Management's Report on Financial Position and Operating Results

For the three months ended March 31, 2011

MANAGEMENT DISCUSSION AND ANALYSIS ("MD&A")

The following analysis provides a review of the unaudited interim condensed consolidated results of operations, financial condition and cash flows for the three month period ended March 31, 2011 ("Q1 Fiscal 2011"), with information compared to the three month period ended March 31, 2010 for Immunovaccine Inc. ("Immunovaccine" or the "Company"). This analysis should also be read in conjunction with the information contained in the audited consolidated financial statements and related notes for the year ended December 31, 2010 and the nine month period ended December 31, 2009.

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 required 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, and the term "GAAP" or "IFRS" refers to generally accepted accounting principles in Canada after 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 Standard 34 *"Interim Financial Reporting"* and IFRS 1, *"First-time Adoption of International Financial Reporting Standards"*. Subject to certain transition elections disclosed in the unaudited interim condensed consolidated financial statements, 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.

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.

Additional information regarding the business of the Company, including the Annual Information Form, is available on SEDAR at www.sedar.com.

Amounts presented in this MD&A are approximate and have been rounded to the nearest thousand except for per share data. All amounts are presented in Canadian dollars.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements, which reflect Management's expectations regarding the Company's growth, results of operations, performance and business prospects and opportunities. Statements about the Company's future plans, intentions, results, levels of activity, performance, goals, achievements or other future events constitute forward-looking statements. Wherever possible, words such as "may," "will," "should," "could," "expect," "plan," "intend," "anticipate," "believe," "estimate," "predict," "potential" or the negative or other variations of these words, or other similar words or phrases, have been used to identify these forward-looking statements.

Forward-looking statements involve significant risk, uncertainties and assumptions. Many factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-

looking statements. These factors should be considered carefully and readers should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this MD&A are based upon what Management believes to be reasonable assumptions, the Company cannot assure readers that actual results will be consistent with these forward-looking statements.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about: (i) general business and economic conditions; (ii) the Company's ability to successfully develop new products; (iii) positive results of pre-clinical and clinical tests; (iv) the availability of financing on reasonable terms; (v) the Company's ability to attract and retain skilled staff; (vi) market competition; (vii) the products and technology offered by the Company's competitors; (viii) the Company's ability to protect patents and proprietary rights; (ix) the Company's ability to manufacture its products and to meet demand; and (x) regulatory approvals.

These statements reflect Management's current beliefs and are based on information currently available to Management. The information contained herein is dated as of June 22, 2011, the date of the Board's approval of the MD&A and the Q1 Fiscal 2011 financial statements. A more detailed assessment of the risks that could cause actual results to materially differ from current expectations is contained in the section entitled "Risk Assessment" of this MD&A.

COMPANY OVERVIEW

Immunovaccine is a clinical stage vaccine development company focused on the commercialization of its patented DepoVax™ vaccine delivery technology and related vaccine product candidates. The Company is currently developing vaccine product candidates for both therapeutic cancer indications and infectious diseases. The first vaccine candidate, DPX-0907, a therapeutic cancer vaccine targeting breast, ovarian and prostate cancers, is the furthest developed. The Company recently announced final results of its multi-site Phase I human clinical trial for DPX-0907 in the United States ("U.S."). The results, which were released on June 1, 2011, demonstrated that DPX-0907 is generally well tolerated by all patients and is considered safe, with no serious vaccine-related adverse events. Also, results showed that DPX-0907 could generate an immune response specific to the cancer antigens contained in the vaccine.

EMD 640744 ("DPX-Survivac"), in-licensed from Merck KGaA ("Merck KGaA") on July 12, 2010, is the Company's latest therapeutic cancer vaccine and is being developed for clinical testing in patients diagnosed with ovarian cancer. The Company has also completed proof of concept pre-clinical studies in infectious disease applications such as single-dose DepoVax™ platform-based pandemic influenza, hepatitis B and Pseudomonas vaccine candidates. The Company continues to strengthen its vaccine pipeline through licensing and strategic partnerships to develop therapeutic cancer and infectious disease vaccines.

Based in Halifax, Nova Scotia, the Company has 22 full-time and part-time employees and five part-time consultants. Being involved in a scientific and technical business, the Company requires staff with significant education, training and scientific knowledge that cannot be easily recruited or replaced. As a result, the Company recruits talented expertise locally, nationally and internationally. In addition to the core team, the Company has also assembled a Scientific Advisory Board ("SAB") of experienced and internationally recognized scientific advisors to assist Management in dealing with industry-related issues and how these issues may affect the Company's scientific research and product development. The common shares of the Company are listed on the TSX-Venture Exchange ("TSX-V") under the symbol "IMV" (see www.sedar.com).

DEVELOPMENT AND STRATEGY

Development

The Company commenced operations in 2000, based on animal health research pioneered at Dalhousie University in Halifax, Nova Scotia, when it was contracted by the Department of Fisheries and Oceans (Canada) to develop a contraceptive vaccine to control the seal population. The Company was able to develop an effective vaccine delivery system so that 90% of seals, 10 years after vaccination, were still contracepted after a single dose.

From 2000 to 2004, the Company concentrated its research efforts on animal contraception for both wildlife and companion animals, while entering into discussions with CSL Animal Health, a division of CSL Limited, which was subsequently acquired by Pfizer Animal Health. In 2004 and continuing through 2008, the Company began establishing its VacciMax® platform for various human applications, while simultaneously developing a scalable manufacturing process for the VacciMax® platform.

The Company continued its research and, in 2008, developed a lipid depot-based vaccine delivery and enhancement technology called the DepoVax™ platform, an improvement on the Company's original VacciMax® platform. The patented DepoVax™ platform is a combination of antigens and immune enhancers formulated in liposomes, and then in oil. The DepoVax™ platform creates a "depot effect" that prolongs the immune system's exposure to the vaccine, resulting in rapid, potent and long-lasting cellular and/or humoral immune responses, which allows for the creation of effective, single-dose vaccines.

The DepoVax™ platform is easy to use, chemically stable, scalable and has broad applications for cancer and infectious diseases. The Company has also tested the platform with several commercial vaccines and other vaccines currently under development such as H5N1 pandemic influenza, hepatitis B, acellular pertussis (whooping cough), anthrax, meningitis, and melioidosis. In all cases, the pre-clinical studies in animals, demonstrated significantly higher immune responses after a single dose with the DepoVax™ platform when compared to two or three doses of a control vaccine or other commercially available vaccines.

Strategy

Central to the Company's strategy is the ability to leverage the patented DepoVax™ platform across multiple business models and markets at the same time. Therefore, unlike many early stage biotechnology companies, in the medium- to long-term, the Company is not reliant on one product for its success. The Company has identified, and is pursuing, a far more robust and diverse strategy across a number of markets, which the Company believes will effectively give it the ability to concurrently pursue many product opportunities in the future.

