Q4 2014

PROMETIC LIFE SCIENCES INC.

Management Discussion & Analysis

For the quarter and the year ended December 31, 2014

MANAGEMENT'S DISCUSSION & ANALYSIS

This Management's Discussion and Analysis (MD&A) is intended to help the reader to better understand ProMetic Life Sciences Inc.'s ["ProMetic" or the "Corporation"] operations, present and future business environment, financial performance and results of operations. This MD&A which has been prepared as of March 31, 2015, should be read in conjunction with ProMetic's consolidated financial statements for the year ended December 31, 2014. Additional information related to the Corporation, including the Corporation's Annual Information Form, is available on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

The information contained in Management's Discussion and Analysis of the results of operations and the financial condition contains statements regarding future financial and operating results. It also contains forward-looking statements with regards to partnerships and agreements and future opportunities based on these. There are also statements related to the discovery and development of intellectual property, as well as other statements about future expectations, goals and plans. We have attempted to identify these statements by use of words such as "expect", "believe", "anticipate", "intend", and other words that denote future events. These forward-looking statements are subject to material risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. These risks and uncertainties include but are not limited to the Corporation's ability to develop, and successfully manufacture pharmaceutical products, and to obtain contracts for its products and services and commercial acceptance of advanced affinity separation technology. Additional information on risk factors can be found in the Corporation's Annual Information Form for the year ended December 31, 2014. Shareholders are cautioned that these statements are predictions and actual events or results may differ materially from those anticipated in these forward-looking statements. Any forward-looking statements we may make as of the date hereof are based on assumptions that we believe to be reasonable as of this date and we undertake no obligation to update these statements as a result of future events or for any other reason, unless required by applicable securities laws and regulations.

ProMetic is a long-established, publicly traded (TSX symbol: PLI) (OTCQX symbol: PFSCF), biopharmaceutical Corporation with globally recognized expertise in bioseparation, plasma-derived therapeutics and small-molecule drug development. ProMetic is focused on bringing safer, more 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 of biologics, drug development, proteomics and the elimination of pathogens to a growing base of industry leaders and uses its own affinity technology that provides for highly efficient extraction and purification of therapeutic proteins from human plasma in order to develop best-in-class therapeutics. ProMetic is also active in developing its own novel small molecule therapeutic products targeting unmet medical needs in the field of fibrosis, autoimmune disease/inflammation and cancer. A number of both the plasma-derived and small molecule products are under development for orphan drug indications. Headquartered in Laval (Canada), ProMetic has R&D facilities in the UK, the U.S. and Canada, manufacturing facilities in the Isle of Man and Canada and business development activities in the U.S., Europe and Asia.

BUSINESS SEGMENTS

The **Protein Technologies** segment comprises different operating subsidiaries. The principal subsidiaries are:

- ProMetic BioProduction Inc. ("**PBP**"), based in Laval, Quebec, Canada,
- ProMetic BioTherapeutics Inc. ("**PBT**"), based in Rockville, MD, USA;
- ProMetic BioSciences Ltd. ("**PBL**"), based in the United Kingdom (Isle of Man and Cambridge), and
- NantPro BioSciences LLC ("**NantPro**") based in Delaware, USA.

ProMetic and its Protein Technologies segment has been historically known for its world-class expertise in bioseparation, specifically for large-scale purification of biologics and the elimination of pathogens, to a growing base of industry leaders. However, ProMetic has also leveraged its own industry leading affinity technology to develop a highly efficient extraction and purification process of therapeutic proteins from human plasma in order to develop best in-class therapeutics and orphan drugs targeting unmet medical conditions and rare diseases.

With all the necessary elements to accelerate the development of a strong product pipeline, ProMetic is now successfully transitioning into a vertically integrated specialty biopharmaceutical corporation. At the heart of this strategy resides the bioseparation technologies and products of the Corporation. The bioseparation technologies enable the capture of multiple, targeted proteins directly from source products and provide for a highly efficient and cost-effective process.

Using its bioseparation technologies, ProMetic has developed a multi-product, sequential, purification process employing powerful affinity separation materials to extract and purify commercially important plasma proteins in high yields. This purification process is known and referred to as the Plasma Protein Purification System ("PPPS^{TM}"). ProMetic has now implemented its own technology and launched its plasma purification facility, ProMetic BioProduction Inc. where it is now currently developing best-in-class plasma-derived therapeutics to address various unmet medical conditions in both established and emerging markets.

The completed development of PPPS^{TM} as a manufacturing process, the number of licensees and improved financial situation have all contributed to the implementation and operational launch of ProMetic's plasma purification facility.

PBP successfully completed, in December 2013, the first commercial-scale production run on schedule and generated better than expected results, confirming at the same time both the scalability and robustness of the process. PBP is currently operating a robust and scalable manufacturing process and manufacturing material that is being used in the Corporation's current and upcoming plasma derived products clinical trials. With the previously disclosed proteins already scheduled for production at PBP, namely IVIG, alpha-1 antitrypsin and plasminogen and with several plasma-derived therapeutics earmarked for further development, ProMetic is rapidly building a significant plasma-derived product pipeline of substantial value. The US Food and Drug Administration ("FDA") completed its review and cleared the Investigational New Drug ("IND") application for the treatment of hypoplasminogenemia or Type 1 plasminogen deficiency in October 2014. ProMetic's intravenous plasminogen is the first PPPS^{TM} generated plasma-derived therapeutic to enter clinical trial stages and should be followed by additional plasma-derived therapeutics in 2015 and the coming years.

PBP's Laval facility will also serve in the future as a blueprint for other partners' future plants, as a technological showroom and training center.

The **Therapeutics** segment is a small molecule drug discovery business comprised of one entity:

- ProMetic BioSciences Inc. **("PBI"),** based in Laval, Quebec, Canada

PBI is a small-molecule drug discovery business, with a strong pipeline of products. PBI scientists are focused on developing orally active drugs that can emulate the activity of proven biologics, and provide competitive advantages

including improved pharmaco-economics and safety profiles. Typically, these first-in-class therapeutics have 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.

The business model for this division is to partner promising drug candidates upon completion of in vivo proof of concept studies. While the Therapeutics segment has several of such promising drug candidates, Management has focused on working towards the Investigational New Drug (“IND”) enabling and partnering activities for its anti-fibrosis lead drug candidate PBI-4050. As a result of positive data generated in 2012 and 2013 in several gold-standard animal models clearly indicating favorable effects in reducing the progression of fibrosis in various key organs and overall progress achieved by the Corporation, PBI-4050 has entered the clinical program stage in December 2013. PBI-4050 successfully completed in June 2014 its Phase I clinical trial in 40 healthy volunteers where it was found to be safe and very well tolerated without any serious adverse events reported in any of the 5 cohorts tested. ProMetic held a successful Pre-Investigational New Drug ("Pre-IND) meeting with the US Food and Drug Administration regarding PBI-4050 in 2014. This Pre-IND meeting with the FDA focused on ProMetic's proposed phase II clinical program, for PBI-4050, in patients with Chronic Kidney Disease ("CKD"), other rare diseases as well as the manufacturing and pre-clinical package that ProMetic intends to include in the IND submission. As a result of these successful Pre-IND meetings with both the FDA and Health Canada, a series of Clinical Trial Applications (“CTA”) and INDs were filed before the end of 2014 and cleared by Health Canada in the latter part of 2014 and early 2015, thereby authorizing ProMetic to commence clinical in patients suffering from CKD, Idiopathic Pulmonary Fibrosis (“IPF”) and the metabolic syndrome and its resulting Type 2 diabetes. Additional CTA and INDs are expected to be filed in the coming months and will target additional orphan indications.

The multi-center study for CKD will be 3-arm, double-blind, placebo-controlled involving 2 different doses of PBI-4050. The trial will be performed at sites already identified across Canada and in the USA. The clinical trials targeting unmet medical needs and some orphan indications will be open label in order to monitor progress against well-established disease state baselines. The trials will monitor safety and tolerability in patients as well as the effect of PBI-4050 on recognized biomarkers for fibrosis and diabetes in blood and urine.

ProMetic also presented some of its data generated so far at several of the most prestigious industry conferences throughout the year, including the 2014 annual meeting of the European Association for the Study of the Liver, the 2014 International Society of Nephrology: Nexus Symposium, the 2013 American Society of Nephrology annual meeting, the 2013 American Association for the Study of Liver Diseases (AASLD) annual meeting and the 2013 European Respiratory Society annual congress. ProMetic also anticipates continuing to present new and additional data at leading industry conferences going forward.

QUARTER AND YEAR ENDED DECEMBER 31, 2014 IN SUMMARY

Throughout 2014, the Corporation successfully continued its transition towards becoming a vertically integrated biopharmaceutical company. The majority of efforts and corporate resources were dedicated to the advancement of clinical assets and development programs. This has resulted in the creation of a deep product pipeline that has favorably positioned the Corporation to maximize its future commercial success potential in the coming years.

As part of this transition, ProMetic continued the implementation of changes to its commercialization strategy whereby the Corporation decided to further develop more of its assets to an advanced stage prior to partnering. As a result, the Corporation experienced, as anticipated, a temporary reduction of service and licensing revenues during the first three quarters of 2014. This has however allowed ProMetic to retain a greater portion of the future returns expected from the high-value products and lucrative markets currently being pursued, thereby serving to ultimately increase shareholder value.

The Corporation realized some licensing revenues in the last quarter of 2014 with the completion of the GENERIUM Pharmaceuticals (“GENERIUM”) licensing agreement for several plasma-derived biopharmaceuticals to be manufactured and commercialized in Russia and Commonwealth of Independent States (“CIS”) as well as using ProMetic's proprietary PPPS^{TM} technology for the manufacture of the plasma-derived biopharmaceuticals in a up to

600,000 litres per year facility to be built and operated by GENERIUM, in Russia. Furthermore, as ProMetic continues to advance its various programs, licensing deals and associated revenues are expected to materialize following the finalization of additional commercial partnership agreements.

The licensing and service revenues shortfalls experienced during the first three quarters of the year and increased costs related to building a deeper product pipeline had to be compensated. To remedy this situation, the Corporation successfully completed two financings. Firstly, ProMetic secured a $20 million follow-on investment from Thomvest Seed Capital Inc., their second significant investment in the Corporation and secondly, ProMetic secured a bought deal financing totalling $28.8 million.

