Prometic™

Condensed interim consolidated financial statements of

Prometic Life Sciences Inc.

For the quarter and the six months ended June 30, 2017

(unaudited)

PROMETIC LIFE SCIENCES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In thousands of Canadian dollars) (Unaudited)

		June 30, 2017		December 31, 2016
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**14,292**	$	27,806
Marketable securities and current investments		**-**		11,063
Accounts receivable (note 3)		**5,871**		8,790
Inventories (note 4)		**24,453**		13,658
Prepaids		**3,092**		2,944
Total current assets		**47,708**		64,261
Long-term income tax receivable		**1,049**		1,020
Other long-term assets		**3,396**		3,223
Capital assets (note 5)		**44,089**		41,193
Intangible assets		**155,435**		155,487
Deferred tax assets		**111**		110
Total assets	**$**	**251,788**	$	265,294
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (note 6)	**$**	**23,622**	$	23,835
Advance on revenues from a supply agreement		**2,242**		345
Current portion of long-term debt (note 7)		**3,074**		5,802
Deferred revenues		**1,080**		2,076
Total current liabilities		**30,018**		32,058
Long-term portion of advance on revenues from a supply agreement		**-**		1,822
Long-term portion of lease inducements and obligations		**1,274**		1,007
Other long-term liabilities (note 8)		**2,908**		3,446
Long-term debt (note 7)		**64,469**		42,313
Deferred tax liabilities		**23,522**		25,305
Total liabilities	**$**	**122,191**	$	105,951
EQUITY				
Share capital (note 10a)	**$**	**508,236**	$	480,237
Contributed surplus (note 10b)		**16,090**		12,919
Warrants and future investment rights (note 10c)		**64,122**		64,201
Accumulated other comprehensive loss		**(1,624)**		(1,964)
Deficit		**(481,280)**		(423,026)
Equity attributable to owners of the parent		**105,544**		132,367
Non-controlling interests (note 11)		**24,053**		26,976
Total equity		**129,597**		159,343
Total liabilities and equity	**$**	**251,788**	$	265,294

Commitments (note 14) and subsequent events (note 15)

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

PROMETIC LIFE SCIENCES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands of Canadian dollars except for per share amounts) (Unaudited)

	Quarter ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Revenues (note 12)	**$ 3,619**	$ 3,295	**$ 8,485**	$ 8,544
Expenses				
Cost of sales and production	**1,551**	1,571	**3,941**	3,364
Research and development expenses	**24,454**	19,351	**48,767**	35,828
Administration, selling and marketing expenses	**8,061**	5,184	**15,007**	10,010
Loss (gain) on foreign exchange	**303**	(113)	**519**	706
Finance costs	**1,867**	1,149	**3,241**	1,999
Loss on extinguishment of liabilities	**-**	2,585	**-**	2,585
Net loss before income taxes	**$ (32,617)**	$ (26,432)	**$ (62,990)**	$ (45,948)
Deferred income tax recovery	**(1,110)**	(1,809)	**(2,350)**	(3,362)
Net loss	**$ (31,507)**	$ (24,623)	**$ (60,640)**	$ (42,586)
Net loss attributable to:				
Owners of the parent	**(29,513)**	(22,351)	**(55,910)**	(37,930)
Non-controlling interests (note 11)	**(1,994)**	(2,272)	**(4,730)**	(4,656)
	$ (31,507)	$ (24,623)	**$ (60,640)**	$ (42,586)
Loss per share				
Attributable to the owners of the parent				
Basic and diluted	**$ (0.04)**	$ (0.04)	**$ (0.08)**	$ (0.06)
Weighted average number of outstanding shares (in thousands)	**668,829**	590,834	**660,459**	586,420

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

PROMETIC LIFE SCIENCES INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands of Canadian dollars) (Unaudited)

		Quarter ended June 30,				Six months ended June 30,		
		2017		2016		**2017**		2016
Net loss	**$**	**(31,507)**	$	(24,623)	**$**	**(60,640)**	$	(42,586)
Other comprehensive income (loss)								
Items that may be subsequently reclassified to profit and loss:								
Change in unrealized foreign exchange differences on translation of financial statements of foreign subsidiaries		**210**		(859)		**340**		(1,845)
Total comprehensive loss	**$**	**(31,297)**	$	(25,482)	**$**	**(60,300)**	$	(44,431)
Total comprehensive loss attributable to:								
Owners of the parent		**(29,303)**		(23,210)		**(55,570)**		(39,775)
Non-controlling interests		**(1,994)**		(2,272)		**(4,730)**		(4,656)
	$	**(31,297)**	$	(25,482)	**$**	**(60,300)**	$	(44,431)

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

PROMETIC LIFE SCIENCES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In thousands of Canadian dollars) (Unaudited)

