



PROMETIC

PROMETIC LIFE SCIENCES INC. Q1 2011

QUARTERLY REPORT
FOR THE PERIOD ENDING MARCH 31, 2011



PROMETIC

**PRESS RELEASE
FOR IMMEDIATE RELEASE**

PROMETIC REPORTS ITS FIRST QUARTER 2011 FINANCIAL RESULTS

MONTREAL, QUEBEC, CANADA – June 14, 2011 – ProMetic Life Sciences Inc. (TSX: PLI) (“ProMetic” or the “Company”) today reported its financial results for the first quarter of 2011. All amounts are in Canadian Dollars unless otherwise indicated. The financial information in regards to the three month period ended March 31, 2011 should be read in conjunction with the Company's financial statements as well as the Management's Discussion and Analysis dated June 14, 2011.

Highlights

- The Company closed a global commercial transaction with Celgene Corporation (“**Celgene**”) resulting in the forgiveness of the \$10 million US loan entered into with Abraxis BioScience, Inc., a wholly-owned subsidiary of Celgene in February 2010, the whole subject to meeting certain administrative milestones;
- The Company announced the renegotiation of its secured debt, resulting in the postponement of \$4 million of related debt repayments due in 2011 to Q3 2012;
- The Company achieved a pivotal milestone for the in-house manufacturing of plasma-derived proteins at commercial scale thereby expanding its reach into the lucrative plasma-derived therapeutics industry by establishing a new subsidiary (“**NewCo**”). NewCo, entered into a long-term lease on very favorable conditions with Quebec's *Institut National de la Recherche Scientifique* (“INRS”) for an existing state-of-the-art manufacturing facility. This facility, located in Laval's biotech cluster, will have a targeted plasma processing capacity of 150,000 liters per annum;
- The Company raised CAD \$1.5 million for equity in NewCo. The investors in NewCo have authorized the temporary use of these funds for working capital purposes by the Company. The Company also relocated its headquarters to the new facility in Laval, reducing the overhead burden on the business;
- Subsequent to the quarter's end, the Company expanded and strengthened its partnership with Wuhan Institute of Biologic Products (“WIBP”) and its parent company, China National Biotech Group (“CNBG”). This announcement followed a series of successful milestone achievements, a close cooperation between the parties in recent years and ProMetic's decision to establish NewCo, its new facility to manufacture plasma-derived therapeutics in Laval, Quebec, which was instrumental in the expansion of this relationship;
- Subsequent to quarter end, the Company secured an interest-free, repayable working capital grant in the amount of CAD \$0.5 million from the Isle of Man Government's

Department of Economic Development. The grant is repayable in 6 equal monthly installments commencing 6 months from the draw-down date; and,

- The Company concluded a series of equity investments by way of private placements amounting to total cash injections in ProMetic of \$2.75 million since January 2011.

“During the first quarter of 2011, management continued its work to build the underlying value of the Company’s technologies and related intellectual property,” stated Mr. Pierre Laurin, ProMetic’s President and Chief Executive Officer. Mr. Laurin continued, “Work to improve the balance sheet was successfully undertaken as demonstrated by the debt reduction and successful financing activities.”

“The results for the first quarter of 2011, when compared to the results for the first quarter 2010, show a reduction year-on-year loss of around \$0.5 million” commented Mr. Bruce Pritchard, the Company’s Chief Financial Officer “The Protein technologies division recognized the first U.S. \$2 million tranche of revenue associated with the recently announced Celgene transaction. I anticipate the remaining tranches of revenue totaling U.S. \$8 million to be recognized during the course of 2011” added Mr. Pritchard.

First Quarter Financial Highlights

For the three month period ended March 31 *(In thousands of Canadian dollars, except for per share amounts - unaudited)*

	1st quarter ended March 31	
	2011	2010
Revenues	2,818	3,002
Net profit (loss)	(2,678)	(3,128)
Net loss per share – (basic and diluted)	(\$0.01)	(\$0.01)
Weighted average number of outstanding shares	356,000	341,000

Total revenues for the first quarter of 2011, which were derived from the Protein Technologies unit, were \$2.8 million compared with \$3.0 million in 2010. The first quarter revenue came from sales of affinity adsorbents to major pharmaceutical companies as well as the initial tranche of revenue recognized from the Celgene transaction. It is worth reminding readers again that the revenues of the business do not accrue in a straight line during the year and that anticipated revenues are geared towards the latter quarters of the year.

The combined costs of goods sold and rechargeable research and development expenses for the quarter ended March 31, 2011, totalled \$0.8 million compared to \$1.2 million for the quarter ended March 31, 2010. This difference is explained by the mix of product sales from period to period and by the volumes of individual products sold within that mix. There were no costs of goods sold associated with the licensing revenues disclosed in note 5 of the quarterly financial statements.

Non rechargeable research and development expenses were \$2.6 million for the quarter ended March 31, 2011, compared to \$2.9 million for the quarter ended March 31, 2010. The variance

is mainly attributable to the ongoing strategic cost reduction program implemented by Management.

The Company generated a net loss of \$2.7 million or \$0.01 per share (basic and diluted), for the first quarter ended March 31, 2011, as compared to a net loss of \$3.1 million or \$0.01 per share (basic and diluted) for the quarter ended March 31, 2010. The reduction in net loss is primarily attributable to favorable foreign exchange impacts.

Operating costs for the quarter decreased to \$4.7 million from \$5.7 million in the previous year. This decrease was attributable partly due to positive exchange movements, and partly due to lower cost of goods sold associated with the revenue mix.

The Company also granted a total of 3,200,000 restricted share units (“**RSUs**”) to certain executive officers of the Company subsequent to quarter end, as part of an incentive program designed to align the interests of the Company’s executives with those of its shareholders, and in accordance with its Long Term Incentive Plan. The RSUs only vest upon achievement of various important corporate and commercial objectives that would in turn create significant shareholder value.

Appointments to the Board of Directors at the May 18, 2011, Annual Meeting of Shareholders

The following members were nominated to ProMetic’s Board of Directors:

- Mr. G.F. Kym Anthony, Chair of DFG Investment Advisers;
- Mr. Robert Lacroix, Senior Vice-President of CTI Capital Securities Inc.;
- Mr. Pierre Laurin, President and CEO of ProMetic Life Sciences;
- Mrs. Louise Ménard, President of *Groupe Méfor inc.*;
- Mr. Paul Mesburis, Senior Portfolio Manager and Chief Compliance Officer, Excel Investment Counsel Inc.;
- Mrs. Nancy Orr, Consultant;
- Mrs. Louise Paradis, Senior Vice-President, Legal Affairs and Corporate Secretary of *Banque de Développement du Canada*;
- Dr. Roger Perrault, Independent Director;
- Mr. Bruce Wendel, Independent Director; and
- Mr. Benjamin Wygodny, President of Angus Partnership.

Outlook

Management’s outlook for 2011 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.

In the Proteins Technologies (Prion) division, the Company will continue to lobby alongside Macopharma for the adoption of the P-Capt® filter in the UK. The Company is hopeful that P-Capt® sales will commence following the reporting of the PRISM clinical study results, which is expected in late 2011.

In addition to seeking other industrial scale users for the prion reduction technology, ProMetic will continue to support Octapharma AG in the adoption of its product, OctaplasLG®.

Octapharma remains positive regarding the ultimate regulatory approval of its OctaplasLG[®] product. Therefore, the Company expects orders for resin to recommence late in 2011.

Also in the Proteins Technologies (Plasma) division, the Company will continue the setting up of its cGMP pilot manufacturing plant with a view to commencing operations as soon as possible. This plant, together with the results arising from activities at the Wuhan Institute of Biologic Products will be used by the Company to leverage its other commercial-scale opportunities for the technology in other territories.

In the small molecule Therapeutics division, the Company continues to focus on business development activities. Partnering discussions continue with respect to PBI-1402, its NCE analogues and other therapeutics. It is Management's goal that the Company close a strategic deal with a major pharmaceutical company and secure funding to further advance its various development programs.

Finally, and in line with earlier commitments, Management continues to tightly control costs throughout the business, with a view to driving the Company towards self-sustainment and profitability.

Additional Information in Regards to the Three month Period ended March 31, 2011

ProMetic's MD&A and 2011 First Quarter Financial Statements have been filed on Sedar (www.sedar.com) and are available on the Company's web site at www.prometic.com.

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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For further information please contact:

Pierre Laurin
President and CEO
ProMetic Life Sciences Inc.
p.laurin@prometic.com
+1.514.341.2115

Frederic Dumais
Director, Communications & Investor Relations
ProMetic Life Sciences Inc.
f.dumais@prometic.com
+1.450.781.0115

MD&A

The Management's Discussion and Analysis of Operating Results and Financial Position, prepared June 14, 2011, 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 first quarter of 2011 compared to the operating results for the first quarter of 2010.

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 2011 first quarter and 2010 annual consolidated financial statements and the accompanying notes included in the annual report.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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.

The use of these principles may not be appropriate because as at March 31, 2011, there is significant doubt that the Company will be able to continue as a going concern without raising additional financial resources. Since inception, the Company has incurred significant losses and has a working capital deficiency of \$14.9 million (of which USD 8 million relates to deferred revenues associated with the Celgene transaction dated March 31, 2011) and a shareholders' deficiency of \$14.7 million as at March 31, 2011. The Company's committed cash obligations and expected level of expenditures for the next 12 months, exceed its committed sources of funds. To date, the Company has financed its activities through bank loans, government financial support, investment tax credits 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. In January 2011, the Company announced the renegotiation of its secured debt, resulting in the postponement of \$4 million of related repayments from 2011 to July 2012. The Company was also successful in raising \$1.5 million of funds, during the first quarter of 2011, for NewCo, its new subsidiary, which has been established to operate a pilot-scale manufacturing facility for plasma-derived therapeutics. The investors in NewCo have authorized the temporary use of these funds for working capital purposes in the Company (see Note 1 in the 2010 consolidated financial statements).

Additionally, on March 31, 2011, the Company entered into an agreement with Celgene Corporation ("Celgene") resulting in the forgiveness of the \$10 million US loan entered into with Abraxis BioScience, Inc. ("Abraxis") in February 2010, subject to meeting certain administrative milestones (see note 12 of the quarterly financial statements).

These initiatives remove a significant near-term cash pressure for the Company, but these additional sources of funds are not sufficient for the Company to discharge its liabilities for the next 12 months. Continued effort is placed by management on expanding the customer base for existing marketed products and the Company is continuing to seek additional financing alternatives, including non-dilutive financing, collaboration and licensing arrangements, equity and debt financing. The Company's ability to increase its revenues or raise additional capital to generate sufficient cash flows to continue as a going concern is subject to significant doubt and significant risks all of which are beyond management's control. There can be no assurance that such financing will materialize on a timely basis or obtained on favorable terms. The consolidated 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. Such adjustments could be material.

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, 2010. 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.

FIRST QUARTER 2011 IN SUMMARY

During the first quarter of 2011, management continued its work to build the underlying value of the technology and intellectual property in the business. Management also worked to improve the balance sheet which was also undertaken with some degree of success as demonstrated by the Company's cash flow and short term and long term debt reduction, postponement and successful financing activities.

The Company achieved a pivotal milestone for the in-house manufacturing of plasma-derived proteins at commercial scale thereby expanding its reach into the lucrative plasma-derived therapeutics industry, by establishing a new subsidiary, "NewCo".

