net increase (decrease) in cash and cash equivalents	(4,162)	(4,897)
Cash and cash equivalents, beginning of period	10,525	6,770
Cash and cash equivalents, end of period	\$ 6,363	\$ 1,873

For supplemental cash flow information, see note 11

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarters ended March 31, 2006 and 2005

(In thousands of Canadian dollars except for number of shares)

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

1. Governing statutes, nature of operations and going concern

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 assumes 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 its resources 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, the achievement of profitable operations and meeting the covenants related to the convertible term notes (note 7). 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 revenues and expenses and the balance sheet classification used if the Company were unable to continue operations in accordance with this assumption.

2. Basis of presentation

The unaudited consolidated balance sheet as at March 31, 2006 and the related unaudited consolidated statements of operations, deficit, surplus and cash flows, for the three-month periods ended March 31, 2006 and 2005, 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, 2005 included in the Company's annual report to shareholders.

Information as at March 31, 2006 and for the periods ended March 31, 2006 and 2005 are unaudited.

3. Accounts receivable

	March 31 2006	December 31 2005
Trade	\$ 471	\$ 374
Sales taxes receivable	147	164
Tax credits receivable (note 6)	2,350	2,225
Advance to an officer, without interest	63	22
Other	199	129
	\$ 3,230	\$ 2,914

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarters ended March 31, 2006 and 2005

(In thousands of Canadian dollars except for number of shares)

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

4. Inventories

	March 31 2006	December 31 2005
Raw materials	\$ 732	\$ 389
Work in progress and finished goods	1,452	1,546
	\$ 2,184	\$ 1,935

5. Investments

	March 31 2006	December 31 2005
Convertible preferred shares of AM-Pharma Holding B.V.	\$ 358	\$ 358
Guaranteed Investment Certificate, 1.75%, expiring in June 2006 pledged as security of a letter of credit to a supplier expiring in November 2010	200	200
Cash subject to certain limitations	70	70
Excess of the interest in the joint venture Pathogen Removal and Diagnostic Technologies Inc. over proportionate share in consolidated net assets	2,358	2,248
	\$ 2,986	\$ 2,876

6. Bank loan

	March 31 2006	December 31 2005
Bank loan of ProMetic BioSciences Inc, a wholly-owned subsidiary of the Company, related to research and development tax credits and secured by a 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% (7.25 % as at March 31, 2006 and 6.75 % as at December 31, 2005), payable upon receipt of the corresponding tax credits.	\$ 1,029	\$ 1,029

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarters ended March 31, 2006 and 2005

(In thousands of Canadian dollars except for number of shares)

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

7. Convertible Term Notes

On December 30, 2005, the Company issued Secured Convertible Term Notes with a principal amount to be paid of US \$9.538 million (\$11,120) for a total cash consideration of US \$7.6 million (\$8,861). Subsequent to this event, additional notes with a principal amount of US \$1.634 million (\$1,905) for a total cash consideration of US \$1.302 million (\$1,518) were issued in January 2006.

The Company agreed to meet certain covenants. As at March 31, 2006, there can be no assurance that the Company will meet all the conditions set out in the term notes agreements. If the covenants are not met, the complete principal amount of the notes could be payable at the holder's option. Interest expenses were capitalized to the outstanding debt for a total of US \$671 (\$775).

To secure the Company's obligations under the notes, ProMetic Life Sciences Inc. and its subsidiaries, ProMetic BioSciences Inc., ProMetic BioSciences (USA), Inc. and ProMetic BioSciences Ltd granted a hypothec, mortgage or other security interest on substantially all of their assets and each subsidiary guaranteed the obligations of ProMetic Life Sciences Inc. under the notes.

For the eight month period following issuance of a note, half of its principal amount is convertible at the holder's option into Subordinate Voting Shares at a conversion price of US \$0.27. After this period, the full outstanding principal amount shall be convertible at holder's option until maturity provided the holder of the note would not own more than 9.99% of outstanding shares.

In January, 2006, 2,999,394 warrants were issued to purchase Subordinate Voting shares at an exercise price of US \$0.30 per share and are exercisable for a period of five years.

For accounting purposes, the notes contain both a liability component and an equity component (the holder's conversion option and the warrants). The value of the liability component has been determined by discounting the future repayments at discount rate which represents the estimated borrowing rate available to the Company for similar notes having no warrants and no conversion rights. The fair values of the warrants and the holder's conversion option were determined using the Black Scholes option pricing model using the following assumptions:

	Conversion option	Warrants
Risk-free interest rate	4.37–4.41%	4.35%
Dividend yield	0%	0%
Expected volatility of share price	70-80%	70-80%
Expected life	9 – 36 months	5 years

The estimated fair value was adjusted on a prorata basis, to ensure that the fair value assigned to the components equals the total cash consideration received for the issuance of the term notes.

