



ProMetic
Life Sciences Inc.

Q2



QUARTERLY REPORT

FOR THE PERIOD ENDING
June 30, 2009

PROMETIC LIFE SCIENCES INC.

Quarterly Report

Three-month period ended June 30, 2009

This present release constitutes the quarterly report to shareholders.

1. **Management's Discussion and Analysis of Operating Results and Financial Position**
2. **Consolidated Balance Sheets**
3. **Consolidated Statements of Operations and Comprehensive Income**
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MD&A

The Management's Discussion and Analysis of Operating Results and Financial Position, prepared August 5, 2009, aims at helping the reader to better understand the business of the Company and the key elements of its financial results. It explains the trends of the financial situation and the operating results of the Company for the second quarter of 2009 compared to the operating results for the second quarter of 2008.

This Management's Discussion and Analysis was prepared in accordance with Regulation 51-102 Respecting Continuous Disclosure Obligations and should be read in conjunction with the 2008 consolidated financial statements and the accompanying notes included in this annual report. These financial statements were prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Unless otherwise indicated, all figures are expressed in Canadian dollars.

Information as at June 30, 2009 and for the periods ended June 30, 2009 and 2008 are unaudited. These quarterly financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and accordingly will be able to realize its assets and discharge its liabilities in the normal course of operations.

Since inception, the Company has concentrated on research and development. It has had no net earnings, growing revenues which do not yet fully offset the cost base of the Company, resulting in negative operating cash flows. The Company has financed its activities through bank loans, government financial support and the issuance of debt and equity. The Company's ability to continue as a going concern is dependent on obtaining additional investment capital and achieving profitable operations. There can be no assurance that the Company will be successful in increasing revenue or raising additional investment capital to generate sufficient cash flows to continue as a going concern. These financial statements do not reflect the adjustments that might be necessary to the carrying amount of reported assets, liabilities, revenues and expenses and the balance sheet classification used if the Company were unable to continue operations in accordance with this assumption.

More financial information, including the Company's Annual Information Form, is available on SEDAR (www.sedar.com).

Management's Discussion and Analysis

as at August 5, 2009

Operations

ProMetic Life Sciences Inc. ("ProMetic") is a global biopharmaceutical business, comprised of a group of companies focused on developing technologies which bring pharmaceutical products to market that are safer, cost-effective and more convenient than those already available. ProMetic's business is organized into two distinct operating segments; Protein Technologies and Therapeutics, supported by a Head Office in Montreal, Canada.

Details of the activities of the business together with its long-term strategy and business objectives remain as disclosed in the annual Financial Statements for 2008 in conjunction with which this MD&A should be read.

Operating in a Difficult Economic Environment

Since mid-2008, the Company has made a number of public statements commenting on the strength of its upcoming revenue streams and the actions being taken by Management in relation to driving efficiencies and cost savings in the business, allowing the Company to extend its cash runway, and weather the current economic situation without going to the public market to raise funds for operations.

While the Company was able to achieve this through 2008 and into the first half of 2009, the worsening of the global economic situation has impacted on the ability of our contracted customers to progress certain service agreements according to previously anticipated timelines. This, we believe, is no reflection on ProMetic's technologies, rather a consequence of customers altering their strategic focus. Notably, demand for ProMetic's unique affinity resins for prion removal and other bioseparation applications has increased as a result of their uniqueness and robustness, which deliver cost of goods savings for the user.

Responding to the ever changing commercial landscape, ProMetic has extended its cost-reduction program, tailored the burn to revenue generating activities, improved efficiencies, reduced research and development expenses, and reduced, in some instances temporarily, employee numbers in sectors of activity outside its core objectives.

ProMetic's overriding objective is to ensure that it responds to delays by its customers in their development programs, by adjusting its cost base in line with the revised revenue forecast to ensure that the Company respects its EBITDA ("earnings before interest, tax, depreciation and amortisation"), projections.

Despite illiquidity in the financial markets and strict lending controls enforced by financial institutions, ProMetic has been offered conventional debt financing through reputable chartered banks.

ProMetic continues to work with certain long-standing shareholders to extend the patient-debt facility, as announced last quarter. Specifically, a further \$500,000 has been advanced on the same terms as the facility entered into in the first quarter of 2009.

Further financing of \$250,000 has been advanced to the Company by one of its Directors.

ProMetic is also actively pursuing further financing through industry-specific initiatives provided by the governments of the Isle of Man and in Canada, and will continue to secure additional monetization of key contracts.

In the Management's Discussion and Analysis of the second quarter 2009 financial statements, the Company has continued its adoption of the recent guidance provided by the Canadian Institute of Chartered Accountants in its recent CPR alert on MD&A disclosures in volatile and uncertain times.

In the following statements, Management intends to explain the impact of the market's volatility on ProMetic's performance, financial condition and future prospects, through making reference to:

- Strategy and Risk Management;
- Analysis of the 2nd Quarter Financial Results of 2009, including;
 - Going Concern Assumptions;
 - Liquidity;
 - Critical Accounting Estimates.

Strategy and Risk Management

ProMetic's strategy in relation to its Protein Technologies business has always been clear: applying ProMetic's proprietary technologies to new and existing markets for large-scale drug purification, drug development, proteomics (the study of proteins), and the elimination of pathogens. The ultimate benefit that can be derived from ProMetic's Protein Technologies unit is the enabling of our partners to manufacture more affordable and safer therapeutics, thus aligning ProMetic's business perfectly with current market pressures on the healthcare sector.

The bioseparations business continues to have strong and growing revenues, which based on the volume and regular nature of enquiries from blue-chip customers, is continuing.

ProMetic's strategy in relation to the Therapeutics unit has been to develop compounds which, ultimately, will lead to more cost-effective treatment regimes in already developed markets. ProMetic's Management strongly believes that this strategy is highly relevant in the current market economy where cost pressures, above all else, impact the adoption of new drugs.

Also, in relation to the Therapeutics unit, the Company is continuing its discussions with several interested parties regarding a licensing transaction for PBI-1402 and its analogues. These discussions continue despite the volatility in the market. However, Management has nevertheless acted to cut the burn-rate of this division, such that only costs associated with a potential partnering will be incurred. These cost-saving measures are clearly reflected in the financial statements accompanying this Discussion and Analysis.

Across the business, Management monitors closely the financial performance, both actual and forecasted, to ensure that appropriate measures are taken to limit cash burn at this time. At the same time, the debt finance secured has allowed the runway to be extended further, allowing ProMetic to sustain its position on not requiring additional equity investment at this time.

Q2 2009 IN SUMMARY

The Protein Technologies Unit once again provided significantly increased revenues in this quarter over the same period of 2008, this despite less aggressive development timelines on services agreements being requested by customers. The growth in revenues over the same quarter in the previous year relates to the increasing demand for ProMetic's core affinity ligand products.

Bureaucratic processes surround the adoption of the P-Capt® filter in the United Kingdom and Ireland. However, progress is being made by the various advisory bodies to the respective governments with regard to the adoption of this technology. We anticipate further news on the scale and timeframe for adoption of the device in the United Kingdom in the fall of 2009. As a result, ProMetic's latest revenue forecast excludes revenue from P-Capt® in 2009.