Acknowledging the larger potential of the human pharmaceutical market, the Company is now focused on developing new vaccines using the DepoVax™ platform to protect and promote human health. While the Company's technology has just recently begun clinical testing in humans, it has characteristics of being at a later stage, as the DepoVax™ delivery platform for human health applications has already been evaluated in not just one, but a wide variety of pre-clinical therapeutic cancer and infectious disease indications.

As the Company has made a strategic decision to focus on the broader human health market, Immunovaccine has adopted a three pronged business strategy: i) develop Company controlled vaccine products ii) partner out the DepoVax™ vaccine platform to other companies to improve their vaccines; and iii) in the medium- to long-term, use revenues from animal health to fund human health research and development.

Development of in-house vaccines - The Company is focusing its in-house research and development on developing a vaccine pipeline of therapeutic cancer and infectious disease products. Recently, the Company released final results of its Phase I clinical trial of DPX-0907, a therapeutic vaccine to treat ovarian, breast and prostate cancers. The results of the Phase I trial of DPX-0907 has significantly accelerated the Company's advancement towards a Phase I clinical trial of DPX-Survivac, an investigational therapeutic survivin-based vaccine, recently in-licensed from Merck KGaA. While this vaccine has the potential to target nine different solid and blood cancers, the Company has chosen to focus the first Phase I clinical trial of DPX-Survivac on ovarian cancer. The Company is also evaluating a Pseudomonas aeruginosa ("Pseudomonas") vaccine, which is currently in the discovery stage. Pseudomonas is a hospital-acquired infection and there are no vaccines for Pseudomonas on the market today.

Vaccine improvement - The Company intends to license the DepoVax™ technology to human health companies for certain indications and has already negotiated and signed a number of research collaboration agreements which allow other companies to apply the DepoVax™ platform to their vaccine products in development. The existing research partnership agreements include advancing a variety of vaccines such as seasonal and pandemic influenza, anti-anthrax vaccines, therapeutic cancer vaccines and vaccines for HIV and malaria.

Animal health - The Corporation's initial research was focused on animal health and its positive results enabled the Corporation to initiate discussions with Pfizer Animal Health ("Pfizer"). In 2008, Pfizer licensed the Corporation's patented delivery system to develop vaccines for two indications to prevent infectious diseases in livestock. Pfizer's evaluation and acceptance of the Corporation's technology was an important step in validating the technology and provided its first revenues in January 2008. In November 2009, Pfizer signed a license agreement for the use of the Corporation's delivery technology for all cattle vaccines. Most recently, in 2010, Pfizer exercised a licensing option on the Corporation's delivery platform to develop a third livestock vaccine. In the medium- to long-term, the Corporation intends to pursue additional licensing and revenue opportunities within the animal health market to help fund the Corporation's research and development of human health vaccine candidates.

Business model and nature of expenses

As an early stage biotechnology company, Immunovaccine will primarily focus its limited resources on research and development activities up to and including Phase II clinical trials of potential vaccine candidates. The Company intends to partner with other companies to manufacture, commercialize, market and sell the Company's vaccine candidates.

The Company's ongoing research and development expenses ("R&D") are comprised primarily of salaries and benefits, consulting fees for various research services and expertise, third party animal care costs, peptides and other lab chemicals and supplies, lab rent, utilities and office costs, as well as travel, conferences and training. R&D expenses also include costs associated with completing the DPX-0907 Phase I clinical trial, the pre-clinical Phase I/II development plan for DPX-Survivac, and the continued development of other potential vaccine candidates.

Business development costs ("BD") are comprised primarily of salaries and benefits, marketing and communications expenses, ongoing travel, road show and conference fees, advertising and promotions expenses, as well as the cost of services provided by outside investor relations and public relations firms. BD costs also include direct costs incurred, including legal and consulting fees, to help build and advance the Company's pipeline of pre-clinical vaccine candidates across all three components of the Company's business strategy.

General and administration ("G&A") expenses are comprised primarily of salaries and benefits, including consulting fees, professional fees related to legal expenses, patents, audit and taxation, rent and office expenses, fees paid to the Board of Directors, regulatory fees and share transfer agent fees, insurance, training, travel and conference fees, amortization of office equipment, as well as other operating expenses.

Manufacturing

The Company has completed the scale-up and manufacturing method development for the DepoVax™ platform which it expects to be applicable to all of the Company's subsequent human health vaccine candidates. The Company has purchased dedicated equipment which, along with the Company's scale-up and manufacturing methods, has been contracted out to an approved Good Manufacturing Practices ("GMP") fill and finish facility. In 2009, the Company manufactured commercial scale vaccine batches, including 50 litres (200,000 doses) of a hepatitis B vaccine. This accomplishment is important because historically, large-scale production of liposomes has been an industry challenge.

In 2009, the manufacturing and lyophilisation processes were established and delivered to a GMP fill and finish facility. During the first quarter of Fiscal 2010, a clinical batch of the DPX-0907 vaccine was successfully produced and was used in a multicentre Phase I clinical trial in the US. In November 2010, the Company successfully manufactured test batches of DPX-Survivac and established the analytical methods to support the release of future clinical trial batches. In ongoing stability studies, the Company established that the DPX-0907 vaccine can be stored for greater than two years.

PRODUCTS IN DEVELOPMENT

The Company's first human health vaccine candidate is a therapeutic cancer vaccine called DPX-0907 which targets ovarian, breast and prostate cancer. The Company received clearance in December 2009 from the U.S Food and Drug Administration ("FDA") to proceed with a Phase I clinical trial for its therapeutic cancer vaccine DPX-0907.

The Company commenced recruitment for its Phase I clinical trial starting March 29, 2010, and injected the first patient on April 9, 2010. The Company released preliminary safety results for its Phase I clinical trial in December 2010, in which 21 patients had been vaccinated with DPX-0907. The Company completed enrolment of the Phase I clinical trial in February 2011. Interim safety analysis presented at the American Association of Cancer Research ("AACR") annual meeting in Orlando, FL in April 2011, reported that the most common adverse events were grade 1 and 2 injection site reactions. A grade 3 local site reaction was reported after repeat injections of 1 ml of vaccine. Such local site reactions are expected and the severity of the injection site reactions were related to the volume of vaccine administered. The vaccine, therefore, is considered safe at both dose levels (0.25 ml and 1 ml) tested. The Company announced positive interim immunogenicity results of DPX-0907 in April 2011, which showed that the DPX-0907 therapeutic cancer vaccine candidate elicited an antigen specific immune response, regardless of the dose delivered, in patients with breast, ovarian and prostate cancer, with the highest responder rate in patients with ovarian cancer. Final results of the Phase I clinical trial for DPX-0907 were released June 1, 2011, confirming the interim safety and immunogenicity results.

