

Immunovaccine Inc.

Unaudited Consolidated Financial Statements
March 31, 2011

June 22, 2011

NOTICE

Notice in accordance with National Instruments 51-102, Part 4, subsection 4.3 (3) (a).

The accompanying unaudited interim condensed consolidated financial statements of **Immunovaccine Inc.** (“Immunovaccine” or the “Company”) for the three months ended March 31, 2011 have been prepared by Management and approved by the Audit Committee of the Board of Directors of the Company.

These interim statements have not been reviewed by the external auditors of the Company.

June 22, 2011

Management's Responsibility for Financial Reporting

The accompanying unaudited interim condensed consolidated financial statements of Immunovaccine Inc. are the responsibility of management and have been approved by the Board of Directors. The unaudited interim condensed consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). The unaudited interim condensed consolidated financial statements include certain amounts and assumptions that are based on management's best estimates and have been derived with careful judgement.

In fulfilling its responsibilities, management has developed and maintains a system of internal accounting controls. These controls are designed to ensure that the financial records are reliable for preparation of the consolidated financial statements. The Audit Committee of the Board of Directors reviewed and approved the Company's unaudited interim condensed consolidated financial statements, and recommended their approval by the Board of Directors.

(signed) "*Randal Chase*"
President and Chief Executive Officer

(signed) "*Kimberly Stephens*"
Chief Financial Officer

Immunovaccine Inc.

Unaudited Consolidated Statements of Financial Position

As at March 31, 2011, December 31, 2010 and January 1, 2010

(Expressed in Canadian dollars)

	March 31, 2011 \$	December 31, 2010 \$	January 1, 2010 \$
Assets			
Current assets			
Cash and cash equivalents	9,299,043	10,413,047	7,777,303
Amounts receivable	596,056	469,990	595,436
Share subscription receivable	–	–	28,877
Prepaid expenses	270,703	288,068	183,441
Investment tax credits receivable	565,169	784,106	510,448
	<hr/>	<hr/>	<hr/>
	10,730,971	11,955,211	9,095,505
Intangible asset (note 4)	381,544	391,327	430,460
Property and equipment (note 4)	437,625	332,697	322,356
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	11,550,140	12,679,235	9,848,321
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	1,169,792	700,136	720,861
Amounts due to directors	41,896	81,705	–
Current portion of long-term debt (notes 4 and 5)	57,672	57,683	67,821
Deferred revenues	–	–	24,000
	<hr/>	<hr/>	<hr/>
	1,269,360	839,524	812,682
Long-term debt (notes 4 and 5)	639,069	573,876	462,761
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	1,908,429	1,413,400	1,275,443
Shareholders' equity	9,641,711	11,265,835	8,572,878
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	11,550,140	12,679,235	9,848,321
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The accompanying notes form an integral part of these financial statements.

Approved on behalf of the Board of Directors

(signed) "James W. Hall", Director

(signed) "William Cochrane", Director

Immunovaccine Inc.

Unaudited Consolidated Statements of Changes in Equity

For the periods ended March 31, 2011, December 31, 2010 and January 1, 2010

(Expressed in Canadian dollars)

	Share capital \$	Contributed Surplus \$	Warrants \$	Deficit \$	Total \$
Balance, January 1, 2010	18,730,299	718,848	136,672	(11,012,941)	8,572,878
Comprehensive loss for the period	–	–	–	(1,108,801)	(1,108,801)
Employee share options:					
Value of services recognized	–	346,704	–	–	346,704
Proceeds on issuing shares	81,250	(22,100)	–	–	59,150
Balance, March 31, 2010	18,811,549	1,043,452	136,672	(12,121,742)	7,869,931
Comprehensive loss for the period	–	–	–	(4,544,979)	(4,544,979)
Issuance of shares	5,171,992	–	–	–	5,171,992
Issuance of share capital in lieu of professional fees	9,000	9,000	–	–	18,000
Employee share options:					
Value of services recognized	–	638,854	–	–	638,854
Proceeds on issuing shares	280,214	(77,480)	–	–	202,734
Warrants exercised	455,573	–	(136,672)	–	318,901
Warrants granted	–	–	1,590,402	–	1,590,402
Balance, December 31, 2010	24,728,328	1,613,826	1,590,402	(16,666,721)	11,265,835
Comprehensive loss for the period	–	–	–	(1,878,101)	(1,878,101)
Issuance of share capital in lieu of professional fees	27,000	–	–	–	27,000
Employee share options:					
Value of services recognized	–	226,977	–	–	226,977
Balance, March 31, 2011	24,755,328	1,840,803	1,590,402	(18,544,822)	9,641,711

Immunovaccine Inc.

Unaudited Consolidated Statements of Loss and Comprehensive Loss For the three months ended March 31, 2011 and 2010

(Expressed in Canadian dollars)

	Three months ended March 31, 2011 \$	Three months ended March 31, 2010 \$
Revenue	—	58,105
Expenses		
General and administrative	342,081	482,605
Research and development	1,244,456	447,619
Business development	260,734	216,282
Interest	30,830	20,400
	<u>1,878,101</u>	<u>1,166,906</u>
Net loss and comprehensive loss for the period	<u>(1,878,101)</u>	<u>(1,108,801)</u>
Basic and diluted loss per share	<u>(0.03)</u>	<u>(0.02)</u>
Weighted-average shares outstanding	<u>53,964,676</u>	<u>45,294,148</u>

The accompanying notes form an integral part of these financial statements.

Immunovaccine Inc.