Total revenues reached $23.0 million for 2014 and in spite of the increase in spending related to the advancement of the various development and clinical programs as well as some non-cash items such as the variation in fair value of the warrant liability associated to the Thomvest Seed Capital Inc. (“Thomvest”) financing transaction, the Corporation generated a net profit of $2.6 million for the year mainly due to the recognition of a purchase gain on business combination of $14.8 million in regards to the additional 40.83% of equity acquired in NantPro and the recognition of a gain on revaluation of the equity investment of $34.4 million representing the difference between the fair value and the carrying amount of ProMetic’s equity interest in NantPro just before the transaction.

2014 has proven to be a pivotal year for both the plasma-derived and small-molecule therapeutic development programs. Not only did the Corporation confirm the pursuit of the development of its plasminogen, IVIG and alpha-1 antitrypsin programs, it also increased its own ownership in NantPro and obtained control of the American IVIG program. This in turn will secure a greater portion of the future expected profits associated with sales of IVIG in the US market, its largest market worldwide. With additional plasma-derived therapeutics expected to join clinical trial stages in 2015, ProMetic’s product pipeline is poised for significant progress.

2014 also saw ProMetic enter and successfully complete an early clinical trial for its orally active anti-fibrotic lead drug candidate. In June 2014, the Corporation reported having successfully completed its PBI-4050 Phase I clinical trial in 40 healthy volunteers where it was found to be safe and well tolerated without any serious adverse events being reported. Following this safety and tolerability milestone, the decision was publicly disclosed to also pursue in addition to diabetic kidney diseases, other follow-on indications such as IPF and the metabolic syndrome and its resulting Type 2 diabetes.

With a rapidly growing number of drug candidates progressing through advanced stages of clinical development, ProMetic is now well positioned to become a leader in the field of rare diseases and orphan conditions.

2014 SIGNIFICANT EVENTS

- The Corporation announced in January that it had achieved a major corporate milestone in December 2013 by successfully completing the first commercial-scale production run at its ProMetic BioProduction Inc. plasma purification facility located in Laval, Quebec. This production run was completed on schedule and generated better than expected results.

- The Corporation appointed Dr. John Moran as its new Chief Medical Officer ("CMO"), effective as of March 1, 2014.

- The Corporation entered into a new agreement with a leading vaccines company, for the development of an affinity adsorbent and associated purification process for the production of a novel vaccine product.

- The Corporation received approximately $3.2 million from InvHealth Holding Inc. ("Invhealth"), a corporation wholly-owned and controlled by Mr. Pierre Laurin, President and Chief Executive Officer of ProMetic, as repayment of the amended and restated loan entered into in March, 2010 with ProMetic.

- The Corporation reported a successful Pre-Investigational New Drug meeting with the US Food and Drug Administration ("FDA") for the plasma-derived biopharmaceutical, IVIG.

- The Corporation presented new pre-clinical data at the 2014 International Society of Nephrology conference held in Bergamo, Italy where PBI-4050 brought blood glucose levels back into the normal range in animal models designed to reproduce long term complications related to human Type 2 diabetes.

- The Corporation presented new pre-clinical data at the 2014 annual meeting of the European Association for the Study of the Liver held in London, UK. The new data supports the claim that PBI-4050's anti-fibrotic activity could also address various liver conditions such as non-alcoholic steatohepatitis ("NASH"), a condition affecting 2% to 5% of Americans, as well as liver cancer.

- The Corporation announced an increase in its ownership in NantPro following the amendment of its related corporate and commercial agreements with NantPharma, LLC. The amended agreements provide ProMetic with the effective control of NantPro and a greater portion of the future value and profits associated with the development and sales of IVIG in the US market.

- The Corporation received a $5.6 million purchase order under its ongoing supply agreement with Octapharma, a leading, Swiss, independent, global plasma fractionation company that specializes in human proteins.

- The Corporation successfully completed its PBI-4050 Phase I clinical trial in 40 healthy volunteers where ProMetic's PBI-4050 was found to be safe and very well tolerated without any serious adverse events reported in any of the 5 cohorts tested.

- The Corporation announced the launch of fibrinogen for commercial sales during the fourth quarter of 2014 after its successful scale-up at its Laval based plasma purification facility, ProMetic BioProduction Inc.

- The Corporation entered into an agreement with one of its existing multinational clients, a global leader in the biotherapeutics industry. The agreement relates to the development and scale-up of a new affinity resin and associated manufacturing process in order to enhance the quality and purity of an existing biopharmaceutical product manufactured in large quantities.

- The Corporation secured a follow-on investment from Thomvest Seed Capital Inc. consisting of a $20 million investment in a loan and warrants. ProMetic is using part of the proceeds for the development and manufacture of both additional and existing plasma-derived orphan drugs, the advancement of the ongoing PBI-4050 clinical program as well as the repayment of secured debt provided by certain shareholders.

- The Corporation announced the promotion of Mr. Bruce Pritchard to the newly created position of Chief Operating Officer ("COO") as well as the nomination of Mr. Stefan Clulow to its Board of Directors, both effective in August, 2014.

- The Corporation reported a successful Pre-Investigational New Drug meeting with the US Food and Drug Administration for its anti-fibrotic, lead drug candidate, PBI-4050. This Pre-IND meeting with the FDA focused on ProMetic's proposed phase II clinical program for patients with Chronic Kidney Disease, other rare diseases as well as the manufacturing and pre-clinical package.

- The Corporation announced that its addition to the S&P/TSX SmallCap Index ("Index") as the result of the annual review of the Index.

- The Corporation announced the pursuit of IPF as one of its PBI-4050 orphan indications. This decision follows the completion of a favorable external review of the extensive anti-fibrotic preclinical data generated to date by an independent panel of world experts on IPF and the analysis of the current market landscape.

- The Corporation announced that the US Food and Drug Administration completed its review and cleared the Investigational New Drug application for ProMetic's intravenous plasminogen for the treatment of hypoplasminogenemia, or Type 1 plasminogen deficiency.

- The Corporation announced that its small molecule lead compound PBI-4050 has been approved to commence clinical trials in patients suffering from CKD following the Clinical Trial Application clearance by Health Canada.

- The Corporation announced during the Annual Meeting of the American Society of Nephrology (ASN) held in Philadelphia, USA, new preclinical data on PBI-4050. Dr. Raymond Harris and Dr. Ming-Zhi Zhang from the Department of Nephrology, Vanderbilt University School of Medicine performed studies in a very severe model of accelerated Type 2 diabetes. The authors concluded that PBI-4050 attenuates the development of diabetic nephropathies in Type 2 diabetes through the improvement of glycemic control and the inhibition of renal TGFβ-mediated fibrotic pathways, in association with decrease in macrophage infiltration, oxidative stress and increase in autophagy.

- The Corporation entered into an agreement with a syndicate of underwriters led by Canaccord Genuity Corp. under which the Underwriters have agreed to buy, on a bought deal basis, 15.2 million common shares, including the overallotment, in the capital of the Corporation at a price of $1.90 per share for gross proceeds of $28.8 million.

- The Corporation announced the pursuit of a clinical program designed to evaluate the benefit of PBI-4050 in patients affected by the metabolic syndrome and resulting Type 2 diabetes. The metabolic syndrome is a major risk factor for cardiovascular disease and for Type 2 diabetes, and consists of the constellation of central (truncal) obesity, high blood triglycerides, low HDL ("good") cholesterol, elevated blood pressure, and elevated blood glucose.

- The Corporation entered into definitive license agreements with GENERIUM Pharmaceuticals for several plasma-derived biopharmaceuticals to be manufactured and commercialized in Russia and CIS. The strategic alliance includes the granting of manufacturing rights by ProMetic to GENERIUM for several plasma-derived biopharmaceuticals using ProMetic's proprietary PPPS™ technology for the manufacture of said plasma-derived biopharmaceuticals in a up to 600,000 liters per year facility to be built and operated by GENERIUM, in Russia.

2015 SIGNIFICANT EVENTS

- The Corporation announced the approval for its orally active anti-fibrotic lead drug candidate PBI-4050 to commence the clinical trial in patients suffering from metabolic syndrome and resulting Type 2 diabetes, following the CTA clearance by Health Canada

- The Corporation announced the approval for its orally active anti-fibrotic lead drug candidate PBI-4050 to commence the clinical trial in patients suffering from Idiopathic Pulmonary Fibrosis, following the CTA clearance by Health Canada.

- The Corporation announced an $11.4 million purchase order for the supply of affinity resin from an existing client, a global leader in the biotherapeutics industry.

- The Corporation announced the grant of an orphan drug designation status by the FDA for its orally active anti-fibrotic lead drug candidate, PBI-4050, for the treatment of IPF.

- The Corporation reported that it has successfully completed its PBI-4050 Phase 1b multi-dose clinical trial in patients with Chronic Kidney Disease. ProMetic’s orally active lead drug candidate, PBI-4050, was found to be safe and well tolerated without any serious adverse events reported.

- On March 27, 2015, the Corporation and Octapharma who is party to the advance on revenues from a supply agreement amended the loan agreement further extending the maturity date of the unpaid balance of the advance, if any, to April 30, 2018.

- On March 31, 2015, the Corporation and Structured Alpha LP, assignee of Thomvest Seed Capital Inc. and the holder of the long-term debt, amended the terms of the two Original Issue Discount ("OID") loans by extending the maturity dates of the loans to July 31, 2022 without changing their face values, modifying certain terms and conditions, including affirmative and negative covenants, and a right of repayment of the OID loans commencing on September 13, 2018. In consideration of the above modifications, ProMetic has issued 7 million warrants to purchase common shares of the Corporation. The exercise price for a warrant shall be the greater of (i) $3,00 per Common Share and (ii) the volume weighted average trading price of the Common Shares on the TSX for the five trading day-period following the date of release of the annual financial statements of the Corporation for the period ended December 31, 2014. The warrants expire on July 31, 2022. The Corporation also granted a pre-emptive right to the debt holder to participate into in any future public offering or private placement of ProMetic's common shares or securities convertible or exchangeable into common shares.

FINANCIAL PERFORMANCE

Amounts in tables are expressed in thousands of Canadian dollars, except per share amounts.

