PROMETIC LIFE SCIENCES INC.

ANNUAL INFORMATION FORM

Year ended December 31, 2011

March 26, 2012

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ANNUAL INFORMATION FORM

Year ended December 31, 2011

As used in this annual information form, unless the context indicates otherwise: (i) the "Corporation" or "Prometic" or "we" refer collectively to ProMetic Life Sciences Inc. and, unless the context otherwise requires or indicates, its subsidiaries and (ii) all amounts are in Canadian dollar unless otherwise specified.

Should the English and French versions of this Annual Information Forms differ, the English version shall prevail.

Forward-Looking Statements

This Annual Information Form contains forward-looking statements about ProMetic's objectives, strategies, financial condition, future performance, results of operations and businesses as of the date of this Annual Information Form.

These statements are "forward-looking" because they represent ProMetic's expectations, intentions, plans and beliefs about the markets the Corporation operates in and on various estimates and assumptions based on information available to its management at the time these statements are made. Without limiting the generality of the foregoing, words such as "may", "will", "expect", "believe", "anticipate", "intend", "could", "would", "estimate", "continue", "plan" or "pursue", or the negative of these terms, other variations thereof or comparable terminology, are intended to identify forward-looking statements.

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. More detailed assessment of the risks that could cause actual events or results to materially differ from our current expectations can be found in this Annual Information Form under the heading "*Risk and Uncertainties Related to ProMetic's Business*" filed with the Canadian securities authorities (on Sedar at www.sedar.com). As a result, ProMetic cannot guarantee that any forward-looking statement will materialize. ProMetic 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.

Unless otherwise specified herein, the information specified in this Annual Information Form is presented as at December 31, 2011.

1 – CORPORATE STRUCTURE

1.1 Name and Incorporation

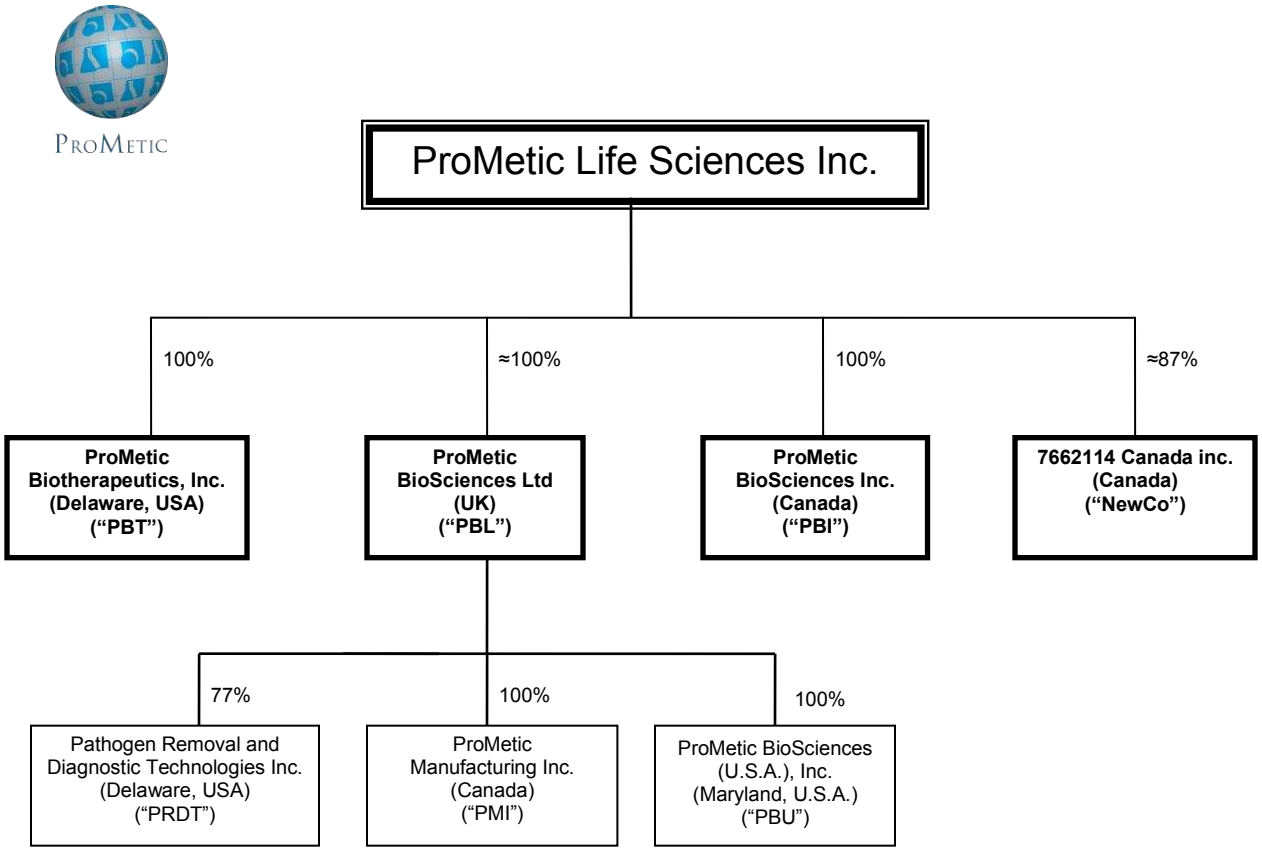
ProMetic was incorporated on October 14, 1994 under the *Canada Business Corporations Act*, originally as Innovon Life Sciences Holdings Limited. As at the date hereof, its head and registered office is located at 531 Des Prairies Blvd., Building 15, Laval, Québec, H7V 1B7, Canada.

Since October 14, 1994, the Corporation has amended its articles of incorporation by articles of amendment. On December 21, 1995, the Corporation amended its authorized share capital and removed the private company restrictions. It also amended the provisions in its articles pertaining to the Corporation's borrowing powers and those in respect of quorums at Board of Directors meetings. On June 6, 1996, the Corporation amended the provisions pertaining to the minimum and maximum number of directors. On April 10, 1995, October 10, 1995, June 19, 1997 and August 14, 1997, the Corporation again amended its authorized share capital. On May 19, 1998,

the Corporation changed its name from Innovon Life Sciences Holdings Limited to ProMetic Life Sciences Inc. and simplified its authorized share capital structure. Hence, according to restated articles of incorporation dated May 19, 1998, the Corporation was authorized to issue an unlimited number of Subordinate Voting Shares, twenty million (20,000,000) Multiple Voting Shares and an unlimited number of preferred shares issuable in series. By certificate of amendment issued on February 16, 2000, the Corporation created its initial two series of preferred shares consisting of a maximum of one million fifty thousand (1,050,000) Preferred Shares Series A and nine hundred fifty thousand (950,000) Preferred Shares Series B. On May 15, 2008, after obtaining shareholder approval at ProMetic's annual meeting of shareholders held on May 7, 2008, articles of amendment were filed to re-designate the Corporation's Subordinate Voting Shares into Common Shares, and to repeal its Multiple Voting Shares.

1.2 Intercorporate Relationships

The following chart indicates the jurisdiction of incorporation of the Corporation's direct and indirect operating subsidiaries, as well as the voting interest (expressed as a percentage) beneficially owned, controlled or directed by the Corporation in each subsidiary.



2 – GENERAL DEVELOPMENT OF THE BUSINESS

2.1 Overview

ProMetic is a publicly traded (TSX symbol: PLI), global biopharmaceutical company that is comprised of a group of subsidiaries, specialized in the design of small molecule that mimic unique and specific interactions between proteins. ProMetic is focused on bringing safer, cost-

effective and more convenient products to both existing and emerging markets. ProMetic offers its state of the art technologies for large-scale drug purification, drug development, proteomics, the elimination of pathogens, and is developing its own novel therapeutics products targeting unmet medical needs in the field of fibrosis, anemia, neutropenia, cancer, and autoimmune disease/inflammation as well as certain nephropathies. ProMetic uses its proprietary Affinity Technology, which employs the Corporation's Mimetic Ligand™ technology (highly stable chemical hooks that selectively recognize and bind to target biomolecules) to facilitate a variety of applications where a target biomolecule requires purification or removal. This technology can reduce manufacturing costs and increase the yield of existing drugs or drug candidates. The Corporation is structured as a parent company with four separate operating units, each of which is a subsidiary controlled by the Corporation: ProMetic BioSciences Ltd ("PBL" [UK]), ProMetic Biotherapeutics, Inc. ("PBT" [U.S.]), ProMetic BioSciences Inc. ("PBI" [Canada]) and 7662114 Canada Inc. ("NewCo" [Canada]). Based on its proprietary technologies, ProMetic has a large number of collaborations with entities that are active in the biotechnology and pharmaceutical industries. These partnerships serve to generate revenue for the Corporation and further develop ProMetic's technologies and products deriving therefrom.

2.2 Three-Year History

2011

Corporate

In January 2011, the Company finalized the reorganization of the terms of its secured debt, effective December 31, 2010, moving $4 million of debt repayments to July, 2012. In February 2012, the Company finalized a further reorganization of the terms of this secured debt, effective December 31, 2011, moving $4 million of debt repayments to July, 2013.

In February 2011, the Corporation announced that its new subsidiary, "NewCo", had attracted seed investment of $1.5 million. The Corporation 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.

In March 2011, the Corporation elected to split the roles of Chairman of the Board and Chief Executive Officer. Mr. G.F. Kym Anthony was nominated to the position of Chairman of the Board of Directors in order to better support ProMetic's Chief Executive Officer with the execution of key value drivers during 2011.

In May 2011, the Corporation announced that Mr. Frédéric Dumais joined ProMetic Life Sciences as Director, Communications and Investor Relations (IR), a seasoned IR professional with several years of experience in the telecommunication and biotechnology industries.

In August 2011, the Corporation received a secured loan of $0.5 million from Les Castels de Vaudreuil Inc., a company managed and controlled by Mr. Benjamin Wygodny, a Board member of ProMetic.

In September 2011, ProMetic received a $700,000 loan from Investissement Québec as part of a tax credit program to finance the Corporation's Research and Development Tax Credits.

Also in September 2011, ProMetic's UK subsidiary, PBL, confirmed the receipt of a $0.8 million working capital grant from the Isle of Man Government Department of Economic Development to support revenues from PBL expected to exceed $6.0 million in H2 2011. The grant repayment was subsequently renegotiated. PBL also had its ISO9000 certificate extended for another three years following a successful review of its quality systems by the British Standards Institution ("BSI").

Throughout the 2011 financial year, the Corporation obtained equity investments securing 4.8 million of cash and in accordance with said investments, issued 36,322,272 common shares and granted 8,118,684 warrants at strike prices ranging from $0.14 to $0.18.

Protein Technologies

On March 31, 2011, the Corporation entered into an agreement with Abraxis, a wholly owned subsidiary of Celgene Corporation, whereby the Corporation would 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 required the Corporation to comply with certain administrative milestones by February 9, 2012. Failure to meet these milestones would have resulted in a portion of the above loan to be re-instated in the range of US$6,000,000 to US$8,000,000. In February 2012, the Corporation announced that it signed a final agreement with Celgene Corporation relating to the above transaction for the assignment of the intellectual property rights. The Corporation had satisfied all remaining administrative milestones pertaining to the March 31, 2011 agreement during the fourth quarter ended December 31, 2011. The original loan can no longer be re-instated pursuant to the conditions in the March 31, 2011 agreement.

In May 2011, the Wuhan Institute of Biologic Products ("WIBP") and its parent company, China National Biotech Group ("CNBG"), agreed to further expand and strengthen their partnership with ProMetic, to increase the investment in China for the advancement of the PPPS™ manufacturing platform; intensify the development program so that more plasma-derived products can be developed simultaneously and at an accelerated pace; include engineering and manufacturing involving the new facilities in Laval (Canada) and in Wuhan (China). And on November 30, 2011 the Corporation announced the successful completion of the first set of milestones associated with the scaling up of the plasma protein purification system (PPPS™) manufacturing platform in CNBG's Wuhan facility.

Also in May 2011, ProMetic's UK subsidiary, PBL, signed an agreement with a multinational company to enhance the quality of an existing biopharmaceutical product manufactured in multi-ton quantities. Under this new agreement, ProMetic would optimize an affinity resin product and associated manufacturing process conditions for its client.

In July 2011, ProMetic 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 purchase order related to the purchase of a proprietary Mimetic Ligand™ affinity adsorbent developed and manufactured by ProMetic's UK subsidiary, PBL.

In September 2011, ProMetic 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 related to the purchase of a proprietary Mimetic Ligand™ affinity adsorbent, developed and manufactured by ProMetic's UK subsidiary, PBL, for the manufacturing scale-up of a biosimilar product in China.

In October 2011, ProMetic received a first $730,000 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 related to the purchase of PrioClear®, a proprietary prion capture resin incorporated into Octapharma's manufacturing process for its solvent/detergent treated plasma product, OctaplasLG®. ProMetic also announced that that it had received a binding forecast from Octapharma for in excess of $2 million of prion capture resin for the first half of 2012. This was in addition to the $730,000 purchase order bringing total expected deliveries of the product to around $3 Million during the first half of 2012. OctaplasLG® has obtained regulatory approval in Germany, Switzerland, Portugal and Australia and recently in many additional European countries and is also the object of ongoing procedures for its regulatory approval for the North American market.

In December 2011, ProMetic completed a significant milestone related to an ongoing commercial development program with a multinational company to improve the manufacturing process of an existing biopharmaceutical product. The achievement of this milestone led to the next stage of the development program which should result in the scaling up of the manufacturing process in 2012.

Therapeutics

Throughout 2011, significant progress was achieved by ProMetic's subsidiary, ProMetic BioSciences Inc., ("PBI") as PBI focused its efforts to support partnering and IND enabling activities for its anti-fibrotic drug candidates. New data generated / milestones achieved in 2011 include:

- Additional and supportive data on the novel mechanism of action of the drug candidates and the link between receptors and the regulation of the fibrotic process;
- Preliminary toxicology data providing further evidence of our lead drug candidates' positive safety profile;
- Additional proof-of-concept efficacy in different in vivo models;
- Comparative in vivo data against commercially approved anti-fibrotic drugs;
- Optimization of the chemical synthesis of our lead compounds; and
- Filing of additional patents to protect the intellectual property generated from R&D activities.

In addition, in 2011 PBI identified the appropriate and qualified CROs (Contract Research Organizations) to perform the final stage of development work to enable the clinical phases. This includes:

- Bioanalytics to enable the GLP testing of all blood / plasma / urine samples to be collected during the clinical trials;
- GLP toxicology data reproduced to support the IND filings;
- Technology transfer to third party contract manufacturer for the production of GMP grade material required to perform the GLP toxicology studies and prepare the clinical trial material; and
- Identification of potential clinical trial sites and principal investigators to perform clinical trials in Canada, Europe and in the USA.

2010

Corporate

In February 2010, ProMetic closed a debt deal with Abraxis BioScience, Inc. ("Abraxis"), of Los Angeles, California, totaling USD10 million. The loan had a term of five years, bearing annual interest of 5%. Reimbursement of the loan was due in five annual installments. Abraxis had the option to request that each annual installment be converted into ProMetic equity at future prevailing market price. Such conversion may have been subject to disinterested shareholder

and TSX approvals. Since the Celgene transaction with ProMetic previously mentioned on page 7 of this document said loan has been forgiven.

Also in February 2010, ProMetic closed an equity deal with Abraxis for USD 3 million at $0.18 per share to purchase 17,850,000 common shares of ProMetic. Abraxis also obtained the right to acquire up to 44,791,488 common shares of ProMetic at a price of $0.47 per share, for a period of seven (7) years. Said common shares and rights to acquire have since then been transferred to California Capital Equity LLC following Celgene's acquisition of Abraxis.

In March 2010, ProMetic reported that RB Milestone Group, LLC ("RB Milestone"), initiated coverage of ProMetic with a research report about the Corporation.