DPX-0907 combines seven essential peptide antigens with the Company's DepoVax™ platform. The combination of the potent delivery technology and validated antigens will reduce risk and greatly enhance Immunovaccine's probability of developing a successful therapeutic cancer vaccine. The vaccine is designed with specificity to antigens believed to be involved in critical tumor cell processes, and is expected to kill tumor cells without injury to normal, healthy cells. Successful initiation and completion of Phase I, II and III clinical trials for DPX-0907, as well as approval from global regulatory bodies, all represent future, and therefore uncertain, events that could have a significant impact on the Company's business.

In addition, the Company is conducting pre-clinical research studies on DPX-Survivac, expected to lead to a Phase I clinical trial. DPX-Survivac uses Survivin-based antigens, in-licensed from Merck KGaA on a world-wide exclusive basis, and formulated in the DepoVax™ vaccine delivery platform. Survivin is a major tumor-associated antigen over-expressed in several cancers including ovarian cancer cells, making it a viable target for immunotherapy. The DepoVax™ platform will deliver the Survivin-based antigens in a lipid depot-based format designed to generate a strong and prolonged immune response. The results from the Phase I clinical trial of DPX-0907, as well as safety results from Merck KGaA's Phase I clinical trial on Survivin, have enabled the Company to accelerate the pre-clinical research and development of DPX-Survivac, allowing the Company to file an Investigational New Drug ("IND") application with the ("FDA") for DPX-Survivac months ahead of schedule. The Company received clearance on June 17, 2011 to proceed with a Phase I/II clinical trial for DPX-Survivac. The Company plans to initiate the Phase I clinical trial in the last quarter of 2011. The IND application allows Immunovaccine to proceed into a Phase II clinical trial, if warranted, without the need of an additional FDA filing.

The Company is also conducting studies for single-dose infectious disease vaccines, such as pandemic influenza, and Pseudomonas aeruginosa. Single-dose products for these indications do not exist today but would be beneficial. The Company will continue to investigate opportunities to partner with other companies to develop potential DepoVax™ vaccines for markets such as biodefense, hepatitis B and pandemic influenza.

The Company intends to continue to pursue additional opportunities to generate revenues by licensing its technology for additional animal health care applications.

MARKET OVERVIEW

Vaccines are one of the fastest growing segments of the pharmaceutical industry, and the Company's market for its products is world-wide. According to industry sources, the global market has been growing, with revenues reaching approximately US$27 billion in 2009 and is expected to continue this rise to US$46.5 billion by 2014. Therapeutic cancer vaccines, along with development of new infectious disease vaccines, are expected to drive the growth of the vaccine industry in the early 21st century. Overall, cancer vaccines are expected to account for nearly 27% of the total vaccine revenues by 2012. Currently, there are five manufacturers that dominate revenue generation in the human vaccine market: Merck, GlaxoSmithKline ("GSK"), Novartis, Sanofi Pasteur ("Sanofi") and Pfizer, through its acquisition of Wyeth. The increased revenue potential for vaccines is in part due to the improved pricing for vaccine products. For example, the Gardasil vaccine is currently selling for approximately US$160 per dose for three doses. This represents an improvement of what used to be a fundamental economics problem within the vaccine industry.

Vaccines are not easily replaced by generic substitutes and are therefore more likely to assure a long-term income stream. Vaccines also have the potential to reduce hospital stays and drug costs, and are positively viewed by governments and health care providers. New technologies, such as those being developed by the Company, are enabling the development of vaccines not previously possible. These new vaccine products are being priced at a premium to reflect the value of the technology.

Therapeutic cancer vaccines

Although many treatments for cancer are currently available, cancer vaccines have become promising and plausible treatment options when used in combination with surgery, chemotherapy and radiation treatments. Therapeutic cancer vaccines hold the greatest promise when tumor burden is low (i.e. for smaller tumors) and the vaccine is used to stimulate the body's immune system to eradicate residual cancer cells following first-line treatments.

On April 30, 2010, the FDA approved Provenge, a prostate cancer vaccine developed by Dendreon. This is the first therapeutic cancer vaccine approved by the FDA in the US. The Company believes that this sets the stage for the approval of other cancer vaccines that are able to train the body's immune system to destroy or reduce tumors, and will also increase awareness of the clinical development programs of other companies, like Immunovaccine, working on vaccine treatments for cancer.

On March 25, 2011, the FDA approved Bristol-Myers Squibb's Ipilimumab (also known as Yervoy), for the treatment of previously treated adult patients with advanced melanoma. Such developments have renewed market interest in cancer immunotherapies.

Cancer vaccines may, in the Company's opinion, hold a lot of promise for effective cancer treatment, as well as potential profit generation. IMS Health Inc. estimates that sales for oncology treatments will grow to US$75 billion by 2012 due, in part, to the introduction of cancer vaccines. The Company is of the belief that, over the next five years, cancer vaccines will become part of a multi-targeted approach to the treatment of cancer.

Pseudomonas aeruginosa

Pseudomonas has become an important cause of infection, especially in patients with compromised host defense mechanisms. Pseudomonal infections are complicated and can be life threatening. According to the Centers for Disease Control and Prevention ("CDC"), the overall prevalence of Pseudomonas infections in US hospitals is approximately 4 per 1000 discharges (0.4%). Patients predisposed to pseudomonal infections include immunosuppressed diabetics, cancer patients, burn victims, as well as individuals with cystic fibrosis, chronic obstructive pulmonary disease and neonates. Pseudomonal endocarditis may cause brain abscess and congestive heart failure, while Pseudomonal bacteremia can cause septic shock and death. Vaccines for prevention of infection are in development but an independent study looking at some current trial outcomes for patients with cystic fibrosis does not recommend the use of any vaccine currently in development due to severe side effects. There is, therefore, a need to develop a prophylactic Pseudomonas aeruginosa vaccine.

Animal Health Market

According to industry sources, the world animal health market, defined as a sector spanning veterinary pharmaceuticals, biologicals and medicated feed additives, was approximately US$20 billion in 2008. The animal vaccine market, subdivided into livestock, companion animal and other smaller segments including equine, poultry and aquatic, makes up approximately 20% of the total animal health market and is projected to reach US$5.6 billion by 2015. Europe is the leading market for veterinary vaccines which are projected to maintain 30% market share through 2015, followed closely by North America. Asia-Pacific is the fastest growing market for veterinary vaccines.

