

PROMETIC LIFE SCIENCES INC.



ANNUAL INFORMATION FORM

Year ended December 31, 2006

March 28, 2007

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Forward Looking Statements

This Annual Information Form contains forward-looking statements about ProMetic's objectives, strategies, financial condition, results of operations and businesses.

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.

These statements could be materially different from what we expect if known or unknown risks affect our business, or if our estimates or assumptions turn out to be inaccurate. As a result, we cannot guarantee that any forward-looking statement will materialize; forward-looking statements do not take into account the effect that transactions or non-recurring items announced or occurring after the statements are made may have on our business; 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. You will find a more detailed assessment of the risks that could cause our actual statements to materially differ from our current expectations in this Annual Information Form under the heading "*Risk Factors*".

Unless otherwise specified herein, the information specified in this Annual Information Form is presented as at December 31, 2006.

1 – CORPORATE STRUCTURE

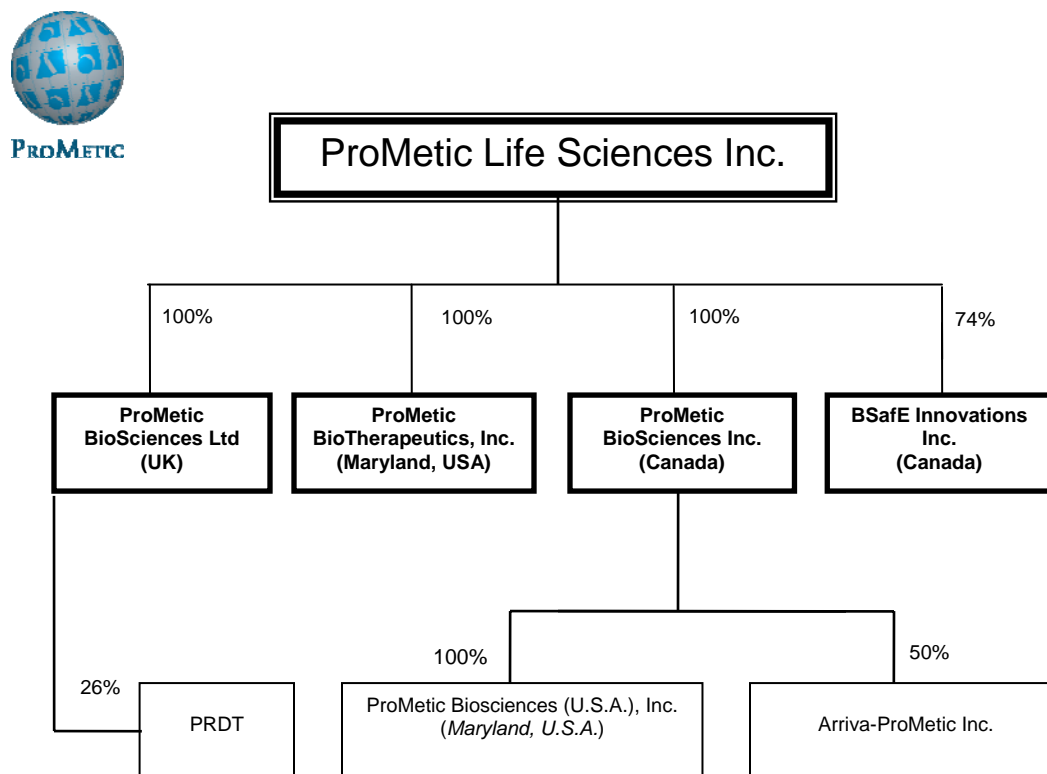
1.1 Name and Incorporation

ProMetic Life Sciences Inc. (the "Corporation") was incorporated on October 14, 1994 under the *Canada Business Corporations Act*, originally as Innovon Life Sciences Holdings Limited. As at the date hereof, its head office and registered office is located at 8168 Montview Road, Mount-Royal, Québec, H4P 2L7, Canada.

Since October 14, 1994, the Corporation has amended its articles of incorporation by articles of amendment. On December 21, 1995, the Corporation amended its authorized share capital and removed the restrictions on share transfers. It also amended the provisions in its articles pertaining to the Corporation's borrowing powers and those in respect of quorums at board of directors meetings. On June 6, 1996, the Corporation amended the provisions pertaining to the minimum and maximum number of directors. On April 10, 1995, October 10, 1995, June 19, 1997 and August 14, 1997, the Corporation again amended its authorized share capital. On May 19, 1998, the Corporation changed its name from Innovon Life Sciences Holdings Limited to ProMetic Life Sciences Inc. and simplified its authorized share capital structure. Hence, according to restated articles of incorporation dated May 19, 1998, the Corporation is authorized to issue an unlimited number of Subordinate Voting Shares, twenty million (20,000,000) Multiple Voting Shares and an unlimited number of preferred shares issuable in series. By certificate of amendment issued on February 16, 2000, the Corporation created its initial two series of preferred shares consisting of a maximum of one million fifty thousand (1,050,000) Series A Preferred shares and nine hundred fifty thousand (950,000) Series B Preferred shares.

1.2 Intercorporate Relationships

The following chart indicates the jurisdiction of incorporation of the Corporation's direct and indirect operating subsidiaries, as well as the voting interest (expressed as a percentage) beneficially owned, controlled or directed by the Corporation in each subsidiary. The Corporation owns, controls or directs the same percentage of equity securities in each subsidiary.



*ProMetic Company Confidential
March 2007*

2 – GENERAL DEVELOPMENT OF THE BUSINESS

ProMetic Life Sciences Inc. (“ProMetic” or “the Corporation”) is publicly traded (TSX symbol: PLI), global biopharmaceutical company offering technologies for large-scale drug purification, drug development, **proteomics**, clinical diagnostics, and the elimination of **pathogens**, and is developing products to treat **anemia**, **neutropenia**, cancer, and **autoimmune disease/inflammation**. ProMetic uses its proprietary Affinity Technology, which employs the Corporation’s Mimetic Ligand™ technology (highly stable chemical hooks that selectively recognize and bind to target biomolecules) to facilitate a variety of applications where a target biomolecule requires purification or removal. This technology can reduce manufacturing costs and increase the yield of existing drugs or drug candidates. The Corporation reorganized in early 2006 and is now

structured as a parent company with four separate operating units, each of which is a subsidiary controlled by the Corporation: ProMetic BioSciences Ltd (“PBL” [UK]), ProMetic BioTherapeutics, Inc. (“PBT” [U.S.]), ProMetic BioSciences Inc. (“PBI” [Canada]), and BSafE Innovations Inc. (“BSafE” [Canada]). The objective of this reorganization is for each unit to function independently in terms of management, funding of operations, and development of specific products and services. Based on its proprietary technologies, ProMetic has a large number of collaborations with entities that are active in the biotechnology and pharmaceutical industries. These partnerships serve to generate revenue for the Corporation.

2.1 Three-Year History

2006

In December 2006, a successful equity financing was closed, via two tranches of financing for gross proceeds of CDN\$17.1 Million. The investors were a combination of prominent US and Canadian Institutional investors. In this round of financing, the Corporation first issued 36,566,400 Subordinate voting shares (“Shares”) at a price of \$0.25 per share for total proceeds of \$9,141,600. In the second tranche, the Corporation issued and sold under an agency agreement between Paradigm Capital Inc. and the Corporation, 28,571,429 Shares at a price of \$0.28 per share for gross proceeds of CDN \$8 Million. The 65,137,829 Shares issued in this round of financing were issued under supplements to the Corporation’s short form base shelf prospectus filed with and approved by Canadian securities regulators on November 3, 2006.

Also in December 2006, the Corporation secured a non-convertible debt facility with a US based financial institution in the amount of CDN \$11.6 Million. The proceeds of this loan were used to reimburse the convertible debt contracted in December of 2005, with a residual amount of CDN\$ 3.2 Million that will be used for general corporate purposes.

Still in December 2006, the Corporation’s UK subsidiary, ProMetic BioSciences Ltd (PBL), entered into an agreement to supply large quantities of proprietary affinity adsorbent to one of its existing multinational clients. The order for a Mimetic Ligand™ product valued at CAD\$3.9 Million will be supplied to the client in the first and second quarters of 2007.

In early December 2006, PBL entered into an agreement with Novartis Vaccines and Diagnostics GmbH & Co.K.G, to develop a synthetic-ligand affinity adsorbent for the purification of a recombinant protein vaccine.

In November 2006, PBL confirmed that it is to provide Octapharma AG with scale-up quantities of a Mimetic Ligand™ affinity adsorbent developed under a collaboration agreement announced January 5th 2005. As a part of this collaboration, PBL developed a novel synthetic affinity ligand using its Chemical Combinatorial Library® technology. Having demonstrated the new Mimetic Ligand™ adsorbent achieved the purification performance requirements for Octapharma’s new recombinant protein product, the project is now entering the final scale-up phase of the CAD \$1.4 million programme. This will involve the production of multiple batches of adsorbent.

Also, in November, 2006, the Corporation filed an application for a short form base shelf prospectus, and received authorization from Canadian securities regulators thereto, to offer and issue, from time to time, over the period of 25 months that such prospectus remains effective, up to \$42,000,000 in aggregate of subordinate voting shares of the Corporation. No underwriter or agent was involved in the preparation of this prospectus.

In October 2006, BSafE, the Corporation's joint venture company with Top Meadow Farms, dedicated to veterinary applications of prion research, announced that results of experiments conducted in 2006 confirmed the ability of the technology it licenses from another of the Corporation's joint venture endeavors, to significantly enhance the sensitivity of post mortem testing for Mad Cow Disease. These results could lead to further breakthroughs in 2007 and beyond.

Also in October 2006, PBL entered into long-term manufacture and supply agreements for two synthetic-ligand affinity adsorbent products it manufactures, with Novozymes Delta Ltd ("Delta"), to be used by Delta for the manufacture of its flagship product, Recombumin®. The agreements provide commercial terms for the supply of process-scale quantities of both products for an initial 10-year term with the option of subsequent renewal periods.

In September 2006, the prion capture filter, P-Capt™, developed from technology of Pathogen Removal and Diagnostic Technologies Inc. ("PRDT"), a joint venture between the Corporation and the American Red Cross, and PRDT's commercial and manufacturing partner, MacoPharma SA ("MacoPharma"), received European Regulatory Approval (CE mark), thus opening up the way for commercialization of this promising product.

Also in September 2006, the Corporation's Board of Directors approved plans to expand its PBI-1402 phase Ib/II clinical trial to multiple sites in Canada and Europe. The Corporation also announced that it would be initiating PBI-1393 clinical trials for advanced cervical cancer.

In early September 2006, a decision favourable to the Corporation was rendered in relation to certain specific elements of the scope of the licence agreement entered into in June 2004, between Hemosol LP, an affiliate of Hemosol Corp (collectively "Hemosol") and the Corporation. The Court ruled that the licence agreement did not grant any rights whatsoever to Hemosol in regards to hyperimmune products, and as a result, the Court validated the license agreement entered into by the Corporation with Nabi Pharmaceuticals.

In August 2006, the Corporation announced the signature of a license agreement and associated services and supply agreements with Nabi Biopharmaceuticals ("NABI") for the use of the Corporation's Mimetic Ligands™ technology in the manufacturing of selected plasma-derived hyperimmune products. Under the terms of the license agreement, NABI will pay the Corporation milestone payments upon the filing of a Biologic License Application (BLA) and upon licensure of hyperimmune products made using the Corporation's technology. NABI also will pay royalties on the sale of these products. The milestone payments could reach US \$18 million if NABI develops and obtains licensure of all the products that are the subject of the license agreement.