Unaudited Consolidated Statements of Cash Flows For the three months ended March 31, 2011 and 2010

(Expressed in Canadian dollars)

	Three months ended March 31, 2011 \$	Three months ended March 31, 2010 \$
Cash provided by (used in)		
Operating activities		
Net loss for the period	(1,878,101)	(1,108,801)
Charges to operations not involving cash		
Amortization of intangible asset	9,783	9,783
Depreciation of property and equipment	21,093	17,833
Accretion of long-term debt	30,830	20,400
Stock-based compensation	226,977	346,704
Shares issued for professional services	27,000	—
	<u>(1,562,418)</u>	<u>(714,081)</u>
Net change in non-cash working capital balances related to operations		
Decrease (increase) in amounts receivable	(126,066)	102,589
Decrease in share subscriptions receivable	—	28,877
Decrease (increase) in prepaid expenses	17,365	(179,761)
Decrease (increase) in investment tax credits receivable	218,937	(23,500)
Increase (decrease) in accounts payable and accrued liabilities	469,656	(150,704)
Decrease in amounts due to directors	(39,809)	—
Decrease in deferred revenues	—	(6,000)
	<u>(1,022,335)</u>	<u>(942,580)</u>
Financing activities		
Proceeds from long-term debt	44,030	7,893
Repayment of long-term debt	(9,678)	(9,678)
Proceeds from exercise of stock options	—	59,150
	<u>34,352</u>	<u>57,365</u>
Investing activities		
Acquisition of property and equipment	(126,021)	(26,115)
Net change in cash and cash equivalents during the period	<u>(1,114,004)</u>	<u>(911,330)</u>
Cash and cash equivalents – Beginning of period	<u>10,413,047</u>	<u>7,777,303</u>
Cash and cash equivalents – End of period	<u>9,299,043</u>	<u>6,865,973</u>
Cash and cash equivalents are comprised of the following:		
Cash on hand and balances with banks	330,772	1,331,598
Short-term investments	8,968,271	5,534,375
	<u>9,299,043</u>	<u>6,865,973</u>
Supplementary cash flow information		
Income taxes paid	—	—
Interest paid	—	—

The accompanying notes form an integral part of these financial statements.

Immunovaccine Inc.

Notes to the Unaudited Consolidated Financial Statements For the three months ended March 31, 2011

(Expressed in Canadian dollars)

1 Nature of operations

Immunovaccine Inc. (“Immunovaccine” or the “Company”) is, through its 100% owned subsidiary ImmunoVaccine Technologies Inc., a clinical stage biotechnology company dedicated to the development of premium vaccines for therapeutic cancer and infectious diseases. To date, the Company has not earned significant revenues and is considered to be a development stage enterprise. Immunovaccine has patented vaccine delivery and enhancement technologies trade named VacciMax® and DepoVax™ and has a number of early stage infectious disease and cancer vaccine product candidates. The Company also partners with other companies to help them develop human and animal vaccine candidates. Incorporated and domiciled in Halifax, Nova Scotia, the shares of Immunovaccine are listed on the TSX-Venture Exchange (“TSX-V”) with the symbol IMV. The address of its principal place of business is 1344 Summer Street, Suite 412, Halifax, Nova Scotia, Canada.

2 Basis of presentation and adoption of International Financial Reporting Standards (“IFRS”)

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”). In 2010, the CICA Handbook was revised to incorporate IFRS and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these unaudited interim condensed consolidated financial statements. In the financial statements, the term (“Canadian GAAP”) refers to Canadian GAAP before the adoption of IFRS.

These unaudited interim condensed consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, International Accounting Standards 34 “*Interim Financial Reporting*” and IFRS 1, “*First-time Adoption of International Financial Reporting Standards*”. Subject to certain transition elections disclosed in note 4, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 4 discloses the impact of the transition to IFRS on the Company's reported financial position, operating performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's annual audited consolidated financial statements for the year ended December 31, 2010.

The policies applied in these unaudited interim condensed consolidated financial statements are based on IFRS issued and outstanding as of June 22, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these unaudited interim condensed consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's Canadian GAAP annual audited consolidated financial statements for the year ended December 31, 2010. Note 4 discloses IFRS information for the year ended December 31, 2010 not provided in the 2010 annual audited consolidated financial statements.

Immunovaccine Inc.

Notes to the Unaudited Consolidated Financial Statements For the three months ended March 31, 2011

(Expressed in Canadian dollars)

3 Significant accounting policies, judgments and estimation uncertainty

The significant accounting policies used in the preparation of these unaudited interim condensed consolidated financial statements are described below.

Basis of measurement

The unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value, including interest-free government loans.

Consolidation

The financial statements of the Company consolidate the accounts of Immunovaccine Inc. and its subsidiaries. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Foreign currency translation

i) Functional and presentation currency

Items included in the unaudited interim condensed consolidated financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The unaudited interim condensed consolidated financial statements are presented in Canadian dollars, which is Immunovaccine Inc.'s functional currency.

ii) Transactions and balances

Foreign currency translation of monetary assets and liabilities denominated in currencies other than the Company's functional currency is converted at the rate of exchange in effect at the statement of financial position date. Income and expense items are translated at the rate of exchange in effect at the translation date. Translation gains or losses are included in determining income or loss for the period. Foreign exchange loss of \$2,200 for the three months ended March 31, 2011 (three months ended March 31, 2010-\$22,667) is included in general and administrative expenses.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks, and highly liquid temporary investments that are readily convertible to known amounts of cash.

Immunovaccine Inc.

Notes to the Unaudited Consolidated Financial Statements For the three months ended March 31, 2011

(Expressed in Canadian dollars)

3 Significant accounting policies, judgments and estimation uncertainty (continued)

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

The Company recognizes financial instruments based on their classification. Depending on the financial instruments' classification, changes in subsequent measurements are recognized in net loss or other comprehensive loss.

The Company has implemented the following classifications:

- Cash and cash equivalents and amounts receivable are classified as loans and receivables. After their initial fair value measurement, they are measured at amortized cost using the effective interest method; and
- Accounts payable and accrued liabilities, amounts due to directors and long-term debt are classified as other financial liabilities. After their initial fair value measurement, they are measured at amortized cost using the effective interest method.

Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss for financial assets carried at amortized cost. The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of loss during the period in which they are incurred.

Immunovaccine Inc.

Notes to the Unaudited Consolidated Financial Statements For the three months ended March 31, 2011

(Expressed in Canadian dollars)

3 Significant accounting policies, judgments and estimation uncertainty (continued)

Property and equipment (continued)

Depreciation of property and equipment is calculated using the declining-balance method at the following annual rates:

Computer equipment	30%
Furniture and fixtures	20%
Laboratory equipment	20%

Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the statement of loss.

