



PROMETIC

# PROMETIC LIFE SCIENCES INC. Q3 2011

QUARTERLY REPORT  
FOR THE PERIOD ENDING SEPTEMBER 30, 2011



PROMETIC

**PRESS RELEASE  
FOR IMMEDIATE RELEASE**

## **PROMETIC REPORTS ITS THIRD QUARTER 2011 HIGHLIGHTS, FINANCIAL RESULTS AND SUBSEQUENT EVENTS**

- Q3 revenues of \$3.3 million compared to \$2.1 million in Q3 2010
- Q3 product revenues of \$2.7 million compared to \$0.1 million in Q2 2011
- Net Loss of \$2.1 million in Q3 2011 compared to \$2.9 million in Q3 2010
- In excess of \$5.0 million in new product orders received

**LAVAL, QUEBEC, CANADA – November 14, 2011 – ProMetic Life Sciences Inc. (TSX: PLI)** (“ProMetic” or the “Company”) today reported its financial results for the third quarter of 2011 and subsequent events. All amounts are in Canadian Dollars unless otherwise indicated. The financial information in regards to the three month period ended September 30, 2011 should be read in conjunction with the Company’s financial statements as well as the Management’s Discussion and Analysis dated November 14, 2011.

“We are pleased to see an increasing portion of our growing quarterly revenues come from product sales, underlined by the latest new contracts and follow-on orders under existing supply agreements. ProMetic’s technology is once again demonstrating its appeal to the market place, by offering technological and financial competitive edge.” said Mr. Pierre Laurin, ProMetic’s President and Chief Executive Officer. “We anticipate this trend to continue in the coming quarters with the scaling up of client’s products and manufacturing processes” added Mr. Laurin.

### **Third Quarter Corporate Highlights and Subsequent Events**

#### **Commercial Highlights**

- The Company won a first order from a leading Chinese biopharmaceutical company for a large scale biomanufacturing process, successfully continuing to expand its reach in Asia. This initial order relates to the purchase of a proprietary Mimetic Ligand™ affinity adsorbent, developed and manufactured by ProMetic’s UK subsidiary, ProMetic Biosciences Ltd, for the manufacturing scale-up of a biosimilar product in China;
- The Company announced the receipt of a \$4 million follow-on purchase order pursuant to a long-term supply agreement entered into with a major global pharmaceutical company in 2009. This \$4 million purchase order relates to the purchase of a proprietary Mimetic Ligand™ affinity adsorbent developed and manufactured by ProMetic’s UK subsidiary, ProMetic Biosciences Ltd and is to be supplied during the third and fourth quarters of 2011;

- The Company received a \$0.73 million follow-on purchase order under its supply agreement with Octapharma. This order relates to the purchase of PrioClear®, a proprietary prion capture resin incorporated into Octapharma's manufacturing process for its solvent/detergent treated plasma product, OctaplasLG®. OctaplasLG® is currently approved for marketing in 4 countries (Germany, Switzerland, Portugal and Australia) with several more approvals pending in the European Union (United Kingdom, Ireland, Belgium, Netherlands, Luxemburg, Sweden and Finland);
- The Company received a binding forecast from Octapharma for in excess of \$2 million of prion capture resin for the first half of 2012. This is in addition to the \$0.73 million purchase order announcing the resumption of PrioClear® to Octapharma under its existing supply agreement, bringing total expected deliveries of the product to around \$3 Million between December 2011 and June 2012;
- The Company announced that it had been selected to make four presentations at the ASN's (*American Society of Nephrology*) Kidney Week conference demonstrating the ability of its orally active lead compounds PBI-4050 and PBI-4419 to significantly reduce fibrosis and sclerosis in kidneys in both acute and chronic settings;
- The creation and implementation of NewCo has enabled the relocation of the US based subsidiary, ProMetic BioTherapeutics, Inc. The relocation is expected to be completed before the end of December 2011. It is estimated that the relocation will result in annual savings of \$0.5 million starting in Q4 2011.

### **Financing Highlights**

- The Company obtained a total of \$1.0 million in non-dilutive loans and private placement from long-term supportive shareholders. Of the \$1.0 million, the Company secured a \$0.5 million loan from Les Castels de Vaudreuil Inc., a company managed by its President and current ProMetic Board member, Mr. Benjamin Wygodny and a \$0.15 million private placement;
- The Company secured a \$0.8 million repayable working capital grant from the Isle of Man Government's Department of Economic Development;
- The Company announced the receipt of \$0.7 million from Investissement Québec as part of a unique 2011 Tax Credit program to finance the company's Research and Development Tax Credit. ProMetic will be eligible for an additional \$0.25 million in Q4 2011.

"The third quarter of 2011 was characterized by a return to robust product sales, and as a result, our general financial and liquidity situation should continue to improve going forward as we anticipate growth in new product sales and profitability." Commented Mr Bruce Pritchard, the Company's Chief Financial Officer. He added, "Despite a poor liquidity situation a quarter end, we also expect in the coming months to significantly improve the gearing of our balance sheet through debt repayment, conversion of shareholders advances into equity and upon recognition of the Celgene related deferred revenues. Additionally, the recent follow-on purchase order and binding forecasts from Octapharma signals the start of reimbursement of the advance on revenues under a supply agreement also showing on our balance sheet. All of this combined should have a positive effect."

### Third Quarter Financial Highlights

From a trading perspective, total revenues for the third quarter of 2011, which were derived from the Protein Technologies unit, were \$3.3 million compared with \$2.1 million in 2010. Product revenues totalled \$2.7 million for the third quarter of 2011 compared to \$0.1 million for the second quarter of 2011. The third quarter revenues came from sales of affinity adsorbents to major pharmaceutical companies. The difference in year over year comparison is explained by the higher product sales level for the third quarter of 2011.

The combined costs of goods sold and rechargeable research and development expenses for the quarter ended September 30, 2011, totalled \$0.6 million compared to \$1.5 million for the quarter ended September 30, 2010. This difference is explained by the difference in the revenue mix. The third quarter of 2011 revenues came mainly from product sales whereas the third quarter of 2010 sales came mainly from service revenues.

Non rechargeable research and development expenses were \$2.6 million for the quarter ended September 30, 2011, compared to \$2.0 million for the quarter ended September 30, 2010.

The Company generated a net loss of \$2.1 million or \$0.01 per share (basic and diluted), for the third quarter ended September 30, 2011, as compared to a net loss of \$2.9 million or \$0.01 per share (basic and diluted) for the quarter ended September 30, 2010.

Operating costs for the quarter increased to \$5.1 million from \$4.5 million in the previous year. This increase was mainly attributable to adverse exchange rate movements offsetting savings in total R&D expenditures.

Looking at the balance sheet, Accounts receivable were \$2.9 million as at September 30, 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.

Included in Current liabilities is a sum of \$4.3 million relating to Trade payables. This figure has remained level since the second quarter of 2011, but has increased over the year-end position as a result of the company's cash situation. Based on Management's plans to maintain the business as a going concern, the company is confident that it will, later during the second half, continue to make progress toward bringing suppliers accounts current.

Current liabilities include deferred revenue, US\$6 million of which relates to the elimination of the US\$10 million debt referred to above. This US\$6 million will be released when the remaining milestone, referred to above, are met. The Company considers it unlikely that it will be unable to meet the required remaining milestone.

Also included in Current Liabilities is a sum of \$0.6 million labeled advances from shareholders. During the third quarter, the Company organized the share capital structure of NewCo, issuing 13% of the common shares to those shareholders who advanced \$1.5 million for the formation of NewCo earlier in 2011. Consequently, \$1.5 million has also been removed from the "Advances from shareholders" figure in the liabilities section of the balance sheet.

The current portion of advance on revenues from the Octapharma supply agreement increased to \$1.3 million for the third quarter of 2011 compared to \$0.8 million for the second quarter of 2011. This increase is linked to the anticipated orders from Octapharma over the coming 12

months. The overall advance on revenues is expected to decrease sequentially going forward as we resume the ongoing prion capture resin supply under the Octapharma supply agreement.

As at September 30, 2011, our cash position improved to \$0.1 million from a bank overdraft position of \$0.1 million at June 30, 2011. As described above, the liquidity situation is expected to improve sequentially on a quarterly basis as revenues and profitability continue to improve going forward.

## **Outlook**

As previously stated by Management, the expected second half of 2011 stronger sales have started to materialize as demonstrated by the recent announcements of various significant purchase orders. As a result, Management believes that the difficult liquidity situation will continue to improve in the coming months and that its overall business prospects remain extremely attractive for the coming quarters. The Company will also continue to closely monitor and control as much as possible its costs structure throughout the business, with a view to driving the Company towards self-sustainment and profitability.

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

The Company will continue to assist 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, as evidenced by the recent announcement of a first \$0.73 million follow-on purchase order and binding forecast from Octapharma for in excess of \$2 million of prion capture resin for the first half of 2012 under the existing supply agreement.

In the Proteins Technologies (Plasma) division, the Company will continue the setting up of its cGMP pilot manufacturing plant, ProMetic NewCo, and the organization of its related share capital structure 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 its proprietary plasma fractionation technology in other territories.

