



PROMETIC

Q3

QUARTERLY REPORT

FOR THE PERIOD ENDING

SEPTEMBER 30, 2010



PROMETIC LIFE SCIENCES INC.

A. ProMetic Press Release – November 15, 2010

B. Quarterly Report

Three-month period ended September 30, 2010

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 Loss**
4. **Consolidated Statements of Contributed Surplus**
5. **Consolidated Statements of Accumulated Other Comprehensive Loss**
6. **Consolidated Statements of Deficit**
7. **Consolidated Statements of Cash Flows**
8. **Notes to Consolidated Financial Statements**



**PRESS RELEASE
FOR IMMEDIATE RELEASE**

PROMETIC REPORTS ITS THIRD QUARTER 2010 FINANCIAL RESULTS

- **Allist Pharmaceuticals injects \$10 Million in the immediate development of PBI-1402 and PBI-4419 and fully funds the clinical and regulatory development of both drugs for the Chinese market**
- **Stage set for transformational strategic agreements to positively impact the Company**
- **In spite of lower than expected revenue, adjusted net loss demonstrates improvement in business units' performance in 2010 YTD vs. 2009 YTD**

MONTREAL, QUEBEC, CANADA – November 15, 2010 – ProMetic Life Sciences Inc. (TSX:PLI) (“ProMetic”) today reports its financial results for the third quarter of 2010. All amounts are in Canadian Dollars unless otherwise indicated.

The following information should be read in conjunction with the financial statements for the third quarter ending September 30, 2010, as well as the Management's Discussion and Analysis for the same period.

“During the third quarter, Management was involved in a significant amount of Corporate and business development activities, setting the stage for a pipeline of transformational strategic agreements to impact positively the Company” stated Mr. Pierre Laurin, ProMetic's President and Chief Executive Officer. Mr. Laurin continued: “This includes the first deal involving PBI-4419, one of the recently discovered follow-on analogues of PBI-1402. ProMetic's development program has created potent new drugs targeting significant opportunities for unmet medical needs in the fibrosis market.”

Specifically, through this agreement Allist is to fund and accelerate the development programs for PBI-1402 and PBI-4419, in return for exclusive commercial rights for the Chinese market. ProMetic retains rights to the data for other markets, representing savings of over US \$10M in future development costs. In relation to the clinical programs, PBI-1402 clinical development will be further advanced for chemotherapy-induced anemia and cancer related anemia indications and PBI-4419 will be developed for fibrotic disease indications. The agreement includes US\$ 59 M in milestone payments to ProMetic as well as royalties on sales in China.

Mr. Bruce Pritchard, the Company's Chief Financial Officer commented: “The third quarter of 2010 was a busy one for the business, with much effort going into the business development activities on all fronts. The results for the Year-to-date, when compared to the adjusted results for Year-to-date 2009 which remove the extraordinary gains, show a significant improvement in the business' performance. However, regulatory delays for Octapharma, one of our key customers, have meant that they have delayed their originally anticipated orders for the second half of this year into 2011. This will impact ProMetic's revenue forecast for the second half.” Mr. Pritchard stated: “In light of this, efforts continue with cost control so that the cash runway can be stretched.”

Mr. Laurin went on to add: “All other business units of ProMetic are engaged in a number of discussions regarding potential strategic agreements that we expect will confirm value and provide cash to the group.”

Third Quarter 2010

The third quarter of 2010 was characterized by lower than expected revenues associated with the bioseparations business. Revenues from one of ProMetic’s key customers, Octapharma AG (“Octapharma”), were delayed as a result of certain issues on their side, with these issues impacting ProMetic’s revenue for the third & fourth quarters of 2010 compared to forecast.

Adjusting the 2009 Year-to-date results to remove the impact of the extra-ordinary gains relating to foreign exchange and the acquisition of the majority share in PRDT demonstrates more clearly the improvement in business performance for the Year-to-date 2010, as summarized in the table below.

	2010	2009	Improvement
YTD Revenue	10,317	9,300	11%
YTD Net Loss “Adjusted”	4,847	7,740	60%
Net Loss %	47%	83%	

* in thousands of dollars

Octapharma has informed ProMetic that it is close to finalizing the approval process for its OctaplasLG® product in additional EU countries. OctaplasLG® is Octapharma’s prion-depleted, solvent/detergent treated and pharmaceutically licensed plasma. The product is already approved for use in Germany and Switzerland, as well as in Australia. The UK’s regulator (Medicines and Healthcare products Regulatory Agency “MHRA”), which is acting as rapporteur under the mutual recognition process for the approval in other EU member states, will resume their approval process in November 2010 after an additional requested study has been successfully completed by the Octapharma researchers and submitted.

This delay has a number of impacts for ProMetic, stemming from Octapharma not yet ordering its originally estimated volumes of prion reduction resin in the latter part of this financial year. In particular, this will impact second half revenues by around GBP 2.6 Million (approximately CAD \$4 Million). In addition to the reduction in revenues, the expected offset of the advance from Octapharma, which sits on the balance sheet of ProMetic, will be diminished. This advance is repayable against ongoing resin orders. As a result, the overall balance will remain higher than anticipated, however, due to profile of sales, the majority of the balance will appear as a long-term rather than a short-term creditor.

Octapharma remains positive regarding the ultimate regulatory approval of its OctaplasLG® product by the MHRA and its ultimate approval in additional key EU countries, we therefore expect orders for resin to recommence in 2011. Furthermore, Octapharma also announced

recently that it is seeking regulatory approval for a prion-depleted version of its UniplasLG® product, which will also rely on ProMetic's prion reduction technology.

Offsetting this, continued development of plasma-derived therapeutics products for customers, such as Abraxis BioScience, delivered revenues to the top-line. As a result of all this, revenues for the quarter amounted to \$2.1 Million compared to \$3.1 Million for the same period in 2009.

Operating costs for the quarter were up to \$4.5 Million from \$3.5 Million in the same quarter of the previous year. This increase was attributable to exchange rate movements. In general, all other operating costs were in line with those incurred in the third quarter of 2009.

The debt on the balance sheet consists of loans from long-term shareholders and strategic business partners. Discussions are already advancing with these lenders to reschedule the repayment of these loans, to assist further with minimizing the cash requirements for 2011.

Revision to Financial Guidance and impact on cash runway

At the Annual General Meeting in May 2010, guidance was provided indicating EBITDA and Net Loss of approximately \$(3) Million and \$(6) Million respectively, which was used as a benchmark for cash requirement.

In light of the confirmation from Octapharma, regarding the delay to their predicted resin orders for the latter part of 2010, the Company is revising its financial guidance for 2010. As outlined, the impact of the delay to the Octapharma order is approximately \$4 Million to the top line. As a result, revenue guidance is being reduced. This will have an impact on both EBITDA and Net loss which are now expected to be approximately \$(6) Million and \$(8) Million respectively.

This reduction in forecast revenue is outside the control of ProMetic, and has been confirmed by Octapharma as a delay and not a cancellation in the order. With this in mind, the Company is confident that these revenues will occur in 2011.

Throughout the year, Management has emphasized in the MD&A the importance of its actions to modulate costs, enabling it as far as possible to maintain its EBITDA guidance, and as a result has been able to lessen the impact of this revenue reduction on its cash runway.

Nevertheless, the increase in the net loss attributable to 2010 has had an inevitable impact on the cash reserves. At this stage, the Company is still confident that it can manage its cash runway into the first quarter of 2011, and is actively working on business development activities and additional non-dilutive financing projects.

ProMetic's MD&A and 2010 Third Quarter Financial Statements have been filed on Sedar (www.sedar.com) and are available on the Company's web site at www.prometic.com.

Conference call / webcast details

The Company will be holding a conference call / webcast on Tuesday, November 16, 2010, at 10:00 (EST).

The numbers to access the conference call are (416) 620-5690 (international) and 1 (888) 633-8497 (North America toll free). A live audio webcast of the conference call will be available through ProMetic's website at <http://www.prometic.com/en/news-events/events.php>.

An audio replay of the call will be available for a period of seven days as of Tuesday, November 16, 2010, at 13:00 (EST). The numbers to access the audio replay are (416) 626-4100 (international) and 1 (800) 558-5253 (North America toll free) using access code 21484723. The replay of the web cast may be downloaded directly from ProMetic's web site.

About ProMetic Life Sciences Inc.

ProMetic Life Sciences Inc. ("ProMetic") (www.prometic.com) is a biopharmaceutical company specialized in the research, development, manufacture and marketing of a variety of commercial applications derived from its proprietary Mimetic Ligand™ technology. This technology is used in large-scale purification of biologics and the elimination of pathogens. ProMetic is also active in therapeutic drug development with the mission to bring to market effective, innovative, lower cost, less toxic products for the treatment of hematology and cancer. Its drug discovery platform is focused on replacing complex, expensive proteins with synthetic "drug-like" protein mimetics. Headquartered in Montréal (Canada), ProMetic has R&D facilities in the U.K., the U.S. and Canada, manufacturing facilities in the U.K. and business development activities in the US, Europe, Asia and in the Middle-East.

Forward Looking Statements

This press release contains forward-looking statements about ProMetic's objectives, strategies and businesses that involve risks and uncertainties. These statements are "forward-looking" because they are based on our current expectations about the markets we operate in and on various estimates and assumptions. Actual events or results may differ materially from those anticipated in these forward-looking statements if known or unknown risks affect our business, or if our estimates or assumptions turn out to be inaccurate. Such risks and assumptions include, but are not limited to, ProMetic's ability to develop, manufacture, and successfully commercialize value-added pharmaceutical products, the availability of funds and resources to pursue R&D projects, the successful and timely completion of clinical studies, the ability of ProMetic to take advantage of business opportunities in the pharmaceutical industry, uncertainties related to the regulatory process and general changes in economic conditions. You will find a more detailed assessment of the risks that could cause actual events or results to materially differ from our current expectations on page 24 of ProMetic's Annual Information Form for the year ended December 31, 2009, under the heading "Risk and Uncertainties related to ProMetic's business". As a result, we cannot guarantee that any forward-looking statement will materialize. We assume no obligation to update any forward-looking statement even if new information becomes available, as a result of future events or for any other reason, unless required by applicable securities laws and regulations. All amounts are in Canadian dollars unless indicated otherwise.

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MD&A

The Management's Discussion and Analysis of Operating Results and Financial Position, prepared November 15, 2010, 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 third quarter of 2010 compared to the operating results for the third quarter of 2009.

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 2009 consolidated financial statements and the accompanying notes included in the 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 September 30, 2010 and for the periods ended September 30, 2010 and 2009 is unaudited. The Company's independent auditors, Ernst & Young LLP, have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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).

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, 2009. 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.