	Equity attributable to owners of the parent							
	Share capital $	Contributed surplus $	Warrants and future investment rights $	Foreign currency translation reserve $	Deficit $	Total $	Non-controlling interests $	Total equity $
Balance at January 1, 2016	365,540	7,367	53,717	262	(313,533)	113,353	31,974	145,327
Net loss	-	-	-	-	(37,930)	(37,930)	(4,656)	(42,586)
Foreign currency translation reserve	-	-	-	(1,845)	-	(1,845)	-	(1,845)
Issuance of shares (note 10a)	65,925	-	-	-	-	65,925	-	65,925
Reimbursement of share purchase loan to an officer (note 10a)	50	-	-	-	-	50	-	50
Share-based payments expense (note 10b)	-	2,586	-	-	-	2,586	-	2,586
Exercise of stock options (note 10b)	373	(122)	-	-	-	251	-	251
Shares issued pursuant to restricted share unit plan (note 10b)	131	(131)	-	-	-	-	-	-
Issuance of warrants (note 10c)	-	-	10,418	-	-	10,418	-	10,418
Share and warrant issuance cost (note 10a,c)	-	-	-	-	(3,739)	(3,739)	-	(3,739)
Effect of funding arrangements on non-controlling interest (note 11)	-	-	-	-	(2,648)	(2,648)	2,648	-
Balance at June 30, 2016	432,019	9,700	64,135	(1,583)	(357,850)	146,421	29,966	176,387
Balance at January 1, 2017	**480,237**	**12,919**	**64,201**	**(1,964)**	**(423,026)**	**132,367**	**26,976**	**159,343**
Net loss	**-**	**-**	**-**	**-**	**(55,910)**	**(55,910)**	**(4,730)**	**(60,640)**
Foreign currency translation reserve	**-**	**-**	**-**	**340**	**-**	**340**	**-**	**340**
Share-based payments expense (note 10b)	**-**	**3,336**	**-**	**-**	**-**	**3,336**	**-**	**3,336**
Exercise of stock options (note 10b)	**405**	**(165)**	**-**	**-**	**-**	**240**	**-**	**240**
Exercise of future investment rights (note 10c)	**27,594**	**-**	**(6,542)**	**-**	**-**	**21,052**	**-**	**21,052**
Issuance of warrants (note 10c)	**-**	**-**	**6,463**	**-**	**-**	**6,463**	**-**	**6,463**
Share and warrant issuance cost (note 10a,c)	**-**	**-**	**-**	**-**	**(537)**	**(537)**	**-**	**(537)**
Effect of funding arrangements on non-controlling interest (note 11)	**-**	**-**	**-**	**-**	**(1,807)**	**(1,807)**	**1,807**	**-**
Balance at June 30, 2017	**508,236**	**16,090**	**64,122**	**(1,624)**	**(481,280)**	**105,544**	**24,053**	**129,597**

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

PROMETIC LIFE SCIENCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of Canadian dollars) (Unaudited)

Six months ended June 30,		2017		2016
Cash flows used in operating activities				
Net loss for the period	$	**(60,640)**	$	(42,586)
Adjustments to reconcile net loss to cash flows used in operating activities :				
Finance costs		**3,720**		3,094
Change in lease inducements and obligations		**1,311**		(471)
Carrying value of capital and intangible assets disposed		**426**		-
Loss on extinguishment of liabilities		**-**		2,585
Deferred income tax		**(2,350)**		(3,368)
Share-based payments expense (note 10b)		**3,336**		2,586
Depreciation of capital assets (note 5)		**1,659**		1,205
Amortization of intangible assets		**422**		360
		(52,116)		(36,595)
Change in non-cash working capital items		**(10,216)**		(5,182)
	$	**(62,332)**	$	(41,777)
Cash flows from (used in) financing activities				
Proceeds from share issuances (note 10a)		**-**		60,140
Proceeds from debt and warrant issuances (note 7,10c)		**25,010**		30,010
Repayment of long-term debt (note 7)		**(2,125)**		-
Interest paid on long-term debt (note 7)		**(126)**		-
Exercise of options (note 10b)		**240**		251
Exercise of future investment rights (note 10c)		**21,052**		-
Debt, share and warrants issuance costs		**(247)**		(3,681)
Reimbursement of share purchase loan to an officer (note 10a)		**-**		50
	$	**43,804**	$	86,770
Cash flows from (used in) investing activities				
Additions to capital assets		**(5,347)**		(8,813)
Additions to intangible assets		**(586)**		(921)
Proceeds from the sale of marketable securities and current investments		**11,063**		-
Additions to other long-term assets		**(65)**		-
Interest received		**105**		135
	$	**5,170**	$	(9,599)
Net change in cash and cash equivalents during the period		**(13,358)**		35,394
Net effect of currency exchange rate on cash and cash equivalents		**(156)**		(350)
Cash and cash equivalents, beginning of period		**27,806**		29,285
Cash, end of the period	**$**	**14,292**	$	64,329

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

1. Nature of operations

Prometic Life Sciences Inc. ("Prometic" or the "Corporation"), incorporated under the Canada Business Corporations Act, is a publicly traded (TSX symbol: PLI) (OTCQX symbol: PFSCF), biopharmaceutical Corporation with globally recognized expertise in bioseparation, plasma-derived therapeutics and small-molecule drug development. The Corporation is active in developing its own novel small molecule therapeutic products targeting unmet medical needs in the field of fibrosis, autoimmune disease/inflammation and cancer. Prometic also offers its exclusive technology platform for large-scale drug purification of biologics, drug development, proteomics and the elimination of pathogens to industry leaders and uses its own affinity technology that provides for efficient extraction and purification of therapeutic proteins from human plasma in order to develop and commercialize plasma-derived therapeutics and orphan drugs.