NewCo, entered into a long-term lease on very favorable conditions with Quebec's *Institut National de la Recherche Scientifique* ("INRS") for an existing state-of-the-art manufacturing facility and will undertake the development and manufacturing of high-value plasma-derived therapeutic biosimilars for ProMetic's current and future clients. This facility, located in Laval's biotech cluster, will have a targeted processing capacity of 150,000 liters per annum. NewCo will be funded via third-party investments and it is anticipated that NewCo will rapidly become self-sustaining through end product services and sales to ProMetic's existing clients.

Commensurate with management's ongoing cost-control measures, the Company has relocated its headquarters to the new facility in Laval, reducing the overhead burden on the business.

In a series of moves to improve short-term liquidity and de-risk the balance sheet, Management entered into a series of transactions. Firstly, the repayment of secured loans due in 2011 was renegotiated to July 2012, effectively temporarily removing them from short-term liabilities.

Secondly, on March 31, 2011, the Company entered into an agreement with Abraxis, a wholly owned subsidiary of Celgene, whereby the Company will assign certain intellectual property rights regarding a protein technology to Celgene for a specific field of use. As consideration for the assignment of intellectual property rights, the \$10 million US loan entered into with Abraxis in February 2010 was forgiven. The agreement requires the Company to comply with certain administrative milestones by February 9, 2012. Following the balance sheet date, the first of these milestones was met. Failure to meet the remaining milestone would result in \$6 million US of the loan to be reinstated. The Company considers it unlikely that it will be unable to meet the required remaining milestone.

Relating to this transaction, the balance sheet of the Company at March 31, 2011 includes US\$8 million as deferred revenue. US\$2 million of this will be released to the Statement of Operations in the second quarter of 2011. The remaining US\$6 million will be released when the remaining milestone, referred to above, is met.

Thirdly, following the close of the quarter, the Company concluded a series of equity investments by way of private placements (including the \$0.8 million investment that was previously disclosed in ProMetic's 2010 Annual Report)

which brings total equity investment in ProMetic to \$2.75 million since January 2011. These investments were done at an average approximate share price of \$0.16 for a total of 17,686,274 common shares of ProMetic and are subject to a four-month hold period. No warrants were issued in relation to said investments.

Operating costs for the quarter decreased to \$4.7 million from \$5.7 million in the previous year. This decrease was attributable partly due to positive foreign exchange rate movements, and partly due to lower cost of goods sold associated with the revenue mix.

Analyzing the business segment performance for the quarter highlights the slightly higher expenditure associated with the Therapeutics division. However the figures for first quarter 2010 included a one-off gain of \$0.3 million associated with an insurance claim. Protein Technologies posted an improvement over the same quarter of 2010 due to the revenues recognized so far from the Celgene transaction and a reduction in R&D spend. Corporate division losses reduced for first quarter 2011 versus first quarter 2010 by \$0.3 million which is primarily attributable to favorable foreign exchange impacts.

Profit (Loss)*	Q1 2011	Q1 2010	Change %
Therapeutics	(563)	(163)	245.4
Protein Technologies	(395)	(901)	(56.2)
Corporate	(1,720)	(2,064)	(16.7)
Total Loss	(2,678)	(3,128)	(14.4)
* in thousands of dollars			

FIRST QUARTER 2011 SIGNIFICANT EVENTS

Protein Technologies

- The Company established a new subsidiary, NewCo which has leased and will operate a pilot manufacturing plant which will provide ProMetic an opportunity to commercialize products using its PPPS™ technology for the multi-million dollar plasma-derived therapeutics market. The plant which was leased on very favorable terms has a targeted capacity of 150,000 liters of plasma annually.
- Subsequent to the balance sheet date, ProMetic announced that Wuhan Institute of Biologic Products ("WIBP") and its parent company, China National Biotech Group ("CNBG"), have agreed to further expand and strengthen their partnership with ProMetic. This announcement followed a series of successful milestone achievements and close cooperation between the parties in recent years.

Corporate

- The Company announced that it had reorganized the terms of its secured debt, moving \$4 million of debt repayments to July 2012, effectively reclassifying it from short-term to long-term debt and removing a significant short-term pressure on cash flow.
- Subsequent to December 31, 2010 the Company announced that it had established a new subsidiary, "NewCo", which had attracted seed investment of \$1.5 million, representing a 10% holding in NewCo, thus valuing the new subsidiary at \$15 million.
- ProMetic relocated its Headquarters to Laval, QC, Canada, the home of its new pilot manufacturing plant.
- The company split the role of President and CEO from that of Chairman of the Board. Mr. G.F. Kym Anthony, an experienced and successful capital markets executive with over 30 years in the financial services and investment banking industries, accepted nomination as Chairman.
- On March 31, 2011, the Company entered into an agreement with Abraxis, a wholly owned subsidiary of Celgene,

whereby the Company will assign certain intellectual property rights regarding a protein technology to Celgene for a specific field of use. As consideration for the assignment of intellectual property rights, the \$10 million US loan entered into with Abraxis in February 2010 was forgiven. The agreement requires the Company to comply with certain administrative milestones by February 9, 2012. Following the balance sheet date, the first of these milestones was met. Failure to meet the remaining milestone would result in \$6 million US of the loan to be reinstated. The Company considers it unlikely that it will be unable to meet the required remaining milestone.

Post Balance-Sheet Events

- The series of equity investments by way of private placements (including the \$0.8 million investment that was previously disclosed in ProMetic's 2010 Annual Report) brings total equity investments in ProMetic to \$2.75 million since January 2011. These investments were done at an average approximate share price of \$0.16 for a total of 17,686,274 common shares of ProMetic and are subject to a four month hold period. No warrants were issued in relation to said investments.

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 Laval, Canada.

BUSINESS SEGMENTS

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

- ProMetic BioSciences Ltd ("PBL"), based in the UK (Isle of Man and Cambridge);
- Pathogen Removal and Diagnostic Technologies Inc. ("PRDT"), a company registered in Delaware, USA, operated under the control of PBL;
- ProMetic BioTherapeutics Inc ("PBT"), based in Rockville, MD, USA;
- ProMetic Manufacturing Inc. ("PMI"), based in Joliette, Quebec, Canada; and
- ProMetic "NewCo", based in Laval, 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, with more than 12 products, relying on ProMetic's proven technology, having received FDA / European Medicines Agency's ("EMA") approval. 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.

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 into its manufacturing process for OctaplasLG® to further improve the prion safety margin for this plasma product. OctaplasLG® has obtained regulatory approval in Germany. 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.

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.

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.

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

ProMetic NewCo will undertake the development and manufacturing of high-value plasma-derived therapeutic biosimilars for ProMetic's current and future clients. NewCo will be funded via third-party investments and it is anticipated that NewCo will become self-sustaining through end product services and sales to ProMetic's existing clients. An initial \$1.5 million investment has been received as part of a \$2.5 million commitment. This new business venture has also received pledges for additional funding from various institutions and key stakeholders involved in ProMetic's protein technologies activities which could amount to additional financial contributions of \$3.5 million.

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. PBI's therapeutics target unmet medical needs in the following indications:

- Inflammation / fibrosis;
- Autoimmune diseases;
- Oncology; and
- Anemia.

Typically, these first-in-class therapeutics are orally active, with efficacy and high safety profiles confirmed in several in vivo experiments and enjoy strong proprietary positions:

One of ProMetic's lead candidates, 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 has demonstrated 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 one million patients annually in the USA alone.

Since the publication of the FDA briefing document, the Oncology Drugs Advisory Committee in March 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 with 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.

In late 2010, ProMetic announced that it had signed the terms of a strategic agreement for PBI-1402 and PBI-4419 with Allist of China who will fund the development costs required for the regulatory approval in China for the two products. Allist undertakes to perform development activities according to standards meeting FDA requirements, which will then allow ProMetic to have full access to and use the data generated by Allist for markets outside China. This represents an investment in the programs well in excess of \$10 million US. Allist will retain the rights for the Chinese market for PBI-1402 for the chemotherapy-induced anemia and cancer related anemia indications and for PBI-4419 for fibrotic diseases.

BUSINESS STRATEGY

ProMetic's strategy in relation to its Protein Technologies business segment has been well defined by management: 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.

ProMetic created a new subsidiary, NewCo, which has entered into a long-term lease on very favorable conditions with Quebec's Institut National de la Recherche Scientifique ("INRS") for an existing state-of-the-art facility. NewCo will undertake the development and manufacturing of high-value plasma-derived therapeutic biosimilars for ProMetic's current and future clients. NewCo will be funded via third-party investments and is anticipated NewCo will become self-sustaining through end product services and sales to ProMetic's existing clients. An initial \$1.5 million investment has been received as part of a \$2.5 million commitment. This new business venture has also received pledges for additional funding from various institutions and key stakeholders involved in ProMetic's protein technologies activities which could amount to additional financial contributions of \$3.5 million. This relieves a significant capital expenditure hurdle for ProMetic, allowing it to deliver in its objectives in a very cost-effective and non-dilutive manner.

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

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

Some products target niche markets

Ability to recognize revenues from complex contracts with multiple deliverables

Opportunities

Development of innovative products for new applications

Ability to scale according to client needs

Vast partnering opportunities

Threats

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 in the least dilutive means possible, recognizing that shareholders had experienced dilution in the past.

Since 2009, the Company has been 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.

In January 2011, the Company successfully restructured the secured loans provided to the Company by a select group of stakeholders. The restructuring arrangements postponed the repayment of \$4 million of ProMetic's secured debt originally scheduled to occur in the first half of 2011 to July 1st 2012. As consideration for the above-mentioned debt restructuring, the stakeholders collectively received 4,508,499 shares in ProMetic's share capital at market price, representing 1.28% of ProMetic's outstanding shares or 1.26% on a fully diluted basis. The stakeholders shall also collectively received 2,857,139 warrants, which if exercised could, collectively with the above-mentioned shares, represent 2.10% of ProMetic's outstanding shares or 2.06% on a fully diluted basis. The Toronto Stock Exchange has given conditional approval to this issuance of shares and granting of warrants.

The arrangements discussed above to restructure the secured loans 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.

On March 31, 2011, the Company entered into an agreement with Abraxis, a wholly owned subsidiary of Celgene,

whereby the Company will assign certain intellectual property rights regarding a protein technology to Celgene for a specific field of use. As consideration for the assignment of intellectual property rights, the \$10 million US loan entered into with Abraxis in February 2010 was forgiven. The agreement requires the Company to comply with certain administrative milestones by February 9, 2012. Following the balance sheet date, the first of these milestones was met. Failure to meet the remaining milestone would result in \$6 million US of the loan to be re-instated. The Company considers it unlikely that it will be unable to meet the required remaining milestone.

Following the close of the quarter, the company concluded a series of equity investments by way of private placements (including the \$0.8 million investment that was previously disclosed in ProMetic's 2010 Annual Report) brings total equity investments in ProMetic to \$2.75 million since January 2011. These investments were done at an average approximate share price of \$0.16 for a total of 17,686,274 Common Shares of ProMetic and are subject to a four month hold period. No warrants were issued in relation to said investments.

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 monitor and evaluate the progress of each performance driver and to provide status updates in the Company's quarterly MD&A report.

