Management's Report on Financial Position and Operating Results

For the three month period ended March 31, 2010

MANAGEMENT DISCUSSION AND ANALYSIS ("MD&A")

The following analysis provides a review of the unaudited consolidated interim results of operations, financial condition and cash flows for the three month periods ended March 31, 2010 ("Q1 Fiscal 2010"), with information compared to the period ended March 31, 2009, respectively 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 nine months ended December 31, 2009 and the year ended March 31, 2009.

On September 30, 2009 Rhino Resources Inc. ("Rhino") and ImmunoVaccine Technologies Inc. ("IVT") completed a reverse take-over ("RTO"). Following the reverse take-over, Rhino changed its name to Immunovaccine Inc. Immunovaccine's financial year-end was August 31st. IVT, the reverse take-over acquirer, had a financial year-end of March 31st. Companion Policy 51-102CP provides that the accounting for the new reporting issuer, Immunovaccine, should be that of the reverse take-over acquirer, with financial statements prepared and filed as if IVT has always been the reporting issuer. Subsequent to the RTO, both Immunovaccine and IVT changed their financial year-ends to December 31st in order to efficiently manage the time and cost of current and ongoing reporting requirements. The nature of the business of Immunovaccine and IVT renders December 31st as the most appropriate financial year-end. See additional information under "Reverse Take-over and Private Placements".

These results have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada and have not been subject to a review engagement by the external auditors of the Company. 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 and 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; and (ix) the Company's ability to manufacture its products and to meet demand.

These statements reflect Management's current beliefs and are based on information currently available to Management. The information contained herein is dated as of May 12, 2010, the date of the Board's approval for the MD&A and the Q1 Fiscal 2010 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 biotechnology company dedicated to the development of premium vaccines for therapeutic cancer and infectious diseases. The Company has patented vaccine delivery and enhancement technologies trade named DepoVax™ and VacciMax® 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 products.

Based in Halifax, Nova Scotia, the Company has 20 full-time and 4 part-time contract employees. 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-V Exchange 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 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.

The Company continued its research and 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 allow for the creation of effective, single-dose vaccines.

The platform is easy to use, chemically stable, scalable and has broad applications. The Company has tested the platform with several commercial vaccines and other vaccines currently under development such as H5N1 pandemic influenza, Hepatitis B and Acellular pertussis (Whooping Cough). In all cases, the preclinical studies demonstrated significantly higher immune responses after a single dose with the DepoVax™ platform when compared to two or three doses of 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, the Company is not reliant on one product for its success. We have identified and are pursuing a far more robust and diverse strategy across a number of markets, which effectively gives us the ability to pursue many product opportunities concurrently.

Acknowledging the larger potential of the human pharmaceutical market, the Company is now focused on developing new DepoVax™ vaccines 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 preclinical therapeutic cancer and infectious disease indications.

Today, the Company has made a strategic decision to focus on the broader human health market. The Company has adopted a three pronged business strategy: i) use revenues from animal health to drive human health research and development; ii) partner out the DepoVax™ vaccine platform to other companies to improve their vaccines; and iii) develop its own Company controlled vaccine products.

Animal health - The Company's initial research was focused on animal health and its results caught the attention of Pfizer Animal Health ("Pfizer"). In 2008, Pfizer licensed the Company's patented delivery system to develop vaccines for two indications to prevent infectious diseases in livestock. Pfizer's evaluation and acceptance of the Company'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 Company's delivery technology for all cattle vaccines. Most recently, in 2010, Pfizer exercised a licensing option on the Company's delivery platform to develop a third livestock vaccine. The Company will continue to pursue additional licensing and revenue opportunities within the animal health market to help fund the Company's research and development of human health vaccine candidates.

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 vaccines already covered by the existing partnership agreements include advancing seasonal and pandemic influenza, anti-anthrax vaccine, DNA vaccines, therapeutic cancer vaccines and vaccines for HIV and malaria.