In July 2006, the Corporation completed the establishment of its U.S. subsidiary ProMetic BioTherapeutics, Inc. (PBT), which was incorporated in January 2006, to commercialize a technology platform developed under a collaborative agreement between the Corporation and the American Red Cross. Under a new agreement between PBT and the American Red Cross, 16 of the American Red Cross's key scientists were hired by the Corporation, and are working in the American Red Cross's facilities in Rockville and Gaithersburg, Maryland, focussing, among other things, on commercializing and licensing the Plasma Protein Purification System (PPPS) technology, which was licensed to PBT by the American Red Cross, in January 2006.

In June 2006, The Corporation closed a private placement of 29,600,000 subordinate voting shares at C\$0.365 per share with JPMorgan and Third Point LLC. Proceeds from the private placement totalled C\$10.8 million. The funds from the financing were to be used for general corporate purposes, including the development of PBI-1402, the Corporation's lead therapeutic, an orally active drug for the treatment of anemia in cancer patients undergoing chemotherapy.

In May 2006, PRDT entered into a definitive license agreement with MacoPharma. Under the terms of the license, MacoPharma obtained the exclusive sale and distribution rights for the P-CAPT™ filter within Europe, in addition to being granted an exclusive worldwide manufacturing license.

In April 2006, Sartorius AG and the Corporation entered into a collaboration agreement utilizing bioseparation systems to recover proteins from human blood plasma. The agreement was signed between Sartorius and PBT. Within this alliance, Sartorius will be a preferred supplier and technology provider to the Corporation's PPPS licensees for filtration equipment and consumables. In addition, Sartorius and PBL have agreed to collaborate on the development of ligand-membrane composites for the isolation of the proteins from blood plasma and other sources.

In March 2006, the Corporation's Board of Directors adopted two shareholder rights plans, that took effect at the Corporation's annual general meeting held on May 3rd 2006, when its shareholders agreed to the exchange or conversion of all issued and outstanding multiple voting shares of the Corporation into subordinate voting shares.

In February 2006, the Corporation completed its corporate reorganization announced in November 2005. The Company restructured as a parent company with four pure-play subsidiaries --- PBL, PBI, PBT and BSafe. Each distinct subsidiary is pursuing a focused business plan and is pursuing funding opportunities with investors looking for a specific risk/return profile.

Also In February, PBI, the Corporation's therapeutic drug unit, received authorization from the Therapeutic Products Directorate of Health Canada to begin a Phase Ib/II clinical trial of PBI-1402, its novel therapeutic compound in development to treat patients with anemia.

Still in February 2006, as part of the Corporation's overall reorganization plan, it transferred to PBL all of its 26% ownership stake in PRDT.

2005

A successful convertible debt financing by way of private placement was closed by the Corporation in December 2005 and January 2006. The Corporation issued senior secured convertible notes in the aggregate face amount of US\$11.2 million, for aggregate gross proceeds of US\$8.9 million to be used for general corporate purposes. US\$7.6 million of the gross proceeds were received in December 2005 and \$1.3 million in January 2006.

In December 2005, the Corporation announced the completion of the phase I trial of PBI-1402, ProMetic's therapeutic compound in development for the treatment of patients with anemia. Results continued to show a good safety profile and were consistent with internal studies to the effect that PBI-1402 appears to exert its effect by a different mechanism of action than erythropoietin ("EPO"). Results showed an additive effect of PBI-1402 with EPO on human progenitor cell proliferation *in vitro*, thereby suggesting a potential use of PBI-1402 alone or in combination with EPO for the treatment of anemia.

Also in December 2005, the Corporation announced that Mr. Christian Frayssignes would be appointed as chief executive officer to lead BSafE, the Corporation's animal care unit to develop and commercialize a diagnostic for bovine spongiform encephalopathy ("BSE") in blood samples taken from live cattle.

In November 2005, ProMetic's North American licensee for the Plasma Protein Purification System ("PPPS"), Hemosol filed notices of intention to make a proposal to their creditors. ProMetic sold the shares that it previously held in Hemosol. The PPPS technology, based on ProMetic's Mimetic Ligand™ technology and developed by ProMetic and its partners, consists of a series of filtering steps through which human plasma is processed to recover certain blood plasma proteins that have therapeutic value in higher yields than with other commonly used plasma fractionation processes.

Also in November 2005, the Corporation announced that its Board of Directors had approved a reorganization plan under which its business was to be structured as a parent company with four operating units: (i) PBL, for the development of bioseparation products based on applications of its proprietary Mimetic Ligand™ technology; (ii) PBI, for the development of compounds aimed at the treatment of cancer and autoimmune diseases/inflammation; (iii) PBT, for the isolation and recovery of therapeutic proteins from plasma, and (iv) BSafE, a joint venture to be formed by the Corporation and Top Meadow Life Sciences Inc. ("Top Meadow"), for the development and commercialization of a diagnostic test for BSE in live cattle using technology licensed by PRDT.

In October 2005, the Corporation announced positive results of the prion endogenous (whole blood) infectivity study co-sponsored by PRDT, its partner MacoPharma S.A. (a leader in the industry of blood collection systems and transfusion solutions in Europe), and ProMetic, showing that PRDT's proprietary technology removes all detectable blood-borne TSE infectivity from whole blood. Transmissible spongiform encephalopathy ("TSE") diseases are fatal brain diseases that include BSE or "mad cow disease" in cattle, Creutzfeldt-Jakob Disease (vCJD) in humans, and "scrapie" in sheep.

In the Fall of 2005, the Corporation was designated a top 50 Canadian technology company in the "Deloitte Canadian Technology Fast 50" program that recognizes companies with the fastest growth over a five-year period.

In June 2005, the Corporation successfully closed a \$15 million public offering, in which it issued 30,000,000 subordinate voting shares in its share capital at a price of \$0.50 per share.

In June 2005, ProMetic announced that it had entered into a Memorandum of Understanding (MOU) with Top Meadow for the development, marketing and distribution of prion diagnostic systems for the *ante-mortem* detection of BSE and certain other veterinary applications, under PRDT licensed technology.

In April 2005, the Corporation announced the successful scale-up by Hemosol of the PPPS process technology at 30 litres. This achievement triggered a \$4 million milestone payment, of which \$3 million was paid in newly issued shares of Hemosol Corp. PPPS technology was presented at the fourth International Plasma Product Biotechnology Conference in May 2005.

2004

ProMetic announced in December 2004 the creation of BioMena S.A., the result of an alliance among ProMetic, the Tunisian government and financial partners to manufacture biopharmaceutical products for the treatment of diseases such as anemia, cancer, hepatitis and multiple sclerosis and market them to Middle East, North-African countries (MENA) and selected European markets.

In December 2004, a judgment of the Superior Court of Québec was rendered in favour of the Bank of Montreal regarding claims in the aggregate amount of \$2,406,329 (plus interests and additional indemnity as provided by law) by the bank, following the discontinuation in 1999 of a generic business by a former subsidiary of the Corporation, ProMetic Pharma Inc. The Corporation has appealed this judgement. Please refer to the section entitled "*Legal Proceedings*" in this Annual Information Form.

Also in December 2004, ProMetic announced test results showing good tolerability and positive effects of ProMetic's PBI-1402 compound confirming the increase of red blood cell precursors.

At the end of 2004, ProMetic signed a development agreement with Octapharma AG, a Swiss-based plasma fractionation specialist, providing access to ProMetic's Mimetic Ligand™ affinity technology.

In November 2004, international business analysts Frost & Sullivan announced their yearly industry leadership awards, naming ProMetic as technology leader of the year in the bioseparation industry.

In November 2004, ProMetic completed a significant milestone in connection with its March 2004 custom ligand development agreement with Serono worth \$1.3 million based on ProMetic's Mimetic Ligand™ technology, by achieving purity and yield requirements through the scale-up process.

In October 2004, ProMetic announced the results of two clinical trials on the safety and efficacy of recombinant Alpha 1-antitrypsin ("rAAT") in a topical gel formulation, conducted by Arriva-ProMetic Inc., a joint venture between ProMetic and Arriva Pharmaceuticals, Inc. Results obtained in a Phase II trial in the U.K. with a pediatric population with severe dermatological disorder were encouraging, with improvement in 3 of the 5 patients treated. A Phase II trial performed in Canada in patients with atopic

dermatitis demonstrated that patients did not show a statistically significant clinical outcome.

In August 2004, PRDT announced a strategic alliance with MacoPharma to develop and market pathogen reduction filters for blood and blood products.

In July 2004, ProMetic entered into an agreement with the pharmaceutical company GlaxoSmithKline to develop a series of ligands based on ProMetic's Mimetic Ligand™ technology, for use in the purification of biopharmaceuticals. This program was ended prematurely during 2005 when GlaxoSmithKline put certain of its initiatives on hold, but other development programs with this client are ongoing.

June 2004 saw ProMetic finalize a licensing agreement with Hemosol for the PPPS developed through ProMetic's second alliance with the American National Red Cross. The agreement provided for a staged license fee of \$15.5 million payable to ProMetic upon the achievement of certain milestones, as well as a total of 3 million shares in the capital of Hemosol (of which 2 million were received in 2003) and ongoing royalties.

In April 2004, PRDT announced that *in vitro* testing of its prion blood filter on red blood cell concentrate demonstrated the reduction of the number of abnormal prion proteins to undetectable levels. This equates to 99.99% infectivity reduction.

3 – DESCRIPTION OF THE BUSINESS

3.1 General

As a result of the above-mentioned corporate reorganization, ProMetic is now made up of four subsidiaries, (i) PBL, the bioseparations product development and manufacturing unit, (ii) PBT, the blood products unit, (iii) PBI, the therapeutic drug unit and (iv) BSafE, the animal care products unit.

(a) ProMetic BioSciences Ltd. (“PBL”)

ProMetic BioSciences Ltd., based in the United Kingdom, with R&D facilities in Cambridge and manufacturing capacity on the Isle of Man, is a supplier of products and technology to biopharmaceutical companies. It develops and markets bioseparation products based on applications of its patented Mimetic Ligand™ technology which are used in a variety of biomanufacturing and medical device applications. PBL owns ProMetic's 26% stake in Pathogen Removal and Diagnostic Technologies Inc. (PRDT), the joint-venture company formed with the American Red Cross to develop products for the removal of pathogens such as prions (TSE's). PBL will play an important role in the supply of affinity resin for PRDT's first prion-reduction filter device P-Capt™ to be produced and marketed to blood supply organisations by PRDT's partner MacoPharma. The P-Capt™ filter has earned European regulatory approval (CE Mark) and is targeted at improving the safety of red blood cell (RBC) concentrate.

(b) Prometic BioTherapeutics Inc. (“PBT”)

This subsidiary, based in the State of Maryland, U.S.A., and incorporated in January of 2006, exploits the PPPS technology, as well as other ProMetic proprietary bioseparation technology to isolate and extract therapeutic proteins from blood plasma. The PPPS process, developed in collaboration with the American National Red Cross, is a

sequence of capture steps based on ProMetic's Mimetic Ligand™ technology to recover various plasma proteins, at higher yields than other commonly used plasma fractionation methods. ProMetic's technology can also be employed by plasma fractionators seeking to harvest single proteins more efficiently or to recover certain proteins that cannot be extracted effectively by current manufacturing practices.