The world-wide livestock vaccine market is comprised of primarily cattle and swine vaccines, along with, to a lesser extent, vaccines for sheep, poultry and other food animals. Of this market, industry sources suggest the world-wide livestock vaccine market is estimated to be approximately US$3.6 billion by 2015, with the cattle vaccine market

representing approximately US$1 billion of the livestock vaccines. The companion animal vaccine market represents US$2 billion of the market. There are only a few players in the animal vaccine market including Pfizer, Boehringer Ingelheim, Merial, Intervet/Schering-Plough Animal Health, Novartis and AgriLabs. While the livestock vaccine market is based on high volumes and lower pricing, the companion animal market is less sensitive to price and is focused on safety of the products. The majority of today's vaccines for both market segments require booster administrations, which increases the handling costs for the livestock market and have the potential to decrease safety in the companion animal market. Therefore, a vaccine which requires fewer doses (one dose, in some cases) for efficacy could be a significant innovation and have the potential to replace existing products in both segments.

RECENT DEVELOPMENTS AND OUTLOOK

Unlike many early stage biotech companies, the Company is not reliant on one product for its success. This strategy effectively provides the Company with the ability to concurrently pursue many product opportunities, both through the development of Company-owned products and through licensing agreements.

However, as the DepoVax™ platform is central to all three components of the Company's business strategy, a strategic priority for the Company has been to advance the DepoVax™ platform into human clinical trials as quickly as possible to obtain safety data in humans. The Company therefore reached a major milestone when it announced positive safety and immunogenicity results of its first Phase I clinical trial of DPX-0907. On June 1, 2011, the Company announced that DPX-0907 is safe and is capable of activating an antigen specific immune response. Obtaining positive safety and immunogenicity data in humans has allowed the Company to accelerate business development efforts and also increase its visibility. Immunovaccine is using this safety data in humans to negotiate additional research partnerships with larger biopharmaceutical companies, with the intent to advance these partnerships towards commercial licensing agreements.

During Q1 Fiscal 2011, the Company continued to further its efforts to raise awareness of the Company and its technology, identifying additional potential partnerships and funding opportunities.

Key developments and achievements

- On June 17, 2011, the Company announced that the US Food and Drug Administration (FDA) reviewed and cleared its Investigational New Drug (IND) application for a Phase I/II clinical study with DPX-Survivac, a therapeutic cancer vaccine. After a successful Phase I clinical trial, which the Company expects to start in Q4 2011, Immunovaccine will be permitted to initiate a Phase II clinical trial without any further application to the FDA.

- On June 16, 2011, the Company announced that Brad Thompson, Ph.D., will join its Board of Directors. Dr. Thompson, co-founder and chief executive of Oncolytics Biotech Inc., will be nominated to the Board at Immunovaccine's Annual General Meeting on June 22, 2011.

- On June 1, 2011, the Company announced a detailed analysis of immune responses from patients enrolled in the Phase I clinical trial assessing the safety and tolerability of DPX-0907, a therapeutic cancer vaccine. The study was designed to evaluate the safety and immunogenicity of DPX-0907 in patients with advanced stage breast, ovarian or prostate cancer. Immunovaccine performed a detailed analysis of patients' blood samples that showed cell mediated immunity (CMI) to vaccine targets in all 3 breast cancer patients, 5 of 6 ovarian cancer patients and 3 of 9 prostate cancer patients. Both dose levels produced a targeted immune response in vaccinated patients.

- On May 31, 2011, Immunovaccine provided a corporate update indicating that the Company had completed a pre-Investigational New Drug Application meeting with the U.S. Food and Drug Administration for DPX-Survivac. In pre-clinical studies, DPX-Survivac was found to significantly enhance immune response over the control formulation used in previous clinical trials. Immunovaccine is completing the remaining safety studies required for the IND filing for clearance to begin human clinical trials. Also, the Company signed a research agreement with Cuban-based CIMAB S.A. ("CIMAB") to deliver CIMAB's CIMAvax-EGF peptide antigen formulated in the Company's DepoVax™ delivery system to potentially enhance the

immunogenicity of their novel therapeutic vaccine. Finally, the Company retained The Equicom Group ("Equicom") to provide strategic investor relations services. Equicom provides strategic communications services to approximately 100 public companies across a diverse range of industries. Under the terms of the agreement, Immunovaccine will pay Equicom a monthly fee of $5,800 for select strategic communication services. The initial contract term is for six months and commenced immediately.

- On April 14, 2011, the Company announced the resignation of Dr. Randal Chase from the Board of Directors effective immediately and also his three month notice to terminate his contract as President and Chief Executive Officer. Dr. Chase will remain President and Chief Executive Officer until July 13, 2011, while the Board completes an executive search for his replacement.

- On April 11, 2011, the Company announced positive interim immunogenicity results for the Phase I clinical trial of its therapeutic vaccine candidate, DPX-0907, in patients with breast, ovarian and prostate cancer. The analysis showed that the DPX-0907 vaccine elicited an antigen specific immune response in the majority of ovarian cancer patients analyzed. This preliminary evaluation examined vaccine responses in the first fifteen patients enrolled in the clinical trial; three with breast cancer, five with ovarian cancer, and seven with prostate cancer.

- On April 5, 2011, Immunovaccine announced that it would be presenting at the American Association for Cancer Research (AACR) 102nd annual meeting in Orlando, FL and at the World Vaccine Congress 2011 in Washington, D.C. The presentations disclosed findings from the Phase I clinical trial with the therapeutic cancer vaccine, DPX-0907, and the ability of DepoVax™ to enhance the immunogenicity of peptide antigens.

- On March 21, 2011, Immunovaccine announced it will receive $2.9 million from the Atlantic Canada Opportunities Agency (ACOA), under the Atlantic Innovation Fund (AIF). This non-dilutive funding will enable Immunovaccine to develop new diagnostics to identify specific subsets of cancer patient populations that would benefit most from receiving DepoVax™-based vaccine therapies. This funding will also help the Company develop additional methods for measuring vaccine activity, which will help design future Phase II clinical trials.

- On February 23, 2011, the Company and Immunotope Inc. announced that the U.S. Patent and Trademark Office had issued an official Notice of Allowance for a new U.S. patent specific to the DPX-0907 therapeutic cancer vaccine. The new U.S. patent application titled "Cytotoxic T-lymphocyte-inducing immunogens for prevention, treatment, and diagnosis of cancer" provides additional intellectual property protection in the U.S. for the seven antigens used in Immunovaccine's DPX-0907.

- On February 10, 2011, the Company provided a corporate update, including the following announcements: the completion of enrolment for the Phase I clinical trial of DPX-0907; the achievement of positive pre-clinical results for DPX-Survivac; the recipient of the Halifax Chamber of Commerce Business of the Year Bronze Award; presenting at the BIO CEO & Investor Conference in New York; and announcing the date of the Annual General Meeting of June 22, 2011.

- On January 11, 2011, Dr. Randal Chase, President and CEO presented at the Biotech Showcase, during the JP Morgan Healthcare conference, the industry's largest annual healthcare investor conference in San Francisco, CA.

Outlook

To date, much interest has already been shown in the broad range of potential applications for the Company's DepoVax™ delivery platform. Positive clinical safety and immunogenicity results have been achieved, as well as positive results in pre-clinical models ranging from certain forms of cancer, to hepatitis and anthrax.