Business Combination

On May 8, 2014 ("date of acquisition"), the Corporation and NantPharma, LLC ("NantPharma") amended the terms of their partnership in NantPro BioSciences, LLC. Prior to the transaction, the Corporation's equity position in NantPro was 24.38% while NantPharma's equity position in NantPro was 75.62%. In accordance with the terms of the transaction, $6,607 (US$6,085,998) of accounts receivable due from NantPro to ProMetic, which normally would have been paid by NantPro with the NantPharma funding, was invested by ProMetic in order to obtain an additional 40.83% of equity units in NantPro. As a result of this investment, ProMetic owned 65.21% and NantPharma owned 34.79% of the equity units respectively on May 8, 2014.

From the date of acquisition onwards, NantPro is entirely funded by ProMetic and as a result, ProMetic continued to acquire equity units in NantPro until it reached the maximum of 73% allowed in accordance with the agreement while NantPharma's ownership has been reduced to 27%.

This issuance of units combined with the amendments to the terms of the partnership, including providing ProMetic with three out of five board seats, resulted in ProMetic obtaining control over NantPro, and NantPro being considered a subsidiary from the date of acquisition. ProMetic's former investment in an associate is deemed to have been disposed of for accounting purposes. From May 8, 2014 onwards, the Corporation is consolidating the assets and liabilities of NantPro and its results of operations for the period subsequent to the change in control.

This transaction qualifies as a business combination and was accounted for using the acquisition method of accounting. To account for the transaction, the Corporation performed a business valuation of NantPro at the date of acquisition and a purchase price allocation. The business valuation essentially values NantPro's right to develop and sell IVIG in the US market. The Corporation engaged an independent business valuator to assist with this work. The valuator was paid a fee which is not contingent on the valuation provided.

These fair value assessments require management to make significant estimates and assumptions as well as applying judgment in selecting the appropriate valuation techniques. Fair value estimates involve significant estimates and assumptions regarding amongst others the risk regarding the protein not being approved for sale, cash flow projections, production capacity, manufacturing costs, clinical trial costs, the IVIG output per litre of plasma, expected market penetration, economic risk and weighted cost of capital rates.

This transaction was initially accounted for during the second quarter of 2014 based on a preliminary business valuation of $99.5 million. As a result of this initial valuation, the Corporation recorded a gain on revaluation of $24.3 million and a gain on a bargain purchase price of $8.1 million. During the fourth quarter, the business valuation of NantPro as well

as the purchase price allocation were finalized. The value of NantPro as of the date of the transaction is evaluated to be $141 million. The accounting impact of the transaction was adjusted during the fourth quarter to reflect the final valuation outcome.

The aggregate impact of the business combination on the consolidated statement of financial position and consolidated statement of operations for the year ended December 31, 2014 was as follows:

- A gain on revaluation of the 24.38% equity investment in the amount of $34.4 million, representing the difference between the fair value and the carrying amount ($Nil) of ProMetic's equity interest in NantPro just before the acquisition was recognized;
- From May 8, 2014 onwards, the Corporation is consolidating the assets and liabilities of NantPro and its results of operations for the period subsequent to the change in control. This means that the operating expenses of NantPro are included in the results and that the intangible assets recognized in the business combination are presented in the consolidated statement of financial position;
- NantPharma's share in the net assets and results of NantPro are included in the non-controlling interests captions on the consolidated statement of operations and the consolidated statement of financial position;
- Service revenues and research and development rechargeable expenses that other subsidiaries of ProMetic invoice to NantPro subsequent to May 8, 2014 are eliminated upon consolidation. As a result, revenues will no longer include any new services billed to NantPro and the cost relating to providing those services will remain in research and development expenses non-rechargeable;
- The Corporation recognised all of the identifiable net assets of NantPro at their acquisition date fair value which mainly consisted of intangible assets of $141 million and a deferred income tax liability of $36.2 million. Also recorded was the non-controlling interest in NantPro of $49.1 million and a gain on a bargain purchase price of $14.8 million.

Further details on this transaction are provided in note 6 of the annual consolidated financial statements for the year ended December 31, 2014.

The business valuation results confirm, in-line with the original announcement that the Corporation made a relatively small investment of $6.6 million to acquire an additional 40.83% of NantPro, a business valued approximately at $141million at the time of the transaction took place. By obtaining control of Nantpro, ProMetic reacquired the right to sell IVIG into the US market. At present the US market for IVIG accounts for around US$4 Billion in sales, approximately half of the global annual IVIG sales of $8 Billion (source: The Worldwide Plasma Proteins Market 2012 Revised report, Marketing Research Bureau Inc.).

Results of operations

The condensed consolidated statement of operations for the quarter and the year ended December 31, 2014 compared to the same period in 2013 are presented in the following table.

	Quarter ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
Revenues	$ 10,546	$ 5,078	$ 23,010	$ 20,644
Expenses				
Cost of goods sold	2,356	2,004	7,015	6,671
R&D expenses recharged	326	(341)	3,053	5,050
R&D expenses non-rechargeable	11,477	6,710	32,147	13,728
Administration, selling and marketing expenses	5,022	3,762	12,905	8,332
Gain on foreign exchange	(112)	(212)	(102)	(638)
Gain on recognition of loan receivable	-	(3,015)	-	(3,015)
Loss on extinguishment of debt	-	-	-	423
Finance costs	935	678	2,760	1,806
Fair value variation of warrant liability	2,933	2,863	15,365	5,485
Loss in an associate	-	-	-	69
Gain on revaluation of equity investment	(10,118)	-	(34,376)	-
Purchase gain on business combination	(6,747)	-	(14,812)	-
Gain on settlement of litigation	(465)	-	(465)	-
Net profit (loss) before income taxes	4,939	(7,371)	(480)	(17,267)
Income tax expense (recovery)	(3,556)	131	(3,056)	131
Net profit (loss)	$ 8,495	$ (7,502)	$ 2,576	$ (17,398)
Net profit (loss) attributable to:				
Owners of the parent	9,222	(7,010)	5,939	(16,489)
Non-controlling interests	(727)	(492)	(3,363)	(909)
	$ 8,495	$ (7,502)	$ 2,576	$ (17,398)
Earnings (loss) per share				
Attributable to the owners of the parent				
Basic	$ 0.02	$ (0.01)	$ 0.01	$ (0.03)
Diluted	$ 0.02	$ (0.01)	$ 0.01	$ (0.03)

Revenues

Total revenues for the year ended December 31, 2014 were $23.0 million compared to $20.6 million during the comparative period of 2013, representing an increase of $2.4 million. Total revenues for the quarter ended December 31, 2014 were $10.5 million compared to $5.1 million in 2013 representing an increase of $5.5 million.

Revenues for the years ended December 31, 2014 and 2013 were derived from product sales, development service revenues as well as milestone and licensing revenues. Revenues from each source may vary significantly from period to period. The following table provides the breakdown of total revenues by source for the quarter and the year ended December 31, 2014 compared to the corresponding periods in 2013.

	Quarter ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
Revenues from the sale of goods	$ 3,485	$ 2,761	$ 10,815	$ 9,531
Revenues from the rendering of services	205	1,277	4,788	8,538
Milestone and Licensing revenues	6,856	1,040	7,407	2,575
	$ 10,546	$ 5,078	$ 23,010	$ 20,644

Revenues from the sale of goods were $10.8 million for the year ended December 31, 2014 compared to $9.5 million during the corresponding period of 2013, representing an increase of $1.3 million. The increase is principally attributable

to exchange rate movements, with similar quantities of product being sold in local currency year-over-year. Revenues from the sale of goods were stronger during the fourth quarter of 2014 compared to the previous quarters. Sales were $3.5 million during the fourth quarter of 2014 compared to $2.8 million for the corresponding period in 2013, representing an increase of $0.7 million. The increase is mainly due to an increase in volume of product being sold compared to the previous period.

Service revenues were $4.8 million during the year ended December 31, 2014 compared to $8.5 million during the corresponding period of 2013, representing a decrease of $3.8 million. Service revenues were $0.2 million for the fourth quarter of 2014 compared to $1.3 million during the corresponding period of 2013, representing a decrease of $1.1 million. Service revenues during 2013 and the beginning of 2014 mainly were derived from the services rendered to NantPro when it was treated as an associate. The decrease in revenues for both of the 2014 periods over the same periods in 2013 are mainly due to the fact that services revenues earned by PBT on providing services to NantPro since May 8, 2014 are no longer being reflected in consolidated revenues. The Corporation is expecting revenues generated by rendering services to increase in the upcoming quarters compared to the two last quarters of 2014 as a result of the services that will be provided under the GENERIUM agreement.

Milestone and licensing revenues were $7.4 million during the year ended December 31, 2014 compared to $2.6 million during the corresponding period of 2013, representing an increase of $4.8 million. The milestone and licensing revenues increased significantly during the fourth quarter of 2014 as a result of signing the GENERIUM agreement in December which triggered revenues of $6.9 million (US$6,000,000). The remainder of the milestone and licensing revenues in both periods result from attaining milestones in regards to the Hematech licensing agreement.

The above revenues pertain to the Protein Technology segment. There were no significant revenues from the Therapeutics segment.

Cost of goods sold

Cost of goods sold were $7.0 million during the year ended December 31, 2014 compared to 6.7 million during the corresponding period in 2013, representing an increase of $0.3 million. The increase is due to the exchange rate movements which was partially offset by a reduction in the cost of goods sold in local currency. Cost of goods sold were $2.4 million during the fourth quarter of 2014 compared to $2.0 million for the corresponding period in 2013, representing an increase of $0.4 million due mainly to the increase in sales volume compared to the previous period.

Research and development expenses recharged

Research and development ("R&D") expenses recharged were $3.1 million for the year ended December 31, 2014 compared to $5.1 million for the corresponding period in 2013, representing a decrease of $2.0 million. Similarly to the service revenues, the expenses under R&D recharged no longer includes the expenses incurred in performing services to NantPro since it is now being consolidated and the costs are fully borne by the Corporation. This is the main reason for the decrease compared to the 2013 periods. Consequently, the expenses incurred in developing the IVIG protein for NantPro are now grouped in the R&D non-rechargeable line in the consolidated financial statements.

Research and development expenses – non-rechargeable

Non-rechargeable research and development expenses were $32.1 million for the year ended December 31, 2014 compared to $13.7 million for the corresponding period in 2013, representing an increase of $18.4 million. Non-rechargeable research and development expenses were $11.5 million during the fourth quarter of 2014 compared to $6.7 million for the corresponding period in 2013, representing an increase of $4.8 million. The increase is due in part to the inclusion of all the IVIG development and related IND preparation expenses under this caption since the NantPro acquisition and the increase in the IVIG development expense year over year in view of the preparation of the IND which was filed in December 2014. The increase is also due to the overall increase in the other development activities the Corporation is pursuing compared to 2013. This includes the operating costs relating to the Laval plasma purification facility in 2014 while at this point in 2013, ProMetic was in amidst the construction of the facility. Protein Technology R&D costs have also increased resulting from the higher level of research activities in PBT as a result of the Corporation's work towards the filing, in September 2014, of the IND filing for plasminogen.