PBL	EVENTS 2010 onwards
Maintain a profitable bioseparations business	<ul style="list-style-type: none"> • PBL has increased its contribution to the costs of the wider group year-on-year since 2007.
Generate positive cash-flow from operations	<ul style="list-style-type: none"> • PBL generated net cash inflows during 2009. These have already increased in 2010 and should continue to increase in the second half of 2011.
Expand affinity adsorbent sales	<ul style="list-style-type: none"> • New contracts signed and expansion on existing contracts – Halozyme, large European biopharmaceutical. • Overall sales in PBL exceeded GBP 5M in 2009 and have reached CAD 8.9M in 2010. • 2011 sales in PBL are expected to surpass 2010 sales as new clients are being added
Establish long-term supply agreements	<ul style="list-style-type: none"> • Agreement signed with Octapharma and Halozyme and a major pharmaceutical company during 2009. • Octapharma launched second product, UniplasLG[®], which incorporates ProMetic's prion-capture technology.
Develop new strategic alliances	<ul style="list-style-type: none"> • Strategic alliance with Novozymes signed in 2010 • Other strategic alliances with new clients for new development programs are currently being pursued and should materialize once target product profiles are achieved.

PBT	
Drive collaboration programs with existing partners including Abraxis, WIBP/Sinopharm, Kedrion, Blue Blood and Sartorius	<ul style="list-style-type: none"> • Collaboration with WIBP/Sinopharm further expanded and strengthened WIBP/Sinopharm personnel recently trained at PBT laboratories. Small scale resin batches supplied 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 in different territories.
Expand the number of strategic partners and products developed	<ul style="list-style-type: none"> • Current focus is on delivering quality results for existing customers; these will be used as the catalyst to expand into new relationships.
Build a solid pipeline of products	<ul style="list-style-type: none"> • Currently 7 products are under development. A further 2 are being actively pursued.
Expand business to include manufacturing of bulk active for existing partners and others	<ul style="list-style-type: none"> • Work is progressing towards this objective, with production of first bulk material for clinical trials expected in 2011. • Lease on pilot manufacturing plant signed in Q4 2010
PRDT	
Adoption of P-Capt [®] in UK	<ul style="list-style-type: none"> • Recommendation for adoption in children born after January 1, 1996 by SaBTO. • Heightened awareness at senior levels of the UK government. • PRISM study patient recruitment has been completed. • Adoption in Macau.
Adoption of P-Capt [®] in Ireland as well as other European countries	<ul style="list-style-type: none"> • Expansion of trials into Cavan General Hospital and Crumlin Hospital in Ireland.
Expand commercial use of prion reduction resin in bulk applications	<ul style="list-style-type: none"> • Contract with Octapharma for OctaplasLG[®]. Octapharma seeking approval for UniplasLG[®].

PBI	
Partner PBI-1402 and / or NCE analogues	<ul style="list-style-type: none"> • The terms for a strategic agreement for PBI-1402 and PBI-4419 were announced with Allist of China on October 18, 2010. • Other partnering discussions are ongoing.
New data to support expanded potential uses and new indications	<ul style="list-style-type: none"> • Peer-reviewed positive phase Ib/IIa clinical data presented at the Annual Meeting of the European Haematology Association. • 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.
Regulatory milestones in key markets	<ul style="list-style-type: none"> • Autoimmune disease program revitalized with new discovery. • FDA guidance corroborating ProMetic's regulatory pathway for PBI-1402 and its analogues for anemia and cancer.

CAPABILITY TO DELIVER RESULTS

CAPITAL RESOURCES

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

As mentioned earlier, NewCo will be funded via third-party investments. This relieves a significant capital expenditure hurdle for ProMetic, allowing it to deliver in its objectives in a very cost-effective and non-dilutive manner. It is anticipated NewCo will become self-sustaining through end product services and sales to ProMetic's existing clients.

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 \$2.9 million as at March 31, 2011, and \$3.3 million as at December 31, 2010. Attention is drawn to the going concern (Note 1). Management plans to particularly improve the Company's going concern position over the year, using the means which minimize dilution as far as possible for existing shareholders.

Accounts receivable were \$1.5 million as at March 31, 2011, compared to \$1.8 million as at December 31, 2010. 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 increased slightly to \$0.9 million as at March 31, 2011, compared to December 31, 2010.

Cash was \$0.2 million as at March 31, 2011.

As discussed earlier in the MD&A and subsequent to December 31, 2010, the secured debt on the balance sheet has been renegotiated, effectively making it long-term and as a result easing pressure on short-term cash flows. In addition, the \$10 million US long-term loan has also been eliminated as the loan agreement was fully satisfied subject to certain administrative milestones being met. The remaining unsecured debt has been provided by strategic business partners, which provides for repayments against product shipments.

Current liabilities include deferred revenue, US \$8million of which relates to the elimination of the US\$10 million debt referred to above. US\$2 million of this deferred revenue will be released to the Statement of Operations in the second quarter of 2011. The remaining US\$6 million will be released when the remaining milestone, referred to above, is met.

Also included in Current Liabilities is a sum of \$2.24 million labelled advances from shareholders. This relates to investments in equity (\$1.5 million in Newco and \$0.74 million in PLI), for which the shares were not issued at March 31, 2011. These sums are therefore not repayable, as the shares will be issued in subsequent accounting periods.

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 of the Company's employees. ProMetic has a talented team of staff and an experienced management team that shares in the Company's vision and recognizes 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 and Compensation Committee has devised a Compensation Policy for Senior Management, which it believes to be aligned with Shareholder Interest.

RESULTS AND OUTLOOK

RESULTS OF OPERATIONS

Quarter ended March 31, 2011, compared to quarter ended March 31, 2010

Revenues

Total revenues for the first quarter of 2011, which were derived from the Protein Technologies unit, were \$2.8 million compared with \$3.0 million in 2010.

The first quarter revenue came from sales of affinity adsorbents to major pharmaceutical companies as well as the initial tranche of revenue recognized from the Celgene transaction.

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 March 31, 2011, totalled \$0.8 million compared to \$1.2 million for the quarter ended March 31, 2010. This difference

is explained by the mix of product sales from period to period and by the volumes of individual products sold within that mix.

Based on the combined cost of goods sold and the rechargeable research and development expenses, a gross profit of 71.8% was achieved during the first quarter of 2011 compared to 60.4% for the same quarter in 2010. The difference is due to differing mix of products and services sold. There were no costs of goods sold associated with the licensing revenues disclosed in note 5 of the quarterly financial statements.

Research and Development Expenses – Non rechargeable

Non rechargeable research and development expenses were \$2.6 million for the quarter ended March 31, 2011, compared to \$2.9 million for the quarter ended March 31, 2010. The variance is mainly attributable to the ongoing strategic cost reduction program implemented by Management.

Administrative and Marketing Expenses

Administrative and marketing expenses were \$1.6 million for the first quarter of 2011 compared to \$1.5 million for the same quarter in 2010.

Net Loss

The Company generated a net loss of \$2.7 million or \$0.01 per share (basic and diluted), for the first quarter ended March 31, 2011, as compared to a net loss of \$3.1 million or \$0.01 per share (basic and diluted) for the quarter ended March 31, 2010. The reduction in net loss is primarily attributable to favorable foreign exchange impacts.

EBITDA by Business Units

Quarter ended March 31, 2011 - In millions of dollars

	Protein Technologies	Therapeutics	Corporate	Total
Revenues	2.8	-	-	2.8
Cost	3.1	0.5	1.0	4.6
EBITDA	(0.3)	(0.5)	(1.0)	(1.8)

EBITDA is a non-GAAP measure, employed by the Company to monitor its performance. Therefore it is unlikely to be comparable to similar measures presented by other companies. The Company calculates its EBITDA by subtracting from revenues, its cost of goods sold, its research and development expenses rechargeable and non-rechargeable as well as its administration and marketing expenses and excluding amortization of capital assets and licenses and patents.

CASH FLOWS

Cash flows used in operating activities amounted to \$2.3 million for the quarter ended March 31, 2011, compared with \$5.0 million for the quarter ended March 31, 2010. In 2010 a significant amount of the funds received from Abraxis were used to clear balances with suppliers.

The cash inflows from financing activities amounted \$2.3 million for the quarter ended March 31, 2011 compared to \$12.3 million for the quarter ended March 31, 2010. The difference comes from the long-term debt and equity provided by Abraxis in fiscal 2010.

Summary of Quarterly Results

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

share amounts.

	2011		2010				2009	
	IFRS		IFRS				Canadian GAAP	
	March 31	December 31 ¹	September 30 ¹	June 30 ¹	March 31 ¹	December 31	September 30	June 30
Revenues	2.8	1.1	2.1	5.1	3.0	4.3	3.2	2.3
Net profit/(loss)	(2.7)	(4.3)	(2.9)	(0.9)	(3.1)	(2.4)	0.2	(5.1)
Net loss per share (basic and diluted)	(0.01)	(0.01)	(0.01)	(0.00)	(0.01)	(0.01)	(0.00)	(0.02)
Weighted average number of outstanding shares	356	351	350	350	341	331	327	320

¹ As restated to apply IFRS as issued by the IASB

OFF-BALANCE SHEET ARRANGEMENTS

In the normal course of business, the Company finances certain of its activities off-balance sheet through leases.

On an ongoing basis, the Company enters into operating leases for buildings and equipment. Minimum future rental payments under these operating leases, determined as at March 31, 2011, are included in the contractual obligations table below.

	\$
Less than one year	2,309
Between one and five years	3,880
More than five years	4,897
	11,087

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 had 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.

On March 25, 2010, the parties entered into a settlement agreement, which called for the Company to pay to Camofi an amount of \$800,000 US (\$837,280 CDN) on April 1, 2010, in addition to a payment of \$250,000 US (\$260,725 CDN) 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.

In the year ended December 31, 2010, the Company recognized an amount of \$0.2 million as a loss on this guarantee (\$0.9 million in 2009). As at December 31, 2010 and March 31, 2011, no receivable from the borrower was recorded given collectability was not reasonably assured.

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 favor of the Company by the borrower of 9,500,000 shares of the Company stock. The loan is also secured by a pledge in favor of the Company by Invhealth Capital Inc. of all its shares of the borrower and by a pledge in favor 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.

POST BALANCE SHEET EVENTS

In April 2011, the company closed a series of equity investments by way of private placements (including the \$0.8 million investment that was previously disclosed in ProMetic's 2010 Annual Report) bringing total equity investments in ProMetic to \$2.75 million since January 2011. These investments were done at an average approximate share price of \$0.16 for a total of 17,686,274 common shares of ProMetic and are subject to a four month hold period. No warrants were issued in relation to said investments.

During May 2011, ProMetic Biosciences Limited secured an interest-free, repayable working capital grant from the Isle of Man Government department of Economic Development for the sum of GBP 300,000 (\$474,000). This sum is repayable in six equal installments starting 6 months from the date of the drawdown of the grant. The funds have been granted for working capital purposes in ProMetic Biosciences Ltd.

The Company also granted a total of 3,200,000 restricted share units ("RSUs") to certain executive officers of the Company, as part of an incentive program designed to align the interests of its executives with those of its shareholders, and in accordance with its Long Term Incentive Plan ("LTIP"). The RSUs only vest upon achievement of various important corporate and commercial objectives that would create significant shareholder value.

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 March 31, 2011, the capital stock issued and outstanding consisted of 357,672,838 common shares (353,164,339 as at December 31, 2010).