As stated above in the "3-year History section", in July 2006, under a new agreement between PBT and the American Red Cross, 16 of the American Red Cross's key scientists were hired by the Corporation, and are working in the American Red Cross's facilities in Rockville and Gaithersburg, Maryland, focussing, among other things, on commercializing and licensing the Plasma Protein Purification System (PPPS) technology, which was licensed to PBT by the American Red Cross, in January 2006.

Three commercial applications will be pursued by this entity: (i) licensing improved process solutions to increase recovery yields for hyperimmunes (highly purified specialty antibodies made from human plasma). Given the scarcity of donors of such type of plasma, yield becomes very critical; (ii) licensing the PPPS process for established plasma proteins in order to recover multiple proteins at higher yield per litre of plasma processed. Such therapeutic proteins include immunoglobulin G (IgG), alpha 1-proteinase inhibitor (A1PI), fibrinogen, von Willebrand factor/factor VIII (vWf/FVIII), albumin and other proteins; and (iii) using its technology for the recovery of certain proteins that have established therapeutic value but cannot be extracted effectively by current manufacturing practices or that are not the focus of large plasma fractionators.

(c) ProMetic BioSciences Inc. (PBI)

Based in Laval, a suburb of Montréal, Canada, this subsidiary, focused on the development of therapeutics, has brought two drug candidates into clinical trials and has a number of other compounds in pre-clinical testing. PBI develops drugs internally that target medical needs where standard therapies are either in limited supply or economically burdensome. It focuses on the field of haematology, oncology and autoimmune diseases.

In haematology, PBI's lead compound is PBI-1402. Results of clinical phase I trials confirmed a good safety profile and were consistent with internal studies to the effect that PBI-1402 appears to exert its hematopoietic effect by a different mechanism of action than EPO and showed an additive effect of PBI-1402 with EPO on human progenitor cell proliferation *in vitro*. This suggests a potential use of PBI-1402 alone or in combination with EPO for the treatment of anemia. PBI is presently undertaking phase Ib/II clinical trials, targeting patients with anemia induced by chemotherapy, patients with anemia associated with end stage renal disease and under renal dialysis, as well as anemic patients with chronic kidney disease but not dialysed.

PBI's scientists have furthermore identified a promising compound with potential uses in the treatment of neutropenia: PBI-3941. In 2007, PBI will begin pre-clinical development of PBI-3941.

In oncology, PBI's second lead compound, PBI-1393, is a potential treatment for breast, pancreatic, colorectal, cervical cancers and metastatic melanoma. PBI-1393 is a novel chemical entity. In 2007, PBI expects to initiate a Phase Ib/II clinical trial of PBI-1393 to demonstrate safety of the drug. A contract research organization has been engaged to prepare the trial protocol, and the clinical material was produced to execute the study.

PBI has developed novel molecules for the treatment of different cancers (lung, breast, prostate) and autoimmune diseases such as psoriasis, lupus and arthritis. Animal models have produced encouraging results.

(d) *BSafE Innovations Inc. (BSafE)*

This initiative in the veterinary field is headquartered in Alberta. It is a joint venture with Top Meadow Farms, a cattle breeding enterprise. BSafE has in-licensed the veterinary applications from PRDT. The long term goal of BSafE is to use the validated PRDT technology for prion reduction in the search for a diagnostic that would certify live cattle as BSE-tested. In the near term, BSafE's scientists are working to enhance the sensitivity of already existing BSE screening tests. The Top Meadow group plays a role in the cattle industry with expertise in breeding, feeding and marketing, and is facilitating contact with potential users of BSafE technology in the meat industry.

3.2 Trends

(a) *ProMetic BioSciences Ltd*

Recombinant proteins, unlike their human plasma counterparts, are produced in non-human hosts and undergo an intensive purification process to bypass host cell-derived impurities. Monoclonal antibodies (MAbs), a significant component of the recombinant protein market, represent a \$16 billion market, which is predicted to increase to more than \$30 billion by 2010. Other proteins in the recombinant protein market include insulin, interferon, tissue plasminogen activator, colony stimulating factors (CSF), and erythropoietin (EPO). The market for bioseparation materials now exceeds \$700 million and is growing by approximately 10% annually

In order to meet the high purification standards of recombinant proteins in a cost-effective manner, ProMetic has also employed its affinity technology to create a range of affinity adsorbent products that may play important roles in improved recombinant protein and antibody purification. The Company's proprietary bioseparation tools and manufacturing processes for recombinant biological products are used by over 40 companies in the pharmaceutical and biotechnology industries, where ProMetic's clients employ this technology to purify proteins, reduce manufacturing costs, and increase the yield of therapeutic products.

(b) *Prometic BioTherapeutics Inc.*

Plasma is the residual liquid that remains once the red blood cells, white blood cells, and platelets have been removed from blood. Plasma proteins extracted from human blood are valuable specialty products constituting a market of approximately \$6.1 billion in 2004. These proteins are produced by a few fractionators (entities employing a technology to break down a substance into its component parts) and marketed principally to hospitals for use in the treatment of a variety of medical conditions, such as **hemophilia**, shock, trauma, burns, and immune disorders. There is a growing demand and a shortage of supply for high value proteins commonly used to treat a variety of medical conditions

(c) Prometic BioSciences Inc.

Therapeutics play an important role in ProMetic's future development. ProMetic produces promising drug candidates generally at a lower cost than traditional large pharmaceutical companies. ProMetic has investigated 2,000 compounds of which 6 were selected as drug candidates, while other companies typically investigate between 100,000 and 1,000,000 compounds to bring one compound through clinical studies and to market. The therapeutic unit is focused on the discovery and development of proprietary drugs in the fields of cancer and autoimmune diseases. The mission of the therapeutic unit is to develop innovative, less toxic, and lower cost alternatives, such as protein mimetics, to currently marketed but expensive recombinant protein drugs. This approach represents a financial opportunity and a significant growth potential, as many such medically proven and valuable recombinant proteins are already available in the marketplace.

Cancer is a global health threat, with an estimated 10 million new diagnoses each year and approximately six million deaths, 40% of which occur in the developed world. The incidence is expected to increase by 50% over the next 20 years. The American Cancer Society estimates that there are currently 8.9 million people in North America with a history of cancer, with approximately three million predicted new diagnoses annually. In the U.S. this year, approximately 570,280 people, or more than 1,560 per day, are predicted to die from cancer.

Following cardiovascular diseases, cancer remains the most common cause of death in the U.S., with approximately one out of every four American deaths linked to this disease. The relative lifetime risk of a male developing cancer is one in two; for women the risk is one in three. Furthermore, the National Cancer Institute (NCI) anticipates that cancer may exceed cardiovascular disease as the leading cause of death in the next decade.

While a variety of tissues may be adversely affected by chemotherapy and radiation therapy, one of the greatest areas for concern is bone marrow. Bone marrow is made up of particular cells (hematopoietic cells) responsible for blood cell production (i.e. immune system cells, oxygen transport, and blood clotting). Chemotherapy and radiation therapy directly attack the bone marrow, which in turn, may cause anemia and neutropenia. Neutrophils are the first line of defense for the body against invading pathogens and infectious agents. Chemotherapy and radiotherapy side effects—**anemia and neutropenia**—contribute to the high cost of cancer therapy. These side effects are also a leading cause of morbidity and mortality following cancer treatments.

According to available independent market research, the global cancer market has been forecast to grow to \$53.1 billion in 2009, up from \$38.5 billion in 2003, representing an average annual growth rate of 5.49%. This expansion is projected to occur as a result of improvements in traditional therapies, combined with the introduction of new and innovative treatments that display improved efficacy and lower toxicity, and take a more targeted approach at eliminating specific forms of cancer.

Anemia is a condition in which the number of **red blood cells (RBCs [erythrocytes])** or the **hemoglobin** in them is below normal. Hemoglobin is a red, iron-rich protein that gives blood its red color and enables RBCs to carry oxygen from the lungs to all parts of the body and carry carbon dioxide to the lungs so that it can be exhaled. A person

becomes anemic when the body produces too few healthy RBCs, loses too many of them, or destroys them faster than they can be replaced. As a result, a person's blood is too low in RBCs to carry oxygen to their tissues, causing a number of symptoms, which may include weakness, pale skin, a fast heartbeat, shortness of breath, chest pain, dizziness, cognitive problems, numbness or coldness in the extremities, and headaches.

Anemia is caused by or associated with a wide range of conditions, ranging from chronic kidney disease (CKD) and end-stage renal disease (dialysis patients) to **Acquired Immune Deficiency Syndrome (AIDS)**, **hepatitis**, cancer, chemotherapy, and other conditions. The National Kidney Foundation estimates that the U.S. CKD population exceeds 20 million people, with as many as 67 million people in the U.S. with hypertension and diabetes at risk for CKD and subsequently anemia.

Erythropoietin (EPO) is a protein produced naturally in the kidneys that stimulates red blood cell production in the body. A shortage of EPO in the body, such as that caused by kidney disease, can cause anemia. Current EPO treatment has a short **half-life**, typically requiring three repeat injections per week, with each injection resulting in a temporary, massive overdose of EPO. In addition, patients frequently miss injections, resulting not only in the anemia being undertreated, but also often becoming unstable and difficult to manage.

The market for EPO was estimated at \$10.7 billion in 2005, according to Informations Sekretariat Biotechnologies (www.i-s-b.org/business/rec_sales.htm). The primary market drivers for this compound's annual growth rate of 12.5% are improvements in the drug delivery technologies and expansion of the aging population.

(d) BSafe

At present, cattle herd owners and government regulators are showing critical interest in technology to diagnose BSE in live cattle. Currently "mad cow" diagnosis requires brain tissue samples from dead animals. An endogenous (whole blood) infectivity study conducted by PRDT has demonstrated that the ligand technology binds abnormal prions from whole blood and concentrates them, thus facilitating their detection.

(e) Objectives and R&D

Partnership and joint-venture agreements concluded over the past few years have enabled ProMetic to position itself as a key player in the biopharmaceutical purification market. This strategy aims at maximizing the Corporation's value and mitigates inherent development risks, provides a significant endorsement of ProMetic's technology. ProMetic's objectives for the coming year include partnering with pharmaceutical and biopharmaceutical companies to improve the manufacturing of their own therapeutics.

Further information on the timing and stage of ProMetic's research and development programs of both divisions may be found in the Corporation's 2006 annual report, available on SEDAR on the following website: www.sedar.com. ProMetic generally conducts research and development through its own scientific staff, though in some cases it coordinates discrete R&D tasks carried out by third parties or carries out certain research and development activities in collaboration with partners.

3.3 Mimetic Ligand™ Technology

Intelligent Combinatorial Chemistry (ICC)™

The drug discovery process has accelerated in recent years with the introduction of combinatorial chemistry, which allows millions of potential pharmacological agents to be screened in a relatively short time. ProMetic has applied this technology to the development of synthetic organic entities known as ligands that can be used in the separation and purification of biopharmaceutical products. The specific binding properties of ligands towards proteins means such ligands can be developed for purification purposes or for other applications such as medical applications and as drug candidates. Over time, ProMetic has created its Intelligent Combinatorial Chemistry (ICC)™, which contains large numbers of ligands (Mimetic Ligands™) specific to certain classes of proteins such as plasma proteins and monoclonal antibodies. Most of ProMetic's ligands are derived from triazine chemistry and are protected worldwide by numerous issued and pending patents.

Particles Technology

ProMetic's ligands are attached to a variety of support materials including its proprietary agarose beads (PuraBead™). The ligand, bonding chemistry and the support material are critical to the development and manufacture of a final proprietary product, which is then supplied by PBL to end-users in the biopharmaceutical or biomedical fields. .