Intangible assets

The intangible asset, consisting of a license with a finite life, is carried at its cost, net of accumulated amortization. Amortization is provided over its estimated useful life on a straight-line basis.

Impairment of non-financial assets

Property and equipment and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less the costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

Income tax

Income tax comprises current and deferred tax. Income tax is recognized in the statement of loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Immunovaccine Inc.

Notes to the Unaudited Consolidated Financial Statements For the three months ended March 31, 2011

(Expressed in Canadian dollars)

3 Significant accounting policies, judgments and estimation uncertainty (continued)

Income tax (continued)

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current.

Tax on income in interim periods is accrued using the tax rate that would be applicable to expected total annual earnings.

Research and development

All research costs are expensed in the period incurred. Development costs are expensed in the period incurred, unless they meet the criteria for capitalization, in which case they are capitalized and then amortized over the useful life. Development costs are written off when there is no longer an expectation of future benefits.

Revenue recognition

In general, revenues are recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount can be measured reliably. Revenues comprise the fair value of the consideration received or receivable for services in the ordinary course of the Company's activities.

Revenues related to research agreements are bound to milestone agreements and are recorded as the milestones are reached and upon customer acceptance. Under these agreements, the payments received in advance are recognized as deferred revenue in the statement of financial position and then, as revenue when milestones are reached and upon customer acceptance. Revenues from research agreements are recognized using the percentage-of-completion method.

The existing licensing agreements usually foresee one-time payment (upfront payment) and milestone payments. Revenues associated with those multiple-element arrangements are allocated to the various elements based on their relative fair value. The consideration received is allocated among the separate units based on each unit's fair value or using the residual method, and the applicable revenue recognition criteria are applied to each of the separate units.

License fees representing non-refundable payments received upon the execution of license agreements are recognized as revenue upon execution of the license agreements when the Company has no significant future performance obligations and collectability of the fees is assured. Upfront payments received at the beginning of licensing agreements are not recorded as revenue when received but are amortized based on the progress of the related research and development work. This progress is based on estimates of total expected time or duration to complete the work which is compared to the period of time incurred to date in order to arrive at an estimate of the percentage or revenue earned to date.

Immunovaccine Inc.

Notes to the Unaudited Consolidated Financial Statements For the three months ended March 31, 2011

(Expressed in Canadian dollars)

3 Significant accounting policies, judgments and estimation uncertainty (continued)

Deferred revenue

Revenue that has been paid for by customers but did not qualify for recognition at the end of the period, under the Company's policies, is reflected as deferred revenue.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

Loss per share

Basic loss per share ("LPS") is calculated by dividing the net loss for the period attributable to equity owners of the Company by the weighted average number of common shares outstanding during the period.

Diluted LPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method.

Stock-based compensation plan

The Company grants stock options to certain employees and non-employees. Stock options vest over 18 months (33 1/3% per six months) and expire after five years. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

Government assistance

Non-repayable government assistance is recorded in the period earned as a reduction in the related qualifying expenditure. During the three months ended March 31, 2011, the Company recorded \$147,036 of non-repayable government grants, from a number of government agencies, as a reduction in related research salaries (three months ended March 31, 2010 - \$582,594). At March 31, 2011, \$448,317 (December 31, 2010 - \$378,703) of government assistance is included in amounts receivable.

Research and development tax credits

Investment tax credits relating to scientific research and experimental development expenditures are recorded in the accounts in the fiscal period in which the qualifying expenditures are incurred provided there is reasonable assurance that the tax credits will be realized. Investment tax credits, in connection with research and development activities, are accounted for using the cost reduction method which recognizes the credits as a reduction of the cost of the related property and equipment or expenses.

Immunovaccine Inc.

Notes to the Unaudited Consolidated Financial Statements For the three months ended March 31, 2011

(Expressed in Canadian dollars)

3 Significant accounting policies, judgments and estimation uncertainty (continued)

Significant accounting judgments and estimation uncertainties

Critical accounting estimates and judgments

The Company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The following are the estimates and judgments applied by management that most significantly affect the Company's financial statements. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- i) Amounts recorded for amortization and impairment of property, equipment and intangibles which depend on estimates of net recoverable amounts based on expected economic lives and future cash flows from related assets;
- ii) Amounts recorded for investment tax credits which are calculated based on the expected eligibility and tax treatment of qualifying scientific research and experimental development expenditures recorded in the Company's financial statements;
- iii) Contingencies are accrued when it is probable that a liability for past events exists and the liability can be reasonably estimated. In determining whether a liability exists, the Company is required to make judgments as to the probability of a future event occurring;
- iv) Allocation of proceeds between common shares and warrants;
- v) Calculation of fair value of long-term debt. Refer to note 4(v)(i) for further detail;
- vi) Calculation of fair value of stock-based compensation; and
- vii) The fair value allocation of consideration for multiple element revenue arrangements.

4 Transition to IFRS

The Company transitioned to IFRS effective January 1, 2010 ("the transition date") and has prepared its opening IFRS statement of financial position as at that date. The actual adoption date of IFRS is January 1, 2011, the date from which the Company will present its annual and interim financial statements, including comparative information, in accordance with IFRS. Prior to the adoption of IFRS, the Company prepared its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). These unaudited interim condensed consolidated financial statements have been prepared in accordance with the policies referenced in note 3. The Company's financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS. The IFRS standards and IFRS Interpretations Committee interpretations that will be applicable at December 31, 2011, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim financial statements. Accordingly, the opening IFRS statement of financial position and the December 31, 2010 comparative statement of financial position in the consolidated financial statements for the year ending December 31, 2011 may differ from those presented at this time. Should this be the case, the Company will disclose the changes to the opening statement of financial position and comparative statement of financial position in the December 31, 2011 financial statements.

Immunovaccine Inc.

