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QUARTERLY REPORT

FOR THE PERIOD ENDED SEPTEMBER 30, 2006



PROMETIC

PROMETIC LIFE SCIENCES INC.

Quarterly Report Nine-month period ended September 30, 2006

This present release constitutes the quarterly report to shareholders.

- 1. Management's Discussion and Analysis of Operating Results and Financial Position**
- 2. Consolidated Balance Sheets**
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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 September 30, 2006 and for the periods ended September 30, 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 and achieving 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, 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 third quarter of 2006 were \$0.4 million compared with \$0.5 million in the same period last year.

For the first nine months of 2006, revenues were \$1.5 million compared to \$6.8 million for the same period last year. Lower revenues are mainly attributed to the fact that whilst in 2005, there was revenue recognition of Hemosol's milestone payment of \$4.3 million, no such milestone payment was due by Hemosol in 2006. However, in October 2006, the Company concluded long-term manufacture and supply agreements for two synthetic-ligand affinity adsorbent products with Novozymes Delta Ltd for the manufacture of Recombumin ®. The agreements provide commercial terms for the supply of process-scale quantities of two synthetic-ligand affinity adsorbent products for an initial 10-year term. Also in the third quarter, the Company signed a strategic license agreement and associated services with Nabi Biopharmaceutical Inc. Both contracts are expected to provide additional revenues in the coming quarters.

Research and development expenses were \$4.5 million for the third quarter compared to \$3.1 million incurred in the same period in 2005. This significant variance is caused mainly by the creation of the BioTherapeutics unit which incurred \$0.9 million in the quarter. Also, during the third quarter of 2005 the Company recorded a research and development tax credit of \$0.5 million compared to \$0.2 million this year.

Year to date, research and development expenses for 2006 amounted to \$10.8 million. Research and development expenses consisted primarily of bio-separation activities including

the development of the prions capture filter, advancement of PBI-1402 and PBI-1393 clinical and pre-clinical development, and plasma fractionation activities. In September 2006, Pathogen Removal and Diagnostic Technologies Inc, a joint venture between ProMetic and the American Red Cross, and MacoPharma received the European Regulatory Approval (CE Mark) for the prion capture filter, P-Capt[™]. Also, the Company decided to expand sites for its PBI-1402 clinical trial Phase Ib/II and to initiate its PBI-1393 clinical trial.

Administration, marketing and other expenses, excluding amortization, were \$5.6 million for the first nine months of 2006 compared to \$5.0 million for the same period in 2005. For the quarter, administration, marketing and other expenses were \$2.3 million compared to \$1.5 million for the same period last year. A significant portion of the increase in administration expenses is attributable to legal fees related to a litigation between the Company and Hemosol concerning the outlicensing of hyperimmunes products extracted from plasma, using ProMetic's technology. That litigation was resolved in favor of ProMetic, as the court decided that the Company could license its technology for the production of hyperimmune products, without Hemosol's consent.

Operating loss for the nine months of 2006 totals \$16.3 million compare to \$11.0 million for the same period in 2005 and is mainly caused by lower revenues.

Net interest expenses in 2006 were significantly higher at \$4.0 million with \$0.3 million for the same period in 2005. The increase is mainly attributable to interest expense accruals related to the convertible term notes issued by the Company at the end of 2005 and at the beginning of 2006. During the quarter the Company incurred a first payment to the note holders resulting in a disbursement of \$0.4 million including interest. For the first nine months, interest expenses were capitalized to the outstanding debt for a total of \$3.4 million to adjust the carrying value to the principal amount.

Net loss for the quarter was \$7.0 million, or \$0.04 per share, compared with \$5.6 million, or \$0.04 per share, for the same period in 2005. Year to date losses has increased by \$5.4 million for a total of \$20.5 million compared to the same period in 2005.

Cash and cash equivalents were \$6.1 million as at September 30, 2006.