In the Therapeutics division, the Company will continue 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 closes a strategic deal with a major pharmaceutical company and secure funding to further advance its various development programs. ProMetic is currently reviewing various strategic avenues to further advance its most promising lead drug candidates such as PBI-4050 in the clinics.

### **Third Quarter 2011 Conference Call Information**

ProMetic will host a conference call at 10:30am (EST) on Tuesday, November 15, 2011. The telephone numbers to access the conference call are (416) 981-9000 (International) and 1-800-926-5197 (Toll-free). A live audio webcast of the conference call will be available through ProMetic's website at [HTTP://WWW.PROMETIC.COM/EN/INVESTORS/PRESENTATIONS-WEBCASTS.PHP](http://www.prometic.com/en/investors/presentations-webcasts.php)

### **Additional Information in Regards to the Three month Period ended September 30, 2011**

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

### **About ProMetic Life Sciences Inc.**

ProMetic Life Sciences Inc. ("ProMetic") ([www.prometic.com](http://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 Laval (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 27 of ProMetic's Annual Information Form for the year ended December 31, 2010, under the heading "Risk and Uncertainties related to ProMetic's business". As a result, we cannot guarantee that any forward-looking statement will materialize. We assume no obligation to update any forward-looking statement even if new information becomes available, as a result of future events or for any other reason, unless required by applicable securities laws and regulations. All amounts are in Canadian dollars unless indicated otherwise.

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## MD&A

The Management's Discussion and Analysis of Operating Results and Financial Position, prepared November 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 third quarter of 2011 compared to the operating results for the third 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 third quarter and 2010 annual consolidated financial statements and the accompanying notes included in the annual report.

The Company's independent auditors, Ernst & Young LLP, have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor. The unaudited interim 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 September 30, 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 \$17.3 million (of which USD \$6 million relates to deferred revenues associated with the Celgene transaction dated March 31, 2011) and a shareholders' deficiency of \$13.8 million as at September 30, 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. 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](http://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.

## THIRD QUARTER 2011 IN SUMMARY

The third quarter of 2011 was characterized by a return to robust product sales. During the first half of the year, revenues had been derived from licensing activities, but in the third quarter, product sales delivered well, and are anticipated to do so into the fourth quarter and beyond.

Management continues its work to build the underlying value of the technology and intellectual property in the business while continuing to deliver on the expected improved second half of 2011 and working on its liquidity situation through mostly non-dilutive financings.

Specifically, on July 7, 2011, the Company announced the receipt of a \$4 million follow-on purchase order pursuant to a long-term supply agreement entered into with a major global pharmaceutical company in 2009, with deliveries commencing on Q3 and continuing into Q4 of 2011 and then announced on September 22, 2011 a first order from a leading Chinese biopharmaceutical company. Both orders are relating to the purchases of proprietary Mimetic Ligand™ affinity adsorbents, developed and manufactured by ProMetic's UK subsidiary, ProMetic Biosciences Ltd.

Additionally, the Company secured a total of \$1.0 million in non-dilutive loans and private placement from long-term supportive shareholders. Of the \$1.0 million, the Company obtained a \$0.5 million loan from Les Castels de Vaudreuil Inc., a company managed by its President and current ProMetic Board member, Mr. Benjamin Wygodny and a \$0.15 million private placement.

Also, during September 2011, ProMetic Biosciences Ltd confirmed the receipt of a \$0.8 million non-dilutive working capital grant from the Isle of Man Government Department of Economic Development to support its expansion and revenue growth from export of products and services to key international markets.

Revenues increased to \$3.3 million from \$2.1 million for the same quarter in the previous year, resulting from the product sales highlighted above. Operating costs for the quarter increased to \$5.1 million from \$4.5 million for the same quarter in the previous year, mainly attributable to adverse exchange rate movements, offsetting savings in total R&D expenditure. Costs of goods sold decreased to \$0.6 million from \$1.5 million for the same quarter in the previous year.

Analyzing the business segment performance for the quarter compared with the same quarter of the previous year highlights improved performance in both operating divisions. The improvement in the performance of the Therapeutics division is due to lower expenditure and the improvement in Protein Technologies being attributable mainly to revenue growth. Corporate division losses increased for the third quarter 2011 versus third quarter 2010 by \$0.75 million which is primarily attributable to adverse foreign exchange impacts.

Profit (Loss)*	Q3 2011	Q3 2010	Change %
Therapeutics	(434)	(494)	12
Protein Technologies	212	(1,270)	116.8
Corporate	(1,887)	(1,130)	(67)
Total Loss	(2,109)	(2,894)	27.1
* in thousands of dollars			

## THIRD QUARTER 2011 SIGNIFICANT EVENTS

### Protein Technologies

- The Company announced the receipt of a \$4 million follow-on purchase order pursuant to a long-term supply agreement entered into with a major global pharmaceutical company in 2009. This \$4 million purchase order relates to the purchase of a proprietary Mimetic Ligand™ affinity adsorbent developed and manufactured by ProMetic's UK

subsidiary, ProMetic Biosciences Ltd and is to be supplied during the third and fourth quarters of 2011.

- The Company won a first order from a leading Chinese biopharmaceutical company for a large scale biomanufacturing process, successfully continuing to expand its reach in Asia. This initial order relates to the purchase of a proprietary Mimetic Ligand™ affinity adsorbent, developed and manufactured by ProMetic's UK subsidiary, ProMetic Biosciences Ltd, for the manufacturing scale-up of a biosimilar product in China.

### **Corporate**

- The Company obtained a total of \$1.0 million in non-dilutive loans and private placement from long-term supportive shareholders. Of the \$1.0 million, the Company secured a \$0.5 million loan from Les Castels de Vaudreuil Inc., a company managed by its President and current ProMetic Board member, Mr. Benjamin Wygodny. The loan which bears interest at the rate of 12% per annum and was originally due to mature on October 31, 2011 has been indefinitely extended with the permission of the lender. As consideration for providing the loan, ProMetic shall pay the lender the principal amount, the interest and a fee which shall vary depending on the term of the loan. The Company also secured a \$0.15 million private placement done at an average share price of \$0.11 per share for a total issuance of 1,363,636 common shares of ProMetic which are subject to a four month hold period.
- The Company announced the receipt of \$700,000 from Investissement Québec as part of a unique 2011 Tax Credit program to finance the company's Research and Development Tax Credit. ProMetic will be eligible for an additional \$250,000 in Q4 2011.
- The Company also confirmed the receipt of a \$0.8 million working capital grant from the Isle of Man Government Department of Economic Development to support its expansion and revenue growth from export of products and services to key international markets.
- The Company organized the share capital structure of NewCo, issuing 13% of the common shares to those shareholders who advanced \$1.5 million for the formation of NewCo earlier in 2011. Consequently, \$1.5 million has also been removed from the "Advances from shareholders" figure in the current liabilities section of the balance sheet.

### **Therapeutics**

- The Company announced that it had been selected to make four presentations at ASN's (*American Society of Nephrology*) Kidney Week conference demonstrating the ability of its orally active lead compounds PBI-4050 and PBI-4419 to significantly reduce fibrosis in kidneys in both acute and chronic settings.

### **Post Balance-Sheet Events**

- The Company received a first \$0.73 million follow-on purchase order under its supply agreement with Octapharma, a leading, Swiss based, independent global plasma fractionation company that specializes in human proteins. This order relates to the purchase of PrioClear®, a proprietary prion capture resin incorporated into Octapharma's manufacturing process for its solvent/detergent treated plasma product, OctaplasLG®. OctaplasLG® is currently approved for marketing in 4 countries (Germany, Switzerland, Portugal and Australia) with several more approvals pending in the European Union (United Kingdom, Ireland, Belgium, Netherlands, Luxemburg, Sweden and Finland).
- The Company received a binding forecast from Octapharma for in excess of \$2 million of prion capture resin for the first half of 2012. This is in addition to the October 12, 2011 \$0.73 million follow-on purchase order announcing the resumption of PrioClear® to Octapharma under its existing supply agreement, bringing total expected deliveries of the product to around \$3 Million between December 2011 and June 2012.
- The creation and implementation of NewCo has enabled and facilitated the relocation of the US based subsidiary, ProMetic BioTherapeutics, Inc. The relocation is expected to be completed before the end of December, 2011. It is estimated that the relocation will already result in annual savings to the Company of more than \$0.5 million starting this quarter.

# 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 Variant Creutzfeldt-Jakob disease ("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, Switzerland, Portugal and Australia with several more approvals pending in the European Union. 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 with an initial emphasis on chronic kidney diseases (CKD) and acute kidney injury (AKI);
- Autoimmune diseases;
- Oncology; and
- Anemia in both CKD patients and patients suffering from cancer.

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 (CIA). Upwards of two thirds of cancer patients treated with chemotherapy develop anemia. This represents an estimated one million patients annually in the USA alone, a significant unmet medical need that PBI-1402 and analogues could address. The anticancer effects reported in animal models suggest that PBI-1402 is well suited for the treatment of certain oncology indications as well as cancer-related anemia (CRA) and CIA.

New drug candidates and analogues to PBI-1402 have been predominantly developed to target unmet medical needs in the field of renal diseases. Twenty six 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. More importantly, CKD patients will experience over time a gradual loss of their renal function as the disease progress. Fibrosis in the kidney is the underlying cause that ultimately lead to the loss in the kidney function.