R&D expenses in the Therapeutics segment also increased in 2014 compared to 2013, namely in regards to the PBI-4050 clinical program currently underway, as the Corporation worked on preparing several CTA and INDs, some of which were filed during 2014 and others planned for 2015.

On a year-to-date basis, the total research and development expenses were $35.2 million compared to $18.8 million for the corresponding period in 2013, representing an increase of $16.4 million. The overall increase is mainly due to an increase in the headcount, the consulting fees, external analysis and the cost of plasma purification activities.

Administration, selling and marketing expenses

Administration, selling and marketing expenses were $12.9 million during the year ended December 31, 2014 compared to $8.3 million for the corresponding period in 2013, representing an increase of $4.6 million. Administrative, selling and marketing expenses were $5.0 million during the fourth quarter of 2014 compared to $3.8 million for the corresponding period in 2013, representing an increase of $1.3 million. The increase is mainly attributable to the increase in compensation expense resulting from an increase in headcount over the one year period, as well as an increase in share-based payment expenses and professional fees.

Share-based payments

Share-based payments expense represents the expense recorded as a result of stock options and restricted stock units ("RSU") issued to employees and board members. This expense has been recorded under cost of goods sold, research and development and administration, selling and marketing expenses as indicated in the following table:

	Quarter ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
Cost of goods sold	$ 67	$ 64	$ 123	$ 77
R&D expenses recharged	59	107	121	162
R&D expenses non-rechargeable	547	563	1,216	634
Administration, selling and marketing expense	1,864	2,212	3,676	2,538
	$ 2,537	$ 2,946	$ 5,136	$ 3,411

Share-based payments were $5.1 million during the year ended December 31, 2014 compared to $3.4 million during the corresponding period of 2013, representing an increase of $1.7 million. Share-based payments were $2.5 million during the fourth quarter of 2014 compared to $2.9 million for the corresponding quarter in 2013, representing a decrease of $0.4 million. The annual increase is due mainly to an increase of $1.0 million in the RSU expense in 2014 compared that of December 31, 2013 resulting mainly from the increase in the grant date fair value of the RSUs granted in 2014 compared to those granted in 2013. The option expense makes up the remainder of the increase. This increase was due to the increase in the average grant date fair value of the options over the last two years and was partially offset by the reduction in awards granted in 2014 compared to 2013.

The RSU expense increased during the fourth quarter compared to the third quarter of 2014 as management's assessment of the probability of the objectives, underlying the RSU grant, being met improved. In comparison to the fourth quarter of 2013, the RSU expense decreased principally due to the fact that the 2014-2016 RSU grants were made in April 2014 and the 2014 expense has been recognized over nine months whereas the 2013-2015 grants were made in December 2013 and were vested in the same month which resulted in the entire year's RSU expense being recognized in the fourth quarter of 2013.

Fair value variation of warrant liability

In September 2013, the Corporation completed a financing transaction with Thomvest Seed Capital Inc. in which the Corporation issued long-term debt, warrants classified in equity and warrants that met the definition of a derivative liability under IFRS. The details of this transaction and the accounting for it are provided in note 15 of the December 31, 2014 annual consolidated financial statements. The warrants that are classified in the statement of financial position as a warrant liability, namely the "Second Warrants", are measured at their fair value at each reporting date. There is no future cash-disbursement associated with the recorded liability on the statement of financial position, however, if the warrants were to be exercised, the holder would have to pay the exercise price to the Corporation, which

would amount to $15.7 million. The fair value of the warrant liability increased by $15.4 million during the year ended December 31, 2014 mainly due to an increase in the market price of the Corporation's shares from December 31, 2013 whereas the fair value of the warrant liability increased by $2.9 million during the fourth quarter of 2014 compared to the value at September 30, 2014 for the same reason. This resulted in a loss of $15.4 million and a loss of $2.9 million in the statement of operations for the respective periods.

Gain on revaluation of equity investment

As a result of the NantPro business combination described previously, the Corporation recognized a gain on revaluation of the equity investment of $34.4 million during the year ended December 31, 2014 representing the difference between the fair value and the carrying amount ($Nil) of ProMetic's equity interest in NantPro just before the acquisition. The gain was recognized initially at $24.3 during the second quarter of 2014 based on a preliminary business valuation and was increased by $10.1 million in the fourth quarter in order to reflect the outcome of the final business valuation.

Purchase gain on business combination

The Corporation's share in the net assets recognized in the consolidated statement of financial position as a result of the acquisition exceeded the total consideration paid by the Corporation for its share in NantPro, giving rise to a purchase gain of $14.8 million during the year ended December 31, 2014. The consideration paid for the Corporation's share in NantPro at the acquisition date of $41.0 million consists of the fair value of the Corporation's 24.38% interest in NantPro before the acquisition and the settlement of receivables for additional equity units. The Corporation's share in the net assets represents the intangibles recognized net of the non-controlling interest's share in the intangible assets and the deferred tax liability.

The purchase gain was recognized initially at $8.1 million during the second quarter of 2014 based on a preliminary business valuation and was adjusted by $6.7 million in the fourth quarter to reflect the outcome of the final business valuation.

Income taxes

The Corporation recorded an income tax recovery of $3.1 million during the year ended December 31, 2014 compared to an income tax expense of $0.1 million for the corresponding period of 2013. The current year's recovery is due to the recognition of deferred tax assets pertaining to the unused tax losses attributable to ProMetic as a partner in NantPro. This recovery was partially offset by the current tax expense.

Net profit (loss)

Net profit was $2.6 million during the year ended December 31, 2014 compared to a net loss of $17.4 million for the corresponding period of 2013. The reasons for the variation are numerous as explained above but the most significant reasons are the increase in profit due to the gains recognized as a result of the Nantpro business combination which were partially offset by the loss recognized on the fair value variation of the warrant liability and the increase in research and development expenses.

Segmented information analysis

For the years ended December 31, 2014 and 2013

The net profit (loss) before income taxes and the adjusted EBITDA for each segment and for the total Corporation for the years ended December 31, 2014 and 2013 are presented in the following tables.

Year ended December 31, 2014	Protein Technologies	Therapeutics	Corporate	Total
Revenues	$ 22,997	$ 13	$ -	$ 23,010
Costs of goods sold	(6,754)	-	-	(6,754)
R&D expenses recharged	(2,772)	-	-	(2,772)
R&D expenses non-rechargeable	(23,771)	(5,828)	-	(29,599)
Administration and marketing expenses	(5,048)	(1,880)	(2,237)	(9,165)
Gain on settlement of litigation	465	-	-	465
Adjusted EBITDA	$ (14,883)	$ (7,695)	$ (2,237)	$ (24,815)
Depreciation and amortization	(1,385)	(243)	(66)	(1,694)
Share-based payments	(1,853)	(254)	(3,029)	(5,136)
Gain (loss) on foreign exchange	(2,518)	3	2,617	102
Finance costs	(175)	(15)	(2,570)	(2,760)
Fair value variation of warrant liability	-	-	(15,365)	(15,365)
Gain on revaluation of equity investment	34,376	-	-	34,376
Purchase gain on business combination	14,812	-	-	14,812
Net profit (loss) before income taxes	$ 28,374	$ (8,204)	$ (20,650)	$ (480)

Year ended December 31, 2013	Protein Technologies	Therapeutics	Corporate	Total
Revenues	$ 20,630	$ 14	$ -	$ 20,644
Costs of goods sold	(6,441)	-	-	(6,441)
R&D expenses recharged	(4,888)	-	-	(4,888)
R&D expenses non-rechargeable	(8,279)	(4,122)	-	(12,401)
Administration and marketing expenses	(3,072)	(2,289)	(410)	(5,771)
Adjusted EBITDA	$ (2,050)	$ (6,397)	$ (410)	$ (8,857)
Depreciation and amortization	(642)	(205)	(22)	(869)
Share-based payments	(1,069)	(421)	(1,921)	(3,411)
Gain (loss) on foreign exchange	-	-	638	638
Gain on recognition of loan receivable	-	-	3,015	3,015
Loss on extinguishment of debt	-	-	(423)	(423)
Finance costs	(233)	-	(1,573)	(1,806)
Fair value variation of warrant liability	-	-	(5,485)	(5,485)
Loss in an associate	-	-	(69)	(69)
Net loss before income taxes	$ (3,994)	$ (7,023)	$ (6,250)	$ (17,267)

Adjusted EBITDA is a non-GAAP measure that is not defined or standardized under IFRS and it is unlikely to be comparable to similar measures presented by other companies. The Corporation believes that Adjusted EBITDA provides an additional insight in regards to the cash used in operating activities on an on-going basis. It also reflects how management analyzes the Corporation's performance and compares that performance against other companies. In addition, we believe that Adjusted EBITDA is a useful measure as some investors and analysts use EBITDA and similar measures to compare us against other companies.

Adjusted EBITDA for the Protein technologies segment decreased by $12.8 million for the year ended December 31, 2014 compared to the corresponding period in 2013. The decrease is mainly due to the significant increase in non-rechargeable research and development expenditures over the year resulting from the heightened level of activities in 2014 as the Corporation prepared and filed the plasminogen and IVIG INDs, started preparation of the plasminogen clinical trials and due to a full year of operations for the plasma purification facility in Laval which only commenced operations in December 2013. This increase in expenditures was partially offset by an overall increase in revenues of $2.4 million resulting from an increase in product sales and licensing and milestone revenues which more than offset the decline in services revenues compared to 2013 due to the fact that revenues from NantPro are no longer included in the consolidated revenues. Administration, selling and marketing expenses increased in order to support

the R&D activities but also as the segment increases its marketing efforts in view of the eventual commercialisation of plasminogen and IVIG and continues its business development activities.