Also in March 2010, ProMetic announced that on December 5, 2008, ProMetic provided a guarantee to Camofi Master LDC for a loan granted by Camofi Master LDC to Invhealth Holding Inc., a corporation wholly owned by Pierre Laurin, Director, President and Chief Executive Officer of ProMetic, and Chairman of the Board at that time. ProMetic repaid all amounts owed to Camofi Master LDC to satisfy all outstanding obligations owed by Invhealth Holding Inc. and guaranteed by ProMetic. ProMetic entered into an amended and restated loan agreement with Invhealth Holding Inc. and secured it with pledge agreements from Invhealth Holding Inc. and Pierre Laurin. ProMetic obtained approval thereof by its disinterested shareholders at its annual and special meeting of shareholders held on May 5, 2010; said loan remains outstanding in 2011.

In May 2010, at the Corporation's Annual and Special Meeting of Shareholders, Ms. Nancy Orr and Ms. Louise Paradis were elected to the Corporation's Board of Directors. Re-elected directors included Mr. G.F. Kym Anthony, Mr. Robert Lacroix, Mr. Pierre Laurin, Ms. Louise Ménard, Mr. Paul Mesburis, Dr. Roger Perrault, Mr. Bruce Wendel and Mr. Benjamin Wygodny.

Protein Technologies

In January 2010, ProMetic entered into a collaboration agreement with Abraxis to develop and commercialize various applications deriving from ProMetic's prion capture technology platform.

In February 2010, ProMetic announced that the project with HemCon Medical Technologies, Inc. regarding the development of a sterile, single-use antibody capture device for the removal of isoagglutinin antibodies, initiated in March 2009, met its first development milestone and moved into the second phase of development. Work under said project continued throughout 2011.

Also in February 2010, Novozymes and ProMetic entered into a strategic alliance regarding proprietary albumin purification technology based on a synthetic-ligand affinity adsorbent developed by ProMetic's UK subsidiary, ProMetic BioSciences Ltd. The new synthetic-ligand affinity adsorbent, AlbuPure®, will be co-marketed by both companies.

In March 2010, ProMetic announced that it had completed the first milestone of its strategic collaboration with the Wuhan Institute of Biological Products ("WIBP"), a subsidiary of China National Pharmaceutical Group Corp ("Sinopharm"), China's largest pharmaceutical company. WIBP's products are expected be manufactured under license using ProMetic's proprietary protein technologies. ProMetic's relationship with WIBP continued to strengthen throughout 2011 and development work continued throughout 2011.

Therapeutics

In October 2010, ProMetic and Allist Pharmaceuticals, Inc. announced that they had entered into the terms of a strategic agreement to develop and commercialize ProMetic's drug candidates PBI-1402 and PBI-4419 in China; the final documents to be signed later. New results generated in 2011 regarding said drug candidates have impacted the previous agreed to development strategies originally contemplated between Allist and ProMetic. The parties are presently re-evaluating the selection of lead compounds and optimal indications to pursue initially, therefore

affecting the design of the work program; this may result in the execution of a new agreement or the suspension/termination of their relationship.

2009

Corporate

In March 2009, ProMetic's UK division, PBL, launched its new web site (www.prometicbiosciences.com) that features on-line shopping for its bioseparation products and services.

Also in March 2009, the Corporation entered into a secured long-term loan agreement with a strategic shareholder for up to $5.0 M with an initial $2.0 M provided to the Corporation and access to the remaining $3.0 M being subject to certain stock price performance conditions. The Corporation issued 4,025,000 fully-paid common shares in relation thereto. Further, in March 2009, PBL received a $540,000 interest-free repayable working capital grant from the Isle of Man Department of Trade and Industry.

In May 2009, at the Corporation's Annual and Special Meeting of Shareholders, Ms. Louise Ménard, Mr. Paul Mesburis, Dr. Roger Perrault, and Mr. Bruce Wendel were elected to the Corporation's Board of Directors. Re-elected directors included Mr. G.F. Kym Anthony, Dr. John Bienenstock, Mr. Robert Lacroix, Mr. Pierre Laurin, and Mr. Benjamin Wygodny.

In August 2009, the Corporation reimbursed the final installment of the $12.0 M debt contracted in 2006. Further, in August 2009, the Corporation also concluded a secured loan agreement for $1.5 M. The Corporation issued 4,500,000 fully-paid common shares in relation thereto.

In October 2009, Octapharma AG provided a $4.5 M advance to the Corporation bearing an annual interest rate of 5% on a long-term prion capture resin supply agreement signed in December 2008. The advance consisted of two payments in 2009 totaling $3.6 M. An additional $0.9 M was to be paid upon completion of targeted milestones, which were expected to be met during the first half of 2010. Since said milestones are not yet attained, this additional amount remains unpaid. Further, in October 2009, the Corporation announced that it obtained a controlling stake in Pathogen Removal and Diagnostic Technologies Inc. (“PRDT”), via the non-cash acquisition of all of the American Red Cross’ common stock in PRDT.

In November 2009, PBL secured an interest-free working capital grant from the Isle of Man Department of Trade and Industry, in the sum of $800,000.

Protein Technologies

In March 2009, PBL entered into a collaborative development agreement with HemCon Medical Technologies Inc. to develop and validate a sterile, single-use antibody capture device for the removal of isoagglutinin antibodies.

In September 2009, PBL signed a long-term supply agreement with a major global pharmaceutical company for a Mimetic Ligand™ affinity adsorbent for the manufacture of a biopharmaceutical product currently in Phase III clinical trials. This agreement was followed by an initial order for the purchase of $8.9 M worth of product.

In November 2009, the Corporation and Halozyme Therapeutics, Inc. entered into a long-term supply agreement, for a proprietary synthetic ligand affinity adsorbent used by Halozyme in the manufacture of its rHuPH20 product, a recombinant version of human hyaluronidase enzyme.

Also in November 2009, the Advisory Committee on the Safety of Blood, Tissues and Organs ("SaBTO"), an independent Committee that advises the UK Department of Health, recommended

the adoption of the P-Capt® prion reduction filter to pre-treat red blood cells destined for children born as of January 1, 1996, subject to the satisfactory completion of the PRISM study, a multi-centre clinical trial initiated in 2007 to evaluate the safety of P-Capt® filtered red blood cells. Said studies continued throughout 2011.

In December 2009, PBL entered into an agreement with a multinational company to improve the manufacturing process for its second-generation biopharmaceutical product targeting a $1B market. Accordingly, PBL is developing a Mimetic Ligand™ affinity adsorbent for this new client as well as the associated process conditions. The development work and relationship continued throughout 2011.

Therapeutics

In April 2009, the Corporation retained the services of Sumitomo Corporation to advise the Corporation in its business development activities relating to PBI-1402 for the Japanese market.

In October 2009, ProMetic presented data at the American Society of Nephrology for multiple therapeutic uses of PBI-1402 at its 42nd Annual Meeting & Scientific Exposition. The new results presented suggested that:

- PBI-1402 offers the potential for a novel therapy by prevention and/or reduction of fibrosis and sclerosis in the kidney and therefore preserving the renal function in patients with chronic kidney disease.
- PBI-1402 has protective effects against drug-induced toxicity to the kidney (such as during chemotherapy) again supporting its potential use as a nephroprotective agent.
- PBI-1402 offers the potential for a novel therapy of anemia associated with chronic renal failure.

In December 2009, the Corporation reported that it had achieved a key milestone regarding one of its lead compounds. It had validated the regulatory pathway for PBI-1402 with the Food and Drug Administration ("FDA") in the USA. PBI-1402 was acknowledged as a novel, first-in-class drug that differs from existing medications (ESAs) approved for the treatment of anemia. Partnering discussions continued throughout 2011.

3 – DESCRIPTION OF THE BUSINESS

3.1 General

ProMetic is a world-leading technology provider and drug developer in the fields of hematology, oncology, nephrology and fibrosis. ProMetic focuses these activities in two distinct fields; protein technologies and therapeutics (to treat blood-related disorders, cancers and fibrosis). ProMetic's protein technologies are used to remove pathogens from blood as well as to extract and recover valuable proteins from plasma to be developed and manufactured into drugs.

Protein Technologies

The Protein Technologies business segment comprises the following operating subsidiaries:

- ProMetic BioSciences Ltd ("PBL"), based in the UK (Isle of Man and Cambridge) which incorporates Pathogen Removal and Diagnostic Technologies Inc. ("PRDT"), a Delaware (USA) corporation, operated under the control of PBL and ProMetic Manufacturing Inc. ("PMI"), based in Joliette, Québec, Canada;
- ProMetic Biotherapeutics, Inc. ("PBT") based in Rockville, Maryland, USA; and

- In February, 2011, ProMetic announced the creation of a new business segment and of a new corporation ("NewCo") which would eventually undertake the manufacturing of plasma-derived therapeutic proteins. NewCo is based in Laval, Québec, Canada.

PBL develops ProMetic's core bioseparations technologies and products. Its proprietary affinity adsorbents and Mimetic Ligand™ purification platform are used by numerous pharmaceutical and medical companies worldwide. PBL's technology enables the capture of target proteins directly from source material, and provides 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 bioseparation technologies experience significant reductions in their cost of goods and increases in product quality. PBL's technology has also been incorporated into various medical device products which specifically capture and remove target molecules from biological fluids.

PBT develops manufacturing processes, based on PBL's affinity technology, to provide 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, employs powerful affinity separation materials in a multi-step process to extract and purify commercially important plasma proteins in high yields.

PRDT, an affialiate of PBL, develops the prion capture technology platform that originated from ProMetic's collaboration with the American Red Cross. PRDT's technology forms the basis of the P-Capt® filter, a prion reduction device developed with ProMetic's commercial partner MacoPharma to increase the safety of red cell concentrate. P-Capt® has received CE mark approval in Europe, and provides national blood agencies with the means of significantly reducing the risk of vCJD transmission through blood transfusion. This is particularly relevant since there is no commercially available diagnostic test for detection of the blood-borne form of vCJD.

Additionally, PRDT technology has been incorporated by Octapharma AG 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 and recently in many additional European countries and is also the object of ongoing procedures for its regulatory approval for the North American market.

PRDT's platform technology has demonstrated its potential for additional uses in the purification of blood-derived products. Upwards of forty million units of blood are collected in the world annually, affording ProMetic and its partners enormous market opportunities.

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

The following table indicates, for each of the two most recently completed financial years, the revenues (in Canadian dollar amounts) for each category of products or services that accounted for fifteen percent (15%) or more of the Corporation's total consolidated revenues for the applicable financial year derived from sales to third party customers by the Corporation's Protein Technologies unit.

Financial Year	**Ending Dec. 31, 2011***	**Ending Dec. 31, 2010****
Services (PPPS™ *et als.*)	$2.4 million	$3.8 million
Resins (Purification Media)	$5.2 million	$7.6 million
Licensing revenues	$10 million	N/A

* The foreign exchange rates applicable, from GBP to CAD = 1.5861 and from USD to CAD = 0.9891
** The foreign exchange rates applicable, from GBP to CAD = 1.5918 and from USD to CAD = 1.0299

Therapeutics

The second business segment is Therapeutics which consists of one operating subsidiary:

ProMetic BioSciences Inc. ("PBI"), based in Laval, Québec, Canada.

PBI is a small-molecule (synthetic) 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. 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. The unmet medical applications targeted are fibrosis, inflammation, autoimmune diseases, oncology and hematopoietic disorders.

One of ProMetic's lead drug candidates, PBI-1402 demonstrated positive clinical results in the Chemotherapy Induced Anemia ("CIA") trial in terms of an excellent safety and tolerability profile, along with good efficacy. A phase Ib/IIa trial of PBI-1402 demonstrated a significant increase in the red blood cell count (half of the patients) and the hemoglobin level (all patients) with CIA. In this open-label phase Ib/IIa trial, the data showed that only two patients out of 28 (7%) treated with PBI-1402 required a Red Blood Cell ("RBC") transfusion, a response rate greater than 90% with regards to this clinical objective.

In the March 13, 2008 FDA briefing document, the Oncology Drugs Advisory Committee emphasized that the primary objective of treating CIA patients with ESAs as being the ability to reduce the need for RBC transfusion. The Advisory Committee cites that approximately 50% of anemic patients receiving chemotherapy required RBC transfusion, and 20%-25% of patients treated with ESAs still required RBC transfusions.

The encouraging positive results from the CIA clinical trial and the anti-cancer effects reported in animal models indicate that PBI-1402 as well as some follow-on analogs could be well suited for the treatment of anemia in oncology (Cancer Related Anemia ("CRA") and CIA).

Lead candidates such as PBI-1402 and analogs, PBI-4050 and PBI 4419:

- are orally active, whereas most other drugs for the treatment of anemia are injectables;
- have a distinct mechanism of action from EPO, as it does not bind to the same cell surface receptor as EPO. They represent first-in-class Erythropoiesis Regulating Agents ("ERA") compared to Erythropoiesis Stimulating Agents ("ESA") , and therefore provide significant promise as a stand-alone therapeutic for the treatment of patients with anemia;
- unlike EPO, do not elevate red blood cells or hemoglobin to dangerous levels that could lead to an increased incidence of thrombosis;

The meeting with the FDA in December 2009 confirmed that said lead candidates could offer clinical advantages in the treatment of anemia, but that they also potentially presented clinical advantages in other unmet medical indications. Given that the regulatory landscape for anemia was and remains uncertain, the Corporation decided to further develop and investigate PBI-1402 analogs, such as PBI-4050 and PBI-4419, for the treatment of medical conditions where fibrosis plays a major role in the progression of the diseases. These new compounds are new chemical entities (NCEs) and are more potent than PBI-1402 with regards to the reduction of fibrosis in various experimental models.

PBI-4050 and PBI-4419 are currently the lead compounds for clinical development targeting indications such as Acute Kidney Injury ("AKI"), CKD, Diabetes-related Kidney Disease ("DKD"),

and End Stage Renal Disease ("ESRD"). In experiments performed in standard animal models, PBI-1402, PBI-4050 and PBI-4419 demonstrated significant ability to reduce lesions and fibrosis in the kidney tissues, as well as improvement of an array of physiologic functions thereby supporting their potential use in humans suffering from such conditions.

Approximately twenty six million patients in the U.S. alone are diagnosed with CKD. Patients diagnosed at severe CKD stages (3 and 4) often develop anemia before they require hemodialysis. CKD patients still at the pre-dialysis stage could greatly benefit from an orally administered drug as a treatment for their anemia. Fibrosis is the main mechanism via which the condition of CKD patients deteriorates leading to further loss of renal function, increased cardiovascular complications, and eventually the need for dialysis treatment while waiting for a kidney transplant.

In a gold standard animal model simulating renal failure in humans, the animals treated with PBI-4050 and PBI-4419 had their renal function improved three fold compared to the non-treated animals as well as a significant reduction of proteinuria. PBI-4050 and PBI-4419 reduced fibrosis in the remnant kidney, as confirmed by histology and measurement of several biomarkers.

In an Acute Kidney Injury model where nephrotoxicity is induced by drugs, both PBI-4050 and PBI-4419 reduced tubular lesions, reduced the loss of serum albumin as well as reduced several biomarkers related to fibrosis, again all confirmed by histology.

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. This data was presented at the American Association of Nephrologists annual meeting held on November 2011.

Moreover, more recent tests have confirmed PBI-4050 offers the added benefit of being able to also reduce the nephropathies observed in the kidneys and in the liver of diabetic animals. Diabetes is a known condition that affects hundreds of millions of patients and that is known to lead to CKD or renal failure.

To establish whether effects observed in animals can be transferred to humans, Prometic drug candidates' performances were also compared against commercially available drugs for several specific medical conditions. For instance, PBI-4050 performed remarkably well in a very challenging model of pulmonary fibrosis. In this model, PBI-4050 out performed a commercially available drug used to treat this condition in humans. PBI-4419 demonstrated outstanding performance in some cancer models compared to the standard therapy used in humans.

All of the new results generated in 2011 have impacted the selection of the lead drug candidates and their respective positioning and development prioritization. New results generated in 2011 regarding said drug candidates have impacted the original development strategies originally contemplated between Allist and ProMetic. The parties are presently re-evaluating the selection of lead compounds and optimal indications to pursue initially, therefore affecting the work program; this may result in the execution of a new agreement or the suspension / termination of their relationship.