Purabead™ is produced using ProMetic's patented process. Agarose is a natural carbohydrate derived from agar-agar in seaweed and is widely used in the bioseparation and food industries. As such, agarose is a very well known and characterized raw material. The manufacturing process developed by ProMetic converts agarose into near-monodispersed beads to which the ProMetic's ligands are attached. ProMetic also manufactures fluorinated polymer beads (Perflurosorb®) which are used for specific applications such as DNA purification

The choice of ligand base matrix will vary according to the specifications required for particular applications. ProMetic has developed and/or acquired methods to attach its ligands to matrices.

3.4 Commercial Applications, Products and Services

The Corporation's growth strategy is dependent upon its ability to partner with global biotechnology and pharmaceutical companies to use its proprietary technologies. Currently, the Corporation has a significant number of partnerships that generate revenues and increase the usage of its products and technologies, including the sale of proprietary therapeutics, pathogen removal devices, and bioseparation media. Additionally, the Corporation has royalty and milestone payments from products sold by partners who use the Corporation's technology in their manufacturing processes. The Corporation also benefits by sharing clinical development and marketing risks through these partnerships. The following section summarizes the Corporation's growth strategy by business unit.

(a) *ProMetic BioSciences Ltd.*

This unit seeks to grow revenues through increasing sales of existing products and services combined with the introduction of new products, including new materials for antibody purification and the removal of pathogens. The P-Capt™ filter is to be produced

and marketed via PRDT's commercial manufacturing partner, MacoPharma. This product is targeted for launch in 2007.

PBL has over 40 different pharmaceutical, biotechnology, and medical device companies evaluating and using the Corporation's proprietary affinity products. As PBL's licensees and clients progress in the development and commercialization of their own products utilizing ProMetic's technology, PBL's revenue should grow accordingly.

(b) ProMetic BioTherapeutics, Inc.

This unit has completed a scale-up milestone to 30 liters of plasma, showing its potential for commercialization through prospective licensees of the Plasma Protein Purification System (PPPS) process in the plasma fractionation industry. The foundation for this technology is established, its commercial applicability has been validated, and it has gained considerable attention within the blood and plasma industry. PBT plans to promote its technology platforms and license them along four principal lines: (1) use of complete PPPS for fractionators; (2) use of platforms adaptable for plasma fractionators seeking to harvest single proteins more efficiently from **intermediates** derived from ethanol fractionation of plasma; (3) the production of **immunoglobulin (IgG)** preparations directly from plasma containing enriched neutralizing **titers** toward specific antigens (e.g. **hepatitis B** surface antigens [Hyperimmune Immunoglobulins]); and (4) the development of processes and products applied to the recovery of certain proteins that have established therapeutic value, but cannot be extracted effectively via current manufacturing practices. These proteins have the potential to receive Orphan Drug status and could be rapidly advanced to commercial status with the support of regulatory authorities and patient associations.

(c) ProMetic BioSciences Inc.

This unit is actively seeking to undertake advanced clinical trials and the commercial launch of pipeline compounds PBI-1402 and PBI-1393, developing other lead compounds through active research and development, and is pursuing co-development strategic alliances with larger pharmaceutical companies.

(d) BSafE Innovations Inc.

This unit is working initially to improve the sensitivity of current post-mortem diagnostic tests available on the market that detect mad cow disease only in animals of a certain age or after a certain incubation period. The Company believes that developing a full Bovine Spongiform Encephalopathy (BSE) *ante mortem* diagnostic kit alone or in partnership with others in the animal diagnostic market could be a natural route for the unit.

3.5 Competitive Conditions

ProMetic's competitive edge continues to reside in the following: its ability to apply its technologies to a wide range of products already on the market; the ability of its technology to improve the manufacturing of these products through product yield increases and safety or cost improvements; the ability to apply its technology in many other areas such as drug discovery, proteomics, diagnostics, blood safety and to establish a solid base to drive revenue growth; and leveraging its expertise in protein mimetics and medicinal chemistry to develop and build on an impressive pipeline of

therapeutic products that target unmet medical needs where standard therapies are either in limited supply or economically burdensome.

Competition in the biopharmaceutical sector is however extremely intense. ProMetic competes with companies that produce similar or identical biopharmaceutical products or that propose different approaches to the separation or purification of proteins. Many of such companies have greater resources than ProMetic. Accordingly, no assurance can be given that products developed by these other companies or that their equivalent technology will not affect ProMetic's competitiveness.

3.6 Raw Materials, Components

ProMetic depends on third parties for the sourcing of raw materials, components or finished products for ProMetic's various products. ProMetic believes that alternative sources of supply for such raw materials, components or finished products exist. However, any change in ProMetic's suppliers could have a significant impact on ProMetic's ability to complete certain research and development projects and, accordingly, would affect its projected commercial and financial growth. While other potential alternative suppliers of raw materials and components have been identified or are being determined, they must first pass intensive validation tests to ensure their compliance with product specifications. No assurance can be given regarding the successful outcomes of such tests or the ability of ProMetic to secure alternate sources of supply at competitive pricing.

3.7 Intellectual Property Rights

ProMetic's success depends in part on its ability to obtain patents, protect its trade secrets and operate without infringing third-party exclusive rights or without others infringing ProMetic's exclusive rights or those granted to it under license. ProMetic has filed patent applications in Canada, the United States, Europe and elsewhere in the world and is actively pursuing these matters. The patent position of biopharmaceutical firms is generally uncertain and involves complex legal, factual and scientific issues, several of which remain unresolved. The Corporation does not know whether any of ProMetic's pending patent applications will be granted or whether ProMetic will be able to develop other patentable proprietary products. Furthermore, ProMetic does not know whether its existing or future patents will provide a competitive advantage or afford protection against competitors with similar technology. In addition, the Corporation cannot give any assurance that such patents will not be challenged successfully or circumvented by others using alternative technology or whether existing third-party patents will prevent ProMetic from marketing its products. Finally, competitors or potential competitors may independently develop products as effective as those of ProMetic or invent other products based on ProMetic's patented products.

Pharmaceutical and biopharmaceutical companies and research and development and academic institutions may have filed patent applications for processes related to those of ProMetic and which may have an effect on its business. Some such processes may conflict with ProMetic's processes or patent applications, which could limit the scope of the patents that may be granted to ProMetic or even result in its patent applications being rejected.

If third-party licenses are required, there can be no assurance that ProMetic will be able to obtain such licenses, or if obtainable, that it would be available on reasonable terms. Furthermore there can be no assurance that ProMetic could develop or obtain alternative technologies related to third party patents that may inadvertently cover its products.

Inability to obtain such licenses or alternative technologies could delay the market launch of certain ProMetic products, or even prevent ProMetic from developing, manufacturing or selling certain products. In addition, ProMetic could incur significant costs in defending itself in patent infringement proceedings initiated against it or in bringing infringement proceedings against others.

ProMetic cannot determine with any certainty if it has priority of invention in relation to a product or process covered by a patent application or if it was the first to file a patent application for any such invention. Further, in the event of patent litigation there can be no assurance that ProMetic's patents, if issued, would be held valid or enforceable by a court of competent jurisdiction or that a court would rule that the competitor's products or technologies constitute patent infringement.

Moreover, a significant part of ProMetic's technological know-how constitutes trade secrets. ProMetic, therefore, requires that its employees, consultants, advisers and collaborators sign confidentiality agreements. However, there can be no assurance that such agreements provide adequate protection in the event of unauthorized use or disclosure of ProMetic's trade secrets, know-how or other proprietary information.

3.8 Economic Dependence

ProMetic's strategy involves entering into various arrangements with corporate and academic partners, licensors, licensees and others for the research, development, clinical testing, manufacturing, marketing and commercialization of its enabling technologies and therapeutic products. Under such agreements, ProMetic may receive additional funding, including milestone payments. However, there can be no assurance that it will be able to establish such partnerships on favourable terms, or that its current and future partnership arrangements will prove successful.

For instance, following the filing of Hemosol LP and Hemosol Corp's notices of intention to make proposals to their creditors, and ensuing insolvency proceedings, it is possible that ProMetic's license to Hemosol LP regarding the PPPS process could be affected, renegotiated or terminated depending on the outcome of such proceedings. The likely effect of the above issues cannot as of yet be adequately assessed and the Corporation has been and will continue to monitor the situation and, to the extent possible, will seek to participate in shaping the outcome of these proceedings to the benefit of ProMetic and its shareholders.

Should any of ProMetic's collaborative partners be unsuccessful in developing or commercializing a ProMetic product or technology to which the partner has rights, or one of the partner's products to which ProMetic has rights, ProMetic's business could be adversely affected. Furthermore, while the Corporation believes that its current and future corporate partners, with the possible exception of Hemosol LP pending the outcome of its insolvency proceedings, have sufficient financial motivation to maintain their funding, there can be no assurance that these partnership arrangements will continue or that they will result in successful commercialization of ProMetic products. Should one of ProMetic's collaborators terminate its funding of a particular program, this could delay or interrupt the development or commercialization of the products resulting from such program. Moreover, there can be no assurance that the partners will not pursue other technologies or develop alternative products, either on their own or in collaboration with others, including competitors of ProMetic, as a means for developing products that treat the same diseases as those targeted by ProMetic's various programs.

3.9 Product Development

ProMetic currently has many collaboration agreements based on its technology for the improvement of established and marketed therapies by improving manufacturing process yield and purity, and by developing recombinant versions of established proteins. ProMetic also leverages its expertise in protein therapeutics and medicinal chemistry and has accumulated an impressive pipeline of therapeutic products for which the development is conducted in-house. ProMetic believes it is important to maintain a balance between in-house product development products and partnered products. Developing products internally provides greater control over the pace of development and the potential for higher commercial returns. Furthermore, it allows ProMetic to develop the necessary skill sets as it drives toward its goal of becoming a fully integrated specialty pharmaceutical company. Pursuing the commercialization phase in partnership with other firms is also important because it provides continuous external validation of ProMetic's technology and possibilities of short-term revenue from fees collected at the initiation of the partnership and milestones payments.

3.10 Research and Development

ProMetic's policy for research and development is to have readily available funds required to conduct its activities. ProMetic's strategy is to finance research activities through the formation of strategic alliances with pharmaceutical and biopharmaceutical companies for the improvement of their manufacturing capacity or process for their therapeutics and the development of second generation of recombinant therapeutic products, financings, and grants or tax credits for such purposes. During the course of the financial year ended December 31, 2006, ProMetic invested approximately \$16.9 million in research and development. Revenues were also generated via development collaboration agreements, amounting approximately to \$1.2 million during the financial year ended December 31, 2006.

3.11 Environmental Protection

ProMetic produces a certain amount of chemical waste in its R&D and manufacturing activities that is removed in accordance with applicable environmental protection standards by companies that specialize in hazardous waste management. ProMetic research laboratories generate radioactive waste that is also removed by companies that specialize in hazardous waste management, in accordance with strict internal procedures and applicable regulatory requirements. ProMetic has invested approximately \$3 million over the last three (3) years in capital expenditures at its facility on the Isle of Man in connection with environmental protection requirements. Compliance with such requirements is not expected to have a significant effect on ProMetic's competitive position or to have a significant effect in future years.