Third Quarter 2010 in Summary:

During the third quarter, ProMetic's Management was involved in a significant amount of business development activity relating to the Therapeutics business. This activity resulted in the first deal involving PBI-1402 being announced just after quarter-end. This transaction saw ProMetic enter into a strategic agreement with Allist Pharmaceuticals, Inc. ("Allist") of China to develop and commercialize ProMetic's drug candidates PBI-1402 and PBI-4419 in China. Specifically, the deal requires Allist to fund and accelerate the development programs for PBI-1402 and PBI-4419, in return for exclusive commercial rights for the Chinese market. ProMetic retains rights to data for other markets, representing savings of over US \$10 Million in future development costs. In relation to the clinical programs, PBI-1402 clinical development will be further advanced for chemotherapy-induced anemia and cancer related anemia indications and PBI-4419 will be developed for fibrotic disease indications. The agreement includes US\$ 59 Million in milestone payments to ProMetic as well as royalties on sales in China.

This deal is important for ProMetic for a number of reasons:

- It validates earlier claims about the efficacy of the technology and its commercial impact;
- It demonstrates competition in the market for the technology to other parties involved in diligence, providing an impetus for further transactions; and
- It provides non-dilutive funding which will drive the technology to the next value inflection point.

The third quarter of 2010 was also characterized by lower than expected revenues associated with the bioseparations business. Revenues from one of ProMetic's key customers, Octapharma AG ("Octapharma"), were delayed as a result of certain issues on their side, with these issues impacting ProMetic's revenue for the third & fourth quarters of 2010 compared to forecast. However, as described below in the Revision to Financial Guidance Section, Management has reacted swiftly to further modulate costs with a view to minimizing impact on EBITDA as far as possible.

Octapharma has informed ProMetic that it is close to finalizing the approval process for its OctaplasLG® product in additional EU countries. OctaplasLG® is Octapharma's prion-depleted, solvent/detergent treated and pharmaceutically licensed plasma. The product is already approved for use in Germany and Switzerland, as well as in Australia. The UK's regulator (Medicines and Healthcare products Regulatory Agency "MHRA"), which is acting as rapporteur under the mutual recognition process for the approval in other EU member states, will resume their approval process in

October/November 2010 after an additional requested study has been successfully completed by the Octapharma researchers and submitted.

This delay has a number of impacts for ProMetic, stemming from Octapharma not yet ordering its originally estimated volumes of prion reduction resin in the latter part of this financial year. In particular, this will impact second half revenues by around GBP 2.6 million (approximately CAD \$4 million). In addition to the reduction in revenues, the expected offset of the advance from Octapharma, which sits on the balance sheet of ProMetic, will be diminished. This advance is repayable against ongoing resin orders. As a result, the overall balance will remain higher than anticipated, however, due to profile of sales, the majority of the balance will appear as a long-term rather than a short-term creditor.

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Offsetting this, continued development of plasma-derived therapeutics products for customers, such as Abraxis BioScience, delivered revenues to the top-line. As a result of all this, revenues for the quarter amounted to \$2.1 million compared to \$3.1 million for the same period in 2009.

Operating costs for the quarter were up to \$4.5 million from \$3.5 million in the same quarter of the previous year. This increase was attributable to exchange rate movements. In general, all other operating costs were in line with those incurred in the third quarter of 2009.

The debt on the balance sheet consists of loans from long-term shareholders and strategic business partners.

The P-Capt® filter, although still not formally adopted by the UK government, increased its profile within the parliament, courtesy of MacoPharma SA and ProMetic. Both companies have ensured that newly appointed Ministers in the United Kingdom and other government officials have all relevant information in order that they can make informed decisions. The P-Capt® prion filter, commercially available since 2006, is the only proven approach to reducing the risk of vCJD transmission from red blood cell concentrate.

Analyzing the business segment performance for the quarter highlights the consistent year-on-year loss associated with the Therapeutics division, relating to strategic R&D spend to assist with business development discussions. Protein Technologies suffered from reduced gross profit contribution due to lack of lower year-on-year revenues. Furthermore, in the third quarter of 2009, Protein Technologies benefited from an extra-ordinary gain of \$1.3 million from the acquisition of PRDT from the American Red Cross, which was not repeated in the third quarter of 2010. In addition, Corporate losses increased due to lower exchange rate gains in the third quarter of 2010 being \$1 million lower than in the same quarter of 2009.

Profit (Loss)*	Q3 2010	Q3 2009	Change %
Therapeutics	(500)	(485)	3.1%
Protein Technologies	(1,265)	781	(262.0)%
Corporate	(1,120)	(134)	735.8%
Total Loss	(2,885)	163	(1,869.9)%

* in thousands of dollars

Adjusting the 2009 Year-to-date results to remove the impact of the extra-ordinary gains relating to foreign exchange and the acquisition of the majority share in PRDT demonstrates more clearly the improvement in business performance for the Year-to-date 2010, as summarized in the table below.

	2010	2009	Improvement
YTD Revenue	10,317	9,300	11%
YTD Net Loss "Adjusted"	4,847	7,740	60%
Net Loss %	47%	83%	

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Revision to Financial Guidance and impact on cash runway

At the Annual General Meeting in May 2010, guidance was provided indicating EBITDA and Net Loss of approximately \$(3) million and \$(6) million respectively, which was used as a benchmark for cash requirement.

In light of the confirmation from Octapharma, regarding the delay to their predicted resin orders for the latter part of 2010, the Company is revising its financial guidance for 2010. As outlined, the impact of the delay to the Octapharma order is approximately \$4 million to the top line. As a result, revenue guidance is being reduced. This will have an impact on both EBITDA and Net loss which are now expected to be approximately \$(6) million and \$(8) million respectively.

This reduction in forecast revenue is outside the control of ProMetic, and has been confirmed by Octapharma as a delay and not a cancellation in the order. With this in mind, the Company is confident that these revenues will occur in 2011.

Throughout the year, Management has emphasized in the MD&A the importance of its actions to modulate costs, enabling it as far as possible to maintain its EBITDA guidance, and as a result has been able to lessen the impact of this revenue reduction on its cash runway.

Nevertheless, the increase in the net loss attributable to 2010 has had an inevitable impact on the cash reserves. At this stage, the Company is still confident that it can manage its cash runway into the first quarter of 2011, and is actively working on business development activities and additional non-dilutive financing projects.

Core Business and Strategy

Core Business

ProMetic Life Sciences Inc. 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.

Business Segments

The **Protein Technologies** business segment comprises four operating subsidiaries:

- ProMetic BioSciences Ltd ("PBL"), based in the UK (Isle of Man and Cambridge);

- ProMetic BioTherapeutics Inc (“PBT”), based in Rockville, MD, USA;
- Pathogen Removal and Diagnostic Technologies Inc. (“PRDT”), a company registered in Delaware, USA, operated under the control of PBL; and
- ProMetic Manufacturing Inc. (“PMI”), based in Joliette, Quebec, Canada.

PBL develops ProMetic’s core bioseparations technologies and products. Its proprietary affinity adsorbents and Mimetic Ligand™ purification platform are used by numerous medical and biopharmaceutical companies worldwide. PBL’s technologies enable the capture of target proteins directly from source material, and provide highly efficient and cost-effective separation from other proteins and impurities delivering high yields of purified product. As a result, manufacturing clients using ProMetic’s bioseparations technologies experience significant reductions in their cost of goods. PBL’s technology has also been incorporated into various medical device products which specifically capture and remove target molecules from biological fluids.

PBT develops manufacturing processes, based on PBL’s affinity technology, to provide for highly efficient extraction and purification of therapeutic proteins from human plasma. ProMetic’s PPPS™ multi-product sequential purification process, originally developed in collaboration with the American Red Cross (“ARC”), employs powerful affinity separation materials in a multi-step process to extract and purify commercially important plasma proteins in high yields.

PRDT develops the prion capture technology platform that originated from ProMetic’s collaboration with ARC. PRDT’s technology forms the basis of the revolutionary P-Capt® filter, a prion reduction device developed with ProMetic’s commercialization partner MacoPharma to increase the safety of red cell concentrate. P-Capt® has received CE mark approval in Europe, and provides national blood agencies with the means of significantly reducing the risk of vCJD transmission through blood transfusion. This is particularly relevant since there is no commercially available diagnostic test for detection of the blood-borne form of the vCJD agent responsible for this fatal brain disease. Additionally, PRDT technology has been incorporated by Octapharma AG (“Octapharma”) into its manufacturing process for OctaplasLG® to further improve the prion safety margin for this plasma product. OctaplasLG® has obtained regulatory approval in Germany. PRDT’s platform technology has demonstrated its potential for additional uses in the purification of blood derived products. Upwards of forty million units of blood are collected in the world annually, affording ProMetic and its partners’ enormous market opportunities.

PMI manufactures the raw agarose beads (Purabead™) that serves as a platform for a large number of PBL’s affinity adsorbents.

The Second business segment is **Therapeutics** which comprises of one operating subsidiary:

- ProMetic BioSciences Inc (“PBI”), based in Laval, Quebec, Canada

PBI is a small-molecule drug discovery business, with a strong pipeline of products. PBI scientists are focused in developing orally active drugs that can emulate the activity of proven biologics, and provide competitive advantages including improved pharmaco-economics and safety profile. The lead candidate, PBI-1402 has demonstrated positive clinical data in patients with anemia induced by chemotherapy. New drug candidates and analogues to PBI-1402 have also demonstrated the following key benefits:

- PBI-1402 and analogues are orally active, whereas most other drugs treating anemia are injectables.
- PBI-1402 and analogues are affordable low molecular weight synthetic candidate drugs, relative to costly recombinant proteins, such as ESAs.
- PBI-1402 and analogues have a distinct mechanism of action from EPO, as it does not bind to the same cell surface receptor as EPO. It therefore provides great

promise of serving as a stand-alone therapeutic in the treatment of patients with anemia.

- PBI-1402 demonstrates anticancer activity in multiple pre-clinical models, which could make it a drug of choice for the treatment of anemia in cancer patients (Cancer Related Anemia (“CRA”), Chemotherapy Induced Anemia (“CIA”)).
- PBI-1402 and analogues demonstrate anti-fibrotic activity which supports the potential use for nephroprotection in patients with chronic kidney disease and patients undergoing different drug therapies typically toxic to the kidney and other vital organs.

The initial indication targeted by PBI-1402 is anemia in cancer patients undergoing chemotherapy. Upwards of two thirds of cancer patients treated with chemotherapy develop anemia. This represents an estimated 1 million patients annually in the USA alone.

Since the publication of the FDA briefing document, the Oncology Drugs Advisory Committee in March 13 2008, treatment of choice for these patients has been RBC transfusion and represents an unmet medical need.

The encouraging positive results from the CIA clinical trial and the anticancer effects reported in animal models suggest that PBI-1402 is well suited for the treatment of anemia in oncology, resulting in the PBI-1402 clinical platform being extended to patients suffering from cancer-related anemia.

Moreover, approximately twenty million patients in the U.S. alone are diagnosed with chronic kidney diseases (“CKD”). Patients diagnosed at severe CKD stages (3 and 4) often develop anemia before they require hemodialysis. CKD patients still at the pre-dialysis stage could greatly benefit from an orally administered drug as a treatment for their anemia. Other experiments in animal models simulating chronic renal failure in humans or acute renal toxicity induced by toxic drugs such as some antibiotics and chemotherapeutic agents have demonstrated the ability of PBI-1402 and new analogues to correct anemia. What drew the most interest from the presentations at the American Society of Nephrology annual meeting last Fall, was evidence that PBI-1402 reduced significantly the fibrosis in the kidney, the underlying cause that ultimately lead to the loss in the kidney function.