Activity also continued in the Therapeutics business, with significant progress being made with interested parties toward a licensing transaction for PBI-1402.

Cash flow requires continuous monitoring, as a result of the changing revenue forecasts. As stated last quarter, ProMetic anticipated cash flow to remain challenging until beyond August 2009, after which time the Long Term Debt contracted in 2006 will be fully repaid. However, as the cash flow statement for the quarter shows, operations consumed \$0.9 million of cash compared with \$6.9 million in the same quarter of 2008.

Second Quarter 2009 - Significant Events

Corporate

£500,000 cash advance against an existing supply contract (this is a balance sheet transaction and is not recorded in revenues), as described in note 10 of the second quarter 2009 Financial Statements;

- \$720,000 additional loan finance through long-term stakeholders, as described in note 9b and 9c(2) of the second quarter 2009 Financial Statements.

Protein Technologies

- Departure of Dr. Christopher Bryant, previously Chief Operating Officer of one of ProMetic's subsidiaries, ProMetic BioTherapeutics Inc. As part of the continued cost-reduction drive Pierre Laurin will assume a hands-on role of ProMetic BioTherapeutics, Inc., assisted by Drs. Timothy Hayes and Tom Chen.

Therapeutics

- ProMetic has reduced, in some instances temporarily, the number of employee in its Therapeutics Unit with a specific goal of ensuring that all expenses incurred in this unit relate directly to its partnering activities.

Results of Operations

Quarter ended June 30, 2009, compared to quarter ended June 30, 2008

Revenues

Total revenues for the second quarter of 2009, which were derived from the Protein Technologies unit, were \$2.3 million compared with \$1.1 million in the same quarter of 2008. For the first six months of 2009, revenues were \$6.2 million compared to \$2.8 million for the same period last year.

To be noted that due to accounting regulations, \$1.7 million dollars of service revenue received in the second quarter of 2009 has been deferred to future accounting periods.

The growth in revenue came primarily from sales of affinity adsorbents to major pharmaceutical companies as well as the increase in service fees associated with development agreements with various customers.

There were no significant revenues associated with the Therapeutics business unit.

Costs of Goods Sold and Rechargeable Research and Development Expenses

The costs of goods sold and rechargeable research and development expenses for the quarter ended June 30, 2009, totalled \$1.5 million compared to \$0.7 million in the same period of the previous year. For the first six months of 2009, it totalled \$3.2 million compared with \$1.8 million in 2008. This difference is explained primarily by the increase in revenues and also by the mix of product sales and by the volumes of individual products sold within that mix.

Based on the combined cost of goods sold and the rechargeable research and development expenses, a gross profit of 47.8% was achieved in the first half of 2009 compared to 36% for first half of 2008. The difference is due to the increase in volume of products sold.

Research and Development Expenses

Research and development expenses were \$2.8 million for the quarter ended June 30, 2009, compared to \$3.2 million for the same period in 2008. For the first half of 2009, research and development expenses were \$5.2 million versus \$6.9 million for the same period in 2008. The variance is mainly attributable to the ongoing strategic cost reduction program implemented by Management in late 2008.

Administrative and Marketing Expenses

Administrative and marketing expenses were \$1.2 million for the second quarter of 2009 compared to \$1.6 million for the same period in 2008. For the first six months of 2009, these expenses totalled \$2.5 million compared to \$2.8 million for 2008. No specific reasons other than the cost-cutting measures implemented by Management are responsible for this decrease.

Loss on Exchange Rate

In the first quarter of 2009, the method of consolidating the results of the United Kingdom subsidiary was changed. The sub-group headed by ProMetic BioSciences Ltd has been determined to be autonomous within the definition of Chapter 1651, "Foreign currency translation", of the CICA Handbook. This change has necessitated different foreign exchange treatment resulting in an adjustment of the balance sheet of \$135,000. Having an autonomous affiliate impacts the treatment of the gain or the loss on exchange rate, which will be part, going forward, of the shareholders' equity identified as a "Currency translation adjustment" while the gain or loss on exchange rate for integrated affiliates is showing in the statement of operations and comprehensive income. The net results in the shareholders' equity remain the same.

Amortization Expenses

Amortization expenses for the second quarter of 2009 were \$0.3 million compared to \$0.4 million in the second quarter of 2008. For the first six months of 2009, these expenses totalled \$0.6 million compared to \$0.75 million for 2008.

Net Results

The Company incurred a net loss of \$5.1 million, or \$0.02 per share (basic and diluted), for the quarter ended June 30, 2009, as compared to a net loss of \$5.6 million, or \$0.02 per share (basic and diluted) for the quarter ended June 30, 2008.

For the first six months of 2009, the net loss totalled \$7.1 million, or \$0.02 per share (basic and diluted), compared to a net loss of \$11.4 million, or \$0.04 per share (basic and diluted). The decrease in net loss is due to higher revenues as well as cost reductions implemented by Management.

EBITDA by business units

Second quarter 2009 - In millions of dollars

	Protein Technologies	Therapeutics	Corporate	Intersegments transactions	Total
Revenues	2.3	-	-	-	2.3
Cost	4.1	0.4	1.0	-	5.5
EBITDA	(1.8)	(0.4)	(1.0)	-	(3.2)

Capital Resources

The Company has no commitments for capital expenditure at the date of the financial statements.

Over coming periods, it may be necessary for the Company to invest in further capital expenditure in order to service the requirements of certain of its contracts.

As the Company grows and develops a sustainable revenue line and resulting positive cash flow, it should be possible for the business to raise cash for expansion through debt facilities.

Liquidity and Financial Position

Current assets totalled \$6.1 million as at June 30, 2009, and \$8.1 million as at December 31, 2008. Additional details are provided under the heading Cash Flows. Accounts receivable were \$2.6 million at June 30, 2009, compared to \$4.4 million at December 31, 2008. Accounts receivable consist mostly of trade receivables related to the sale of resin, as well as research and development tax credits receivable related to the activities of our Therapeutics Unit. The net capital assets decrease to \$1.5 million as at June 30, 2009, from \$2.4 million as at December 31, 2008. This is a combined effect of the impact of depreciation and the change in foreign exchange method for consolidating the United Kingdom subsidiary.

Cash was \$0.6 million as at June 30, 2009. In the second quarter of 2009, the Company issued 6,607,112 shares relating to loan arrangements, year to date amounting to \$4.1 million.

Attention is drawn to the Post-balance Sheet Events section of this Managements' Discussion and Analysis relating to additional financing secured since June 30, 2009.

Cash Flows

Cash flows used in operating activities amounted to \$1.9 million for the first six months ended June 30, 2009, compared with \$10.8 million for the same period in 2008. Cash flows used in operating activities amounted to \$0.9 million for the quarter ended June 30, 2009, compared with \$6.9 million for the same period in 2008. The significant reduction in cash flows expended in operating activities is mainly attributed to increased gross profit on higher revenues, and cost-cutting measures.

Cash flows expended on financing activities amounted to \$0.3 million for the quarter ended June 30, 2009. This resulted from the excess of repayment of existing long-term debt over inflows from new loans contracted in this period. This compares to cash flows generated of \$9.1 million for the same period in 2008 resulting from the proceeds from an issue of shares netted with the repayment of long-term debt.