ProMetic is currently reviewing various strategic avenues to further advance its most promising lead drug candidates in the clinics. PBI-4050 is prioritized, followed by PBI-4419 and analogs.

It is anticipated the development program for the lead compounds would be funded via one and or a combination of avenues including:

- excess cash generated by the Protein Technologies business segment;
- Partnering with other pharmaceutical companies;
- Funding via financial partnership or special funding initiatives.

Subject to the availability, timing and quantum of the abovementioned sources of funding PBI-4050 and PBI-4419's state of readiness remains such that said compounds could be entered into clinical phase at short notice.

Lead candidates PBI-1737 and PBI-1308 offer the potential to treat various auto-immune diseases such as ulcerative colitis, lupus, and rhumatoid arthritis.

These drug candidates are at an advanced pre-clinical stage with preliminary toxicology data supporting the view that they may represent a well-tolerated and safe treatment for patients affected by such conditions.

3.2 Trends

Protein Technologies

Recombinant proteins, unlike their human plasma counterparts, are produced in non-human hosts and undergo intensive purification to remove host cell-derived impurities. Monoclonal antibodies (MAbs), represent approximately 35% of the recombinant protein market and, which is predicted to reach $49 billion by 2013. Other proteins in the recombinant protein market include growth factors, cytokines, hormones, fusion proteins, blood factors, vaccines, and therapeutic enzymes. The total US market for biologics in 2009 was $48 billion. The market for bioseparation systems now exceeds $3 billion which includes bioseparation materials with a market value in excess of $1 billion.

In order to assure the high quality standards required for protein pharmaceuticals, ProMetic has employed its affinity technologies to create a range of bioseparation products that play an important role in improving the purification of therapeutic proteins and antibodies. The Corporation's proprietary purification adsorbents and manufacturing processes for biological products are used by at least 30 companies in the pharmaceutical, biotechnology and medical industries, where ProMetic's clients employ this technology to purify proteins, remove impurities and pathogens, reduce manufacturing costs, and increase the yield of therapeutic products.

Plasma is the residual liquid that remains once the red blood cells, white blood cells, and platelets have been removed from blood. Plasma proteins extracted from human blood are valuable specialty products constituting a market of approximately $7 billion in 2006. These proteins are produced by a few fractionators (entities employing technologies to separate human plasma into its component parts) and marketed principally to hospitals for use in the treatment of a variety of medical conditions, such as hemophilia, shock, trauma, burns, and immune disorders. There is a growing demand and a shortage of supply for high value proteins commonly used to treat a variety of medical conditions.

Therapeutics

The therapeutics division's mission is to develop innovative, less toxic, orally active and lower cost alternatives to currently marketed but expensive recombinant protein drugs. This approach represents a significant financial opportunity, as many such medically proven and valuable recombinant proteins are already available in the marketplace.

ProMetic's therapeutic program had been focusing on the treatment of anemia in cancer patients. In a March 13, 2008 FDA briefing document, the Oncology Drugs Advisory Committee emphasized that the primary objective of treating CIA patients with Erythropoiesis-Stimulating Agents ("ESAs") as being the ability to reduce the need for RBC transfusion. The Advisory Committee cited that approximately 50% of anemic patients receiving chemotherapy required RBC transfusion, and 20%-25% of patients treated with ESAs still required RBC transfusions.The FDA recently released modified recommendations for more conservative dosing of ESAs patients with CKD. This release led to revisions of the boxed warning, warnings and precautions, and dosage and administration sections of the ESA labels, which now stress individualizing therapy for each patient and using the lowest possible ESA dose required to reduce the need for transfusions. The meeting with the FDA in December 2009 confirmed that ProMetic's lead compounds could offer clinical advantages in the treatment of anemia, but that they also potentially presented clinical advantages in other unmet medical indications. Given that the regulatory landscape for anemia was and remains uncertain, the Corporation decided to further develop and investigate PBI-1402 analogs, such as PBI-4050 and PBI-4419, for the treatment of medical conditions where fibrosis plays a major role in the progression of the diseases. These new compounds are new chemical entities (NCEs) and are more potent than PBI-1402 with regards to the reduction of fibrosis in various experimental models. Consequently, ProMetic's therapeutic program is now targeted towards the development of novel first-in-class proprietary drugs for the prophylaxis and treatment of kidney disease (e.g. CKD, ESRD, AKI, diabetic nephropathy), cancer and autoimmune diseases.

PBI-4050 and PBI-4419 are currently the lead compounds for clinical development targeting indications such as Acute Kidney Injury ("AKI"), CKD, Diabetes-related Kidney Disease ("DKD"), and End Stage Renal Disease ("ESRD").

Approximately twenty six million patients in the U.S. alone are diagnosed with CKD. Patients diagnosed at severe CKD stages (3 and 4) often develop anemia before they require hemodialysis. CKD patients still at the pre-dialysis stage could greatly benefit from an orally administered drug as a treatment for their anemia. Fibrosis is the main mechanism via which the condition of CKD patients deteriorates leading to further loss of renal function, increased cardiovascular complications, and eventually the need for dialysis treatment while waiting for a kidney transplant.

Moreover, more recent tests have confirmed PBI-4050 offers the added benefit of being able to also reduce the nephropathies observed in the kidneys and in the liver of diabetic animals. Diabetes is a known condition that affects hundreds of millions of patients and that is known to lead to CKD or renal failure.

ProMetic is currently reviewing various strategic avenues to further advance its most promising lead drug candidates in the clinics. PBI-4050 is prioritized, followed by PBI-4419 and analogs.

It is anticipated the development program for the lead compounds would be funded via one and or a combination of avenues including:

- excess cash generated by the Protein Technologies Business segment;
- Partnering with other pharmaceutical companies;
- Funding via financial partnership or special funding initiatives.

3.3 Objectives and R&D

Partnership and joint-venture agreements concluded over the past few years have enabled ProMetic to position itself as a key player in the biopharmaceutical purification market. This strategy aims at maximizing the Corporation's value, and obtaining a significant third party

endorsement of ProMetic's technology. ProMetic's objectives for the coming year include increasing the customer base for its products and services as well as partnering with pharmaceutical and biopharmaceutical companies to improve the manufacturing of their own therapeutics, and aligning ProMetic's R&D and technical support programmes with this objective.

ProMetic has been building its Protein Technologies business strategy around its core Mimetic Ligand™ technology, using this as the key to unlock long-term strategic partnerships which allow ProMetic to progressively be involved in all stages of the drug development and manufacturing process.

It is ProMetic's stated intention to sell its products and license its core technology thereby providing a pathway to provision of development services, regulatory support services and, ultimately becoming involved in manufacturing operations. At each stage, establishing a foothold in the chain of value creation of our partner's drugs and medical products.

This model of out-licensing and partnering has and is serving ProMetic well in its Protein Technologies division. Already, ProMetic has entered into a number of these strategic alliances, for example with the Wuhan Institute of Biological Products ("WIBP") for the PPPS™ process, and with other major biopharmaceutical and pharmaceutical companies, such as HemCon Medical Technologies Inc. ("HemCon"), for access to ProMetic's affinity technology. ProMetic's prion reduction technology is incorporated in the P-Capt® filter, through its strategic alliance with MacoPharma S.A., and in the manufacturing process of OctaplasLG®, the only commercially available prion-reduced human plasma for transfusion.

Furthermore, this model allows ProMetic to share in-license revenues, recovering the cost of earlier investments; service revenues, covering the costs of current operations; manufacturing revenues allowing further growth and expansion; and ultimately royalties and milestone payments, rewarding our shareholders for supporting the technology.

Lastly, the Corporation securing the Laval plant in January 2011 has enabled it to cross the threshold of implementing its PPPS™ process in house and being eventually able to manufacture cGMP grade products for its licensees' clinical trial and commercial needs.

With respect to the Therapeutics division, the Corporation has focused on the development of a pipeline of potentially valuable compounds which it will ultimately license or partner at the appropriate stage of development. It is not ProMetic's intention to undertake late-stage clinical trials (phase III) without the support of a partner.

Further information on the timing and stage of ProMetic's research and development programs of both divisions may be found in the Corporation's 2011 annual report, available on SEDAR on the following website: www.sedar.com or on the Corporation's website at www.prometic.com. ProMetic generally conducts research and development through its own scientific staff, though in some cases it coordinates discrete R&D tasks carried out by third parties or carries out certain research and development activities in collaboration with partners.

3.4 Commercial Applications, Products and Services

The Corporation's growth strategy is dependent upon its ability to partner with global biotechnology, pharmaceutical and medical companies to use its proprietary technologies. Currently, the Corporation has a significant number of partnerships that generate revenues and increase the usage of its products and technologies, pathogen removal devices, and bioseparation media. Additionally, the Corporation has the potential for royalty and milestone payments from products sold by partners who shall use the Corporation's technology in their manufacturing processes. The Corporation also benefits by sharing clinical development and marketing risks through these partnerships. Additionally, the Corporation receives service fees,

contributing to covering some of the costs of current operations and is being set up to eventually collect manufacturing revenues allowing for further growth and expansion.

Protein Technologies

ProMetic's innovations in the area of protein technologies have created five distinct revenue paths for it: (i) sale of bioseparation products, (ii) technology to purify biotech products is licensed to numerous drug manufacturers; (iii) pathogen removal technology has been incorporated into a filter that captures prions in transfused blood, and moreover has been adopted by leading plasma fractionators; (iv) technology to extract valuable proteins from plasma has been partnered and licensed; and (v) the implementation of its PPPS™ process in house with the view of being eventually able to manufacture cGMP grade products for its licensees' clinical trial needs and commercial needs.

Celgene: On March 31, 2011, the Corporation entered into an agreement with Abraxis, a wholly owned subsidiary of Celgene Corporation, whereby the Corporation would 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 required the Corporation to comply with certain administrative milestones by February 9, 2012. Failure to meet these milestones would have resulted in a portion of the above loan being re-instated in the range of US$6,000,000 to US$8,000,000. For accounting purposes, the loan, including any accrued interest, was derecognized and the Corporation recognized US$2,000,000 ($1.9 million of licensing revenues on March 31, 2011. In April 2011, one of the milestones was achieved and consequently, the Corporation recognized US$2,000,000 ($1.9 million) of licensing revenues during the second quarter ended June 30, 2011. The balance of $6.2 million was recorded as deferred revenues until the required milestones were met.

In February 2012, the Corporation announced that it signed a final agreement with Celgene Corporation relating to the above transaction for the assignment of the intellectual property rights. The Corporation had satisfied all remaining administrative milestones pertaining to the March 31, 2011 agreement during the fourth quarter ended December 31, 2011, and as a result, met the conditions for recognizing the remaining licensing revenues amounting to US$6,000,000 ($6.2 million).Therefore, the original loan can no longer be re-instated pursuant to the conditions of the March 31, 2011 agreement.

Purification of Biotech Products: ProMetic's bioseparation technologies and products enable the purification of drugs and assist in their efficient manufacture. Eleven (11) different products developed by our customers and licensees with the assistance of ProMetic's purification technologies – which require the use of fourteen of our bioseparation products – have thus far been approved by regulatory bodies including the European Medecines Agency (EMEA) and FDA. These customers and licensees are among the biggest names in the pharmaceutical and biopharmaceutical industries. As the R&D and manufacturing activities of ProMetic's clients increase, this drives increasing product sales at ProMetic and results in additional new products entering the market. It is a demand the Corporation is well positioned to meet, by virtue of the past investments it has made in its production facilities. This evolution represents, and is anticipated to increasingly represent, important growth and an established expanding revenue stream for ProMetic.

Pathogen Removal: ProMetic's prion capture technology, which can selectively bind and remove prions from blood and blood products, has been integrated into the revolutionary P-Capt® filter for donated human blood. The filter, designed to reduce the risk of prion transmission through blood transfusions, has received European Regulatory Approval (CE Mark). ProMetic has demonstrated that its use is effective in reducing the risk of transmission of variant Creutzfeldt-Jakob disease ("vCJD"), the human form of mad cow disease, by blood transfusion, and that the filter has no negative effect on the blood itself. ProMetic's partner in the venture, MacoPharma, has scaled-up for commercial manufacture of the product. ProMetic will earn royalties from

MacoPharma for its licensed technology, as well as revenues from its production and supply of the prion binding affinity resin used in the filter.

ProMetic's prion capture platform has also been extended to the fractionation industry. In June 2008, the Corporation announced the implementation of PRDT's prion capture technology into the manufacturing process of Octapharma AG's OctaplasLG® to further improve the prion safety margin minimizing the risk of transmission by plasma-derived products of vCJD; OctaplasLG® has obtained regulatory approval in Germany, Switzerland, Portugal and Australia and recently in many additional European countries and is also the object of ongoing procedures for its regulatory approval for the North American market.

Plasma-Derived Therapeutics: The power and benefits of ProMetic's protein extraction technologies are being increasingly recognized worldwide. Manufacturers of drugs derived from plasma can achieve higher yields and more efficient processing through the use of ProMetic's Plasma Protein Purification System ("PPPS™"). At the same time, we are leveraging our technology not only to generate licensing sales, but to acquire rights to high-value products and eventually obtain manufacturing revenues as well.

The Corporation securing the Laval plant in January 2011 has enabled it to cross the threshold of implementing its PPPS™ process in house with the view of being eventually able to manufacture cGMP grade products for its licensees' clinical trial needs and commercial needs.

Our collaboration with CNBG in China has also proven to be very strategic for ProMetic. CNBG's commitment to implement our proprietary manufacturing platform for plasma-derived therapeutics (PPPS™) has provided ProMetic with a significant off-balance sheet investment. The manufacturing process has been successfully scaled up with all the costs associated with such exercise borne by CNBG. As a quid pro quo to the technical support and training we provide to the CNBG staff, this relationship provides ProMetic with valuable process engineering data as the plant foot print and equipment used in China will be the same used in Prometic's facility (NewCo). This work by CNBG and transfer to ProMetic has helped reduce the risk and lower the costs associated with the startup of said manufacturing facility in Laval.

Therapeutics

Hematology: One of ProMetic's lead compounds, PBI-1402, targets anemia caused by chemotherapy and associated with chronic renal diseases by promoting the formation of red blood cells from bone marrow. Its mechanism of action is distinct from EPO, the current standard treatment for anemia.

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

In December 2009, ProMetic received FDA guidance and recommendations that corroborated its strategy for the global development of PBI-1402 and its analogs for the treatment of anemia in cancer patients and in patients with CKD. PBI-1402 was acknowledged as a novel, first-in-class drug that differs from existing medications (ESAs) approved for the treatment of anemia. ProMetic's scientists also compiled data indicating that PBI-1402 and analogs could be used for different conditions such as reduction of fibrosis and subsequent loss of kidney function in chronic kidney disease and drug-induced nephrotoxicity.

ProMetic's understanding of the mechanism of action of PBI-1402 has led to the discovery of other new chemical entities, which ProMetic is also developing. Pursuant to discussions with many parties regarding potential financing and partnerships for PBI-1402, PBI-4050 and PBI-4419, ProMetic is building further value into this parent compound by continuing its research and

development on said compound and analogs thereof, and compiling data from all pre-clinical studies to support patent protection.

Nephrology:

PBI-1402 and analogs target anemia associated with CKD
More than twenty million patients in North America alone have been diagnosed with CKD. Patients at advanced CKD stages (stage 3 and 4) often develop anemia even before they require hemodialysis. Patients still at the pre-dialysis stage would greatly benefit from a non-invasive oral therapy to treat their anemia.

Experiments based on a 5/6-nephrectomized rat model have demonstrated the ability of PBI-1402 and analogs as a monotherapy, to correct anemia. This model simulates chronic renal failure in humans, a condition whereby the kidney fails to produce sufficient EPO for the stimulation of RBC production. These results indicate additional potential for PBI-1402 and analogs (e.g. PBI-4050).

