

PROMETIC LIFE SCIENCES INC.



ANNUAL INFORMATION FORM

Year ended December 31, 2007

March 20, 2008

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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, unless otherwise required to do so by applicable securities legislation. 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, 2007.

1 – CORPORATE STRUCTURE

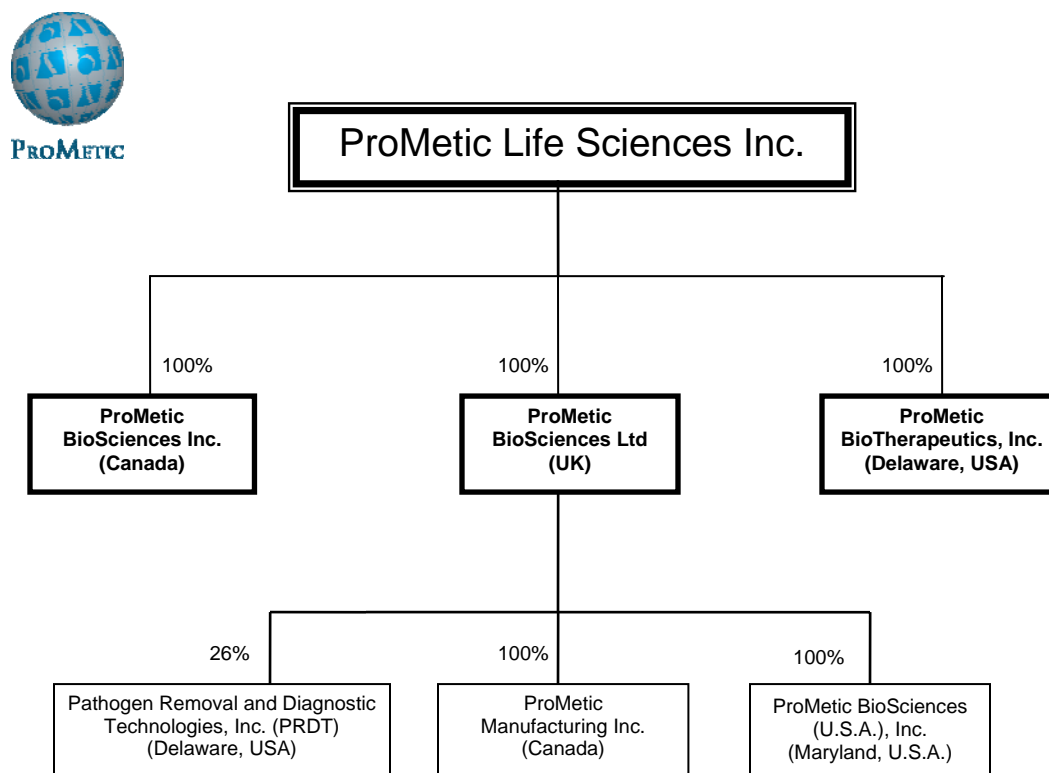
1.1 Name and Incorporation

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 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 private company restrictions. 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) Preferred Shares Series A and nine hundred fifty thousand (950,000) Preferred Shares Series B.

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
January 2008

2 – GENERAL DEVELOPMENT OF THE BUSINESS

ProMetic Life Sciences Inc. (“ProMetic” or “the Corporation”) is a 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 three separate operating units, each of which is a subsidiary controlled by the Corporation: ProMetic BioSciences Ltd (“PBL” [UK]), ProMetic BioTherapeutics, Inc. (“PBT” [U.S.]), and ProMetic BioSciences Inc. (“PBI” [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

2007

Corporate

In September 2007, the Corporation closed a financing with gross proceeds of \$6.6 million. 18,883,928 subordinate voting shares at a price of C\$0.35 per share were issued;

In December 2007, access to additional monetary resources on an “as-needed” basis for up to \$15.0 million through an equity draw down facility provided by Nanuq Investments Ltd. As at March 20, 2008, the Corporation has used this facility once for a total draw down amount of \$350,000;

In October 2007, the Quebec Court of Appeal dismissed the Corporation’s appeal of the judgment issued in December 2004 by the Superior Court of Quebec, in favor of the Bank of Montreal (“BMO”) against the Corporation. Subsequently, the Corporation has entered into an agreement with BMO pursuant to which the Corporation shall reimburse its total obligation of \$3.5 million to BMO via installments spanning into April 2008;

Also in December 2007, a private placement of \$1.0 million was executed with InvHealth Holding Inc., a holding company wholly-owned by Mr. Pierre Laurin, ProMetic’s President and Chief Executive Officer.