Immunovaccine will continue to refine and focus its research activities on those candidates that show the most compelling technical results combined with identified commercial opportunities. The Company has performed pre-

clinical proof of concept for vaccines in a number of infectious disease indications such as hepatitis B, pandemic influenza and anthrax. Immunovaccine does not currently have the resources to progress these candidates into clinical development. It will, however, continue to look for partners that have access to the specific antigens and who are interested in advancing these products. Additionally, use of the Company's platform is still in the early discovery stage for delivering various DNA/RNA-containing vaccines. Immunovaccine found that unlike peptide/protein-based vaccines which can be consistently enhanced by the DepoVax™ platform, the ability to enhance DNA-based vaccines is less certain and must be studied on a case-by-case basis. Initial results showed that the DepoVax™ platform may be well suited for delivering nucleotide-based immune modulating molecules such as small interference RNA (SiRNA). Immunovaccine is not actively working in this area.

With positive clinical safety and immunogenicity results from the Phase I clinical trial of DPX-0907, Immunovaccine intends to leverage this achievement to accelerate its business development efforts. The in-licensing of Survivac and the creation of DPX-Survivac is also a significant addition to the Company's pipeline. Over the upcoming quarters, the Company intends to continue to pursue opportunities to expand its pipeline of in-house vaccines, as well as enter into deals to use the DepoVax™ platform to deliver and improve vaccine candidates that are controlled by others.

The Company continues pre-clinical research studies on DPX-Survivac and successfully filed an IND application with the FDA for DPX-Survivac. The clinical success of DPX-0907, and the established track record for DepoVax™ in humans, has helped accelerate the clinical development of DPX-Survivac. Given the Company's current limited resources, Immunovaccine cannot currently progress the development of both therapeutic cancer vaccines. The Company will dedicate its resources to the clinical development of DPX-Survivac, while simultaneously exploring opportunities to advance the development of DPX-0907.

The Company is also currently pursuing additional licensing and revenue opportunities within the animal health market.

SUMMARY OF QUARTERLY RESULTS

The following consolidated quarterly data was drawn from the unaudited interim condensed consolidated financial statements. All values discussed below are rounded to the nearest thousands of Canadian dollars. The information in the last three quarters of 2009 is reported in Canadian GAAP (prior to the adoption of IFRS), while the information in the four quarters of 2010 and the first quarter of 2011 is reported on an IFRS basis. Accordingly, the financial information for the three quarters of 2009 may not be comparable to subsequent periods.

Quarter Ended In	Total Revenue $	Total Expenses $	Loss $	Basic and Diluted Loss Per Share $
Q1 - March 31, 2011	-	1,878,000	(1,878,000)	(0.03)
Q4 - December 31, 2010	6,000	1,468,000	(1,462,000)	(0.03)
Q3 - September 30, 2010	6,000	1,451,000	(1,445,000)	(0.03)
Q2 - June 30, 2010	6,000	1,644,000	(1,638,000)	(0.04)
Q1 - March 31, 2010	58,000	1,167,000	(1,109,000)	(0.02)
Q3 - December 31, 2009*	971,000	1,317,000	(346,000)	(0.01)
Q2 - September 30, 2009*	449,000	853,000	(404,000)	(0.01)
Q1 - June 30, 2009	-	914,000	(914,000)	(0.03)

(*) – Reported revenue, loss and loss per share reflect the impact of the Company's early adoption during the nine month period ended December 31, 2009, of EIC-175 "Multiple Deliverable Revenue Arrangements".

Results for the three month period ended March 31, 2011 ("Q1 Fiscal 2011"), compared to the three month period ended March 31, 2010.

Net loss and comprehensive loss

As a result of a decrease in revenue and increased operating expenses, as discussed below, the net loss and comprehensive loss increased from a loss of $1,109,000 during the three month period ended March 31, 2010 to a

loss of $1,878,000 in Q1 Fiscal 2011, an increase of $769,000. Operating expenses increased by $711,000, including approximately $243,000 related to an increase in expenses associated with the Phase I clinical trial of DPX-0907, $409,000 related to pre-clinical research expenses on DPX-Survivac, $45,000 related to increased business development costs and a $436,000 reduction of government assistance. These increases are offset by a decrease in general and administration expenses of $141,000, a decrease in other research and development costs not related to the clinical or pre-clinical trials discussed above of $203,000, an increase in refundable investment tax credits of $90,000, and a $120,000 decrease in stock-based compensation.

Revenues

During Q1 Fiscal 2011, revenue was $nil compared to $58,000 during the three month period ended March 31, 2010. The entire amount of $58,000 was for a non-refundable, upfront license fee pursuant to the signing of a new license agreement for a third livestock vaccine with Pfizer Animal Health during the three month period ended March 31, 2010. Although Immunovaccine is actively pursuing new additional licensing and revenue opportunities, within both the animal and human health markets, the Company has not signed any new license agreements in 2011.

All revenue recognized to date has been earned through the Company's animal healthcare activities and relates to potential animal vaccines that are being developed by another company that has licensed the Company's technology. As the animal vaccine candidates to which these licenses relate have not yet achieved final commercialization, the amount and timing of future revenue from animal healthcare are dependent on continued future development.

Operating expenses

Overall operating expenses increased by $711,000 (61%) during Q1 Fiscal 2011 compared to the three month period ended March 31, 2010. Explanations of the nature of costs incurred, along with explanations of changes in those costs are discussed below.

Research and development expenses ("R&D")

R&D expenses include salaries and benefits, expenses associated with the Phase I clinical trial of DPX-0907, pre-clinical research expenses of DPX-Survivac, consulting fees paid to various independent contractors who possess specific expertise required by the Company, the cost of animal care facilities, lab supplies, peptides and other chemicals, rental of lab facilities, insurance, as well as other R&D related expenses. These R&D costs are offset by investment tax credits and government assistance received in relation to the R&D expenses incurred

The majority of the Company's R&D efforts and related expenses for Q1 Fiscal 2011 continued to be focused on the Company's Phase I clinical trial of DPX-0907 and the pre-clinical research and development of DPX-Survivac. The remaining R&D costs related to the Company's ongoing R&D activities associated with the investigation, analysis and evaluation of other potential vaccine candidates and technologies. R&D expenses are expected to remain high as the Company begins the formulation, analytical development, pre-clinical efficacy and other activities in preparation for a Phase I clinical trial of DPX-Survivac.

Total R&D expenses for Q1 Fiscal 2011 were $1,504,000, less the investment tax credits of $113,000 and the government assistance of $147,000. This represented a $449,000 (43%) increase over the three month period ended March 31, 2010. Total R&D expenses for the three month period ended March 31, 2010 were $1,055,000, less the investment tax credits of $24,000 and government assistance of $583,000.