Cash flows used in investing activities amounted to \$0.03 million compared with \$0.1 million for the same quarter in 2008.

Summary of Quarterly Results

The following unaudited quarterly information is presented in millions of Canadian dollars except for per share amounts.

	2009		2008		2007			
	June 30	March 31	December 31	September 30	June 30	March 31	December 31	September 30
Revenues	2.3	3.8	4.0	3.3	1.1	1.8	1.7	0.7
Net loss	5.1	2.0	5.2	3.6	5.6	5.8	5.8	7.0
Net loss per share (basic and diluted)	0.02	0.01	0.02	0.01	0.02	0.02	0.02	0.03
Weighted average number of outstanding shares	320	317	294	286	286	266	260	239

Related Party Transaction

On December 5, 2008, the Company entered into an agreement to provide a guarantee (the "Guarantee") in favour of Camofi Master LDC ("Camofi"), relating to an amended and restated loan agreement (the "Loan") that Camofi had provided to a company ("the borrower") wholly owned by a senior officer of the Company. The Loan was originally contracted in December 2007 for the purposes of purchasing shares of the Company.

The Guarantee provides that the Company must be prepared to fulfill the borrower's obligations with respect to the full payment of capital and interest for the Loan if the borrower is unable to do so. Any such payment shall be made within two days of receipt of notice of default from Camofi. Alternatively, the borrower can force Camofi to liquidate some or all of the shares of the Company that are held as collateral to cover the Loan. If called upon under the Guarantee, the Company may choose either to pay in cash or request that the borrower instruct Camofi to liquidate up to 2,300,000 shares of the Company to repay the Loan.

In conjunction with the above, the Company has entered into an agreement with the borrower providing that any payment made by the Company under the Guarantee immediately triggers an equivalent receivable from the borrower. This receivable bears interest at 10% per annum, is evidenced by a demand promissory note and, upon termination of the Loan and the pledge agreement, will be secured by 2,300,000 shares of the Company until all payments of principal and interests owed to the Company are made. This receivable will be recorded at fair value by the Company only when its collectability is reasonably assured.

The Company risks losing a maximum amount of \$1.87 million plus interest and penalties, without taking into consideration the net proceeds arising from the disposal of the 9,500,000 pledged shares of the Company. The Company has not required any consideration in exchange for this Guarantee. As at December 31, 2008, the Loan had an outstanding balance of \$1,374,593 US and is repayable in full by December 11, 2009. As at December 31, 2008, the Company had recognized an amount of \$0.2 million as a loss for amounts already disbursed to the borrower and in addition, estimated that there was a likelihood of having to make additional payments under the Guarantee which would amount to \$0.9 million. As such, a total amount of \$0.9 million was accrued as at December 31, 2008, under accounts payable and accrued liabilities.

Since December 31, 2008, the Company has made payments under the Guarantee amounting to \$0.2 million US. These payments have been adjusted against the year-end accrual, leaving a sum of \$0.6 million in accruals as at June 30, 2009, relating to potential future payments under the Guarantee.

An officer of the Company has provided a personal guarantee for an overdraft facility of \$0.35 million on behalf of the Company.

Post Balance Sheet Events

Despite illiquidity in the financial markets and strict lending controls enforced by financial institutions, ProMetic has been offered conventional debt financing through reputable chartered banks.

ProMetic continues to work with certain long-standing shareholders to extend the patient-debt facility, as announced last quarter. Specifically, a further \$500,000 has been advanced on the same terms as the facility entered into in the first quarter of 2009.

Further non-dilutive financing of \$250,000 has been advanced to the Company by one of its Directors.

ProMetic is also actively pursuing further financing through industry-specific initiatives provided by the governments of the Isle of Man and in Canada, and will continue to secure additional monetization of key contracts.

Capital Stock Information

Authorized Share Capital

The authorized share capital of the Company consists of an unlimited number of common shares, and an unlimited number of preferred shares issuable in series.

Issued and Outstanding Share Capital

The following details the issued and outstanding equity securities of the Company:

Common Shares

As at June 30, 2009, the capital stock issued and outstanding consisted of 324,008,880 common shares (317,401,768 as at December 31, 2008).

As at August 5, 2009, the capital stock issued and outstanding consisted of 324,425,546 common shares.

Risks and Uncertainties

Financing Risk

Until each of the units is independently financed, the success of the Company is dependent on its ability to support the development of its two operating units and its ability to bring its products to market, obtain the necessary regulatory approvals, and achieve future profitable operations. This is dependent on the Company's ability to obtain adequate financing through a combination of financing activities and operations. It is not possible to predict either the outcome of future research and development programs nor the Company's ability, nor its operating units' ability, to fund these programs going forward.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer, partner or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents, short-term investments and receivables. The carrying amount of the financial assets represents the maximum credit exposure.

The financial instruments that potentially expose the Company to credit risk are primarily cash and trade accounts receivables and the excess of interest in the joint venture PRDT over proportionate share in consolidated net asset.

The Company places its cash in titles of high quality issued by government agencies and financial institutions and diversifies its investment in order to limit its exposure to credit risk, while applying implemented investment guidelines in place.

The Company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. To the extent that the Company does not believe it has sufficient liquidity to meet its current obligations, the Management considers securing additional funds through equity, debt or partnering transactions. The Company manages its liquidity risk by continuously monitoring forecasts and actual cash flows.

Accounts payable and accrued liabilities are due within the current operating period.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Company's income or the value of its financial instruments.

Interest Risk

The majority of the Company's debt is at fixed rate, there is limited exposure to interest rate risk.

Foreign Exchange Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in the United Kingdom and in the U.S. and portion of its expenses incurred and revenues generated are in US dollar and in Sterling Pound. Financial instruments potentially exposing the Company to foreign exchange risk consist principally of cash, receivables, accounts payable and accrued liabilities and long-term debt. The Company manages the foreign exchange risk by holding foreign currencies on hand to support foreign currencies forecasted cash outflows, and the majority of the Company's revenues are in US dollar and in Sterling Pound which mitigates the foreign exchange risk.

Equity Risk

The changes in the Company's equity price could impact its ability to raise additional capital.

Forward-Looking Statements

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

expectations, goals and plans. We have attempted to identify these statements by use of words such as “expect”, “believe”, “anticipate”, “intend”, and other words that denote future events. These forward-looking statements are subject to material risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. These risks and uncertainties include but are not limited to the Company’s ability to develop, and successfully manufacture pharmaceutical products, and to obtain contracts for its products and services and commercial acceptance of advanced affinity separation technology. Additional information on risk factors can be found in the Company’s Annual Information Form for the year ended December 31, 2008. Shareholders are cautioned that these statements are predictions and these actual events or results may differ materially from those anticipated in these forward-looking statements. Any forward-looking statements we may make as of the date hereof are based on assumptions that we believe to be reasonable as of this date and we undertake no obligation to update these statements as a result of future events or for any other reason, unless required by applicable securities laws and regulations.