Notes to the Unaudited Consolidated Financial Statements For the three months ended March 31, 2011

(Expressed in Canadian dollars)

4 Transition to IFRS (continued)

The effect of the Company's transition to IFRS is summarized in this note as follows:

- i) Transition elections;
- ii) Reconciliation of equity and comprehensive loss as previously reported under Canadian GAAP to IFRS;
- iii) Explanatory notes of significant differences in accounting policies between Canadian GAAP and IFRS;
- iv) Adjustments to the statements of cash flows; and
- v) Additional IFRS information for the year ended December 31, 2010.

i) Transition elections

The Company's first financial statements are prepared under IAS 34 and IFRS 1, "First-time Adoption of IFRS". The Company has only applied the transition exemptions for share-based payments. In general, IFRS 2, "Share-based Payment", is to be applied to all grants of shares, options or other equity instruments made after November 7, 2002. The exemption under IFRS 1 allows first-time adopters to not apply IFRS 2 to equity instruments that were granted prior to November 7, 2002. It also allows the first-time adopter to not apply IFRS 2 to equity instruments granted after November 7, 2002 that vested before transition to IFRS. The Company has chosen to utilize this exemption.

ii) Reconciliation of equity and comprehensive loss as previously reported under Canadian GAAP to IFRS

Equity	Note 4 (iii)	December 31, 2010 \$	March 31, 2010 \$	January 1, 2010 \$
Equity as reported under Canadian GAAP		4,885,908	2,095,030	3,295,680
IFRS adjustment increase (decrease):				
Revaluation of investment tax credits receivable	a	(34,000)	(40,500)	(43,000)
Revaluation of long-term debt	b	6,413,927	5,815,401	5,320,198
Equity as reported under IFRS		11,265,835	7,869,931	8,572,878
Comprehensive loss	Note 4 (iii)		Year ended December 31, 2010 \$	Three months ended March 31, 2010 \$
As reported under Canadian GAAP			(6,503,069)	(1,497,760)
Increase (decrease) in net loss for:				
Revaluation of investment tax credits receivable	a		9,000	2,500
Revaluation of long-term debt	b		1,093,729	495,203
Stock-based compensation	c		(253,440)	(108,744)
As reported under IFRS			(5,653,780)	(1,108,801)

Immunovaccine Inc.

Notes to the Unaudited Consolidated Financial Statements For the three months ended March 31, 2011

(Expressed in Canadian dollars)

4 Transitions to IFRS (continued)

ii) Reconciliation of equity and comprehensive loss as previously reported under Canadian GAAP and IFRS

	Note	For the year ended December 31, 2010			For the three months ended March 31, 2010		
		Cdn GAAP	Adj	IFRS	Cdn GAAP	Adj	IFRS
Revenue	4(iii)	76,105	–	76,105	58,105	–	58,105
Expenses							
General and administrative	c	1,878,697	88,745	1,967,442	452,971	29,634	482,605
Research and development	a/b/c	3,672,249	(1,040,742)	2,631,507	896,956	(449,337)	447,619
Business development	c	1,028,228	21,108	1,049,336	205,938	10,344	216,282
Interest	b	–	81,600	81,600	–	20,400	20,400
		6,579,174	(849,289)	5,729,885	1,555,865	(388,959)	1,166,906
Net loss and comprehensive loss for the period		(6,503,069)	849,289	(5,653,780)	(1,497,760)	388,959	(1,108,801)
Basic and diluted loss per share		(0.14)		(0.12)	(0.03)		(0.02)
Weighted-average shares outstanding		47,789,397		47,789,397	45,294,148		45,294,148

iii) Explanatory notes of significant differences in accounting policies between Canadian GAAP and IFRS

- Under IFRS, the investment tax credits receivable must be measured at fair value. Under Canadian GAAP, these are measured at cost, however due to the length of time between recording the receivable and collection; the receivable must be adjusted to reflect the time value of money. The adjustment required a decrease to the investment tax credits receivable of \$43,000 at January 1, 2010 which was subsequently accreted to the statement of loss with a charge of \$2,500 for the three months ended March 31, 2010 and \$9,000 for the year ended December 31, 2010.
- Under IFRS, a government loan that has a 'below market rate of interest' should be measured at initial recognition at fair value, with any difference between the contribution received for the loan and the fair value amount accounted for as a government grant. These are subsequently measured at amortized cost using the effective interest rate.

The ACOA Atlantic Innovation Fund interest-free loan, with a maximum contribution of \$3,786,474, was recorded at \$243,000 at January 1, 2010, \$263,250 at March 31, 2010 and \$295,592 at December 31, 2010. Imputed interest on the loan is being accreted to the amounts repayable over the remaining term of the loan; \$20,250 of accreted interest was recorded for the three months ended March 31, 2010 and \$81,000 for the year ended December 31, 2010.

Immunovaccine Inc.

Notes to the Unaudited Consolidated Financial Statements For the three months ended March 31, 2011

(Expressed in Canadian dollars)

4 Transitions to IFRS (continued)

iii) Explanatory notes of significant differences in accounting policies between Canadian GAAP and IFRS (continued)

The ACOA Atlantic Innovation Fund interest-free loan, with a maximum contribution of \$3,000,000, was recorded at \$1,000 at January 1, 2010, \$1,150 at March 31, 2010 and \$1,600 at December 31, 2010. Imputed interest on the loan is being accreted to the amounts repayable over the remaining term of the loan; \$150 of accreted interest was recorded for the three months ended March 31, 2010 and \$600 for the year ended December 31, 2010.