Cash flows used in operating activities totalled \$3.3 million for the third quarter of 2006, compared with \$3.6 million for the same period in 2005. Year to date and up to September 30, 2006 operating cash outflows were \$13.2 million compared with \$11.6 million for the same period in 2005. The variance is mainly due to lower revenues.

Cash flows provided by financing activities totalled \$10.6 million for the first nine months of 2006 as a private placement was completed in June 2006.

Cash flows used in investing activities amounted to \$1.8 million for the first nine months of 2006 and mostly resulted in the acquisition of the remaining Plasma Protein Purification System (PPPS) licence from the American Red Cross.

On November 3, 2006, in order to improve its ability for growth, the Company filed and obtained receipt from the Autorité des Marché financiers, acting as principal regulator, for a CND \$42 million short form base shelf prospectus or "shelf registration" with the securities regulators in each Canadian province. Pursuant to the shelf registration the Company may issue its subordinate voting shares in one or more tranches periodically to the public in Canada, during the 25-month period in which the shelf prospectus remains valid. The securities may be

issued at the Corporation's discretion, with an aggregate offering amount not to exceed CAD \$42 million in value.

As at September 30, 2006, the Company had 159,874,539 subordinate voting shares outstanding (116,501,784 at December 31, 2005) and 3,526,450 options granted under the employee stock option plan (2,997,375 at December 31, 2005). A total of 23,583,486 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.

(1) HPFB – Health Products and Food Branch, Health Canada

(2) FDA – Food and Drug Administration

(3) EMEA – European Agency for the Evaluation of Medicinal Products

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)

| | September 30 2006 | December 31 2005 |
|---|----------------------|---------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$6,082 | \$10,525 |
| Accounts receivable (note 3) | 1,503 | 2,914 |
| Inventories (note 4) | 2,345 | 1,935 |
| Prepaid expenses | 498 | 518 |
| | 10,428 | 15,892 |
| Investments (note 5) | 2,615 | 2,876 |
| Capital assets | 4,727 | 5,324 |
| Licenses and patents | 5,892 | 5,098 |
| Deferred financing expenses | 343 | 563 |
| Deferred development costs | - | 43 |
| | \$24,006 | \$29,796 |
| LIABILITIES | | |
| Current liabilities | | |
| Bank loan | - | \$1,029 |
| Accounts payable and accrued liabilities | 4,966 | 5,319 |
| Provision related to a lawsuit (note 8) | 3,041 | - |
| Current portion of long-term debt | 91 | 366 |
| Current portion of liability component of the convertible term notes (note 7) | 4,193 | 524 |
| | 12,291 | 7,238 |
| Liability component of the convertible term notes (note 7) | 3,377 | 3,490 |
| Long-term debt | 17 | 46 |
| Provision related to a lawsuit (note 8) | - | 2,921 |
| Preferred shares, retractable at the holder's option | 3,257 | 2,248 |
| | 18,942 | 15,943 |
| SHAREHOLDERS' EQUITY | | |
| Share capital (note 9) | 161,664 | 150,697 |
| Contributed surplus | 6,861 | 5,929 |
| Deficit | (163,461) | (142,773) |
| | 5,064 | 13,853 |
| | \$24,006 | \$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 September 30 | | Nine month ended September 30 | |
|--|-------------------------------|------------------|----------------------------------|-------------------|
| | 2006 | 2005 | 2006 | 2005 |
| Revenues | | | | |
| Sales and contract | \$421 | \$487 | \$1,501 | \$2,836 |
| Licensing | - | - | 41 | 3,999 |
| | 421 | 487 | 1,542 | 6,835 |
| Charges | | | | |
| Research and development expenses | 4,538 | 3,097 | 10,757 | 10,819 |
| Administration, marketing and other expenses | 2,320 | 1,526 | 5,576 | 4,987 |
| Amortization of capital assets | 259 | 278 | 773 | 822 |
| Amortization of license and patents and deferred development costs | 277 | 392 | 778 | 1,177 |
| | 7,394 | 5,293 | 17,884 | 17,805 |
| Loss before the following items | (6,973) | (4,806) | (16,342) | (10,970) |
| Provision related to a lawsuit (note 8) | (41) | - | (119) | - |
| Write-down of short-term investment | - | (568) | - | (3,810) |
| Net interest expenses | (33) | (253) | (4,049) | (318) |
| Net loss | (\$7,047) | (\$5,627) | (\$20,511) | (\$15,098) |
| Net loss per share (basic and diluted) | (0.04) | (0.04) | (0.14) | (0.14) |
| Weighted average number of outstanding shares (in thousands) | 159,817 | 129,528 | 142,462 | 111,063 |