PROMETIC LIFE SCIENCES INC.
CONSOLIDATED BALANCE SHEETS
(In thousands of Canadian dollars)

	June 30, 2009 (Unaudited)	December 31, 2008 (Audited)
ASSETS		
Current assets		
Cash	\$581	\$917
Accounts receivable (note 4)	2,629	4,414
Inventories (note 5)	2,672	2,567
Prepaid expenses	181	239
	6,063	8,137
Investments (note 6)	3,766	3,585
Capital assets	1,451	2,403
Licenses and patents	4,719	5,027
	\$15,999	\$19,152
LIABILITIES		
Current liabilities		
Bank loan (note 7)	\$911	\$911
Accounts payable and accrued liabilities (note 8)	7,411	7,112
Other loans (note 9)	2,823	-
Advance on revenues from existing supply agreement (note 10)	554	-
Deferred revenues	2,830	1,419
Current portion of long-term debt	1,043	3,906
	15,572	13,348
Long-term portion of advance on revenues from existing supply agreement (note 10)	405	-
Long-term debt	30	43
Preferred shares, retractable at the holder's option	4,433	4,348
	20,439	17,739
SHAREHOLDERS' EQUITY		
Share capital (note 11)	211,735	210,972
Contributed surplus	9,739	9,338
Currency translation adjustment (note 2)	135	-
Deficit	(226,049)	(218,897)
	(4,440)	1,413
	\$15,999	\$19,152

PROMETIC LIFE SCIENCES INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

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

(Unaudited)

	Quarter ended		Six months ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Revenues	\$2,337	\$1,083	\$6,184	\$2,841
Charges				
Costs of good sold	1,118	495	1,539	1,041
Research and development expenses rechargeable	420	195	1,689	776
Research and development expenses	2,753	3,220	5,160	6,892
Administration and marketing expenses	1,191	1,626	2,493	2,845
(Gain) Loss on exchange rate	913	(37)	663	403
Amortization of capital assets	213	261	425	533
Amortization of license and patents	106	110	202	216
	6,714	5,870	12,171	12,706
Loss before the following items	(\$4,378)	(\$4,787)	(\$5,988)	(\$9,865)
Gain on disposal of capital asset	-	-	-	356
Interests and penalties related to a lawsuit	-	(189)	-	(556)
Net interest expenses	(718)	(605)	(1,143)	(1,299)
Net loss and comprehensive income	(\$5,096)	(\$5,581)	(\$7,131)	(\$11,364)
Net loss per share (basic and diluted)	(0.02)	(0.02)	(0.02)	(0.04)
Weighted average number of outstanding shares (in thousands)	320,409	286,262	318,914	288,778

For supplemental operations information, see note 14

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

PROMETIC LIFE SCIENCES INC.

CONSOLIDATED STATEMENTS OF DEFICIT

(In thousands of Canadian dollars)

(Unaudited)

	Quarter ended		Six months ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Deficit, beginning of the period	\$220,934	\$203,306	\$218,897	\$197,475
Net Loss	5,096	\$5,581	7,131	11,364
Share issue expenses	19	660	21	708
Deficit, end of period	\$226,049	\$209,547	\$226,049	\$209,547

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

PROMETIC LIFE SCIENCES INC.
CONSOLIDATED STATEMENT OF CONTRIBUTED SURPLUS
(In thousands of Canadian dollars)
(Unaudited)

SIX MONTHS ENDED JUNE 30, 2009

	Stock-based compensation	Warrants	Other	Total contributed surplus
CONTRIBUTED SURPLUS, AT BEGINNING OF PERIOD	\$ 1,064	\$ 6,138	\$ 2,136	\$ 9,338
Stock-based compensation	194	-	-	194
Issuance of warrants	-	207	-	207
CONTRIBUTED SURPLUS, AS AT JUNE 30, 2009	\$ 1,258	\$ 6,345	\$ 2,136	\$ 9,739

SIX MONTHS ENDED JUNE 30, 2008

	Stock-based compensation	Warrants	Other	Total contributed surplus
CONTRIBUTED SURPLUS, AT BEGINNING OF PERIOD	\$ 757	\$ 3,860	\$ 2,136	\$ 6,753
Stock-based compensation	122	-	-	122
Issuance of warrants	-	82	-	82
CONTRIBUTED SURPLUS, AS AT JUNE 30, 2008	\$ 879	\$ 3,942	\$ 2,136	\$ 6,957

QUARTER ENDED JUNE 30, 2009

	Stock-based compensation	Warrants	Other	Total contributed surplus
CONTRIBUTED SURPLUS, AT BEGINNING OF PERIOD	\$ 1,161	\$ 6,138	\$ 2,136	\$ 9,435
Stock-based compensation	97	-	-	97
Issuance of warrants	-	207	-	207
CONTRIBUTED SURPLUS, AS AT JUNE 30, 2009	\$ 1,258	\$ 6,345	\$ 2,136	\$ 9,739

QUARTER ENDED JUNE 30, 2008

	Stock-based compensation	Warrants	Other	Total contributed surplus
CONTRIBUTED SURPLUS, AT BEGINNING OF PERIOD	\$ 829	\$ 3,860	\$ 2,136	\$ 6,825
Stock-based compensation	50	-	-	50
Issuance of warrants	-	82	-	82
CONTRIBUTED SURPLUS, AS AT JUNE 30, 2008	\$ 879	\$ 3,942	\$ 2,136	\$ 6,957

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

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

	Quarter ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Cash flows used in operating activities				
Net loss and comprehensive income	\$ (5 096)	\$ (5 581)	\$ (7,131)	\$ (11,364)
Adjustments to reconcile net loss to cash flows used in operating activities				
Issuance of warrants and rights	207	-	207	-
Interests on long-term debt	64	-	262	-
Proceeds from share issues	411	-	411	-
Gain on disposal of capital assets	6	-	4	(356)
Charges paid with shares	352	-	352	441
Stock-based compensation	97	50	194	122
Unrealized (gain) loss on exchange rate	(285)	(66)	(202)	248
Amortization of capital assets	213	261	425	533
Amortization of licenses and patents	106	110	202	216
	(3 925)	(5 226)	(5,275)	(10,159)
Change in working capital items (note 16)	3 063	(1 712)	3,396	(615)
	(862)	(6 938)	(1,879)	(10,774)
Cash flows from financing activities				
Proceeds from share issues and rights to acquire shares	-	10 086	-	11,857
Share issue expenses	(18)	(501)	(18)	(542)
Loan from directors	-	300	-	-
Bank loan	-	-	-	706
Other loan	278	-	2,823	300
Advance on revenues from existing supply agreement	959	-	959	-
Repayment of long-term debt	(1 477)	(802)	(3,035)	(1,517)
	(258)	9 083	729	10,804
Cash flows used in investing activities				
Acquisition of an investment	45	-	45	-
Disposal of capital assets	-	-	-	402
Additions to capital assets	-	(23)	(29)	(23)
Additions to licenses and patents	(72)	(68)	(108)	(68)
	(27)	(91)	(91)	311
Net (decrease) increase in cash	(1 147)	2 055	(1,242)	341
Net effect of currency exchange rate on cash	1 303	5	905	22
Cash, beginning of period	424	466	917	2,163
Cash, end of period	\$ 581	\$ 2 526	\$ 581	\$ 2,526

For supplemental cash flow information, see note 16

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarter periods ended June 30, 2009 and 2008

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

(Unaudited)

1. Governing statutes, nature of operations and going concern

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

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and on the basis of the going concern assumption which assumes that the Company will continue in operation for the foreseeable future and accordingly, will be able to realize its assets and discharge its liabilities in the normal course of operations. Since inception, the Company has concentrated its resources on research and development. It has had no net earnings, growing revenues which do not yet fully offset the cost base of the Company, resulting in negative operating cash flows. The Company has financed its activities through bank loans, government financial support and the issuance of debt and equity. The Company's ability to continue as a going concern is dependent on raising additional funds either from the issuance of shares or long-term debt and achieving profitable operations. Raising funds in the current economic environment is proving difficult and the cost of accessing capital has increased. The Company's Management is currently in discussion with certain shareholders, financial institutions and other debt providers to obtain additional funds. The Company's ability to increase revenue or raise additional capital to generate sufficient cash flows to continue as a going concern is subject to significant risks, including those described above. These financial statements do not reflect the adjustments that might be necessary to the carrying amount of reported assets, liabilities and revenues and expenses and the balance sheet classification used if the Company were unable to continue operations in accordance with this assumption.