Protein Technologies

In March 2007, the Corporation and *Instituto de Tecnologia do Parana* (Tecpar) of Brazil signed a \$19.0 million technology transfer and licensing deal. This deal will allow Tecpar to acquire the manufacturing technology for the production of biopharmaceuticals for Brazil and other South American markets;

In March 2007, a strategic alliance was signed with Kedrion S.p.A. The alliance aims at implementing the Corporation’s Plasma Protein Purification System (PPPS) technology to manufacture orphan drugs from plasma and partnering for technology transfer opportunities in emerging markets;

In June 2007, the Corporation and Blue Blood Biotech Corporation have formed a strategic alliance to develop drugs derived from human plasma utilizing ProMetic’s proprietary manufacturing process.

In July 2007, the Corporation signed a development contract with a prominent European plasma fractionator worth \$US1.7 million. The program will utilize proprietary prion-binding ligands developed by Pathogen Removal and Diagnostic Technologies, Inc. (PRDT), a joint venture between the Corporation and the American Red Cross, to minimize the risk of transmission by plasma-derived products of Variant Creutzfeldt-Jakob Disease (vCJD), the human form of “mad cow disease.”

In August 2007, the Corporation unveiled its new human plasma technology transfer center in Maryland, U.S.A., for protein-based therapeutics.

Throughout the year 2007, key performance milestones were achieved by the Corporation for the new MAbsorbent® ligands targeted at the purification of monoclonal antibodies (“MAbs”) and recombinant antibody fragments (“Fabs”). The performance of ProMetic’s new ligands against set targets was validated in collaboration with seven leading antibody producer companies in the United States and Europe;

In September 2007, with the collaboration with a biomanufacturing client, the Corporation successfully implemented a large-scale purification bioprocess using a ProMetic Mimetic Ligand™ affinity adsorbent which has met all of its client’s performance targets.

Therapeutics

In July 2007, the Corporation and Laboratorios Dermatologicos Darier S.A. signed an agreement for ProMetic’s synthetic anti-inflammatory compound PBI-1308 in dermatological disorders;

Positive pre-clinical results for PBI-1402, the Corporation’s lead compound for treating anemia, were disclosed by the Corporation in November 2007. PBI-1402 was tested in the 5/6 nephrectomized rat model which simulates chronic renal failure in humans resulting in loss of kidney functions and anemia subsequent to a reduced level of erythropoietin (“EPO”) normally produced by the kidneys. The new pre-clinical results indicate that a once a day oral administration of PBI-1402 increases circulating red blood cells and hemoglobin level comparable to normal range values;

In December 2007, the Corporation announced that the Phase II trial of its investigational compound PBI-1402 induced a significant increase in red blood cell count and hemoglobin level in patients with chemotherapy-induced anemia. Additionally, no significant adverse events were observed. PBI-1402 is a novel, orally active low molecular weight synthetic compound with erythropoiesis-stimulating activity via a mechanism of action distinct from erythropoietin (“EPO”). These results were presented in a poster session at the American Society of Hematology 49th Annual Meeting in Atlanta.

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.

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 PPS 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. PPS technology was presented at the Fourth International Plasma Product Biotechnology Conference in May 2005.

3 – DESCRIPTION OF THE BUSINESS

3.1 General

ProMetic Life Sciences Inc. (“ProMetic”) is a world-leading technology provider and drug developer in the fields of hematology, oncology and nephrology. ProMetic’s focuses these activities in two distinct fields; therapeutics and protein technologies. ProMetic develops therapeutics to treat blood-related disorders. ProMetic’s protein technologies are used to remove pathogens from blood and extract and recover valuable proteins from plasma.