- c) Under IFRS, the Company accrues the costs of employee stock options over the vesting period using the graded method of amortization rather than the straight-line method, which was the Company's policy under Canadian GAAP. To calculate the fair value of the stock options using the Black-Scholes valuation model, the Company also included forfeiture rate. Combined, this increased contributed surplus and the deficit at the date of transition by \$84,878, and increased stock-based compensation expense by \$193,662 for the three months ended March 31, 2010 and by \$338,318 for the year ended December 31, 2010.
- d) The following is a summary of transition adjustments to the Company's deficit from Canadian GAAP to IFRS:

	December 31, 2010 \$	March 31, 2010 \$	January 1, 2010 \$
Deficit as reported under Canadian GAAP	(22,708,330)	(17,703,021)	(16,205,261)
IFRS adjustment increase (decrease):			
Revaluation of investment tax credits	(34,000)	(40,500)	(43,000)
Revaluation of long-term debt	6,413,927	5,815,401	5,320,198
Amortization of employee stock options	(338,318)	(193,622)	(84,878)
	<u>6,041,609</u>	<u>5,581,279</u>	<u>5,192,320</u>
Deficit as reported under IFRS	<u>(16,666,721)</u>	<u>(12,121,742)</u>	<u>(11,012,941)</u>

iv) Adjustments to the statements of cash flows

The transition from Canadian GAAP to IFRS had no significant impact on the cash flows generated by the Company; however the effect of recording the long-term debt at fair value resulted in a change of presentation of the cash flows received. The difference between the contribution received for the loan and the fair value amount was accounted for as a government grant, and therefore reduced the net loss by \$388,959 and \$849,289 for the three months ended March 31, 2010 and year ended December 31, 2010, respectively. The Company also recorded accreted interest relating to the interest-free loans of \$20,400 and \$81,600, for the three months ended March 31, 2010 and year ended December 31, 2010, respectively, which were added back as non-cash items in the statements of cash flows.

Immunovaccine Inc.

Notes to the Unaudited Consolidated Financial Statements For the three months ended March 31, 2011

(Expressed in Canadian dollars)

4 Transitions to IFRS (continued)

v) Additional IFRS information for the year ended December 31, 2010

The following IFRS disclosures relating to the year ended December 31, 2010 are material to the understanding of the unaudited interim condensed consolidated financial statements.

i) Critical accounting estimates and judgements

The Company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The following are estimates and judgements not previously made under Canadian GAAP that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the 2011 financial year.

i. Fair value of long-term debt

On January 1, 2010, the Company decreased the carrying value of certain loans to their fair value. IFRS provides that a government loan that has a 'below market rate of interest' should be measured at initial recognition at the carrying value, with any difference between the contribution received and the carrying amount accounted for as a government grant. The Company's government loans from ACOA are interest-free and therefore have below market terms.

The Company's ACOA Atlantic Innovation Fund loans, which are interest-free, have repayment terms based on the Company's future revenue. The fair values of these loans were determined by forecasting the Company's future revenue, and then discounting back at an appropriate discount rate. The estimates and assumptions used in the valuation model were based on current information available to management and a degree of management's judgement. A change in management's assumptions used to forecast future revenue or a change in the discount rate, could have a significant impact on the fair value of these interest-free government loans.

ii) Compensation of key management

Key management includes the Company's Directors, the President and Chief Executive Officer, the Chief Operating Officer-Chief Science Officer, the former Chief Financial Officer and the former Vice President and Corporate Secretary. Compensation awarded to key management is summarized as follows:

	Year ended December 31, 2010
	\$
Salaries and other benefits	1,066,625
Stock-based compensation	433,836
RRSP matching contributions	18,090
	<hr/>
	1,518,551
	<hr/>

Immunovaccine Inc.

Notes to the Unaudited Consolidated Financial Statements For the three months ended March 31, 2011

(Expressed in Canadian dollars)

4 Transitions to IFRS (continued)

v) Additional IFRS information for the year ended December 31, 2010 (continued)

iii) Intangible asset

On July 9, 2009, the Company purchased an exclusive world-wide license for the use of certain patented antigens for \$446,765. These antigens are being used in the Company's therapeutic cancer vaccine candidate, DPX-0907. Under the terms of the license, the Company must pay certain royalties on commercial revenues generated through use of the antigens. As DPX-0907 has not yet reached commercial production, the license does not have an expiry date. The Company plans to use the antigens for the foreseeable future and is therefore amortizing the cost of the license over its expected useful life of 10.5 years, which is the remaining life of the underlying patents.

	License \$
At January 1, 2010	
Cost	446,765
Accumulated depreciation	(16,305)
Net book value	<u>430,460</u>
Year ended December 31, 2010	
Opening net book value	430,460
Depreciation for the period	(39,133)
Closing net book value	<u>391,327</u>
At January 1, 2011	
Cost	446,765
Accumulated depreciation	(55,438)
Net book value	<u>391,327</u>
Period ended March 31, 2011	
Opening net book value	391,327
Depreciation for the period	(9,783)
Closing net book value	<u>381,544</u>
At March 31, 2011	
Cost	446,765
Accumulated depreciation	(65,221)
Net book value	<u>381,544</u>

Immunovaccine Inc.

Notes to the Unaudited Consolidated Financial Statements For the three months ended March 31, 2011

(Expressed in Canadian dollars)

4 Transitions to IFRS (continued)

v) Additional IFRS information for the year ended December 31, 2010 (continued)

iv) Property and equipment

	Computer equipment \$	Furniture and equipment \$	Laboratory equipment \$	Total \$
At January 1, 2010				
Cost	110,390	44,287	519,378	674,055
Accumulated depreciation	(68,227)	(33,078)	(250,394)	(351,699)
Net book value	42,163	11,209	268,984	322,356
Year ended December 31, 2010				
Opening net book value	42,163	11,209	268,984	322,356
Additions	25,178	3,873	60,158	89,209
Depreciation for the period	(16,425)	(2,629)	(59,814)	(78,868)
Closing net book value	50,916	12,453	269,328	332,697
At January 1, 2011				
Cost	135,568	48,160	579,536	763,264
Accumulated depreciation	(84,652)	(35,707)	(310,208)	(430,567)
Net book value	50,916	12,453	269,328	332,697
Period ended March 31, 2011				
Opening net book value	50,916	12,453	269,328	332,697
Additions	2,736	28,108	95,177	126,021
Depreciation for the period	(3,921)	(1,325)	(15,847)	(21,093)
Closing net book value	49,731	39,236	348,658	437,625
At March 31, 2011				
Cost	138,304	76,268	674,712	889,284
Accumulated depreciation	(88,573)	(37,032)	(326,054)	(451,659)
Net book value	49,731	39,236	348,658	437,625

Immunovaccine Inc.