2. Basis of presentation

The unaudited consolidated balance sheet as at June 30, 2009 and the related unaudited consolidated statements of operations and comprehensive income, deficit, contributed surplus and cash flows, for the quarter ended June 30, 2009 and 2008, have been prepared using accounting principles and practices consistent with those used and described in the annual financial statements with the exception of the changes in accounting policies described in note 3.

In addition, the sub-group headed by ProMetic BioSciences Ltd has been determined to be autonomous within the definition of Chapter 1651, Foreign currency translation, of the CICA Handbook. This change has necessitated different foreign exchange treatment resulting in an adjustment of the balance sheet of \$135. Having an autonomous affiliate impacts the treatment of the gain or the loss on exchange rate, which will be part, going forward, of the shareholders' equity identified as a "Currency translation adjustment" while the gain or loss on exchange rate for integrated affiliates is showing in the statement of operations and comprehensive income. The net results in the shareholders' equity remain the same.

The interim financial statements do not include all disclosures required for annual financial statements. Accordingly, they should be read in conjunction with the Company's audited consolidated financial statements and notes thereto as at and for the year ended December 31, 2008 included in the Company's annual report to shareholders. Information as at June 30, 2009 and for the quarters ended June 30, 2009 and 2008 are unaudited.

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3. Changes in accounting policies

Goodwill and intangible assets

In February 2008, the Canadian Institute of Chartered Accountants (CICA) published new Section 3064, Goodwill and Intangible Assets, to replace Section 3062, Goodwill and Other Intangible Assets. Publication of this new section resulted in the withdrawal of Section 3450, Research and Development Costs, and consequential amendments to certain recommendations in the CICA Handbook.

The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit-oriented enterprises. This new section is effective for fiscal years beginning on or after October 1, 2008 and the Company has implemented it as of January 1, 2009. This change had no significant impact on the financial statements as at June 30, 2009.

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

In January 2009, the CICA issued Section 1582 Business Combinations, Section 1601 Consolidated Financial Statements and Section 1602 Non-Controlling Interests, which supersede 1581 Business Combinations and Section 1600 Consolidated Financial Statements. The standards apply to annual and interim financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1582 establishes standards for the accounting for a business combination. It provides the Canadian GAAP equivalent to IFRS 3, Business Combinations (January 2008) and applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Section 1601, together with Section 1602, establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27, Consolidated and Separate Financial Statements (January 2008). Earlier application of the standards is permitted. If an entity applies the Sections before January 1, 2011, it shall disclose that fact and apply Sections 1582, 1601 and 1602 at the same time. The Company is currently evaluating the impact of adopting the standards as part of its IFRS conversion plan.

International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board (AcSB) announced that, as of January 1, 2011, publicly-accountable enterprises will have to adopt IFRS. Accordingly, the Company will adopt these new standards during its fiscal year beginning on January 1, 2011. The AcSB also stated that, during the transition period, enterprises will be required to provide comparative figures in accordance with the IFRS. The IFRS will require additional financial statement disclosure and, while the Company's conceptual framework is similar to Canadian generally accepted accounting principal, enterprises will have to take account of differences in accounting principles. The Company is currently assessing the impact of these new standards on its consolidated financial statements, however, at this time, it is not possible to reasonably determine the impact of this accounting change on the Company's financial reporting.

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Other new standards have been published, but they should not have a significant impact on the Company's financial statements.

4. Accounts receivable

	June 30 2009	December 31, 2008
Trade	\$ 901	\$ 2,759
Sales taxes receivable	35	80
Tax credits receivable * (note 7)	1,573	1,415
Advance to an officer, without interest	-	12
Other	120	148
	\$ 2,629	\$ 4,414

* The full value of the claims filed for Research and Development tax credits is \$1,750. This amount is discounted by 25% to account for any potential adjustments to the claim by the tax authorities. In addition, a sum of \$260 has been accrued in respect of future filings.

5. Inventories

	June 30 2009	December 31, 2008
Raw materials	\$ 521	\$ 165
Work in progress and finished goods	2,151	2,402
	\$ 2,672	\$ 2,567

6. Investments

	June 30 2009	December 31, 2008
Cash subject to certain limitations	\$ 78	\$ 72
Guaranteed investment certificates, 0.20 % and 0.60 % pledged as security of letters of credit to suppliers expiring in November 2010 and July 2012	302	360
Convertible preferred shares of AM-Pharma Holding B.V.	287	268
Excess of interest in the joint venture Pathogen Removal and Diagnostic Technologies (PRDT) over proportionate share in consolidated net assets	3,100	2,885
	\$ 3,766	\$ 3,585

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7. Bank loan

	June 30, 2009	December 31, 2008
Bank loan for an authorized amount of \$ 915 related to research and development tax credits, secured by a hypothec for that amount on all present and future research and development tax credits bearing interest at prime plus 2 % (4,25% as at June 30, 2009; 5,5% as at December 31, 2008) and repayable upon receipt of tax credits.	\$ 911	\$ 911

8. Accounts payable and accrued liabilities

	June 30, 2009	December 31, 2008
Accounts payables	\$ 4,557	\$ 3,160
Accruals related to a guarantee (note 12)	645	951
Accrued liabilities	2,209	3,001
	\$ 7,411	\$ 7,112

9. Other loans

	June 30, 2009	December 31, 2008
Repayable grant from the IOM government (note a)	\$ 557	\$ -
Promissory note (note b)	223	-
Other loans (note c)	2,043	-
	\$ 2,823	\$ -

Note a) Repayable grant from the IOM government:

ProMetic received a grant of 300,000 pounds sterling from the Government of IOM. As at July 31, 2009, the balance outstanding on this loan was 191,040 pounds sterling. The grant will be repaid in August 2009 in accordance with an arrangement with the IOM government.

Note b) Promissory note:

Promissory note of \$223, bearing interests at an annual rate of 15% and repayable on demand.

Note c) Other loans:

- 1) Loan made to ProMetic for an aggregate amount that could reach \$5,000. The initial loan was made for \$2,000. Each loan, other than the initial loan, shall be for a minimum principal amount of \$500. In consideration of the initial loan, ProMetic has issued to the lender 4,025,000 fully paid common shares and 3,750,000 warrants at an exercise price of \$0.12 per share and exercisable

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for a period of three years. The other amounts will be lent to ProMetic should the share closing price reach certain level on the stock market.