The largest component of R&D expense was direct expenses associated with the Phase I clinical trial of $577,000 (three month period ended March 31, 2010 - $334,000). These expenses were incurred as required under the clinical trial timelines. Also in Q1 Fiscal 2011, the Company incurred $409,000 of expenses associated with the pre-clinical research and development of DPX-Survivac (three month period ended March 31, 2010 - $nil). Other R&D expenses decreased by $203,000 (28%) to $518,000 during Q1 Fiscal 2011 compared to $721,000 during the three month period ended March 31, 2010. The decrease in other R&D expenses is due to the focus on the clinical and the pre-clinical research and development of DPX-0907 and DPX-Survivac, respectively.

The government assistance recorded consists mainly of amounts realized due to the revaluation of the interest-free government loans. Under IFRS, as described in further detail below, the government interest-free repayable loans must be valued at fair value and the difference between the fair value of the loans and the contribution received must be treated as government assistance. In the three month period ended March 31, 2010, the Company received loan contributions of $516,000, which was recorded directly against research and development costs, compared to $89,000 in Q1 Fiscal 2011.

Investment tax credits

Refundable investment tax credits, which were recorded against R&D expenses, increased to $113,000 during Q1 Fiscal 2011, compared to $24,000 during the three month period ended March 31, 2010. This relates mainly to the increase of research and development costs to $1,367,000 during Q1 Fiscal 2011 compared to $860,000 during the three month period ended March 31, 2010.

General and administrative expenses ("G&A")

G&A expenses of $342,000 represented 18% of total expenses for Q1 Fiscal 2011 compared to $483,000 (41% of total expenses) for the three month period ended March 31, 2010, an overall decrease of $141,000 (29%).

The most significant components of G&A expenses are salaries and benefits and professional fees. Professional fees for Q1 Fiscal 2011 of $111,000 (three month period ended March 31, 2010 - $115,000) included: $68,000 in costs to maintain and expand the Company's patent portfolio; $38,000 in respect of audit, accounting, taxation and other consulting services provided by the Company's auditors; and $3,000 in general legal and other professional fees. During the three month period ended March 31, 2010, patent related costs, accounting and related costs, and general legal and other professional costs were approximately $20,000, $48,000 and $47,000, respectively. Although Immunovaccine was judicious with the costs surrounding audit, accounting, taxation, consulting services and general legal expenses, Immunovaccine experienced increased costs in expanding the Company's patent portfolio internationally. The Company has pending patent applications in China, Singapore, Japan, India and Brazil.

G&A expenses related to salaries and benefits for Q1 Fiscal 2011 were approximately $61,000 compared to $109,000 for the three month period ended March 31, 2010. The decrease of $48,000 is attributable to the departure of the Chief Financial Officer in June 2010 and the Vice President in August 2010, offset by the appointment of the new Chief Financial Officer in January 2011.

Also included in G&A expenses for Q1 Fiscal 2011 are consulting fees of $29,000 (three month period ended March 31, 2010 - $40,000). The Chief Executive Officer, Dr. Randal Chase, invoices the Company through his consulting company, based on actual time incurred. The decrease in consulting fees primarily relates to reduction of the amount of time billed by CEO, as well as a small amount for external accounting services the Company used in the three month period ended March 31, 2010. The Company's directors' fees and costs were consistent in Q1 2011 of $37,000 compared to $34,000 during the three month period ended March 31, 2010.

Other Q1 Fiscal 2011 G&A expenses included a foreign exchange loss of $2,000 related to US funds held by the Company, and $40,000 in interest income compared to a foreign exchange loss of $23,000 and interest income of $7,000, respectively, during the three month period ended March 31, 2010. Other minor differences were noted in office expenses and travel.

Business development expenses ("BD")

The Company continued to expand its business development activities during Q1 Fiscal 2011. Total BD expenses of $261,000 represented an increase of $45,000 compared to the three month period ended March 31, 2010. As the Company is focused on the expansion of Immunovaccine's vaccine pipeline and future partnerships, the Company incurred increased expenses in consulting fees of $79,000 and legal fees of $20,000. These costs were offset by a decrease in salary and benefits of $24,000, as the role of Director of Business Development is currently being performed by a consultant rather than an employee.

The Company continued to attend a number of trade conferences, conduct investor awareness road shows and participate in other marketing and communications efforts in Q1 Fiscal 2011, consistent with those efforts in the three month period ended March 31, 2010. As a result, the Company incurred expenses of $78,000 related to these costs in Q1 Fiscal 2011 compared to $76,000 incurred in the three month period ended March 31, 2010.

Stock-based compensation

Under IFRS, stock-based compensation has been reallocated to research and development expenses, general and administrative expenses and business development expenses based on the appropriate breakdown of the expense. A total amount of $142,000, $77,000 and $8,000 (three month period ended March 31, 2010 - $219,000, $95,000 and $33,000) was allocated to R&D, G&A and BD expenses, respectively. The overall decrease was due primarily to the change in accounting for stock-based compensation under IFRS compared to the former Canadian GAAP. Refer to the section below, "Transition to International Financial Reporting Standards (IFRS)", for more detail describing this change.

CASH FLOWS, LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2011, the Company had cash and cash equivalents of $9,299,000 and working capital of $9,462,000 as compared to $10,413,000 and $11,116,000, respectively at December 31, 2010.

Since the Company's inception, Immunovaccine has been financed through the sale of shares, debt, revenue from the animal healthcare licenses, interest income on funds available for investment, and government assistance and tax credits.

During Q1 Fiscal 2011, cash of $1,022,000 was used in operating activities. This included the reported net loss of $1,878,000 prior to being decreased for; non-cash amortization, non-cash depreciation, non-cash accretion of long-term debt, non-cash stock-based compensation and non-cash share issuance of $10,000, $21,000, $31,000, $227,000 and $27,000, respectively.

During Q1 Fiscal 2011, the Company had a source of cash of $540,000 as a result of non-cash changes in working capital balances. The primary uses of cash were a $126,000 increase in amounts receivable and a $40,000 decrease in amounts due to directors. These decreases in cash were offset by a reduction in accounts payable and accrued liabilities of $470,000, a decrease in investment tax receivable of $219,000, and an increase in prepaid expenses of $17,000.

Sources of cash raised through financing activities during Q1 Fiscal 2011 were the $44,000 in proceeds from long-term debt, offset by the repayment of $10,000 of its long-term debt.

During Q1 Fiscal 2011, the Company purchased $126,000 of equipment for ongoing research and operating activities.

At March 31, 2011, the Company had approximately $13.4 million of existing and identified potential sources of cash including:

- cash and equivalents of $9.3 million;
- amounts receivable and investment tax credits receivable of $1.2 million; and
- additional funding of $2.9 million available from government assistance and loans that the Company has been awarded.