The Corporation's head office is located at 440, Boul. Armand-Frappier, suite 300, Laval, Québec, Canada, H7V 4B4. Prometic has Research and Development ("R&D") facilities in the U.K., 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.

2. Significant accounting policies

a) Accounting framework

These unaudited condensed interim consolidated financial statements ("interim financial statements") for the quarter and the six months ended June 30, 2017 have been prepared in accordance with IAS 34, *Interim financial reporting*. Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. These interim financial statements should therefore be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2016, which have been prepared in accordance with IFRS and which can be found at www.sedar.com.

These interim financial statements were approved for issue on August 10, 2017 by the Corporation's Board of Directors.

b) Adoption of new accounting standards

The accounting policies used in these interim financial statements are consistent with those applied by the Corporation in its December 31, 2016 audited annual consolidated financial statements except for the amendments to certain accounting standards which are relevant to the Corporation and were adopted by the Corporation as of January 1, 2017 as described below.

IAS 7, *Statement of Cash Flows* ("IAS 7")
An amendment to IAS 7 requires additional disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. The amendment is effective for annual periods beginning on or after January 1, 2017, and is applied prospectively. The adoption of the amendment did not have a significant impact on the disclosures as the Corporation was already providing similar disclosures in its long-term debt note in the consolidated financial statements.

IAS 12, *Income Taxes* ("IAS 12")
An amendment to IAS 12 clarifies the guidance on the recognition of deferred tax assets related to unrealized losses resulting from debt instruments that are measured at their fair values on a continuous basis. The amendment is effective for annual periods beginning on or after January 1, 2017 and is applied retrospectively. The adoption of the amendment did not have any impact on the consolidated financial statements on the adoption date since the Corporation did not hold any debt instrument measured at fair value for which there were unrealized losses.

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

c) Change in accounting policies

Segmented information

During the second quarter of 2017, the Corporation made changes to the reported segments by splitting the former Protein technology segment into two new segments being the Bioseparations and the Plasma-derived therapeutics segments. The Small molecule therapeutic segment was unaffected by this change. The modification reflects the desire of the Chief Operating Decision Makers ("CODM") to obtain, starting in the second quarter of 2017, discrete financial information to assess the performance of these activities separately as the Plasma-derived therapeutic business approaches the commercial launch of its first therapeutic (plasminogen) with other therapeutics expected to be commercialized in the following years. The organizational structure and business activities required to develop the products, run the clinical trials and support the commercial activities relating to the sale of a plasma-derived therapeutic are different than those required to develop and commercialize the bioseparation products. The CODM assess the performance of the operating segments based on segment profit or loss which comprises revenues, cost of sales and production, research and development and administration, selling and marketing expense.

The accounting policies of the segments are the same as the accounting policies of the Corporation. The operating segments include intercompany transactions between the segments which are done in a manner similar to transactions with third parties.

All prior periods segments disclosures have been restated to reflect the changes in the Corporation's operating segments.

d) New standards and interpretations not yet adopted

Other than as described below, there have been no other changes to existing IFRS accounting standards and interpretations since December 31, 2016 that the Corporation reasonably expects to have a material impact on the disclosures, the financial position or results of operations of the Corporation when applied at a future date.

IFRIC 22, *Foreign Currency Transactions and Advance Consideration* ("IFRIC 22")

In December 2016, the IASB issued IFRIC 22, which addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) and on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Corporation is in the process of evaluating the impact of adopting the interpretation of IFRIC 22 on its consolidated financial statements.

3. Accounts receivable

	June 30, 2017	December 31, 2016
Trade receivables	**$ 975**	$ 3,340
Tax credits and government grants receivable	**4,062**	4,545
Sales taxes receivable	**782**	596
Other receivables	**52**	309
	$ 5,871	$ 8,790

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

4. Inventories

		June 30, 2017		December 31, 2016
Raw materials	**$**	**15,733**	$	11,727
Work in progress		**7,401**		967
Finished goods		**1,319**		964
	$	**24,453**	$	13,658

Inventories in the amount of $1,370 and $3,008 were recognized as cost of goods sold during the quarter and the six months ended June 30, 2017 respectively ($1,413 and $2,890 during the quarter and the six months ended June 30, 2016).

5. Capital assets

		Land and Buildings		**Leasehold improvements**		**Production and laboratory equipment**		**Furniture and computer equipment**		**Total**
Cost										
Balance at January 1, 2017	$	4,501	$	11,145	$	32,063	$	2,831	$	50,540
Additions		-		1,220		2,908		377		4,505
Disposals		-		-		(114)		(56)		(170)
Effect of foreign exchange differences		-		80		79		8		167
Balance at June 30, 2017 [1)]	**$**	**4,501**	**$**	**12,445**	**$**	**34,936**	**$**	**3,160**	**$**	**55,042**
Accumulated depreciation										
Balance at January 1, 2017	$	27	$	3,106	$	5,227	$	987	$	9,347
Depreciation expense		81		272		1,016		290		1,659
Disposals		-		-		(65)		(54)		(119)
Effect of foreign exchange differences		-		35		28		3		66
Balance at June 30, 2017	**$**	**108**	**$**	**3,413**	**$**	**6,206**	**$**	**1,226**	**$**	**10,953**
Carrying amounts										
At June 30, 2017	**$**	**4,393**	**$**	**9,032**	**$**	**28,730**	**$**	**1,934**	**$**	**44,089**
At December 31, 2016		4,474		8,039		26,836		1,844		41,193

[1)] As at June 30, 2017, there are $13,909, $4,097 and $113 of production and laboratory equipment, leasehold improvements and furniture and computer equipment respectively, that are not yet available for use and for which depreciation has not started.