These results indicate additional potential for PBI-1402 and new analogues that are not related to anemia and offer alternative potential avenues for a regulatory pathway.

PBI has several other compounds with *in vivo* proof of concept validation in its library at differing stages of development. These represent a complete, well defined platform with the ability to produce high-value drugs. This will allow ProMetic to address unmet medical needs and extremely complex medical conditions associated with certain diseases, for which the market potential is immense. At the present time, no significant research and development activity is being undertaken on these other compounds.

Business Strategy

ProMetic’s strategy in relation to its **Protein Technologies** business segment 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.

PBL’s bioseparations business is being expanded into a profitable, cash-generative business through the securing of long-term supply agreements with major pharmaceutical and biotech companies. The profits and therefore excess cash generated by this business unit will be used in the short-term to partly finance the losses of ProMetic’s other business segments.

The strategy in relation to **PBT** is to establish key relationships with biopharmaceutical companies to co-develop plasma derived therapeutics relying on PBT's proven high yield manufacturing process. Typically through these partnerships, the therapeutics developed are chosen to address totally unmet medical needs or target very large and established markets but with a significant safety and cost leadership advantage.

PRDT's unique prion reduction technology has already been commercialized through a long-term supply agreement with Octapharma, who have incorporated the technology into the manufacturing process of their OctaplasLG® and UniplasLG® products. The strategy is to expand the commercialization of the PRDT technology into use in RBC concentrate by the sale of the P-Capt® prion filter. Thereafter, the Company will focus on applying PRDT technology to other commercial applications.

On September 23, 2009, the Company acquired ARC's 51% interest in the common stock of PRDT bringing its current ownership at 77% of the common shares. In return, the Company paid a cash amount of \$US 5,100 and will pay tapering royalties based on the revenues generated by PRDT from specified technologies over the remaining lives of the patents. PRDT is included in the Protein Technologies business segment.

The following Strengths, Weaknesses, Opportunities, and Threats analysis is a helpful summary indicating how management focuses its decisions in relation to the business strategy for the Protein Technologies business segment.

Strengths	<ul style="list-style-type: none"> • Recurring revenues from external licensing and partnering of technologies • Strong product pipeline • Innovative technologies • Validated products • Some products target niche markets • Turn-key services • Technologies integrated for long-term of client products • Solid management team • Established sales force 	Weaknesses	<ul style="list-style-type: none"> • Some products target niche markets • Ability to recognize revenues from complex contracts with multiple deliverables
Opportunities	<ul style="list-style-type: none"> • Development of innovative products for new applications • Ability to scale according to client needs • Vast partnering opportunities 	Threats	<ul style="list-style-type: none"> • Ability to stay competitive in rapidly changing environment • Client products have to undergo regulatory process • Subject to client timeline • Fluctuating exchange rates • Government processes

ProMetic's strategy in relation to the **Therapeutics** business segment has been to develop orally active compounds leading to more convenient and cost-effective treatment regimes in already developed markets or targeting unmet medical needs. 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.

The business model for this division is to partner promising drug candidates upon completion of *in vivo* proof of concept studies. While the Therapeutics Unit has several of such promising drug candidates, Management has acted to cut the burn-rate of this division such that only costs associated with the regulatory and partnering activities for PBI-1402 and its analogues are incurred.

These cost-saving measures are clearly reflected in the financial statements accompanying this Discussion and Analysis.

Financing Strategy

Across the business, Management monitors closely the company's financial performance, both actual and forecasted, to ensure that appropriate measures are taken to limit cash burn.

In late 2008, the Company declared that it would seek to finance the business during 2009 using non-dilutive financing, recognizing that shareholders had experienced dilution in the past.

Throughout 2009, the Company was successful in securing patient debt, principally from existing shareholders whose interests are aligned with those of the business. In addition, funds were advanced by Octapharma, a customer with whom ProMetic has long-term supply arrangements, with repayments being made against future sales of product to that customer. Furthermore, working capital grants were secured from the Isle of Man DTI to assist with the growth of PBL's business.

Certain of these arrangements have required the up-front payment of interest in the form of shares. Therefore, the funding is partially dilutive, but the level of dilution has been minimal in comparison to the dilution level that would have been incurred if a straight equity investment or other more commonly available instruments had been used to finance the Company.

Clearly, the debt raised by the Company has had an impact on the balance sheet, increasing liabilities compared with increasing shareholder equity if the finance had been raised through the sale of common stock. However, the structure of the Abraxis investment allows for repayment to be made in equity.

Key performance drivers

The company has identified the following list of key performance drivers for each of the business units. It is the intention of the company to provide status updates and to review the relevance of each performance driver on a quarterly basis in subsequent issues of the MD&A.

PBL

- Maintain a profitable bioseparations business
- Generate positive cash-flow from operations
- Expand affinity adsorbent sales
- Establish long-term supply agreements
- Develop new strategic alliances

EVENTS 2010 onwards

- PBL has increased its contribution to the costs of the wider group year-on-year since 2007.
- PBL generated net cash inflows during 2009. These have already increased in 2010.
- New contracts signed and expansion on existing contracts – Halozyme, large European biopharmaceutical.
- Overall sales in PBL exceeded GBP 5M in 2009 and have already reached GBP 5.2M in the first three quarters of 2010.
- Agreement signed with Octapharma and Halozyme and a major pharmaceutical company during 2009.
- Octapharma launches second product, UniplasLG®, that incorporates ProMetic's prion-capture technology.
- Strategic alliance with Novozymes signed in 2010.

PBT

- Drive collaboration programs with existing partners including Abraxis, WIBP/Sinopharm, Kedrion, Blue Blood and Sartorius
- Expand the number of strategic partners and products developed
- Build a solid pipeline of products
- Expand business to include manufacturing of bulk active for existing partners and others
- Collaboration with WIBP/Sinopharm proceeding well. WIBP/Sinopharm personnel recently trained at PBT laboratories. Small scale resin supplies expected to begin in H2 2010.
- Work with Abraxis continues on the development of a key compound and is progressing towards the next stage.
- Further opportunities are being explored with other plasma fractionators.
- Current focus is on delivering quality results for existing customers; these will be used as the catalyst to expand into new relationships.
- Currently 7 products are under development. A further 2 are being actively pursued.
- Work is progressing towards this objective, with production of first bulk material for clinical trials expected in 2011.

PRDT

- Adoption of P-Capt ® in UK
- Adoption of P-Capt ® in Ireland as well as other European countries
- Expand commercial use of prion reduction resin in bulk applications
- Recommendation for adoption in children born after January 1, 1996 by SaBTO.
- Heightened awareness at senior levels of the UK government.
- Expansion of trials into Cavan General Hospital and Crumlin Hospital in Ireland.
- Contract with Octapharma for OctaplasLG®. Octapharma seeking approval for UniplasLG®

PBI

- Partner PBI-1402 and or NCE analogues
- New data to support expanded potential uses
- An initial deal on PBI-1402 and PBI-4419 was announced with China's Allist Pharmaceuticals, Inc. on 18 October 2010.
- Other partnering discussions are ongoing.
- Peer-reviewed positive phase Ib/IIa clinical data presented at the Annual Meeting of the European Haematology Association.

- Regulatory milestones in key markets
- Peer-reviewed data presented at the Annual Meeting of the American Society of Nephrology.
- Analogue NCEs discovered to have higher potency as anti-fibrotic agents.
- Autoimmune disease program revitalised with new discovery.
- FDA guidance corroborating ProMetic's regulatory pathway for PBI-1402 and its analogues for anaemia and cancer.

Capability to Deliver Results

Capital Resources

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

Over the coming periods, it may be necessary for the Company to invest in further capital expenditure in order to service the requirements of some of its contracts. It is important to note however that PBL's current manufacturing capacity far exceeds its current level of sales. At the present time, the resources are being fully employed, but are manufacturing batch sizes which are below the optimal size. PBL's current manufacturing capacity can therefore accommodate significant revenue growth such that there is no linear relationship between the incremental costs and revenue growth.

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

Current assets totaled \$4.7 million as at September 30, 2010, and \$5.4 million as at December 31, 2009.

Accounts receivable were \$1.9 million as at September 30, 2010, compared to \$2.6 million as at December 31, 2009. 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 the Therapeutics and the Protein Technology Units. The net capital assets reduced slightly to \$1.0 million as at September 30, 2010, compared with \$1.1 million as at December 31, 2009.

Cash was \$1.3 million as at September 30, 2010.

Clearly, the debt raised by the Company has had an impact on the balance sheet, increasing liabilities compared with increasing shareholder equity if the capital had been raised through the sale of common stock. However, all of the long-term debt has been raised from shareholders and other strategic business partners. This provides for repayment using shares at a future value and/or repayments against product shipments.

Intellectual Property and Technology

The Company and each of its business segments are entirely reliant on its Intellectual Property ("IP") assets in the form of Patents and Trademarks, as well as know-how. The Company employs an in-house Senior Legal Counsel and a Patent & Trademark Coordinator who administer the IP portfolio. A significant budget is allocated each year for the creation, maintenance and protection of the IP portfolio. Know-how is protected by confidentiality arrangements and staff with said know-how is regarded as an important asset for the ProMetic group.

Human Capital

The most vital non-capital resource is the know-how the Company has in its employees. ProMetic has a talented team of staff and an experienced management team that share in the company's vision and recognise its potential. All employees participate in the Company's Stock Option Plan. The contribution of senior executives to the results of corporate and business units is recognized through a combination of base salary and benefits, and through equity based compensation. The Human Resources & Compensation Committee is working on a revised Compensation Policy for Senior Management, which will be aligned with Shareholder Interest. It is anticipated that this policy will be finalized by 31 December 2010.

Results and outlook

Results of Operations

Quarter ended September 30, 2010, compared to quarter ended September 30, 2009

Revenues

Total revenues for the third quarter of 2010, which were derived mainly from the Protein Technologies unit, were \$2.1 million compared with \$3.1 million for the same quarter of 2009.

These revenues came primarily from contract development services, but also included sales of affinity adsorbents to major pharmaceutical companies. Revenue also arose from the release of non-refundable up-front payments, and certain development revenues, from deferred revenues, relating to the TECPAR project, which has now been terminated.

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

Costs of Goods Sold and Rechargeable Research and Development Expenses

The combined costs of goods sold and rechargeable research and development expenses for the quarter ended September 30, 2010, totalled \$1.5 million compared to \$1.8 million for the quarter ended September 30, 2009.

Based on the combined cost of goods sold and the rechargeable research and development expenses, a gross profit of 25.4% was achieved during the third quarter of 2010 compared to 41.7% for the same quarter in 2009. The difference is due to the fact that third quarter revenues are in the majority attributable to service revenue which traditionally carries a lower margin than product sales.