For Q1 Fiscal 2011, the Company's "cash burn rate" (defined as net loss for the period adjusted for non-cash transactions including amortization, accreted interest, stock-based compensation and shares issued for professional services) was approximately $1.6 million for the quarter. This cash burn rate is higher than the average cash burn rate the Company experienced in fiscal 2010 of $1.4 million, and the cash burn rate is forecasted to increase to between $1.8 million and $2.1 million per quarter over the next 9 months as the DPX-0907 Phase I clinical trial is completed and the Company increases its Phase I/II clinical development work for DPX-Survivac. At March 31, 2011, the Company had cash resources of $9.3 million and identified additional potential cash resources of $4.1

million, including the $2.9 million from the new AIF loan. Management is of the belief that this provides the Company with sufficient funds to execute the strategy of completing the Phase I trial of DPX-0907 and to advance towards a Phase I clinical trial of DPX-Survivac, while maintaining adequate working capital until the third quarter of 2012. Management further believes there are discretionary expenditures within the current cash forecast which could be reduced in the event that the identified potential sources of cash are not realized or receipt is delayed. The Company continually reassesses the adequacy of its cash resources since should either positive research results be obtained from existing research projects and/or potential collaboration opportunities identified, then additional funding may be required.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In February 2008, the Canadian Accounting Standards Board announced that accounting standards in Canada are to converge with International Financial Reporting Standards ("IFRS") and companies will begin reporting, with comparative data, under IFRS for fiscal years beginning on or after January 1, 2011. The Company has adopted IFRS effective January 1, 2011 and has prepared its opening balance sheet at that date. Prior to the adoption of IFRS, the Company prepared its financial statements in accordance with previous Canadian GAAP. The Company's consolidated financial statements for the year ended December 31, 2011 will be the first annual financial statements that comply with IFRS. The Company's first quarter 2011 unaudited interim condensed consolidated financial statements have been prepared in accordance with IFRS, as well as all comparative financial information presented in this MD&A, consistent with retrospective application.

While IFRS is based on a conceptual framework similar to Canadian GAAP, there are significant differences with respect to recognition, measurement and disclosure. The adoption of IFRS did not have an impact on the Company's reported net cash flows, however it had a material impact on the Company's consolidated balance sheets, which is now referred to as the statements of financial position under IFRS, and statements of loss and comprehensive loss.

The Company prepared an opening statement of financial position, along with the accounting policies under IFRS, and presented them to the Audit Committee for review. The Company's external auditor reviewed the accounting policies under IFRS, the opening statement of financial position and the disclosures under IFRS, however all amounts will be considered unaudited, as the Company has not yet prepared a complete set of financial statements and note disclosures under IFRS.

Below is a summary of key differences between Canadian GAAP and IFRS that have affected the Company.

Statement of Financial Position Impact

The following table provides the old Canadian GAAP consolidated statements of financial position as at January 1, 2010 and December 31, 2010 and changes required to adjust to new GAAP (IFRS).

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)						
Unaudited Consolidated Statements of Financial Position						
As at December 31, 2010 and January 1, 2010						
	December 31, 2010			**January 1, 2010**		
	Cdn GAAP	**Adj**	**IFRS**	**Cdn GAAP**	**Adj**	**IFRS**
Assets						
Current assets						
Cash and cash equivalents	10,413,047		10,413,047	7,777,303		7,777,303
Amounts Receivable	469,990		469,990	595,436		595,436
Share subscription receivable	-		-	28,877		28,877
Prepaid expenses	288,068		288,068	183,441		183,441
Investment tax credits receivable	818,106	(34,000)	784,106	553,448	(43,000)	510,448
	11,989,211	(34,000)	11,955,211	9,138,505	(43,000)	9,095,505
Intangible asset	391,327		391,327	430,460		430,460
Property and equipment	332,697		332,697	322,356		322,356
	12,713,235	(34,000)	12,679,235	9,891,321	(43,000)	9,848,321
Liabilities						
Current liabilities						
Accounts payable and accrued liabilities	700,136		700,136	720,861		720,861
Amounts due to directors	81,705		81,705			-
Current portion of long-term debt	57,683		57,683	67,821		67,821
Deferred revenues	-		-	24,000		24,000
	839,524	-	839,524	812,682	-	812,682
Long-term debt	6,987,803	(6,413,927)	573,876	5,782,959	(5,320,198)	462,761
	7,827,327	(6,413,927)	1,413,400	6,595,641	(5,320,198)	1,275,443
Shareholders' equity						
Captial Stock	24,728,328		24,728,328	18,730,299		18,730,299
Contributed Surplus	1,275,508	338,318	1,613,826	633,970	84,878	718,848
Warrants	1,590,402		1,590,402	136,672		136,672
Deficit	(22,708,330)	6,041,609	(16,666,721)	(16,205,261)	5,192,320	(11,012,941)
	4,885,908	6,379,927	11,265,835	3,295,680	5,277,198	8,572,878
	12,713,235	(34,000)	12,679,235	9,891,321	(43,000)	9,848,321

The most significant statement of financial position impact relates to the valuation of the Company's government interest-free loans. 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 government assistance. This varies from old Canadian GAAP, where the loans were recorded at cost and reduced at the time of repayment. The impact of this accounting change resulted in a $5.32 million decrease in the value of the long-term debt recorded in the opening statement of financial position of January 1, 2010, an 92% decrease below the carrying value of the loans under the old Canadian GAAP at December 31, 2009. The fair value of the loans were calculated based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks.

The two significant Atlantic Innovation Fund ("AIF") loans the Company received from the Atlantic Canada Opportunities Agency ("ACOA") have repayment terms based on future revenue. As the Company is an early stage biotechnology company and has not earned significant revenues to date, there is a significant level of uncertainty in

the projections of the repayment of the loans. This resulted in the decreased valuation of these loans, from their respective book values of $3,779,000 and $1,785,000 on January 1, 2010, to their fair values of $243,000 and $1,000. Subsequent to the transition date of January 1, 2010, the difference between the book value and the fair value is recorded as government assistance, reducing research and development expenses. The imputed interest rate used to discount the loans will be accreted in the statement of loss each quarter, until the loan is paid in full. While the Company has made this accounting change to the financial statements to comply with IFRS, the Company is still responsible for the repayment of these government loans, based on future revenue.

The Company's accounting for stock options was also impacted by the change to IFRS. The Company grants stock options to certain employees and non-employees which vest over 18 months and expire after five years. Under IFRS, each tranche in an award is considered a separate award with its own vesting period and grant date fair value. This accelerated vesting leads to higher stock-based compensation expense in the beginning of the vesting period, resulting in an $85,000 increase in contributed surplus recorded in the opening statement of financial position of January 1, 2010.

Under IFRS, the investment tax credit receivable must be measured at fair value. Under old Canadian GAAP, these were 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 IFRS adjustment required decreased the receivable by $43,000 at January 1, 2010 and $34,000 at December 31, 2010.