Protein Technologies

This year, ProMetic unveiled its new Development and Technology Transfer Center for plasma-derived technologies in Rockville, Maryland, U.S. This center offers plasma fractionation companies a unique, validated, state-of-the-art technology, the Plasma Protein Purification System (“PPPS”) for the manufacture of high-value plasma-derived proteins. The system offers an alternative to the legacy manufacturing process (the

Cohn Process); it removes therapeutic proteins from plasma with a process that very significantly enhances the recovery yield. PPPS was originally developed in a co-venture between ProMetic and the American Red Cross; ProMetic owns an exclusive licence to use the PPPS technology, as well as a licence to manufacture and sell any products derived from the PPPS technology, and the right to sublicense to third parties those same rights. Manufacturers of a wide range of blood-derived products, such as Kedrion and Blue Blood, have signed agreements incorporating ProMetic technology into their manufacturing processes for the development of therapeutic products.

ProMetic's purification and the pathogen removal technologies are managed through our R&D facilities in Cambridge and manufacturing capacity on the Isle of Man, in the United Kingdom. Currently, twelve different bioseparation materials based on ProMetic's patented Mimetic Ligand™ technology have been adopted for the manufacture of licenced biopharmaceuticals. Ten licenced products, incorporating ProMetic's purification technology as part of their manufacture or function are now approved for sale by the FDA and/or the European Medicines Agency ("EMA"). ProMetic and its partner MacoPharma have joined forces in the development the P-Capt® filter, a prion reduction device for blood supply organizations which has earned European regulatory approval (CE Mark). The prion reduction technology for the device was originally developed in a co-venture between ProMetic and the American Red Cross under the name Pathogen Removal and Diagnostics Technologies (PRDT). Prometic's commercial application known as the BSafE technology 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 bovine spongiform encephalopathy ("BSE") screening tests. In fact, studies have shown that applying this technology to commercially available post mortem diagnostic tests for BSE could vastly improve the sensitivity of these tests by as much as 80-fold.

Therapeutics

ProMetic's therapeutic arm is based in Montreal, Quebec, Canada. ProMetic's lead compound, PBI-1402, is an orally active compound being developed to treat different types of anemia. The initial phase of the PBI-1402 CIA clinical trial has been completed and ProMetic reported that the analysis of the compiled data from a total of 18 patients showed an overall statistically significant increase of the mean hematocrit values at weeks 4, 6 and 8, and of the hemoglobin values at week 8. At week 8, p values were 0.02 for hematocrit and hemoglobin. PBI-1402 has a distinct mechanism of action and does not act through EPO receptor. ProMetic has recently expanded its clinical program for PBI-1402 into the treatment of anemia in patients with myelodysplastic syndrome ("MDS"), a condition often referred to as "pre-leukemia" and is expected to initiate an additional trial in patients suffering from anemia related to chronic kidney disease. Analogues of PBI-1402 and new chemical entities have been identified in the therapeutic pipelines. PBI-1308, a synthetic compound, has been partnered with Darier for further development in the fields of atopic dermatitis and psoriasis. Other compounds, such as PBI-1393 and PBI-1668 have shown, in pre-clinical studies, to possibly have positive results in prostate cancer models. Additionally, PBI-1737 has evidenced strong results in several different models, for applications in cancer and autoimmune diseases fields.

3.2 Trends

Protein Technologies

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.

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.

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 \$7 billion in 2006. 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.

Therapeutics

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. The market for EPO was estimated at \$10.7 billion in 2005, according to Informations Sekretariat Biotechnologies. 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.

3.3 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 2007 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.

3.4 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.

Protein Technologies

ProMetic's innovations in the area of protein technologies have created three distinct revenue paths for it: (i) technology to purify biotech products is licensed to numerous drug manufacturers; (ii) pathogen removal technology has been incorporated into a filter that captures prions in transfused blood, and moreover has been adopted by leading plasma fractionators; and (iii) technology to extract valuable proteins from plasma has been partnered and licensed.

Purification of Biotech Products: ProMetic's bioseparation technologies and products enable the purification of drugs and assist in their efficient manufacture. Ten different products developed by our licensees, with the assistance of ProMetic's purification technologies – and requiring the use of twelve of our bioseparation products – have thus far been approved by the FDA. These licensees are among the biggest names in the pharmaceutical and biopharmaceutical industries. As the manufacturing activities of the industries progress, resulting in further new approved products, it follows that this can create significant growth in the demand for our adsorbents. It is a demand we are well positioned to meet, by virtue of the past investments we have made in our production

facilities. This evolution represents, and is anticipated to increasingly represent, important growth and an established expanding revenue stream for ProMetic.