Research and Development Expenses – Non rechargeable

Non rechargeable research and development expenses were \$1.8 million for the quarter ended September 30, 2010, compared to \$1.4 million for the quarter ended September 30, 2009. This increase relates to strategic costs to support the business development activities associated with the Therapeutics business.

Administrative and Marketing Expenses

Administrative and marketing expenses were \$1.3 million for the third quarter of 2010 compared to \$1.0 million for the same quarter in 2009. The variance is mainly attributable to the increase of legal fees related to corporate matters.

Amortization Expenses

Amortization and write-off expenses for the third quarter of 2010 were \$0.2 million compared to \$0.6 million for the same quarter of 2009.

Net Results

The Company generated a net loss of \$2.9 million or \$0.01 per share (basic and diluted), for the third quarter ended September 30, 2010, as compared to a net profit of \$0.2 million or \$0.00 per share (basic and diluted) for the quarter ended September 30, 2009. The increase in net loss is mainly due to lower revenues and therefore a resulting decrease in gross profit, a lower gain on foreign exchange and the fact that the third quarter of 2009 contained an extra-ordinary gain associated with the acquisition of PRDT from the American Red Cross, which was not repeated in 2010.

EBITDA by Business Units

Quarter ended September 30, 2010 - In millions of dollars

	Protein Technologies	Therapeutics	Corporate	Total
Revenues	2.1	0.0	0.0	2.1
Cost	(3.2)	(0.4)	(1.1)	(4.7)
EBITDA	(1.1)	(0.4)	(1.1)	(2.6)

The EBITDA is a non Canadian GAAP measure employed by the Company to monitor its performance. The Company calculates its EBITDA by subtracting from Revenues its Costs of Goods Sold, excluding amortization of capital assets, its Research and Development Expenses Rechargeable and Non-Rechargeable as well as its Administration and Marketing Expenses.

Cash Flows

Cash flows used in operating activities amounted to \$2.1 million for the quarter ended September 30, 2010, compared with \$0.6 million for the quarter ended September 30, 2009. In the third quarter of 2010, the receivables generated \$1.6 million of cash and \$0.9 million were used to repay trade creditors. During the same period in 2009, losses were significantly lower due to higher revenues.

The cash outflows from financing activities amounted to \$0.4 million for the quarter ended September 30, 2010, resulting from the repayment of the long-term debt.

The cash outflows from investing activities amounted to \$0.6 million for the quarter ended September 30, 2010, resulting from the acquisition of patents and capital assets.

Summary of Quarterly Results

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

	2010 September 30	2010 June 30	2010 March 31	2009 December 31	2009 September 30	2009 June 30	2009 March 31	2008 December 31
Revenues	2.1	5.1	3.2	4.3	3.2	2.3	3.8	4.0
Net Profit/(loss)	(2.9)	(0.9)	(3.1)	(2.4)	0.2	(5.1)	(2.0)	(5.2)
Net loss per share (basic and diluted)	0.01	0.00	0.01	0.01	0.00	0.02	0.01	0.02
Weighted average number of outstanding shares	350	350	341	331	327	320	317	294

Related Party Transaction

On December 5, 2008, the Company entered into an agreement to provide a guarantee (the "Guarantee") in favor 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 \$2.3 million including interests 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, 2009, the Loan had an outstanding balance of \$0.9 million (\$1.7 million in 2008). The deadline had been extended while the parties are negotiating a revised schedule of payments including capital, interests and penalties. As at December 31, 2009, the Company has recognized an amount of \$0.9 million (\$1.1 million in 2008) as a loss.

On March 25, 2010, the parties entered into a settlement agreement, which called for the Company to pay to Camofi an amount of US\$800,000 (CDN\$837,280) on April 1, 2010, in addition to a payment of US\$250,000 (CDN\$260,725) made by the Company in January 2010, for the full payment of the outstanding balance of the loan and the termination of the borrower's and the Company's obligations.

Concurrent with this settlement agreement being reached, an amended and restated loan agreement was entered into between the borrower and the Company requiring the borrower to fully repay the Company no later than March 31, 2013. Furthermore, should certain stock price thresholds be reached, the Company may require the borrower to pay the unpaid balance of the loan. This amended and restated loan agreement received shareholder approval at the May 5, 2010 Annual and Extraordinary Meeting of the shareholders. The said loan is secured by a pledge in favour of the Company by the borrower of 9,500,000 shares of the Company stock. The loan is also secured by a pledge in favour of the Company by Invhealth Capital Inc. of all its shares of the borrower and by a pledge in favour of the Company by the senior officer of the Company of 100% of the shares of Invhealth Capital Inc.

As a result of a request by the TSX, ProMetic, during March 2010, issued a press release disclosing the arrangements relating to the Guarantee.

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 September 30, 2010, the capital stock issued and outstanding consisted of 349,736,257 common shares (331,743,400 as at December 31, 2009).

As at November 15, 2010, the capital stock issued and outstanding consisted of 349,736,257 common shares.

Stock Options

As at September 30, 2010, the Company has 8,976,951 stock options outstanding with exercise prices ranging from \$0.13 to \$1.50.

Outlook

Management's outlook for 2010 remains positive. Despite the fact that revenues from our development contracts have been lower than expected, resulting from amendments to the programs requested by our clients, management has been able to control and modulate the cost base of the business to respect previous EBITDA forecasts.

In the UK, during November 2009, SaBTO issued its recommendation for adoption of the P-Capt® filter for children born after January 1, 1996. The Company, in collaboration with MacoPharma SA, its commercialization partner for the P-Capt® filter, is closely monitoring the progress of this recommendation through the proper authority channels. Clearly, the delay in the P-Capt® adoption has had a significant impact on our previous revenue forecasts, and a decision to implement will have a major impact on the revenue forecasts for 2010 and beyond. Given the significant variability driven by the parameters of timing and scale of adoption, it is not yet possible to give an accurate assessment of the impact on revenues for 2010.

As evidenced by recent press announcements disclosing the long-term supply arrangements for our bioseparations products, demand for our affinity adsorbent products is strong and growing, and we anticipate an increased turnover from PBL in 2010.

Discussions with PBT's partners will continue in 2010 and will drive the level of anticipated business for that subsidiary. In addition, partnering discussions continue with regard to PBI-1402, its NCE analogues and other therapeutics, however, until a deal is signed, we will exclude revenues from this activity in our projections.

Finally, and in line with earlier commitments, Management will continue to control costs with a view to driving profitability.

Ongoing effects of foreign exchange variances will be monitored and additional steps will be put in place in an effort to minimise the impact going forward.

International Financial Reporting Standards

In March 2009, the Canadian Accounting Standards Board reconfirmed in its second omnibus Exposure Draft that Canadian GAAP for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, the Company will prepare its financial statements in accordance with IFRS commencing January 1, 2011; thus, its first quarter under IFRS reporting standards will be for the three months ended March 31, 2011 for which current and comparative information will be prepared under IFRS as well as an opening IFRS balance sheet as at January 1, 2010.

Described below are the Company's IFRS changeover plan, selected key activities and their status, and the significant, known possible high impact accounting areas on the Company's financial reporting identified to date.

This information is provided to allow investors and others to obtain a better understanding of our IFRS changeover plan. Readers are cautioned, however, that it may not be appropriate to use such information for any other purpose. This information also reflects our most recent assumptions and

expectations; circumstances may arise, such as changes in IFRS, regulations or economic conditions, which could have an impact on these assumptions or expectations.

IFRS changeover plan

The Company has developed a detailed plan for its changeover to IFRS comprised of three phases:

- Phase 1: Scope and Plan
- Phase 2: Design and Build
- Phase 3: Implementation and Review

The Company is progressing according to schedule. The effects of any Canadian GAAP to IFRS differences noted to date during the Company's first Phase of its changeover plan are in the process of being quantified. The Company has completed its Phase 1 stage and has made significant progress into Phase 2. The findings of Phase 1, insofar as they relate to the significant accounting areas for conversion to IFRS that will impact the Company's financial statements are summarized below.

Phase 1: Scope and Plan

The objective of this phase was to identify the required changes to the Company's accounting policies and practices resulting from the changeover to IFRS and to thereby determine the scope of the work effort required for the subsequent phases of the project.

Phase 1 involved:

- a review of all relevant IFRS standards to identify differences with the Company's current accounting policies and practices;
- the separate consideration of one-time accounting choices that must be addressed at the changeover date and those accounting policy choices that will be applied on an ongoing basis in periods subsequent to the changeover to IFRS;
- Initiating the prioritization process for those differences that could have a more than inconsequential impact on the Company's financial statements, business processes, or Information Technologies systems.

Phase 2: Design and Build

Phase 2 involves the design and development of detailed solutions to address the differences identified in Phase 1. These solutions typically result in certain necessary changes to internal business processes and financial systems to comply with IFRS accounting and disclosure requirements. Phase 2 activities will include:

- the in-depth analysis, quantification and documentation of key differences identified in Phase 1 requiring changes to existing accounting policies;
- identifying processes and controls which would require changes to ensure compliance with the requirements of the applicable international accounting standards;
- The implementation of a change management strategy to address the information and training needs of internal and external stakeholders.

Phase 3: Implementation and Review

In the third and final phase of the Company's changeover plan, changes, if any, to affected accounting policies and practices, business processes, systems and internal controls will be implemented. These changes will be tested prior to the formal reporting requirements under IFRS to ensure all significant differences are addressed in time for the changeover.

Progress towards completion of the Company's IFRS changeover plan

As mentioned above, the Company has now finalized Phase 1. It has reviewed all currently relevant IFRS standards and identified a number of areas of possible accounting differences under IFRS as compared to Canadian GAAP. The Company has also determined, however, that its current

accounting policies generally are aligned with IFRS requirements in many key areas. The Company will continue to monitor changes to IFRS throughout 2010 and will review and assess any new or modified IFRS standards that are issued prior to changeover. The following summarizes the significant accounting areas for conversion to IFRS that will impact the Company's financial statements:

IFRS 1 "First Time Adoption of Reporting Standards"

IFRS 1, "First-Time Adoption of International Financial Reporting Standards" ("IFRS 1"), provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions in certain areas to the general requirement for full retrospective application of IFRS. Management is analyzing the various accounting policy choices available and will implement those determined to be the most appropriate for ProMetic. The areas identified which the Company is considering are:

Cumulative translation differences - Enables an entity to reset all cumulative translation differences for all foreign operations to zero at date of transition, with the balance transferred to retained earnings (deficit).

Share-based payment transactions – Full retrospective application of IFRS 2 "Share-based Payment" may be avoided for certain share-based instruments depending on the grant date, vesting terms and settlement of any related liabilities.

IAS 32 "Financial Instruments Presentation" and IAS 39 "Recognition and Measurement"

The objective of IAS 39 is to establish principles for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. Requirements for presenting information about financial instruments are in IAS 32 Financial Instruments: Presentation. IAS 32 applies to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments. The standards and their current Canadian GAAP equivalents, are based on the same basic principles, however, the guidance is not fully harmonized. As a result, certain instruments could be measured and or classified differently under IFRS.