In November 2011, New and exciting data was presented to the American Association of Nephrologists annual meeting. In a gold standard animal model simulating renal failure in humans, the animals treated with PBI-4050 had their renal function improved three fold compared to the non treated animals, as well a significant reduction of their blood pressure. In addition to observe an increase in the GFR, there was also a significant reduction of proteinuria and blood pressure in the treated animals.

The kidneys of the treated animals had significantly less fibrosis and sclerosis confirmed by histology and with key biomarkers such as CTGF, TGF $\beta$ , MCP-1 collagen.

Similar performance toward reduction of fibrosis was also reported at ASN with PBI-4419. Taken together, these results suggest that PBI-4050 and PBI-4419 offer the potential as a novel therapy for chronic kidney disease by reduction of fibrosis and sclerosis thus delaying disease progression. PBI-4050 offers the added benefit of being able to also correct anemia, a condition that affects several patients with CKD or renal failure. Moreover, PBI-4050 performed remarkably well in a very challenging model where pulmonary fibrosis is induced by bleomycin. All these new results clearly enable alternative regulatory pathways, as drug candidates are being selected to move to the next phases of development.

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 as the Company reduced its R&D spending and allocated most of its efforts to support partnering and IND enabling activities.

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.

ProMetic is currently reviewing various strategic avenues to further advance its most promising lead drug candidates such as PBI-4050 in the clinics.

## 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. Revenues from this business unit do not accrue evenly during the year, so assessment of its profitability must be made on an annualized basis.

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<sup>®</sup> and UniplasLG<sup>®</sup> products. The strategy is to expand the commercialization of the PRDT technology into use in RBC concentrate by the sale of the P-Capt<sup>®</sup> prion filter. Thereafter, the Company will focus on applying PRDT technology to other commercial applications, including those from other parts of the ProMetic group.

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 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. This relieves a significant capital expenditure hurdle for ProMetic, allowing it to deliver on 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.

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### Strengths

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Recurring revenues from external licensing and partnering of technologies

Strong product pipeline

Innovative technologies

Validated products

Some products target niche markets

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Turn-key services

Technologies integrated for long-term in client's products and manufacturing processes, several of which are scaling-up

Solid management team

Established sales force

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#### Weaknesses

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Some products target niche markets

Ability to recognize revenues from complex contracts with multiple deliverables

Low liquidity position

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#### Opportunities

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Development of innovative products for new applications

Ability to scale according to client needs

Vast partnering opportunities

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#### Threats

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Ability to stay competitive in rapidly changing environment

Client products have to undergo regulatory process

Subject to client timeline

Fluctuating exchange rates

Government processes

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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 then, 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 1<sup>st</sup> 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 as at September 30, 2011, 1.18% of ProMetic's outstanding shares or 1.01% 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 1.93% of ProMetic's outstanding shares or 1.66% 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 Celgene whereby the Company assigned 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 US\$10 million 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. Failure to meet the remaining milestone would result in US\$6 million of the loan to be re-instated. The Company considers it unlikely that it will be unable to meet the required remaining milestone.

The company concluded in April 2011 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 a weighted average price of \$0.16 per share 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.

In September 2011, The Company confirmed the receipt of another \$0.8 million working capital grant from the Isle of Man Government Department of Economic Development to support its expansion and revenue growth from export of products and services to key international markets.

The Company also recently secured \$850 000 in non-dilutive loans from long-term supporting shareholders. The proceeds from the loans will be used for general working capital purposes. Of the \$850,000, the Company secured a \$500,000 loan from Les Castels de Vaudreuil Inc., a company managed by its President and current ProMetic Board member, Mr. Benjamin Wygodny. The loan which bears interest at the rate of 12% per annum and was originally due to mature on October 31, 2011 has been indefinitely extended with the permission of the lender. As consideration for providing the loan, ProMetic shall pay the lender the principal amount, the interest and a fee which shall vary depending on the term of the loan.

In addition, the Company closed an equity issuance by way of a private placement for an amount of \$150,000 in August 2011. This issuance was done at an average share price of \$0.11 per share for a total issuance of 1,363,636 common shares of ProMetic which are subject to a four month hold period.

The Company also announced receiving \$700,000 from Investissement Québec as part of a unique 2011 Tax Credit program to finance the company's Research and Development Tax Credit. ProMetic will be eligible for an additional \$250,000 in Q4 2011.

Incremental to this is the company's ongoing drive to increase the revenue and profitability of its operating units, ultimately reducing the reliance on external financing.

# 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.

<b>PBL</b>	<b>EVENTS 2011 onwards</b>
Maintain a profitable bioseparations business	<ul style="list-style-type: none"> <li>• PBL has increased its contribution towards the costs of the wider group year-on-year since 2007.</li> </ul>
Generate positive cash-flow from operations	<ul style="list-style-type: none"> <li>• PBL continues to generate net cash inflows.</li> </ul>
Expand affinity adsorbent sales	<ul style="list-style-type: none"> <li>• New contracts signed and expansion on existing contracts – Halozyme, large European biopharmaceutical.</li> <li>• 2011 sales in PBL are expected to be strong.</li> </ul>
Establish long-term supply agreements	<ul style="list-style-type: none"> <li>• Agreement with multinational company to enhance the quality of an existing biopharmaceutical product manufactured in multi-ton quantities to lead to larger follow-on orders and long term supply agreement.</li> <li>• Octapharma resuming ordering of ProMetic's prion-capture technology incorporated in OctaplasLG®.</li> <li>• Major pharmaceutical company and Octapharma both issued follow-on orders under said supply agreements in 2011.</li> </ul>
Develop new strategic alliances	<ul style="list-style-type: none"> <li>• \$10 M License agreement with Celgene and long term supply of affinity resin in a defined field.</li> <li>• Other strategic alliances with new clients for new development programs are currently being pursued and should materialize once target product profiles are achieved.</li> </ul>

<b>PBT</b>	
Drive collaboration programs with existing partners including Abraxis, WIBP/Sinopharm, Kedrion, Blue Blood and Sartorius	<ul style="list-style-type: none"> <li>• Collaboration with WIBP/Sinopharm further expanded and strengthened with collaboration involving Newco.</li> <li>• Work with Abraxis continues on the development of a key compound and is progressing towards the next stage.</li> <li>• Further opportunities are being pursued with other plasma fractionators in different territories.</li> </ul>
Expand the number of strategic partners and products developed	<ul style="list-style-type: none"> <li>• Current focus is on delivering quality results for existing customers; these will be used as the catalyst to expand into new relationships.</li> </ul>
Build a solid pipeline of products	<ul style="list-style-type: none"> <li>• Currently 7 products are under development. A further 2 are being actively pursued.</li> </ul>

Expand business to include manufacturing of bulk active for existing partners and others	<ul style="list-style-type: none"> <li>• Work is progressing towards this objective, with production of first bulk material for clinical trials expected in 2011.</li> <li>• NewCo formed to lease facility and raise capital; \$1.5 million secured to date.</li> </ul>
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<b>PRDT</b>	
Adoption of P-Capt® in UK	<ul style="list-style-type: none"> <li>• Recommendation for adoption in children born after January 1, 1996 by SaBTO.</li> <li>• Heightened awareness at senior levels of the UK government.</li> <li>• PRISM study patient recruitment has been completed and report is expected in late 2011.</li> <li>• Adoption in Macau.</li> </ul>
Adoption of P-Capt® in Ireland as well as other European countries	<ul style="list-style-type: none"> <li>• In the context of finite healthcare budget, consideration will be given to the existing technologies and services that would need to be displaced should prion filtration be introduced.</li> </ul>
Expand commercial use of prion reduction resin in bulk applications	<ul style="list-style-type: none"> <li>• Contract with Octapharma for OctaplasLG®. Octapharma anticipating approval in Europe.</li> </ul>

<b>PBI</b>	
Partner PBI-1402 and / or NCE analogues	<ul style="list-style-type: none"> <li>• New data and partnering interactions provide for a revised clinical / regulatory pathway for lead compounds.</li> <li>• IND enabling activities performed to bring lead compounds into patients in 2012.</li> <li>• Partnering and funding opportunities pursued to advance lead compounds into the clinical program.</li> </ul>
New data to support expanded potential uses and new indications	<ul style="list-style-type: none"> <li>• PBI-4050 and PBI-4419 / New data presented at the Annual Meeting of the American Society of Nephrology confirming reduction of fibrosis in CKD and AKI models.</li> <li>• Data supporting PBI-4050 to potentially address both anemia and fibrosis in CKD patients.</li> </ul>
Regulatory milestones in key markets	<ul style="list-style-type: none"> <li>• Autoimmune disease program revitalized with new discovery.</li> <li>• FDA guidance corroborating ProMetic's regulatory pathway for PBI-1402 and its analogues for anemia and cancer.</li> </ul>

# 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 is being 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 \$4.1 million as at September 30, 2011, and \$3.3 million as at December 31, 2010. Attention is drawn to the going concern (Note 1). Management is working to 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 \$2.9 million as at September 30, 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 remained relatively the same at \$0.8 million as at September 30, 2011, compared to December 31, 2010.