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 September 30 | | Nine month ended September 30 | |
|---|-------------------------------|-------------------|----------------------------------|------------------|
| | 2006 | 2005 | 2006 | 2005 |
| Deficit, beginning of the period | \$156,405 | \$ 128,096 | \$142,773 | \$117,495 |
| Net Loss | 7,047 | 5,627 | 20,511 | 15,098 |
| Share issue expenses | 9 | 144 | 177 | 1,274 |
| Deficit, end of period | \$163,461 | \$ 133,867 | \$163,461 | \$133,867 |

*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)

| | Quarter ended September 30, 2006 | | | | Nine month ended September 30, 2006 | | | |
|---|----------------------------------|---------------------------------------|-----------------|---------------------------------|-------------------------------------|---------------------------------------|----------------|---------------------------------|
| | Stock-based compensation | Conversion option on term notes | Warrants | Total contributed surplus | Stock-based compensation | Conversion option on term notes | Warrants | Total contributed surplus |
| Contributed surplus, beginning of the period | \$ 354 | \$ 2,886 | \$ 3,567 | \$ 6,807 | \$ 258 | \$ 2,505 | \$3,166 | \$ 5,929 |
| Stock-based compensation | 59 | - | - | 59 | 155 | - | - | 155 |
| Conversion option on term notes (note 7) | - | (5) | - | (5) | - | 376 | - | 376 |
| 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 | \$ 413 | \$ 2,881 | \$ 3,567 | \$ 6,861 | \$ 413 | \$ 2,881 | \$3,567 | \$ 6,861 |

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 September 30 | | Nine month ended September 30 | |
|--|-------------------------------|-----------------|----------------------------------|-----------------|
| | 2006 | 2005 | 2006 | 2005 |
| Cash flows used in operating activities | | | | |
| Net loss | \$ (7,047) | \$ (5,627) | \$ (20,511) | \$ (15,098) |
| Adjustments to reconcile net loss to cash flows used in operating activities | | | | |
| Charges paid with PRDT preferred shares | - | - | 1,270 | - |
| Write-down of short term investment | - | 568 | - | 3 880 |
| Revenues received in shares | - | - | - | (3,000) |
| Interests on convertible term notes | (147) | - | 3 424 | - |
| Stock-based compensation | 59 | 7 | 155 | 60 |
| Gain/Loss on exchange rate | (88) | - | (488) | - |
| Amortization of capital assets | 259 | 278 | 773 | 822 |
| Amortization of deferred development costs | - | 252 | 43 | 753 |
| Amortization of licenses and patents | 277 | 140 | 735 | 424 |
| Amortization of deferred financing expenses | (195) | - | 281 | - |
| | (6,882) | (4,382) | (14,318) | (12,159) |
| Change in working capital items (note 11) | 3,556 | 777 | 1,081 | 604 |
| | (3,326) | (3,605) | (13,237) | (11,555) |
| Cash flows from financing activities | | | | |
| Proceeds from share issues | - | - | 10 949 | 15,015 |
| Share issue expenses | (87) | (167) | (382) | (1 241) |
| Deferred financing expenses | - | - | (61) | - |
| Issuance of convertible term notes | - | - | 1,531 | - |
| Repayment of convertible term notes | (119) | - | (119) | - |
| Bank loan | (1 029) | (492) | (1 029) | 588 |
| Repayment of long-term debt | (111) | (99) | (304) | (337) |
| | (1,346) | (758) | 10,585 | 14,025 |
| Cash flows used in investing activities | | | | |
| Disposal (Acquisition) of short term investments | - | 6,000 | - | - |
| Acquisition of an investment | - | 5 | - | (393) |
| Additions to capital assets | (139) | (470) | (245) | (1,673) |
| Additions to licenses and patents | (171) | (242) | (1,548) | (318) |
| | (310) | 5,293 | (1,793) | (2,384) |
| Net increase (decrease) in cash and cash equivalents | (4,981) | 930 | (4,444) | 86 |
| Cash and cash equivalents, beginning of period | 11,062 | 5,926 | 10,525 | 6,770 |
| Cash and cash equivalents, end of period | \$ 6,081 | \$ 6,856 | \$ 6,081 | \$ 6,856 |