As at June 14, 2011, the capital stock issued and outstanding consisted of 375,459,112 common shares.

Stock Options

As at March 31, 2011, the Company has 8,910,451 stock options outstanding with exercise prices ranging from \$0.12 to \$1.50.

OUTLOOK

Management's outlook for 2011 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.

At the Corporate level, in April 2011, the company closed a series of equity investments by way of private placements (including the \$0.8 million investment that was previously disclosed in ProMetic's 2010 Annual Report) bringing total equity injections in ProMetic to \$2.75 million since January 2011. These investments were done at an average approximate share price of \$0.16 for a total of 17,686,274 common shares of ProMetic and are subject to a four month hold period. No warrants were issued in relation to said investments.

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

In the Protein Technologies (Prion) division unit, work will continue to embed the prion-safety technology into the manufacturing processes of NewCo.

The Company will continue to lobby alongside Macopharma, for the adoption of the P-Capt® filter in the UK. In line with SaBTO's recommendation, in November 2009, for adoption of the P-Capt® filter for children born after January 1, 1996, the Company is hopeful that sales will commence after the reporting of the PRISM clinical study results, which is expected in late 2011.

In addition to seeking other industrial scale users for the technology, ProMetic will continue to Support Octapharma in the adoption of OctaplasLG®. Octapharma remains positive regarding the ultimate regulatory approval of its OctaplasLG® product by the Medicines and Healthcare products Regulatory Agency ("MHRA") and its ultimate approval in additional key European Union countries, we therefore expect orders for resin to recommence late 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.

Also in the Proteins Technologies (Plasma) division, the Company will continue the setting up of its cGMP pilot manufacturing plant with a view to commencing operations as soon as possible. This plant, together with the results arising from activities at the Wuhan Institute of Biologic Products will be used by the Company to leverage its other commercial-scale opportunities for the technology in other territories.

In the therapeutics division, activity will be focused on business development activities. Partnering discussions continue with regard to PBI-1402, its NCE analogues and other therapeutics. It is Management's goal that the Company close a strategic deal with a major pharmaceutical company, and secure funding to further advance its various development programs.

Finally, and in line with earlier commitments, Management will continue to tightly control costs throughout the business, with a view to driving the Company towards self-sustainment and profitability.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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.

Therefore, our IFRS financial statements for the year ending December 31, 2011 will comply with these new standards and will include the comparative period of 2010. Starting with this quarter, we have provided unaudited quarterly financial information in accordance with IFRS 1 "First-time adoption of International Financial Reporting Standards" and IAS 34 "Interim Financial Reporting" including comparative figures for 2010. Please refer to Note 19 of the Quarterly financial statements for a reconciliation of previously reported periods in accordance with Canadian GAAP to IFRS, as well as an explanation of how the transition from Canadian GAAP to IFRS has affected our financial position, financial performance and cash flows. Also refer to Note 2 and 3 for the accounting standards chosen, key hypothesis and other estimations used in order to prepare the quarterly financial statements for the period ending March 31st, 2011.

IFRS changeover plan

On March 31, 2011, the third and final phase was completed and the unaudited interim financial statements for the first quarter of 2011 are prepared using IFRS. The third and final phase of the Company's changeover plan consisted in implementing and reviewing the changes that affect accounting policies and practices, business processes, systems and internal controls. The different changes and impacts are documented below.

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

New accounting standards

IFRS 9 - Financial Instruments

IFRS 9 is the first phase of the IASB's three phase project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. It is applicable to financial assets and requires classification and measurement in either the amortized cost or the fair value category. IFRS 9 is applied prospectively with transitional arrangements depending on the date of application. The Standard is not applicable until annual periods beginning on or after January 1, 2013, but is available for early adoption. The Company is currently evaluating the impact of adopting IFRS 9.

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 March 31, 2011. 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

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. 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.

Financial Risk

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

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer, partner or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash, 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, restricted cash and trade accounts receivables. 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 significant 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 recognized 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, 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.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

We have designed disclosure controls and procedures to provide reasonable assurance that information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and is made known to the President and Chief Executive Officer and the Chief Financial Officer, particularly during the period in which the interim filings are being prepared.

We have designed internal controls over financial reporting ["ICFR"] to provide reasonable assurance regarding the reliability of the Corporation's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There were no changes in our ICFR that occurred during the period beginning on January 1, 2011 and ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect, our ICFR.

PROMETIC LIFE SCIENCES INC.
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

(In thousands of Canadian dollars)

(Unaudited)

	As at March 31, 2011	As at December 31, 2010	As at January 1, 2010
ASSETS (note 12)			
Current assets			
Cash	\$ 164	\$ 252	\$ 493
Accounts receivable (note 6)	1,497	1,790	2,612
Inventories (note 7)	930	1,032	2,128
Prepaid expenses	261	220	201
	2,852	3,294	5,434
Restricted cash (note 8)	226	228	356
Investments (note 9)	52	52	253
Capital assets	939	883	1,133
Licenses and patents	4,167	4,136	3,908
	\$ 8,236	\$ 8,593	\$ 11,084
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current liabilities			
Bank loan	\$ -	\$ -	\$ 911
Other loan	652	652	-
Trade and other payables (note 10)	5,306	4,508	6,956
Advances from shareholders (note 11)	2,240	-	-
Deferred revenues (note 12)	8,821	271	910
Current portion of long-term debt (note 12)	259	2,251	3,137
Current portion of advance on revenues from a supply agreement (note 13)	430	1,172	1,316
	17,708	8,854	13,230
Long-term debt (note 12)	2,693	11,511	2,296
Advance on revenues from a supply agreement (note 13)	2,488	1,696	1,826
	22,889	22,061	17,352
SHAREHOLDERS' DEFICIENCY			
Share capital (note 14)	215,942	215,266	212,728
Contributed surplus	9,644	8,822	8,446
Future investment rights (note 14)	6,542	6,542	2,195
Accumulated other comprehensive loss	257	255	-
Deficit	(245,939)	(243,438)	(229,636)
Deficiency attributable to owners of the parent	(13,554)	(12,552)	(6,267)
Non-controlling interests	(1,099)	(915)	-
	(14,653)	(13,468)	(6,267)
	\$ 8,236	\$ 8,593	\$ 11,084

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

PROMETIC LIFE SCIENCES INC.**INTERIM 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)

(Unaudited)

	Three months ended March 31,	
	2011	2010
Revenues (note 5)	\$2,818	\$3,002
Expenses		
Costs of goods sold	415	998
Research and development expenses rechargeable	380	191
Research and development expenses non rechargeable	2,617	2,883
Administration and marketing expenses	1,574	1,515
Loss (gain) on foreign exchange	(261)	147
	4,725	5,734
Loss before the following items	(1,907)	(2,732)
(Loss) gain on disposal of capital assets	(4)	251
Charges related to a guarantee	-	(180)
Loss on extinguishment of debt (note 12)	(387)	-
Net interest expenses and penalties	(380)	(467)
Net loss	(\$2,678)	(\$3,128)
Other comprehensive income (loss)		
Change in unrealized exchange differences on translation of foreign subsidiaries	2	215
Total comprehensive loss for the period	(\$2,676)	(\$2,913)
Net loss attributable to:		
Owners of the parent	(2,494)	(2,886)
Non-controlling interests	(184)	(242)
	(\$2,678)	(\$3,128)
Total comprehensive loss attributable to:		
Owners of the parent	(2,492)	(2,671)
Non-controlling interests	(184)	(242)
	(\$2,676)	(\$2,913)
Loss per share (note 4)		
Basic loss per share attributable to ordinary equity holders of the parent	(\$0.01)	(\$0.01)
Diluted loss per share attributable to ordinary equity holders of the parent	(\$0.01)	(\$0.01)
Weighted average number of outstanding shares (in thousands)	356,471	341,462

For supplemental operations information, see note 15

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

PROMETIC LIFE SCIENCES INC.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIENCY

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

(in thousands of Canadian dollars)

(Unaudited)

	Share capital \$	Stock based compensation \$	Warrants \$	Foreign currency translation reserve \$	Future investment rights \$	Deficit \$	Total \$	Non- controlling interests	Total deficiency
Balance at January 1st 2010	212,728	2,024	6,422	-	2,195	(229,636)	(6,267)	-	(6,267)
Loss for the quarter	-	-	-	-	-	(2,887)	(2,887)	(242)	(3,128)
Foreign currency translation reserve	-	-	-	215	-	-	215	-	215
Share issue expenses	-	-	-	-	-	(64)	(64)	-	(64)
Recognition of share-based payments	-	88	-	-	-	-	88	-	88
Modification of future investment rights	-	-	-	-	3,333	(3,333)	-	-	-
Issuance of shares	2,187	-	-	-	1,014	-	3,201	-	3,201
Balance at March 31, 2010	<u>214,915</u>	<u>2,112</u>	<u>6,422</u>	<u>215</u>	<u>6,542</u>	<u>(235,920)</u>	<u>(5,713)</u>	<u>(242)</u>	<u>(5,955)</u>
Balance at December 31, 2010	215,266	2,400	6,422	255	6,542	(243,438)	(12,553)	(915)	(13,468)
Loss for the quarter	-	-	-	-	-	(2,494)	(2,494)	(184)	(2,678)
Foreign currency translation reserve	-	-	-	2	-	-	2	-	2
Share issue expenses	-	-	-	-	-	(7)	(7)	-	(7)
Recognition of share-based payments	-	31	-	-	-	-	31	-	31
Issuance of shares	676	-	-	-	-	-	676	-	676
Issuance of Warrants	-	-	791	-	-	-	791	-	791
Balance at March 31, 2011	<u>215,942</u>	<u>2,431</u>	<u>7,213</u>	<u>257</u>	<u>6,542</u>	<u>(245,939)</u>	<u>(13,553)</u>	<u>(1,099)</u>	<u>(14,652)</u>

PROMETIC LIFE SCIENCES INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

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

(In thousands of Canadian dollars)

(Unaudited)

Three months ended March 31,

	2011	2010
Cash flows used in operating activities		
Net loss	(2,678) \$	(3,128)
Adjustments to reconcile net loss to cash flows used in operating activities		
Finance cost	188	222
Loss on disposal of capital assets	4	-
Licensing revenues (note 12)	(1,944)	-
Loss on extinguishment of debt	387	-
Stock-based compensation	31	88
Advance on revenues from a supply agreement	35	36
Unrealized foreign exchange gain	(225)	(36)
Amortization of capital assets	76	70
Amortization of license and patents	106	102
	(4,020)	(2,646)
Change in working capital items (note 16)	1,707	(2,307)
	(2,313)	(4,953)
Cash flows from financing activities		
Proceeds from share issuance	-	3,201
Repayment of bank loan	-	(911)
Advance from shareholders	2,240	-
Interest paid	32	64
Issuance of long-term debt	-	10,156
Repayment of long-term debt	(4)	(141)
Advance on revenues from a supply agreement	-	(87)
	2,268	12,282
Cash flows used in investing activities		
Disposal of an investment	-	50
Additions to capital assets	(26)	(37)
Additions to licenses and patents	(18)	(27)
	(44)	(14)
Net increase (decrease) in cash during the year	(89)	7,315
Net effect of currency exchange rate on cash	1	287
Cash, beginning of the period	252	493
Cash, end of the period	\$ 164	\$ 8,095

For supplemental cash flow information, see note 16

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three-month periods ended March 31, 2011 and 2010

(in thousands of Canadian dollars except share and per share amounts or as otherwise specified)

(Unaudited)

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. The Company’s head office is located in Laval, Québec, Canada.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board 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. The use of these principles may not be appropriate because as at March 31, 2011, there is significant doubt that the Company will be able to continue as a going concern without raising additional financial resources. Since inception, the Company has incurred significant losses and has a working capital deficiency of \$14,856 and a shareholders’ deficiency of \$14,653 as at March 31, 2011. The Company’s committed cash obligations and expected level of expenditures for the next 12 months exceed its committed sources of funds. To date, the Company has financed its activities through bank loans, government financial support, investment tax credits 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. During the quarter ending March 31, 2011, the Company was successful in raising \$1,500 for NewCo, its new subsidiary, which has been established to operate a pilot-scale manufacturing facility for plasma-derived therapeutics. The investors in NewCo have authorized the temporary use of these funds for working capital purposes in the wider group. Additionally, on March 31, 2011, the Company entered into an agreement with Abraxis BioScience Inc., a wholly owned subsidiary of Celgene Corporation (“Celgene”) resulting in the forgiveness of the US \$10,000,000 loan entered into with Abraxis BioScience, Inc. (“Abraxis”) in February 2010, subject to meeting certain administrative milestones (see note 12).