As at September 30, 2011, our cash position was \$0.1 million compared to a bank overdraft position of \$0.1 million as at June 30, 2011 and a cash position of \$0.3 million as at December 31, 2010.

The US\$10 million long-term loan has 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.

Included in Current liabilities is a sum of \$4.3 million relating to Trade payables. This figure has remained level since the second quarter of 2011, but has increased over the year-end position as a result of the company's cash situation. Based on Management's plans to maintain the business as a going concern, the company is confident that it will, later during the second half, continue to make progress toward bringing suppliers accounts current.

Current liabilities include deferred revenue, US\$6 million of which relates to the elimination of the US\$10 million debt referred to above. This US\$6 million will be released when the remaining milestone, referred to above, are met. The Company considers it unlikely that it will be unable to meet the required remaining milestone.

Also included in Current Liabilities is a sum of \$0.6 million labeled advances from shareholders. During the third quarter, the Company organized the share capital structure of NewCo, issuing 13% of the common shares to those shareholders who advanced \$1.5 million for the formation of NewCo earlier in 2011. Consequently, \$1.5 million has also been removed from the "Advances from shareholders" figure in the current liabilities section of the balance sheet.

## 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 September 30, 2011, compared to quarter ended September 30, 2010.

### Revenues

Total revenues for the third quarter of 2011, which were derived from the Protein Technologies unit, were \$3.3 million compared with \$2.1 million in 2010.

The third quarter revenue came from sales of affinity adsorbents to major pharmaceutical companies.

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

### Costs of Goods Sold and Rechargeable Research and Development Expenses

The combined costs of goods sold and rechargeable research and development expenses for the quarter ended September 30, 2011, totalled \$0.6 million compared to \$1.5 million for the quarter ended September 30, 2010. This difference is explained by the revenue mix. The third quarter of 2011 saw revenues mainly from product sales compared to revenues mainly from service provision in the third quarter of 2010. Product sales generally carry a lower level of direct costs than service revenue for the business.

Based on the combined cost of goods sold and the rechargeable research and development expenses, a gross profit of 82.5% was achieved during the third quarter of 2011 compared to 26.0% for the same quarter in 2010. The difference is due to differing mix of products and services sold.

### Research and Development Expenses – Non rechargeable

Non rechargeable research and development expenses were \$2.6 million for the quarter ended September 30, 2011, similar to the \$2.0 million for the quarter ended September 30, 2010. This is due to the lower amount of revenue generating R&D carried out in the third quarter of 2011 versus the same quarter of 2010, resulting in a higher level of R&D resource cost remaining with the company.

### Administrative and Marketing Expenses

Administrative and marketing expenses were \$1.4 million for the third quarter of 2011 which is broadly consistent with the \$1.3 million for the same quarter in 2010.

### Net Loss

The Company generated a net loss of \$2.1 million or \$0.01 per share (basic and diluted), for the quarter ended September 30, 2011, as compared to a net loss of \$2.9 million or \$0.01 per share (basic and diluted) for the quarter ended September 30, 2010. The decrease in net loss is primarily attributable to an increase in sales of affinity adsorbent products compared to sales in the third quarter of 2010.

## EBITDA by Business Units

Quarter ended September 30, 2011 - In millions of dollars

	Protein Technologies	Therapeutics	Corporate	Total
Revenues	3,334	-	-	3,334
Cost	2,910	378	1,086	4,374
EBITDA	424	(378)	(1,086)	(1,040)

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 \$1.7 million for the quarter ended September 30, 2011, compared with \$2.2 million for the quarter ended September 30, 2010. The cash inflows from financing activities amounted \$2.1 million for the quarter ended September 30, 2011 compared to outflows of \$0.3 million for the quarter ended September 30, 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	
	September 30	June 30	March 31	December 31 <sup>1</sup>	September 30 <sup>1</sup>	June 30 <sup>1</sup>	March 31 <sup>1</sup>	December 31
Revenues	3.3	3.0	2.8	1.1	2.1	5.1	3.0	4.3
Net profit/(loss)	(2.1)	(1.8)	(2.7)	(4.3)	(2.9)	(0.9)	(3.1)	(2.4)
Net loss per share (basic and diluted)	(0.01)	(0.00)	(0.01)	(0.01)	(0.01)	(0.00)	(0.01)	(0.01)
Weighted average number of outstanding shares	378	373	356	351	350	350	341	331

<sup>1</sup> As restated to apply IFRS as issued by the IASB

## FINANCE LEASES

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 finance leases for buildings and equipment.

Those obligations under finance leases bear interest from 11.54% to 13.94%, are payable in monthly installments of \$0.3 to \$0.7 and mature from October 2011 to June 2014.

## 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 interest 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 interest and penalties, without taking into consideration the net proceeds arising from the disposal of the 9,500,000 pledged shares of the Company. The Company has not required any consideration in exchange for this Guarantee. As at December 31, 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 June 30, 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

The Company received a first \$0.73 million follow-on purchase order under its supply agreement with Octapharma, a leading, Swiss based, independent global plasma fractionation company that specializes in human proteins. This order relates to the purchase of PrioClear<sup>®</sup>, a proprietary prion capture resin incorporated into Octapharma's manufacturing process for its solvent/detergent treated plasma product, OctaplasLG<sup>®</sup>. OctaplasLG<sup>®</sup> is currently approved for marketing in 4 countries (Germany, Switzerland, Portugal and Australia) with several more approvals pending in the European Union (United Kingdom, Ireland, Belgium, Netherlands, Luxemburg, Sweden and Finland).

The Company received a binding forecast from Octapharma for in excess of \$2 million of prion capture resin for the first half of 2012. This is in addition to the October 12, 2011 \$0.73 million follow-on purchase order announcing the resumption of PrioClear<sup>®</sup> to Octapharma under its existing supply agreement, bringing total expected deliveries of the product to around \$3 Million between December 2011 and June 2012.

The creation and implementation of NewCo has enabled and facilitated the relocation of the US based subsidiary, ProMetic BioTherapeutics, Inc. The relocation is expected to be completed before the end of December, 2011. It is estimated that the relocation will already result in annual savings to the Company of more than \$0.5 million starting this quarter.

## CAPITAL STOCK INFORMATION

### Authorized Share Capital

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

### Issued and Outstanding Share Capital

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

#### Common Shares

As at September 30, 2011, the capital stock issued and outstanding consisted of 381,106,987 common shares (353,164,339 as at December 31, 2010).

As at November 14, 2011, the capital stock issued and outstanding consisted of 385,693,350 common shares.

#### Stock Options

As at September 30, 2011, the Company has 10,509,801 stock options outstanding with exercise prices ranging from \$0.12 to \$1.50.

## OUTLOOK

As previously stated by Management, the expected second half of 2011 stronger sales have started to materialize as demonstrated by the recent announcements of various significant purchase orders ( the \$4 million follow-on purchase order pursuant to a long-term supply agreement entered into with a major global pharmaceutical company in 2009, the first order from a leading Chinese biopharmaceutical company relating to the purchase of a proprietary Mimetic Ligand™ affinity adsorbent and the first \$0.73 million follow-on purchase order under the existing Octapharma supply agreement). As a result, Management believes that the difficult liquidity situation will continue to improve in the coming months and that its overall business prospects remain extremely attractive for the coming quarters. The Company will also continue to closely monitor and control as much as possible its costs structure.

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

The Company will continue to assist 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, as evidenced by the recent announcement of a first \$0.73 million follow-on purchase order under its existing supply agreement. This order relates to the purchase of PrioClear®, a proprietary prion capture resin incorporated into Octapharma's manufacturing process for its solvent/detergent treated plasma product, OctaplasLG®. 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 and the organization of its related capital structure 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 closes 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. As of the first quarter ended March 31, 2011, we have started providing 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 21 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 September 30, 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 were 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 June 30, 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.

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### Commercial Risk

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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.

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#### Financial Risk

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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.

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#### Credit Risk

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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.

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#### Liquidity Risk

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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.

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#### Market Risk

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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.

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#### Equity Risk

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

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## 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 July 1, 2011 and ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, our ICFR.



PROMETIC

**ProMetic Life Sciences Inc.**

**Notice of Disclosure of Non-Auditor Review of Interim Financial Statements  
for the Three Months Ended September 30, 2011**

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

The accompanying unaudited interim financial statements of the Company for the interim periods ended September 30, 2011 and 2010 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and are the responsibility of the Company's management. The Company's independent auditors, Ernst & Young LLP, have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Dated this 14th day of November 2011.