3.12 Employees

ProMetic has highly qualified employees with specialized backgrounds in the biological and chemical sciences. This is leveraged by the fact that several hundreds of scientists and managers within multinationals work on joint projects with ProMetic. This enables ProMetic to gain access to an extended workforce and knowledge base. ProMetic has also recruited experienced professionals in the area of business development, finance and accounting. On a consolidated basis as at December 31, 2006, ProMetic had 117 employees, at research and production facilities in Canada, the United States, the Isle of Man and the United Kingdom and through a marketing and project management presence in the United States, Europe and Asia.

3.13 Foreign Operations

Most of ProMetic's bioseparation and medical business is conducted on international markets and the Corporation expects this to continue. The majority of ProMetic's expenses are incurred in pounds sterling. The sale of ProMetic's products on international markets is subject to the risks that are normally associated therewith, such as government regulation, import and export licence requirements, risks related to tariffs or trade barriers, and political and economic instability. While such risks have not to date had any material adverse effect on ProMetic, there can be no assurance that this will not occur in the future. Currency-related risks primarily concern appreciation of the Canadian dollar against a particular foreign currency. There can be no assurance that the Canadian dollar will not increase in relation to currencies, which could reduce ProMetic's returns on sales of its products expressed in Canadian dollars. Furthermore, there can be no assurance given against major currency fluctuations, which could create sizeable discrepancies in the prices of products in various countries requiring ProMetic to consider reducing its prices in certain currencies in order to balance the relative cost of its products. The Corporation neither holds nor issues financial instruments for commercial or hedging purposes.

3.14 Risk Factors

Investors should consider the following risk factors, which are inherent to the Corporation and affect its business, and other information contained in this Annual Information Form, before deciding to purchase securities of the Corporation. If any of the following risks occur, the business, financial condition and operating results of ProMetic could be adversely affected. As a result, the trading price of the Corporation's securities could decline and investors could lose part or all of their investment.

3.14.1 Risks related to ProMetic's business

Prior Losses

Since commencement of its research activities in 1994, the Corporation has recorded losses each year. It is expected that the Corporation will continue to experience operating losses until product sales and royalty payments generate sufficient revenues to fund its continuing operations, including research and product development. Quarterly fluctuations are also anticipated in respect of earnings, expenses and losses.

Reliance on Key Personnel

The Corporation is reliant on certain members of its management and scientific staff, and the loss of the services of one or more of these individuals could adversely affect the Corporation. The Corporation will be required to continue to implement and improve its management systems and to recruit and train qualified employees. Although the Corporation has in the past been successful in attracting and retaining skilled and experienced personnel, there can be no assurance that the Corporation will continue to do so in the future.

Patents and Proprietary Technology

The Corporation's success depends in part on its ability to obtain patents, protect its trade secrets and operate without infringing third-party exclusive rights or without others infringing the Corporation's exclusive rights or those granted to it under license. The

Corporation has filed patent applications in Canada, the United States, Europe and elsewhere in the world and is actively pursuing these matters. The patent position of biopharmaceutical firms is generally uncertain and involves complex legal, factual and scientific issues, several of which remain unresolved. The Corporation does not know whether any of its pending patent applications will be granted or whether the Corporation will be able to develop other patentable proprietary products. Furthermore, the Corporation does not know whether its existing or future patents will provide a competitive advantage or afford protection against competitors with similar technology. Furthermore the Corporation cannot give any assurance that such patents will not be challenged or circumvented by others using alternative technology or whether existing third-party patents will prevent the Corporation from marketing its products. In addition, competitors or potential competitors may independently develop, or have independently developed products as effective as those of the Corporation or invent or have invented other products based on the Corporation's patented products.

Pharmaceutical and biopharmaceutical companies and research and development and academic institutions have filed patent applications for processes related to those of the Corporation, which may have an effect on the business of the Corporation. Some of these applications have been granted. Some of the processes and patents may conflict with the processes or patent applications of the Corporation, which could limit the scope of the patents that may be granted to the Corporation or even result in its patent applications being rejected.

If third-party licenses are required, there can be no assurance that the Corporation will be able to obtain such licenses, or if obtainable, that it would be available on reasonable terms. Furthermore there can be no assurance that the Corporation could develop or obtain alternative technologies related to third-party patents that may inadvertently cover its products. Inability to obtain such licenses or alternative technologies could delay the market launch of certain ProMetic products, or even prevent the Corporation from developing, manufacturing or selling certain products. In addition, the Corporation could incur significant costs in defending itself in patent infringement proceedings initiated against it or in bringing infringement proceedings against others.

The Corporation cannot determine with any certainty if it has priority of invention in relation to a product or process covered by a patent application or if it was the first to file a patent application for any such invention. Further, in the event of patent litigation there can be no assurance that the Corporation's patents, if issued, would be held valid or enforceable by a court of competent jurisdiction or that a court would rule that the competitor's products or technologies constitute patent infringement.

Moreover, a significant part of the Corporation's technological know-how constitutes trade secrets. The Corporation, therefore, requires that its employees, consultants, advisers and collaborators sign confidentiality agreements. However, there can be no assurance that such agreements provide adequate protection in the event of unauthorized use or disclosure of the Corporation's trade secrets, know-how or other proprietary information.

Additional Funding Requirements and Access to Capital

The Corporation will require substantial additional funds for further research and development, scheduled clinical testing, regulatory approvals, establishment of pilot-scale manufacturing capabilities and the commercialization of its products. ProMetic may seek additional funding for these purposes through public or private equity or debt financing, collaborative arrangements with other biopharmaceutical companies and/or

from other sources. There can be no assurance that additional funding will be available on acceptable terms to permit successful commercialization of the Corporation's products. Furthermore, the Corporation is limited in its ability to borrow funds under its present financing arrangements with its current lenders and there can be no assurance that it would be able to raise the ceiling of these agreements on satisfactory terms. Should the Corporation fail to obtain the necessary capital, it may be required to delay, reduce or eliminate one or more of its various research programs or seek financial support from one of its corporate partners or from third-parties who may require that the company waive significant rights regarding protection of its proprietary technologies or offer it financial support on less favourable terms than those normally acceptable to the Corporation.

Reliance on Collaborative Partners

The Corporation's strategy involves entering into various arrangements with corporate and academic partners, licensors, licensees and others for the research, development, clinical testing, manufacturing, marketing and commercialization of its products. Under such agreements, the Corporation may receive additional funding, including milestone payments. The Corporation also intends to enter into other similar arrangements with corporate partners for the development and commercialization of products based on its core technology. However, there can be no assurance that it will be able to establish such partnerships on favourable terms, or that its current and future partnership arrangements will prove successful.

Should any of its collaborative partners be unsuccessful in developing or commercializing a ProMetic product to which the partner has rights, or one of the partner's products to which the Corporation has rights, the Corporation's business could be adversely affected. Furthermore, while the Corporation believes that the current and future corporate partners, with the possible exception as discussed above of Hemosol LP pending the outcome of its insolvency proceedings, have sufficient financial motivation to maintain their funding, there can be no assurance that these partnership arrangements will continue or that they will result in successful commercialization of the Corporation products. Should one of the Corporation's collaborators terminate its funding of a particular program, this could delay or interrupt the development or commercialization of the products resulting from such program. Moreover, there can be no assurance that the partners will continue to cooperate with the Corporation on strategic projects in a productive manner, and allocate the requisite amount of resources thereto, or not pursue other technologies or develop alternative products, either on their own or in collaboration with others, including competitors of the Corporation, as a means for developing products that treat the same diseases as those targeted by the Corporation's various programs.

Hazardous Materials and Environmental Matters

The Corporation's research and development processes involve the use of certain hazardous and radioactive materials. The Corporation is subject to federal, provincial, state and local laws and regulations governing the use, manufacture, storage, handling and disposal of such materials and certain waste products. The Corporation believes that its safety procedures comply with such regulatory requirements, and that it has sufficient insurance coverage in place against this risk; however the risk of accidental contamination or injury cannot be completely eliminated. In the event of an accident, the Corporation could be held liable for damages, which could exceed the resources of the Corporation. Although the Corporation believes that it complies in all material respects

with the applicable environmental legislation and regulations, and currently has no immediate plans for major capital expenditures in respect of environmental protection installations, there can be no assurance that the Corporation will not be required to incur significant costs to comply with regulatory requirements in the future, or that the operations, business or assets of the Corporation will not be materially adversely affected by current or future legislative or regulatory requirements.

Availability and Sources of Raw Materials

The Corporation depends on third parties for the sourcing of components for its various products. The Corporation believes that alternative sources of supply for its various raw materials exist. However, any change in the Corporation in its suppliers of components for its technology could have a significant impact on the Corporation's capacity to complete certain of its current research and development projects and, accordingly, would affect its projected commercial and financial growth. While other potential alternative suppliers of raw material have been identified or are in the process of being determined, they must first pass intensive validation tests to ensure their compliance with product specifications. No assurance can be given regarding the successful outcomes of such tests or the ability of ProMetic to secure alternate sources of supply at competitive pricing, and upon fair and reasonable contractual terms and conditions.

Foreign Currency Fluctuations

The Corporation expects that most of its revenues will be in United States dollars and pounds sterling and a significant portion of its expenses are incurred in Pounds Sterling. The Corporation does not currently have any hedging arrangements in place to mitigate against currency-related risks. Significant fluctuations in the rate of exchange could adversely affect the Corporation's financial performance. There is a risk of loss arising from an eventual weakening of the United States dollar and a strengthening of the British pound.

Value of Intangible Assets

The Corporation is required to review the carrying value of its intangible assets for impairment annually or when events change. Intangible assets include net book value of product rights, trademarks and process know-how covered by certain patented and non-patented information. Management reviews the carrying value based on projected future results. If events such as generic competition or inability to manufacture or obtain supply of product occur that may cause sales of the related products to decline, the Corporation adjusts the projected results accordingly. Any impairment in the carrying value results in a write-down of the intangible asset that is charged to income during the period in which the impairment is determined. The write-down of intangible assets may have a material adverse effect on the results of operations in the period in which the write-down occurs.

3.14.2 Risks related to ProMetic's Industry

Biopharmaceutical Sector

The biopharmaceutical sector must contend with dramatic scientific and technological developments and regulatory requirements that may, within a relatively short timeframe, render the products and processes developed or planned by the Corporation obsolete.

Government Regulations

The development, production and commercialization of biopharmaceutical products is generally subject to comprehensive regulations under Health Canada's Therapeutic Products Program and other regulatory bodies in Canada and various regional, national and local regulatory bodies, including the Food and Drug Administration in the United States. No assurance can be given that the Corporation or its clients and partners will not encounter difficulties or will not incur excessive costs in obtaining the necessary approvals or permits, which could delay or prevent the commercialization and production of its products.

Distribution of the Corporation's products outside Canada and the United States is also subject to comprehensive government regulation. Regulations, specifically requirements in respect of product releases on the market and the time involved in respect of regulatory assessment and the sanctions imposed in the event of infringement vary from country to country. No assurance can be given that the Corporation will obtain the requisite approvals in the relevant countries or that it will not incur significant expense in obtaining regulatory approvals or maintaining them in effect. Failure to obtain the necessary regulatory approvals, the suspension or revocation of current approvals or any failure to comply with regulatory requirements may have a material adverse effect on the Corporation's operations, its financial situation and its operating results.

Rapid Technological Change

The Corporation operates in a sector that is subject to rapid and substantial change. There can be no assurance that products developed by others will not render the Corporation's products or technologies non-competitive or that the Corporation will be able to keep pace with technological developments. Competitors may have developed or may be in the process of developing technologies that could be the basis for competitive products. Some of these products may prove more effective and less costly than products developed by the Corporation.