Furthermore, during April 2011, the Company closed a series of equity investments by way of private placements totaling \$2,750, of which \$740 was received in March, 2011 and recorded as an advance from shareholders and \$2,010 was received in April 2011. These investments were made at a weighted-average price of \$0.16 per share for a total issuance of 17,686,274 common shares of ProMetic which are subject to a four month hold period (see note 18).

During May, 2011, the Company’s wholly-owned subsidiary, ProMetic Biosciences Limited, secured an interest-free, repayable working capital grant from the Isle of Man Government department of Economic Development for the sum of GBP 300,000. This sum is repayable in six equal installments starting 6 months from the initial drawdown of the grant. The funds have been granted for working capital purposes in ProMetic Biosciences Limited (see note 18).

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three-month periods ended March 31, 2011 and 2010

(in thousands of Canadian dollars except share and per share amounts or as otherwise specified)

(Unaudited)

This removes a significant near-term cash pressure for the Company, but these additional sources of funds are not sufficient for the Company to discharge its liabilities for the next 12 months. Continued effort is placed by management on expanding the customer base for existing marketed products and the Company is continuing to seek additional financing alternatives, including non-dilutive financing, collaboration and licensing arrangements, equity and debt financing. The Company's ability to increase its revenues or raise additional capital to generate sufficient cash flows to continue as a going concern is subject to significant doubt and significant risks all of which are beyond management's control. There can be no assurance that such financing will materialize on a timely basis or be obtained on favorable terms. These consolidated 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. Such adjustments could be material.

2. Significant Accounting Policies

a) Statement of Compliance

The interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ["IAS 34"]. These represent the first interim consolidated financial statements for part of the period covered by the first annual financial statements of the Company prepared in accordance with International Financial Reporting Standards ["IFRS"]. The Company adopted IFRS in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards ["IFRS 1"]. The date of transition to IFRS was January 1, 2010 ["Transition Date"]. An explanation of how the transition to IFRS has affected the reported consolidated financial position, financial performance and cash flows of the Company is provided in note 19 to these consolidated interim financial statements. This note includes reconciliations of equity, net loss and comprehensive loss and cash flows reported under Canadian generally accepted accounting principles ["GAAP"] to those reported for those periods under IFRS. The most significant accounting policies are summarized below, and should be read in conjunction with the Company's December 31, 2010 audited annual consolidated financial statements prepared in accordance with Canadian GAAP, and in consideration of the IFRS transition disclosures included in note 19 to these interim consolidated financial statements. As these interim consolidated financial statements are the Company's first prepared using IFRS, certain annual disclosures are included herein.

The consolidated interim financial statements were authorized for issue by the Board of Directors on June 13, 2011.

b) Basis of Measurement

The interim consolidated financial statements have been prepared on a historical cost basis, except for other measurement basis as indicated in the applicable notes.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three-month periods ended March 31, 2011 and 2010

(in thousands of Canadian dollars except share and per share amounts or as otherwise specified)

(Unaudited)

c) Functional and presentation currency

The consolidated interim financial statements are presented in Canadian dollars, which is also the parent Company's functional currency.

d) Basis of consolidation

The interim consolidated financial statements include the accounts of ProMetic Life Sciences Inc., and those of its subsidiaries ProMetic BioSciences Inc., 7662114 Canada Inc., ProMetic BioSciences (USA), Inc., ProMetic BioSciences Ltd., ProMetic BioTherapeutics Inc., ProMetic Manufacturing Inc. and Pathogen Removal and Diagnostic Technologies Inc. (hereinafter referred to as "PRDT"). The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

e) Financial instruments

The classification and measurement of the Company's financial instruments is as follows:

Financial assets at fair value through profit and loss

Cash and restricted cash are respectively classified and designated as financial assets at fair value through profit and loss. They are measured at fair value and changes in fair value are recognized in the consolidated statement of operations.

Loans and Receivables

Accounts receivable, excluding tax credits receivable and sales taxes receivable, and the advance to an officer, are classified as loans and receivables. They are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method.

Available for sale assets

The convertible preferred shares of AM-Pharma Holding B.V., a private company, are classified as available-for-sale and they are measured at cost.

Financial Liabilities

Bank loan, other loans, trade and other payables and advance from shareholders are classified as other financial liabilities. They are measured at amortized cost using the effective interest method.

Long-term debt and advance on revenues from a supply agreement are classified as other financial liabilities. They are measured at amortized cost, using the effective interest method. Financing costs are applied against long-term debt.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three-month periods ended March 31, 2011 and 2010

(in thousands of Canadian dollars except share and per share amounts or as otherwise specified)

(Unaudited)

f) Inventories

Inventories of raw materials, work in progress and finished goods are valued at the lower of cost and net realizable value. Cost is determined on a first in, first out basis.

g) Investments

When, in management's opinion, there has been a significant or prolonged decline in value of an investment, the investment is written down to recognize the loss. In determining the estimated realizable value of its investment, management relies on its judgment and knowledge of each investment as well as on assumptions about general business and economic conditions that prevails or are expected to prevail. These assumptions are limited due to the uncertainty of projected future events.

h) Capital assets

1) Recognition and measurement

Capital assets are recorded at cost less accumulated amortization and accumulated impairment losses, if any.

2) Depreciation

Depreciation is calculated on a straight-line basis over the estimate useful lives of the assets as described below.

Asset	Method	Rate/period
Leasehold improvements	Straight-line	Lease term of 10, 12.5 and 15 years
Equipments & tools	Straight-line	5 and 10 years
Office equipment & furniture	Straight-line	5 years
Computer equipment	Straight-line	5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of a capital asset is determined as the difference between the sales proceeds and its carrying amount and is recognized in the profit or loss.

i) Government assistance

Government assistance programs, including investment tax credits on research and development expenses, are reflected as reductions to the cost of the assets or to the expenses to which they relate and

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three-month periods ended March 31, 2011 and 2010

(in thousands of Canadian dollars except share and per share amounts or as otherwise specified)

(Unaudited)

are recognized when there is reasonable assurance that the assistance will be received and all attached conditions are complied with.

j) Licenses and patents

Licenses and patents were acquired separately and include acquired rights as well as licensing fees for product manufacturing and marketing. They are carried at cost less accumulated amortization. Amortization is calculated over the estimated useful lives of the licenses and patents acquired using the straight-line method over a period of 12-20 years and assessed for impairment at each reporting date when there are indicators of impairment present. The estimated useful lives and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The amortization expense is recognized in the consolidated statement of operations in the expense category consistent with the function of the intangible assets.

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

To date, the Company has not deferred any development costs.

k) Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit (i.e. the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets, groups of assets or CGUs) to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, the corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three-month periods ended March 31, 2011 and 2010

(in thousands of Canadian dollars except share and per share amounts or as otherwise specified)

(Unaudited)

The recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

An impairment loss is recognized when the carrying amount of an asset or a CGU exceeds its recoverable amount for the amount of this excess. An impairment loss is recognized immediately in profit or loss in the period in which the loss is incurred. Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount; on reversal of an impairment loss, the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss.

I) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and other similar allowances.

The Company earns revenues from research and development services, license fees and sale of goods, which may include multiple elements. The individual elements of each agreement are divided into separate units of accounting, if certain criteria are met. The applicable revenue recognition method is then applied to each unit. Otherwise, the applicable revenue recognition criteria are applied to combined elements as a single unit of accounting.

Rendering of Services

Revenues from combined elements as a single unit of accounting are recognized using the percentage of completion method. Under this method, revenues and profits are recognized proportionally with the degree of completion of the services under the contract when it is probable that the economic benefits will flow to the Company and revenue and costs associated with the transaction can be measured reliably.

Revenues from research and development services are recognized in the same manner as described above, which is when the contracted services are performed and it is probable that the economic benefits associated with the transaction can be measured reliably.

Licensing Fees

Certain license fees are comprised of up-front fees and milestone payments. Up-front fees are recognized over the estimated term of the involvement of the Company. Milestone payments are recognized as revenue when the milestone is achieved, customer acceptance is obtained and the customer is obligated to make performance payments. Certain license arrangements require no continuing involvement by the Company. Non-refundable license fees are recognized as revenue when the Company has no further involvement or obligation to perform under the arrangement, the fee is fixed or determinable and collection of the amount is reasonably assured.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three-month periods ended March 31, 2011 and 2010

(in thousands of Canadian dollars except share and per share amounts or as otherwise specified)

(Unaudited)

Sale of Goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably

Amounts received in advance of meeting the revenue recognition criteria are recorded as deferred revenue on the consolidated statement of financial position.

m) Foreign currency translation

Foreign operations

For the purpose of the consolidated interim financial statements, the results and financial position of each foreign subsidiary are expressed in Canadian dollars, which is the functional currency of the Company and the presentation currency for the consolidated interim financial statements. For the purpose of presenting consolidated interim financial statements, the assets and liabilities of the Company's foreign operations are expressed in Canadian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

Transactions and balances

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Transactions in foreign currencies are translated into the entity's functional currency at the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Foreign currency differences arising on translation are recognized in profit or loss, except for those arising on the translation of available-for-sale financial instruments. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three-month periods ended March 31, 2011 and 2010

(in thousands of Canadian dollars except share and per share amounts or as otherwise specified)

(Unaudited)

n) Income taxes

The Company uses the liability method of accounting for income taxes. Deferred income tax assets and liabilities are recognized in the balance sheet for the future tax consequences attributable to differences between the financial statements carrying values of existing assets and liabilities and their respective income tax bases. Deferred income tax assets and liabilities are measured using income tax rates expected to apply when the assets are realized or the liabilities are settled. The effect of a change in income tax rates is recognized in the year during which these rates change. Deferred income tax assets are recognized to the extent that it is probable and future tax profits will allow the future tax assets to be recovered.

o) Share-based payments

The Company has a stock-based compensation plan and applies the fair value method. The fair value of stock options granted is determined at the appropriate measurement date using the Black-Scholes option pricing model, and generally expensed over the vesting period of the options. Awards with graded vesting are considered multiple awards for fair value measurement and stock-based compensation calculation. In determining the expense, the Company deducts the number of awards that are expected to be forfeited at the time of grant and revises this estimate, if necessary, in subsequent years if actual forfeitures differ from those estimates. The Company's policy is to issue new shares upon the exercise of stock options. Stock options may not be cash settled.

p) Share issue expenses

The Company records share issue expenses as an increase to the deficit.

q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are recognized in profit or loss in the period during which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. No borrowing costs have been capitalized by the Company as there are no assets which take a substantial period of time to get ready for their intended use or sale.

r) Recent Accounting Pronouncements

In November 2009, the IASB published IFRS 9, Financial Instruments, which partially replaces the requirements of IAS 39, Financial Instruments: Recognition and Measurements. In October 2010, additional requirements for classifying and measuring financial liabilities were added to IFRS 9. This standard is the first step in the project to replace IAS 39. The IASB intends to expand IFRS 9 to add new requirements for hedge accounting to become a complete replacement of IAS 39. These changes are applicable for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company is currently evaluating the effects of adopting this new standard.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three-month periods ended March 31, 2011 and 2010

(in thousands of Canadian dollars except share and per share amounts or as otherwise specified)

(Unaudited)

3. Significant Accounting Estimates and Assumptions

The preparation of consolidated interim financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and liabilities and revenue and expenses during the reporting year. Actual results may differ from these estimates.