Notwithstanding the above, the scope of IAS 32 is broader than Section 3863 "Financial instruments – Presentation", due in part to the broadened definition of what qualifies as a financial asset and financial liability. Careful review of the definitions and scope exemptions in IAS will have to be performed to conclude on this matter.

In terms of the options to acquire shares, and the recent loan and equity financing, a review of the details of the arrangement(s) is being performed to determine whether the current treatment under Canadian GAAP will continue to be appropriate under IFRS (measured at fair value and presented in equity).

With respect to Presentation of financial instruments, ProMetic is in the process of reviewing its classification of financial instruments based on the IAS 32 criteria to identify potential differences. Preliminary results show that current accounting treatment for the \$10 million US with Abraxis BioScience Inc. long-term loan is consistent with classification under IFRS.

For embedded derivatives none were identified in a cursory review, by ProMetic, of long-term contracts still in force as at January 1, 2010 which had been in existence and entered into prior to January 1, 2003.

For available for sale securities, the Company has already identified a difference for the recording and measurement of its AM-Pharma Holding B.V Convertible preferred shares. ProMetic has determined on a preliminary basis that these shares, presently measured at cost under Canadian GAAP may have to be measured at fair value for IFRS purposes. The difference between the carrying value under current GAAP and the asset's fair value under IFRS will be recorded as an adjustment to the Company's opening deficit balance.

IAS 36 “Impairment of Assets”

Under Canadian GAAP, capital assets and licenses and patents subject to amortization are tested for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. IAS 36 requires that an entity assess at each reporting date whether there is any indication that an asset may be impaired. Conceptually, IAS 36 therefore requires a more active ongoing consideration of all possible indicators of impairment.

As it relates to the measurement of the impairment loss, under Canadian GAAP for assets other than financial assets, a write-down to estimated fair value is recognized if the estimated undiscounted future cash flows from an asset or group of assets are less than their carrying value. Under IFRS, IAS 36, a write-down is recognized if the recoverable amount, determined as the higher of the estimated fair value less costs to sell or the discounted future cash flows from an asset or group of assets, is less than carrying value. Under Canadian GAAP impairments are measured at the amount by which carrying value exceeds fair value and under IFRS, they are measured as the excess of carrying value over recoverable amount.

The difference in testing and determining an impairment may result in more frequent impairment charges, where carrying values of assets may have been supported under Canadian GAAP on an undiscounted cash flow basis, but cannot be supported on a discounted cash flow basis.

IAS 36 also requires the reversal of any previous impairment losses where circumstances requiring the impairment charge have changed and reversed. Canadian GAAP does not permit the reversal of impairment losses in any circumstance.

ProMetic will be required to actively assess a minimum set of impairment indicators at each reporting period and document this quarterly assessment. Under IFRS, ProMetic will need to assess impairment in terms of the recoverable amount as defined under IFRS. ProMetic will monitor possible subsequent reversals of previously written down assets which are not allowed under Canadian GAAP; this will require that ProMetic track assets and their original carrying values as well as implied accumulated depreciation for possible future reversals of impairment allowed under IFRS.

IAS 37 “Provisions, contingent liabilities and contingent assets”

IAS 37, “Provision, Contingent Liabilities and Contingent Assets”, requires a provision to be recognized when all of the following conditions have been satisfied: (1) there is a present obligation as a result of a past transaction or event; and (2) it is probable that an outflow of resources will be required to settle the obligation; and (3) a reliable estimate can be made of the obligation. “Probable” in this context means more likely than not. Under Canadian GAAP, the criterion for recognition in the financial statements is “likely”, which is a higher threshold than “probable”. Therefore, it is possible that there may be some contingent liabilities which would meet the recognition criteria under IFRS that were not recognized under Canadian GAAP.

Other differences between IFRS and Canadian GAAP exist in relation to the measurement of provisions, such as the methodology for determining the best estimate where there is a range of equally possible outcomes (IFRS uses the mid-point of the range, whereas Canadian GAAP uses the low end of the range), and there is a requirement under IFRS for provisions to be discounted where material.

- Due to the difference with respect to the recognition threshold, ProMetic will have to assess if provisions not recognized under GAAP need to be recognized under IAS 37 at the date of transition. ProMetic will monitor amendments to IAS 37 and their date of application which are expected to be published in the second half of 2010.

In addition, ProMetic is currently assessing whether there are any current constructive obligations which would require recognition under IFRS not recognized under Canadian GAAP.

The Company has performed a preliminary analysis of its data system infrastructure and internal controls and has concluded that transition to IFRS will not result in a material modification to any of its IT processes as a result of the differences it has identified to date. Significant impacts identified, if

any, on processes and controls will be disclosed in future filings when the assessment will be finalized.

Phase 2 of the changeover plan began in the third quarter of 2010. During 2010, the Company will complete the selection of accounting policies and transition options under IFRS as well as quantify the effect on opening IFRS retained earnings (i.e. as at January 1, 2010), if any.

During the fourth quarter of 2010, i.e. the approximate start date of Phase 3, the Company will complete the work effort undertaken to ready business processes and internal controls for the changeover.

Appropriate resources have been secured to complete the changeover on a timely basis according to the Company's plan milestones. The Company will ensure that training needs are met and addressed throughout the changeover period. Third-party subject matter experts will assist the Company throughout the changeover.

Summarized below is a description of the Company's progress towards completion of selected key activities of our IFRS changeover plan as of November 15, 2010. Additional information will be provided as the Company approaches the changeover date.

Selected Key Activities	Milestones / Deadlines	Progress to date
Financial statement preparation		
<ul style="list-style-type: none"> • Identify relevant differences between IFRS and our accounting policies and practices and design and implement solutions; • Evaluate and select one-time and ongoing accounting policy alternatives; • Benchmark findings with peer companies; • Prepare financial statements and related note disclosures to comply with IFRS • Quantify the effects of changeover to IFRS. 	<ul style="list-style-type: none"> • Assessment and quantification of the significant effects of the changeover completed by approximately the third quarter of 2010; • Final selection of accounting policy alternatives by third quarter of 2010. 	<ul style="list-style-type: none"> • Completed the identification of IFRS differences. • Assessment and quantification of the impact of one-time transition choices is nearing completion. • Management recommended to the Audit Committee that the Company avail itself of a one-time transition choice and reset all cumulative translation gains and losses to zero through the opening deficit as at the date of transition. • Draft annual statements and related note disclosures compliant with IFRS have been created and quarterly draft financial statements will soon be during Q4 2010.
Training and communication		
<ul style="list-style-type: none"> • Provide training to affected employees, management and the Board of Directors including the Audit Committee; • Engage third-party subject matter experts to assist in the transition • Communicate progress of 	<ul style="list-style-type: none"> • Timely training provided to align with work under changeover - training completed by end 2010; • Communicate effects of changeover throughout 2010 and 2011. 	<ul style="list-style-type: none"> • Third-party subject matter experts have been engaged to support management with phases 2 and 3 where they have already assisted management with the

changeover plan to internal and external stakeholders.

identification of differences through Phase I. Periodic internal and external communications about progress are ongoing.

Internal controls (financial reporting and disclosure controls and procedures)

- Revise existing internal control to address significant changes to existing accounting policies and practices, if any, including the need for dual record-keeping during 2010;
- For changes to accounting policies and practices identified, assess the design and effectiveness of related controls.
- Changes completed by third quarter of 2010 once accounting policy choices have been finalized and approved.
- MD&A disclosures began in December 2008;
- Audit committee follows status of conversion plan at interim and year-end meetings.

Risk

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, working capital deficiencies and a shareholder's deficiency as at December 31, 2009. 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. 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 doubt and 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.

Commercial Risk	<p>The global economic environment may on occasion impact the ability of the Company's contracted customers to progress on certain segments of R&D and service agreements according to previously anticipated timelines.</p> <p>The Company mitigates the commercial risk associated to these contracts through constant monitoring of the progression of customer R&D and service contracts and by adjusting the Company's cost base in line with the revised revenue forecast to ensure that ProMetic respects its EBITDA ("earnings before interest, tax, depreciation and amortization"), projections as far as possible.</p>
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Financial Risk	<p>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.</p>
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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, receivables and share purchase loan to an officer. 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 receivables and the excess of the interest in the joint venture PRDT over proportionate share in consolidated net assets.

The Company invests its cash in high quality commercial paper issued by government agencies and financial institutions and diversifies its investments in order to limit its exposure to credit risk, while following approved investment guidelines.

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. Given the company's current revenue expectations there is some uncertainty as whether it will have sufficient working capital to fund its current operating and working capital requirements for the next 12 months. 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 pound sterling. 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 pound sterling which mitigates the foreign exchange risk.

Equity Risk

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

Oversight of reliability of disclosures

Management has developed and maintains effective systems, controls and procedures to ensure that information used internally and disclosed externally is reliable and timely. During the past year, the control framework has once again been tested against the requirements of COSO, a recognised control model. The Chief Executive Officer and Chief Financial Officer certify the filings as required in Canada by Multilateral Instrument 52-109 (Certification of Disclosure in Issuers' Annual and Interim Filings).

The Board of Directors oversees management's responsibilities for financial reporting through the Audit Committee, which is composed of four Independent Directors who are not officers or employees of the Company. The Audit Committee meets regularly with management and reviews the Company's interim and annual consolidated financial statements and MD&A and recommends them for approval to the Board of Directors. Other key responsibilities of the Audit Committee include monitoring the Company's system of internal control, monitoring its compliance with legal and regulatory requirements selecting the shareholders' auditors and reviewing the qualifications, independence and performance of the shareholders' auditors.

Ernst & Young LLP, the shareholders' auditors, will obtain an understanding of the Company's internal controls and procedures for financial reporting to plan and conduct such tests and other audit procedures as they consider necessary in the circumstances to express their opinion in any audit report they issue in relation to the Company. The shareholders' auditors have full independent access to the Audit Committee to discuss their audit and related matters.

Furthermore, all members of the Board of Directors and employees of ProMetic must comply with the Company's Information Disclosure policy. It addresses the management and use of information relating to or concerning ProMetic, including press releases, documents filed with securities regulatory authorities, including annual reports and quarterly reports issued by the Company, letters to shareholders, management presentations and information posted on the Company website and disclosed via other electronic means of communication, as well as the disclosure of confidential information to third parties.

The objective of this Information Disclosure Policy is to ensure that all information released to the public regarding ProMetic is:

- Timely, factual and exact; and
- Widely disseminated in compliance with applicable securities laws.

The Disclosure Committee, which consists exclusively of Management, is responsible for:

- The contents and periodic review of this Information Disclosure Policy;
- Its implementation;
- Overseeing and monitoring its implementation and enforcement;
- Training of ProMetic management, directors and employees in matters pertaining to the disclosure of information;
- Examining information and authorizing its disclosure (in electronic, written or verbal form) before its dissemination to the public; and
- Monitoring the Company's and its subsidiaries' website contents.

The Disclosure Committee will report its activities to the Audit Committee at intervals throughout the year.



PROMETIC

ProMetric Life Sciences Inc.

**Notice of Disclosure of Non-Auditor Review of Interim Financial Statements
for the Three Months Ended September 30, 2010**

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, the interim financial statements must be accompanied by a notice indicating that they have not been reviewed by the auditor.