Competition

Competition in the biopharmaceutical sector is extremely intense. The Corporation competes with companies that produce similar or identical biopharmaceutical products or that propose different approaches to the separation or purification of proteins. Many such companies have greater resources than the Corporation. Accordingly, no assurance can be given that products developed by these other companies or that their equivalent technology in the area of separation or purification of proteins will not affect the Corporation's competitiveness.

Uncertainty Regarding the Outcome of Clinical Studies

In most countries, the use and sale of therapeutic products is regulated by governmental or regulatory agencies to ensure their safety and efficacy. To obtain approval of such agencies for the use, distribution, marketing and sale of such products and to demonstrate their safety and efficacy, pre-clinical and clinical test must be carried out. There is no assurance that any such study relating to any product will provide satisfactory results. If results are not satisfactory, the Corporation could abandon its commitment to the relevant product or research program.

Potential Product Liability

The development of human therapeutic products involves an inherent risk of product liability claims and associated adverse publicity. Product liability insurance is costly, often limited in scope, and could be unavailable or only available on terms unacceptable to the Corporation. There can be no assurance that the Corporation will be able to obtain or maintain insurance on reasonable terms or to otherwise protect itself against potential product liability claims that could impede or prevent commercialization of the Corporation's future products. A product liability claim against the Corporation or the withdrawal of a product from the market could have a materially adverse effect on the Corporation's business or its financial condition.

Uncertain Market

The Corporation believes that products based on its core technology will have numerous applications and that there is a growing market for the products that it has developed. However, there can be no assurance that these assumptions will prove justified, particularly considering competition from existing or new products and considering the uncertain commercial viability of the Corporation's products.

Volatility of Share Price

Market prices for securities in general, and that of biopharmaceutical companies in particular, tend to fluctuate. Factors such as the announcement to the public or in various scientific or industry forums of technological innovations, new commercial products, patents, exclusive rights obtained by the Corporation or others, results of pre-clinical and clinical studies by the Corporation or others, a change of regulations, publications, financial results, public concerns over the risks of pharmaceutical products such as blood and plasma filtration products for the removal of pathogens or over the safety of blood collection systems, future sales of securities by the Corporation or its shareholders and many other factors could have considerable effects on the price of the Corporation's securities.

Price Controls

In some countries, particularly the countries of the European Union, the pricing of prescription drugs is subject to governmental control. In these countries, pricing negotiations with governmental authorities can take considerable time and delay the marketing of a product. In some countries, it may be necessary, in order to obtain reimbursement or pricing approval, to conduct clinical trials to compare the cost effectiveness of product candidates to other available therapies. If reimbursement of a product is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, the Corporation's business could be adversely affected.

4 – DIVIDENDS

To date, the Corporation has not paid any dividends in respect of any class of shares in its capital, and it does not anticipate paying dividends in the foreseeable future. At the present time, the policy of the Board of Directors of the Corporation is to reinvest all available funds in operating activities.

5 – DESCRIPTION OF CAPITAL STRUCTURE

The Corporation is authorized to issue an unlimited number of Subordinate Voting Shares, twenty million (20,000,000) Multiple Voting Shares and an unlimited number of preferred shares issuable in series. It may also issue two series of preferred shares consisting of a maximum of one million fifty thousand (1,050,000) Series A Preferred Shares and nine hundred fifty thousand (950,000) Series B Preferred Shares.

Subordinate Voting Shares

The holders of Subordinate Voting Shares are entitled to one vote per share at all meetings of the shareholders. They are entitled to receive dividends, as may be declared from time to time by the directors of the corporation *pari passu* with the holders of Multiple Voting Shares. In the event of the voluntary (or involuntary) liquidation, dissolution, winding-up or other distribution of the assets of the Corporation, the holders of the Subordinate Voting Shares are entitled to receive the remaining property of the Corporation *pari passu* with the holders of Multiple Voting Shares, subject to the preference rights of the holders of Preferred Shares.

Take-Over Bid Protection

At the Corporation's annual general meeting of its shareholders, held on May 3, 2006, two shareholder rights plans were adopted, and came into force.

The rights issued under the first plan will become exercisable only if a person or entity acquires or announces an intention to acquire shares for a total ownership of 20% or more of the Corporation's outstanding subordinate voting shares in an unsolicited takeover bid, unless such acquisition meets certain requirements intended to protect the interests of all shareholders in a "permitted bid". Each such right will entitle its holder to purchase subordinate voting shares of the Company at a substantial discount to the market value of such shares at the time of exercise. A "permitted bid" is one made to all shareholders by way of a takeover bid circular prepared in accordance with applicable securities laws, which remains open for a minimum of sixty (60) days, and is accepted by the holders of not less than 50% of the shares held by shareholders other than the proposed acquiror and its related parties, among other conditions. In certain cases, the bid must be extended to allow more time for shareholders to tender.

The second shareholder rights plan seeks to maximize shareholder value by spinning-off the Corporation's subsidiary PBI, to the benefit of all shareholders in the event of an unsolicited takeover bid. Therapeutics in development by this subsidiary have a high potential value and, for that reason, could induce an interested party to make a hostile takeover bid on ProMetic. This spin-off shareholder rights plan reduces the incentive for an offeror to avail itself of a low market capitalization of the Corporation through a takeover bid, instead of negotiating a commercial transaction that reflects the full value for PBI's rights and other assets. Rights issued under this second shareholder rights plan will become exercisable in the event of an unsolicited offer and will entitle their holders to

purchase Class A shares of PBI at an exercise price of \$0.00001 per subsidiary share, the whole subject to compliance with securities laws.

Rights under each shareholder rights plan were issued to all shareholders. They attached automatically to all subordinate voting shares of the Corporation already issued and outstanding on the date the plans came into force. Rights will also be issued thereafter upon any future issuance of subordinate voting shares of the Corporation prior to Separation Time (as defined under each plan). Under each plan, the bidder or bidders and persons acting in concert with them will not be entitled to exercise such rights and the Corporation may redeem all rights at any time prior to a takeover.

Multiple Voting Shares

Voting, Participation, Dividends

The holders of Multiple Voting Shares are entitled to ten votes per share at all meetings of the shareholders. They are entitled to receive dividends, as may be declared from time to time by the directors of the Corporation *pari passu* with the holders of Subordinate Voting Shares. In the event of the voluntary (or involuntary) liquidation, dissolution, winding up or other distribution of the assets of the Corporation, the holders of Subordinate Voting Shares are entitled to receive the remaining property of the Corporation *pari passu* with the holders of Subordinate Voting Shares, subject to the preference rights of the holders of Preferred Shares.

Exchange and Conversion of Multiple Voting Shares

The holders of Multiple Voting Shares may at any time require that their shares be exchanged for Subordinate Voting Shares, on the basis of one Subordinate Voting Share for each Multiple Voting Share. Furthermore, each outstanding Multiple Voting Shares will automatically be converted into one Subordinate Voting Shares upon being sold by its holder to a third party.

At the 2006 annual general shareholders meeting of the Corporation held in Montréal on May 3, 2006, all the holders of Multiple Voting Shares agreed to convert such shares into Subordinate Voting Shares, on the basis of one Subordinate Voting Share for each Multiple Voting Share, such that there remain no issued or outstanding Multiple Voting Shares of the Corporation at the present time. The Multiple Voting Share category does still however exist in the Corporation's articles.

Preferred Shares

The directors of the Corporation may issue Preferred Shares in one or more series, each series to consist of such number of shares as determined by the directors, which may also fix the designation, rights, restrictions, conditions and limitations to be attached to the Preferred Shares of each series.

The holders of Preferred Shares do not have any voting rights for the election of directors or for any other purpose, nor are they entitled to attend meetings of the shareholders, except as to any amendment to the rights, privileges, restrictions and conditions attached to the Preferred Shares, which amendment must be approved by at least 2/3 of the votes cast at a meeting of the holders of Preferred Shares called for that purpose.

In the event of liquidation, dissolution or winding-up of the Corporation or other distribution of the assets of the Corporation, the holders of Preferred Shares are entitled to receive in preference to the holders of any other classes of shares: (i) an amount equal to the amount paid up on such shares, together with any unpaid cumulative dividends, if applicable, or declared and unpaid non-cumulative dividends in other cases and (ii) if the liquidation, dissolution or winding up or distribution is voluntary, an additional amount equal to the premium, if any, that would have been payable on the redemption of the Preferred Shares.

The Preferred Shares are redeemable or may be purchased for cancellation by the Corporation at such times and at such prices and upon such conditions as may be specified in the rights, privileges, restrictions and conditions attaching to the relevant series.

Series A Preferred Shares

The holders of Series A Preferred Shares are entitled to a cumulative dividend at the rate of 12% per year, calculated on a monthly basis for the quarterly period ending on the day immediately preceding each new calendar quarter. The Corporation may purchase Series A Preferred Shares for cancellation. The Series A Preferred Shares are convertible, at the option of the holder, into such number of Subordinate Voting Shares obtained (i) in respect of amounts paid up with respect to the Series A Preferred Shares, by dividing the amount paid up on such shares to be converted by a conversion price subject to adjustments, and (ii) in respect of the unpaid dividends accumulated thereon, by dividing the amount of unpaid dividends accumulated in respect of the shares to be converted by the weighted average price of the Subordinate Voting Shares on the Toronto Stock Exchange during the 20 trading days immediately preceding the conversion.

Series B Preferred Shares

The rights, privileges, restrictions and conditions attached to the Series B Preferred Shares are the same as those attached to the Series A Preferred Shares, except for the applicable conversion price.

6 – MARKET FOR SECURITIES

6.1 Trading Price and Volume

The Corporation's Subordinate Voting Shares are listed on the Toronto Stock Exchange under the symbol "PLI.TO".

Date	High	Low	Close	Volume
01/2006	0.51	0.35	0.39	2,805,600
02/2006	0.48	0.35	0.42	2,361,500

Date	High	Low	Close	Volume
03/2006	0.45	0.35	0.42	1,918,400
04/2006	0.48	0.40	0.41	2,623,200
05/2006	0.46	0.36	0.38	2,373,100
06/2006	0.40	0.30	0.31	1,264,900
07/2006	0.35	0.31	0.32	498,100
08/2006	0.40	0.25	0.33	2,147,700
09/2006	0.36	0.30	0.31	1,718,300
10/2006	0.32	0.27	0.28	1,424,200
11/2006	0.29	0.23	0.24	2,526,200
12/2006	0.57	0.24	0.50	26,409,200

7 – ESCROWED SECURITIES

TO THE KNOWLEDGE OF THE CORPORATION, THE FOLLOWING NUMBER OF SECURITIES OF THE CLASS IDENTIFIED BELOW, ARE HELD IN ESCROW:

Escrowed Securities

Designation of Class	Number of Securities held in Escrow	Percentage of Class
Subordinate Voting Shares	450,000	0.2%

Such shares were placed in escrow with Computershare Inc., as escrow agent, by Mr. Pierre Laurin, President and Chief Executive Officer of the Corporation, as security for a non-interest bearing loan by the Corporation in the amount of \$450,000 due on or before December 31, 2009, or on such earlier date on which Mr. Laurin is neither an employee of, nor consultant whose services are retained by, the Corporation. The above shares will be released from escrow upon repayment of the loan by Mr. Laurin, on the basis of one share per dollar repaid.

8 – DIRECTORS AND OFFICERS

8.1 Directors and Officers

The two following tables set out the names, province or state of residence of the directors and officers of the Corporation, their positions with the Corporation, their present principal occupation and, when they are directors of the Corporation, the year in which they were appointed. The present term of each director will expire immediately prior to the next annual meeting of the shareholders of the Corporation.