Significant areas requiring the use of estimates and assumptions relate to the following items:

- **Impairment of assets:** Whether an asset is impaired requires management to determine whether there is an indication of impairment based on the consideration of internal and external indicators. If an indication of impairment exists management must determine if the carrying amount of an asset, or the cash generating unit in which the asset is included, exceeds its recoverable amount. The recoverable amount is the higher of the fair value less cost to sell and the value in use. The value in use being the present value of the future cash flows expected to be derived from an asset or cash generating unit. The estimation of the future cash flows requires assumptions to be made by the management. Therefore the determination of the recoverable amount implies estimates which may affect the amount of an impairment loss if any ;
- **Financial instruments:** The fair value of financial instruments that are not traded in an active market are determined using an appropriate valuation technique based on the type of asset or liability being valued; taking into consideration credit risk, amongst other variables. Management uses judgment in selecting the appropriate valuation techniques and assumptions applicable to each financial instrument, which are to the greatest extent possible, based on market conditions existing at the date the transaction occurred. Expected future cash flows are discounted using observable basic risk-free rates, adjusted to reflect the underlying credit risk of the instrument.

Information about other significant areas of estimation and uncertainty that have the most significant effect on the amounts recognized in the consolidated interim financial statements is included in the following notes:

- Revenues (note 2 l) and note 12 (b))
- Valuation and the assessment of recoverability of the investments (note 2 g))
- Calculation of stock-based compensation (note 14))

4. Loss per share

Loss per share is calculated using the weighted-average number of common shares outstanding. Accordingly, the following table provides the total earnings (loss) attributable to common shareholders and the weighted average number of common shares used in the calculation of loss per share.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three-month periods ended March 31, 2011 and 2010

(in thousands of Canadian dollars except share and per share amounts or as otherwise specified)

(Unaudited)

Basic Loss per share

	<u>Three months ended</u> <u>March 31, 2011</u>	<u>Three months ended</u> <u>March 31, 2010</u>
Net loss attributable to owners of the parent	\$ (2,494)	\$ (2,886)
Weighted Average number of common share (in thousands)	356,471	341,462
Basic loss per share	\$ (0.01)	\$ (0.01)

5. Revenues

The following is an analysis of the Company's revenues:

	<u>Three months ended</u> <u>March 31, 2011</u>	<u>Three months ended</u> <u>March 31, 2010</u>
Revenues from the sale of goods	\$ 407	\$ 2,636
Revenues from the rendering of services	467	367
Licensing revenues	1,944	-
	<u>2,818</u>	<u>3,002</u>

See note 17 for an analysis of revenues by major products and services.

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6. Accounts Receivable

	March 31, 2011	December 31, 2010	January 1, 2010
Trade	\$ 340	\$ 799	\$ 1,531
Tax credits and sales taxes receivable	1,108	961	936
Advance to an officer, without interest	14	13	-
Other	35	17	145
	\$ 1,497	\$ 1,790	\$ 2,612

7. Inventories

	March 31, 2011	December 31, 2010	January 1, 2010
Raw materials	\$ 207	\$ 222	\$ 538
Work in progress and finished goods	723	810	1,590
	\$ 930	\$ 1,032	\$ 2,128

During the quarter ended March 31, 2011, a total cost of products sold of \$ 415 (\$981 for the quarter ended March 31, 2010) was recognized as an expense.

8. Restricted cash

	March 31, 2011	December 31, 2010	January 1, 2010
Restricted cash	\$ 226	\$ 228	\$ 356

The restricted cash is composed of two Guaranteed Investment Certificates, bearing interest at 0.35% and 0.45%, pledged as security of letters of credit to suppliers expiring in August 2012 and March 2013 for a total of \$162. It also consists of a Grant Treasury Deposit for a total of \$64 pledged in favor of the Isle of Man government for grants received.

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9. Investments

	March 31, 2011	December 31, 2010	January 1, 2010
Convertible preferred shares of AM-Pharma Holding B.V., a private company based in the Netherlands.	\$ 52	\$ 52	\$ 253

During the year ended December 31, 2010, the investment was considered to have an impairment and was written down by \$186 (excluding the effect of the exchange rate).

10. Trade and other payables

Trade and other payables

	March 31, 2011	December 31, 2010	January 1, 2010
Trade	\$ 3,193	\$ 2,561	\$ 4,039
Accruals related to a guarantee	-	-	920
Other payables	2,113	1,947	1,997
	\$ 5,306	\$ 4,508	\$ 6,956

The other payables consisted principally of accruals, salaries payable, vacation payable and statutory benefit payable.

11. Advances from shareholders

In February, 2011, the Company received a total of \$1,500 in consideration for the issuance of common shares in the share capital of Newco, which were not yet issued at March 31, 2011. Newco will undertake the development and manufacturing of high-value plasma-derived therapeutic biosimilars for the Company's current and future clients. These shares will be presented as non-controlling interests from the date of issuance.

Also, in late March 2011, the Company received funds in advance of a series of equity investments in the Company by way of private placements totaling \$740. A total of 5,333,333 shares have been issued in April, 2011 in relation to this equity investment.

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12. Long-term debt

	Current Portion	March 31, 2011	December 31, 2010	January 1, 2010
Promissory note (a)	\$ 250	\$ 250	\$ 250	\$ 250
Other loans (b)	-	2,691	13,497	5,144
Finance leases (c)	9	11	15	39
	259	2,952	13,762	5,433
Current portion of long-term debt		259	2,251	3,137
		\$ 2,693	\$ 11,511	\$ 2,296

(a) Promissory note

Loan from a director of the Company for an amount of \$250 bearing interest at a rate of 15 %, repayable on demand.

(b) Other loans:

1) Loan for an initial principal amount of \$2,000 that could reach an amount of \$5,000 under certain conditions. The loan is secured by hypothecs of \$6,000 granted by the Company and a subsidiary on the universality of their movable property.

In March 2010, ProMetic repaid \$1,000 of the loan. As at December 31, 2010, the carrying value of the loan was \$910 (\$1,562 on January 1st, 2010).

During the first quarter of 2011, the repayment terms of the loan were renegotiated from March 23, 2011 to July 1, 2012, in consideration of the issuance of 1,335,828 shares and 714,285 warrants with an exercise price of \$0.14 per share, exercisable for a period of three years. As per the new agreement, no cash interest has been charged to the Company for this extension. The loan bears no interest (effective rate of 37.50% after the renegotiation). The renegotiation created debt extinguishment for accounting purposes and the loan was derecognized and a new loan recognized at fair value creating a loss on extinguishment of a debt of \$65. The fair value of \$633 was estimated using discounted future cash flows and the residual was allocated to the warrants and shares in the amount of \$167 and \$200, respectively. The carrying value at March 31, 2011 is \$672.

2) Loan for an initial principal amount of \$500 that could reach an amount of \$1,000 under certain conditions. The loan is secured by hypothecs of \$1,000 granted by the Company and a subsidiary on the universality of their movable property.

As at December 31, 2010, the carrying value of the loan was \$431 (\$302 on January 1st, 2010).

During the first quarter of 2011, the repayment terms of the loan were renegotiated from June 3, 2011 to July 1, 2012, in consideration of the issuance of 476,272 shares and 357,142 warrants with an exercise price of \$0.14 per share, exercisable for a period of three years. As per the new agreement, no cash interest has been charged to the Company for this extension. The loan bears no interest (effective rate

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of 37.50% after the renegotiation). The renegotiation was debt extinguishment for accounting purposes and the loan was derecognized and a new loan recognized at fair value creating a loss on extinguishment of a debt of \$59. The fair value of \$317 was estimated using discounted future cash flows and the residual was allocated to the warrants and shares in the amount of \$112 and \$71, respectively. The carrying value at March 31, 2011 is \$336.

3) Loan for a principal amount of \$500. The loan is secured by hypothecs of \$500 granted by the Company and a subsidiary on the universality of their movable property.

As at December 31, 2010, the carrying value of the loan was \$398 (\$279 on January 1st, 2010).

During the first quarter of 2011, the repayment terms of the loan were renegotiated. ProMetic shall repay the loan to the lender on July 1, 2012 in consideration of the issuance of 377,963 shares and 357,142 warrants with an exercise price of \$0.14 per share, exercisable for a period of three years. As per the new agreement, no cash interest has been charged to the Company for this extension. The loan bears no interest (effective rate of 37.50% after the renegotiation). The renegotiation was debt extinguishment for accounting purposes and the loan was derecognized and a new loan recognized at fair value creating a loss on extinguishment of a debt of \$93. The fair value of \$317 was estimated using discounted future cash flows and the residual was allocated to the warrants and shares in the amount of \$127 and \$57, respectively. The carrying value at March 31, 2011 is \$336.

4) Loans for principal amounts of \$1,500, \$500, \$470 and \$250. No interest is applicable on the loans. ProMetic shall repay \$1,220 to the lenders in May 2010 and \$1,500 in August 2011. The loans are secured by hypothecs of \$2,720 granted by the Company and a subsidiary on the universality of their movable property.

In May 2010, ProMetic repaid \$720 of the loans. As at December 31, 2010, the carrying value of the loans was \$1,812 (\$1,912 on January 1st, 2010).

During the first quarter of 2011, the repayment terms of the two remaining loans were renegotiated. ProMetic shall repay the loans to the lender on July 1, 2012 in consideration of the issuance of a total of 2,318,436 shares and 1,428,570 warrants with an exercise price of \$0.14 per share, exercisable for a period of three years. As per the new agreement, no cash interest has been charged to the Company for this extension. The loans bear no interest (effective rate of 37.50% after the renegotiation). The renegotiation was debt extinguishment for accounting purposes and the loans were derecognized and new loans recognized at fair value creating a loss on extinguishment of a debt of \$170. The fair values of \$1,266 were estimated using discounted future cash flows and the residual was allocated to the warrants and shares in the amount of \$386 and \$348, respectively. The carrying values at March 31, 2011 are \$1,347.