6. Accounts payable and accrued liabilities

		June 30, 2017		December 31, 2016
Trade payables	**$**	**16,002**	$	14,269
Wages and severances payable		**4,363**		7,606
Current portion of settlement fee payable (note 8)		**120**		-
Current portion of royalty payment obligation (note 8)		**710**		577
Current portion of other employee benefit liabilities (note 8)		**379**		379
Current portion of lease inducements and obligations		**2,048**		1,004
	$	**23,622**	$	23,835

7. Long-term debt

2017

On April 27, 2017, the Corporation and the holder of the long-term debt signed a third Original Issue Discount ("OID") loan agreement and warrants (the "Sixth Warrants") for total proceeds of $25,010. The total proceeds were allocated to the debt based on its fair value at the issue date and the residual amount was attributed to the warrants that are classified as equity. Further details concerning the warrants are provided in note 10c. Under the terms of the new loan, the Corporation will repay the face value of the OID loan, in the amount of $39,170 at maturity on July 31, 2022. The OID loan was recorded at its fair value at the transaction date less the associated transaction costs of $184 for a net amount of $18,363. The fair value of the loan was determined using a discounted cash flow model for the debt instrument with a market interest rate of 15.5%.

2016

On February 29, 2016, pursuant to a financing for total proceeds of $30,010, the Corporation issued additional debt and warrants (the "Fifth Warrants") to the holder of the long-term debt. Under the terms of this addendum to the first OID loan, the face value of the OID loan to be repaid at the maturity loan, which remains unchanged at July 31, 2022, increased by $50,373. This brought the total face value of the first OID loan to $61,704. Further details concerning the warrants issued are provided in note 10c.

The total proceeds were allocated to the debt based on its fair value at the issue date and the residual amount was attributed to the warrants that are classified as equity. The carrying amount of the debt increased by the issue date fair value of the additional sum to repay at the maturity date less the associated transaction costs of $165, representing a net amount of $19,427. The fair value of the increased payment of $50,373 at the maturity date was determined using a discounted cash flow model for the debt instrument with a market interest rate of 15.8%. When combining the loan that was outstanding at the date of the increase with the addendum, the combined effective rate that will be used to recognise the interest expense on the first OID loan going forward is 14.8%.

In May 2016, the holder of the long-term debt used the set off of principal right under the loan agreements, to settle the amounts due to the Corporation following its participation in a private placement for 1,921,776 common shares which occurred concurrently with the closing of a public offering of common shares, on May 25, 2016.

As a result, the face value of the second OID loan was reduced by $5,958, from $31,306 to $25,348. The reduction of $5,958 is equivalent to the value of the shares issued at the agreed price of $3.10 concluded in connection with the private placement. This transaction was accounted for as an extinguishment of a portion of the OID loan and the difference between the adjustment to the carrying value of the loan of $3,200 and the amount recorded for the shares issued of $5,785, as explained in the following paragraph, was recorded as a loss on extinguishment of a loan of $2,585.

The shares were recorded at fair value, determined using the closing price of $3.01 on the date of issue May 25, 2016, resulting in a value of the shares issued of $5,785.

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

Changes in the carrying value of the long-term debt during the six months ended June 30, 2017 were as follows:

		2017
Balance at January 1,	$	48,115
Interest accretion		3,316
Repayment of principal on long-term debt		(2,125)
Repayment of stated interest on long-term debt		(126)
Issuance of third OID loan		18,363
Balance at June 30,	$	67,543
Less: current portion of long-term debt		(3,074)
Long-term portion of long-term debt	$	64,469
Long-term debt comprises the following loans:		
OID loan having a face value of $61,704 maturing on July 31, 2022 with an effective interest rate of 14.8%	$	30,516
OID loan having a face value of $21,172 maturing on July 31, 2022 with an effective interest rate of 10.6%		12,695
OID loan having a face value of $39,170 maturing on July 31, 2022 with an effective interest rate of 15.5%		18,832
Government term loan having a principal amount of $2,068 repayable in two installments of $1,000 plus stated interest of 3.2% on August 31, 2017, and August 31, 2018 with an effective interest rate of 9.2%		1,952
Non-interest bearing government term loan having a principal amount of $2,635 repayable in equal monthly installments of $82 until January 31, 2020 with an effective interest rate of 2.8%[1)]		2,547
Non-interest bearing government term loan having a principal amount of $1,031 repayable on October 31,2017 with an effective interest rate of 9.1%		1,001
	$	67,543

[1)] As of December 31, 2016, the loan had a principal amount of $2,800, repayable in equal monthly installments of $133 until July 1, 2018 with an effective interest rate of 9.2%.