PBI-1402 and analogs demonstrate nephroprotection in CKD models
Recent studies in the U.S. show that CKD is one of the most expensive diseases to treat, and costs are increasing rapidly. As indicated above, ProMetic discovered the nephroprotective activity of PBI-1402 while conducting experiments in anemia relief in the 5/6-nephrectomized rat model.

ProMetic observed that the kidney function of animals treated with PBI-1402 was significantly improved compared to non-treated animals. Additionally, ProMetic observed that kidneys from PBI-1402-treated animals were structurally conserved compared to non-treated animals. The latter demonstrated kidney fibrosis and sclerosis (holes and loss of tissue).

PBI-1402 and analogs demonstrate anti-fibrotic activity
PBI-1402 and analogs such as PBI-4050 demonstrated a significant reduction of fibrosis in kidneys in multiple models, in addition to the 5/6-nephrectomized rat model. PBI-1402 and analogs were also shown to reduce fibrosis in heart and lung tissues in established animal experiments. Thus, for example, PBI-4050 demonstrated significant improvement of kidney function in the doxorubicin-induced nephrotoxicity model of AKI, and the streptozotocin-induced kidney fibrosis DKD model. In fact, this latter model revealed the significant anti-diabetic properties of PBI-4050. Additionally, PBI-4050 demonstrated significant anti-fibrotic activity in the bleomycin-induced pulmonary fibrosis model which indicates a potential to treat Idiopathic Pulmonary Fibrosis (“IPF”). Currently, there is no approved treatment in North America for IPF. Similar positive results have also been obtained with PBI-4419 in these rodent models for fibrosis.

Fibrosis is the process by which patients with CKD will ultimately develop renal failure leading to the need for hemodialysis and renal transplant. Liver and lung fibrosis are amongst other common types of progressive diseases leading to the need for organ transplant.

By reducing the level of fibrosis in tissues/organs such as kidney, ProMetic’s therapeutics could offer the prospect of delaying the progression of the disease, delay the need for hemodialysis or renal transplant and overall improve greatly the quality of life of patients while reducing significantly the costs to the healthcare system.

Other Anti-Cancer Compounds
In 2008, the Corporation presented preclinical studies of three compounds for prostate and pancreatic cancer, thereby demonstrating that it had amassed a broad pipeline of drug candidates; the potential treatment for prostate cancer, a compound designated as PBI-1737, displayed significant anti-tumor activity both *in vitro* and *in vivo*. Pre-clinical data for compound PBI-0110 showed restraint of pancreatic tumor growth in mouse models by as much as 58% after 44 days. PBI-4050 and PBI-4419 recently demonstrated anti-cancer activity in the mouse (P815) mastocytoma model. Data on PBI-1308 demonstrated a reduction of inflammation and cancer cell

proliferation through inhibition of the NF-κB protein complex in prostate cancer. These are indications of significant promise in ProMetic's early-stage cancer research. Once development financing becomes available for their advancement, these compounds could represent important pipeline additions to the Corporation's lead clinical drug candidates.

3.5 Competitive Conditions

ProMetic's competitive edge continues to reside in the following: its ability to apply its technologies to a wide range of products already on the market; the ability of its technology to improve the manufacturing of these products through product yield increases and safety or cost improvements; the ability to apply its technology in many other areas such as drug discovery, proteomics, diagnostics, blood safety and to establish a solid base to drive revenue growth; and leveraging its expertise in protein mimetics and medicinal chemistry to develop and build on an impressive pipeline of therapeutic products that target unmet medical needs where standard therapies are either in limited supply or economically burdensome.

The Corporation securing the Laval plant in January 2011 has enabled it to cross the threshold of implementing its PPPS™ process in house with the view of being eventually able to manufacture cGMP grade products for its licensees' clinical trial needs and commercial needs.

Competition in the biopharmaceutical sector is however extremely intense. ProMetic competes with companies that produce similar or identical biopharmaceutical products or that propose different approaches to the separation or purification of proteins. Many of such companies have greater resources than ProMetic. Accordingly, no assurance can be given that products developed by these other companies or that their equivalent technology will not affect ProMetic's competitiveness.

3.6 Raw Materials, Components

ProMetic depends on third parties for the sourcing of raw materials, components or finished products for ProMetic's various products. ProMetic believes that alternative sources of supply for such raw materials, components or finished products exist. However, any change in ProMetic's suppliers could have a significant impact on ProMetic's ability to complete certain projects and, accordingly, would affect its projected commercial and financial growth. While other potential alternative suppliers of raw materials and components have been identified or are being determined, they must first pass intensive validation tests to ensure their compliance with product specifications. No assurance can be given regarding the successful outcomes of such tests or the ability of ProMetic to secure alternate sources of supply at competitive pricing.

3.7 Intellectual Property Rights

ProMetic's success depends in part on its ability to obtain patents, protect its trade secrets and operate without infringing third-party exclusive rights or without others infringing ProMetic's exclusive rights or those granted to it under license. ProMetic has filed patent applications in Canada, the United States, Europe and elsewhere in the world and is actively pursuing these matters. The patent position of biopharmaceutical firms is generally uncertain and involves complex legal, factual and scientific issues, several of which remain unresolved. The Corporation does not know whether any of ProMetic's pending patent applications will be granted or whether ProMetic will be able to develop other patentable proprietary products. Furthermore, ProMetic does not know whether its existing or future patents will provide a competitive advantage or afford protection against competitors with similar technology. In addition, the Corporation cannot give any assurance that such patents will not be challenged successfully or circumvented by others using alternative technology or whether existing third-party patents will prevent ProMetic from marketing its

products. Finally, competitors or potential competitors may independently develop products as effective as those of ProMetic or invent other products based on ProMetic's patented products.

Pharmaceutical and biopharmaceutical companies and research and development and academic institutions may have filed patent applications for processes related to those of ProMetic and which may have an effect on its business. Such processes may conflict with ProMetic's processes or patent applications, which could limit the scope of the patents that may be granted to ProMetic or even result in its patent applications being rejected.

If third-party licenses are required, there can be no assurance that ProMetic will be able to obtain such licenses, or if obtainable, that it would be available on reasonable terms. Furthermore there can be no assurance that ProMetic could develop or obtain alternative technologies related to third party patents that may inadvertently cover its products. Inability to obtain such licenses or alternative technologies could delay the market launch of certain ProMetic products, or even prevent ProMetic from developing, manufacturing or selling certain products. In addition, ProMetic could incur significant costs in defending itself in patent infringement proceedings initiated against it or in bringing infringement proceedings against others.

ProMetic cannot determine with any certainty if it has priority of invention in relation to a product or process covered by a patent application or if it was the first to file a patent application for any such invention. Further, in the event of patent litigation there can be no assurance that ProMetic's patents, if issued, would be held valid or enforceable by a court of competent jurisdiction or that a court would rule that the competitor's products or technologies constitute patent infringement.

Moreover, a significant part of ProMetic's technological know-how constitutes trade secrets. ProMetic, therefore, requires that its employees, consultants, advisers and collaborators sign confidentiality agreements. However, there can be no assurance that such agreements provide adequate protection in the event of unauthorized use or disclosure of ProMetic's trade secrets, know-how or other proprietary information.

3.8 Economic Dependence

ProMetic's strategy involves entering into various arrangements with corporate and academic partners, licensors, licensees and others for the research, development, clinical testing, manufacturing, marketing and commercialization of its enabling technologies and therapeutic products. Under such agreements, ProMetic may receive additional funding, including milestone payments. However, there can be no assurance that it will be able to establish such partnerships on favourable terms, or that its current and future partnership arrangements will prove successful.

Should any of ProMetic's collaborative partners be unsuccessful in developing or commercializing a ProMetic product or technology to which the partner has rights, or one of the partner's products to which ProMetic has rights, ProMetic's business could be adversely affected. Furthermore, while the Corporation believes that its current and future corporate partners have sufficient financial motivation to maintain their funding, there can be no assurance that these partnership arrangements will continue or that they will result in successful commercialization of ProMetic products. Should one of ProMetic's collaborators terminate its funding of a particular program, this could delay or interrupt the development or commercialization of the products resulting from such program. Moreover, there can be no assurance that the partners will not pursue other technologies or develop alternative products, either on their own or in collaboration with others, including competitors of ProMetic, as a means for developing products that treat the same diseases as those targeted by ProMetic's various programs.

3.9 Product Development

ProMetic currently has many collaboration agreements based on its technology for the improvement of established and marketed therapies by improving manufacturing process yield and purity, and by developing recombinant versions of established proteins. ProMetic also leverages its expertise in protein therapeutics and medicinal chemistry and has accumulated an impressive pipeline of therapeutic products for which the development is conducted in-house. ProMetic believes it is important to maintain a balance between in-house product development products and partnered products. Developing products internally provides greater control over the pace of development and the potential for higher commercial returns. Furthermore, it allows ProMetic to develop the necessary skill sets as it drives toward its goal of becoming a fully integrated specialty pharmaceutical company. Pursuing the commercialization phase in partnership with other firms is also important because it provides continuous external validation of ProMetic's technology and possibilities of short-term revenue from fees collected at the initiation of the partnership and milestones payments.

3.10 Research and Development

ProMetic's policy for research and development is to have readily available funds to conduct its activities. ProMetic's strategy is to finance research activities through the formation of strategic alliances with pharmaceutical and biopharmaceutical companies for the improvement of their manufacturing capacity or process for their therapeutics and the development of second generation of recombinant therapeutic products, financings, and grants or tax credits for such purposes. During the course of the financial year ended December 31, 2011, ProMetic invested approximately $11.2 million in research and development, of which $1.4 million were rechargeable.

3.11 Environmental Protection

ProMetic produces a certain amount of chemical waste in its R&D and manufacturing activities that is removed in accordance with applicable environmental protection standards by companies that specialize in hazardous waste management. ProMetic's research laboratories generate radioactive waste that is also removed by companies that specialize in hazardous waste management, in accordance with strict internal procedures and applicable regulatory requirements. Compliance with such requirements is not expected to have a significant effect on ProMetic's competitive position or to have a significant effect in future years.

3.12 Employees

ProMetic has highly qualified employees with specialized backgrounds in the biological and chemical sciences. This is leveraged by the fact that many scientists and managers within multinationals work on joint projects with ProMetic. This enables ProMetic to gain access to an extended knowledge base. ProMetic has also recruited experienced professionals in the area of business development, finance and accounting. On a consolidated basis as at December 31, 2011, ProMetic had 106 employees at research and production facilities in Canada, the United States, the Isle of Man and the United Kingdom and through a marketing and project management presence in the United States, Europe and Asia.

3.13 Foreign Operations

Most of ProMetic's bioseparation and medical business is conducted on international markets and the Corporation expects this to continue. The majority of ProMetic's expenses are incurred in

pounds sterling. The sale of ProMetic's products on international markets is subject to the risks that are normally associated therewith, such as government regulation, import and export license requirements, risks related to tariffs or trade barriers, and political and economic instability. While such risks have not to date had any material adverse effect on ProMetic, there can be no assurance that this will not occur in the future. Currency-related risks primarily concern appreciation of the Canadian dollar against a particular foreign currency. There can be no assurance that the Canadian dollar will not increase in relation to currencies, which could reduce ProMetic's returns on sales of its products expressed in Canadian dollars. Furthermore, there can be no assurance given against major currency fluctuations, which could create sizeable discrepancies in the prices of products in various countries requiring ProMetic to consider reducing its prices in certain currencies in order to balance the relative cost of its products. The Corporation neither holds nor issues financial instruments for commercial or hedging purposes.

3.14 Risk Factors

Investors should consider the following risk factors, which are inherent to the Corporation and affect its business, and other information contained in this Annual Information Form, before deciding to purchase securities of the Corporation. If any of the following risks occur, the business, financial condition and operating results of ProMetic could be adversely affected. As a result, the trading price of the Corporation's securities could decline and investors could lose part or all of their investment.

4 – RISKS AND UNCERTAINTIES RELATED TO PROMETIC'S BUSINESS

The commercial success of the Corporation depends largely on the development and commercialization of its products derived from its Therapeutics Unit and the successful execution on licenses and contracts for its products derived from its Protein Technologies Unit. The failure by the Corporation to do so will have a material adverse effect on the Corporation. The Corporation's focus in its Therapeutics Unit has been on partnering activities for PBI-1402 and/or its analogs PBI-4050 and PBI-4419 in which it has invested a significant portion of its financial resources and time. Although the Corporation has other compounds and analogs, most are at an earlier stage of development.

The Corporation's focus for its Protein Technologies division has been to license technology and develop products related to the bioseparation, pathogen reduction and human plasma-derived therapeutics.

The ability of the Corporation to generate revenues in the future is primarily based on the partnering of its compounds and/or its analogs in its Therapeutics unit, the continued successful execution on license agreements and other forms of agreements that are already in place, and execution on additional new license agreements and other form of agreements for its Protein Technologies unit such as long-term supply agreements. There can be no guarantees that any of its compounds or analogs in its Therapeutics Unit will be commercialized since they are still under development. Also, there can be no guarantee of commercialization of these compounds since they will depend on several factors:

- successful completion of clinical trials;
- timely receipt of regulatory approvals from the FDA and other regulatory agencies;
- market acceptance of the product by the medical community, patients and third-party payers (such as governmental health administration authorities and private health coverage insurers);

- building a marketing and sales force or entering into a commercial agreement with a partner to help the marketing and sale of the compounds;

- maintaining manufacturing and supply agreements to ensure commercial quantities of the compounds through validated processes;

- a change in the number of competitors in the market;

- protecting the Corporation's intellectual property and avoiding patent infringement; and

- any other condition, obligation or requirement that may arise, all of which may delay the Corporation's capacity to generate revenues and will adversely materially affect its financial conditions and operating results.

The Corporation does not have the required regulatory approval to commercialize its products and cannot guarantee that it will obtain such regulatory approval. The commercialization of the Corporation's products first requires the approval of the regulatory agencies in each of the countries where it intends to sell its products. In order to obtain the required approvals, the Corporation must demonstrate, following preclinical and clinical studies, the safety, efficacy and quality of a product. There can be no guarantee that the Corporation will succeed in obtaining regulatory approval from the FDA and the regulatory approvals of agencies in other countries to sell its products. All of the compounds and analogs of the Corporation, including PBI-1402, PBI-4050 and PBI-4419 are still subject to clinical studies and if the results of such studies are not positive, the Corporation may not be in a position to make any filing to obtain the mandatory regulatory approval or it may have to perform additional clinical studies on any of its products until the results support the safety and efficacy of such product, therefore incurring additional delays and costs. The filing of a new drug application ("NDA") is complex and the Corporation has never made any filings in order to obtain the regulatory approval of a product. Therefore, the Corporation shall rely in part on third-party suppliers to help it perform this task.

Furthermore, the obtaining of regulatory approval is subject to the discretion of regulatory agencies. Therefore, even if the Corporation has obtained positive results relating to the safety and efficacy of a product, a regulatory agency may not accept such results as being conclusive and allow the Corporation to sell its products in its country. A regulatory agency may require that additional tests on the safety and efficacy of a product be conducted prior to granting approval, if any.

Even if the FDA approves a product, there can be no guarantee that other regulatory agencies will approve this product in their respective countries. Even if the Corporation obtains regulatory approval for any of its products, regulatory agencies have the power to limit the indicated use of a product.

Also, the manufacture, marketing and sale of the products will be subject to ongoing and extensive governmental regulation in the country in which the Corporation intends to market its products. For instance, if the Corporation obtains marketing approval for its product in the United States, the marketing of this product will be subject to extensive regulatory requirements administered by the FDA and other regulatory bodies, such as adverse event reporting requirements in compliance with all of the FDA's marketing and promotional requirements. The manufacturing facilities for the Corporation's product will also be subject to continual review and periodic inspection and approval of manufacturing modifications. Manufacturing facilities are subject to inspections by the FDA and must comply with the FDA's Good Manufacturing Practices ("GMP") regulations. Failure to comply with any of these post-approval requirements can result in a series of sanctions, including withdrawal of the right to market a product.