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 September 30, 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 and achieving 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 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 September 30, 2006 and the related unaudited consolidated statements of operations, deficit, surplus and cash flows, for the nine-month periods ended September 30, 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 September 30, 2006 and for the periods ended September 30, 2006 and 2005 are unaudited.

3. Accounts receivable

| | September 30 | December 31 |
|---|-----------------|-----------------|
| | 2006 | 2005 |
| Trade | \$ 27 | \$ 374 |
| Sales tax receivable | 380 | 164 |
| Tax credits receivable (note 6) | 375 | 2,225 |
| Advance to an officer, without interest | 81 | 22 |
| Other | 640 | 129 |
| | \$ 1,503 | \$ 2,914 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarters ended September 30, 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

| | September 30 | December 31 |
|-------------------------------------|--------------|-------------|
| | 2006 | 2005 |
| Raw materials | \$ 320 | \$ 389 |
| Work in progress and finished goods | 2,025 | 1,546 |
| | \$ 2,345 | \$ 1,935 |

5. Investments

| | September 30 | December 31 |
|--|--------------|-------------|
| | 2006 | 2005 |
| Convertible preferred shares of AM-Pharma Holding B.V. | \$ 358 | \$ 358 |
| Guaranteed investment certificate, 3.5 %, expiring in June 2007, pledged as security of a letter of credit to a supplier expiring in November 2010 | 200 | 200 |
| Cash subject to certain limitations | 74 | 70 |
| Excess in the interest in the joint venture Pathogen Removal and Diagnostic Technologies Inc. over proportionate share in consolidated net assets | 1,983 | 2,248 |
| | \$ 2,615 | \$ 2,876 |

6. Bank loan

| | September 30 | December 31 |
|--|--------------|-------------|
| | 2006 | 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 futur assets of the subsidiary (other than intellectual property and certain investments) guaranteed by the Company, bearing interests at prime plus 1.75 % (6.75 % as at December 31, 2005) | \$ - | \$ 1,029 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarters ended September 30, 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.

During the year, the majority of the note holders agreed to change the covenants.

The interest expenses were capitalized to the outstanding debt for a total of \$3,424 million to adjust the carrying value to the principal amount.

During the quarter, the company made her first payment to the note holders resulting on a total payment of US \$ 333 (\$371) including interests.

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.

As at September 30, 2006, three of the note holders converted part of their investment resulting in an issuance of 746,380 subordinate voting shares. The portion of the convertible term notes (\$109) and the conversion option in the surplus (\$54) was credited to the share capital.

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 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarters ended September 30, 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)

The estimated fair value was adjusted on a prorated 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 attributable to the liability component and as share issue expenses for the portion attributable to the equity component.