8. Other long-term liabilities

		June 30, 2017		December 31, 2016
Settlement fee payable	**$**	**291**	$	270
Royalty payment obligation		**2,977**		3,100
Other employee benefit liabilities		**753**		914
Other long-term liabilities		**96**		118
	$	**4,117**	$	4,402
Less:				
Current portion of settlement fee payable (note 6)		**(120)**		-
Current portion of royalty payment obligation (note 6)		**(710)**		(577)
Current portion of employee benefit liabilities (note 6)		**(379)**		(379)
	$	**2,908**	$	3,446

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

9. Contractual obligations

The following table presents the contractual maturities of the financial liabilities, excluding operating leases as of June 30, 2017:

				Contractual Cash flows						
At June 30, 2017		**Carrying amount**		**Payable within 1 year**		**2 - 3 years**		**More than 5 years**		**Total**
Accounts payable and accrued liabilities	$	23,622	$	23,622	$	-	$	-	$	23,622
Advance on revenues from a supply agreement		2,242		2,290		-		-		2,290
Long-term portion of settlement fee payable		171		-		230		-		230
Long-term portion of royalty payment obligation		2,267		-		2,369		-		2,369
Long-term portion of other employee benefit liabilities		374		-		433		-		433
Long-term debt [1]		67,543		3,144		2,020		122,046		127,210
	$	96,219	$	29,056	$	5,052	$	122,046	$	156,154

[1] Under the terms of the OID loans (note 7), the holder of Second, Third, Fourth, Fifth and Sixth Warrants may decide to cancel a portion of the face values of the OID loans as payment upon the exercise of these warrants. The maximum repayment due on these loans has been included in the above table.

10. Share capital and other equity instruments

a) Share capital

	June 30, 2017			June 30, 2016		
	Number		**Amount**	Number		Amount
Issued and fully paid common shares	**669,546,147**	**$**	**508,636**	603,640,808	$	432,419
Share purchase loan to an officer	**-**		**(400)**	-		(400)
Balance - end of period	**669,546,147**	**$**	**508,236**	603,640,808	$	432,019

Changes in the issued and outstanding common shares during the six months ended June 30, 2017 and 2016 were as follows:

	June 30, 2017			June 30, 2016		
	Number		**Amount**	Number		Amount
Balance - beginning of period	**623,229,331**	**$**	**480,237**	581,930,868	$	365,540
Issued for cash	**-**		**-**	19,400,000		60,140
Issued in consideration of loan extinguishment	**-**		**-**	1,921,776		5,785
Exercise of future investment rights	**44,791,488**		**27,594**	-		-
Exercise of options	**1,525,328**		**405**	311,577		373
Shares issued under restricted share units plan	**-**		**-**	76,587		131
Reimbursement of share purchase loan to an officer	**-**		**-**	-		50
Balance - end of period	**669,546,147**	**$**	**508,236**	603,640,808	$	432,019

On July 6, 2017, the Corporation closed a bought deal public offering (note 15). At June 30, 2017, the issuance costs related to this issuance, in the amount of $416, were recorded against the deficit.

On May 25, 2016, the Corporation issued 19,400,000 common shares following a bought deal public offering for gross proceeds of $60,140. The underwriters received a cash commission of 5% of the gross proceeds of the offering. Concurrently with the bought deal public offering, the Corporation concluded a private placement with the holder of the long-term debt. Using the rights conveyed under the loan agreement, the holder of the long-term debt elected to extinguish a portion of the face value of the second OID loan as consideration for the 1,921,776 shares issued (note 7). The aggregate issuance costs related to these issuances, including the commission, in the amount of $3,573, were recorded against the deficit.

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

b) Contributed surplus (Share-based payments)

Stock options

Changes in the number of stock options outstanding during the six months ended June 30, 2017 and 2016 were as follows:

	June 30, 2017			June 30, 2016		
	Number		**Weighted average exercise price**	Number		Weighted average exercise price
Balance - beginning of period	**14,372,640**	**$**	**1.41**	13,513,736	$	0.92
Granted	**3,381,220**		**2.08**	2,408,036		3.01
Forfeited	**(70,511)**		**2.48**	(47,162)		1.84
Exercised	**(1,525,328)**		**0.16**	(311,577)		0.81
Balance - end of period	**16,158,021**	**$**	**1.67**	15,563,033	$	1.25

During the six months ended June 30, 2017, 177,050 and 3,204,170 options having a contractual term of five and ten years respectively were granted. All other outstanding options have a contractual term of 5 years.

During the six months ended June 30, 2017, 1,525,328 options were exercised resulting in cash proceeds of $240 and a transfer from contributed surplus to share capital of $165. The weighted average share price on the date of exercise of the options during the six months ended June 30, 2017 was $2.04.

During the six months ended June 30, 2016, 311,577 options were exercised resulting in cash proceeds of $251 and a transfer from contributed surplus to share capital of $122. The weighted average share price on the date of exercise of the options during the six months ended June 30, 2016 was $2.82.