Clinical trials may not demonstrate a clinical benefit of the Corporation's product candidates. Positive results from pre-clinical studies and early clinical trials should not be relied

upon as evidence that later stage or large scale clinical trials will succeed. We will be required to demonstrate with substantial evidence through well-controlled clinical trials that our product candidates are safe and effective for use in a diverse population before we can seek regulatory approvals for their commercial sale. Success in early clinical trials does not mean that future clinical trials will be successful because product candidates in later stage clinical trials may fail to demonstrate sufficient safety and efficacy to the satisfaction of regulatory authorities despite having progressed through initial clinical trials.

Even after the completion of Phase III clinical trials, regulatory authorities may disagree with our clinical trial design and our interpretation of data, and may require us or our partners to conduct additional clinical trials to demonstrate the efficacy of our product candidates.

The success of the Corporation's product candidates is influenced by its collaborations with its partners. Any adverse developments in our relationship with our partners could materially harm our business. We are subject to a number of risks associated with any collaboration that could be entered into for the development of our product candidates, including the risk that these collaborators may terminate the license agreement(s) upon the occurrence of certain specified events, including a material breach by the Corporation of any of its obligations under the respective agreements.

The Corporation's product candidates could cause undesirable and potentially serious side effects during clinical trials that could delay or prevent their regulatory approval or commercialization. Undesirable side effects caused by any of our product candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in the denial of regulatory approval by regulatory authorities for any or all targeted indications. This, in turn, could prevent us from commercializing our product candidates and generating revenues from their sale. In addition, if our product candidates receive marketing approval and we or others later identify undesirable side effects caused by the product:

- regulatory authorities may withdraw their approval of the product;
- the Corporation may be required to recall the product, change the way the product is administered, conduct additional clinical trials or change the labelling of the product;
- a product may become less competitive and product sales may decrease; or
- Prometic's reputation may suffer.

Any one or a combination of these events could prevent us from achieving or maintaining market acceptance of the affected product or could substantially increase the costs and expenses of commercializing the product, which in turn could delay or prevent us from generating significant revenues from the sale of the product.

Recent events have raised questions about the safety of marketed drugs and may result in increased caution by the FDA in reviewing new drugs based on safety, efficacy or other regulatory considerations and may result in significant delays in obtaining regulatory approvals, additional clinical trials being required, or more stringent product labelling requirements. Any delay in obtaining, or inability to obtain, applicable regulatory approvals may prevent us from commercializing our product candidates.

The Corporation's financial condition could be affected by the introduction of new regulations or amendments to existing regulations. New legislation or changes to existing legislation affecting the Corporation and its potential customers could decrease demand for the Corporation's products and affect its results of operation and financial condition. For example, the implementation of health care reform legislation that regulates drug costs could limit the profits

that could be made from the development of new drugs. In addition, new laws or regulations could increase the Corporation's costs.

The Corporation may rely on third party suppliers of services to conduct its preclinical and clinical studies and the failure by such third parties to comply with their obligations may delay the studies and/or have an adverse effect on the Corporation's development program. The Corporation has limited resources to conduct preclinical and clinical studies and may rely on third-party suppliers of services to conduct its studies. If the Corporation's third-party suppliers of services become unavailable for any reason, including as a result of the failure to comply with the rules and regulations governing the conduct of preclinical and clinical studies, operational failures, such as equipment failures or unplanned facility shutdowns, damage from any event, including fire, flood, earthquake, business restructuring or insolvency, or if they fail to perform their contractual obligations pursuant to the terms of the agreements entered into with the Corporation, such as failing to do the testing, compute the data or complete the reports further to the testing, the Corporation may incur delays in connection with the planned timing of its studies which could adversely affect the timing of the development program of a molecule or delay the filing of an NDA. If the damage to any of the Corporation's third-party suppliers of services is extensive or if, for any reason, such suppliers do not operate in compliance with Good Clinical Practices ("GCP") or are unable or refuse to perform their contractual obligations, the Corporation will need to find alternative third-party suppliers of services.

If the Corporation must change or select new third-party suppliers of services, the timing of the work related to preclinical and/or clinical studies could be delayed since the number of competent and reliable third-party suppliers to conduct preclinical and clinical work in compliance with Good Laboratory Practices ("GLP") is limited. Any selection of new third-party suppliers to carry out work related to preclinical and clinical studies will be time-consuming and will result in additional delays in receiving data, analysis and reports from such third-party suppliers which, in turn, will delay the obtaining of regulatory approval to commercialize the Corporation's products. Furthermore, such delays could increase the Corporation's expenditures to develop a product and materially adversely affect its operating results and financial condition.

Failure to recruit and enrol patients for clinical trials may cause the development of the Corporation's product candidates to be delayed. The Corporation may encounter delays or rejections if it is unable to recruit and enrol enough patients to complete clinical trials. Some of the common delays may be caused by slower than expected approvals by ethics review boards and patient availability. Patient enrolment depends on many factors, including the size of the patient population, the nature of the protocol, the proximity of patients to clinical sites and the eligibility criteria for the clinical trial. Any delays in planned patient enrolment may result in delays to product development and increased development costs, which could harm its ability to develop products.

The Corporation's drug development activities could be delayed or stopped. The Corporation does not know whether any of its ongoing or planned clinical trials will proceed or be completed on schedule, or at all. The commencement of its planned clinical trials could be substantially delayed or prevented by several factors, including:

- limited number of, and competition for, suitable patients with the indications required for enrolment in its clinical trials;
- limited number of, and competition for, suitable sites to conduct its clinical trials;
- delay or failure to obtain FDA or non-U.S. regulatory agencies' approval or agreement to commence a clinical trial;
- delay or failure to obtain sufficient supplies of the product candidate for its clinical trials;

- delay or failure to reach agreement on acceptable clinical trial agreement terms or clinical trial protocols with prospective sites or investigators; and

- delay or failure to obtain an institutional review board ("IRB") approval to conduct a clinical trial at a prospective site.

The completion of any clinical trial could also be substantially delayed or prevented by several factors, including:

- slower than expected rates of patient recruitment and enrolment;

- failure of patients to complete the clinical trial;

- unforeseen safety issues;

- lack of efficacy evidenced during any clinical trial;

- termination of any clinical trial by one or more clinical trial sites;

- inability or unwillingness of patients or medical investigators to follow a clinical trial protocols;

- inability to monitor patients adequately during or after treatment; and

- introduction of competitive products that may impede our ability to retain patients in any clinical trial.

Clinical trials may be suspended or terminated at any time by the FDA, other regulatory authorities, the IRB overseeing the clinical trial at issue, any of its clinical trial sites with respect to that site, or us. Any failure or significant delay in completing any clinical trial for its product candidates could materially harm its financial results and the commercial prospects for its product candidates.

Market acceptance of the Corporation's products is uncertain and depends on a variety of factors, some of which are not under the control of the Corporation. The Corporation's ability to commercialize its products with success will depend on a variety of factors. One of these is the extent to which reimbursement to patients for the cost of such products and related treatment will be available from governmental health administration authorities, private health coverage insurers and other organizations. Obtaining reimbursement approval for a product is time-consuming and a costly process that could require the Corporation to provide supporting scientific, clinical and cost effectiveness data for the use of a product. There can be no guarantee the Corporation's data will be positive enough for third-party payers to accept to reimburse a Corporation product.

The Corporation has never made any application to seek reimbursement of a drug and must, therefore, rely in part on third-party suppliers of services to help it perform this task.

Other factors that will have an impact on the acceptance of the Corporation's products include:

- acceptance of the products by physicians and patients as safe and effective treatments;

- product price;

- the effectiveness of the Corporation's sales and marketing efforts (or those of its commercial partner);

- storage requirements and ease of administration;
- dosing regimen;
- safety and efficacy;
- prevalence and severity of side effects; and
- competitive products.

If government and third party payors fail to provide coverage and adequate reimbursement rates for the Corporation's product candidates, its revenues and potential for profitability will be reduced. The Corporation's product revenues will depend principally upon the reimbursement rates established by third party payors, including government health administration authorities, managed-care providers, public health insurers, private health insurers and other organizations. These third party payors are increasingly challenging the price, and examining the cost effectiveness of medical products and services. In addition, significant uncertainty exists as to the reimbursement status, if any, of newly approved drugs, pharmaceutical products or product indications. We may need to conduct post-marketing clinical trials in order to demonstrate the cost-effectiveness of products. Such clinical trials may require us to commit a significant amount of management time and financial and other resources. If reimbursement of such product is unavailable or limited in scope or amount or if pricing is set at unsatisfactory levels, our revenues could be reduced.

The Corporation may rely on third parties for the manufacture and supply of its products and such reliance may adversely affect the Corporation if the third parties are unable to fulfill their obligations. The Corporation may not have the resources, facilities or experience to manufacture its products in large quantities on its own. The Corporation may rely on third parties to manufacture and supply products for clinical studies and, unless the Corporation deems the manufacture of this product feasible and profitable if it is approved for commercialization, it may rely on third parties for some time to manufacture and supply large quantities of product for commercial sales. The Corporation's reliance on third-party manufacturers will expose it to a number of risks. If third-party manufacturers become unavailable to the Corporation for any reason, including as a result of the failure to comply with GMP regulations, manufacturing problems or other operational failures, such as equipment failures or unplanned facility shutdowns required to comply with GMP, damage from any event, including fire, flood, earthquake, business restructuring or insolvency, or if they fail to perform their contractual obligations under agreements with the Corporation, such as failing to deliver the quantities requested on a timely basis, the Corporation may be delayed in manufacturing product and could be unable to meet the regulatory requirements of the FDA or other regulatory agencies to obtain market approval for its product. Any such event could delay the supply of a product to conduct clinical trials and, if a product has reached commercialization, could prevent the supply of the product and adversely affect the revenues of the Corporation. If the damage to a third-party manufacturer facility is extensive, or, for any reason, it does not operate in compliance with GMP or is unable or refuses to perform its obligations under its agreement with the Corporation, the Corporation will need to find an alternative third-party manufacturer. The selection of a third-party manufacturer will be time-consuming and costly since the Corporation will need to validate the manufacturing facility of such new third-party manufacturer. The validation will include an assessment of the capacity of such third-party manufacturer to produce the quantities that may be requested from time to time by the Corporation, the manufacturing process and its compliance with GMP. In addition, the third-party manufacturer will have to familiarize itself with the Corporation's technology. Any delay in finding an alternative third-party manufacturer of a product could result in a shortage of such product, delay clinical study programs and the filing for regulatory approval of a product, and deprive the Corporation of potential product revenues.

The Corporation may build its own sales force or enter into a commercial agreement with a third party for the sale and marketing of its products and there is no guarantee that the Corporation will be able to achieve one of these tasks. The Corporation currently has limited marketing capabilities and a minimal sales force. In addition, the Corporation has limited experience in developing, training or managing a marketing or sales force. In order to commercialize its products, the Corporation must either develop its own sales force or enter into a commercial agreement with a third party. The development of a sales force is costly and will be time-consuming given the limited experience the Corporation has in that respect. To the extent the Corporation develops a sales force, the Corporation will be competing against companies who have more experience managing a sales force than the Corporation and access to more funds than the Corporation with which to manage a sales force. Consequently, there can be no guarantee that the sales force that the Corporation would develop would be efficient and would maximize the revenues derived from the sale of the Corporation's products.

Finding a third party for the sale and commercialization of a product is a lengthy process which includes the assessment of the services to be performed by the third party, a due diligence on the Corporation's products and the negotiation of the terms and conditions of a commercial agreement. The outcome of this process is uncertain and the Corporation may not be able to conclude a commercial agreement. If such an event occurs, the Corporation could have to delay the launch of its products which could adversely materially affect the financial conditions and the operating results of the Corporation.

The failure by the Corporation to protect its intellectual property may have a material adverse effect on its ability to develop and commercialize its products. The Corporation will be able to protect its intellectual property rights from unauthorized use by third parties only to the extent that its intellectual property rights are covered by valid and enforceable patents or are effectively maintained as trade secrets. The Corporation tries to protect its intellectual property position by filing patent applications related to its proprietary technology, inventions and improvements that are important to the development of its business. Because the patent position of pharmaceutical companies involves complex legal and factual questions, the issuance, scope and enforceability of patents cannot be predicted with certainty. Patents, if issued, may be challenged, invalidated or circumvented. If the Corporation's patents are invalidated or found to be unenforceable, it will lose the ability to exclude others from making, using or selling the inventions claimed. Moreover, an issued patent does not guarantee the Corporation the right to use the patented technology or commercialize a product using that technology. Third parties may have blocking patents that could be used to prevent the Corporation from developing its product candidates, selling its products or commercializing its patented technology. Thus, patents that the Corporation owns may not allow it to exploit the rights conferred by its intellectual property protection. The Corporation's pending patent applications may not result in patents being issued. Even if issued, they may not be issued with claims sufficiently broad to protect its products and technologies or may not provide the Corporation with a competitive advantage against competitors with similar products or technologies. Furthermore, others may independently develop products or technologies similar to those that the Corporation has developed or discover the Corporation's trade secrets. In addition, the laws of many countries do not protect intellectual property rights to the same extent as the laws of Canada and the United States, and those countries may also lack adequate rules and procedures for defending intellectual property rights effectively. Although the Corporation has received many patents for its products, there can be no guarantee that the Corporation will receive patents in countries where it files patent applications for its products. As a result, the validity and enforceability of our patents cannot be predicted with certainty. In addition, the Corporation cannot guarantee that:

- the Corporation or Corporation's licensors were the first to make the inventions covered by each of our issued patents and pending patent applications;

- the Corporation or Corporation's licensors were the first to file patent applications for these inventions;

- others will not independently develop similar or alternative technologies or duplicate any of the Corporation or Corporation's licensors' technologies;

- any of the Corporation or Corporation's licensors' pending patent applications will result in issued patents;

- any of the Corporation or Corporation's licensors' patents will be valid or enforceable;

- any patents issued to ProMetic or ProMetic's licensors and collaboration partners will provide the Corporation with any competitive advantages, or will not be challenged by third parties;

- the Corporation will develop or in-license additional proprietary technologies that are patentable; or

- the patents of others will not have an adverse effect on ProMetic's business.

The Corporation also relies on trade secrets, know-how and technology, which are not protected by patents, to maintain its competitive position. The Corporation tries to protect this information by entering into confidentiality undertakings with parties that have access to it, such as the Corporation's current and prospective suppliers, employees and consultants. Any of these parties may breach the undertakings and disclose our confidential information to the Corporation's competitors. Enforcing a claim that a third party illegally obtained and is using trade secrets is expensive and time consuming and the outcome is unpredictable. In addition, it could divert management's attention. If any trade secret, know-how or other technology not protected by a patent were to be disclosed to or independently developed by a competitor, the Corporation's competitive position could be harmed.

The Corporation may not be able to protect its intellectual property rights throughout the world. Filing, prosecuting and defending patents on all of our product candidates and products, when and if we have any, in every jurisdiction would be prohibitively expensive. Competitors may use our technologies in jurisdictions where we or our licensors have not obtained patent protection to develop our own products. These products may compete with our products, when and if we have any, and may not be covered by any of our or our licensors' patent claims or other intellectual property rights.

The laws of some foreign countries do not protect intellectual property rights to the same extent as the laws of Canada and United States, and many companies have encountered significant problems in protecting and defending such rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favour the enforcement of patents and other intellectual property protection, particularly those relating to biotechnology and/or pharmaceuticals, which could make it difficult for us to stop the infringement of our patents. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial cost and divert our efforts and attention from other aspects of our business.

Patent protection for the Corporation's product candidates or products may expire before it is able to maximize their commercial value which may subject the Corporation to increased competition and reduce or eliminate its opportunity to generate product revenue. The patents for our product candidates have varying expiration dates and, when these patents expire, we may be subject to increased competition and may not be able to recover our development costs. In some of the larger economic territories, such as Canada, the United States and Europe, patent term extension/restoration may be available to compensate for time taken during aspects of the product candidate's regulatory review. However, we cannot be certain that an extension will be granted, or if granted, what the applicable time period or the scope of patent protection afforded during any extended period will be. In addition, even though some regulatory agencies may provide some other exclusivity for a product candidate under our own laws and

regulations, we may not be able to qualify the product candidate or obtain the exclusive time period.