Pathogen Removal: ProMetic's prion capture technology, which can selectively bind and remove prions from blood and blood products, has been integrated into the revolutionary P-Capt® filter for donated human blood. The filter, designed to reduce the risk of prion transmission through blood transfusions, has received European Regulatory Approval. ProMetic has demonstrated that its use is effective in reducing the risk of transmission of variant Creutzfeldt-Jakob disease ("vCJD"), the human form of mad cow disease, by blood transfusion, and that the filter has no impact on the blood itself. The National Blood Services of Ireland and the United Kingdom are now completing their clinical evaluation of the P-Capt® filter, and we very realistically expect those organizations to adopt the product in the coming year. Accordingly, ProMetic's partner in the venture, MacoPharma, has scaled-up for commercial manufacture of the product. ProMetic will earn royalties from MacoPharma for our licensed technology, as well as revenues from our production and supply of the prion binding affinity resin used in the filter.

ProMetic's prion capture platform has also been extended to the fractionation industry. In 2007, ProMetic signed a development contract with a prominent European plasma fractionator, allowing for the use of ProMetic's prion-binding ligands to minimize the transmission risk of vCJD in plasma derivatives. The transaction's value to ProMetic in the near term is approximately \$1.7 million, while signifying a major new opportunity for this technology.

This technology has demonstrated the ability 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. In fact, studies have shown that applying this technology to commercially available post mortem diagnostic tests for BSE could vastly improve the sensitivity of these tests by as much as 80-fold. ProMetic believes that developing a full BSE *ante mortem* diagnostic kit alone or in partnership with others in the animal diagnostic market could be a natural route for this commercial application.

Plasma-Derived Therapeutics: The power and benefits of ProMetic's protein extraction technologies are being increasingly recognized worldwide. Manufacturers of drugs derived from plasma typically achieve higher yields and more efficient processing through the use of ProMetic's Plasma Protein Purification System ("PPPS"). At the same time, we are using our technology not only to generate licensing sales, but to acquire rights to high-value products. The transaction with the Italian-based Kedrion, a leading biopharmaceutical company specialized in plasma-derived products, exemplifies the model.

ProMetic licensed use of its yield-improving manufacturing technology and prion reduction technology to assist in the manufacture of a Hepatitis B vaccine. Kedrion is funding the development and will assume responsibility to obtain regulatory approval for the product in Europe and in the United States Kedrion will then market the product in Europe, with a royalty on these sales paid to ProMetic.

All the while, ProMetic retains exclusive marketing rights for the product in the North American market. The transaction moved ProMetic a good distance toward being known not only as a provider of enabling technology but as a company with marketing rights on finished biopharmaceuticals.

ProMetic's strategic alliance with Kedrion also yielded the first opportunity for the two companies to collaborate on a technology transfer to a third party. Blue Blood Biotech Corporation of Taiwan, a leading Asian firm specialized in plasma screening and hyperimmune product development, will use ProMetic's proprietary manufacturing process to produce very high value therapeutics from plasma. The market opportunity in Taiwan and Southeast Asia exceeds \$50 million annually, and ProMetic will share in the revenues generated.

Therapeutics

Hematology: ProMetic's lead compound, PBI-1402, targets anemia caused by chemotherapy and renal diseases by promoting the formation of red blood cells from bone marrow. Its mechanism of action is distinct from erythropoietin ("EPO"), the current standard treatment for anemia.

ProMetic's Phase II clinical trial for PBI-1402, involving patients with chemotherapy-induced anemia ("CIA"), provided tremendously encouraging data in 2007. Treatment of patients with our compound resulted in a significant increase in red blood cell count and hemoglobin level, while no significant adverse events were observed.

Nephrology: Pre-clinical studies with PBI-1402 have shown a pronounced ability on the part of PBI-1402 to reverse anemia when kidneys fail to maintain normal levels of red blood cells and hemoglobin. This was demonstrated in a gold-standard 5/6 nephrectomized rat model, and supports ProMetic's expansion of the PBI-1402 clinical program into anemia in patients with chronic kidney disease ("CKD").