Net profit for the Protein technologies segment was $28.4 million for the year ended December 31, 2014 compared to a loss of $4.0 million in the corresponding period of 2013. The increase of $32.4 million reflects the gains recognized as a result of the Nantpro business combination which include the gain on revaluation of equity investment and the purchase gain on business combination. Depreciation and amortization expenses increased compared to 2013 as the Corporation continues to invest in its capital and intangible assets and as depreciation on the plasma purification facility was taken for a full year in 2014 compared to an insignificant amount recorded in 2013. Share-based payment expenses also increased in 2014 compared to the previous year, negatively impacting the net profit.

Adjusted EBITDA for the Therapeutics segment decreased by $1.3 million during the year ended December 31, 2014 compared to the corresponding period of 2013 mainly due to the higher level of research activities, namely in regards to the PBI-4050 clinical program currently underway, as the Corporation prepared and filed the PBI-4050 CTA for Chronic Kidney Disease in the later part of the year, started preparations for the clinical trials after receiving clearance from Health Canada and continued development in view of identifying other potential indications. The net loss for the Therapeutics segment increased by $1.2 million compared to the corresponding period of 2013 for the same reasons as the decrease in Adjusted EBITDA.

The Adjusted EBITDA for the corporate activities decreased by $1.8 million during the year ended December 31, 2014 compared to the corresponding period in 2013 mainly due to an increase in compensation expense as the headcount supporting Corporate activities increased over the one year period as well as professional fees. The net loss for the Corporate activities increased by $14.4 million compared to the corresponding period in 2013 in part for the above reasons but in addition due to the significant loss recorded on the fair value variation of the warrant liability which was $9.9 million higher than the previous year, the higher share-based payment expense and the increase in finance costs reflecting the issuance of long-term debt in 2013 and 2014. Affecting the comparison is also the fact that in 2013, the Corporation had recognized a $3.0 million gain on recognition of loan receivable which was not repeated in 2014.

Total Adjusted EBITDA for the Corporation decreased by $16.0 million for the year ended December 31, 2014 compared to the corresponding period in 2013.

For the quarters ended December 31, 2014 and December 31, 2013

The net loss before income taxes and the adjusted EBITDA for each segment and for the total Corporation for the quarters ended December 31, 2014 and 2013 are presented in the following tables.

Quarter ended December 31, 2014	Protein Technologies	Therapeutics	Corporate	Total
Revenues	$ 10,544	$ 2	$ -	$ 10,546
Costs of goods sold	(2,302)	-	-	(2,302)
R&D expenses recharged	(226)	-	-	(226)
R&D expenses non-rechargeable	(8,108)	(2,368)	-	(10,476)
Administration and marketing expenses	(1,532)	(626)	(976)	(3,134)
Gain on settlement of litigation	465	-	-	465
Adjusted EBITDA	$ (1,159)	$ (2,992)	$ (976)	$ (5,127)
Depreciation and amortization	(414)	(68)	(24)	(506)
Share-based payments	(919)	(108)	(1,510)	(2,537)
Gain (loss) on foreign exchange	(2,170)	(1)	2,283	112
Finance costs	(44)	3	(894)	(935)
Fair value variation of warrant liability	-	-	(2,933)	(2,933)
Gain on revaluation of equity investment	10,118	-	-	10,118
Purchase gain on business combination	6,747	-	-	6,747
Net profit (loss) before income taxes	$ 12,159	$ (3,166)	$ (4,054)	$ 4,939

Quarter ended December 31, 2013	Protein Technologies	Therapeutics	Corporate	Total
Revenues	$ 5,074	$ 4	$ -	$ 5,078
Costs of goods sold	(1,900)	-	-	(1,900)
R&D expenses recharged	447	-	-	447
R&D expenses non-rechargeable	(3,997)	(1,941)	-	(5,938)
Administration and marketing expenses	(912)	(1,060)	434	(1,538)
Adjusted EBITDA	$ (1,288)	$ (2,997)	$ 434	$ (3,851)
Depreciation and amortization	(196)	(54)	(10)	(260)
Share-based payments	(936)	(400)	(1,610)	(2,946)
Gain (loss) on foreign exchange	-	-	212	212
Gain on recognition of loan receivable	-	-	3,015	3,015
Finance costs	(40)	-	(639)	(678)
Fair value variation of warrant liability	-	-	(2,863)	(2,863)
Net loss before income taxes	$ (2,460)	$ (3,451)	$ (1,460)	$ (7,371)

Adjusted EBITDA for the Protein technologies remained essentially at the same level for the quarter ended December 31, 2014 compared to the corresponding period in 2013. This was due to the increase in research and development expenses which was offset by an increase in revenues, notably the milestone and licensing revenues generated from the GENERIUM agreement. During the quarter ended December 31, 2014, the segment recorded a net profit of $12.2 million compared to a net loss of $2.5 million in the corresponding period of 2013. The profit reflects the adjustments made in the fourth quarter of 2014 to the gains recognized as a result of the Nantpro business combination which include the gain on revaluation of equity investment and the purchase gain on business combination. The gains were partially offset by foreign exchange losses.

Adjusted EBITDA and the net loss for the Therapeutics segment for the quarter ended December 31, 2014 remained at essentially the same levels as the corresponding period in 2013 as the increase in research and development expenditures were offset by a similar decrease in administration expenses.

Adjusted EBITDA for the corporate activities decreased by $1.4 million during the quarter ended December 31, 2014 compared to the corresponding period in 2013 due to the increase in headcount and due to the fact that the corporate allocation to the segments was adjusted during the fourth quarter of 2013, resulting in a higher transfer of costs to the segments and a credit in Corporate. The net loss for the Corporate activities increased by $2.6 million during the quarter ended December 31, 2014 compared to the corresponding period in 2013 due to the increase in administration expenses which offset by a foreign exchange gain. Also affecting the comparison is the fact that during the fourth quarter of 2013, the Corporation had recognized a $3.0 million gain on recognition of loan receivable which was not repeated in the corresponding period of 2014.

Total adjusted EBITDA for the Corporation decreased by $1.3 million for the quarter ended December 31, 2014 compared to the corresponding period in 2013.

Financial condition

The condensed consolidated statements of financial position at December 31, 2014 and December 31, 2013 are presented in the following table.

		2014		2013
Total current assets	$	43,320	$	35,410
Other long-term assets		176		168
Capital assets		13,784		9,631
Intangible assets		146,163		4,663
Total assets	$	203,443	$	49,872
Total cash disbursing current liabilities	$	12,293	$	14,498
Non-cash disbursing current liabilities				
Deferred revenues		1,041		984
Warrant liability		24,676		9,311
Deferred income tax liability		37,198		-
Long-term liabilities		23,804		6,441
Total liabilities	$	99,012	$	31,234
Share capital		294,870		263,320
Contributed Surplus		10,923		6,319
Warrants and future investment rights		19,803		15,429
Accumulated other comprehensive income		226		122
Deficit		(255,856)		(264,858)
Equity attributable to owners of the parent		69,966		20,332
Non-controlling interests		34,465		(1,694)
Total equity		104,431		18,638
Total liabilities and equity	$	203,443	$	49,872

Current assets

Current assets increased by $7.9 million at December 31, 2014 compared to December 31, 2013. The increase is mainly due to an increase in cash of $9.7 million which was partially offset by a decrease in accounts receivable of $2.3 million. The change in cash is explained below in the cash flow section while the decrease in receivables is mainly due to the receipt of the InvHealth loan included in the December 31, 2013 balance, and due to the absence of receivables from NantPro in the December 31, 2014 amounts as a result of the consolidation of NantPro. These reductions were partially offset by the increase in receivable resulting from higher fourth quarter revenues in 2014 compared to 2013, particularly due to the license revenues generated from the GENERIUM agreement.

Capital assets

Capital assets increased by $4.2 million during the year ended December 31, 2014 compared to December 31, 2013 mainly due to the continuation of the investment in PBP's plasma purification plant, investments made in PBL's production facility and to expand PBT's research and development laboratory. These increases were partially offset by the depreciation expense during the year ended December 31, 2014.

Intangible assets

Intangible assets increased by $141.5 million during the year ended December 31, 2014 compared to December 31, 2013 mainly due to the recognition of the NantPro intangible assets acquired in the business combination valued at $141 million. The amortization of these intangibles has not commenced since they are not considered to be available for use until FDA approval is received to sell the IVIG protein in the US market.

Total cash disbursing current liabilities

The total cash disbursing current liabilities decreased by $2.2 million during the year ended December 31, 2014 compared to December 31, 2013 mainly due to the reimbursement of the shareholder debt during the third quarter which was partially offset by an increase in accounts payable.

Warrant liability
The warrant liability increased by $15.4 million during the year ended December 31, 2014 compared to December 31, 2013 mainly due to the increase in the market price of the Corporation's shares over the period. The variation in the fair value of the warrant liability during the year ended December 31, 2014 was recorded as a loss in the statement of operations.

During the third quarter, the Corporation and the Second warrant holder agreed to modify the terms of the Second Warrants. The objective of the modifications is to replace the formula that was being used to determine the number of shares that would be issued upon exercise of the warrants with a fixed number of warrants, since this formula, although it was allowing a potentially small variation in quantity, was causing the Second warrants to be treated as a derivative liability in the financial statements. As a result of this accounting treatment and the significant increase in the Corporation's share price since their issuance, a significant liability and significant losses have been recognized in the consolidated financial statements. Pursuant to the modification, the number of shares to be issued upon exercise would be fixed to 20,276,595 for an exercise price of $15,653. The ultimate expiry date of the Second warrants would remain unchanged at September 10, 2021 and the potential trigger to shorten the expiry date, the Market Capitalization Event, would be removed.

In accordance to the TSX rules, the modification must be approved by the Shareholders' of the Corporation before they become effective. In accordance with the terms of the agreement, these amendments must be approved no later than July 1, 2015 otherwise they will become null. Consequently, the Second warrants will continue to be accounted for as a derivative liability with the variations of fair value recorded in the statement of operations until the amendments are approved. If and when these amendments become effective, the Second Warrants would cease to be a derivative liability and would become an equity instrument. The warrants would be recorded in equity at the fair value of the modified Second Warrants at the effective date.

Deferred income tax liability
The Corporation recognized a deferred tax liability of $37.2 million at December 31, 2014 mainly as a result of the recognition of the intangibles acquired in the business combination. The deferred tax liability recognized on these intangible assets are based on ProMetic's share of the difference between the accounting and tax basis of the intangible assets at the tax rate that will be applicable when the temporary differences are expected to reverse. This was partially offset by the deferred tax asset recorded in regards to the income tax recovery of $3.1 million also recorded during the year ended December 31, 2014. Those deferred tax assets pertain to the unused tax losses attributable to ProMetic as a partner in NantPro.