The accompanying unaudited interim financial statements of the Company for the interim periods ended September 30, 2010 and 2009, have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of the Company's management. The Company's independent auditors, Ernst & Young LLP, have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Dated this 15th day of November 2010.

(signed) Bruce Pritchard
Bruce Pritchard
Chief Financial Officer

(signed) Pierre Laurin
Pierre Laurin
President of the Board, President and
Chief Executive Officer

PROMETIC LIFE SCIENCES INC.
CONSOLIDATED BALANCE SHEETS

(See governing statutes, nature of operations and going concern uncertainty - note 1)

(In thousands of Canadian dollars)

	September 30,	December 31,
	2010	2009
	(Unaudited)	(Audited)
ASSETS		
Current assets		
Cash	\$ 1,310	\$ 493
Accounts receivable (note 4)	1,894	2,612
Inventories (note 5)	1,261	2,128
Prepaid expenses	258	201
	4,723	5,434
Investments (note 6)	544	609
Capital assets	987	1,133
Licenses and patents	4,141	3,908
	\$ 10,395	\$ 11,084
LIABILITIES		
Current liabilities		
Bank loan (note 7)	\$ -	\$ 911
Accounts payable and accrued liabilities (note 8)	3,026	6,956
Deferred revenues	186	910
Current portion of long-term debt (note 9)	5,650	3,137
Current portion of advance on revenues from a supply agreement (note 10)	716	1,316
	9,578	13,230
Long-term debt (note 9)	8,243	2,296
Advance on revenues from a supply agreement (note 10)	2,242	1,826
	20,063	17,352
SHAREHOLDERS' EQUITY		
Share capital (note 11)	214,334	212,728
Contributed surplus	10,300	10,019
Future investment rights (note 11)	4,927	-
Accumulated other comprehensive loss	(608)	(735)
Deficit	(238,621)	(228,279)
	(9,668)	(6,268)
	\$ 10,395	\$ 11,084

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

PROMETIC LIFE SCIENCES INC.

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(See governing statutes, nature of operations and going concern uncertainty - note 1)

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

	Quarter ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Revenues	\$2,064	\$3,116	\$10,317	\$9,300
Charges				
Costs of good sold excluding amortization of capital assets	86	464	2,324	2,003
Research and development expenses rechargeable	1,454	1,353	1,759	3,190
Research and development expenses non rechargeable	1,813	1,407	7,111	6,419
Administration and marketing expenses	1,327	1,020	4,125	3,513
(Gain) Loss on exchange rate	(349)	(1,321)	155	(658)
Amortization and write-off of capital assets	78	178	195	603
Amortization and write-off of license and patents	101	404	294	606
	4,510	3,506	15,963	15,677
Loss before the following items	(\$2,446)	(\$390)	(\$5,646)	(\$6,377)
Gain (Loss) on disposal of capital assets	(35)	-	197	-
Gain on derecognition of net investment liability in PRDT	-	1,257	-	1,257
Charges related to a guarantee (note 12)	-	(357)	(180)	(357)
Net interest expenses and penalties	(404)	(348)	(1,314)	(1,491)
Net loss	(\$2,885)	\$163	(\$6,943)	(\$6,967)
Net loss per share (basic and diluted)	(0.01)	0.00	(0.02)	(0.02)
Weighted average number of outstanding shares (in thousands)	349,736	326,939	346,986	321,633
Comprehensive loss				
Net loss	(\$2,885)	\$163	(\$6,943)	(\$6,967)
Foreign currency translation adjustment	(51)	(1,061)	127	(926)
Total Comprehensive loss	(\$2,936)	(\$898)	(\$6,816)	(\$7,893)

For supplemental operations information, see note 14

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

PROMETIC LIFE SCIENCES INC.
UNAUDITED CONSOLIDATED STATEMENT OF CONTRIBUTED SURPLUS

(See governing statutes, nature of operations and going concern uncertainty - note 1)
(In thousands of Canadian dollars)

NINE MONTHS ENDED SEPTEMBER 30, 2010

	Stock-based compensation	Warrants	Other	Total contributed surplus
CONTRIBUTED SURPLUS, AT BEGINNING OF THE PERIOD	\$ 1,402	\$ 6,481	\$ 2,136	\$ 10,019
Stock-based compensation	281	-	-	281
Issuance of warrants	-	-	-	-
CONTRIBUTED SURPLUS, AS AT SEPTEMBER 30, 2010	\$ 1,683	\$ 6,481	\$ 2,136	\$ 10,300

NINE MONTHS ENDED SEPTEMBER 30, 2009

	Stock-based compensation	Warrants	Other	Total contributed surplus
CONTRIBUTED SURPLUS, AT BEGINNING OF THE PERIOD	\$ 1,064	\$ 6,138	\$ 2,136	\$ 9,338
Stock-based compensation	258	-	-	258
Issuance of warrants	-	281	-	281
CONTRIBUTED SURPLUS, AS AT SEPTEMBER 30, 2009	\$ 1,322	\$ 6,419	\$ 2,136	\$ 9,877

QUARTER ENDED SEPTEMBER 30, 2010

	Stock-based compensation	Warrants	Other	Total contributed surplus
CONTRIBUTED SURPLUS, AT BEGINNING OF PERIOD	\$ 1,563	\$ 6,481	\$ 2,136	\$ 10,180
Stock-based compensation	120	-	-	120
Issuance of warrants	-	-	-	-
CONTRIBUTED SURPLUS, AS AT SEPTEMBER 30, 2010	\$ 1,683	\$ 6,481	\$ 2,136	\$ 10,300

QUARTER ENDED SEPTEMBER 30, 2009

	Stock-based compensation	Warrants	Other	Total contributed surplus
CONTRIBUTED SURPLUS, AT BEGINNING OF PERIOD	\$ 1,258	\$ 6,345	\$ 2,136	\$ 9,739
Stock-based compensation	64	-	-	64
Issuance of warrants	-	74	-	74
CONTRIBUTED SURPLUS, AS AT SEPTEMBER 30, 2009	\$ 1,322	\$ 6,419	\$ 2,136	\$ 9,877

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

PROMETIC LIFE SCIENCES INC.
UNAUDITED CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE LOSS

(See governing statutes, nature of operations and going concern uncertainty - note 1)

(In thousands of Canadian dollars)

	Quarter ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Balance, beginning of the period	(\$557)	\$135	(\$735)	\$ -
Foreign currency translation adjustment	(51)	(1,061)	127	(926)
Balance, end of the period	(\$608)	(\$926)	(\$608)	(\$926)

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

As of September 30, 2010, the sum of deficit and accumulated other comprehensive loss is \$239,230

PROMETIC LIFE SCIENCES INC.
UNAUDITED CONSOLIDATED STATEMENTS OF DEFICIT

(See governing statutes, nature of operations and going concern uncertainty - note 1)

(In thousands of Canadian dollars)

	Quarter ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Deficit, beginning of the period	\$232,403	\$226,048	\$228,279	\$218,897
Net Loss	2,885	(163)	6,943	6,967
Adjustment related to future investment rights (note 11)	3,333	-	3,333	-
Share issue expenses	1	22	67	43
Deficit, end of the period	\$238,621	\$225,907	\$238,621	\$225,907

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

PROMETIC LIFE SCIENCES INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(See governing statutes, nature of operations and going concern uncertainty - note 1)

(In thousands of Canadian dollars)

	Quarter ended		Nine months ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Cash flows used in operating activities				
Net (loss) profit and comprehensive income	\$ (2 887)	\$ 163	\$ (6,945)	\$ (6,967)
Adjustments to reconcile net loss to cash flows used in operating activities				
Issuance of warrants	-	(206)	-	-
Gain on derecognition of the net liability in PRDT	-	(1 257)	-	(1,257)
Interests on long-term debt	209	203	731	876
Loss on disposal of capital assets	-	-	54	-
Charges paid with shares	-	-	-	352
Stock-based compensation	120	68	280	262
Unrealized gain on exchange rate	(302)	(89)	(368)	(291)
Amortization and write-off of capital assets	78	178	195	603
Amortization and write-off of license and patents	102	404	294	606
	(2 680)	(537)	(5,759)	(5,816)
Change in working capital items (note 16)	558	(73)	(3,453)	3,327
	(2 122)	(610)	(9,212)	(2,489)
Cash flows from financing activities				
Proceeds from share issues	-	-	3,201	-
Share issue expenses	-	(30)	24	(49)
Repayment of bank loan	-	-	(911)	-
Other loan	-	2 147	-	4,970
Long-term debt	-	-	10,671	-
Repayment of long-term debt	(393)	(1 248)	(2,519)	(4,282)
Reimbursement of advance on revenues from a supply agreement	-	-	(49)	-
Advance on revenues from a supply agreement	-	2 483	-	3,442
	(393)	3,353	10,417	4,081
Cash flows used in investing activities				
Acquisition of an investment	-	5	-	50
Disposal of an investment	-	-	50	-
Additions to capital assets	(299)	(76)	(347)	(105)
Additions to licenses and patents	(330)	(10)	(470)	(118)
	(629)	(81)	(767)	(173)
Net increase (decrease) in cash	(3,144)	2,661	438	1,420
Net effect of currency exchange rate on cash	213	(918)	379	(12)
Cash, beginning of the period	4 241	581	493	917
Cash, end of the period	\$ 1,310	\$ 2,325	\$ 1,310	\$ 2,325

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

Quarters ended September 30, 2010 and 2009

(in thousands of Canadian dollars except for number of shares or as otherwise specified)

1. Governing statutes, nature of operations and going concern uncertainty

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, minimal revenues, which do not yet fully offset the cost base of the Company, resulting in negative operating cash flows, working capital deficiencies and a shareholders' deficiency as at September 30, 2010. 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. Although raising funds in the current economic environment has proved difficult and the cost of accessing capital has increased, during the year, the Company finalized an equity investment of US\$3,000,000 and a five year loan of US\$10,000,000 with Abraxis BioScience Inc. (note 9). 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 doubt and 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 September 30, 2010 and the related unaudited consolidated statements of operations and comprehensive loss, deficit, contributed surplus and cash flows, for the quarter ended September 30, 2010 and 2009, have been prepared using accounting principles and practices consistent with those used and described in the annual financial statements.

The consolidated financial statements include the accounts of ProMetic Life Sciences Inc., of its subsidiaries ProMetic BioSciences Inc., ProMetic BioSciences (USA), Inc., ProMetic BioSciences Ltd., ProMetic BioTherapeutics Inc., ProMetic Manufacturing Inc and Pathogen Removal and Diagnostic Technologies Inc. ("PRDT").

In 2009, 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. Having an autonomous affiliate impacts the treatment of the gain or the loss on exchange rate, which will be part of the shareholders' equity identified as a "Accumulated other comprehensive loss" 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, 2009 included in

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarters ended September 30, 2010 and 2009

(in thousands of Canadian dollars except for number of shares or as otherwise specified)

the Company's annual report to shareholders. Information as at September 30, 2010 and for the quarters ended September 30, 2010 and 2009 are unaudited.