As at September 30, 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

| | September 30, 2006 | | December 31, 2005 | |
|---|--------------------|------------|-------------------|------------|
| | Number | Amount | Number | Amount |
| Issued and fully paid | | | | |
| Subordinate voting shares | 159,874,539 | \$ 162,114 | 116,501,784 | \$ 149,584 |
| Multiple voting shares | - | - | 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 period | | \$ 161,664 | | \$ 150,697 |

a) Share issue

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarters ended September 30, 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)

| | Number | Amount |
|--------------------------------------|-------------|------------|
| Balance as at December 31, 2005 | 116,501,784 | \$ 149,584 |
| Shares issued pursuant to: | | |
| Conversion of multiple voting shares | 13,026,375 | 1,581 |
| Exercise of options (note 7) | 746,380 | 145 |
| Private placement | 29,600,000 | 10,804 |
| Balance as at September 30, 2006 | 159,874,539 | 162,114 |

In May 2006, following a resolution by the shareholders, 13,026,375 multiple voting shares were converted into 13,026,375 subordinate voting shares.

In June 2006, the company secured a private placement of 29,600,000 subordinate voting shares at \$0.365 per share for a net proceed of \$10.8 million.

b) Stock options:

The Company has a stock option plan for its directors, officers and employees or service providers. The following table summarizes the changes in the number of stock options outstanding.

| | Options | Weighted average exercise price per share |
|--|-----------|---|
| Number of options outstanding as at December 31, 2005 | 2,997,375 | \$ 1.43 |
| 2006 Granted | 580,000 | 0.41 |
| Exercised | - | - |
| Cancelled | (50,925) | 2.70 |
| Number of options outstanding as at September 30, 2006 | 3,526,450 | \$ 1.24 |

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, 2006 |
|------------------------------------|---------------|
| Risk-free interest rate | 4.56% |
| Dividend yield | 0% |
| Expected volatility of share price | 72.93% |
| Expected life | 5 years |

The estimated fair value of options granted during the quarter ended June 30, 2006 is \$0.24. No options were granted during the quarter ended September 30, 2006.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarters ended September 30, 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)

10. Information included in the consolidated statement of operations

| | Quarter ended September 30 | | Nine-month ended September 30 | |
|---|----------------------------|--------|-------------------------------|--------|
| | 2006 | 2005 | 2006 | 2005 |
| Amortization of capital assets | \$ 259 | \$ 278 | \$ 773 | \$ 822 |
| Amortization of deferred development costs | - | 252 | 43 | 753 |
| Amortization of licenses and patents | 277 | 140 | 735 | 424 |
| Amortization of deferred financing expenses | (195) | - | 281 | - |
| Gross research and development expenses | 4,763 | 3,614 | 11,232 | 11,611 |
| Research and development tax credits | 225 | 517 | 475 | 792 |
| Interest on long term debt | 357 | 26 | 3,943 | 59 |
| Interest on short term debt | 18 | 9 | 55 | 53 |
| Interest income | 154 | 51 | 256 | 81 |

11. Additional information on the consolidated statement of cash flow

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarters ended September 30, 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)

| | Quarter ended September 30 | | Nine-month ended September 30 | |
|--|----------------------------|--------|-------------------------------|--------|
| | 2006 | 2005 | 2006 | 2005 |
| a) Change in working capital items | | | | |
| Accounts receivable | \$ 2,175 | \$ 786 | \$ 1,411 | \$ 651 |
| Inventories | (55) | (368) | (410) | (356) |
| Prepaid expenses | 35 | 252 | 20 | 151 |
| Accounts payable and accrued liabilities | 1,531 | 134 | 60 | 401 |
| Deferred revenues | (130) | (27) | - | (243) |
| | \$ 3,556 | \$ 777 | \$ 1,081 | \$ 604 |

b) Non-cash transaction

| | | | | |
|---|---------|----------|--------|--------|
| Unpaid additions to capital assets and licenses and patents | \$ (77) | \$ (129) | \$ 106 | \$ 155 |
| Excess of the interest in the joint venture Pathogen Removal and Diagnostic Technologies Inc. over the proportionate share in the consolidated net assets | 53 | 222 | (265) | 497 |
| Preferred shares retractable at the holder's option | 53 | 222 | 1,009 | 497 |
| Unpaid share issue expenses | (77) | (23) | - | 41 |
| Shares of Hemosol received as consideration of acceptance of milestone | - | - | - | 3,000 |
| Unpaid interests related to the convertible term notes | (147) | - | 3,424 | - |