5) Loan of US \$10,000,000 (\$10,700) from Abraxis, issued in February 2010. The loan bears interest at a rate of 5% and is reimbursable in five annual installments. Abraxis has the option to request that each annual installment be converted into ProMetic common shares at the future prevailing market price at the time of the annual installment. As at December 31, 2010 the carrying value of the loan was \$9,946.

On March 31, 2011, the Company entered into an agreement with Abraxis, a wholly owned subsidiary of Celgene Corporation, whereby the Company will assign certain intellectual property rights regarding a protein technology to Celgene Corporation, for specific fields of use. As consideration for the assignment of the intellectual property rights, the US \$10,000,000 loan entered into with Abraxis, in February 2010, was forgiven. The agreement requires the Company to comply with certain administrative milestones by February 9, 2012. The first of these milestones was achieved on April 21, 2011. Failure to meet the remaining milestone would result in a loan being re-instated to US\$6,000,000. The Company considers it unlikely that it will be unable to meet the remaining required milestone.

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For accounting purposes, the loan, including any accrued interest, was derecognized and the Company recognized US\$2,000,000 (\$1,944) of licensing revenues as at March 31, 2011 upon signing of the agreement. The balance was recorded as deferred revenues until the required milestones are met.

(c) Finance leases

Obligations under finance leases bearing interest from 11.54% to 13.94% payable in monthly installments of \$0.3 to \$0.4 maturing from May 2011 to August 2012.

The instalments on the long-term debt for the next 5 years are as follows :

	Total
2012	259
2013	2,693

13. Advance on revenues from a supply agreement

Advance on revenues from a supply agreement for an initial amount of GBP 2,000,000 (\$3,400) that could reach an amount of GBP 2,500,000, which was deemed to be the fair value at inception, and bears interest at a rate of 5% per annum. The advance is repayable 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 in 2014 is repayable 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. No products were supplied during the first quarter of 2011 as such there was no reduction in the advance. During the year ended December 31, 2010, a reduction in the advance of \$13 (excluding the effect on the exchange rate) was made related to products supplied under the agreement.

14. Share capital

Authorized and without par value:

Unlimited number of common shares, participating, carrying one vote per share, entitled to dividends.

Unlimited number of preferred shares, no par value, issuable in one or more series.

1,050,000 preferred shares, series A, non-participating, non-voting, redeemable for cash or convertible into common shares, convertible at the option of the holder into common shares at \$0.50 per share except for unpaid dividends, convertible at a rate equal to the trading average of the common shares on the Toronto Stock Exchange during the 20 business days prior to the conversion, cumulative preferential cash dividend of 12% per year, calculated monthly and payable quarterly.

950,000 preferred shares, series B, non-participating, non-voting, redeemable for cash or convertible into common shares, convertible at the option of the holder into common shares at \$0.60 per share except for

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unpaid dividends, convertible at a rate equal to the trading average of the common shares on the Toronto Stock Exchange during the 20 business days prior to the conversion, cumulative preferential cash dividend of 12% per year, calculated monthly and payable quarterly.

Share Capital

	March 31, 2011		December 31, 2010		January 1, 2010	
	Number	Amount	Number	Amount	Number	Amount
Issued and fully paid common shares	357,672,838	\$ 216,392	353,164,339	\$ 215,716	331,743,400	\$ 213,178
Share purchase loan to an officer, without interest and due no later than December 31, 2011		(450)		(450)		(450)
Balance at end of the period		\$ 215,942		\$ 215,266		\$ 212,728

a. Share issue:

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

	Number of shares	Amount
Issued and fully paid		
Balance at January 1, 2010	331,743,400	212,728
Issued for cash	17,850,000	3,201
Issuance of future investment rights	-	(1,014)
Balance at March 31, 2010	349,593,400	214,915
Balance at December 31, 2010	353,164,339	215,266
Issued for cash	-	-
Issued in relation to debt renegotiation (note 12)	4,508,499	676
Balance at March 31, 2011	357,672,838	215,942

In February 2010, the Company issued 17,850,000 common shares to a strategic partner (Abraxis) for a consideration of \$3,201 recorded in the share capital based on quoted price of the common shares on the issuance date. Issuance costs of \$64 were recorded as an increase of the deficit.

In February 2010, 14,495,452 future investment rights given to Abraxis 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 modified rights could not be exercised for a period of four months from their issuance. The fair value of these modified future investment rights was determined using the Black & Scholes model, with a volatility of 81.46%, a risk free interest rate of 3% and

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a share price of \$0.18. The incremental value as a result of the modification of the term of the investment rights resulted in an adjustment to share capital of \$1,014.

Granted concurrently with the February 2010 investment, were a further 30,296,036 future investment rights granted to Abraxis having the same terms as the future investment rights above. 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 issued or recorded at fair value at the time of the 2008 investment. Concurrent with the February 2010 investment, the contingencies associated with these 30,296,036 future investment rights were resolved. As a result, the fair value of these has now been assessed using the Black & Scholes model, with a volatility of 81.46%, a risk free interest rate of 3% and a share price of \$0.18 resulting in an adjustment of \$3,333 to the Company's deficit, on the basis that ProMetic has given nothing new in exchange for these rights.

During the first quarter of 2011, the Company issued 4,508,499 common shares following the renegotiation with the lenders to extend the payment terms of the loan as described in note 12. The fair value of the shares was based on the quoted price observed on the active market.

b) Warrants and Rights

As at March 31, 2011, the following warrants and rights to acquire shares were outstanding:

Warrants and rights to acquire shares	Expiry date	Exercise price
3,750,000	June 2012	\$0.12
500,000	June 2012	\$0.18
1,500,000	August 2012	\$0.12
539,999	December 2012	\$0.22
375,000	April 2013	\$0.22
2,857,139	January 2014	\$0.14
14,495,452	February 2017	\$0.47
30,296,036	February 2017	\$0.47

The Company uses the Black-Scholes option valuation model to calculate the fair value of warrants and rights to acquire shares. During the quarter ended March 31, 2011, 2,857,139 (44,791,488 rights to acquire shares for the quarter ended March 31, 2010) warrants were issued having a fair value of \$791 (\$6,542 for the quarter ended March 31, 2010) and expiring in January 2014 (February 2017 for the period ending March 31, 2010).

c) 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

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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 two years:

	Options	Weighted average exercise price per share
Number of options as at January 1, 2010	8,675,191	0.39
Granted	-	0.00
Forfeited	(22,140)	0.37
Expired	(10,500)	2.70
Total number of options as at March 31, 2010	8,642,551	0.39
Number of options as at December 31, 2010	8,987,451	0.33
Forfeited	(77,000)	0.21
Total number of options as at March 31, 2011	8,910,451	0.33

The following tables summarize information about stock options outstanding as at March 31, 2011:

Range of exercise price	Number outstanding	Weighted average remaining contractual life (in years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
0.12 - 0.18	3,841,550	3.71	0.17	3,504,550	0.17
0.19 - 0.40	3,261,317	1.83	0.37	2,266,287	0.36
0.41 - 0.60	1,091,250	0.97	0.47	1,025,500	0.47
0.61 - 0.90	516,334	1.72	0.64	309,800	0.64
0.91 - 1.35	100,000	1.05	1.00	100,000	1.00
1.36 - 1.50	100,000	1.05	1.50	100,000	1.50
	8,910,451		0.33	7,306,137	0.32

As at March 31, 2010, 3,760,591 stock options were exercisable at a weighted average exercise price of \$0.55.

d) Stock-based compensation and other stock-based payments:

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

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The fair value of each option granted was estimated on the grant date for purposes of determining stock-based compensation expense using the binomial option pricing model. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over a historical period equal to the expected life of the option.

A compensation expense of \$31 for the quarter ended March 31, 2011 and \$88 for the quarter ended March 31, 2010 was recorded as a result of stock options granted to directors, officers, employees and consultants. No options were granted during the first quarter of 2011 and 2010.

The risk free rate used in determining the fair value of the share option awards based on the Government of Canada yield curve.

The resulting fair value is expensed over the service period of 1 to 5 years on the assumption that 5.17% of the options will lapse over the service period as employees leave the Company.

15. Information included in the consolidated statements of operations

	March 31, 2011	March 31, 2010
Gross research and development expenses	\$ 3,175	\$ 3,274
Research and development tax credits	(178)	(200)
Interest and penalties on long term debt	342	262
Interest on bank loan and other interests expenses	38	208
	380	470
Interest income on financial assets held for trading	-	(3)

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16. Additional information on the consolidated statement of cash flows

	March 31, 2011	March 31, 2010
a) Change in working capital items		
Accounts receivable	\$ 295	\$ (1,286)
Inventories	109	332
Prepaid expenses	(42)	(81)
Accounts payable and accrued liabilities	633	(1,407)
Deferred revenues	712	135
	<u>\$ 1,707</u>	<u>\$ (2,307)</u>
	March 31, 2011	March 31, 2010
b) Non-cash transactions		
Interests related to the long-term debt	\$ 221	\$ 286
Repayment of the long-term debt	9,946	-
c) Other cash flow information		
interest paid	32	64
interest earned	5	3

17. Segmented information

The financial information is presented in two different operating segments. The two operating segments are: In-house Therapeutics and Protein Technology

In-house Therapeutics: This operating segment has lead compounds, namely PBI-1402 and analogues PBI-4419, which target unmet medical needs such as the treatment of fibrosis in patients with chronic kidney diseases and certain cancers, and the side effects associated with chemotherapy.

Protein Technology: This operating segment contains the financial information of the following activities:

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

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

Prion Capture/Pathogen Removal: Provides a technology platform that improves the safety profile of blood products and blood-derived therapeutics.

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The accounting policies for the operating segments are the same as those outlined in the accounting policies in note 2.

a) Revenues and expenses by operating segments:

For the quarter ended March 31, 2011

	Therapeutics	Protein Technology	Corporate	Total
Revenues	-	2,818	-	2,818
Costs of good sold excluding amortization of capital assets	-	415	-	415
Research and development expenses rechargeable	-	380	-	380
Research and development expenses non rechargeable	547	2,070	-	2,617
Administration and marketing expenses	-	294	1,280	1,574
Gain on foreign exchange	-	-	(261)	(261)
Loss on disposal of capital assets	3	1	-	4
Loss on extinguishment of debt	-	-	387	387
Net interest expense and penalties	13	53	314	380
Net loss	563	395	1,720	2,678

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For the quarter ended March 31, 2010

	Therapeutics	Protein Technology	Corporate	Total
Revenues	-	3,002	-	3,002
Costs of good sold excluding amortization of capital assets	-	998	-	998
Research and development expenses rechargeable	-	191	-	191
Research and development expenses non rechargeable	407	2,476	-	2,883
Administration and marketing expenses	-	192	1,323	1,515
Loss on foreign exchange	-	-	147	147
Gain on disposal of capital assets	(251)	-	-	(251)
Charges related to a guarantee	-	-	180	180
Net interest expense and penalties	7	46	414	467
Net loss	163	901	2,064	3,128

Segmented information by operating segment

b) Assets by operating segments

	March 31, 2011	December 31, 2010	January 1, 2010
Therapeutics	\$ 2,804	\$ 2,759	\$ 2,812
Protein Technology	5,220	5,577	7,690
Corporate	212	257	582
	\$ 8,236	\$ 8,593	\$ 11,084

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c) Capital assets and licenses and patents by operating segments