Long-term liabilities
Long-term liabilities increased by $17.4 million during the year ended December 31, 2014 compared to December 31, 2013 mainly due to the issuance of an Original Issue Discount loan on July 31, 2014 (discussed below) and interest accretion on the outstanding OID loans during the year.

On July 31, 2014, the Corporation issued an OID loan and warrants for total proceeds of $20.0 million. The total proceeds were allocated to the debt portion based on its fair value at the issue date and the residual amount was attributed to the warrants that are classified as equity. Under the terms of the loan, the Corporation will repay the face value of the OID loan, in the amount of $31.3 million at maturity, on July 31, 2019. The OID loan was recorded at its fair value at the transaction date less the associated transaction costs for a net amount of $14.7 million. The warrants issued in this financing transaction (the "Third Warrants"), give the holder the right to acquire one common share at an exercise price of $1.87 paid either in cash or in consideration of the lender's cancellation of an equivalent amount of the face value of the OID loan maturing on July 31, 2019. On March 31, 2015, the OID loans were modified. Further details are provided in the Liquidity and Contractual Obligation section of this MD&A.

Share capital
Share capital increased by $31.6 million during the year ended December 31, 2014 compared to December 31, 2013 mainly due to the issuance of 15,180,000 common shares following an offering by way of a prospectus for gross proceeds of $28.8 million. Share capital also increased as certain warrants and options were exercised and shares were issued pursuant to the restricted share unit plan.

Contributed surplus

Contributed surplus increased by $4.6 million during the year ended December 31, 2014 compared to December 31, 2013 due to the recognition of share-based payment expense of $5.1 million which was partially offset by the reclassification of the value recorded in contributed surplus in regards to the equity instruments exercised or released from contributed surplus to share capital.

Warrants and future investment rights

Warrants and future investment rights increased by $4.4 million during the year ended December 31, 2014 compared to December 31, 2013 mainly due to the issuance of the Third Warrants as part of the July 31, 2014 financing transaction, recorded at an amount of $5.2 million. This increase was partially offset due to the reclassification of the value recorded in regards to warrants exercised into share capital of $0.8 million.

Non-controlling interest ("NCI")

The non-controlling interests increased significantly during the year ended December 31, 2014 as a result of the recognition of the NCI in NantPro (please refer to note 6 of the annual consolidated financial statements for the year ended December 31, 2014 for details of the transaction and how the initial non-controlling interest in NantPro was determined). The NCI also increased due to the attribution of its share of ProMetic's funding of NantPro. These increases were partially offset by the non-controlling interests share in the net losses of the subsidiaries in which they have ownership during the period and the effect of the decrease in NantPro's non-controlling interest ownership after the acquisition date.

The variation in the NCI between December 31, 2014 and December 31, 2013 is explained below:

NCI balance at December 31, 2013	$	(1,694)
NCI share in losses		(3,363)
NCI arising from the NantPro business combination		49,055
Effect of the change in the NantPro NCI as a result of the decrease in the NCI's interest in the partnership since the change in control and the NCI's interest in ProMetic's funding		(9,533)
NCI balance at December 31, 2014	$	34,465

Cash flow analysis

The condensed consolidated statements of cash flows from the year ended December 31, 2014 and the comparative period in 2013 are presented below.

	Quarter ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
Cash used in operating activities	$ (8,522)	$ (7,437)	$ (25,954)	$ (17,005)
Cash from financing activities	27,171	21,201	44,348	41,055
Cash flows used in investing activities	(2,049)	(4,200)	(8,749)	(7,618)
Net (decrease) increase in cash	16,600	9,564	9,645	16,432
Net effect of currency exchange rate on cash	119	(193)	61	(241)
Cash, beginning of the period	10,383	8025	17,396	1,205
Cash, end of the period	$ 27,102	$ 17,396	$ 27,102	$ 17,396

Cash flows used in operating activities increased by $8.9 million during the year ended December 31, 2014 compared to the same period in 2013 due to the reduction in the Adjusted EBITDA for the Corporation in 2014. In 2013 however, the cash flows used in operating activities were quite higher than the 2013 Adjusted EBITDA due to an unfavorable change in the non-cash working capital items and this partially offset the impact of the decreased Adjusted EBITDA. Cash flows used in operating activities during the quarter ended December 31, 2014 also increased in comparison to the corresponding period of 2013. These increases reflect the higher level of activity across all functions and segments of ProMetic.

Cash flows from financing activities increased by $3.3 million during the year ended December 31, 2014 compared to the same period in 2013 mainly due to the higher level of long-term debt issued during 2014 which was partially offset by lower proceeds from share issuances. Cash flows from financing activities increased by $6.0 million during the quarter ended December 31, 2014 compared to the corresponding period of 2013 mainly due to the higher proceeds from shares issuances.

Cash flows used in investing activities increased by $1.1 million during the year ended December 31, 2014 compared to the same period in 2013. Despite the lower capital assets expenditure in 2014, the cash outflows are higher in 2014 due to the carry forward of payments made at the beginning of the year to suppliers and contractors for work performed and delivery of equipment in regards to the Laval plasma purification plant during the last quarter of 2013. In addition, the investment in intangible assets such as patents has increased slightly in 2014 compared to 2013. Cash flow used in investing activities decreased during the quarter ended December 31, 2014 compared to the corresponding period of 2013 because of the high investment in the plasma purification plant which occurred at that time.

LIQUIDITY AND CONTRACTUAL OBLIGATIONS

At December 31, 2014, the Corporation's position in regards to total cash generating current assets, including cash, net of total cash disbursing current liabilities is a surplus of $30.1 million. The Corporation expects that considering its planned activities for 2015 and its financial position at December 31, 2014, it will be able to meet its contractual obligations over the next year.

Financial obligations

The timing and expected contractual outflows required to settle the financial obligations of the Corporation recognized in the consolidated statement of financial position at December 31, 2014 in addition to the operating leases are presented in the table below:

		Contractual Cash flows				
At December 31, 2014	Carrying amount	Payable within 1 year	2 -3 years	4 -5 years	More than 5 years	Total
Trade and other payables	$ 9,102	$ 9,102	$ -	$ -	$ -	$ 9,102
Advance on revenues from a supply agreement	3,191	3,246	-	-	-	3,246
Long-term debt *	23,244	-	-	46,959	-	46,959
Operating leases	-	2,917	5,928	5,216	11,757	25,818
	$ 35,537	$ 15,265	$ 5,928	$ 52,175	$ 11,757	$ 85,125

* Under the terms of the long-term debt, the holder of Second and Third Warrants may decide to cancel a portion of the face values of the OID loans as payment on the exercise of these warrants. The maximum repayment due on these loans has been included in the above table.

Subsequent events

On March 27, 2015, the Corporation and Octapharma who is party to the advance on revenues from a supply agreement (see note 14 to the consolidated financial statements for the year ended December 31, 2014) amended the loan agreement further extending the maturity date of the unpaid balance of the advance, if any, to April 30, 2018.

On March 31, 2015, the Corporation and Structured Alpha LP, assignee of Thomvest Seed Capital Inc. and the holder of the long-term debt, amended the terms of the two Original Issue Discount ("OID") loans (refer to note 16 to the consolidated financial statements for the year ended December 31, 2014) by extending the maturity dates of the loans to July 31, 2022 without changing their face values, modifying certain terms and conditions, including affirmative and negative covenants, and including a right of repayment of the OID loans commencing on September 13, 2018. In consideration of the above modifications, ProMetic has issued seven million warrants to purchase common shares of the Corporation. The exercise price for a warrant shall be the greater of (i) $3,00 per Common Share and (ii) the volume weighted average trading price of the Common Shares on the TSX for the five trading day-period following the date of release of the annual financial statements of the Corporation for the period ended December 31, 2014. The warrants expire on July 31, 2022. The Corporation also granted a pre-emptive right to the debt holder to participate into in any

future public offering or private placement of ProMetic's common shares or securities convertible or exchangeable into common shares. The Corporation is currently assessing the accounting treatment for these modifications.

The modifications to the advance on revenues from a supply agreement and the OID loans have not been reflected in the above contractual obligation table.

Off balance sheet commitments (excluding leases)

In April 2006, the Corporation paid the American Red Cross an amount of US$1,000,000 for an exclusive license for access to and use of intellectual property rights for the Plasma Protein Purification System ("PPPS"). ProMetic will collect revenues derived from any licensing activities, such as royalties on net sales, lump sum amounts and/or milestone payments. ProMetic will pay a royalty to the American Red Cross of 12% of all revenues derived from sales of products to third parties. Also, every year, an annual minimum royalty of US$30,000 is payable.

An officer of the Corporation is entitled to receive royalties based on the sales of certain products made available to ProMetic before joining the Corporation. These royalties are 0.5% of net sales or 3% of revenues received by the Corporation. This employee also has the exclusive right to commercialize these products should ProMetic decide to stop developing and/or commercializing them, subject to mutually acceptable terms and conditions. To date, no royalties have been accrued or paid.

In the normal course of business, the Corporation enters into license agreements for the market launching or commercialization of products. Under these licenses, including those mentioned above, the Corporation has committed to pay royalties ranging generally between 0.5% and 15.5% of net sales from products it commercializes.

SELECTED ANNUAL INFORMATION

The following table presents selected audited annual information for the years ended December 31, 2014, 2013 and 2012.

		2014		2013		2012
Revenues	$	23,010	$	20,644	$	23,321
Net profit (loss) attributable to owners of the parent		5,939		(16,489)		234
Net profit (loss) per share attributable to owners of the parent (basic and diluted)		0.01		(0.03)		-
Total assets		203,443		49,872		22,991
Total non-current financial liabilities	$	23,244	$	6,217	$	3,875

The mix and the amounts generated from the three main sources of revenues of the Corporation, namely revenues from the sale of goods, revenues from rendering services and milestone and license revenues has changed significantly over the last three years. Revenues from the sales of goods declined by $2.0 million in 2013 compared to 2012 whereas they have increased by $1.3 million during the last year. Service revenues increased from $5.3 million in 2012 to $8.5 million in 2013 to then decrease to $4.8 million in 2014. The changes over the three years reflect the level of revenues earned from NantPro that get reflected in the consolidated financial statements. Finally, milestone and licensing revenues declined over 2012 to 2013 while the Corporation did not sign any licensing agreements in 2013 whereas it increased again in 2014, primarily due to the licensing agreement with GENERIUM.