Cancer-related anemia ("CRA") in patients represents a major market on its own. The potential market for PBI-1402 among CKD patients is incomparably larger. There are approximately twenty million diagnosed CKD patients in the U.S. alone. Accordingly, the very favorable preliminary evidence we have observed in relation to PBI-1402's effect on the renal function will lead to further clinical evaluation.

Moreover, ProMetic's understanding of the mechanism of action of PBI-1402 has led to the discovery of several other new chemical entities, which ProMetic is also developing. PBI-1402 and these additional compounds indicate a novel means by which anemia and anemia-related conditions may be treated. In this respect, PBI-1402 may be deemed the first compound of a new therapeutic platform. ProMetic's discoveries and positive outcomes thus far point to a potential value that cannot be overstated for PBI-1402, its analogues, and the new chemical entities discovered therefrom. ProMetic's work in this regard has attracted wide attention. Partnership discussions in reference to the continued development and eventual marketing of PBI-1402 are presently underway.

Oncology and Autoimmune Disorders: In addition to ProMetic's hematology platform led by PBI-1402, ProMetic has two other platforms. In oncology, which represents one of ProMetic's principal areas of activity, scientists have advanced several drug candidates. Some of these anti-cancer compounds could enter clinical trials in 2008. Most of ProMetic's drug candidates in oncology share the same features. They are synthetic, orally active, and potentially less expensive to the healthcare system. Moreover, they have demonstrated pre-clinical *in vivo* activity in gold standard models such as tumor eradication and significant extension of survival.

ProMetic's activity in autoimmune diseases stems from the growing understanding of the connection between cancer and the inflammatory process. ProMetic's pipeline includes compounds that have displayed very promising *in vivo* activity in autoimmune disease models and cancer models. For example, PBI-1737 has evidenced strong results in this respect in several different models, including simulations of colitis (Irritable Bowel Syndrome, Crohn's disease) and Multiple Sclerosis.

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.

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 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 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, 2007, ProMetic invested approximately \$15.1 million in research and development. Revenues were also generated via development collaboration agreements, amounting approximately to \$ 2.3 million during the financial year ended December 31, 2007.

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's 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, 2007, ProMetic had 121 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.

4 – 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. Furthermore, 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 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 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 American dollars and Pounds Sterling and a significant portion of its expenses are incurred in American dollars and 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.

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.

5 – 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.

6 – DIVIDENDS

To date, and despite not having any restriction preventing it from doing so, the Corporation has not paid any dividends in respect of any class of shares in its share 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.

7 – 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) Preferred Shares Series A and nine hundred fifty thousand (950,000) Preferred Shares Series B.

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. In the event of an offer to purchase all the outstanding Multiple Voting Shares, the Subordinate Voting Shares become convertible into Multiple Voting Shares, at the option of the holder.

Take-Over Bid Protection

At the Corporation's annual general meeting of its shareholders held on May 3, 2006, two shareholders 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 are 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 (10) 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 Multiple 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 Share will automatically be converted into one Subordinate Voting Share upon being sold by its holder to a third party.

On May 3, 2006, all the holders of Multiple Voting Shares converted their 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 at the present time. Though there are no issued and outstanding Multiple Voting Shares, said shares remain authorized in the Corporation's share capital. Consequently, ProMetic will be requesting shareholder approval at its 2008 Annual Special Meeting of Shareholders to amend its share capital and cancel the Multiple Voting Shares.

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.

The holders of Preferred Shares are entitled to dividends, and have preference over the other classes of shares with respect to payment of dividends.

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, in the case of cumulative dividends, all unpaid cumulative dividends and, in the case of non-cumulative dividends, all declared and unpaid non-cumulative dividends, and (ii) if the liquidation, dissolution, 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.

Preferred Shares Series A

The holders of Preferred Shares Series A are entitled to a preferential cumulative cash 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. They are redeemable for cash or convertible into Subordinate Voting Shares, and purchasable by the Corporation for cancellation. The Preferred Shares Series A 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 trading prices per share of the Subordinate Voting Shares on the Toronto Stock Exchange during the twenty (20) trading days immediately preceding the conversion.