*(signed) Bruce Pritchard*  
Bruce Pritchard  
Chief Financial Officer

*(signed) Pierre Laurin*  
Pierre Laurin  
President and Chief Executive Officer

**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 September 30, 2011	As at December 31, 2010	As at January 1, 2010
<b>ASSETS (note 12)</b>			
Current assets			
Cash	\$ 112	\$ 252	\$ 493
Accounts receivable (note 6)	2,867	1,790	2,612
Inventories (note 7)	1,065	1,032	2,128
Prepaid expenses	84	220	201
	<b>4,128</b>	<b>3,294</b>	<b>5,434</b>
Restricted cash (note 8)	238	228	356
Investments (note 9)	28	52	253
Capital assets	815	883	1,133
Licenses and patents	4,218	4,136	3,908
	<b>\$ 9,428</b>	<b>\$ 8,593</b>	<b>\$ 11,084</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>			
Current liabilities			
Bank loan	\$ -	\$ -	\$ 911
Other loan	752	652	-
Trade and other payables (note 10)	6,743	4,508	6,956
Advances from shareholders (note 11)	565	-	-
Deferred revenues (note 12)	7,022	271	910
Repayable government grants and finance leases (note 13)	1,091	12	23
Current portion of long-term debt provided by shareholders (note 14)	3,900	2,239	3,114
Current portion of advance on revenues from a supply agreement (note 15)	1,315	1,172	1,316
	<b>21,388</b>	<b>8,854</b>	<b>13,230</b>
Long-term portion of finance lease obligations (note 13)	15	4	16
Long-term debt provided by shareholders (note 14)	-	11,507	2,280
Advance on revenues from a supply agreement (note 15)	1,795	1,696	1,826
	<b>23,198</b>	<b>22,061</b>	<b>17,352</b>
<b>SHAREHOLDERS' DEFICIENCY</b>			
Share capital (note 16)	219,335	215,266	212,728
Contributed surplus	9,836	8,822	8,446
Future investment rights (note 16)	6,542	6,542	2,195
Accumulated other comprehensive loss	44	255	-
Deficit	<b>(249,591)</b>	<b>(243,438)</b>	<b>(229,636)</b>
Deficiency attributable to owners of the parent	<b>(13,834)</b>	<b>(12,552)</b>	<b>(6,267)</b>
Non-controlling interests	64	(915)	-
	<b>(13,770)</b>	<b>(13,468)</b>	<b>(6,267)</b>
	<b>\$ 9,428</b>	<b>\$ 8,593</b>	<b>\$ 11,084</b>

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)

	Quarter ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
<b>Revenues (note 5)</b>	<b>\$3,334</b>	<b>\$2,064</b>	<b>\$9,166</b>	<b>\$10,317</b>
<b>Expenses</b>				
Costs of goods sold	430	73	1,205	2,328
Research and development expenses rechargeable	155	1,454	1,216	1,759
Research and development expenses non rechargeable	2,550	2,012	7,327	7,581
Administration and marketing expenses	1,423	1,329	4,391	4,164
Loss (gain) on foreign exchange	498	(349)	182	155
	<b>5,056</b>	<b>4,519</b>	<b>14,321</b>	<b>15,987</b>
<b>Loss before the following items</b>	<b>(1,722)</b>	<b>(2,455)</b>	<b>(\$5,155)</b>	<b>(5,670)</b>
Gain (loss) on disposal of capital assets	3	(35)	(10)	197
Charges related to a guarantee	-	-	-	(180)
Impairment of investment	(25)	-	(25)	-
Loss on extinguishment of debt (note 14)	-	-	(387)	-
Net interest expenses and penalties	(365)	(404)	(1,045)	(1,314)
<b>Net loss</b>	<b>(\$2,109)</b>	<b>(\$2,894)</b>	<b>(\$6,622)</b>	<b>(\$6,967)</b>
<b>Other comprehensive loss</b>				
Change in unrealized exchange differences on translation of foreign subsidiaries	(271)	(51)	(212)	127
<b>Total comprehensive loss for the period</b>	<b>(\$2,380)</b>	<b>(\$2,945)</b>	<b>(\$6,834)</b>	<b>(\$6,840)</b>
Net loss attributable to:				
Owners of the parent	(1,950)	(2,634)	(\$6,101)	(6,226)
Non-controlling interests	(158)	(260)	(521)	(741)
	<b>(\$2,109)</b>	<b>(\$2,894)</b>	<b>(\$6,622)</b>	<b>(\$6,967)</b>
Total comprehensive loss attributable to:				
Owners of the parent	(2,222)	(2,685)	(\$6,313)	(6,099)
Non-controlling interests	(158)	(260)	(521)	(741)
	<b>(\$2,380)</b>	<b>(\$2,945)</b>	<b>(\$6,834)</b>	<b>(\$6,840)</b>
<b>Loss per share (note 4)</b>				
Basic loss per share attributable to ordinary equity holders of the parent	(\$0.01)	(\$0.01)	(\$0.02)	(\$0.02)
Diluted loss per share attributable to ordinary equity holders of the parent	(\$0.01)	(\$0.01)	(\$0.02)	(\$0.02)
<b>Weighted average number of outstanding shares (in thousands)</b>	<b>377,857</b>	<b>349,736</b>	<b>368,976</b>	<b>346,986</b>

For supplemental operations information, see note 17

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 first nine months of the year	-	-	-	-	-	(7,708)	(7,708)	741	(6,967)
Foreign currency translation reserve	-	-	-	127	-	-	127	-	127
Share issue expenses	-	-	-	-	-	(67)	(67)	-	(67)
Recognition of share-based payments	-	303	-	-	-	-	303	-	303
Modification of future investment rights	-	-	-	-	3,333	(3,333)	-	-	-
Issuance of shares	1,606	-	-	-	1,014	-	2,620	-	2,620
<b>Balance at September 30, 2010</b>	<b>214,334</b>	<b>2,327</b>	<b>6,422</b>	<b>127</b>	<b>6,542</b>	<b>(240,744)</b>	<b>(10,992)</b>	<b>741</b>	<b>(10,251)</b>
.									
<b>Balance at December 31, 2010</b>	<b>215,266</b>	<b>2,400</b>	<b>6,422</b>	<b>255</b>	<b>6,542</b>	<b>(243,438)</b>	<b>(12,553)</b>	<b>(915)</b>	<b>(13,468)</b>
Loss for the first nine months of the year	-	-	-	-	-	(6,100)	(6,100)	979	(5,121)
Foreign currency translation reserve	-	-	-	(211)	-	-	(211)	-	(211)
Share issue expenses	-	-	-	-	-	(53)	(53)	-	(53)
Recognition of share-based payments	-	223	-	-	-	-	223	-	223
Issuance of shares	4,069	-	-	-	-	-	4,069	-	4,069
Issuance of Warrants	-	-	791	-	-	-	791	-	791
<b>Balance at September 30, 2011</b>	<b>219,335</b>	<b>2,623</b>	<b>7,213</b>	<b>44</b>	<b>6,542</b>	<b>(249,591)</b>	<b>(13,833)</b>	<b>64</b>	<b>(13,770)</b>

**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)

	Quarter ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
<b>Cash flows used in operating activities</b>				
Net loss	\$ (2 111)	\$ (2,887)	\$ (6,624)	\$ (6,945)
Adjustments to reconcile net loss to cash flows used in operating activities				
Charges paid with shares	-	-	21	-
Finance cost	192	165	581	561
Loss on disposal of capital assets	(22)	-	10	54
Licensing revenues (note 14)	-	-	(3,841)	-
Impairment of an investment	25	-	25	-
Loss on extinguishment of debt	-	-	387	-
Stock-based compensation	136	120	223	280
Advance on revenues from a supply agreement	35	-	106	-
Unrealized foreign exchange (gain) loss	444	(302)	127	(368)
Amortization of capital assets	86	78	240	195
Amortization of license and patents	101	102	315	294
	(1 114)	(2 724)	(8 429)	(5 929)
Change in working capital items (note 18)	(550)	558	1,416	(3,453)
	(1 664)	(2 166)	(7 013)	(9 382)
<b>Cash flows from financing activities</b>				
Proceeds from share issuance	605	-	3,372	3,201
Share issue expense	(29)	-	(36)	24
Repayment of bank loan	-	-	-	(911)
Advance from shareholders	350	-	2,065	-
Interest paid	49	44	99	170
Issuance of long-term debt	1,428	-	1,930	10,671
Repayment of long-term debt	(260)	(393)	(269)	(2,519)
Advance on revenues from a supply agreement	-	-	-	(49)
	2,143	(349)	7,160	10,587
<b>Cash flows used in investing activities</b>				
Disposal of an investment	-	-	-	50
Additions to capital assets	20	(299)	(25)	(347)
Additions to licenses and patents	(104)	(330)	(122)	(470)
	(85)	(629)	(147)	(767)
Net increase (decrease) in cash during the year	394	(3,144)	-	438
Net effect of currency exchange rate on cash	(167)	213	(140)	379
Cash, beginning of the period	(115)	4 241	252	493
<b>Cash, end of the period</b>	\$ 112	\$ 1,310	\$ 112	\$ 1,310

**For supplemental cash flow information, see note 18**

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

## ***NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS***

Three-month periods ended September 30, 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 September 30, 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 \$17,260 (of which USD \$6 million relates to deferred revenues associated with the Celgene transaction dated March 31, 2011) and a shareholders’ deficiency of \$13,770 as at September 30, 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 \$4,000 of related repayments from 2011 to July 2012. The Company also successfully raised \$1,500 of funds during the first quarter of 2011, for NewCo. 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 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 14).