At June 30, 2017, options issued and outstanding by range of exercise price are as follows:

Range of exercise price	**Number outstanding**	**Weighted average remaining contractual life (in years)**		**Weighted average exercise price**	**Number exercisable**		**Weighted average exercise price**
$0.12 - $0.40	4,507,874	0.7	$	0.29	4,507,874	$	0.29
$0.88 - $2.02	2,629,711	2.2		1.24	1,884,772		1.14
$2.07 - $2.44	5,982,159	6.7		2.23	1,669,234		2.42
$2.55 - $3.19	3,038,277	3.9		2.98	1,146,104		2.99
	16,158,021	3.7	$	1.67	9,207,984	$	1.18

The Corporation uses the Black-Scholes option pricing model to calculate the fair value of options at the date of grant. The weighted average inputs into the model and the resulting grant date fair values during the six months ended June 30, 2017 was as follows:

	June 30, 2017	June 30, 2016
Expected dividend rate	**-**	-
Expected volatility of share price	**61.8%**	63.8%
Risk-free interest rate	**1.1%**	0.7%
Expected life in years	**6.7**	3.8
Weighted average grant date fair value	**$ 1.23**	$ 1.42

A share-based payment expense of $980 and $1,673 was recorded for the options for the quarter and the six months ended June 30, 2017 respectively ($695 and $1,199 for the quarter and the six months ended June 30, 2016 respectively).

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

Restricted share units (“RSU”)

Changes in the number of RSU outstanding during the six months ended June 30, 2017 and 2016 were as follows:

	June 30, 2017	June 30, 2016
Balance - beginning of period	**9,999,251**	7,869,117
Granted	**1,220,623**	-
Expired	**(3,157,311)**	-
Released	**-**	(76,587)
Balance - end of period	**8,062,563**	7,792,530

At June 30, 2017, 1,287,112 vested RSU and 6,775,451 unvested RSU were outstanding. At June 30, 2016, no vested RSU and 7,792,530 unvested RSU were outstanding. During the six months ended June 30, 2016, 76,587 vested RSU were released and an equivalent number of shares were issued out of treasury resulting in a transfer from contributed surplus to share capital of $131. A share-based payment expense of $1,114 and $1,663 were recorded during the quarter and the six months ended June 30, 2017 respectively ($784 and $1,387 during the quarter and the six months ended June 30, 2016 respectively).

During the quarter ended March 31, 2017, the Board decided to replace 1,220,623 of the expired RSU with an equivalent number of RSU keeping the same vesting conditions but extending the evaluation period for the attainment of the objectives by one year to December 31, 2017. The replacement RSU were issued on April 11, 2017. This transaction was accounted for as a modification of the existing RSU that did not have an impact on the value of the RSU.

Share-based payment expense

The total share-based payment expense, comprising the above mentioned expenses for stock options and RSU, has been included in the consolidated statements of operations for the quarter and the six months ended June 30, 2017 and 2016 as indicated in the following table:

	Quarter ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Cost of sales and production	**$ 106**	$ 53	**$ 170**	$ 100
Research and development expenses	**918**	688	**1,520**	1,229
Administration, selling and marketing expenses	**1,070**	738	**1,646**	1,257
	$ 2,094	$ 1,479	**$ 3,336**	$ 2,586

c) Warrants and future investment rights (“rights”)

The following table summarizes the changes in the number of warrants and rights outstanding during the six months ended June 30, 2017 and 2016:

	June 30, 2017		June 30, 2016	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Balance of warrants and rights - beginning of period	**101,863,180**	**$ 1.44**	89,791,890	$ 1.00
Warrants issued for cash	**10,600,407**	**3.70**	11,793,380	4.70
Exercise of future investment rights	**(44,791,488)**	**0.47**	-	-
Balance of warrants and rights - end of period	**67,672,099**	**$ 2.44**	101,585,270	$ 1.43

2017

On February 3, 2017, all of the 44,791,488 rights were exercised resulting in cash proceeds of $21,052 and a transfer from warrants and future investment rights to share capital of $6,542.

On April 27, 2017, pursuant to a financing for total proceeds of $25,010, the Corporation issued additional debt and the Sixth Warrants to the holder of the long-term debt. Further details concerning the debt issued are provided in note 7.

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

The Sixth Warrants consist of 10,600,407 warrants, each giving the holder the right to acquire one common share at an exercise price of $3.70, paid either in cash or in consideration of the lender's cancellation of an equivalent amount of the face value of an OID loan. The warrants expire on October 26, 2023. The value of the proceeds attributed to the warrants of $6,463 was recorded in warrants and future investment rights. The issuance cost related to the warrants, in the amount of $121, has been recorded against the deficit.

2016

On February 29, 2016, pursuant to a financing for total proceeds of $30,010, the Corporation issued additional debt and the Fifth Warrants to the holder of the long-term debt. Further details concerning the debt issued are provided in note 7.

The Fifth Warrants consist of 11,793,380 warrants, each giving the holder the right to acquire one common share at an exercise price of $4.70, paid either in cash or in consideration of the lender's cancellation of an equivalent amount of the face value of an OID loan. The warrants expire on July 31, 2022. The value of the proceeds attributed to the warrants of $10,418 was recorded in warrants and future investment rights. The issuance cost related to the warrants, in the amount of $166, has been recorded against the deficit.