Preferred Shares Series B

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

8 – MARKET FOR SECURITIES

8.1 Trading Price and Volume

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

Date	High	Low	Close	Volume
01/2007	0.59	0.42	0.52	19,421,398
02/2007	0.55	0.44	0.50	6,661,871
03/2007	0.54	0.41	0.49	8,577,979
04/2007	0.47	0.42	0.47	4,379,257
05/2007	0.49	0.42	0.45	4,766,430
06/2007	0.55	0.44	0.49	3,597,157
07/2007	0.52	0.43	0.45	10,669,282
08/2007	0.44	0.31	0.40	6,057,769
09/2007	0.44	0.36	0.38	5,786,064
10/2007	0.68	0.34	0.60	30,618,616
11/2007	0.75	0.50	0.61	17,668,475
12/2007	0.67	0.46	0.58	16,153,489

9 – 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	0.17%

Such shares were placed in escrow with Computershare Trust Company of Canada, 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.

10 – DIRECTORS AND OFFICERS

10.1 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 ⁽³⁾ Québec, Canada	Director	1995	Chairman, Multivet International Inc. (a veterinary products company)
Barry H. Gibson Florida, USA	Director	1994	Consultant & Owner of Aroma-Tec Industries Inc.
Robert Lacroix ⁽¹⁾⁽²⁾ Québec, Canada	Director	2000	Senior Vice-President and Chief Financial Officer, CTI Capital Securities Inc. (an investment dealer company)
John Bienenstock, CM, MD (Hon) FRCP, FRCPC, FRSC ⁽²⁾ Ontario, Canada	Director	2000	Professor at the Faculty of Health Sciences, McMaster University & Director, Brain-Body Institute St. Joseph's Healthcare Hamilton

Name and Province or State of Residence	Position with the Corporation	Director Since	Principal occupation
G.F. Kym Anthony Ontario, Canada	Director	2005	Chair, DFG Investment Advisors (investment and asset manager)
Ronald D. Guttman, MD ⁽¹⁾⁽³⁾ Quebec, Canada	Director	2007	Life Sciences Consultant & Executive Vice President, Clinical and International Development BioMosaics Inc.
Benjamin Wygodny ⁽¹⁾⁽²⁾⁽³⁾ Quebec, Canada	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 Executive Officer of Dundee Securities, a brokerage firm. Mr. Anthony also served as President and Chief Executive Officer of National Bank Financial Inc., a brokerage company, from November 1998 to July 2005.

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	Chief Financial Officer	2004
Steven J. Burton Cambridge, England	Chief Executive Officer, ProMetic BioSciences Ltd	1999
Christopher Penney Québec, Canada	Vice President, R&D & Chief Scientific Officer, Therapeutics, ProMetic BioSciences Inc.	2001
Lucie Morin Ontario, Canada	Vice-President, Human Resources, ProMetic	2004
Patrick Sartore Québec, Canada	Senior Legal Counsel – Intellectual Property and Corporate Secretary, ProMetic	2006

Name and Province or State of Residence	Position	With ProMetic Since
Christopher Bryant Illinois, USA	Executive Vice President and Chief Operating Officer, ProMetic BioTherapeutics, Inc.	2003
Bruce Pritchard	Chief Financial Officer, ProMetic BioSciences Ltd & Vice President, Corporate Development, ProMetic	2006
Peter Edwardson	Vice President, Medical Technologies, ProMetic BioSciences Ltd	2006

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 Controller of DSM Biologics Company Inc. from November 2002 to April 2004; (ii) Lucie Morin who served as Director, Human Resources of Nexia Biotechnologies Inc. from September 2000 to January 2004; and (iii) Patrick Sartore who served as Senior Legal Counsel – Intellectual Property, before becoming Corporate Secretary of ProMetic in October 2007, and who, prior to joining ProMetic in November 2006, served as Legal Counsel with Univalor inc., from January 2002 to November 2006; (iv) Christopher Bryant, who prior to joining ProMetic in 2003, acted as Director of Research Services - North America, for Aventis Behring; (v) Bruce Pritchard, who prior to joining ProMetic in September 2006, served as Senior Director Finance, Europe of CV Therapeutics Europe Ltd from December 2004 to September 2006, and as Finance Director for Ardana Bioscience Ltd from April 2003 to October 2004; and (vi) Peter Edwardson who served as Project Director for Pathogen Removal and Diagnostic Technologies, Inc. (PRDT), a joint venture between ProMetic and the American Red Cross, from January 2003 to June 2005, and prior to rejoining ProMetic, served as Consultant of Mediqol from June 2005 to August 2006.