The net difference of these adjustments flowed through shareholders' equity, which increased by $5.3 million in the opening statement of financial position of January 1, 2010.

Statement of Loss and Comprehensive Loss Impact

The table below provides the old Canadian GAAP consolidated statements of loss and comprehensive loss for the year ended December 31, 2010 and the three month period ended March 31, 2010 and changes required to adjust to new GAAP (IFRS).

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)						
Unaudited Consolidated Statements of Loss and Comprehensive Loss						
For the year ended December 31, 2010 and the three months ended March 31, 2010						
	December 31, 2010			**March 31, 2010**		
	Cdn GAAP	**Adj**	**IFRS**	**Cdn GAAP**	**Adj**	**IFRS**
Revenue	76,105	-	76,105	58,105	-	58,105
Expenses						
General and administrative	1,878,697	88,745	1,967,442	452,971	29,634	482,605
Research and development	3,672,249	(1,040,742)	2,631,507	896,956	(449,337)	447,619
Business development	1,028,228	21,108	1,049,336	205,938	10,344	216,282
Interest	-	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	(6,503,069)	849,289	(5,653,780)	(1,497,760)	388,959	(1,108,801)

Adopting IFRS has resulted in a net loss for the three month periods ended March 31, 2010 of $1,109,000, compared to a net loss of $1,498,000 under old Canadian GAAP. The most significant statement of loss item is the difference between the fair value of these loans and the amount of contribution received, which was recorded as government assistance and accounted for as a reduction in research and development expenditures. The Company recorded an increase of $516,000 in government assistance in the three month periods ended March 31, 2010. This positive adjustment was offset by the accreted interest relating to these loans of $20,000 in the three month periods ended March 31, 2010, as well as an increase in the stock-based compensation expense of $109,000 in the three month periods ended March 31, 2010. A small increase in the investment tax credit expense of $2,500 in the three month periods ended March 31, 2010 reduced the impact to a $389,000 decrease of net loss due to the adoption of IFRS.

Statements of Cash Flows

The transition from old 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 $389,000 and $849,000 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 $20,000 and $82,000, 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.

RELATED PARTY TRANSACTIONS

During Q1 Fiscal 2011, the Company incurred business development consulting fees of $18,000 by a non-executive Director. The Company had no other transactions with related parties as defined in the CICA Handbook (IFRS), except those pertaining to transactions with key management personnel in the ordinary course of their employment or directorship arrangements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures ("DC&P") are intended to provide reasonable assurance that material information is gathered and reported to senior management to permit timely decisions regarding public disclosure. Internal controls over financial reporting ("ICFR") are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

TSX-V listed companies are not required to provide representations in their annual and interim filings relating to the establishment and maintenance of DC&P and ICFR, as defined in Multinational Instrument MI 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) processes to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the issuer's GAAP.

SIGNIFICANT ESTIMATES

The unaudited interim condensed consolidated financial statements as at March 31, 2011 have been prepared in accordance with Canadian GAAP (IFRS). Significant accounting estimates used in preparing the unaudited interim condensed consolidated financial statements include the valuation of long-term debt, the Scientific Research and Experimental Development ("SRED") tax credit receivable, the fair value allocation of consideration for multiple element revenue arrangements, non-cash stock based compensation expense, amortization and depreciation of intangibles and property and equipment, allocation of proceeds between common shares and warrants, and accrued liabilities. Management has calculated the fair value of the interest-free government loans based on the forecast of the Company's future revenue, discounted 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 Managements' judgment. A change in Managements' 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. Management has estimated the SRED receivable based on its assessment of tax credits receivable on eligible expenditures incurred during the period and its experience with claims filed with and collected from the Canada Revenue Agency. Management has analyzed the accounts receivable listing for potentially uncollectible amounts and has allowed for all balances which collection is doubtful. Management has made estimates regarding when stock options might be exercised and stock price volatility in calculating non-cash stock based compensation. The timing for exercise of options is out of the Company's control and will depend on a variety of factors including the market value of the Company's shares and the financial objectives of the stock-based instrument holders. Management has made estimates about the expected

useful lives of long-lived assets, and the expected residual values of the assets. Management has determined the allocation of proceeds between common shares and warrants based on the relative values of the shares and warrants issued. Through knowledge of the Company's activities in the three month period ended March 31, 2011, Management has estimated the amount of accrued liabilities to be recorded.

OUTSTANDING SECURITIES

The number of issued and outstanding common shares on June 22, 2011 is 53,987,084. The number of outstanding stock options on March 31, 2011 is 3,567,150. The outstanding stock options have a weighted average exercise price of $0.96 per share and a weighted average remaining term of 3.19 years. The number of outstanding warrants on March 31, 2011 is 4,137,556. The outstanding warrants have a weighted average exercise price of $1.27 per share and a weighted average remaining term of 2.37 years.

INTELLECTUAL PROPERTY RIGHTS

The Corporation strives to protect its intellectual property in established, as well as emerging markets around the world as warranted. The Corporation's intellectual property portfolio for its vaccine platform technology includes five patent families, the first of which contains five patents issued in four jurisdictions (US, Europe, Japan and Australia) and two pending patent applications in the US and Canada. The other four families collectively contain thirty-three pending patent applications in eleven jurisdictions. U.S. Patent 6,793,923, issued in 2004, contains claims to the Corporation's platform, covering "any antigen, any adjuvant in any liposome and any oil". The platform name is protected by trademarks in the U.S., Canada and Europe.

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.

OFF BALANCE SHEET ARRANGEMENTS

The Company was not party to any off balance sheet arrangements as of March 31, 2011.

RISK ASSESSMENT

The Company's activities are subject to certain risk factors and uncertainties that generally affect development-stage biotechnology companies. Management defines risk as the evaluation of the probability that an event might happen in the future that could negatively affect the financial condition, results of operation or perspectives of the Company. The success of the Company will depend, without limitation, on its ability to: i) develop its products and

technologies; ii) preserve its intellectual property rights; iii) retain its key employees; iv) conclude strategic alliances and research and development partnerships with third parties; v) complete strategic in-licensing agreements; vi) demonstrate the safety and efficacy of its products and obtain satisfactory results in regard to the clinical trials; vii) manufacture product candidates in sufficient yields, at commercial scale and at economical market prices; and viii) obtain regulatory approvals required to commercialize its products or those of its partners. The Company's activities have required and will require significant financial investment. Therefore, the Company's ability to obtain the necessary funding to finance its activities is essential to ensure its success and is, as such, a risk factor. The risks identified above do not include all possible risks as there may be other risks of which Management is currently unaware. The above risks and other general risks and uncertainties relating to the Company and its activities are more fully described in the Annual Information Form of the Company for the year ended December 31, 2010, under the heading "Risk Factors".