3. Changes in accounting policies

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 IAS 27, Consolidated and Separate Financial Statements. 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.

Multiple Deliverable Revenue Arrangements

In December 2009, the CICA issued EIC 175 "Multiple Deliverable Revenue Arrangements" replacing EIC 142, Revenue Arrangements with Multiple Deliverables. This abstract was amended to: (1) provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the consideration allocated; (2) require, in situations where a vendor does not have vendor-specific objective evidence ("VSOE) or third-party evidence of selling price, that the entity allocate revenue in an arrangement using estimated selling prices of deliverables; (3) eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method; and (4) require expanded qualitative and quantitative disclosures regarding significant judgments made in applying this guidance.

The accounting changes summarized in EIC 175 are effective for fiscal years beginning on or after January 1, 2011, with early adoption permitted. Adoption may either be on a prospective basis or by retrospective application. If the Abstract is adopted early, in a reporting period that is not the first reporting period in the entity's fiscal year, it must be applied retroactively from the beginning of the Company's fiscal period of adoption.

The Company is currently assessing the future impact of these amendments on its financial statements and has not yet determined the timing and method of its adoption.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarters ended September 30, 2010 and 2009

(in thousands of Canadian dollars except for number of shares or as otherwise specified)

4. Accounts receivable

	September 30, 2010	December 31, 2009
Trade	\$ 924	\$ 1,531
Tax credits and sales taxes receivable	470	936
Advance to an officer, without interest	13	-
Other	487	145
	\$ 1,894	\$ 2,612

5. Inventories

	September 30, 2010	December 31, 2009
Raw materials	\$ 302	\$ 538
Work in progress and finished goods	959	1,590
	\$ 1,261	\$ 2,128

The amount of inventories recognized as an expense is presented under costs of goods sold excluding amortization of capital assets in the consolidated statement of operations and comprehensive loss.

During the quarter, there was no write-down of inventories (nil in 2009) and there was no reversal of provision previously recognized (nil in 2009).

6. Investments

	September 30, 2010	December 31, 2009
Cash subject to certain limitations	\$ 67	\$ 69
Guaranteed investment certificates, 0.35 % and 0.45 %, expiring in June 2011 , pledged as security of letters of credit to suppliers expiring in September 2010 and November 2010	234	287
Convertible preferred shares of AM-Pharma Holding B.V.	243	253
	\$ 544	\$ 609

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarters ended September 30, 2010 and 2009

(in thousands of Canadian dollars except for number of shares or as otherwise specified)

7. Bank loan

	September 30, 2010	December 31, 2009
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 December 31, 2009)	\$ -	\$ 911

In 2010, the bank loan was fully repaid by the Company.

8. Accounts payable and accrued liabilities

	September 30, 2010	December 31, 2009
Accounts payable	\$ 1,003	\$ 4,039
Accruals related to a guarantee (note 12)	-	920
Accrued liabilities	2,023	1,997
	\$ 3,026	\$ 6,956

9. Long-term debt

	Current Portion	September 30, 2010	December 31, 2009
Promissory note	\$ 250	\$ 250	\$ 250
Other loans	5,383	13,622	5,144
Capital leases	17	21	39
	5,650	13,893	5,433
Current portion of long-term debt		5,650	3,137
		\$ 8,243	\$ 2,296

The description and the details of the different components of the long-term debt are in the audited annual financial statements for the year ended December 31, 2009.

The outstanding loans have been provided by long-term shareholders and strategic partners.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarters ended September 30, 2010 and 2009

(in thousands of Canadian dollars except for number of shares or as otherwise specified)

10. Advance on revenues from a supply agreement

Advance on revenues from a supply agreement for an initial amount of 2 million pounds sterling that could reach an amount of 2.5 million pound sterling, which is also deemed to be the fair value, and bearing interest at 5% per annum. The advance is repayable solely by the revenues received under the supply agreement as products are supplied. The advance has a 5 year term and the balance due at the maturity date is payable in cash. The current portion of the advance on revenues from a supply agreement was determined with the expected product sales under the supply agreement in the coming 12 months. A reduction in the advance of \$49 was made during the first nine months of 2010, related to products supplied under the agreement.

11. Share capital

	September 30, 2010		December 31, 2009	
	Number	Amount	Number	Amount
Issued and fully paid common shares	349,736,257	\$ 214,784	331,743,400	\$ 213,178
Share purchase loan to an officer, without interest and due no later than December 31, 2010 (*)		(450)		(450)
Balance at end of the period		\$ 214,334		\$ 212,728

(*) The share purchase loan to an officer has been extended for a year having a new maturity date of December 31, 2010.

a) Share issue:

Changes in the issued and outstanding common shares were as follows:

	Number	Amount
Balance as at December 31, 2009	331,743,400	\$ 212,728
Shares issued	17,992,857	1,606
Balance as at September 30, 2010	349,736,257	\$ 214,334

In February, 2010, 14,495,452 future investment rights given to Abraxis BioScience inc. on a previous financing dated September 3, 2008 were cancelled and immediately reissued having the same conditions except for the term which was extended from 3.5 years to 7 years. These new rights could not be exercised for a period of four months from their issuance. The fair value of these new future

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarters ended September 30, 2010 and 2009

(in thousands of Canadian dollars except for number of shares or as otherwise specified)

investment rights was determined using the Black & Scholes model, resulting in an adjustment to share capital of \$1.6 million.

Reported concurrently with the February 9, 2010 investment, were a further 30,296,036 future investment rights granted to Abraxis BioScience inc. Due to certain contingencies associated with these rights never having been resolved by Abraxis, with no intention of resolution ever declared, these rights were never recorded at fair value. Subsequent to the February investment, the contingencies associated with these previously granted 30,296,036 future investment rights were resolved. As a result, the fair value of these has now been assessed and an adjustment of \$3.3 million made to retained earnings, on the basis that ProMetic has given nothing new in exchange for these rights.

b) Stock options:

The Company has established a stock option plan for its directors, officers and employees or service providers. The plan provides that the aggregate number of shares reserved for issuance at any time under the plan and any other employee incentive plans may not exceed 15,913,317 common shares. Since September 10, 2001, the new options issued may be exercised over a period not exceeding 5 years and 1 month from the date they were granted (options vest 20% per annum, after one year following the date they were granted or immediately as they are granted). The exercise price is based on the average strike price of the five business days prior to the grant.

The following table summarizes the changes in the number of stock options outstanding over the last quarter:

	Options	Weighted average exercise price per share
Number of options as at December 31, 2009	8,669,391	\$0.39
2010 Granted	923,300	0.18
Forfeited	(65,240)	0.32
Expired	(550,500)	1.07
Number of options as at September 30, 2010	8,976,951	\$0.33

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarters ended September 30, 2010 and 2009

(in thousands of Canadian dollars except for number of shares or as otherwise specified)

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:

	September 30, 2010	December 31, 2009
Risk-free interest rate	2.94 %	1.26%
Dividend yield	0 %	0%
Expected volatility of share price	86.12 %	87.82%
Expected life	5 years	1 and 5 years

The estimated fair value of options granted for the period ending September 30, 2010 is \$0.12. For the year 2009, it was \$0.06.

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 (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 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 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 \$2,300 plus interests 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, 2009, the Loan had an outstanding balance of \$920. The deadline had been extended

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarters ended September 30, 2010 and 2009

(in thousands of Canadian dollars except for number of shares or as otherwise specified)

while the parties are negotiating a revised schedule of payments including capital, interests and penalties. In the year ended December 31, 2009, the Company recognized an amount of \$943 as a loss on this guarantee.

On March 25, 2010, the parties entered into a settlement agreement, which called for the Company to pay to Camofi an amount of US\$800,000 (CDN\$837,280) on April 1, 2010, in addition to a payment of US\$250,000 (CDN\$260,725) made by the Company in January 2010, for the full payment of the outstanding balance of the loan and the termination of the borrower's and the Company's obligations.

Concurrent with this settlement agreement being reached, an amended and restated loan agreement was entered into between the borrower and the Company requiring the borrower to fully repay the Company no later than March 31, 2013. Furthermore, should certain stock price thresholds be reached, the Company may require the borrower to pay the outstanding balance of the loan. This amended and restated loan agreement received shareholder approval at the May 5, 2010 Annual and Extraordinary Meeting of the shareholders. The said loan is secured by a pledge in favour of the Company by the borrower of 9,500,000 shares of the Company stock. The loan is also secured by a pledge in favour of the Company by Invhealth Capital Inc. of all its shares of the borrower and by a pledge in favour of the Company by the senior officer of the Company of 100 % of the shares of Invhealth Capital Inc.

13. Capital disclosures

The Company's capital consists of cash, bank loan, long-term debt and shareholders' equity.

	September 30,	December 31,
	2010	2009
Bank loan	\$ -	\$ 911
Long-term debt (note 9)	13,893	5,433
Equity	(9,668)	(6,268)
Cash	(1,310)	(493)
	\$ 2,915	\$ (417)

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 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 2009.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarters ended September 30, 2010 and 2009

(in thousands of Canadian dollars except for number of shares or as otherwise specified)

14. Information included in the consolidated statements of operations

	Quarter ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Gross research and development expenses	\$ 3,577	\$ 3,172	\$ 9,837	\$ 10,179
Research and development tax credits	(310)	(412)	(967)	(570)
Interest and penalties on long term debt	287	41	842	45
Interest on bank loan and other interest expenses	119	311	478	1,454
Interest on other financial liabilities	406	352	1,320	1,499
Interest income on financial assets held for trading	(2)	(4)	(6)	(8)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarters ended September 30, 2010 and 2009

(in thousands of Canadian dollars except for number of shares or as otherwise specified)

15. Financial instruments and financial risk management

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

	September 30, 2010	December 31, 2009
Financial assets		
Held for trading		
Cash measured at fair value	\$ 1,310	\$ 493
Cash subject to certain limitations, measured at fair value	<u>67</u>	<u>69</u>
	1,377	562
Loans and receivables		
Accounts receivable and share purchase loan to an officer, recorded at amortized cost	1,873	2,126
Guaranteed investment certificates, recorded at amortized cost	<u>234</u>	<u>287</u>
	2,107	2,413
Available-for-sale		
Convertible preferred shares of AM-Pharma, recorded at cost	243	253
Financial liabilities		
Other financial liabilities		
Bank loan, accounts payable and accrued liabilities, measured at amortized cost	\$ 3,026	\$ 7,867
Long-term debt measured at amortized cost	13,893	5,433
Advance on revenues from a supply agreement, measured at amortized cost	<u>2,958</u>	<u>3,142</u>
	19,877	16,442

Fair value hierarchy

Financial instruments recorded at fair value on the balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuation based on quoted prices observed in active markets for identical assets or liabilities.

Level 2 – valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarters ended September 30, 2010 and 2009

(in thousands of Canadian dollars except for number of shares or as otherwise specified)

Level 3 – valuation techniques with significant unobservable market inputs.