10.2 Security Holdings

As at March 20, 2008, 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	14 819 188	5.49%

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.

10.3 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Corporation, no director or executive officer of the Corporation:

- (a) is, as at the date hereof, or has been within the 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Corporation) that:

- (i) was the subject to an order¹ that was issued while they were acting in the capacity of director, chief executive officer or chief financial officer; or
- (ii) was subject to an order that was issued after they ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while they were acting in the capacity of director, chief executive officer or chief financial officer.

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

- (i) is, as of the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any company (including the Corporation) that, while they were acting in that capacity, or within a year of them 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
- (ii) 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, executive 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 executive officer of the Corporation, or shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has (i) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority; (ii) entered into a settlement agreement with a securities regulatory authority; or (iii) been subject to any other penalties or sanctions imposed by a court regulatory body that would likely be considered material.

10.4 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.

¹ Order means a cease trade or similar order, or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days.

11 – 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 evaluate its options, including proceeding to request a judgment by default against Monogel.

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 “Judgment”). The Corporation had appealed this Judgment. Further to the dismissal of Corporation's appeal by the Quebec Court of Appeal of the Judgment, Corporation has entered into an agreement with the Bank which permits the Corporation to reimburse its total obligation of \$3,500,000 to the Bank via installments spanning into the second quarter of 2008.

Hemosol

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 license 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. A decision was 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 2008, there are

no guarantees that there will be no further litigation surrounding Hemosol and the License Agreement.

12 – INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Mr. Pierre Laurin, via his company, Innovon Pharmaceuticals Inc., is entitled to receive royalties based on the sales of PBI-1402 and PBI-1101. These royalties vary between 0.1% and 0.3% of net sales or between 1% and 3% of revenues received by ProMetic BioSciences Inc. (“PBI”). Mr. Laurin also has the exclusive right to commercialise these products should PBI decide to stop developing PBI-1402 or PBI-1101, and/or commercialising said products, subject to mutually acceptable terms and conditions.

13 – TRANSFER AGENT AND REGISTRAR

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

14 – 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, 2007 or before such year but still in effect.

In September 2007, the Corporation issued and sold under an agency agreement (the “Agreement”) between Paradigm Capital Inc. and the Corporation, 13,348,214 subordinate voting shares at a price of \$0.35 per share for gross proceeds of CDN \$4,671,875. 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 \$.0252 per subordinate voting share issued.

In September 2007, the Corporation closed a private placement of 5,535,714 subordinate voting shares at C\$0.35 per share with U.S. Institutional investors. Proceeds from the private placement totalled CDN \$1, 937, 500. 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. Rodman & Renshaw Capital Group, Inc., acted as a financial advisor to the Corporation for this financing.

In December 2007, the Corporation closed a deal granting it access to additional monetary resources on an “as-needed” basis for up to \$15.0 million through an equity draw down facility provided by Nanuq Investments Ltd. As at March 20 2008, the Corporation has used this facility once for a total draw down amount of \$350,000;

In December 2007, the Corporation closed a private placement of 1,724,138 subordinate voting shares at C\$0.58 per share with InvHealth Holding Inc., a company wholly-owned by the Corporation’s Chief Executive Officer, Mr. Pierre Laurin. Proceeds from the private placement totalled CDN \$1, 000, 000. 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.

15 – INTERESTS OF EXPERTS

15.1 Names of Experts

The consolidated annual financial statements of the Corporation for the years ended December 31, 2006 and December 31, 2007 included in the Corporation's 2007 Annual Report have been audited by Raymond Chabot Grant Thornton LLP ("Raymond Chabot Grant Thornton").

15.2 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, 2006 and December 31, 2007, 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.

16 – AUDIT COMMITTEE

16.1 Audit Committee Charter

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

16.2 Composition

The Audit Committee is composed of three independent and financially literate directors: Its chairman, Mr. Robert Lacroix, Mr. Benjamin Wygodny and Mr. Ronald Guttman.