Directors

Name and Province or State of Residence	Position with the Corporation	Director Since	Principal occupation
Pierre Laurin Québec, Canada	Director and Chairman	1994	Chairman, President and Chief Executive Officer ProMetic
Roger Garon ^{(1) (3)} Québec, Canada	Director	1995	Chairman, Multivet Ltd (a veterinary products company)
Barry Gibson Florida, USA	Director	1994	Consultant
Robert Lacroix ^{(1) (2)} Québec, Canada	Director	2000	Senior Vice-President and Chief Financial Officer, CTI Capital Inc. (an investment dealer company)
John Bienenstock, CM, MD (Hon) FRCP, FRCPC, FRSC Ontario, Canada	Director	2000	Professor at the Faculty of Health Sciences, McMaster University
G.F. Kym Anthony ⁽²⁾ Ontario, Canada	Director	2005	President and Chief Execu- tive Officer, Dundee Securities Inc. (a brokerage firm)
Branko Jankovic	Director	2006	CFO of Cepro Inc., a biorefining company.
Benjamin Wygodny	Director	2006	President of Angus Partnership Inc. and other companies involved in private equity investment and realty development.

(1) Member of the Audit Committee.

(2) Member of the Corporate Governance Committee.

(3) Member of the Compensation Committee.

During the last five (5) years, all of the above directors have held the principal occupation shown above opposite their respective names, except for:

- Mr. Kym Anthony who, prior to his present occupation, was President and Chief Operating Officer of National Bank Financial Inc., a brokerage company; and
- Mr. Branko Jankovic who, prior to his present occupation, worked in the construction industry and for a real estate development company, as well as working as a business consultant providing services to public, private, and government clients.

Officers

Name and Province or State of Residence	Position	With ProMetic Since
Pierre Laurin Québec, Canada	Chairman of the Board, President and Chief Executive Officer, ProMetic	1994
Stéphane Archambault Québec, Canada	Vice-President, Finance, ProMetic	2004
Steven J. Burton Cambridge, England	Chief Executive Officer, ProMetic Biosciences Ltd.	1998
Christopher Penney Québec, Canada	Vice-President and Chief Scientific Officer, Therapeutics, ProMetic BioSciences Inc.	2001
Lucie Morin Ontario, Canada	Vice-President, Human Resources, ProMetic	2004
Mark Bandrauk Québec, Canada	General Counsel and Corporate Secretary, ProMetic	2006
Christopher Bryant , Illinois, USA	Vice-President and Chief Scientific Officer, Prometic Bio Therapeutics Inc.	2003

During the last five (5) years, all of the above officers have held the position shown opposite their respective names or have occupied a management position with the same or a related entity except for: (i) Stéphane Archambault who served as Corporate Controller from May 2004 and, prior to joining ProMetic, served as Controller of DSM Biologics Ltd from November 2002 to April 2004, and Finance Director of OZ Communications Inc. from January 2001 to October 2002; (ii) Lucie Morin who served as Director, Human Resources of ProMetic until December 31, 2004 before becoming Vice-President, Human Resources in January 2005 and, prior to joining ProMetic, served as Director, Human Resources of Nexia Biotechnologies Inc. from September 2000 to January 2004; and (iii) Mark Bandrauk, who, prior to joining ProMetic in May 2006, served as Director of Strategic Customer Program Management with Avanex Corporation, from May 2000 to October 2002, as well as Director of Legal Affairs and Licensing for VoiceAge Corporation, from February 2003 to February 2004, and General Counsel and Corporate Secretary of Desjardins Securities, from February 2004 to May 2006; (iv) Christopher Bryant, who prior to joining Prometic in 2003, acted as Director of Research Services - North America, for Aventis Behring.

8.2 Security Holdings

As at March 16, 2007, the number and percentage of securities of Subordinate Voting Shares of the Corporation or its subsidiaries beneficially owned, directly or indirectly, or over which control or direction is exercised, by all directors and executive officers of the Corporation as a group is:

	Number	Percentage of Class
Subordinate Voting Shares	12,740,717	5.4%

The information as to the number of Subordinate Voting Shares owned or over which control is exercised, not being within the knowledge of the Corporation, has been provided by each director and executive officer or is derived from insider reports.

8.3 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Except as indicated below, to the knowledge of the Corporation, no director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation:

- (a) is, as at the date hereof or has been, within the 10 years before the date hereof, a director or executive officer of any company that, while that person was acting in that capacity,
 - (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
 - (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
 - (iii) or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or shareholder.

Mr. Pierre Laurin was president and director of ProMetic Pharma Inc. on September 30, 1999, when this subsidiary of the Corporation made an assignment of all of its property

for the general benefit of its creditors under the *Bankruptcy and Insolvency Act* (Canada).

In July 2001, Mr. Benjamin Wygodny made a proposal to his creditors under legislation relating to bankruptcy and insolvency. The trustee acting in the proposal issued a Certificate of Full Performance of Proposal on November 20, 2001.

No director or officer of the Corporation has, within 10 years prior to the date hereof, been subject to any penalties or sanctions imposed by a court or securities regulatory authority, or has reached a settlement in that respect.

8.4 Conflicts of Interest

To the knowledge of the Corporation, no director or executive officer of the Corporation has an existing or potential material conflict of interest with the Corporation or any of its subsidiaries.

9 – LEGAL PROCEEDINGS

Monogel

On September 19, 2000, the Corporation and its subsidiary ProMetic BioSciences Inc. (“PBI”) filed a claim for damages in the Superior Court of Quebec against Monogel AB (“Monogel”) in the amount of \$7,726,243 (plus interests and additional indemnity as provided by law), on the ground that Monogel had not transferred to ProMetic Pharma Inc., a previous subsidiary of the Corporation, the technology that Monogel had committed to transfer in accordance with the terms of their agreement and that the technology that was transferred has never been operational, causing significant prejudice to the Corporation and PBI. This claim is contested by Monogel, which also introduced in April 2004 a cross-demand against the Corporation and PBI, claiming as damages all profits realized from the sale of agarose beads between October 18, 1999 and October 18, 2004. This cross-demand is contested by the Corporation and PBI. Moreover, the Corporation and PBI have not made any sales of agarose beads manufactured with Monogel’s technology. On August 23, 2005, Monogel attorneys filed a motion to cease to represent Monogel. This motion was granted on October 3, 2005. ProMetic awaits the filing of Monogel’s appearance or the appointment of new Monogel attorneys in this matter, and in the absence of Monogel making such filings, the Corporation will most likely proceed to judgment against Monogel, with a possibility that the case will be closed by the end of 2007.

Bank of Montreal

On September 30, 1999, ProMetic discontinued activities in its generic pharmaceutical business when its subsidiary ProMetic Pharma Inc. (“Pharma”) made an assignment of all of its property for the general benefit of its creditors under Section 49 of the *Bankruptcy and Insolvency Act* (Canada). As a result, the Bank of Montreal (the “Bank”) instituted a claim against the Corporation pursuant to a guarantee in the amount of \$1 million and subordination agreement related to loans granted by the Bank to Pharma. The action was commenced in the Superior Court of Québec on June 29, 2000 and judgment was rendered in favour of the Bank on December 16, 2004 for an aggregate amount of \$2,406,329 (plus interest and additional indemnity as provided by law). The Corporation has appealed this judgement. The Corporation presently awaits a hearing date before the Court of Appeal of Quebec, which will most likely take place sometime before the end of June, 2007.

Hemosol bankruptcy proceedings

As mentioned previously above, in early September, 2006, a decision favourable to the Corporation was rendered in relation to certain specific elements of the scope of the licence agreement entered into in June 2004, between Hemosol and the Corporation (“the License Agreement”). The Court ruled that the licence agreement did not grant any rights whatsoever to Hemosol in regards to hyperimmune products, and as a result, the Court validated the license agreement entered into by the Corporation with Nabi Pharmaceuticals. The bankruptcy proceedings are still ongoing, and an important decision was recently rendered by the Ontario Court of Appeals, in which the Court decided that the assignment of the Hemosol debt from the primary creditor, MDS, to the Catalyst Capital Group, was legitimately undertaken. While the Corporation is hopeful that the CCAA proceedings will come to an end in 2007, there are no guarantees that there will be no further litigation surrounding Hemosol and the License Agreement.

10 – INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Mr. Pierre Laurin is entitled to receive royalties based on the sales of PBI-1402. These royalties vary between 0.1% and 0.3% of net sales or between 1% and 3% of revenues received by ProMetic. Mr. Laurin also has the exclusive right to commercialise these products should ProMetic decide to stop developing and/or commercialising them, subject to mutually acceptable terms and conditions.

11 – TRANSFER AGENT AND REGISTRAR

The Corporation’s transfer agent and registrar is Computershare Trust Inc. and the registers of transfers of each class of securities are located in Montréal, Québec and Toronto, Ontario.

12 – MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business or as otherwise described below, the Corporation has not entered into a contract that can reasonably be considered material to ProMetic during the financial year ended December 31, 2006 or before such year but still in effect.

In December 2006, the Corporation issued and sold under an agency agreement (“The Agreement”) between Paradigm Capital Inc. and the Corporation, 28,571,429 subordinated voting shares at a price of \$0.28 per share for gross proceeds of CDN \$8 Million. These shares were issued under supplements to the Corporation’s shelf prospectus filed with Canadian securities regulators on November 3, 2006. Under the Agreement, the Corporation paid as compensation to Paradigm the sum of \$515,000.

Also in December 2006, the Corporation secured a non-convertible debt facility with a US- based financial institution in the amount of CDN \$11.6 Million. The proceeds of this loan were used to reimburse the convertible debt contracted in December of 2005, with a residual amount of CDN\$ 3.2 Million that will be used for general corporate purposes. The term of the loan is 33 months, with monthly reimbursements for the interest portion due for payment every month, beginning on December 1, 2006, and the monthly capital amount only becoming repayable from June 1, 2007 onward. To secure the Corporation’s obligations under the loan agreement, the Corporation and its subsidiaries PBI, PBT and PBL, granted a hypothec, mortgage, debenture or other security interests on substantially all of their assets. In conjunction with this transaction,

the Corporation issued to the lender, warrants to purchase up to 5,000,855 Subordinate Voting Shares at a price of \$0.31 per share.

In June 2006, The Corporation closed a private placement of 29,600,000 subordinate voting shares at C\$0.365 per share with JPMorgan and Third Point LLC. Proceeds from the private placement totalled C\$10.8 million. The funds from the financing were to be used for general corporate purposes, including the development of PBI-1402, the Corporation's lead therapeutic, an orally active drug for the treatment of anemia in cancer patients undergoing chemotherapy.

In December 2005 and January 2006, The Corporation issued senior secured convertible notes in the aggregate face amount of US\$11.2 million, for aggregate gross proceeds of US\$8.9 million to be used for general corporate purposes. US\$7.6 million of the gross proceeds were received in December 2005 and \$1.3 million in January 2006. In conjunction with this debt financing, the Corporation also issued to the note holders, warrants to purchase up to 18, 434,065 shares at an exercise price of US\$0.30 per share, expiring on December 30, 2010.

13 – INTERESTS OF EXPERTS

13.1 Names of Experts

The consolidated annual financial statements of the Corporation for the years ended December 31, 2005 and December 31, 2006 included in the Corporation's 2006 Annual Report have been audited by Raymond Chabot Grant Thornton LLP ("Raymond Chabot Grant Thornton").