The net loss attributable to the owners of the parent increased significantly in 2013 from 2012 due to several factors including the increase in share-based payment expense as a result of RSU grants and vesting thereof, the loss recognized on the fair value variation of the warrant liability and the important increase in non-rechargeable research and development as the Corporation increased its investment in both the Protein technology segment and the Therapeutic segment. During 2014, the Corporation reported a net profit attributable to the owners of the parent of $5.9 million. The increase in profit was due principally to the gains recognized as a result of the Nantpro business combination which include the gain on revaluation of equity investment and the purchase gain on business combination amounting in aggregate to $49.2 million. These gains were partially offset by the loss recorded on the fair value variation of the warrant liability in the amount of $15.4 million. Total R&D expenses increased by $16.4 million in 2014 compared to 2013.

The net loss per share on a basic and diluted basis varied consistently with the net profit or loss.

The total assets increased from year to year as the Corporation's financial situation has improved reflecting its increased ability to obtain financing. During the 3 years, the amount of cash held at December 31 of each year has increased. The Corporation has also continued investing in capital assets, especially in 2013 with the start-up of the plasma purification plant. In 2014, as a result of the NantPro business combination, the Corporation recorded the intangible assets acquired in the transaction valued at $141 million which explains the significant increase in total assets over 2013.

Non-current financial liabilities remained at similar levels in 2012 and 2013 whereas they increased by $17.0 million in 2014 mainly due to the issuance of additional long-term debt during the year.

SUMMARY OF QUARTERLY RESULTS

The following table presents selected quarterly financial information for the last eight quarters.

		Net profit (loss) attributable to the owners of the parent		
Quarter ended	Revenues	Total	Per share Basic	Per share Diluted
December 31, 2014	$ 10,546	$ 9,222	$ 0.02	$ 0.02
September 30, 2014	2,315	(19,279)	(0.04)	(0.04)
June 30, 2014	4,411	23,959	0.05	0.04
March 31, 2014	5,738	(7,963)	(0.02)	(0.02)
December 31, 2013	5,078	(7,010)	(0.01)	(0.01)
September 30, 2013	5,960	(5,257)	(0.01)	(0.01)
June 30, 2013	5,161	(2,450)	(0.01)	(0.01)
March 31, 2013	4,445	(1,771)	0.00	0.00

Revenues from period to period vary significantly as these are affected by the timing of orders for goods and the shipment of the orders, the achievement of milestones, the conclusion of licensing arrangements and depend on the timing and the level of service agreements. The timing of the recognition of these revenues and the timing of the recognized expense will cause significant variability in the results from quarter to quarter.

In addition to the variability in the results mentioned above, the following elements have had an important impact on the results in a given quarter. For the quarters ending in September and December 2013, the loss increased as a result of the loss on the fair value variation of the warrant liability and the increase in investment in non-rechargeable R&D expenses, notably the investment in the Laval plant and PBI-4050. In the quarter ending on December 31, 2013, the Corporation recorded a gain as the result of the recognition of a loan receivable which partially offset the increase in share-based payment expenses recorded in that period.

During the quarter ending March 31, 2014, the Corporation continued to recognize a loss on the fair value of the warrant liability of $3.8 million. Non-rechargeable R&D expenses decreased slightly compared to the previous quarter but remained high as the Corporation continued working towards the filing of three INDs in 2014.

In the second quarter of 2014, the results of operations were significantly impacted in several ways by the NantPro business combination. The key impacts were a $24.3 million gain on revaluation of the interest held in NantPro prior to the business combination, an $8.1 million purchase gain recorded on the business combination, the consolidation of NantPro which resulted in an increase to research and development expenses non-rechargeable from May 8, 2014 and onwards and the discontinuation of sales and profit being recorded on services provided to NantPro from that same date. During this quarter the Corporation recognized a gain on the fair value variation of the warrant liability of $1.8 million. The quarter ended in a net profit and as a result, the outstanding dilutive equity instruments were considered in the computation of diluted EPS whereas previously they were anti-dilutive.

Research and development expenses during the quarter ended September 30, 2014 were high in comparison to previous quarters due to an increase in activities as the Corporation advances the filings of IND for several products and since the revenues relating to NantPro are eliminated on consolidation since the acquisition completed in the previous quarter. Administration, selling and marketing expenses increased as the general level of activities increased and due to higher share-based payment expenses. Finally the loss was significantly impacted by the loss of $10.4 million recorded on the warrant liability reflecting the increase in the Corporation's share price during the quarter.

During the quarter ended December 31, 2014, the Corporation recorded an adjustment of the gain on revaluation of the interest held in NantPro prior to the business combination as well as an adjustment on the purchase gain of $10.1 million and $6.7 million respectively in the fourth quarter to reflect the outcome of the final business valuation. The Corporation's revenues were strong during the period, mainly due to the recognition of significant milestone and licensing revenues. Overall R&D and administration, selling and marketing expenditures increased reflecting the high level of activities with two INDs being filed during the quarter.

OUTSTANDING SHARE DATA

The Corporation is authorized to issue an unlimited number of common shares. At March 30, 2015, 554,185,470 common shares, 11,736,284 options to purchase common shares, 6,500,000 restricted share units and 82,791,890 warrants and rights to purchase common shares were issued and outstanding. The number of warrants excludes the seven million warrants issued on March 31, 2015 (see subsequent events disclosure in the liquidity and obligation section).

TRANSACTIONS BETWEEN RELATED PARTIES

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation. Details of the other transactions between the Corporation and related parties are disclosed below.

Following a consulting agreement entered into with a director of the Corporation in 2012, success fees of 5% of the relevant proceeds received by the Corporation, for a total of $600, were payable to the director. As at December 31, 2014, $Nil remained unpaid ($250 at December 31, 2013).

During the year ended December 31, 2014, interest revenues in the amount of $19 ($16 for the year ended December 31, 2013) were recorded on the share purchase loan to an officer and included in the advance to an officer.

At December 31, 2014, an officer of the Corporation owed to ProMetic $80 under an advance, $450 as a share purchase loan and $34 in interest due on the loan.

SIGNIFICANT JUDMENTS AND CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements requires the use of judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures. The uncertainty that is often inherent in estimates and assumptions could result in material adjustments to assets or liabilities affected in future periods. The significant accounting judgments and critical accounting estimates applied by the Corporation are as follows:

Significant judgments

Revenue recognition – The Corporation does at times enter into revenue agreements which provide, among other payments, for upfront payments in exchange for licenses and other access to intellectual property. Management applies its judgment to assess whether these payments were received in exchange for the provision of goods or services which have stand-alone value to the customer.

Determining the level of influence the Corporation has over an investment in an entity – In determining the level of influence the Corporation has over an investment in an entity, resulting either in control or significant influence over the investment, consideration is given to the composition of the entity's board of directors and the manner in which key operating and financing decisions are made. A conclusion that the Corporation controls the investment leads to the consolidation of the assets and liabilities and results of operations of the investment with those of the Corporation, along with the elimination of all inter-company transactions. A conclusion that the Corporation has significant influence over the investment will result in that investment being accounted for as an associate.

Functional currency – The functional currency of foreign subsidiaries is reviewed on an ongoing basis to assess if changes in the underlying transactions, events and conditions have resulted in a change. During the year ended December 31, 2014 and 2013, no changes were deemed necessary. This assessment is also performed for new subsidiaries. When assessing the functional currency of a foreign subsidiary, management's judgment is applied in order to determine amongst others the primary economic environment in which an entity operates, the currency in which funds the activities and the degree of autonomy of the foreign subsidiary from the reporting entity in its operations and financially. Judgment is also applied in determining whether the inter-company loans denominated in foreign currencies form part of the parent Corporation's net investment in the foreign subsidiary. Considering such loans as part of the net investment in the foreign subsidiary results in foreign currency translation gains or losses resulting from the translation of these loans being recorded in other comprehensive loss instead of the statement of operations.

Determining whether assets acquired constitute a business – In determining whether the acquisition of an additional equity interest in NantPro BioSciences, LLC fell within the scope of IFRS 3, *Business Combination*, management evaluated whether NantPro represented an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower cost or other economic benefits directly to investors or other owners, members or participants. In making this evaluation, management considered whether NantPro had inputs, processes and other elements making it a business. Although businesses usually have outputs, outputs are not required for an integrated set to qualify as a business. The key elements taken into consideration include the fact that NantPro has licenses to use ProMetic's technology and intellectual property, to develop and manufacture the intravenous immunoglobulin or IVIG, and the exclusive right to market, sell and distribute the licensed product in the United States. In addition NantPro has manufacturing and service development contracts with ProMetic under which it has the ability to access qualified resources, production capacity and the ProMetic affinity resins used in the production process, and to follow documented standards and protocols. Furthermore, NantPro also has the non-exclusive right to manufacture or have manufactured by another third party should ProMetic not wish or be able to manufacture all of Nantpro's commercial requirements of IVIG.

Although NantPro is a development stage entity, management concluded that it had inputs, processes and other elements making it a business and therefore accounted for the acquisition as a business combination. If management had made a different determination, it would have accounted for the transaction as an asset acquisition and consequently the transaction would have been accounted for differently such as there would not have been a purchase price gain recorded in the consolidated statement of operations and the net asset acquired would have been recorded on a cost basis instead of fair value.

Assets arising from a business combination - The Corporation acquired a business in May 2014. The cost of the acquisition must be allocated to the underlying net assets acquired based on their estimated fair values calculated in accordance with the requirements of IFRS 3, *Business Combinations*. As NantPro assets consist mainly of intangible assets in the form of rights and licenses contributed by ProMetic when the partnership was created, the assets acquired generally represent reacquired rights. Management concluded that the contracts giving rise to the reacquired rights

were neither favorable or unfavorable relative to the terms of current market transactions for the same or similar items and consequently no settlement gain or loss was recognized based on their respective estimated fair values.

As part of this allocation process, the Corporation must identify and attribute values and estimated lives to the identifiable assets acquired. These determinations involve significant estimates and assumptions regarding cash flow projections, the risk regarding the protein not being approved for sale, economic risk, weighted average cost of capital rates, expected market penetration, terminal values and manufacturing costs. These estimates and assumptions determine the amount allocated to the identifiable intangible assets and the amortization period for identifiable intangible assets with finite lives. If future events or results differ from these estimates and assumptions, the Corporation could record increased amortization or impairment charges in the future.