16.3 Relevant Education and Experience

Member	Relevant Education and Experience
Mr. Benjamin Wygodny	<ul style="list-style-type: none"> <li data-bbox="646 1482 1383 1539">• Mr. Wygodny has a university degree in Economics and has taken numerous courses in accounting as well as finance. <li data-bbox="646 1570 1383 1675">• He is the President of Angus Partnership Inc., an investment firm, and other companies involved in private equity investment and realty development, including 3188795 Canada Inc., a real estate development firm. <li data-bbox="646 1707 1383 1785">• He sits on the Board of the Canadian Technion Society and is a member of the International and on the Board of Governors of the TECHNION - The Israeli Institute of Technology.

Member	Relevant Education and Experience
Mr. Robert Lacroix	<ul style="list-style-type: none"> • Mr. Lacroix graduated from the <i>École des Hautes Études Commerciales de Montréal</i> in administration and finance, as well as numerous courses in the fields of finance, investments and securities. • He has 40 years of experience in occupations directly related to accounting, finance, investments and securities, as a financial analyst, portfolio manager, investment director, assistant deputy minister of finance in charge of financing and debt management, and various positions as vice-president, finance and chief financial officer. • He supervised numerous financial analysts, as well as accountants, controllers and internal auditors. As chief financial officer, he was responsible for external auditors, and mergers and acquisitions.
Mr. Ronald D. Guttman	<ul style="list-style-type: none"> • Mr. Guttman is the co-founder and Executive Vice President of Clinical and International Development for BioMosaics Inc., a biotechnology company engaged in the development and commercialization of innovative products for the early diagnosis, prediction and monitoring of cancer. • He is a consultant to numerous Canadian and internationally-based biotechnology companies, such as Fujisawa (Canada and U.S.A.), Pasteur Mérieux sérums et vaccines (France), Xoma and SangStat (California, USA), Novartis (Canada), Biosyntech (Canada), and financial organizations such as the <i>Caisse de dépôt et placements du Québec</i>, and <i>Société générale de financement</i>, of Montréal, Canada. • He currently sits on the Board of Directors of BioMosaics Inc., is a Director of the Institute for Policy Research in Medicine and Emerging Technologies (based in Montréal, Canada), and is a member of the Scientific Advisory Board of the GeneCare Research Institute Co. Ltd. of Kamakura, Japan. • He acquired experience with the business aspect of several start-up biotechnology companies, and is also currently serving as Director and Corporate Secretary of a private U.S. diagnostic company.

16.4 Audit Committee Oversight

Since January 1, 2007, all recommendations of the audit committee to nominate or compensate external auditors were adopted by the Board of Directors.

16.5 Pre-Approval Policies and Procedures

The Audit Committee has reviewed and approved non-audit services on a case-by-case basis throughout the 2007 financial year.

17 – EXTERNAL AUDITOR SERVICES FEES

17.1 Audit Fees

Raymond Chabot Grant Thornton billed the Corporation and its subsidiaries \$118,750 and \$92,600 for professional services rendered for the audit of the Corporation's financial statements for 2007 and 2006, respectively.

17.2 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 \$27,725 for 2007 and \$18,900 for 2006. These services consisted principally of accounting opinions, accounting presentation support and internal control advisory services outside the scope of the audit.

17.3 Tax Fees

Fees billed by Raymond Chabot Grant Thornton for tax compliance, advice and planning services were \$27,325 for 2007 and \$185,400 for 2006. These services consisted principally of tax planning, assistance with preparation of various tax returns, and tax advice on other related matters.

17.4 All Other Fees

Fees for other services billed by Raymond Chabot Grant Thornton were \$98,781 for 2007 and \$280,621 for 2006. These services consisted principally of management consulting services which were related to services with respect to initiatives by the Corporation to raise financing. These services did not involve information systems design and implementation.

18 – 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 and securities authorized for issuance under equity compensation plans, is contained in the Corporation's Management Information 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 independence² 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

² 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.

external auditors including the resolution of disagreements between management and the external auditor regarding financial reporting and difficulties encountered in performing the audit.

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.

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