13.2 Interests of Experts

To the knowledge of the Corporation, Raymond Chabot Grant Thornton or its partners did not hold registered or beneficial ownership, directly or indirectly, in the securities of the Corporation or its associates or affiliates representing more than one percent of their outstanding securities of any class, at the date of each of Raymond Chabot Grant Thornton auditor's reports on the Corporation's annual financial statements for the years ended December 31, 2005 and December 31, 2006, and Raymond Chabot Grant Thornton or its partners did not receive thereafter any such registered or beneficial ownership, directly or indirectly, in the securities of the Corporation or its associates or affiliates.

14 – AUDIT COMMITTEE

14.1 Audit Committee Charter

The Corporation's Audit Committee Charter is reproduced at Appendix A.

14.2 Composition

The Audit Committee is composed of three independent and financially literate directors: Its chairman, Mr. Robert Lacroix, Mr. Branko Jankovic and Mr. Roger Garon.

14.3 Relevant Education and Experience

Member	Relevant Education and Experience
Mr. Roger Garon	<ul style="list-style-type: none"> • Mr. Garon is or has been a director of Leonides Investments Inc. (then a venture capital corporation), Graystone Corporation, an investment corporation, and trustee of Noranda Income Fund; all were or are listed on the Toronto Stock Exchange or TSX Venture Exchange. • Mr. Garon also served on numerous boards of directors including those of The Edper Group Ltd (formerly Hees International Bancorp Inc.) and Brascan Corporation. Until 2002, he was a director of Brookfield Properties Ltd (Toronto Stock Exchange and New York Stock Exchange). • Mr. Garon is presently retired. Prior to that he was the founder and CEO of several companies, including companies in the pharmaceutical industry, such as Rogar and Vetoquinol, as well as in the aerospace industry, such as Avcorp.
Mr. Robert Lacroix	<ul style="list-style-type: none"> • Graduate of the École des Hautes Études Commerciales of Montréal in administration and finance, as well as numerous courses in the fields of finance and securities. • More than 35 years' experience in occupations directly relating to accounting, finance and securities, as financial analyst, portfolio manager, investment director, associate deputy minister of finance for financing, as well as various positions as vice-president, finance. • Supervised numerous financial analysts, as well as controllers and internal auditors. As vice-president, finance, responsible for accounting and financial operations and transactions as well as working with external auditors.
Mr. Branko Jankovic	<ul style="list-style-type: none"> • Mr. Branko Jankovic graduated from Lakehead University in 1983 with a BComm and was awarded Dean Braun medal for top standing. He obtained the Chartered Accountant designation in 1985 from the Institute of Chartered Accountants in Alberta. • He is the CFO of Cepro Inc., a biorefining company in Alberta. • He previously worked for 8 years in the construction industry and 3 years for a real estate development company, as well as doing consulting work with both public and private industry clients.

14.4 Audit Committee Oversight

Since January 1, 2006, all recommendations of the audit committee to nominate or compensate external auditors were adopted by the Board of Directors.

14.5 Pre-Approval Policies and Procedures

The Audit Committee has reviewed and approved non-audit services on a case-by-case basis throughout the 2006 financial year and is currently contemplating the adoption and implementation of specific policies and procedures for the engagement of non-audit services.

15 – EXTERNAL AUDITOR SERVICES FEES

15.1 Audit Fees

Raymond Chabot Grant Thornton billed the Corporation and its subsidiaries \$92,600 and \$75,839 for professional services rendered for the audit of the Corporation's financial statements for 2006 and 2005, respectively.

15.2 Audit-Related Fees

Fees billed by Raymond Chabot Grant Thornton for certification and services related to the audit of the Corporation's financial statements were \$18,900 for 2006 and \$36,850 for 2005. These services consisted principally of accounting opinions, accounting presentation support and internal control advisory services outside the scope of the audit.

15.3 Tax Fees

Fees billed by Raymond Chabot Grant Thornton for tax compliance, advice and planning services were \$185,400 for 2006 and \$76,955 for 2005. These services consisted principally of tax planning, assistance with preparation of various tax returns, and tax advice on other related matters.

15.4 All Other Fees

Fees for other services billed by Raymond Chabot Grant Thornton were \$280,621 for 2006 and \$153,124 for 2005. These services consisted principally of management consulting services which were related to the prospectus for the Corporation's public offering of subordinate voting shares in June 2005, as well as the prospectus for the Corporation's public offering of subordinate voting shares in November 2006, and services with respect to initiatives by the Corporation to raise financing. These services did not involve information systems design and implementation.

16 – ADDITIONAL INFORMATION

Additional information relating to the Corporation may also be found on the SEDAR website at www.sedar.com.

Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities, securities authorized for issuance under equity compensation plans, if applicable, is contained in the Corporation's Management

Proxy Circular for its most recent annual meeting of shareholders that involved the election of directors.

Additional financial information is provided in the Corporation's financial statements and management's discussion and analysis for its most recently completed financial year.

* * *

Appendix A

Audit Committee Charter

I. PURPOSE

The Board of Directors of the Corporation is ultimately responsible for the stewardship of the Corporation, which means that it oversees the day-to-day management delegated to the President and Chief Executive Officer and the other officers of the Corporation. The Audit Committee is appointed by the Board of Directors to assist the Board in fulfilling this responsibility with respect to overseeing four (4) fundamental issues: (i) the Corporation's financial reporting process and internal control systems, (ii) the Corporation's process to identify and manage financial risks, (iii) the internal and external audit process; and (iv) the Corporation's communication system to provide an open avenue of communication among the external auditors, the financial and senior management, the internal auditing department (if any), and the Board of Directors.

II. GENERAL ROLE AND MANDATE

External Auditors

1. Review the independence¹ and the performance of the external auditors.
2. Recommend to the Board of Directors the appointment of the external auditors for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation or the approval of any discharge of auditors where circumstances warrant.
3. Recommend to the Board of Directors for approval the fees and other compensation to be paid to the external auditors.
4. Pre-approve non-audit services to be provided to the Corporation or its subsidiaries by the external auditors, other than non-audit services: (i) the aggregate amount of which are reasonably expected to constitute no more than 5% of the total amount of fees paid by the Corporation and its subsidiaries to the external auditor during the fiscal year in which the services are provided, and (ii) that were not recognized as non-audit services at the time of the engagement and (iii) that are promptly brought to the attention of the Committee and approved, prior to the completion of the audit, by the Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Committee.
5. Oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, review the external auditors' audit plan, discuss and approve audit scope, reliance upon management and internal audit if or when applicable, and general audit approach. At the conclusion of the audit process, and before releasing the year-end earnings, discuss the results of such audit with the external auditors including the resolution of disagreements between management and the external auditor regarding financial reporting and difficulties encountered in performing the audit.

¹ Should include at least on an annual basis, the review of all significant relationships the external auditors have with the Corporation that could impair the auditors' independence. When discussing auditor independence, the Committee may wish to consider both rotating the lead audit partner or audit partner responsible for reviewing the audit after a number of years and establishing hiring policies for employees or former employees of its external auditor.

6. Discuss with the auditors the quality and not just the acceptability of the Corporation's accounting principles including all critical accounting policies and practices used, any alternate treatments of financial information that have been discussed with management, the ramification of their use and the auditor's preferred treatment, as well as any other material communications with management.
7. The external auditors report to and are accountable to the Committee and the Board of Directors as representatives of shareholders.

Internal Auditors

8. Assess with the management the need for internal audit as circumstances facing the corporation change.
9. Review and approve management's decisions related to the need for internal auditing.
10. Review the mandate, budget plan, organizational structure and qualification of the internal audit department as needed.

Financial Reporting and Risk Management

11. Consider and review with the external and internal auditors, if or when applicable, the integrity of the Corporation's financial reporting processes, both internal and external, and the adequacy of the Corporation's internal controls and management financial information systems.
12. On an annual basis, review and discuss with management and the external auditors, significant financial risks and exposures, the steps management has taken to monitor, control and report such risks and exposures, and the effectiveness of the overall process for identifying the principal financial risks affecting financial reporting.
13. Review and discuss with management and the external auditors (including the internal auditors if any) the Corporation's audited annual financial statements or any other financial statements to be audited, management discussion and analysis and all other public disclosure documents containing material financial information prior to filing or distribution. The review should include a discussion with management and the external auditors of significant issues regarding accounting principles, practices and significant management estimates and judgments.
14. Ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from its financial statements, other than the public disclosures referred to in paragraph 13 above, and periodically assess the adequacy of those procedures.
15. Review, with the Corporation's counsel, any legal or regulatory matter that could have a significant impact on the Corporation's financial statements.
16. Review and make recommendations with respect to any litigation, claim or contingency that could have a material effect upon the financial position of the Corporation and the appropriateness of the disclosure thereof in the documents reviewed by the Committee.
17. Establish procedures for:
 - (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
 - (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
18. Review and make recommendation regarding insurance coverage (annually or as may be otherwise appropriate).
19. Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of present and former external auditors of the Corporation.

Other

20. Perform any other activities consistent with its responsibilities and duties, the Corporation's by-laws and governing law as the Committee or the Board of Directors deems necessary or appropriate.
21. Keep records of its activities, meetings, etc. at the office of the Corporate Secretary and report periodically to the Board of Directors on its activities and make recommendations as deemed appropriate.
22. Annually assess the effectiveness of the Committee against its general role and mandate (charter) and report the results of the assessment to the Board of Directors.
23. Approve the hiring of the Chief Financial Officer and other senior management officers whose principal duties and responsibilities relate directly to the finances of the Corporation.

The Audit Committee may:

- (a) with the approval of the Board of Directors and at the Corporation's expense engage independent counsel and other external advisors as it determines necessary to carry out its duties, in appropriate circumstances;
- (b) set and pay the compensation for any such advisors employed by the Committee; and
- (c) communicate directly with the internal and external auditors.

III. COMPOSITION

The Audit Committee shall be comprised of three (3) and not more than six (6) independent directors of the Corporation. A member of the Committee is independent if the member has no material relationship with the Corporation, within the meaning of Multilateral Instrument 52-110 *Audit Committees* as amended from time to time.

Unless a chairman is elected by the full Board of Directors, or if not present at the meeting, the members of the Audit Committee may designate a chairman by majority vote of the full Audit Committee membership.

All members of the Audit Committee shall be financially literate, that being defined as able to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statement. However, a member who is not financially literate may be appointed to the Committee provided that the member becomes financially literate within a reasonable period of time following his or her appointment. At least one member should have accounting or related financial experience and the ability to analyze and interpret a full set of financial statements, including the notes attached thereto, in accordance with Canadian generally accepted accounting principles.

The members of the Audit Committee are appointed by the Board of Directors (including any vacancy).

IV. MEETINGS

The Committee shall meet at least four (4) times annually, or more frequently as circumstances dictate. The Committee may ask members of management or others to attend meetings and provide pertinent information as required. Quorum for all meetings will consist of at least two (2) members.

The Committee's Chair shall prepare an agenda in advance of each meeting in consultation with management and the other members of the Committee. External auditors may also be consulted for any item related to their responsibilities and duties.

The Committee may meet with the external auditors, in private, at least once during the year. The Committee may also communicate with management and external auditors, if deemed necessary, on a quarterly basis to review the Corporation's interim financial statements.

V. WORK PROGRAM

The Audit Committee will establish a work program in order to fix a schedule to fulfill its responsibilities pursuant to the content of this charter. The Committee will use such work program to evaluate its compliance with this charter.

* * * * *