No interests are applicable on the initial loan. The loan, other than the initial loan, bears interests at an annual rate of 15 % and will be reduced at 12 % should the given hypothec be at first rank. Interests on the additional loans will be paid in shares. ProMetic shall repay the principal amount and interests of each loan to the lender on the first anniversary of the disbursement of funds or on such other date mutually agreed upon by the parties. The loan is secured by a hypothec on ProMetic and its subsidiaries' universality of movable property.

For accounting purposes, the loan contains both a liability component and an equity component (the shares and the warrants). To determine the range of amounts for fair value, the Company discounted expected future cash flows in accordance with the loan contracts in effect using rates which the Company could use at the balance sheet date for loans with similar terms and conditions and maturity dates. The fair value of the loan is \$1,417. It has been determined that the fair value of the shares and the warrants are respectively \$411 and \$172.

- 2) Loan made to ProMetic for an aggregate amount that could reach \$1,000. The initial loan was made for \$500. Each loan, other than the initial loan, shall be for a minimum principal amount of \$500. In consideration of the initial loan, ProMetic will issue to the lender 416,666 fully paid common shares and 500,000 warrants at an exercise price of \$0.18 per share and exercisable for a period of three years. As at June 30, 2009, the shares were not issued yet. The other amounts will be lent to ProMetic should the share closing price reach certain level on the stock market.

No interests are applicable on the initial loan. The loan, other than the initial loan, bears interest at an annual rate of 15 %. Interests on the additional loans will be paid in shares. ProMetic shall repay the principal amount and interests of each loan to the lender on the first anniversary of the disbursement of funds or on such other date mutually agreed upon by the parties. The loan is secured by a hypothec on ProMetic and its subsidiaries' universality of movable property.

For accounting purposes, the loan contains both a liability component and an equity component (the warrants). To determine the range of amounts for fair value, the Company discounted expected future cash flows in accordance with the loan contracts in effect using rates which the Company could use at the balance sheet date for loans with similar terms and conditions and maturity dates. The fair value of the loan is \$465. It has also been determined that the fair value of the warrants is \$35.

10. Advance on revenues from an existing supply agreement

Advance on revenues from an existing supply agreement amounting to 500,000 pounds sterling, which is also deemed to be the fair value, and bearing interests at 5% per annum. This advance will be amortized against the revenues received under the supply agreement as products are supplied.

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11. Share capital

	June 30, 2009		December 31, 2008	
	Number	Amount	Number	Amount
Issued and fully paid common shares	324,008,880	\$ 212,185	317,401,768	\$ 211,422
Share purchase loan to an officer, without interest and due no later than December 31, 2009		(450)		(450)
Balance at end of period		\$ 211,735		\$ 210,972

a) Share issue

Changes in the number and amount of the issued common shares were as follows:

	Number	Amount
Balance as at December 31, 2008	317,401,768	\$ 210,972
Shares issued	6,607,112	763
Balance as at June 30, 2009	324,008,880	\$ 211,735

b) Stock options

The Company has a stock option plan for its directors, officers and employees or service providers. In May, 2008, the Board of directors approved that the maximum number of common shares reserved for issuance under the option plan increased from 6,000,000 to 15,913,317. The following table summarizes the changes in the number of stock options outstanding:

	Options	Weighted average exercise price per share
Number of options outstanding as at December 31, 2008	7,956,417	\$ 0.64
2009 Granted	109,250	0.13
Forfeited	(132,350)	0.23
Expired	(100,200)	0.67
Number of options outstanding as at June 30, 2009	7,833,117	\$ 0.64

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

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

	June 30, 2009	December 31, 2008
Risk-free interest rate	0.84 %	3.44%
Dividend yield	0%	0%
Expected volatility of share price	87.08%	78.22%
Expected life	5 years	5 years

The estimated fair value of options granted during the year ended December 31, 2008 is \$0.21. During the period ended June 30, 2009, the fair value was \$0.09

d) Equity draw down facility

On December 7, 2007, the Company entered into a securities purchase agreement in respect of an equity draw down facility. The facility will terminate in December 2009, and it provides the Company with access to financing of up to \$15,000 in return for the issuance of common shares at a discount of 4% to 7% to market price based upon the weighted average price of the common shares.

Under the commitment, these resources may be drawn at Company's sole discretion, with Company determining the timing, minimum dollar amount and price per share of each draw under this facility, subject to certain conditions including a market price greater than \$0.45.

ProMetic is under no obligation to draw from this facility and will remain at all times free to enter into other financing transactions.

No draw down was done during the first six months of 2009 and during the year of 2008.

12. Related party transaction

On December 5, 2008, the Company entered into an agreement to provide a guarantee ("The Guarantee") in favour of Camofi Master LDC ("Camofi"), relating to an amended and restated loan agreement that Camofi had provided to a company wholly owned by a senior officer of the Company. The Loan was originally contracted in December 2007 for the purposes of purchasing shares of the Company.

The Guarantee provides that the Company must be prepared to fulfill the borrower's obligations with respect to the full payment of capital and interest for the Loan if the borrower is unable to do so. Any such payment shall be made within two days of receipt of notice of default from Camofi. Alternatively, the borrower can force Camofi to liquidate some or all of the shares of the Company that are held as collateral to cover the Loan. If called upon under the Guarantee, the Company may chose either to pay in cash or request that the borrower instruct Camofi to liquidate up to 2,300,000 shares of the Company to repay the Loan.

In conjunction with the above, the Company has entered into an agreement with the borrower providing that any payment made by the Company under the Guarantee immediately triggers an equivalent

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receivable from the borrower. This receivable bears interest at 10% per annum, is evidenced by a demand promissory note and, upon termination of the Loan and the pledge agreement, will be secured by 2,300,000 shares of the Company until all payments of principal and interests owed to the Company are made. This receivable will be recorded at fair value by the Company only when its collectability is reasonably assured.

The Company risks losing a maximum amount of \$1,873 plus interest and penalties, without taking into consideration the net proceeds arising from the disposal of the 9,500,000 pledged shares of the Company. The Company has not required any consideration in exchange for this Guarantee. As at December 31, 2008, the Loan had an outstanding balance of \$US 1,374,593 and is repayable in full by December 11, 2009. As at December 31, 2008, the Company had recognized an amount of \$189 as a loss for amounts already disbursed to the borrower and in addition, estimated that there was a likelihood of having to make additional payments under the Guarantee which would amount to \$951. As such, a total amount of \$951 had been accrued as at December 31, 2008, under accounts payable and accrued liabilities.

Since December 31, 2008, the Company has made payments under the Guarantee amounting to \$US 222,200. These payments have been adjusted against the year-end accrual leaving a sum of \$645 in accruals, at June 30, 2009, relating to potential future payments under the Guarantee.

An officer of the Company has provided a personal guarantee of an overdraft facility for \$350 on behalf of the Company.

13. Capital disclosures

The Company's capital consists of cash, bank loan, loans payable, advance on revenues from and existing supply agreement, long-term debt and shareholders' equity.