If we are unable to obtain patent term extension/restoration or some other exclusivity, we could be subject to increased competition and our opportunity to establish or maintain product revenue could be substantially reduced or eliminated. Furthermore, we may not have sufficient time to recover our development costs prior to the expiration of our Canadian and non-Canadian patents.

The Corporation may incur substantial costs as a result of litigation or other proceedings relating to patent and other intellectual property rights and may be unable to protect its rights to, or use of, its technology. If the Corporation choose to go to court to stop someone else from using the inventions claimed in its patents or licensed patents, that individual or corporation has the right to ask the court to rule that these patents are invalid and/or should not be enforced against that third party. These lawsuits are expensive and would consume time and other resources even if the Corporate was successful in stopping the infringement of these patents. In addition, there is a risk that the court will decide that these patents are invalid or unenforceable and that the Corporation does not have the right to stop the other party from using the inventions. There is also the risk that, even if the validity of these patents is upheld, the court will refuse to stop the other party on the ground that such other party's activities do not infringe its rights.

If the Corporation wishes to use the technology or compound claimed in issued and unexpired patents owned by others, the Corporation will need to obtain a license from the owner, enter into litigation to challenge the validity or enforceability of the patents or incur the risk of litigation in the event that the owner asserts that the Corporation infringed its patents. The failure to obtain a license to technology or the failure to challenge an issued patent that the Corporation may require to develop or commercialize its product candidates may have a material adverse impact on the Corporation.

If a third party asserts that the Corporation infringed their patents or other proprietary rights, the Corporation could face a number of risks that could seriously harm its results of operations, financial condition and competitive position, including:

- patent infringement and other intellectual property claims, which would be costly and time consuming to defend, whether or not the claims have merit, and which could delay the regulatory approval process and divert management's attention from our business;

- substantial damages for past infringement, which the Corporation may have to pay if a court determines that its product candidates or technologies infringe a competitor's patent or other proprietary rights;

- a court prohibiting the Corporation from selling or licensing its technologies or future drugs unless the third party licenses its patents or other proprietary rights to the Corporation on commercially reasonable terms, which it is not required to do; and

- if a license is available from a third party, the Corporation may have to pay substantial royalties or lump sum payments or grant cross licenses to its patents or other proprietary rights to obtain that license.

The biotechnology industry has produced a proliferation of patents, and it is not always clear to industry participants, including the Corporation, which patents cover various types of products or methods of use. The coverage of patents is subject to interpretation by the courts, and the interpretation is not always uniform. If the Corporation is sued for patent infringement, the Corporation would need to demonstrate that its product candidates or methods of use either do not infringe the patent claims of the relevant patent and/or that the patent claims are invalid, and the Corporation may not be able to do this. Proving invalidity, in particular, is difficult since it

requires a showing of clear and convincing evidence to overcome the presumption of validity enjoyed by issued patents.

Canadian patent laws as well as the laws of some foreign jurisdictions provide for provisional rights in published patent applications beginning on the date of publication, including the right to obtain reasonable royalties, if a patent is subsequently issued and certain other conditions are met. While the Corporation believes that there may be multiple grounds on which to challenge the validity of the Canadian patent and the foreign counterparts, the Corporation cannot predict the outcome of any invalidity challenge. Alternatively, it is possible that the Corporation may determine it prudent to seek a license from the patent holder to avoid potential litigation and other potential disputes. The Corporation cannot be sure that a license would be available to the Corporation on acceptable terms, or at all.

Because some patent applications in the United States may be maintained in secrecy until the patents are issued, because patent applications in Canada and many foreign jurisdictions are typically not published until 18 months after filing, and because publications in the scientific literature often lag behind actual discoveries, the Corporation cannot be certain that others have not filed patent applications for technology covered by its licensors' issued patents or its pending applications or its licensors' pending applications, or that the Corporation or its licensors were the first to invent the technology.

Patent applications filed by third parties that cover technology similar to the Corporation's may have priority over its or itts licensors' patent applications and could further require the Corporation to obtain rights to issued patents covering such technologies. If another party files a United States patent application on an invention similar to the Corporation's, the Corporation may elect to participate in or be drawn into an interference proceeding declared by the United States Patent and Trademark Office (USPTO) to determine priority of invention in the United States. The costs of these proceedings could be substantial, and it is possible that such efforts would be unsuccessful, resulting in a loss of our United States patent position with respect to such inventions.

Some of its competitors may be able to sustain the costs of complex patent litigation more effectively than the Corporation can because they have substantially greater resources. In addition, any uncertainties resulting from the initiation and continuation of any litigation could have a material adverse effect on its ability to raise the funds necessary to continue its operations. The Corporation cannot predict whether third parties will assert these claims against the Corporation or against its licensors, or whether those claims will harm our business. If the Corporation is forced to defend against these claims, whether they are with or without any merit, whether they are resolved in favour of or against the Corporation or its licensors, the Corporation may face costly litigation and diversion of management's attention and resources. As a result of these disputes, the Corporation may have to develop costly non-infringing technology, or enter into licensing agreements. These agreements, if necessary, may be unavailable on terms acceptable to the Corporation, if at all, which could seriously harm its business or financial condition.

The Corporation's commercial success depends, in part, on its ability not to infringe on third parties' patents and other intellectual property rights. The Corporation's capacity to commercialize its products will depend, in part, on the non-infringement of third parties' patents and other intellectual property rights. The biopharmaceutical and pharmaceutical industries have produced a multitude of patents and it is not always clear to participants, including the Corporation, which patents cover various types of products or methods of use. The scope and breadth of patents is subject to interpretation by the courts and such interpretation may vary depending on the jurisdiction where the claim is filed and the court where such claim is litigated. The holding of patents by the Corporation for its products and their applications does not guarantee that the Corporation is not infringing on other third parties' patents and there can be no guarantee that the Corporation will not be in violation of third parties' patents and other intellectual property rights. Patent analysis for non-infringement is based in part on a review of

publicly available databases. Although the Corporation reviews from time to time certain databases to conduct patent searches, it does not have access to all databases. It is also possible that some of the information contained in the databases has not been reviewed by the Corporation or was found to be irrelevant at the time the searches were conducted. In addition, because patents take years to be issued, there may be currently pending applications that the Corporation is unaware of which may later be issued. As a result of the foregoing, there can be no guarantee that the Corporation will not violate third-party patents. Because of the difficulty in analyzing and interpreting patents, there can be no guarantee that a third party will not assert that the Corporation infringes upon any of its patents or any of its other intellectual property rights.

Under such circumstances, there is no guarantee that the Corporation will not become involved in litigation. Litigation with any third party, even if the allegations are without merit, is expensive, time-consuming and will divert management's attention from the daily execution of the Corporation's business plan. Litigation implies that a portion of the Corporation's financial assets would be used to sustain the costs of litigation instead of being allocated to further the development of its business plan. If the Corporation is involved in patent infringement litigation, it will need to demonstrate that its products do not infringe the patent claims of the relevant patent, that the patent claims are invalid or that the patent is unenforceable. If the Corporation was found liable for infringement of third parties' patents or other intellectual property rights, the Corporation could be required to enter into royalty or licensing agreements on terms and conditions that may not be favourable to the Corporation, and/or pay damages, including up to treble damages (but only if found liable of willful infringement) and/or cease the development and commercialization of its products. Any finding that the Corporation is guilty of patent infringement could materially adversely affect the business, financial conditions and operating results of the Corporation.

The Corporation has not been served with any notice that it is infringing on a third party patent, but there may be issued patents that the Corporation is unaware of that its products may infringe, or patents that the Corporation believes it does not infringe but could be found to be infringing.

The Corporation faces competition and the development of new products by other companies could materially adversely affect the Corporation's business and its products. The biopharmaceutical and pharmaceutical industries are highly competitive and the Corporation must compete with pharmaceutical companies, biotechnology companies, academic and research institutions as well as governmental agencies for the development and commercialization of products. Some of these competitors develop products in the indications in which the Corporation is involved and could be considered direct or indirect competitors.

In the other indications currently being studied by the Corporation for development, there may exist companies that are at a more advanced stage of developing a product to treat those same diseases. Some of these competitors have capital resources, research and development personnel and facilities that are superior to the Corporation's. In addition, some competitors are more experienced than the Corporation in the commercialization of medical products and already have a sales force in place to launch new products. Consequently, they may be able to develop alternative forms of medical treatment which could compete with the products of the Corporation and commercialize them more rapidly and effectively than the Corporation.

The Corporation depends on its key personnel to research, develop and bring new products to the market and the loss of key personnel or the inability to attract highly qualified individuals could have a material adverse effect on its business and growth potential. The Corporation's mission is to discover or acquire novel therapeutic products targeting unmet medical needs in attractive specialty markets. The achievement of this mission requires qualified scientific and management personnel. The loss of scientific personnel or of members of management could have a material adverse effect on the business of the Corporation. In addition, the Corporation's growth is and will continue to be dependent, in part, on its ability to retain and hire qualified scientific personnel. There can be no guarantee that the Corporation will be able to continue to retain its current employees or will be able to attract qualified personnel to pursue its business plan.

The Corporation is not profitable and may never achieve profitability. The Corporation has been reporting losses since its inception. The Corporation will need to generate significant revenues to achieve profitability. There is no guarantee that the Corporation will succeed in commercializing its products, controlling its expenses and developing additional products, and, therefore, it may never become profitable.

The Corporation will require additional funding and may not be able to raise the capital necessary to continue and complete the research and development of its products and their commercialization. Attention is drawn to note 1 of the consolidated annual financial statements which deals with going concern, in particular the section dealing with management plans to improve liquidity. The Corporation generates revenues but is not profitable and may need financing in order to continue its activities. In the past, the Corporation has been financed through public equity offerings and the Corporation may effect additional equity offerings to raise capital, the size of which cannot be predicted. The issuance and sales of substantial amounts of equity or other securities, or the perception that such issuances and sales may occur, could adversely affect the market price of the common shares.

Moreover, the market conditions or the business performance of the Corporation may prevent it from having access to the public markets in the future. Therefore, there can be no guarantee that the Corporation will be able to continue to raise capital by way of public equity offerings. In such a case, the Corporation will have to use other means of financing, such as issuing debt instruments or entering into private financing agreements, the terms and conditions of which may not be favourable to the Corporation. If adequate funding is not available to the Corporation, it may be required to delay, reduce or eliminate its research and development of new products, its clinical trials or its marketing and commercialization efforts to launch and distribute new products.

The Corporation may not achieve its publicly announced milestones in due time. From time to time, the Corporation publicly announces the timing of the occurrence of certain events. These statements are forward-looking and are based on management's best estimate relating to the occurrence of such events. However, the actual timing of such events may differ from what has been publicly disclosed. These variations may occur as a result of a series of events, including the nature of the results obtained during a clinical trial or during a research phase, problems with a supplier or any other event having the effect of delaying the timeline publicly announced. The Corporation's policy on forward-looking information consists in not updating it if the publicly disclosed timeline varies. Any variation in the timing of certain events having the effect of postponing such events could have an adverse material effect on the business plan, financial conditions or operating results of the Corporation.

The development and commercialization of drugs could expose the Corporation to liability claims which could exceed its insurance coverage. A risk of product liability claims is inherent in the development and commercialization of human therapeutic products. Product liability insurance is very expensive and offers limited protection. A product liability claim against the Corporation could potentially be greater than the coverage offered and, therefore, have a material adverse effect upon the Corporation and its financial position. Furthermore, a product liability claim could tarnish the Corporation's reputation, whether or not such claims are covered by insurance or are with or without merit.

The Corporation may not receive the full payment of all milestones or royalty payments pursuant to the agreements entered into with third parties and, consequently, the financial conditions and the operating results of the Corporation could be adversely impacted. The Corporation has entered into license agreements and other forms of agreements with third parties regarding the development and commercialization of some of its technologies and products. These agreements generally require that the third party pays to the Corporation certain amounts upon the attainment of various milestones and possibly include royalties on the sale of the developed product. There can be no guarantee that the Corporation will receive the payments described in those agreements since the development of the products may be cancelled if the

research does not yield positive results. Under such circumstances, the Corporation would not receive royalties as well. Even if the development of a product yields positive results, all of the risks described herein with respect to the obtaining of regulatory approval are applicable. Finally, if there occurs a disagreement between the Corporation and the third party, the payment relating to the attainment of milestones or of royalties may be delayed. The occurrence of any of those circumstances could have a material adverse effect on the Corporation's financial condition and operating results.

If the Corporation breaches any of the agreements under which it licenses rights to its product candidates or technology from third parties, it could lose license rights that are important to its business. The Corporation in-licenses the development and commercialization rights for certain product candidates, and could, potentially, enter into similar licenses in the future. Under these licenses, the Corporation is subject to various obligations, including royalty and milestone payments, annual maintenance fees, limits on sublicensing, insurance obligations and the obligation to use commercially reasonable best efforts to develop and exploit the licensed technology. If we fail to comply with any of these obligations or otherwise breach these agreements, our licensors may have the right to terminate the license in whole or in part or to terminate the exclusive nature of the license. Loss of any of these licenses or the exclusivity rights provided therein could harm our financial condition and operating results.

We may be subject to damages resulting from claims that we, or our employees or consultants, have wrongfully used or disclosed alleged trade secrets of third parties. Many of our employees were previously employed, and certain of our consultants are currently employed, at universities, public institutions, biotechnology or pharmaceutical companies, including our competitors or potential competitors. Although we have not received any claim to date, we may be subject to claims that we, or these employees or consultants, have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of these current or former employers. Litigation may be necessary to defend against these claims.

If we fail in defending such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. We may be subject to claims that employees of our partners or licensors of technology licensed by us have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers. We may become involved in litigation to defend against these claims. If we fail in defending such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel.

The Corporation's common share price is volatile and investors could lose money as a result of such volatility. The market price of the Corporation's common shares is subject to volatility. General market conditions as well as differences between the Corporation's financial, scientific and clinical results and the expectations of investors as well as securities analysts can have a significant impact on the trading price of the Corporation's common shares. In recent years, the shares of many biopharmaceutical companies have experienced extreme price fluctuations, unrelated to the operating performance of the affected companies. There can be no assurance that the market price of the common shares will not continue to experience significant fluctuations in the future, including fluctuations that are unrelated to the Corporation's performance. The occurrence of any of the above risks and uncertainties could have a material adverse effect on the price of the common shares.

5 – DIVIDENDS

To date, and despite not having any restriction preventing it from doing so, the Corporation has not paid any dividends in respect of any class of shares in its share capital, and it does not anticipate paying dividends in the foreseeable future. At the present time, the practice of the Board of Directors of the Corporation is to reinvest all available funds in operating activities.

6 – DESCRIPTION OF CAPITAL STRUCTURE

Pursuant to articles of amendment dated May 15, 2008, whereby the Subordinate Voting Shares were re-designated as Common Shares, and the Multiple Voting Shares were repealed, the Corporation is authorized to issue an unlimited number of Common Shares, and an unlimited number of Preferred Shares issuable in series. Two series of preferred shares are currently authorized: one million fifty thousand (1,050,000) Preferred Shares Series A and nine hundred fifty thousand (950,000) Preferred Shares Series B. As at March 26, 2012, 411,396,985 Common Shares were issued and outstanding and no Preferred Shares were issued. The Corporation intends to pass a special resolution of the shareholders at the annual and special meeting of the shareholders of the Corporation to be held on May 9, 2012 which would authorize the Corporation to amend its Articles of Incorporation by removing the authorized and unissued first and second series of Preferred Shares designated as Class A and Class B, as well as their rights, privileges, restrictions and conditions attached thereto.

Common Shares

The holders of Common Shares are entitled to one vote per share at all meetings of the shareholders, and are entitled to receive dividends, as may be declared from time to time by the directors of the Corporation. In the event of the voluntary (or involuntary) liquidation, dissolution, winding-up or other distribution of the assets of the Corporation, the holders of Common Shares are entitled to receive the remaining property of the Corporation, subject to the preference rights of the holders of Preferred Shares, if any.