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:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarters ended September 30, 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)

Period ended September 30, 2006

| | Therapeutics | BioTherapeutics | Bioseparation | Animal care | Total |
|--|---------------------|------------------------|----------------------|--------------------|--------------|
| Revenues | - | - | 1,542 | - | 1,542 |
| R&D expenses | 3,243 | 2,855 | 4,660 | - | 10,757 |
| Admin., marketing and other | 1,694 | 1,220 | 2,400 | 262 | 5,576 |
| Amort. of capital assets | 200 | 12 | 561 | - | 773 |
| Amort. of license and patents and deferred develop. costs | 596 | 43 | 137 | 2 | 778 |
| Loss | 5,733 | 4,130 | 6,216 | 263 | 16,342 |

Quarter ended September 30, 2006

| | Therapeutics | BioTherapeutics | Bioseparation | Animal care | Total |
|--|---------------------|------------------------|----------------------|--------------------|--------------|
| Revenues | - | - | 421 | - | 421 |
| R&D expenses | 1,003 | 1,250 | 2,285 | - | 4,538 |
| Admin., marketing and other | 553 | 546 | 1,107 | 114 | 2,320 |
| Amort. of capital assets | 65 | 5 | 189 | - | 259 |
| Amort. of license and patents and deferred develop. costs | 208 | 24 | 43 | 2 | 277 |
| Loss | 1,829 | 1,825 | 3,203 | 116 | 6,973 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarters ended September 30, 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)

b) Revenues by geographic segment (1)

| | Quarter ended September 30 | | Nine-month ended September 30 | |
|-----------------------------------|----------------------------|--------|-------------------------------|----------|
| | 2006 | 2005 | 2006 | 2005 |
| Canada | \$ - | \$ 42 | \$ - | \$ 4,754 |
| United States | 19 | 68 | 396 | 385 |
| United Kingdom | 280 | 14 | 440 | 243 |
| Europe (excluding United Kingdom) | 122 | 363 | 688 | 1,453 |
| Other Countries | - | - | 18 | - |
| | \$ 421 | \$ 487 | \$ 1,542 | \$ 6,835 |

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

c) Assets by geographic segment

| | September 30 | December 31 |
|----------------|--------------|-------------|
| | 2006 | 2005 |
| Canada | \$ 15,063 | \$ 21,344 |
| United States | 1,764 | 147 |
| United Kingdom | 7,179 | 8,305 |
| | \$ 24,006 | \$ 29,796 |

d) Capital assets and licenses and patents by geographic segment

| | September 30 | December 31 |
|----------------|--------------|-------------|
| | 2006 | 2005 |
| Canada | \$ 4,080 | \$ 4,558 |
| United States | 1,257 | 114 |
| United Kingdom | 5,282 | 5,750 |
| | \$ 10,619 | \$ 10,422 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarters ended September 30, 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)

13. Subsequent event

On November 3, 2006, in order to improve its ability for growth, the Company filed and obtained receipt from the Autorité des Marché financiers, acting as principal regulator, for a CND \$42 million short form base shelf prospectus or "shelf registration" with the securities regulators in each Canadian province. Pursuant to the shelf registration the Company may issue its subordinate voting shares in one or more tranches periodically to the public in Canada, during the 25-month period in which the shelf prospectus remains valid. The securities may be issued at the Corporation's discretion, with an aggregate offering amount not to exceed CND \$42 million in value.