	June 30, 2009	December 31, 2008
Bank loan	\$ 911	\$ 911
Loans payable	2,823	-
Advance on revenues from an existing supply agreement	959	-
Long-term debt	1,073	3,949
Equity	(4,440)	1,413
Cash	(581)	(917)
	\$ 745	\$ 5,356

The Company's objectives in managing capital is to ensure a sufficient liquidity position to finance its research and development activities, administration and marketing expenses, working capital and overall capital expenditures, including those associated with patents and trademarks. The Company makes every effort to manage its liquidity to minimize dilution to its shareholders, whenever possible.

To meet the objectives in managing capital, the Company may attempt to issue new shares, to draw cash under the equity draw down facility or to seek additional debt financing. The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 2008.

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14. Information included in the consolidated statement of operations and comprehensive income

	Quarter ended		Six months ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Gross research and development expenses	\$ 3,256	\$ 3,588	\$ 7,007	\$ 7,983
Research and development tax credits	(83)	(173)	(158)	(315)
Interest on long term debt	1	580	4	1,223
Interest on bank loan and other interests expenses	706	28	1,143	85
	<u>708</u>	<u>609</u>	<u>1,147</u>	<u>1,309</u>
Interests income on financial assets held for trading	10	(4)	(4)	(10)

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15. Financial Instruments and financial risk management

a) **Financial instruments:** The Company has classified its financial instruments as follows:

	June 30, 2009	December 31, 2008
Financial assets		
Held for trading		
Cash measured at fair value	\$ 581	\$ 917
Cash subject to certain limitation, measured at fair value	<u>78</u>	<u>72</u>
	659	989
Loans and receivables		
Accounts receivable, recorded at amortized cost	1,021	2,919
Excess of the interest in the joint venture of Pathogen Removal and Diagnostic Technologies, measured at amortized cost	<u>3,100</u>	<u>2,885</u>
	4,121	5,804
Held to maturity		
Guaranteed investment certificates, recorded at amortized cost	302	360
Available-for-sale		
Convertible preferred shares of AM-Pharma, recorded at cost	287	268
Financial liabilities		
Other financial liabilities		
Bank loan, accounts payable and accrued liabilities, measured at amortized cost	\$ 8,322	\$ 8,023
Other loans, measured at fair value	2,823	-
Advance on revenues measured at amortized cost	959	-
Long-term debt, measured at amortized cost	1,073	3,949
Preferred shares retractable at the holder's option, measured at amortized cost	<u>4,433</u>	<u>4,348</u>
	17,609	16,320

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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b) Fair value

The carrying value of cash, accounts receivable, guaranteed investment certificate, cash subject to certain limitations, bank loan, accounts payable and accrued liabilities and advance on revenues from an existing supply agreement equal their fair value because of the near-term maturity of these instruments.

The fair value of the investment AM-Pharma Holding B.V. was not readily determinable because it is a private company.

The fair value of the excess of the interest in the joint venture PRDT over proportionate share in consolidated net assets and preferred shares retractable at the holder's option cannot be determined because these are shares of a private joint venture company at the pre-commercial stage and because it is not possible to determine in which period these shares may be redeemed.

c) Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk.

The Company's Board of Directors has the overall responsibility for the oversight of these risks and reviews the Company's policies on an ongoing basis to ensure that these risks are appropriately managed.

i) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer, partner or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash, investments and receivables. The carrying amount of the financial assets represents the maximum credit exposure.

The financial instruments that potentially expose the Company to credit risk are primarily cash, trade accounts receivable and the excess of interest in the joint venture PRDT over proportionate share in consolidated net asset.

The Company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance.

The company places its cash in titles of high quality issued by government agencies and financial institutions and diversifies its investment in order to limit its exposure to credit risk while applying implemented investment guidelines in place.

The reserve for doubtful accounts as at June 30, 2009 totals \$ 602. As at December 31, 2008, it amounted to \$ 620.

The Trade accounts receivable include amounts from three customers which represents approximately 55 % (22%, 20% and 13% respectively) of the Company's total trade accounts receivable as at June 30, 2009 and four customers representing 78 % (31 % 18 %, 15 % and 14 % respectively) of total trade receivable as at December 31, 2008.

The Company derives significant revenues from certain customers. As at June 30, 2009 there were three customers who individually accounted for 49%, 27% and 23% of revenues respectively. As at June 30, 2008, three customers represented 30%, 17% and 15 % respectively.

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ii) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. To the extent that the Company does not believe it has sufficient liquidity to meet its current obligations, the management considers securing additional funds through equity, debt or partnering transactions. The Company manages its liquidity risk by continuously monitoring forecasts and actual cash flows.

The cash flows payable in respect to the contractual terms of the financial liabilities at the balance sheet date are as follows:

	As at June 30, 2009				
	Less than 3 months	3 - 6 months	6 months to 1 year	More than 1 year	Total
Bank loan	\$911	-	-	-	\$911
Accounts payable and accrued liabilities	7,411	-	-	-	7,411
Other loans	780	-	2,043	-	2,823
Advance on revenues from an existing supply agreement	370	-	184	405	959
Long-term debt	1,080	6	12	29	1,127
Preferred shares, retractable at the holder's option	4,433	-	-	-	4,433
	\$14,985	\$6	\$2,239	\$434	\$17,663

This table only covers liabilities and obligations, and does not anticipate any of the income associated with assets or rights.

iii) Market risk:

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Company's income or the value of its financial instruments.

a) Interest risk

The majority of the Company's debt is at fixed rate, there is limited exposure to interest rate risk.

b) Foreign exchange risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in the United Kingdom and in the United States and portion of expenses incurred and revenues generated are in US dollar and in sterling pound. Financial instruments potentially exposing the Company to foreign exchange risk consist principally of cash, receivables, accounts payable and accrued liabilities and long-term

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debt. The Company manages the foreign exchange risk by holding foreign currencies on hand to support foreign currencies forecasted cash outflows and the majority of the Company's revenues are in US dollar and in sterling pound which mitigates the foreign exchange risk.

As at June 30, 2009, the Company is exposed to currency risk through the following assets and liabilities denominated respectively in US dollar and sterling pound.

In US dollar	June 30, 2009	December 31, 2008
Cash	571,274	418,952
Accounts receivable	232,469	2,083,503
Accounts payable and accrued liabilities	(2,559,823)	(2,785,866)
Long term debt	(902,115)	(3,199,789)
Net exposure	(2,658,195)	(3,483,200)

In sterling pound	June 30, 2009	December 31, 2008
Cash	35,602	199,661
Accounts receivable	411,567	68,142
Accounts payable and accrued liabilities	(1,010,336)	(636,156)
Loan and advance on revenues from an existing supply agreement	(792,546)	-
Net exposure	(1,355,713)	(368,353)

Based on the above net exposures as at June 30, 2009, and assuming that all other variables remain constant, a 10 % depreciation or appreciation of the Canadian dollar against the US dollar would result in a decrease or an increase of the net loss of US\$265,820.

A 10 % depreciation or appreciation of the sterling pound would result in a decrease or an increase of the net loss of 135,571 sterling pounds.

The Company has not hedged its exposure to currency fluctuations.