Notes to the Unaudited Consolidated Financial Statements For the three months ended March 31, 2011

(Expressed in Canadian dollars)

4 Transitions to IFRS (continued)

v) Additional IFRS information for the year ended December 31, 2010 (continued)

v) Long-term debt

	March 31, 2011	December 31, 2010
	\$	\$
Balance – Beginning of period	631,559	530,582
New debt	44,030	86,497
Accreted interest	30,830	81,600
Repayment of debt	(9,678)	(67,120)
	<hr/>	<hr/>
Balance – End of period	696,741	631,559
Less: Current portion	57,672	57,683
	<hr/>	<hr/>
Non-current portion	639,069	573,876
	<hr/>	<hr/>

vi) Expenses by nature

	Three months ended March 31, 2011	Three months ended March 31, 2010	Year ended December 31, 2010
	\$	\$	\$
Salaries, wages and benefits	417,874	463,092	1,834,262
Other research and development expenditures, including clinical costs	981,771	473,080	2,363,954
Professional and consulting fees	269,938	185,125	920,996
Office, rent and telecommunications	69,746	73,847	318,251
Insurance	17,834	11,839	77,904
Marketing, communications and investor relations	95,008	100,009	612,320
Amortization	9,783	9,783	39,133
Depreciation	21,093	17,833	78,868
Stock-based compensation	226,977	346,705	985,558
Accreted interest	30,800	20,400	81,600
Other	(2,687)	45,245	79,703
Research and development tax credits	(113,000)	(23,500)	(349,000)
Government assistance	(147,036)	(556,552)	(1,313,664)
	<hr/>	<hr/>	<hr/>
	1,878,101	1,166,906	5,729,885
	<hr/>	<hr/>	<hr/>

Immunovaccine Inc.

Notes to the Unaudited Consolidated Financial Statements For the three months ended March 31, 2011

(Expressed in Canadian dollars)

4 Transitions to IFRS (continued)

v) Additional IFRS information for the year ended December 31, 2010 (continued)

Reconciliation of total tax recovery

The effective rate on the Corporation's earnings before income tax differs from the expected amount that would arise using the statutory income tax rates. A reconciliation of the difference is as follows:

	Three months ended March 31,	
	2011	2010
	\$	\$
Loss before income taxes	(1,878,101)	(1,108,801)
Income tax rate	32.5%	34.0%
Income tax recovery at statutory rate	(610,000)	(377,000)
Effect on income taxes of:		
Non-deductible stock-based compensation	74,000	118,000
Non-deductible accretion of long-term debt	10,000	7,000
Unrecognized deductible temporary difference and carry forward amounts	527,000	253,000
Other non-deductible expenses	(1,000)	(1,000)
Income tax expenses	—	—

Deferred tax

The significant components of the Company's deferred income are as follows:

	March 31, 2011	December 31, 2010	January 1, 2010
	\$	\$	\$
Deferred income tax liabilities:			
Property and equipment	(6,000)	(23,000)	(32,000)
Deferred income tax assets:			
Deductible share issues costs	6,000	23,000	32,000
Net deferred income tax liability	—	—	—

The following reflects the balance of temporary differences and carry forward amounts for which no deferred income tax asset has been recognized:

	March 31, 2011	December 31, 2010	January 1, 2010
	\$	\$	\$
Non-capital losses	11,820,000	10,580,000	7,020,000
Scientific and experimental development expenditures	2,940,000	2,570,000	1,700,000
Investment tax credits	636,000	520,000	170,000
Deductible share issue costs	1,017,647	1,094,118	617,143

Immunovaccine Inc.

Notes to the Unaudited Consolidated Financial Statements For the three months ended March 31, 2011

(Expressed in Canadian dollars)

5 Long-term debt

	March 31, 2011 \$	December 31, 2010 \$	January 1, 2010 \$
Atlantic Canada Opportunities Agency (“ACOA”) Atlantic Innovation Fund interest-free loan with a maximum contribution of \$3,786,474. Annual repayments, commencing December 1, 2008, are calculated as a percentage of gross revenue for the preceding fiscal year, at 2% when gross revenues are less than \$5,000,000 and 10% when gross revenues are greater than \$5,000,000	324,092	295,592	243,000
ACOA Marketing interest-free loan, repayable in 60 equal monthly payments of \$3,226 beginning November 1, 2008	95,787	109,679	148,392
ACOA Atlantic Innovation Fund interest-free loan with a maximum contribution of \$3,000,000. Annual repayments, commencing December 1, 2011, are calculated as a percentage of gross revenue from specific product(s), 5% for the first 5-year period and 10%, thereafter	1,800	1,600	1,000
ACOA Business Development Program interest-free loan with a maximum contribution of \$245,625, repayable in 72 equal monthly payments of \$3,411 beginning September 1, 2011	211,127	224,688	138,190
ACOA Business Development Program interest-free loan with a maximum contribution of \$75,000, repayable in monthly payments beginning October 1, 2011 of \$500 until April 2012, \$1,000 until April 2013, \$1,500 until April 2014, \$2,000 until April 2015 and \$3,333 until August 2015	63,935	–	–
	<u>696,741</u>	<u>631,559</u>	<u>530,582</u>
Less: Current portion	<u>57,672</u>	<u>57,683</u>	<u>67,821</u>
	<u>639,069</u>	<u>573,876</u>	<u>462,761</u>

Certain ACOA loans require approval by ACOA before the Company can pay management fees, bonuses, dividends or other distributions.

Immunovaccine Inc.

Notes to the Unaudited Consolidated Financial Statements For the three months ended March 31, 2011

(Expressed in Canadian dollars)

6 Capital stock

Authorized

Unlimited number of common shares and preferred shares, issuable in series, all without par value.