A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The financial instruments in the Company's financial statements, measured at fair value, are the cash and the cash subject to certain limitation. Both financial instruments were classified as Level 1 by the Company since there is an active trading market for both of them.

b) Fair value:

The carrying value of cash, accounts receivable, guaranteed investment certificate, cash subject to certain limitations, bank loan and accounts payable and accrued liabilities equals 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.

For the fair value of long-term debt, the Company discounted expected future cash flows in accordance with the loan agreements in effect using rates which the Company could use at the balance sheet date for loans with similar terms and conditions and maturity dates

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, receivables and share purchase loan to an officer. 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 receivable.

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 September 30, 2010 totals \$ 535. As at December 31, 2009, it amounted to \$ 568.

The Trade accounts receivable include an amount from one customer which represents approximately 62% of the Company's total trade accounts receivable as at September 30, 2010 and one customer representing 80% of total trade receivable as at December 31, 2009.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarters ended September 30, 2010 and 2009

(in thousands of Canadian dollars except for number of shares or as otherwise specified)

The Company derives significant revenue from certain customers. As at September 30, 2010, there were two customers who individually accounted for 55% and 14 % of the total revenues. As at September 30, 2009, there were three customers who individually accounted for 36%, 19% and 18% of revenues respectively.

ii) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. Given the Company's current revenue expectations there is some uncertainty as whether it will have sufficient working capital to fund its current operating and working capital requirements for the next 12 months. 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.

	As at September 30, 2010				
	Less than 3 months	3 - 6 months	6 months to 1 year	More than 1 year	Total
Accounts payable and accrued liabilities	3,026	-	-	-	3,026
Long-term debt	755	3,065	2,507	8,243	14,570
Advance on revenues from a supply agreement	-	168	548	2,242	2,958
	\$3,782	\$3,233	\$3,055	\$10,485	\$20,554

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 its expenses incurred and revenues generated are in U.S 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarters ended September 30, 2010 and 2009

(in thousands of Canadian dollars except for number of shares or as otherwise specified)

As at September 30, 2010, the Company is exposed to currency risk through the following assets and liabilities denominated respectively in U.S dollar and sterling pound.

In US dollar	September 30, 2010		December 31, 2009	
	US dollar	CDN dollar	US dollar	CDN dollar
Cash	341,216	351,384	237,708	248,785
Accounts receivable	957,510	986,044	156,681	163,982
Accounts payable and accrued liabilities	(1,537,938)	(1,583,769)	(3,003,800)	(3,143,778)
Long term debt	(10,013,589)	(10,311,994)	(20,527)	(21,484)
Net exposure	(10,252,801)	(10,558,334)	(2,629,938)	(2,752,495)

In sterling pound	September 30, 2010		December 31, 2009	
	Sterling pound	CDN dollar	Sterling pound	CDN dollar
Cash	470,579	762,243	77,374	130,901
Accounts receivable	138,240	223,921	881,506	1,491,332
Accounts payable and accrued liabilities	(126,111)	(204,275)	(734,495)	(1,242,617)
Advance on revenues from a supply agreement and long-term debt	(1,890,782)	(3,062,689)	(2,348,443)	(3,973,096)
Net exposure	(1,408,075)	(2,280,801)	(2,124,058)	(3,593,480)

Based on the above net exposures as at September 30, 2010, 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\$1,025,280.

A 10 % depreciation or appreciation of the Canadian dollar against the sterling pound would result in a decrease or an increase of the accumulated other comprehensive loss of 140,808 pound sterling.

The Company has not hedged its exposure to currency fluctuations.

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

	Quarter ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
a) Change in working capital items				
Accounts receivable	\$ 1,612	\$ 1,022	\$ 628	\$ 2,808
Inventories	(114)	360	763	175
Prepaid expenses	17	61	(58)	119
Accounts payable an accrued liabilities	(875)	(462)	(4,066)	(131)
Deferred revenues	(82)	(1,054)	(720)	356
	\$ 558	\$ (73)	\$ (3,453)	\$ 3,327

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarters ended September 30, 2010 and 2009

(in thousands of Canadian dollars except for number of shares or as otherwise specified)

	Quarter ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
b) Non-cash transaction				
Unpaid additions to capital assets and licenses and patents	\$ (64)	\$ 4	\$ 136	\$ 197
Excess of the interest in the joint venture PRDT over the proportionate share in the consolidated net assets	-	(2,744)	-	(2,959)
Preferred shares retractable at the holder's option	-	(4,132)	-	(4,217)
Unpaid share issue expenses	(2)	9	90	120
Unpaid interests related to the long-term debt	209	-	731	-
c) Other cash flow information				
Interests paid	44	111	170	397
Interests earned	(2)	(5)	(6)	(11)

17. Segmented information:

The financial information is presented in two different operating segments.

The two operating segments are: Therapeutics and Protein Technology

Therapeutics: This operating segment has one lead compound, PBI-1402, which address unmet needs of cancer patients undergoing chemotherapy.

Protein Technology: 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).

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarters ended September 30, 2010 and 2009

(in thousands of Canadian dollars except for number of shares or as otherwise specified)

a) Revenues and expenses by operating segment

Nine months ended September 30, 2010

	Therapeutics	Protein Technology	Corporate	Total
Revenues	2	10,315	-	10,317
Costs of goods sold excluding amortization of capital assets	-	2,324	-	2,324
Research and development expenses rechargeable	-	1,759	-	1,759
Research and development expenses non rechargeable	1,229	5,882	-	7,111
Administration and marketing expenses	-	620	3,505	4,125
Amortization and write-off of capital assets	48	121	26	195
Amortization and write-off of licenses and patents	83	211	-	294
Loss on exchange rate	-	-	155	155
Gain (Loss) on disposal of capital assets	(210)	-	13	(197)
Charges related to a guarantee	-	-	180	180
Interest expenses	33	127	1,160	1,320
Interest revenues	(5)	(1)	-	(6)
Net loss	1,176	728	5,039	6,943

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarters ended September 30, 2010 and 2009

(in thousands of Canadian dollars except for number of shares or as otherwise specified)

Nine months ended September 30, 2009

	Therapeutics	Protein Technology	Corporate	Total
Revenues	38	9,262	-	9,300
Costs of good sold excluding amortization of capital assets	-	2,003	-	2,003
Research and development expenses rechargeable	-	3,190	-	3,190
Research and development expenses non rechargeable	1,348	5,071	-	6,419
Administration and marketing expenses	-	521	2,992	3,513
Amortization and write-off of capital assets	116	459	28	603
Amortization and write-off of licenses and patents	400	206	-	606
Gain on derecognition of a net investment liability in PRDT	-	(1,257)	-	(1,257)
Charges related to a guarantee	-	-	357	357
Gain on exchange rate	-	-	(658)	(658)
Interest expenses	106	88	1,305	1,499
Interest revenues	(4)	(4)	-	(8)
Net loss	1,927	1,014	4,026	6,967

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarters ended September 30, 2010 and 2009

(in thousands of Canadian dollars except for number of shares or as otherwise specified)

Quarter ended September 30, 2010

	Therapeutics	Protein Technology	Corporate	Total
Revenues	1	2,063	-	2,064
Costs of good sold excluding amortization of capital assets	-	86	-	86
Research and development expenses rechargeable	-	1,454	-	1,454
Research and development expenses non rechargeable	411	1,402	-	1,813
Administration and marketing expenses	-	227	1,100	1,327
Amortization and write-off of capital assets	27	46	5	78
Amortization and write-off of licenses and patents	30	71	-	101
Gain on exchange rate	-	-	(349)	(349)
Loss on disposal of capital assets	35	-	-	35
Interest expenses	-	42	364	406
Interest revenues	(2)	-	-	(2)
Net loss	500	1,265	1,120	2,885

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarters ended September 30, 2010 and 2009

(in thousands of Canadian dollars except for number of shares or as otherwise specified)

Quarter ended September 30, 2009

	Therapeutics	Protein Technology	Corporate	Total
Revenues	4	3,112	-	3,116
Costs of good sold excluding amortization of capital assets	-	464	-	464
Research and development expenses rechargeable	-	1,353	-	1,353
Research and development expenses non rechargeable	48	1,359	-	1,407
Administration and marketing expenses	-	181	839	1,020
Amortization and write-off of capital assets	42	127	9	178
Amortization and write-off of licenses and patents	332	72	-	404
Gain on derecognition of a net investment liability in PRDT	-	(1,257)	-	(1,257)
Charges related to a guarantee	-	-	357	357
Gain on exchange rate	-	-	(1,321)	(1,321)
Interest expenses	71	32	249	352
Interest revenues	(4)	-	-	(4)
Net (gain) loss	485	(781)	134	(163)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarters ended September 30, 2010 and 2009

(in thousands of Canadian dollars except for number of shares or as otherwise specified)

b) Revenues by geographic segment ⁽¹⁾ :

	Quarters ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
United States	\$ 1,568	\$ 2,126	\$ 8,714	\$ 6,663
Brazil	321	-	712	-
United Kingdom	29	80	349	479
Germany	47	2	217	7
Austria	12	842	117	1,656
Holland	1	-	74	-
Denmark	32	-	64	35
Switzerland	52	62	52	123
Canada	1	4	2	38
Australia	-	-	-	150
Italy	-	-	-	102
India	-	-	-	19
Other countries	1	-	16	28
	\$ 2,064	\$ 3,116	\$ 10,317	\$ 9,300

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

c) Assets by operating segments

	September 30, 2010	December 31, 2009
Therapeutics	\$ 2,752	\$ 2,812
Protein Technology	7,052	7,690
Corporate	591	582
	\$ 10,395	\$ 11,084

d) Assets by geographic segments

	September 30, 2010	December 31, 2009
Canada	\$ 3,765	\$ 3,838
United States	2,484	1,303
United Kingdom	4,146	5,943
	\$ 10,395	\$ 11,084

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarters ended September 30, 2010 and 2009

(in thousands of Canadian dollars except for number of shares or as otherwise specified)

e) Capital assets and licenses and patents by operating segments

	September 30, 2010	December 31, 2009
Therapeutics	\$ 1,837	\$ 1,713
Protein Technology	3,223	3,224
Corporate	68	104
	\$ 5,128	\$ 5,041

f) Capital assets and licenses and patents by geographic segments

	September 30, 2010	December 31, 2009
Canada	\$ 1,983	\$ 1,897
United States	1,297	1,096
United Kingdom	1,848	2,048
	\$ 5,128	\$ 5,041

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

	September 30, 2010	December 31, 2009
Therapeutics	\$ 348	\$ 213
Protein Technology	428	257
Corporate	3	2
	\$ 779	\$ 472

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

	September 30, 2010	December 31, 2009
Canada	\$ 365	\$ 215
United States	282	63
United Kingdom	133	194
	\$ 779	\$ 472

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarters ended September 30, 2010 and 2009

(in thousands of Canadian dollars except for number of shares or as otherwise specified)

18. Contingent liabilities

The Company has been served with a lawsuit relating to a claim for payment of fees with respect to a consulting agreement, with such claim amounting to approximately US\$650,000. The Company believes that this claim is not valid and is defending its position to this effect. On the basis that the Company does not feel that this claim will be successful, no provision, for this sum, has been made in the financial statements.