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16. Additional information on the consolidated statement of cash flow

	Quarter ended		Six months ended	
	June 30,		June 30,	
	2009	2008	2009	2008
a) Change in working capital items				
Accounts receivable	\$ 1,626	\$ (65)	\$ 1,786	\$ 232
Inventories	(20)	(297)	(185)	(479)
Prepaid expenses	3	293	58	301
Accounts payable and accrued liabilities	114	(876)	328	632
Payable related to a lawsuit	-	(957)	-	(1,065)
Deferred revenues	1,340	190	1,410	(236)
	\$ 3,063	\$ (1,712)	\$ 3,396	\$ (615)

	Quarter ended		Six months ended	
	June 30,		June 30,	
	2009	2008	2009	2008
b) Non-cash transaction				
Unpaid additions to capital assets and licenses and patents	\$ (17)	\$ 345	\$ 193	\$ 868
Excess of the interest in the joint venture PRDT over the proportionate share in the consolidated net assets	(142)	98	215	436
Preferred shares retractable at the holder's option	(258)	86	85	485
Unpaid share issue expenses	(15)	78	111	201

17. Segmented information:

The financial information is presented in two different operating segments.

The two operating segments are: Therapeutics and Protein Technologies

Therapeutics: This operating segment has two lead compounds, PBI-1402 and PBI-1393, in progressing clinical trials, both of which address unmet needs of cancer patients undergoing chemotherapy.

Protein Technologies: This operating segment contains the financial information of these activities:

BioTherapeutics: It is the developer of a unique, validated, state-of-the-art solution for plasma fractionation, the Plasma Protein Purification System (PPPS).

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Bioseparation : It develops and markets bioseparation products based on applications of its patented Mimetic Ligand™ technology.

Animal Care: The long term goal is to use the validated PRDT technology for prion reduction in the search for a diagnostic that would certify live cattle as BSE-tested.

a) Revenues and expenses by operating segments

Six months ended June 30, 2009

	Therapeutics	Protein Technology	Corporate	Total
Revenues	34	6,150	-	6,184
Costs of good sold	-	1,539	-	1,539
Research and development expenses rechargeable	-	1,689	-	1,689
Research and development expenses	1,300	3,860	-	5,160
Administration and marketing expenses	-	340	2,153	2,493
Amortization of capital assets	74	332	19	425
Amortization of licenses and patents	68	134	-	202
Interest expenses	35	56	1,056	1,147
Interest revenues	-	(4)	-	(4)
Gain on exchange rate	-	-	663	663
Net loss	1,443	1,795	3,891	7,131

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarter periods ended June 30, 2009 and 2008

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

(Unaudited)

Quarter ended June 30, 2009

	Therapeutics	Protein Technology	Corporate	Total
Revenues	18	2,319	-	2,338
Costs of good sold	-	1,118	-	1,118
Research and development expenses rechargeable	-	420	-	420
Research and development expenses	351	2,402	-	2,753
Administration and marketing expenses	-	186	1,005	1,191
Amortization of capital assets	37	166	10	213
Amortization of licenses and patents	39	67	-	106
Interest expenses	15	36	656	707
Interest revenues	1	(2)	12	11
Gain on exchange rate	-	-	913	913
Net loss	425	2,074	2,596	5,096

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarter periods ended June 30, 2009 and 2008

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

(Unaudited)

Six months ended June 30, 2008

	Therapeutics	Protein Technology	Corporate	Total
Revenues	15	2,826	-	2,841
Costs of good sold	-	1,041	-	1,041
Research and development expenses rechargeable	-	776	-	776
Research and development expenses	2,540	4,352	-	6,892
Administration and marketing expenses	-	164	2,681	2,845
Amortization of capital assets	91	412	30	533
Amortization of licenses and patents	70	146	-	216
Interest expenses including penalties related to lawsuit	44	11	1,810	1,865
Interest revenues	(3)	(7)	-	(10)
Loss on exchange rate	-	-	403	403
Other revenues	(356)	-	-	(356)
Net loss	2,371	4,069	4,924	11,364

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Quarter periods ended June 30, 2009 and 2008
(In thousands of Canadian dollars except for number of shares)
(Unaudited)

Quarter ended June 30, 2008

	Therapeutics	Protein Technology	Corporate	Total
Revenues	7	1,076	-	1,083
Costs of good sold	-	495	-	495
Research and development expenses rechargeable	-	195	-	195
Research and development expenses	1,253	1,967	-	3,220
Administration and marketing expenses	-	99	1,527	1,626
Amortization of capital assets	44	203	14	261
Amortization of licenses and patents	36	74	-	110
Interest expenses including penalties related to lawsuit	22	8	768	798
Interest revenues	(1)	(3)	-	(4)
Gain on exchange rate	-	-	(37)	(37)
Net loss	1,347	1,962	2,272	5,581

b) Revenues by geographic segment ⁽¹⁾

	Quarter ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
United States	\$ 1,017	\$ 497	\$ 4,534	\$ 923
Austria	736	574	813	925
United Kingdom	370	16	399	66
Australia	69	-	149	-
Italy	(3)	(53)	105	538
Switzerland	61	-	61	-
Denmark	35	-	35	32
Canada	18	13	34	62
India	28	-	28	-
Germany	5	12	5	52
France	-	-	-	-
Brazil	-	9	-	224
Other	2	15	20	19
	\$ 2,337	\$ 1,083	\$ 6,184	\$ 2,841

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Quarter periods ended June 30, 2009 and 2008
(In thousands of Canadian dollars except for number of shares)
(Unaudited)

c) Assets by operating segments

	June 30, 2009	December 31, 2008
Therapeutics	\$ 4,252	\$ 4,268
Protein Technologies	7,979	11,043
Corporate	3,768	3,841
	\$ 15,999	\$ 19,152

d) Assets by geographic segment

	June 30, 2009	December 31, 2008
Canada	\$ 9,066	\$ 9,453
United States	1,385	1,567
United Kingdom	5,548	8,132
	\$ 15,999	\$ 19,152

e) Capital assets and licenses and patents by operating segments

	June 30, 2009	December 31, 2008
Therapeutics	\$ 2,402	\$ 2,469
Protein Technologies	3,640	4,814
Corporate	128	147
	\$ 6,170	\$ 7,430

f) Capital assets and licenses and patents by geographic segment

	June 30, 2009	December 31, 2008
Canada	\$ 2,701	\$ 2,807
United States	1,091	1,140
United Kingdom	2,378	3,483
	\$ 6,170	\$ 7,430

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarter periods ended June 30, 2009 and 2008

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

(Unaudited)

g) Acquisition of capital assets and licenses and patents by operating segments

	June 30, 2009	December 31, 2008
Therapeutics	\$ 67	\$ 347
Protein Technologies (note 1)	(884)	266
Corporate	-	22
	\$ (817)	\$ 635

Note 1: Included in Protein Technologies is a sum of \$941 resulting from the adjustment related to Foreign Exchange method described in note 2

h) Acquisition of capital assets and licenses and patents by geographic segment

	June 30, 2009	December 31, 2008
Canada	\$ 67	\$ 369
United States	-	20
United Kingdom (note 1)	(884)	246
	\$ (817)	\$ 635

Note 1: Included in Protein Technologies is a sum of \$941 resulting from the adjustment related to Foreign Exchange method described in note 2