The Company also concluded a series of equity investments by way of private placements bringing total equity investments in the Company to \$3,355 since January 2011. These investments were made at a weighted-average price from \$0.11 to \$0.16 per share for a total issuance of 23,185,910 common shares of ProMetic which are subject to a four month hold period. No warrants were issued in relation to said investments

During May, 2011 and September, 2011, the Company’s wholly-owned subsidiary, ProMetic Biosciences Limited, secured an interest-free, repayable working capital grants from the Isle of Man Government department of Economic Development for the sums of GBP 300,000, which is repayable in six equal installments starting 6 months from the initial drawdown of the grant and for the sum of GBP 500,000, which is repayable by December 31, 2011 against revenues from a \$4,000 follow-on purchase order pursuant to a long-term supply agreement entered into with a major global pharmaceutical company in

## ***NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS***

Three-month periods ended September 30, 2011 and 2010

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

(Unaudited)

2009. This grant of GBP 500,000 bears interest at 5% per annum. The funds have been granted for working capital purposes in ProMetic Biosciences Limited.

The Company also received a \$4,000 follow-on purchase order pursuant to a long-term supply agreement entered into with a major global pharmaceutical company in 2009. This \$4,000 purchase order relates to the purchase of a proprietary Mimetic Ligand™ affinity adsorbent developed and manufactured by ProMetic's UK subsidiary, ProMetic Biosciences Ltd and is to be supplied during the third and fourth quarters of 2011.

The Company also secured \$1,100 in non-dilutive loans from long-term supporting shareholders. The proceeds from the loans will be used for general working capital purposes. Of the \$1,100, the Company secured a \$500 loan from Les Castels de Vaudreuil Inc., a company managed by its President and current ProMetic Board member, Mr. Benjamin Wygodny. The loan bears interest at the rate of 12% per annum and was originally due to mature on October 31, 2011, but has been indefinitely extended with the permission of the lender. As consideration for providing the loan, ProMetic shall pay the lender the principal amount, the interests and a fee which shall vary depending on the term of the loan.

After the balance sheet date, the Company received a first \$730 follow-on purchase order under its supply agreement with Octapharma, a leading, Swiss based, independent global plasma fractionation company that specializes in human proteins. This order relates to the purchase of PrioClear®, a proprietary prion capture resin incorporated into Octapharma's manufacturing process for its solvent/detergent treated plasma product, Octoplas®LG (note 20).

The Company also received a binding forecast from Octapharma for in excess of \$2,000 of prion capture resin for the first half of 2012. This is in addition to the \$730 follow-on purchase order announcing the resumption of PrioClear® to Octapharma under its existing supply agreement, bringing total expected deliveries of the product to around \$3,000 between December 2011 and June 2012.

These initiatives help to alleviate 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.

## ***NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS***

Three-month periods ended September 30, 2011 and 2010

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

(Unaudited)

### **2. Significant Accounting Policies**

#### **a) Statement of Compliance**

The interim consolidated financial statements for the three and nine month periods ended September 30, 2011 were prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ["IAS 34"]. The same accounting policies and methods of computation were followed in the preparation of these interim consolidated financial statements as were followed in the preparation of the interim consolidated financial statements for the three month period ended March 31, 2011 and June 30, 2011. In addition, the interim consolidated financial statements for the three month period ended March 31, 2011 and June 30, 2011 contain certain incremental annual IFRS disclosures not included in the annual financial statements for the year ended 31 December 2010 prepared in accordance with previous Canadian GAAP. Accordingly, these interim consolidated financial statements for the three and nine month periods ended September 30, 2011 should be read together with the annual consolidated financial statements for the year ended 31 December 2010 prepared in accordance with previous Canadian GAAP as well as the interim consolidated financial statements for the three month period ended March 31, 2011 and June 30, 2011.

The consolidated interim financial statements were authorized on November 7th by the Board to be issued.

#### **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.

#### **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.

## ***NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS***

Three-month periods ended September 30, 2011 and 2010

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

(Unaudited)

### **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

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.

### **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.

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### **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 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.

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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 CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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 by 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.

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### **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.

#### 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;

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- 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.

### **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.

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### **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.

### **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.

## **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:

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- 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 14 (b))
- Valuation and the assessment of recoverability of the investments (note 2 g))
- Calculation of stock-based compensation (note 16))

#### 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.

	<u>Quarter ended</u> <u>September 30, 2011</u>	<u>Quarter ended</u> <u>September 30, 2010</u>	<u>Nine months ended</u> <u>September 30, 2011</u>	<u>Nine months ended</u> <u>September 30, 2010</u>
Basic Loss per share				
Net loss attributable to owners of the parent	\$ (1,951)	\$ (2,634)	\$ (6,101)	\$ (6,226)
Weighted Average number of common share (in thousands)	377,857	349,736	368,976	346,986
Basic loss per share	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)

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### 5. Revenues

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

	Quarter ended September 30, 2011	Quarter ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Revenues from the sale of goods	\$ 2,735	\$ 254	\$ 3,274	\$ 7,032
Revenues from the rendering of services	599	1,810	2,051	3,285
Licensing revenues	-	-	3,841	-
	<u>3,334</u>	<u>2,064</u>	<u>9,166</u>	<u>10,317</u>

See note 19 for an analysis of revenues by major products and services.

### 6. Accounts Receivable

	September 30, 2011	December 31, 2010	January 1, 2010
Trade	\$ 1,986	\$ 799	\$ 1,531
Tax credits and sales taxes receivable	836	961	936
Advance to an officer, without interest	7	13	-
Other	38	17	145
	<u>\$ 2,867</u>	<u>\$ 1,790</u>	<u>\$ 2,612</u>

### 7. Inventories

	September 30, 2011	December 31, 2010	January 1, 2010
Raw materials	\$ 198	\$ 222	\$ 538
Work in progress and finished goods	867	810	1,590
	<u>\$ 1,065</u>	<u>\$ 1,032</u>	<u>\$ 2,128</u>

During the quarter ended September 30, 2011, a total cost of goods sold of \$ 430 (\$74 for the quarter ended September 30, 2010) was recognized as an expense.

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### 8. Restricted cash

	September 30, 2011	December 31, 2010	January 1, 2010
Restricted cash	\$ 238	\$ 228	\$ 356

The restricted cash is composed of two Guaranteed Investment Certificates, bearing interest at 1.0% and 0.25%, pledged as security of letters of credit to suppliers expiring in August 2012 and March 2013 for a total of \$171. It also consists of a Grant Treasury Deposit for a total of \$67 pledged in favour of the Isle of Man government for grants received.

### 9. Investments

	September 30, 2011	December 31, 2010	January 1, 2010
Convertible preferred shares of AM-Pharma Holding B.V., a private company based in the Netherlands.	\$ 28	\$ 52	\$ 253

During the first nine months of the year, the investment was considered to have an impairment and was written down by \$24, excluding the effect of the exchange rate. (\$186 for the year ended December 31, 2010).

### 10. Trade and other payables

	September 30, 2011	December 31, 2010	January 1, 2010
Trade	\$ 4,346	\$ 2,561	\$ 4,039
Accruals related to a guarantee	-	-	920
Other payables	2,397	1,947	1,997
	\$ 6,743	\$ 4,508	\$ 6,956

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

### **11. Advances from shareholders**

During the first nine months of the year 2011, the Company signed promissory notes in favor of shareholders for a total amount received of \$590 of which \$25 was reimbursed during the quarter.

### **12. Deferred revenues**

	September 30, 2011	December 31, 2010	January 1, 2010
Deferred license fees	\$ 6,305	\$ -	\$ -
Deferred service revenues	641	239	819
Deferred product sales	76	32	91
	\$ 7,022	\$ 271	\$ 910

### **13. Repayable government grants and finance leases**

#### **(a) Capital grants**

During May, 2011 and September 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 sums of GBP 300,000, which is repayable in six equal installments starting 6 months from the initial drawdown of the grant and for the sum of GBP 500,000, which is repayable by December 31, 2011 against revenues from a \$4,000 follow-on purchase order pursuant to a long-term supply agreement entered into with a major global pharmaceutical company in 2009. This grant of GBP 500,000 bears interest at 5% per annum. The funds have been granted for working capital purposes in ProMetic Biosciences Limited.

#### **(b) Finance leases**

Obligations under finance leases bearing interest from 11.54% to 13.94% payable in monthly installments of \$0.3 to \$0.7 maturing from October 2011 to June 2014.

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### 14. Long-term debt provided by shareholders

	Current Portion	September 30, 2011	December 31, 2010	January 1, 2010
Promissory note (a)	\$ 250	\$ 250	\$ 250	\$ 250
Other loans (b)	3,650	3,650	13,496	5,144
	<b>3,900</b>	<b>3,900</b>	13,746	5,394
Current portion of long-term debt		<b>3,900</b>	11,507	2,280
		\$ -	\$ 2,239	\$ 3,114

#### (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 1<sup>st</sup>, 2010).

During the first quarter of 2011, the repayment date of the loan was 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 a debt extinguishment for accounting purposes, consequently, the loan was derecognized and a new loan recognized at fair value creating a loss on extinguishment of 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 September 30, 2011 was \$787.

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 1<sup>st</sup>, 2010).

During the first quarter of 2011 the repayment date of the loan was 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 of 37.50% after the renegotiation). The renegotiation was a debt extinguishment for accounting purposes, consequently, the loan was derecognized and a new loan recognized at fair value creating a loss on extinguishment of debt of \$59. The fair value of \$317 was estimated using discounted future cash flows and the residual was

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allocated to the warrants and shares in the amount of \$112 and \$71, respectively. The carrying value at September 30, 2011 was \$394.