The equity component of shareholder's equity is recorded separately. The other issuance costs incurred related to the Note have been accounted for as deferred financing cost for the portion

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarters ended March 31, 2006 and 2005

(In thousands of Canadian dollars except for number of shares)

(The unaudited quarterly financial statements have not been reviewed by external auditors) attributable to the liability component and as share issue expenses for the portion attributable to the equity component.

As at March 31, 2006, the following warrants related to the convertible term notes were outstanding:

Warrants	Expiry date	Exercise price
20,584,092	December 2010	US \$0.30
2,999,394	January 2011	US \$0.30

8. Provision related to a lawsuit

Following the judgment in favor of Bank of Montreal issued in December 2004, a non-recurring expense of \$ 3.0 million has been recorded in the consolidated statement of operations and in the accrued liabilities.

In January 2005, the Company appealed the judgment and is waiting for the audition date of the appeal court. Furthermore a legal hypothec in the amount of \$2,762 (with interests and additional indemnity as provided by law) resulting from a judgment, was registered on December 23, 2004 in favor 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, Pathogen Removal and Diagnostic Technologies Inc., and any sums lent to them by PLI.

9. Share capital

	March 31, 2006		December 31, 2005	
	Number	Amount	Number	Amount
Issued and fully paid:				
Subordinate voting shares	116,501,784	\$ 149,584	116,501,784	\$ 149,584
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		\$ 150,697

a) Warrants:

As at March 31, 2006, the following warrants related to the share capital were outstanding:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarters ended March 31, 2006 and 2005

(In thousands of Canadian dollars except for number of shares)

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

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

b) Stock options:

The Company has a stock option plan for its directors, officers and employees or service providers. No changes occurred in the options granted, exercised or cancelled for the first quarter compared to the stock options as at December 31, 2005.

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:

	2005
Risk-free interest rate	3.56%
Dividend yield	0%
Expected volatility of share price	73.7%
Expected life	5 years

The estimated fair value of options granted during the year ended December 31, 2005 is \$0.44.

10. Information included in the consolidated statements of operations

	Quarter ended March 31	
	2006	2005
Amortization of capital assets	\$ 256	\$ 273
Amortization of deferred development costs	43	250
Amortization of licenses and patents	393	141
Amortization of deferred financing expenses	53	-
Gross research and development expenses	3,934	4,176
Research and development tax credits	125	200
Interest on long-term debt	784	18
Interest on short-term debt	18	15
Interest income	37	13

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarters ended March 31, 2006 and 2005

(In thousands of Canadian dollars except for number of shares)

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

11. Additional information on the consolidated statement of cash flows:

	Quarter ended March 31	
	2006	2005
a) <u>Change in working capital items:</u>		
Accounts receivable	\$ (316)	\$ (1,988)
Inventories	(249)	43
Prepaid expenses	(171)	(299)
Accounts payable and accrued liabilities	297	1,659
Deferred revenue	128	(77)
	<u>\$ (311)</u>	<u>\$ (662)</u>
b) <u>Non-cash transactions:</u>		
Unpaid additions to capital assets and licenses and patents	131	316
Excess of the interest in the joint venture Pathogen Removal and Diagnostic Technologies Inc. over the proportionate share in the consolidated net assets	110	133
Preferred shares retractable at the holder's option	110	133
Unpaid share issue expenses	13	8
Shares of Hemosol Corp. received as consideration of acceptance of milestone.	-	4,000
Unpaid interests related to the convertible term notes	775	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarters ended March 31, 2006 and 2005

(In thousands of Canadian dollars except for number of shares)

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

12. 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 and expenses by activities:

Quarter ended March 31, 2006

	Therapeutics	Biotherapeutics	Bioseparation	Animal care	Total
Revenues	-	-	496	-	496
R&D expenses	1,090	777	1,942	-	3,809
Admin., marketing and other	417	203	787	77	1,484
Amort. of capital assets	66	3	187	-	256
Amort. of license and patents and deferred development costs	355	7	74	-	436
Amort. of deferred financing expenses	19	9	25	-	53
Loss	1,947	999	2,519	77	5,542

b) Revenues by geographic segment ⁽¹⁾:

	Quarter ended March 31	
	2006	2005
Canada	\$ -	\$ 4,425
United States	45	262
United Kingdom	69	119
Europe (excluding United Kingdom)	366	416
Other countries	16	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarters ended March 31, 2006 and 2005

(In thousands of Canadian dollars except for number of shares)

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

\$ 496	\$ 5,222
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- (1) Revenues are attributed to countries based on location of customer and not on location of subsidiaries.

c) Assets by geographic segment:

	March 31	December 31
	2006	2005
Canada	\$ 17,764	\$ 21,344
United States	231	147
United Kingdom	7,939	8,305
	\$ 25,934	\$ 29,796

d) Capital assets and licenses and patents by geographic segment:

	March 31	December 31
	2006	2005
Canada	\$ 4,256	\$ 4,558
United States	123	114
United Kingdom	5,535	5,750
	\$ 9,914	\$ 10,422