	Number of common shares	Amount \$
Issued and outstanding		
Balance – January 1, 2010	45,222,395	18,730,299
Stock options exercised	170,750	81,250
Balance – March 31, 2010	45,393,145	18,811,549
Issued for cash consideration	7,465,100	5,171,992
Issued in lieu of professional fees	11,689	9,000
Stock options exercised	616,371	280,214
Warrants exercised	455,573	455,573
Balance – December 31, 2010	53,941,878	24,728,328
Issued in lieu of professional fees	33,956	27,000
Balance – March 31, 2011	53,975,834	24,755,328

On September 16, 2010, the Company completed a public offering of 7,465,100 units at a price of \$1.00 per unit for aggregate gross proceeds of \$7,465,100. Each unit consisted of one common share and one-half of one common share purchase warrant, with each whole warrant entitling the holder to acquire one common share of the Company at an exercise price of \$1.30 for a period of three years, expiring on September 16, 2013. The value allocated to the common shares issued was \$5,852,638 and the value allocated to the warrants was \$1,612,462. Total costs associated with the offering were \$868,758, including cash costs for commissions, professional fees and regulatory costs of \$702,706, and 405,006 compensation options issued as commissions to the agents valued at \$166,052. Each compensation option entitles the holder to acquire one common share of the Company at an exercise price of \$1.00 for a period of two years, expiring on September 14, 2012. The Company has allocated \$680,646 of the issue costs to the common shares and \$188,112 of the issue costs to the warrants.

In November 2010, the Company entered into a consulting agreement with S.P.Angel Corporate Finance LLP (“S.P.Angel”), to act as corporate finance and European capital markets consultant and advisor. In consideration for the services rendered by S.P.Angel under the consulting agreement, the Company has agreed to pay to S.P.Angel a monthly fee of \$9,000, payable by issuance of common shares. The number of common shares to be issued to S.P.Angel in payment of the monthly fees is determined by dividing the amount of the monthly fees by the volume-weighted average price of the common shares of the Company during the last five trading days of the relevant month. As at March 31, 2011, the Company has issued 45,645 shares for services performed in the four month period November 2010 through to March 2011, and 11,250 shares were released on April 1, 2011 for services provided in March 2011.

As at March 31, 2011, a total of 7,704,706 shares (March 31, 2010 – 3,887,260) are reserved to meet outstanding stock options and warrants.

Immunovaccine Inc.

Notes to the Unaudited Consolidated Financial Statements For the three months ended March 31, 2011

(Expressed in Canadian dollars)

7 Contributed surplus

	Amount \$
Contributed surplus	
Balance – January 1, 2010	718,848
Share-based compensation – stock options vested	985,558
Share-based compensation – stock options exercised	(99,580)
Shares issued in lieu of professional fees (note 6)	9,000
	<hr/>
Balance – December 31, 2010	1,613,826
Share-based compensation – stock options vested	226,977
	<hr/>
Balance – March 31, 2011	1,840,803
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Stock options

The Board of Directors of the Company has established a stock option plan (the "Plan") under which options to acquire common shares of the Company are granted to directors, employees and other advisors of the Company. The maximum number of common shares issuable under the Plan shall not exceed 4,500,000, inclusive of all shares presently reserved for issuance pursuant to previously granted stock options. The total number of options awarded to all consultants for the Company shall not exceed 5% of the issued and outstanding common shares of the Company at the award date. If any option expires or otherwise terminates for any reason without having been exercised in full, or if any option is exercised in whole or in part, the number of shares in respect of which option expired, terminated or was exercised shall again be available for the purposes of the Plan.

Stock options are granted with an exercise price determined by the Board of Directors, which is not less than the market price of the shares on the day preceding the award. The term of the option is determined by the Board of Directors, not to exceed ten years from the date of grant. The vesting of the options is determined by the Board and is typically 33 1/3% every six months after the date of grant.

In the event that the option holder should die while he or she is still a director, employee or other advisor of the Company, the expiry date shall be 12 months from the date of death of the option holder, not to exceed the original expiry date of the option. In the event that the option holder ceases to be a director, employee or other advisor, of the Company other than by reason of death, the expiry date of the option shall be the 90th day following the date the option holder ceases to be a director, employee or other advisor of the Company, not to exceed the original expiry date of the option.

The fair values of stock options are estimated using the Black-Scholes option pricing model. There were no stock options granted during the three months ended March 31, 2011. The weighted average assumptions used in the pricing model for stock options granted during the year ended December 31, 2010 are as follows:

Risk-free interest rate	2.23%
Expected volatility	95%
Expected dividend yield	–
Expected life (years)	4.29

Immunovaccine Inc.

Notes to the Unaudited Consolidated Financial Statements For the three months ended March 31, 2011

(Expressed in Canadian dollars)

7 Contributed surplus (continued)

Stock options (continued)

Option activity for the three months ended March 31, 2011 and the year ended December 31, 2010 was as follows:

	March 31, 2011		December 31, 2010	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding, beginning of period	3,817,150	0.97	3,518,687	0.81
Granted	—	—	1,286,500	1.04
Exercised	—	—	(787,121)	0.33
Forfeited	(250,000)	1.21	(200,916)	1.14
Outstanding, end of period	<u>3,567,150</u>	0.96	<u>3,817,150</u>	0.97

8 Related party transaction

During the three months ended March 31, 2011, the Company carried out the following transaction which was incurred during the normal course of operations with a related party; the Company was charged \$18,000 (three months ended March 31, 2010 - \$12,000) for business development consulting fees by a non-executive director.

9 Capital management

The Company manages its capital to attempt to maximize the return to shareholders through the optimization of a reasonable debt and equity balance commensurate with current operating requirements. The capital structure consists of debt, cash and cash equivalents and shareholders' equity. The Company raises capital, as necessary, to meet its needs and, therefore, does not have a numeric target for its capital structure.