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 1<sup>st</sup>, 2010).

During the first quarter of 2011, the repayment date of the loan was 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 a debt extinguishment for accounting purposes, consequently, the loan was derecognized and a new loan recognized at fair value creating a loss on extinguishment of 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 September 30, 2011 was \$394.

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 1<sup>st</sup>, 2010).

During the first quarter of 2011, the repayment dates 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 a debt extinguishment for accounting purposes, consequently, the loans were derecognized and new loans recognized at fair value creating a loss on extinguishment of 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 September 30, 2011 were \$1,575.

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. Two of these milestones have been achieved. Failure to meet the remaining milestones 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 milestones.

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For accounting purposes, the loan, including any accrued interest, was derecognized and the Company has recognized US\$4,000,000 (\$3,841) of licensing revenues. The balance was recorded as deferred revenues until the required milestones are met.

6) Loan from Les Castels de Vaudreuil Inc., a company managed by its President and current ProMetic Board member, Mr. Benjamin Wygodny. The loan bears interest at the rate of 12% per annum and was originally due to mature on October 31, 2011, but has been indefinitely extended with the permission of the lender. As consideration for providing the loan, ProMetic shall pay the lender the principal amount, the interests and a fee which shall vary depending on the term of the loan.

### **15. 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 nine months 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.

### **16. 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 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.

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### Share Capital

	September 30, 2011		December 31, 2010		January 1, 2010	
	Number	Amount	Number	Amount	Number	Amount
Issued and fully paid common shares	381,106,987	\$ 219,785	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		\$ 219,335		\$ 215,266		\$ 212,728

#### a. Share issue:

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

	Number of shares	Amount
<b>Issued and fully paid</b>		
Balance at January 1, 2010	331,743,400	212,728
Issued for cash	17,992,857	1,607
Issuance of future investment rights	-	(1,014)
Balance at September 30, 2010	349,736,257	213,321
Balance at December 31, 2010	353,164,339	215,266
Issued for cash	23,185,910	3,355
Exercise of options	100,000	17
Payment of expenses	148,239	21
Issued in relation to debt renegotiation (note 14)	4,508,499	676
Balance at September 30, 2011	381,106,987	219,335

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 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.

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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 nine months 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 14. Also, the Company issued a total of 23,185,910 shares for private placements, 100,000 shares resulting from the exercise of options granted in the past and 148,239 for payment of interests due to a lender. Except for the shares issued when options were exercised, the fair value of the shares was based on the quoted price observed on the active market.

### b) Warrants and Rights

As at September 30, 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 first nine months of 2011, 2,857,139 warrants (44,791,488 rights to acquire shares and 375,000 warrants during the first nine months of 2010) were issued having a fair value of \$791 (\$6,542 for the first nine months of 2010) and expiring in January 2014 (February 2017 and April 2013 respectively for the first nine months of 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 the plan and any other employee incentive plans may not exceed 15,913,317 common shares. Since

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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 (with the exception of certain options which are either immediately vested on grant, or vest after 1 year from grant, most 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	917,500	0.18
Forfeited	(65,240)	0.32
Expired	(550,500)	1.07
<b>Total number of options as at September 30, 2010</b>	<b>8,976,951</b>	<b>0.33</b>
Number of options as at December 31, 2010	8,987,451	0.33
Granted	1,912,500	0.15
Exercised	(100,000)	0.17
Forfeited	(118,900)	0.22
Expired	(171,250)	0.41
<b>Total number of options as at September 30, 2011</b>	<b>10,509,801</b>	<b>0.30</b>

The following tables summarize information about stock options outstanding as at September 30, 2011:

Range of exercise price	Number outstanding	Weighted average remaining contractual life (in years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
0.11 - 0.18	5,602,150	3.75	0.16	3,855,150	0.17
0.19 - 0.40	3,281,317	1.34	0.37	2,538,787	0.37
0.41 - 0.60	910,000	0.61	0.48	858,000	0.48
0.61 - 0.90	516,334	1.22	0.64	309,800	0.64
0.91 - 1.35	100,000	0.55	1.00	100,000	1.00
1.36 - 1.50	100,000	0.55	1.50	100,000	1.50
	<b>10,509,801</b>		<b>0.30</b>	<b>7,761,737</b>	<b>0.32</b>

As at September 30, 2010, 6,609,341 stock options were exercisable at a weighted average exercise price of \$0.32.

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### d) Stock-based compensation:

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:

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 \$141 was recorded for the first nine months of the year 2011 and \$303 for the same period in 2010 as a result of stock options granted to directors, officers, employees and consultants.

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.

### e) Restricted share units

The Company 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.

The expense is evaluated taking into consideration the probability of each objective being reached and the estimated date upon which it is expected that each objective will likely be reached.

A compensation expense of \$82 for the first nine months of the year 2011 was recorded.

## **17. Information included in the consolidated statements of operations**

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	Quarter ended September 30, 2011	Quarter ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Gross research and development expenses	\$ 2,898	\$ 3,779	\$ 9,208	\$ 10,307
Research and development tax credits	(194)	(312)	(665)	(967)
Interest and penalties on long term debt	321	287	939	842
Interest on bank loan and other interest expenses	48	119	111	478
	<u>369</u>	<u>406</u>	<u>1,050</u>	<u>1,320</u>
Interest income on financial assets held for trading	(4)	(2)	(5)	(6)

### 18. Additional information on the consolidated statement of cash flows

	Quarter ended September 30, 2011	Quarter ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
a) Change in working capital items				
Accounts receivable	\$ (596)	\$ 1,612	\$ (1,022)	\$ 628
Inventories	(100)	(114)	14	763
Prepaid expenses	56	17	138	(58)
Accounts payable and accrued liabilities	288	(875)	1,842	(4,066)
Deferred revenues	(198)	(82)	444	(720)
	<u>\$ (550)</u>	<u>\$ 558</u>	<u>\$ 1,416</u>	<u>\$ (3,453)</u>

	Quarter ended September 30, 2011	Quarter ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
b) Non-cash transactions				
Interest related to the long-term debt	\$ 241	\$ 209	\$ 680	\$ 731
Repayment of the long-term debt	-	-	9,946	-
c) Other cash flow information				
interest paid	49	44	99	170
interest earned	-	2	5	6

### 19. 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.

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**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.

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 nine months ended September 30, 2011

	Therapeutics	Protein Technology	Corporate	Total
Revenues	-	9,166	-	9,166
Costs of goods sold	-	1,205	-	1,205
Research and development expenses rechargeable	-	1,216	-	1,216
Research and development expenses non rechargeable	1,413	5,914	-	7,327
Administration and marketing expenses	-	944	3,447	4,391
Loss on foreign exchange	-	-	182	182
Loss (gain) on disposal of capital assets	(5)	15	-	10
Impairment of investment	-	25	-	25
Loss on extinguishment of debt	-	-	387	387
Net interest expense and penalties	39	155	851	1,045
<b>Net loss</b>	<b>1,447</b>	<b>308</b>	<b>4,867</b>	<b>6,622</b>

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For the quarter ended September 30, 2011

	Therapeutics	Protein Technology	Corporate	Total
Revenues	-	3,334	-	3,334
Costs of goods sold	-	430	-	430
Research and development expenses rechargeable	-	155	-	155
Research and development expenses non rechargeable	425	2,125	-	2,550
Administration and marketing expenses	-	334	1,089	1,423
Loss on foreign exchange	-	-	498	498
Gain on disposal of capital assets	(3)	-	-	(3)
Impairment of investment	-	25	-	25
Net interest expense and penalties	12	53	300	365
<b>Net loss (profit)</b>	<b>434</b>	<b>(212)</b>	<b>1,887</b>	<b>2,109</b>

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### For the nine months ended September 30, 2010

	Therapeutics	Protein Technology	Corporate	Total
Revenues	-	10,317	-	10,317
Costs of goods sold	-	2,328	-	2,328
Research and development expenses rechargeable	-	1,759	-	1,759
Research and development expenses non rechargeable	1,346	6,235	-	7,581
Administration and marketing expenses	-	609	3,555	4,164
Loss on foreign exchange	-	-	155	155
Loss (gain) on disposal of capital assets	(210)	-	13	(197)
Charges related to a guarantee	-	-	180	180
Net interest expense and penalties	28	126	1,160	1,314
<b>Net loss</b>	<b>1,164</b>	<b>740</b>	<b>5,063</b>	<b>6,967</b>

### For the quarter ended September 30, 2010

	Therapeutics	Protein Technology	Corporate	Total
Revenues	-	2,064	-	2,064
Costs of goods sold	-	73	-	73
Research and development expenses rechargeable	-	1,454	-	1,454
Research and development expenses non rechargeable	461	1,551	-	2,012
Administration and marketing expenses	-	214	1,115	1,329
Gain on foreign exchange	-	-	(349)	(349)
Loss on disposal of capital assets	35	-	-	35
Net interest expenses (revenues) and penalties	(2)	42	364	404
<b>Net loss</b>	<b>494</b>	<b>1,270</b>	<b>1,130</b>	<b>2,894</b>

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### Segmented information by operating segment