	March 31, 2011	December 31, 2010	January 1, 2010
Therapeutics	\$ 1,842	\$ 1,831	\$ 1,713
Protein Technology	3,244	3,122	3,224
Corporate	20	66	104
	\$ 5,106	\$ 5,019	\$ 5,041

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

	March 31, 2011	March 31, 2010
Therapeutics	\$ 56	\$ 67
Protein Technology	211	152
Corporate	-	3
	\$ 267	\$ 222

e) Liabilities by operating segments

	March 31, 2011	December 31, 2010	January 1, 2010
Therapeutics	\$ 1,758	\$ 1,589	\$ 2,402
Protein Technology	8,431	5,423	6,928
Corporate	12,700	15,049	8,022
	\$ 22,889	\$ 22,061	\$ 17,352

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Segmented information by geographic segment

f) Assets by geographic segments

	March 31, 2011	December 31, 2010	January 1, 2010
Canada	\$ 3,503	\$ 3,411	\$ 3,838
United States	1,556	2,069	1,303
United Kingdom	3,177	3,113	5,943
	\$ 8,236	\$ 8,593	\$ 11,084

g) Capital assets and licenses and patents by geographic segments

	March 31, 2011	December 31, 2010	January 1, 2010
Canada	\$ 2,030	\$ 1,968	\$ 1,898
United States	1,382	1,331	1,096
United Kingdom	1,694	1,720	2,047
	\$ 5,106	\$ 5,019	\$ 5,041

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

	March 31, 2011	March 31, 2010
Canada	\$ 138	\$ 72
United States	63	87
United Kingdom	66	63
	\$ 267	\$ 222

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i) Revenues by location

	March 31, 2011	March 31, 2010
United States	\$ 2,370	\$ 2,730
United Kingdom	167	120
China	119	-
Holland	76	76
Denmark	31	-
Switzerland	26	-
India	13	-
Germany	9	-
Austria	-	71
Other countries	7	5
	\$ 2,818	\$ 3,002

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

18. Post balance sheet date events

- a) During April 2011, the Company closed a series of equity issuances by way of private placements totaling \$2,750, of which \$2,010 was received in April, 2011. These issuances were done at an average approximate share price of \$0.16 per share for a total issuance of 17,686,274 common shares of ProMetic which are subject to a four month hold period.
- b) During May 2011, ProMetic Biosciences Limited, a subsidiary of the Company, secured an interest-free, repayable working capital grant from the Isle of Man Government department of Economic Development for the sum of GBP 300,000 (\$474). This sum is repayable in six equal installments starting 6 months from the date of the drawdown of the grant. The funds have been granted for working capital purposes in ProMetic Biosciences Ltd.
- c) The Company also granted a total of 3,200,000 restricted share units ("RSUs") to certain executive officers of the Company, as part of an incentive program design to align the interests of its executives with those of its shareholders, and in accordance with its Long Term Incentive Plan ("LTIP"). The RSUs only vest upon achievement of various important corporate and commercial objectives that would create significant shareholder value.

19. Adoption of IFRS

The Company's financial statements for the quarter ended March 31, 2011 are the first interim consolidated financial statements that comply with IFRS as described in note 2 above, including the application of IFRS 1, First-time adoption of International Financial Reporting Standards. IFRS 1 requires the Company to present comparative information that complies with IFRS, and accordingly the Company has applied IFRS as of January 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which is March

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(Unaudited)

31, 2011 for the Company. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adopters.

The IFRS 1 optional exemption applied in the conversion from Canadian GAAP to IFRS is the cumulative currency translation differences. Retrospective application of IFRS would require the Company to determine cumulative currency translation differences in accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, from the date a subsidiary or equity method investee was formed or acquired. IFRS 1 permits cumulative translation gains and losses to be reset to zero at the transition date. The Company has elected to reset all cumulative translation gains and losses to zero in opening deficit at its Transition Date.

In the conversion from Canadian GAAP to IFRS, IFRS 1 specifies that hindsight is not to be used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS.

The accounting policies set out in note 2 have been applied in preparing the financial statements for the quarter ended March 31, 2011, the comparative information presented in these financial statements for the year ended December 31, 2010 and the quarter ended March 31, 2010 and in the preparation of an opening IFRS statement of financial position at January 1, 2010 (the Company's transition date).

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRSs has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three-month periods ended March 31, 2011 and 2010

(in thousands of Canadian dollars except share and per share amounts or as otherwise specified)

(Unaudited)

Reconciliation of IFRS Adoption for the Statement of Financial Position

	January 1, 2010			December 31, 2010		
	Canadian GAAP	Effect of transition to IFRS	IFRS balance	Canadian GAAP	Effect of transition to IFRS	IFRS balance
Assets						
Current assets						
Cash	\$ 493	\$ -	\$ 493	\$ 252	\$ -	\$ 252
Accounts receivable	2,612	-	2,612	1,790	-	1,790
Inventories	2,128	-	2,128	1,032	-	1,032
Prepaid expenses	201	-	201	220	-	220
	5,434	-	5,434	3,294	-	3,294
Restricted cash	356	-	356	228	-	228
Investments	253	-	253	52	-	52
Capital assets	1,133	-	1,133	883	-	883
Licenses and patents	3,908	-	3,908	4,136	-	4,136
	\$ 11,084	-	11,084	8,593	-	8,593
Liabilities and shareholders' deficiency						
Current liabilities						
Bank loan	\$ 911	\$ -	\$ 911	\$ -	\$ -	\$ -
Other loan	-	-	-	652	-	652
Accounts payable and accrued liabilities	6,956	-	6,956	4,508	-	4,508
Deferred revenues	910	-	910	271	-	271
Current portion of long-term debt	3,137	-	3,137	2,251	-	2,251
Current portion of advance on revenues from a supply agreement	1,316	-	1,316	1,172	-	1,172
	13,230	-	13,230	8,854	-	8,854
Long-term debt	2,296	-	2,296	11,511	-	11,511
Advance on revenues from a supply agreement	1,826	-	1,826	1,696	-	1,696
	17,352	-	17,352	22,061	-	22,061
Shareholders' deficiency						
Share capital	212,728		212,728	215,266	-	215,266
Contributed surplus (note a)	7,824	622	8,446	8,169	653	8,822
Future investment rights	2,195	-	2,195	6,542	-	6,542
Accumulated other comprehensive loss (note b)	(735)	735	-	(480)	735	255
Deficit	(228,279)	(1,357)	(229,636)	(242,965)	(473)	(243,438)
Deficiency attributable to owners of the parent	(6,267)	-	(6,267)	(13,468)	915	(12,553)
Non-controlling interests (note e)	-	-	-	-	(915)	(915)
	\$ 11,084	\$ -	\$ 11,084	\$ 8,593	\$ -	\$ 8,593

Similar to January 1, 2010 and December 31, 2010, there are no IFRS reconciling items for the March 31, 2010 total shareholder's deficiency.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three-month periods ended March 31, 2011 and 2010

(in thousands of Canadian dollars except share and per share amounts or as otherwise specified)

(Unaudited)

Reconciliation of Statement of Operations and Comprehensive Loss

	For the quarter ended March 31, 2010		
	Canadian GAAP 1	Effect of transition to IFRS	IFRS balance
Revenues	\$ 3,002	\$ -	\$ 3,002
Expenses			
Costs of goods sold excluding amortization of capital assets (note c)	981	17	998
Research and development expenses rechargeable	191	-	191
Research and development expenses non rechargeable (note c)	2,734	149	2,883
Administration and marketing expenses (notes a and c)	1,501	14	1,515
Loss on foreign exchange	147	-	147
Amortization and write-off of capital assets (note c)	70	(70)	-
Amortization and write-off of licenses and patents (note c)	102	(102)	-
	5,726	8	5,734
Loss before the following items	(2,724)	(8)	(2,732)
Gain on disposal of capital assets	251	-	251
Charges related to a guarantee	(180)	-	(180)
Net interest expenses and penalties	(467)	-	(467)
Net loss	(3,120)	(8)	(3,128)
Net loss per share			
Basic loss per share	(0.01)	-	(0.01)
Diluted loss per share	(0.01)	-	(0.01)
Weighted average number of outstanding shares (in thousands)	341,462	-	341,462
Comprehensive loss			
Net loss	(3,120)	(8)	(3,128)
Change in unrealized exchange differences on translating financial statements of foreign subsidiaries	215	-	215
Total comprehensive loss	(2,905)	(8)	(2,913)

1 Certain Canadian GAAP figures in the March 31, 2010 statement of operations and comprehensive loss have been reclassified to conform with current year presentation.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three-month periods ended March 31, 2011 and 2010

(in thousands of Canadian dollars except share and per share amounts or as otherwise specified)

(Unaudited)

Reconciliation of Comprehensive Loss

	Year ended December 31, 2010	Quarter ended March 31, 2010
Comprehensive loss under Canadian GAAP	\$ (11,028)	(2,905)
Adjustment for stock based compensation	(31)	(8)
Comprehensive Loss under IFRS	(11,059)	(2,913)

a) Stock-based compensation

The Company elected not to avail itself of the exemption provided under IFRS 1 and applied IFRS 2 for all equity instruments granted after January 1, 2004, the date at which the Company has commenced disclosing fair value of equity instruments.

Under Canadian GAAP, for grants of share-based awards with a graded vesting, the total fair value of the award is recognized on a straight-line basis over the service period necessary to vest the award. Also, forfeitures of awards are recognized as they occur.

Under IFRS, each tranche in an award with graded vesting is considered a separate grant with a different vesting date, expected life and fair value. An estimate is required for the number of awards that are expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. As a result, the Company has adjusted its expense, as well as accumulated contributed surplus and deficit, for share-based awards to reflect these differences.

b) Foreign Currency Translation

Under Canadian GAAP, the Company recognized translation differences on certain foreign subsidiaries in a separate component of equity. Cumulative currency translation differences are deemed to be zero as at January 1, 2010. The resulting adjustment was recognized against the deficit.

c) Presentation of consolidated statement of operations

Under Canadian GAAP, the statement of operations was presented by a combination of function and nature of expenses and presented the amortization expense relating to capital assets and licenses and patents as a separate line item.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three-month periods ended March 31, 2011 and 2010

(in thousands of Canadian dollars except share and per share amounts or as otherwise specified)

(Unaudited)

Under IFRS, the Company elected to present its items in the consolidated statements of operations and comprehensive loss by function. The amount of amortization expense has been allocated to the related function.

The effect of the above adjustment is to reclassify the amortization expense in the different affected functions. For the quarter ended March 31, 2011, amortization expense of \$182 was reclassified in costs of goods sold, administration and marketing expenses and research and development expenses non rechargeable in the amounts of \$14, \$122 and \$46, respectively. For the three-month period ended March 31, 2010, amortization expense of \$172 was reclassified in costs of goods sold, administration and marketing expenses and research and development expenses non rechargeable for \$17 and \$6 and \$149, respectively.

d) Statement of cash flow

The transition from Canadian GAAP to IFRS has not had a material impact on the consolidated statement of cash flows.

e) Non-controlling interests

Under IFRS, profit or loss and each component of other comprehensive income or loss are attributed to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. As required under IFRS 1, this was applied prospectively from the transition date.

Certain annual disclosures required by IFRS have been omitted as they are not believed to be material to the understanding of these interim consolidated financial statements.