Take-Over Bid Protection

At the Corporation's annual meeting of its shareholders held on May 3, 2006, two shareholders rights plans were adopted, and came into force. Both shareholders rights plans were re-adopted at ProMetic's annual meeting of shareholders held on May 6, 2009, and are to be re-adopted at ProMetic's annual and special meeting of shareholders to be held on May 9, 2012.

The rights issued under the first plan will become exercisable only if a person or entity acquires or announces an intention to acquire shares for a total ownership of 20% or more of the Corporation's outstanding Common Shares in an unsolicited takeover bid, unless such acquisition meets certain requirements intended to protect the interests of all shareholders in a "permitted bid". Each such right will entitle its holder to purchase Common Shares of the Corporation at a substantial discount to the market value of such shares at the time of exercise. A "permitted bid" is one made to all shareholders by way of a takeover bid circular prepared in accordance with applicable securities laws, which remains open for a minimum of sixty (60) days, and is accepted by the holders of not less than 50% of the shares held by shareholders other than the proposed acquiror and its related parties, among other conditions. In certain cases, the bid must be extended to allow more time for shareholders to tender.

The second shareholder rights plan seeks to maximize shareholder value by spinning-off the Corporation's subsidiaries, PBI and 7662114 Canada Inc. ("NewCo"), to the benefit of all shareholders in the event of an unsolicited takeover bid. Therapeutics in development by this subsidiary could have a high potential value and, for that reason, could induce an interested party to make a hostile takeover bid on ProMetic. This spin-off shareholder rights plan reduces the incentive for an offeror to avail itself of a low market capitalization of the Corporation through a take-over bid, instead of negotiating a commercial transaction that reflects the full value for PBI's or NewCo's rights and other assets. Rights issued under this second shareholder rights plan will become exercisable in the event of an unsolicited offer and will entitle their holders to purchase Class A shares of PBI and Class A shares of NewCo at an exercise price of $0.00001 per subsidiary share, the whole subject to compliance with securities laws.

Rights under each shareholder rights plan were issued to all shareholders. They are automatically attached to all Common Shares of the Corporation already issued and outstanding on the date the plans came into force. Rights will also be issued thereafter upon any future issuance of Common Shares of the Corporation prior to Separation Time (as defined under each plan). Under each plan, the bidder or bidders and persons acting in concert with them will not be entitled to exercise such rights and the Corporation may redeem all rights at any time prior to a takeover.

Preferred Shares

The directors of the Corporation may issue Preferred Shares in one or more series, each series to consist of such number of shares as determined by the directors, which may also fix the designation, rights, restrictions, conditions and limitations to be attached to the Preferred Shares of each series.

The holders of Preferred Shares, if any, do not have any voting rights for the election of directors or for any other purpose, nor are they entitled to attend meetings of the shareholders, except as to any amendment to the rights, privileges, restrictions and conditions attached to the Preferred Shares, which amendment must be approved by at least 2/3 of the votes cast at a meeting of the holders of Preferred Shares called for that purpose.

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

In the event of liquidation, dissolution or winding-up of the Corporation or other distribution of the assets of the Corporation, the holders of Preferred Shares are entitled to receive in preference to the holders of any other classes of shares: (i) an amount equal to the amount paid up on such shares, together with, in the case of cumulative dividends, all unpaid cumulative dividends and, in the case of non-cumulative dividends, all declared and unpaid non-cumulative dividends, and (ii) if the liquidation, dissolution, winding-up or distribution is voluntary, an additional amount equal to the premium, if any, that would have been payable on the redemption of the Preferred Shares.

The Preferred Shares are redeemable or may be purchased for cancellation by the Corporation at such times and at such prices and upon such conditions as may be specified in the rights, privileges, restrictions and conditions attached to the relevant series.

Preferred Shares Series A

The holders of Preferred Shares Series A, if any, are entitled to a preferential cumulative cash dividend at the rate of 12% per year, calculated on a monthly basis for the quarterly period ending on the day immediately preceding each new calendar quarter. They are redeemable for cash or convertible into Common Shares, and purchasable by the Corporation for cancellation. The Preferred Shares Series A are convertible, at the option of the holder, into such number of Common Shares obtained (i) in respect of amounts paid up with respect to the Series A Preferred Shares, by dividing the amount paid up on such shares to be converted by a conversion price subject to adjustments, and (ii) in respect of the unpaid dividends accumulated thereon, by dividing the amount of unpaid dividends accumulated in respect of the shares to be converted by the weighted average trading prices per share of the Common Shares on the Toronto Stock Exchange during the twenty (20) trading days immediately preceding the conversion.

Preferred Shares Series B

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

7 – MARKET FOR SECURITIES

7.1 Trading Price and Volume

The Corporation's Common Shares are listed on the Toronto Stock Exchange under the symbol "PLI". The table below indicates the price ranges and the volume traded on a monthly basis during the 2011 financial year.

Month	High[1]	Low[1]	Close[1]	Trading Volume
January 2011	0.16	0.12	0.13	8,070,936
February 2011	0.23	0.13	0.23	10,967,129
March 2011	0.27	0.18	0.24	23,356,527
April 2011	0.24	0.18	0.20	9,522,869
May 2011	0.20	0.16	0.16	8,396,880
June 2011	0.18	0.13	0.14	2,911,736
July 2011	0.15	0.13	0.14	2,310,987
August 2011	0.14	0.11	0.12	4,023,191
September 2011	0.14	0.11	0.13	4,188,398
October 2011	0.13	0.11	0.12	3,598,500
November 2011	0.17	0.11	0.16	7,315,355
December 2011	0.18	0.13	0.14	4,183,571

(1) On a per share basis

8 – ESCROWED SECURITIES

To the knowledge of the Corporation, the following number of securities of the class identified below, are held in escrow:

Escrowed Securities

Designation of Class	Number of Securities held in Escrow	Percentage of Class
Common Shares	9,950,000	2.4%

450,000 shares were placed in escrow with Computershare Trust Company of Canada, as escrow agent, by Mr. Pierre Laurin, President and Chief Executive Officer of the Corporation, as security for a non-interest bearing loan by the Corporation in the amount of $450,000 granted in order to enable Mr. Laurin to exercise options to acquire shares in the Corporation. The original term of December 31, 2009 was extended for two (2) consecutive years and pursuant to an agreement dated December 19, 2011, an extension was granted thereto, whereby the due date

was postponed to December 31, 2012. The above shares will be released from escrow upon repayment of the loan by Mr. Laurin, on the basis of one share per dollar repaid.

9,500,000 shares were placed in escrow with ScotiaMcLeod, as escrow agent, by Invealth Holding Inc., a corporation held by Mr. Pierre Laurin, President and Chief Executive Officer of ProMetic, as security for an amended and restated loan entered into with ProMetic as described in section 10 of this Annual Information Form. The above mentioned shares will be released from escrow upon repayment of the loan by Invhealth Holding Inc.

9 – DIRECTORS AND OFFICERS

9.1 Directors and Officers

The two following tables set out the names, province or state of residence of the directors and officers of the Corporation as of March 26, 2012, their positions with the Corporation, their present principal occupation and, when they are directors of the Corporation, the year in which they were appointed. Ms. Louise Paradis, Director of the Corporation since 2010 resigned from her position on March 2, 2012. The present term of each director will expire immediately prior to the next annual meeting of the shareholders of the Corporation.

Directors

Name and Province or State of Residence	Position with the Corporation	Director Since	Principal occupation
Pierre Laurin Québec, Canada	Director [(1)]	1994	President and Chief Executive Officer ProMetic
G.F. Kym Anthony[(2)(5)] Ontario, Canada	Chairman[(1)]	2005	Executive Chairman, Broadacre Agriculture Inc. and Chair of DFG Investment Advisers, Inc.
Robert Lacroix[(2)(5)] Québec, Canada	Director	2000	Senior Vice-President, CTI Capital Securities Inc. (an investment dealer company)
Louise Ménard[(3)(4)(5)] Québec, Canada	Director	2009	President, *Groupe Méfor inc.* & Corporate Director
Paul Mesburis[(2)(5)] Ontario, Canada	Director	2009	Senior Portfolio Manager , Excel Investment Counsel Inc.
John Moran[(6)]	Director	March 2, 2012	Vice-President, Clinical Affairs – Home modalities, DaVita Inc.

Directors

Name and Province or State of Residence	Position with the Corporation	Director Since	Principal occupation
Nancy Orr[(2)] Québec, Canada	Director	2010	Consultant in the energy and recycling sectors and member of the Board of Directors of Fibrek Inc., a publicly traded company.
Roger Perrault[(3)(4)] Ontario, Canada	Director	2009	Retired
Bruce Wendel Connecticut, United States	Director	2008	Retired
Benjamin Wygodny[(3)(4)(5)] Quebec, Canada	Director[(1)]	2006	President of Angus Partnership Inc. and other companies involved in private equity investment and realty development

(1) Mr. Pierre Laurin was acting as Chairman of the Board and Mr Benjamin Wygodny as Lead Independent Director of the Board until March 7, 2011, at which point Mr. G.F. Kym Anthony was nominated as Chairman of the Board of Directors of the Corporation.

(2) Member of the Audit and Risk Committee

(3) Member of the Compensation and Human Resources Committee

(4) Member of the Corporate Governance Committee

(5) Member of the TSX Special Committee

(6) Dr. John Moran was appointed Director of the Corporation following the resignation of Ms. Louise Paradis on March 2, 2012.

Mr. Wendel is considered by the Corporation as an independent director since October 19, 2011 when the Corporation was informed that Mr. Wendel was no longer a representative of Abraxis BioScience starting May 18, 2011. Prior thereto, Mr. Wendel was a non-independent director because he was a representative of Abraxis BioScience since he was granted a seat on the Board of Directors pursuant to a strategic alliance entered into between ProMetic and Abraxis BioScience.

During the last five (5) years, all of the above directors have held the principal occupation shown above opposite their respective names, except for:

- Mr. Kym Anthony who, prior to his present occupation, was Deputy Chairman of Mackie Research Capital Corporation from 2008 to January 2011. Mr. Anthony also served as President and Chief Executive Officer of Dundee Securities Corp., a brokerage firm from 2005 to 2007.

- Mr. Paul Mesburis who, prior to his present occupation, was Vice-President and Portfolio Manager at Mavrix Funds Management Inc., an investment management firm of mutual funds, from November 2005 to January 2009.

- Mr. John Moran held the position as Senior Vice-President, Clinical Affairs at Satellite Healthcare from December 2002 to January 2010.

- Ms. Nancy Orr was, prior to her present occupation, Director of Redline Communications Group Inc. ("Redline"), a publicly-traded company, from September 2008 to 2010 and Interim CFO of Redline from September 2008 to January 2009. Ms. Orr was President of Dynamis Group Inc. from 1991 to 2007.

- Mr. Bruce Wendel, prior to retiring in October 2010, acted as Vice Chairman and Chief Executive Officer of Abraxis BioScience. Mr. Wendel was with Abraxis BioScience since May 2006 serving as Executive Vice-President of Corporate Development until November 2007, then as Executive Vice-President of Corporate Operations and Development until January 2010. Prior Abraxis BioScience, Mr. Wendel joined American Pharmaceutical Partners in 2004 as Vice-President of Corporate Development.

Executive Officers

Name and Province or State of Residence	Position	With ProMetic Since
Pierre Laurin Québec, Canada	President and Chief Executive Officer, ProMetic	1994
Bruce Pritchard Hertfordshire, UK	Chief Financial Officer, ProMetic	2006
Patrick Sartore Québec, Canada	Senior Legal Counsel and Corporate Secretary, ProMetic	2006
Steven J. Burton Cambridge, England	Chief Executive Officer, ProMetic BioSciences Ltd	1999
Christopher Penney Québec, Canada	Chief Scientific Officer, Therapeutics, ProMetic BioSciences Inc.	2001

During the last five (5) years, all of the above officers have held the position shown opposite their respective names or have occupied a management position with the same or a related entity except for: Patrick Sartore who served as Senior Legal Counsel – Intellectual Property, from November 2006 to October 2007 when he was appointed as Corporate Secretary of ProMetic.

9.2 Security Holdings

As at March 26, 2012, the number and percentage of securities of Common Shares of the Corporation or its subsidiaries beneficially owned, directly or indirectly, or over which control or direction is exercised, by all directors and executive officers of the Corporation as a group is:

Securities	Number	Percentage of Class
Common Shares	17,489,147	4.3%

The information as to the number of Common Shares owned or over which control is exercised, not being within the knowledge of the Corporation, has been provided by each director and executive officer or is derived from insider reports.

9.3 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Except as indicated below, no director or executive officer of the Corporation:

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

(i) was the subject to an order[1] that was issued while they were acting in the capacity of director, chief executive officer or chief financial officer; or

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

Ms. Nancy Orr was a director of Redline Communications Group Inc. ("Redline") from September 2008 to 2010 and interim CFO from September 2008 to January 2009. Redline was subject to a temporary management cease trade order issued on April 7, 2010 under National Policy 12-203 that prohibited trading in securities of Redline by certain insiders, and, under subsection 127(1) of the Ontario Securities Act, a further cease trade order was issued directing that trading in securities of Redline cease until further order. On February 24, 2011, the Ontario Securities Commission revoked the previously issued cease trade orders and the Redline's common shares resumed trading on the Toronto Stock Exchange.

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

(a) is, as of the date hereof, or has been within the 10 years before the date hereof, a director or executive office of any company (including the Corporation) that, while they were acting in that capacity, or within a year of them ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

In July 2001, Mr. Benjamin Wygodny made a proposal to his creditors under legislation relating to bankruptcy and insolvency. The trustee acting in the proposal issued a Certificate of Full Performance of Proposal on November 20, 2001.

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

No director or executive officer of the Corporation, or shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has (i) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority; (ii) entered into a settlement agreement with a securities regulatory authority; or (iii) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered material.

9.4 Conflicts of Interest

To the knowledge of the Corporation, no director or executive officer of the Corporation has an existing or potential material conflict of interest with the Corporation or any of its subsidiaries, except for Mr. Pierre Laurin.

Mr. Laurin has an existing material conflict of interest in regards to matters involving the amended and restated loan granted to Invhealth Holding Inc. ("Invhealth Holding") by the Corporation on March 25, 2010 (the "Loan). Invhealth Holding is a company controlled by Mr. Laurin, President and Chief Executive Officer, as well as Chairman of the Board and director of the Corporation. The Loan requires Invealth to fully repay the Corporation by March, 2013. The Loan is secured by a pledge in favour of the Corporation by Invhealth Holding. The Loan is also secured by a pledge in favour of the Corporation by InvHealth Capital Inc. and by a pledge in favour of the Corporation by the sole officer of Invhealth Capital Inc., Pierre Laurin, of all his shares of Invhealth Capital Inc. The Loan received disinterested shareholders' approval at the Corporation's annual and special meeting of shareholders held on May 5, 2010.

10 – LEGAL PROCEEDINGS AND REGULATORY ACTIONS

On April 2010, HealthPro BioVentures, LLC instituted a legal claim against the Corporation pursuant to a contractual dispute for an amount of US$650,000 with respect to a consulting agreement entered into by the parties in 2008. The legal claim was ruled by the Court in favour of ProMetic in late 2011 (and the case was officially closed in early 2012 with no possibility for HealthPro BioVentures to appeal).

11 – INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Since October 17, 2001, Mr. Pierre Laurin, via his company, Innovon Pharmaceuticals Inc. ("Innovon"), is entitled to receive royalties based on the sales of PBI-1402, PBI-1101 as well as any analogs thereof. These royalties consist of 0.5% of net sales from direct or indirect sales by the Corporation or its affiliates or 3% of revenues received by ProMetic BioSciences Inc. ("PBI") from third parties. Innovon also has the exclusive right to commercialise these products should PBI decide to stop developing PBI-1402 or PBI-1101 or any analogs thereof, and/or commercialising said products.