	March 31, 2011	December 31, 2010	January 1, 2010
	\$	\$	\$
Total debt	696,741	631,559	530,582
Less: Cash and cash equivalents	<u>(9,299,043)</u>	<u>(10,413,047)</u>	<u>(7,777,303)</u>
Net debt	(8,602,302)	(9,781,488)	(7,246,721)
Shareholders' equity	<u>9,641,711</u>	<u>11,265,835</u>	<u>8,572,878</u>
Total capital	<u>1,039,409</u>	<u>1,484,347</u>	<u>1,326,157</u>

The Company is in compliance with its debt covenant.

Immunovaccine Inc.

Notes to the Unaudited Consolidated Financial Statements For the three months ended March 31, 2011

(Expressed in Canadian dollars)

10 Financial instruments

Fair value of financial instruments

Financial instruments are defined as a contractual right on obligation to receive or deliver cash on another financial asset. The following table sets out the approximate fair values of financial instruments as at the balance sheet date with relevant comparatives:

	March 31, 2011		December 31, 2010		January 1, 2010	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	9,299,043	9,299,043	10,413,047	10,413,047	7,777,303	7,777,303
Amounts receivable	455,502	455,502	379,539	379,539	400,437	400,437
Accounts payable and accrued liabilities	1,169,792	1,169,792	700,136	700,136	720,861	720,861
Amounts due to directors	41,896	41,896	81,705	81,705	–	–

Assets and liabilities, such as commodity taxes, that are not contractual and that arise as a result of statutory requirements imposed by governments, do not meet the definition of financial assets or financial liabilities and are therefore excluded from amounts receivable.

Fair value of items, which are short-term in nature, have been deemed to approximate their carrying value. The above noted fair values, presented for information only, reflect conditions that existed only at March 31, 2011 and December 31, 2010 and do not necessarily reflect future value or amounts which the Company might receive if it were to sell some or all of its assets to a willing buyer in a free and open market.

Risk management

The Company, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: interest rate risk; credit risk; liquidity risk; and currency risk. Management is responsible for setting acceptable levels of risk and reviewing risk management activities as necessary.

a) Interest rate risk

The Company has no exposure to interest rate risk on its lending and borrowing activities. All outstanding debt as at March 31, 2011 and December 31, 2010 is interest free, with the vast majority only becoming repayable when revenues are earned. The remaining portion is repayable over either 60 or 72 month periods, resulting in required principal debt payments in fiscal 2011 of \$57,683.

b) Credit risk

The Company invests excess cash in highly liquid temporary investments of Schedule 1 Banks. The credit risk of cash and cash equivalents is limited because the counter-parties are banks with high credit-ratings assigned by international credit-rating agencies.

Immunovaccine Inc.

Notes to the Unaudited Consolidated Financial Statements For the three months ended March 31, 2011

(Expressed in Canadian dollars)

10 Financial instruments (continued)

Risk management (continued)

b) Credit risk (continued)

The total of amounts receivable disclosed in the statement of financial position as at March 31, 2011 of \$596,056 (December 31, 2010 - \$469,990) is comprised mainly of current period advances due to the Company under the ACOA Atlantic Innovation Fund program, as well as sales taxes recoverable. If required, the balance is shown net of allowances for bad debts, estimated by management based on prior experience and their assessment of the current economic environment. Historically, there have been no collection issues and the Company does not believe it is subject to any significant concentration of credit risk.

c) Liquidity risk

Liquidity risk represents the possibility that the Company may not be able to gather sufficient cash resources, when required and under reasonable conditions, to meet its financial obligations. At March 31, 2011, the Company had sufficient cash and cash equivalents to meet all of its continual liabilities for the next twelve months.

While the Company has \$9,299,043 in cash and cash equivalents at March 31, 2011, it continues to have an ongoing need for substantial capital resources to research and develop, commercialize and manufacture its products and technologies. The Company is currently not yet receiving a significant ongoing revenue stream from its animal health license agreements, nor can it be certain that it will receive significant revenue from these agreements before additional cash is required. As a result, there can be no assurance that the Company will have sufficient capital to fund its ongoing operations, develop or commercialize any of its products without future financing.

The following table outlines the contractual maturities for the Company's financial liabilities. The long-term debt is comprised of the contributions received described in Note 5, less amounts that have been repaid as at March 31, 2011:

	Total \$	Less than 1 year \$	1 to 3 years \$	4 to 5 years \$	After 5 years \$
Long-term debt	7,140,122	69,000	209,051	111,018	6,751,053
Operating leases	543,057	193,883	242,223	106,950	–
	<u>7,683,179</u>	<u>262,883</u>	<u>451,274</u>	<u>217,968</u>	<u>6,751,053</u>

d) Currency risk

The Company incurs some revenue and expenses in U.S. dollars, and as such, is subject to some fluctuations as a result of foreign exchange rate variation. The Company does not have in place any tools to manage its foreign exchange risk, as these U.S. dollars transactions are not significant to overall operations.

Immunovaccine Inc.

Notes to the Unaudited Consolidated Financial Statements For the three months ended March 31, 2011

(Expressed in Canadian dollars)

11 Projects under development

DPX-0907

DPX-0907 combines the Company's DepoVax™ delivery technology with seven HLA-A2-restricted cancer specific antigens licensed from Immunotope. The vaccine is designed with specific antigens believed to be involved in critical tumor cell processes and is expected to kill tumor cells without injury to normal healthy cells. The Company commenced their Phase I clinical trial in March 2010.

DPX-Survivac

DPX-Survivac uses Survivin-based antigens, in-licensed from Merck KGaA on a worldwide exclusive basis, and formulated in the DepoVax™ vaccine delivery platform. Survivin is a major tumor-associated antigen over-expressed in ovarian cancer cells, making it a viable target for immunotherapy. DepoVax™ will deliver the Survivin-based antigens in a lipid-depot format designed to generate a strong and prolonged immune response. The Company began pre-clinical work on this project in October 2010.

	Three months ended March 31, 2011	Three months ended March 31, 2010	Cumulative since inception
DPX - 0907	\$	\$	\$
Research costs expensed	576,789	333,690	3,276,161

	Three months ended March 31, 2011	Three months ended March 31, 2010	Cumulative since inception
DPX - Survivac	\$	\$	\$
Research costs expensed	408,904	—	782,713