#### b) Assets by operating segments

	<b>September 30, 2011</b>	<b>December 31, 2010</b>	<b>January 1, 2010</b>
Therapeutics	\$ 2,682	\$ 2,759	\$ 2,812
Protein Technology	6,602	5,577	7,690
Corporate	144	257	582
	<b>\$ 9,428</b>	<b>\$ 8,593</b>	<b>\$ 11,084</b>

#### c) Capital assets and licenses and patents by operating segments

	<b>September 30, 2011</b>	<b>December 31, 2010</b>	<b>January 1, 2010</b>
Therapeutics	\$ 1,783	\$ 1,831	\$ 1,713
Protein Technology	3,209	3,122	3,224
Corporate	42	66	104
	<b>\$ 5,034</b>	<b>\$ 5,019</b>	<b>\$ 5,041</b>

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

	<b>September 30, 2011</b>	<b>September 30, 2010</b>
Therapeutics	\$ 110	\$ 348
Protein Technology	287	428
Corporate	-	3
	<b>\$ 397</b>	<b>\$ 779</b>

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### e) Liabilities by operating segments

	September 30, 2011	December 31, 2010	January 1, 2010
Therapeutics	\$ 2,018	\$ 1,589	\$ 2,402
Protein Technology	10,256	5,423	6,928
Corporate	12,424	15,049	8,022
	<b>\$ 24,698</b>	<b>\$ 22,061</b>	<b>\$ 17,352</b>

### Segmented information by geographic segment

#### f) Assets by geographic segments

	September 30, 2011	December 31, 2010	January 1, 2010
Canada	\$ 3,050	\$ 3,411	\$ 3,838
United States	1,810	2,069	1,303
United Kingdom	4,568	3,113	5,943
	<b>\$ 9,428</b>	<b>\$ 8,593</b>	<b>\$ 11,084</b>

#### g) Capital assets and licenses and patents by geographic segments

	September 30, 2011	December 31, 2010	January 1, 2010
Canada	\$ 1,983	\$ 1,968	\$ 1,898
United States	1,402	1,331	1,096
United Kingdom	1,649	1,720	2,047
	<b>\$ 5,034</b>	<b>\$ 5,019</b>	<b>\$ 5,041</b>

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

	September 30, 2011	September 30, 2010
Canada	\$ 197	\$ 364
United States	104	282
United Kingdom	96	133
	<b>\$ 397</b>	<b>\$ 779</b>

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### i) Revenues by location

	Quarter ended September 30, 2011		Quarter ended September 30, 2010		Nine months ended September 30, 2011		Nine months ended September 30, 2010	
United States	\$	2,678	\$	1,568	\$	7,747	\$	8,714
Switzerland		421		52		666		52
United Kingdom		181		29		348		349
China		-		-		130		-
Holland		(1)		1		75		74
Denmark		34		32		65		64
Israël		-		-		57		-
India		-		-		40		-
Germany		5		47		15		217
Austria		13		12		13		117
Brazil		-		321		-		712
Other countries		3		2		10		18
	\$	3,334	\$	2,064	\$	9,166	\$	10,317

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

### 20. Post balance sheet date events

The Company received a first \$730 follow-on purchase order under its supply agreement with Octapharma, a leading, Swiss based, independent global plasma fractionation company that specializes in human proteins. This order relates to the purchase of PrioClear®, a proprietary prion capture resin incorporated into Octapharma's manufacturing process for its solvent/detergent treated plasma product, Octaplas®LG. Octaplas®LG is currently approved for marketing in 4 countries (Germany, Switzerland, Portugal and Australia) with several more approvals pending in the European Union (United Kingdom, Ireland, Belgium, Netherlands, Luxemburg, Sweden and Finland). This order will result in an adjustment to the advance on revenues from a supply agreement described in note 15 above.

The Company also received a binding forecast from Octapharma for in excess of \$2,000 of prion capture resin for the first half of 2012. This is in addition to the \$730 follow-on purchase order announcing the resumption of PrioClear® to Octapharma under its existing supply agreement, bringing total expected deliveries of the product to around \$3,000 between December 2011 and June 2012.

### 21. Adoption of IFRS

The Company's financial statements for the period ending September 30, 2011 are complying 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,

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which is September 30, 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 September 30, 2011, the comparative information presented in these financial statements for the year ended December 31, 2010 and the quarter ended September 30, 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.

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	January 1, 2010			December 31, 2010		
	Canadian GAAP	Effect of transition to IFRS	IFRS balance	Canadian GAAP	Effect of transition to IFRS	IFRS balance
<b>Assets</b>						
<b>Current assets</b>						
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
<b>Liabilities and shareholders' deficiency</b>						
<b>Current liabilities</b>						
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
Repayable government grants and finance leases	23	-	23	12	-	12
Current portion of long-term debt provided by shareholders	3,114	-	3,114	2,239	-	2,239
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 portion of finance lease obligations	16	-	16	4	-	4
Long-term debt provided by shareholders	2,280	-	2,280	11,507	-	11,507
Advance on revenues from a supply agreement	1,826	-	1,826	1,696	-	1,696
	17,352	-	17,352	22,061	-	22,061
<b>Shareholders' deficiency</b>						
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	\$ -	\$ 11,083	\$ 8,593	\$ -	\$ 8,593

Similar to January 1, 2010 and December 31, 2010, there are no IFRS reconciling items for the September 30, 2010 total shareholder's deficiency.

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### Reconciliation of Statement of Operations and Comprehensive Loss

	For nine months ended September 30, 2010		
	Canadian GAAP 1	Effect of transition to IFRS	IFRS balance
<b>Revenues</b>	\$ 10,317	\$ -	\$ 10,317
<b>Expenses</b>			
Costs of goods sold (note c)	2,324	4	2,328
Research and development expenses rechargeable	1,759	-	1,759
Research and development expenses non rechargeable (note c)	7,111	470	7,581
Administration and marketing expenses (notes a and c)	4,125	39	4,164
Loss on foreign exchange	155	-	155
Amortization and write-off of capital assets (note c)	195	(195)	-
Amortization and write-off of licenses and patents (note c)	294	(294)	-
	15,963	24	15,987
<b>Loss before the following items</b>	(5,646)	(24)	(5,670)
Gain on disposal of capital assets	197	-	197
Charges related to a guarantee	(180)	-	(180)
Net interest expenses and penalties	(1,314)	-	(1,314)
<b>Net loss</b>	(6,943)	(24)	(6,967)
Net loss per share			
Basic loss per share	(0.02)	-	(0.02)
Diluted loss per share	(0.02)	-	(0.02)
Weighted average number of outstanding shares (in thousands)	346,986	-	346,986
<b>Comprehensive loss</b>			
<b>Net loss</b>	(6,943)	(24)	(6,967)
Change in unrealized exchange differences on translating financial statements of foreign subsidiaries	127	-	127
<b>Total comprehensive loss</b>	(6,816)	(24)	(6,840)

1 Certain Canadian GAAP figures in the September 30, 2010 statement of operations and comprehensive loss have been reclassified to conform to current year presentation.

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### Reconciliation of Statement of Operations and Comprehensive Loss

	For the quarter ended September 30, 2010		
	Canadian GAAP 1	Effect of transition to IFRS	IFRS balance
<b>Revenues</b>	\$ 2,064	\$ -	\$ 2,064
<b>Expenses</b>			
Costs of goods sold (note c)	86	(13)	73
Research and development expenses rechargeable	1,454	-	1,454
Research and development expenses non rechargeable (note c)	1,813	199	2,012
Administration and marketing expenses (notes a and c)	1,327	2	1,329
Loss on foreign exchange	(349)	-	(349)
Amortization and write-off of capital assets (note c)	78	(78)	-
Amortization and write-off of licenses and patents (note c)	101	(101)	-
	4,510	9	4,519
<b>Loss before the following items</b>	(2,446)	(9)	(2,455)
Loss on disposal of capital assets	(35)	-	(35)
Net interest expenses and penalties	(404)	-	(404)
<b>Net loss</b>	(2,885)	(9)	(2,894)
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)	349,736	-	349,736
<b>Comprehensive loss</b>			
<b>Net loss</b>	(2,885)	(9)	(2,894)
Change in unrealized exchange differences on translating financial statements of foreign subsidiaries	(51)	-	(51)
<b>Total comprehensive loss</b>	(2,936)	(9)	(2,945)

### Reconciliation of Comprehensive Loss

	Year ended December 31, 2010	Quarter ended September 30, 2010	Period ended September 30, 2010
Comprehensive loss under Canadian GAAP	\$ (11,028)	\$ (2,936)	\$ (6,816)
Adjustment for stock based compensation	(31)	(9)	(24)
<b>Comprehensive Loss under IFRS</b>	\$ (11,059)	\$ (2,945)	\$ (6,840)

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(Unaudited)

### 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.

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 first nine months of the year 2011, amortization expense of \$555 was reclassified in costs of goods sold, administration and marketing expenses and research and development expenses non rechargeable in the amounts of \$17, \$52 and \$486, respectively. For the period ended September 30, 2010, amortization expense of \$489 was reclassified in costs of goods sold, administration and marketing expenses and research and development expenses non rechargeable for \$4 and \$15 and \$470, 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.

## ***NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS***

Three-month periods ended September 30, 2011 and 2010

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

(Unaudited)

### 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.