On December 5, 2008, the Corporation provided a guarantee to Camofi Master LDC ("Camofi") (the "Guarantee") in connection with a loan granted by Camofi to Invhealth Holding Inc. ("Invhealth Holding") on December 4, 2007, as amended and restated on December 5, 2008 (the "Loan"). Invhealth Holding is a corporation controlled by Pierre Laurin, the President and CEO, as well as Chairman of the Board and director of the Corporation. Invhealth Holding contracted the Loan to buy shares of the Corporation. In conjunction with the above, an amended and restated loan agreement (the "Repayment Loan") was entered into between the Corporation and Invhealth Holding and provides that the sums paid by the Corporation pursuant to the Guarantee are repayable by Invealth Holding. These sums bear an interest at a rate of 10% per annum and are repayable by Invhealth Holding no later than March 31, 2013, provided however that if the

ProMetic shared trade for a price per share equal to or higher than Cdn$0.90 for 15 consecutive trading days, the Corporation may request that Invhealth Holding repays all outstanding amounts under the Repayment Loan within 30 days following such request. The Repayment Loan is secured by (i) a pledge of 9,500,000 ProMetic shares owned by Invhealth Holding and (ii) a pledge by Pierre Laurin of all present and future shares in the shares capital of Invhealth Capital Inc. ("Invhealth Capital"), the corporation which holds the shares of Invhealth Holding, as well as (iii) a pledge by Invhealth Capital of all present and future shares in the share capital of Invhealth Holding. The Guarantee was approved, ratified and confirmed by the disinterested shareholders of ProMetic at its annual and special meeting of shareholders held on May 5, 2010. As of March 26, 2012, the amount due by Invhealth Holding to ProMetic under the Repayment Loan was $2,487,950.89.

On February 21, 2002, Mr. Pierre Laurin, President and Chief Executive Officer of the Corporation, entered into a non-interest bearing term loan with ProMetic in order to exercise options to acquire shares. This loan is secured by the deposit, pursuant to an escrow agreement, of a share certificate representing 450,000 shares of the Corporation. Pursuant to an agreement dated December 19, 2011, an extension was granted thereto, whereby the due date was postponed to December 31, 2012. The 450,000 shares will be released from escrow upon repayment of the loan by Mr. Laurin, on the basis of one share per dollar repaid.

In addition, on August 2, 2011, Mr. Pierre Laurin granted a personal guarantee to *Investissement Québec* to guaranty all of the obligations of the Corporation arising from a loan of $939,850 entered into with *Investissement Québec* on August 5, 2011 to finance tax credits.

Mr. Benjamin Wygodny, Director of the Corporation, has made via two companies he manages and controls, a $250,000 loan on July 28, 2009 and a $500,000 loan on July 21, 2011 to the Corporation. The $250,000 loan bears interest at a rate of 15% per annum, repayable on demand the whole pursuant to a loan agreement dated July 28, 2009. The $500,000 loan bears interest at a rate of 12% per annum and a fee of up to $45,000, which is repayable on demand, the whole pursuant to a loan agreement dated July 21, 2011. Both loans are secured by a second-rank hypothec on the universality of ProMetic's and one of ProMetic's subsidiary's assets.

12 – TRANSFER AGENT AND REGISTRAR

The Corporation's transfer agent and registrar is Computershare Trust Company of Canada, 100 University Avenue, 9th Floor, North Tower, Toronto, Ontario M5J 2Y1, and the registers of transfers of each class of securities are located in Montréal, Québec and Toronto, Ontario.

13 – MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business or as otherwise described below, the Corporation has not entered into a contract that can reasonably be considered material to ProMetic during the financial year ended December 31, 2011 or before such year but still in effect.

On March 31, 2011, the Corporation entered into an agreement with Abraxis, a wholly owned subsidiary of Celgene Corporation, whereby the Corporation would 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 required the Corporation to comply with certain administrative milestones by February 9, 2012. Failure to meet these milestones would have resulted in a portion of the above loan being re-instated in the range of US$6,000,000 to US$8,000,000. For accounting purposes, the loan, including any accrued interest, was derecognized and the Corporation recognized US$2,000,000 ($1.9 million of licensing revenues on March 31, 2011. In April 2011, one of the milestones was achieved and

consequently, the Corporation recognized US$2,000,000 ($1.9 million) of licensing revenues during the second quarter ended June 30, 2011. The balance of $6.2 million was recorded as deferred revenues until the required milestones were met.

In February 2012, the Corporation announced that it signed a final agreement with Celgene Corporation relating to the above transaction for the assignment of the intellectual property rights. The Corporation had satisfied all remaining administrative milestones pertaining to the March 31, 2011 agreement during the fourth quarter ended December 31, 2011, and as a result, met the conditions for recognizing the remaining licensing revenues amounting to US$6,000,000 ($6.2 million).Therefore, the original loan can no longer be re-instated pursuant to the conditions of the March 31, 2011 agreement.

14 – INTERESTS OF EXPERTS

14.1 Names of Experts

The consolidated annual financial statements of the Corporation for the year ended December 31, 2011 included in the Corporation's 2011 Annual Report have been audited by Ernst & Young LLP ("Ernst & Young").

14.2 Interests of Experts

Ernst & Young or its partners do not hold any registered or beneficial interests, directly or indirectly, in the securities of the Corporation or its associates or affiliates, and is independent of the Corporation within the meaning of the Code of Ethics of the *Ordre des comptables agréés du Québec*.

15 – AUDIT AND RISK COMMITTEE

15.1 Audit and Risk Committee Charter

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

15.2 Composition

The Audit and Risk Committee is composed of four (4) independent and financially literate directors: its chair, Mr. Paul Mesburis, Mr. Kym Anthony, Mr. Robert Lacroix and Ms. Nancy Orr.

15.3 Relevant Education and Experience

Member	Relevant Education and Experience
Mr. Paul Mesburis	• Mr. Mesburis is a Chartered Accountant (Ontario) and a Chartered Financial Analyst. He earned his MBA from the Schulich School of Business at York University and a B.A. from the University of Toronto. • He has more than 15 years of experience in the financial services industry. His capital markets experience encompasses roles for both buy-side and sell-side firms. • On the buy-side, his previous roles have included Vice President and Portfolio Manager of an equity mutual fund at a Canadian public financial services company. • On the sell-side, his investment experience includes mergers and acquisitions, investment banking, and institutional equity research. His previous sell-side roles have included Vice President of Mergers & Acquisitions and Institutional Equity Research Analyst at both global and domestic bank-owned investment dealers.
Mr. Kym Anthony	• Mr. Anthony received his B.A. from Simon Fraser University and his M.B.A. from the University on Western Ontario • He has 31 years of experience in the financial and capital markets industries including Partner (PDO) designation.
Mr. Robert Lacroix	• Mr. Lacroix graduated from the *École des Hautes Études Commerciales de Montréal* in administration and finance, as well as numerous courses in the fields of finance, investments and securities. • He has 40 years of experience in occupations directly related to accounting, finance, investments and securities, as a financial analyst, portfolio manager, investment director, assistant deputy minister of finance in charge of financing and debt management, and various positions as vice-president, finance and chief financial officer. • He supervised numerous financial analysts, as well as accountants, controllers and internal auditors. As chief financial officer, he was responsible for external auditors, and mergers and acquisitions.

Member	Relevant Education and Experience
Ms. Nancy Orr	• Ms. Orr received an M.B.A. from Queen's University and a C.A. from McGill University and she has been a Fellow of the Québec Order of Chartered Accountants since 1988. • She has substantial experience as a member of several board of directors and audit committees of public, private and government entities.

15.4 Audit and Risk Committee Oversight

Since January 1, 2011, all recommendations of the Audit and Risk Committee to nominate or compensate external auditors were adopted by the Board of Directors.

15.5 Pre-Approval Policies and Procedures

The Audit and Risk Committee has reviewed and approved non-audit services on a case-by-case basis throughout the 2011 financial year.

16 – EXTERNAL AUDITOR SERVICES FEES

Ernst & Young LLP have served as the Corporation's auditors since fiscal year 2010.

16.1 Audit Fees

Ernst & Young provided services and billed the Corporation and its subsidiaries $279,300 for professional services rendered for the year ended December 31, 2011 in relation to the audit of the Corporation's financial statements, quarterly review of March 31, 2011, and IFRS transition. For the year ended December 31, 2010, professional services billed amounted to $169,700 for the audit of the Corporation's financial statements for fiscal year 2010.

16.2 Audit-Related Fees

Ernst & Young provided services and billed the Corporation $10,400 for fiscal year 2011 (2010 - $10,000) for audit-related services, such as consultations related to accounting and reporting matters.

16.3 Tax Fees

Ernst & Young did not bill the Corporation for tax compliance, advice or planning services for fiscal years 2011 and 2010.

16.4 All Other Fees

Ernst & Young provided services and billed the Corporation $9,000 (2010 - $0) for translation services.

17 – ADDITIONAL INFORMATION

Additional information relating to the Corporation may also be found on the SEDAR website at www.sedar.com or on the Corporation's website at www.prometic.com.

Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, is contained in the Corporation's Management Information Circular for its most recent annual meeting of shareholders that involved the election of directors.

Additional financial information is provided in the Corporation's financial statements and management's discussion and analysis for its most recently completed financial year.

* * *

Appendix A

Audit & Risk Committee Charter

as of March 26, 2012

I. PURPOSE

The Board of Directors of ProMetic Life Sciences Inc. (the "Corporation") is ultimately responsible for the stewardship of the Corporation, which means that it oversees the day-to-day management delegated to the President and Chief Executive Officer and the other officers of the Corporation. The Audit & Risk Committee (the "Committee") is appointed by the Board of Directors to assist the Board in fulfilling this responsibility with respect to overseeing four (4) fundamental issues: (i) the Corporation's financial reporting process and internal control systems, (ii) the Corporation's process to identify and manage risks, (iii) the internal and external audit process; and (iv) the Corporation's communication system to provide an open avenue of communication among the external auditors, the financial and senior management, the internal auditing department (if any), and the Board of Directors.

II. GENERAL ROLE AND MANDATE

External Auditors

1. Review the independence[1] and the performance of the external auditors.
2. Recommend to the Board of Directors the appointment of the external auditors, to be approved by the shareholders, for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation or the approval of any discharge of auditors where circumstances warrant.
3. Recommend to the Board of Directors for approval the fees and other compensation to be paid to the external auditors.
4. Pre-approve non-audit services to be provided to the Corporation or its subsidiaries by the external auditors, other than non-audit services: (i) that were not recognized as non-audit services at the time of the engagement and (ii) that are promptly brought to the attention of the Committee and approved, prior to the completion of the audit, by the Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Committee.
5. Oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, review the external auditors' audit plan, discuss and approve audit scope, reliance upon management and internal audit if or when applicable, and general audit approach. At the conclusion of the audit process, and before releasing the year-end earnings, discuss the results of such audit with the external auditors including the resolution of disagreements between management and the external auditor regarding financial reporting and difficulties encountered in performing the audit.

[1] This should include at least on an annual basis, the review of all significant relationships the external auditors have with the Corporation that could impair the auditors' independence. When discussing auditor independence, the Committee may wish to consider both rotating the lead audit partner or audit partner responsible for reviewing the audit after a number of years and establishing hiring policies for employees or former employees of its external auditor.

6. Discuss with the auditors the quality and not just the acceptability of the Corporation's accounting principles including all critical accounting policies and practices used, any alternate treatments of financial information that have been discussed with management, the ramification of their use and the auditor's preferred treatment, as well as any other material communications with management.

7. The external auditors report to and are accountable to the Committee and the Board of Directors as representatives of shareholders.

Internal Auditors

8. Assess with management the need for internal audit as circumstances facing the Corporation change.

9. Review and approve management's decisions related to the need for internal auditing.

10. Review the mandate, budget plan, organizational structure and qualification of the internal audit department as needed.

Financial Reporting and Risk Management

11. Consider and review with the external and internal auditors, if or when applicable, the integrity of the Corporation's financial reporting processes, both internal and external, and the adequacy of the Corporation's internal controls and management financial information systems.

12. On an annual basis, review and discuss with management and the external auditors, significant risks and exposures, the steps management has taken to monitor, control and report such risks and exposures, and the effectiveness of the overall process for identifying the principal financial risks affecting financial reporting.

13. Review and discuss with management and the external auditors (including the internal auditors if any) the Corporation's audited annual financial statements, any other financial statements to be audited, non audited interim financial statements, management discussion and analysis and all other public disclosure documents containing material financial information, and make recommendations for their approval by the Board of Directors, prior to filing or distribution. The review should include a discussion with management and the external auditors of significant issues regarding accounting principles, practices and significant management estimates and judgments.

14. Ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from its financial statements, other than the public disclosures referred to in paragraph 13 above, and periodically assess the adequacy of those procedures.

15. Review, with the Corporation's counsel, any legal or regulatory matter that could have a significant impact on the Corporation's financial statements.

16. Review and make recommendations with respect to any litigation, claim or contingency that could have a material effect upon the financial position of the Corporation and the appropriateness of the disclosure thereof in the documents reviewed by the Committee.

17. Establish procedures for:

    (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and

    (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

18. Review and make recommendation regarding insurance coverage (annually or as may be otherwise appropriate).

19. Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of present and former external auditors of the Corporation.

Other

20. Review the Corporation's Annual Information Form and recommend its approval to the Board of Directors.

21. Perform any other activities consistent with its responsibilities and duties, the Corporation's by-laws and governing law as the Committee or the Board of Directors deems necessary or appropriate.

22. Keep records of its activities, meetings, etc. at the office of the Corporate Secretary and report periodically to the Board of Directors on its activities and make recommendations as deemed appropriate.

23. Annually assess the effectiveness of the Committee against its general role and mandate (charter) and report the results of the assessment to the Board of Directors.

24. Approve the hiring of the Chief Financial Officer and other senior management officers whose principal duties and responsibilities relate directly to the finances of the Corporation.

The Audit & Risk Committee may:

(a) with the approval of the Board of Directors and at the Corporation's expense engage independent counsel and other external advisors as it determines necessary to carry out its duties, in appropriate circumstances;

(b) set and pay the compensation for any such advisors employed by the Committee; and

(c) communicate directly with the internal and external auditors.

III. COMPOSITION

The Audit & Risk Committee shall be comprised of a minimum of three (3) and and a maximum of six (6) independent directors of the Corporation, appointed by the Board of Directors following the Annual General Meeting to serve on the Committee until the close of the next annual meeting of shareholders of the Corporation or until the member ceases to be a director, resigns or is replaced, whichever first occurs. Any member may be removed from office or replaced at any time by the Board of Directors.

A member of the Committee is independent if the member has no material relationship with the Corporation, within the meaning of *Regulation 52-110 respecting Audit Committees* as amended from time to time.

Unless a chairman is elected by the full Board of Directors, or if not present at the meeting, the members of the Audit & Risk Committee may designate a chairman by majority vote of the full Audit & Risk Committee membership.

All members of the Audit & Risk Committee shall be financially literate, that being defined as able to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statement. However, a member who is not financially literate may be appointed to the Committee provided that the member becomes financially literate within a reasonable period of time following his or her appointment. At least one member should have accounting or related financial experience and the ability to analyze and interpret a full set of financial statements, including the notes attached thereto, in accordance with International Financial Reporting Standards (IFRS).

IV. MEETINGS

The Committee shall meet at least four (4) times annually, or more frequently as circumstances dictate. The Committee may ask members of management or others to attend meetings and provide pertinent information as required. Quorum for all meetings will consist of at least two (2) members.

The Committee's Chair shall prepare an agenda in advance of each meeting in consultation with management and the other members of the Committee. External auditors may also be consulted for any item related to their responsibilities and duties.

The Committee may meet with the external auditors, in private, at least once during the year. The Committee may also communicate with management and external auditors, if deemed necessary, on a quarterly basis to review the Corporation's interim financial statements.

V. WORK PROGRAM

The Audit & Risk Committee annually establishes a work program in order to fix a schedule to fulfill its responsibilities pursuant to the content of this charter. The Committee uses such work program, inter alia, to evaluate its compliance with this charter.

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