As at June 30, 2017, the following warrants were outstanding:

Number	Expiry date		Exercise price
277,910	September 2019		6.39
1,000,000	September 2021		0.52
20,276,595	September 2021		0.77
16,723,807	July 2022		1.87
7,000,000	July 2022		3.00
11,793,380	July 2022		4.70
10,600,407	October 2023		3.70
67,672,099		$	2.44

11. Non-controlling interests

The interest in the subsidiaries for which the Corporation holds less than 100 % interest are as follows:

Name of subsidiary	Segment activity	Place of incorporation and operation	Proportion of ownership interest held by the group	
			2017	2016
Prometic Bioproduction Inc.	Plasma-derived therapeutics	Quebec, Canada	**87%**	87%
Pathogen Removal and Diagnostic Technologies Inc.	Bioseparations	Delaware, U.S.	**77%**	77%
NantPro Biosciences, LLC	Plasma-derived therapeutics	Delaware, U.S.	**73%**	73%

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

The non-controlling interests balance on the consolidated statements of financial position and the losses allocated to non-controlling interests in the consolidated statements of operations, per subsidiary are as follows:

		June 30, 2017		December 31, 2016
Consolidated statements of financial position :				
Prometic Bioproduction Inc.	**$**	**(8,212)**	$	(5,972)
Pathogen Removal and Diagnostic Technologies Inc.		**(5,805)**		(5,122)
NantPro Biosciences, LLC		**38,070**		38,070
Total non-controlling interests	**$**	**24,053**	$	26,976

		Quarter ended June 30,				Six months ended June 30,		
		2017		2016		**2017**		2016
Consolidated statements of operations :								
Prometic Bioproduction Inc.	**$**	**(1,030)**	$	(778)	**$**	**(2,240)**	$	(1,300)
Pathogen Removal and Diagnostic Technologies Inc.		**(93)**		(101)		**(683)**		(708)
NantPro Biosciences, LLC		**(871)**		(1,393)		**(1,807)**		(2,648)
Total non-controlling interests	**$**	**(1,994)**	$	(2,272)	**$**	**(4,730)**	$	(4,656)

The NantPro Biosciences, LLC non-controlling interest's share in the funding of the subsidiary by Prometic was $1,807 for the six months ended June 30, 2017 ($2,648 for the six months ended June 30, 2016) and has been presented in the consolidated statements of changes in equity.

12. Revenues

		Quarter ended June 30,				Six months ended June 30,		
		2017		2016		**2017**		2016
Revenues from the sale of goods	**$**	**2,678**	$	2,546	**$**	**7,102**	$	7,233
Revenues from the rendering of services		**680**		749		**881**		1,311
Rental revenue		**261**		-		**502**		-
	$	**3,619**	$	3,295	**$**	**8,485**	$	8,544

13. Segmented information

The Corporation's three operating segments are Bioseparations, Plasma-derived therapeutics and Small molecule therapeutics (see note 2c – change in accounting policies).

Bioseparations: The segment develops and manufactures Prometic's core bioseparation technologies and products. Its proprietary affinity absorbents and Mimetic Ligand™ purification platform are used by pharmaceutical and medical companies worldwide and for its own extraction and purification manufacturing processes.

Plasma-derived therapeutics: The segment develops manufacturing processes, based on Prometic's own affinity technology, to provide efficient extraction and purification of therapeutic proteins from human plasma, the Plasma Protein Purification System (PPPS™), a multi-product sequential purification process. This technology is key for extracting proteins, which Prometic plans to commercialize with an emphasis on therapeutic products targeting orphan designated indications.

Small molecule therapeutics: The segment is a small molecule drug discovery and development business. It has lead compounds, namely PBI-4050 which target unmet medical needs such as the treatment of idiopathic pulmonary fibrosis, metabolic syndrome and its resulting type 2 diabetes, cystic fibrosis related diabetes and Alström syndrome. The operating segment is also working on multiple follow-on drugs at pre-clinical stage.

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

The reconciliation to the statement of operations column includes, the elimination of intercompany transactions between the segments and the remaining activities not included in the above segments. These expenses generally pertain to public entity reporting obligations, investor relations, financing and other corporate office activities.

a) Revenues and expenses by operating segments:

For the quarter ended June 30, 2017	Bioseparations	Plasma-derived therapeutics	Small molecule therapeutics	Reconciliation to statement of operations	Total
External revenues	$ 2,895	$ 691	$ -	$ 33	$ 3,619
Intersegment revenues	333	13	-	(346)	-
Total revenues	3,228	704	-	(313)	3,619
Cost of sales and production	1,392	400	-	(241)	1,551
Research and development expenses	1,956	17,567	4,975	(44)	24,454
Administration, selling and marketing expenses	636	3,442	1,084	2,899	8,061
Segment loss	$ (756)	$ (20,705)	$ (6,059)	$ (2,927)	$ (30,447)
Loss on foreign exchange					303
Finance costs					1,867
Net loss before income taxes					$ (32,617)
Other information					
Depreciation and amortization	$ 227	$ 663	$ 100	$ 85	$ 1,075
Share-based payment expense	80	506	353	1,155	2,094

For the quarter ended June 30, 2016 (restated)	Bioseparations	Plasma-derived therapeutics	Small molecule therapeutics	Reconciliation to statement of operations	Total
External revenues	$ 2,800	$ 495	$ -	$ -	$ 3,295
Intersegment revenues	1,112	9	-	(1,121)	-
Total revenues	3,912	504	-	(1,121)	3,295
Cost of sales and production	2,368	194	-	(991)	1,571
Research and development expenses	1,570	14,937	2,978	(134)	19,351
Administration, selling and marketing expenses	587	1,378	880	2,339	5,184
Segment loss	$ (613)	$ (16,005)	$ (3,858)	$ (2,335)	$ (22,811)
Gain on foreign exchange					(113)
Finance costs					1,149
Loss on extinguishment of liabilities					2,585
Net loss before income taxes					$ (26,432)
Other information					
Depreciation and amortization	$ 230	$ 428	$ 84	$ 49	$ 791
Share-based payment expense	61	322	275	821	1,479