Determining the fair value of a business – In order to account for the business combination, the Corporation must determine the value of the business acquired which in turn affects the values used in determining the fair value of the equity investment, an investment in an associate (at the acquisition date), the gain on revaluation of the equity investment, the purchase gain recognized on the business combination and the purchase price allocation. In determining the fair value of the business, the same significant estimates and assumptions as those involved in attributing values to the identifiable assets, discussed above are used. If different estimates and assumptions were made, the amounts recorded for intangibles assets, non-controlling interest, the purchase gain on a business combination, the gain on the revaluation of the equity investment and the deferred tax liability might have been significantly different.

Estimates and assumptions

Expense recognition of restricted stock units – The expense recognized in regards to the restricted stock units for which the performance conditions have not been met is based on an estimation of the probability of the successful achievement of a number of performance conditions, as well as the timing of their achievement. The final expense is only determinable when the outcome is known.

Accounting for loan modifications – When the terms of a loan are modified, management must evaluate whether the modification should be accounted for as a derecognition of the carrying value of the pre-modified loan and the recognition of a new loan at the then fair value or as a modification with no accounting impact. When the determination of the fair value of the new loan is required, the Corporation uses discounted cash flow techniques which includes inputs that are not based on observable market data and inputs that are derived from observable market data. When determining the appropriate discount rates to use, the Corporation seeks comparable interest rates where available. If unavailable, it uses those considered appropriate for the risk profile of a corporation in the industry.

Fair value of financial instruments – The individual fair values attributed to the different components of a financing transaction, notably warrants and debts issued concurrently, are determined using valuation techniques. The Corporation uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine 1) the values attributed to each component of a transaction at the time of their issuance, 2) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis and 3) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates also require that management make estimates and applies its judgment in determining certain assumptions. The fair value estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market. The assumptions regarding the warrant liability and the long-term debt issued during the year are disclosed in notes 15 and 16 respectively to the consolidated financial statements.

Valuation of deferred income tax assets – To determine the extent to which deferred income tax assets can be recognized, management estimates the amount of probable future taxable profits that will be available against which deductible temporary differences and unused tax losses can be utilized. Management exercises judgment to determine the extent to which realization of future taxable benefits is probable, considering the history of taxable profits, budgets and forecasts and availability of tax strategies.

CHANGES IN ACCOUNTING POLICIES

On January 1, 2014, a number of new accounting standards became effective. Information on the new standard that was relevant to the Corporation is presented below:

IFRIC 21, *Levies*
IFRIC 21, *Levies* sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what an obligating event is that gives rise to pay a levy and when should a liability be recognized. This interpretation is effective for annual periods beginning on or after January 1, 2014, and is applied retroactively. The adoption of this interpretation did not have a significant impact on the Corporation's financial statements.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Standards and interpretations issued but not yet effective up to the date of the Corporation's consolidated financial statements are listed below. This listing of standards and interpretations issued are those that the Corporation reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Corporation intends to adopt these standards when they become effective.

IFRS 15, *Revenue from contracts with customers*
In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, a new standard that specifies the steps and timing for issuers to recognize revenue as well as requiring them to provide more informative, relevant disclosures. IFRS 15 supersedes IAS 11, *Construction Contracts*, and IAS 18, *Revenue* and related interpretations. Adoption of IFRS 15 is mandatory and will be effective for the Corporation's fiscal years beginning on January 1, 2017, with earlier adoption permitted. The Corporation is currently assessing the impact of adopting this standard on its consolidated financial statements.

IFRS 9, *Financial Instruments – Recognition and Measurement*
In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments* with a mandatory effective date of January 1, 2018. The new standard brings together the classification and measurements, impairment and hedge accounting phases of the IASB's project to replace IAS 39*, Financial Instruments: Recognition and Measurement*. In addition to the new requirements for classification and measurement of financial assets, a new general hedge accounting model and other amendments issued in previous versions of IFRS 9, the standard also introduces new impairment requirements that are based on a forward-looking expected credit loss model. Management anticipates that the standard will be adopted in the consolidated financial statements for the annual period beginning January 1, 2018. The extent of the impact of the adoption of IFRS 9 has not yet been determined.

FINANCIAL INSTRUMENTS

Use of financial instruments

The financial instruments that are used by the Corporation result from its operating and investing activities, namely in the form of accounts receivables and payables, and from its financing activities resulting usually in the issuance of long-term debt. The Corporation does not use financial instruments for speculative purposes and has not issued or acquired derivative financial instruments for hedging purposes. The following table presents the carrying amounts of the Corporation's financial instruments at December 31, 2014 and 2013.

	2014	2013
Financial assets		
Cash	$ 27,102	$ 17,396
Restricted cash	151	139
Trade receivables, loan to a Corporation, advance and interest receivable from an officer and other	8,633	11,709
Share purchase loan to an officer	450	450
Other investments	25	29
Financial liabilities		
Accounts payable and accrued liabilities	9,102	7,877
Debt provided by shareholders and other debt	-	3,040
Advance on revenues from a supply agreement	3,191	3,447
Warrant liability	24,676	9,311
Long-term debt	23,244	6,217

Warrant liability

In September 2013, the Corporation completed a financing transaction with Thomvest Seed Capital Inc. in which the Corporation issued long-term debt, warrants classified in equity and warrants that met the definition of a derivative liability under IFRS. The details of this transaction and the accounting for it are provided in notes 15 and 16 to the December 31, 2014 annual consolidated financial statements. The warrants that are classified in the statement of financial position as a warrant liability, namely the "Second Warrants", are measured at their fair value at each reporting date. The variation in the fair value of the warrant liability between reporting periods is recorded as a gain or a loss under the caption Fair value variation of warrant liability in the statement of operations. There is no future cash-disbursement associated with the recorded liability on the balance sheet, however, if the warrants were to be exercised, the holder would have to pay the exercise price to the Corporation, which would amount to $15.7 million or could request that the OID loan maturing in September 2018 be cancelled in consideration for the exercise amount. The fair value of the Second Warrants has and may continue to change significantly from period to period mainly due to the underlying change in the Corporation's share price. If the conversion option is not exercised prior to maturity, the warrants' fair value will be zero when it expires.

During the third quarter, the Corporation and the Second warrant holder agreed to modify the terms of the Second Warrants. The objective of the modifications is to replace the formula that was being used to determine the number of shares that would be issued upon exercise of the warrants with a fixed number of warrants, since this formula, although it was allowing a potentially small variation in quantity, was causing the Second warrants to be treated as a derivative liability. As a result of this treatment and the significant increase in the Corporation's share price since their issuance, a significant liability and significant losses have been recognized in the financial statements. Pursuant to the modification, the number of shares to be issued upon exercise would be fixed to 20,276,595 for an exercise price of $15.7 million. The ultimate expiry date of the Second warrants would remain unchanged at September 10, 2021 and the potential trigger to shorten the expiry date, the Market Capitalization Event, would be removed.

In accordance to the TSX rules, the modification must be approved by the Shareholders' of the Corporation before they become effective. In accordance with the terms of the agreement, these amendments must be approved no later than July 1, 2015 otherwise they will become null. Consequently, the Second warrants will continue to be accounted for as a derivative liability with the variations of fair value recorded in the statement of operations until the amendments are approved. If and when these amendments become effective, the Second Warrants would cease to be a derivative liability and would become an equity instrument, similarly to the other warrants issued by the Corporation. The warrants would be recorded in equity at the fair value of the modified Second Warrants at the effective date.

Impact of financial instruments in the consolidated statements of operations
In addition to the fair value variation of the warrant liability discussed above, the following line items in the consolidated statement of operations for the year ended December 31, 2014 include income, expense, gains and losses relating to financial instruments:

- finance costs;
- foreign exchange gains and losses.

Financial risk management
The Corporation has exposure to credit risk, liquidity risk and market risk. The Corporation's Board of Directors has the overall responsibility for the oversight of these risks and reviews the Corporation's policies on an ongoing basis to ensure that these risks are appropriately managed.

i) Credit risk:
Credit risk is the risk of financial loss to the Corporation if a customer, partner or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's cash, investments, receivables and share purchase loan to an officer. The carrying amount of the financial assets represents the maximum credit exposure.

The Corporation reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. The Corporation evaluates accounts receivable balances based on the age of the receivable, credit history of the customers and past collection experience.

ii) Liquidity risk:
Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. The Corporation manages its liquidity risk by continuously monitoring forecasts and actual cash flows.

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

a) Interest risk:
The majority of the Corporation's debt is at a fixed rate, therefore there is limited exposure to changes in interest payments as a result interest rate risk.

b) Foreign exchange risk:
The Corporation is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Corporation operates in the United Kingdom and in the United States and a portion of its expenses incurred are in U.S dollars and in Great British Pounds ("GBP"). The majority of the Corporation's revenues are in U.S. dollars and in GBP which serve to mitigate a portion of the foreign exchange risk relating to the expenditures. Financial instruments potentially exposing the Corporation to foreign exchange risk consist principally of cash, receivables, trade and other payables, and advance on revenues from a supply agreement. The Corporation manages foreign exchange risk by holding foreign currencies to support forecasted cash outflows in foreign currencies.

RISK FACTORS

For a detailed discussion of risk factors which could impact the Corporation's results of operations and financial position, other than those risks pertaining to the financial instruments, please refer to the Corporation's Annual Information Form filed on www.sedar.com

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Corporation's disclosure controls and procedures are designed by or under the supervision of the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) to ensure that all important information about ProMetic, including operating and financial activities, is communicated fully, accurately and in a timely way to them and that information required to be disclosed by the issuer in its annual and interim filings and other reports is reported within the time periods specified in securities legislation.

Internal controls over financial reporting are designed by or under the supervision of the CEO and CFO to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Due to its inherent limitation, the internal controls may not to prevent and detect all misstatements due to error or fraud.

The Corporation's CEO and CFO have certified that the disclosure controls and procedures and the internal controls over financial reporting were designed to meet the objectives described above as of December 31, 2014. They have evaluated the effectiveness of the disclosure controls and procedures as well as the internal controls over financial reporting as of December 31, 2014 and concluded that these controls were operating effectively. The Corporation did not make any material changes in the internal controls over financial reporting that materially affected or are reasonably likely to materially affect the Corporation's internal control over financial reporting during the quarter ended December 31, 2014.