PROMETIC LIFE SCIENCES INC.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the quarter and the six months ended on June 30, 2017
(In thousands of Canadian dollars, except for per share amounts) (Unaudited)

For the six months ended June 30, 2017		Bioseparations		Plasma-derived therapeutics		Small molecule therapeutics		Reconciliation to statement of operations		Total
External revenues	$	7,038	$	1,414	$	-	$	33	$	8,485
Intersegment revenues		812		18		-		(830)		-
Total revenues		7,850		1,432		-		(797)		8,485
Cost of sales and production		3,421		1,201		-		(681)		3,941
Research and development expenses		3,383		36,417		9,048		(81)		48,767
Administration, selling and marketing expenses		1,278		5,726		1,634		6,369		15,007
Segment loss	$	(232)	$	(41,912)	$	(10,682)	$	(6,404)	$	(59,230)
Loss on foreign exchange										519
Finance costs										3,241
Net loss before income taxes									$	(62,990)
Other information										
Depreciation and amortization	$	442	$	1,278	$	200	$	161	$	2,081
Share-based payment expense		157		836		552		1,791		3,336

For the six months ended June 30, 2016 (restated)		Bioseparations		Plasma-derived therapeutics		Small molecule therapeutics		Reconciliation to statement of operations		Total
External revenues	$	7,596	$	948	$	-	$	-	$	8,544
Intersegment revenues		1,142		22		-		(1,164)		-
Total revenues		8,738		970		-		(1,164)		8,544
Cost of sales and production		4,047		384		-		(1,067)		3,364
Research and development expenses		3,015		26,577		6,339		(103)		35,828
Administration, selling and marketing expenses		1,178		2,625		1,565		4,642		10,010
Segment profit (loss)	$	498	$	(28,616)	$	(7,904)	$	(4,636)	$	(40,658)
Loss on foreign exchange										706
Finance costs										1,999
Loss on extinguishment of liabilities										2,585
Net loss before income taxes									$	(45,948)
Other information										
Depreciation and amortization	$	458	$	853	$	164	$	90	$	1,565
Share-based payment expense		134		557		475		1,420		2,586

b) Revenues by location*

	Quarter ended June 30,				Six months ended June 30,			
		2017		2016		**2017**		2016
Switzerland	**$**	**1,837**	$	1,227	**$**	**3,688**	$	5,254
Netherlands		**639**		151		**1,998**		377
Canada		**725**		175		**1,338**		329
United Kingdom		**87**		571		**818**		609
Germany		**292**		374		**293**		378
United States		**26**		230		**206**		649
Russia		**-**		320		**-**		621
Other countries		**13**		247		**144**		327
	$	**3,619**	$	3,295	**$**	**8,485**	$	8,544

*Revenues are attributed to countries based on the location of customers.

The Corporation derives significant revenues from certain customers. During the six months ended June 30, 2017, there were two customers in the Bioseparations segment that accounted for 70% (47% and 23% respectively) of total revenues and one customer in the Plasma-derived therapeutics segment that accounted for 10 % of total revenues. For the six months ended June 30, 2016, there was one customer who accounted for 66% of total revenues, also in the Bioseparations segment.

14. Commitments

During the quarter ended June 30, 2017, the Corporation has entered into a plasma purchase agreement whereby it has committed to purchase varying volumes of plasma until December 31, 2022. As at June 30, 2017, this represented a commitment of $102,233 (US$78,750) in aggregate.

15. Subsequent events

On June 15, 2017, the Corporation entered into an agreement with a syndicate of underwriters whereby the underwriters have agreed to buy, on a bought deal basis, 31,250,000 common shares at a price of $1.70 per share for gross proceeds of $53,125. The underwriters have received a 6% cash commission on the proceeds of the bought deal.

In connection with this offering, Prometic filed a final short form prospectus in all Canadian provinces on June 28, 2017. The offering closed on July 6, 2017.

Concurrently with the bought deal public offering, the Corporation closed a private placement with the holder of the long-term debt for 5,045,369 common shares at a price of $1.70 per common share (the “Private Placement”). The holder of the long-term debt has used rights conveyed under the loan agreement, to settle the amounts due to the Corporation following its participation in the private placement, resulting in the extinguishment of a portion of the face value of the third OID loan which was reduced by $8,577 from $39,170 to $30,593.

On August 11, 2017, the Corporation entered into definitive agreements with affiliates of Shenzhen Royal Asset Management Co., Ltd. (collectively “SRAM”) to develop and commercialize PBI-4050, PBI-4547 and PBI-4425 in the People’s Republic of China-(excluding Hong Kong, Taiwan and Macau). Under the agreements, SRAM will pay the Corporation an upfront payment of $12,981 (US$10,000) and a first milestone payment of $9,087 (US$7,000), as well as a further $10,515 (US$8,000) over the following years based on completion of further development and regulatory milestones.

The Corporation is currently evaluating the accounting for these transactions which will be recorded during the third quarter of 2017.