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. Specifically, the Company is currently working toward two goals: to bring DPX-0907, a therapeutic vaccine to treat ovarian, breast and prostate cancers into Phase I clinical trials; and to advance the Company's preclinical research in developing a Pseudomonas aeruginosa ("Pseudomonas") vaccine. Pseudomonas is a hospital-acquired infection and there are no vaccines for Pseudomonas on the market today.

Business model and nature of expenses

As an early stage biotechnology company, the Company 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, 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, along with expenses associated with completing the DPX-0907 Phase I clinical trials 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. These costs are incurred to help build and advance our pipeline of pre-clinical vaccine candidates across all three aspects of our business strategy.

General and administration ("G&A") expenses are comprised primarily of salaries and benefits including consulting fees for certain employees retained as consultants, professional fees related to legal, patents, audit and taxation, rent and office expenses, fees paid to the board of directors, regulatory fees paid to the stock exchange and to the Company's share transfer agent, 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 vaccines. 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") facility. The Company has 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 a challenge. The Company has been able to confirm that the batch passed both analytical and biological testing.

From May to August 2009, the Company successfully manufactured its first pilot batch of DPX-0907, after which the Company then finalized the lyophilization process for the vaccine, the final step in the manufacturing of the product. The lyophilization parameters have been established and this method has been delivered to a GMP fill and finish facility.

During Q1 Fiscal 2010, the clinical batch of the DPX-0907 vaccine was successfully produced at the contract manufacturing facilities in accordance with GMP, was subjected to quality analysis and was delivered in March 2010 to the first clinical research site for the purposes of the Phase I clinical trial.

PRODUCTS IN DEVELOPMENT

The Company's first human health vaccine candidate is a therapeutic cancer vaccine called DPX-0907 that is targeted against ovarian, breast and prostate cancer. The Company received clearance in December 2009 from the U.S Food and Drug Administration ("FDA") to proceed with Phase I clinical trials for its therapeutic cancer vaccine DPX-0907. The Company commenced recruitment for Phase I clinical trials starting March 29, 2010, and injected the first patient on April 9, 2010.

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 the Company'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 uncertain events that could have significant impact on the Company's business.

In addition, the Company is conducting pre-clinical studies for single-dose infectious disease vaccines such as pandemic influenza, and is in the pre-clinical research (see page 3) stage for 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 vaccines for the pandemic influenza market.

The Company will also 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 worldwide. According to industry sources, the global market has been growing, with revenues reaching US$11 billion in 2006. Global industry revenues are expected to grow by 10.5% a year to reach US$20 billion by 2012. Therapeutic cancer vaccines, along with development of new infectious diseases vaccines, are expected to drive the growth of the vaccine industry in the early 21st century. 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 $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.

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, is approximately US$17.4 billion. The US is the dominant market in the sector, generating 36% of the entire global total. No other national market is responsible for a share of more than 7%. Looking forward, industry sources suggest the US will be responsible for 40% of global

market growth, and will reach US$8 billion by 2010. The animal vaccine market, subdivided into livestock, companion animal and other smaller segments including equine, poultry and aquatic, made up approximately 20% of the total animal health market (approximately US$3.4 billion).

The worldwide livestock vaccine market is comprised of primarily cattle vaccines, along with, to a lesser extent, vaccines for sheep, and other food animals. Of this market, industry sources suggest the worldwide cattle vaccine market is estimated to be approximately US$1 billion. The companion animal vaccine market therefore represents the majority of the remaining market, or US$2.4 billion. 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 has 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 Corporation is not reliant on one product for its success. This strategy effectively provides the Company with the ability to pursue many product opportunities concurrently.

However, as DepoVax™ is central to all three prongs of our business strategy, a strategic priority for the Company has been to advance our DepoVax™ platform into human clinical trials as quickly as possible to obtain safety data in humans. Obtaining positive safety data in humans would allow for the ability to accelerate business development efforts and also increase the visibility of the Company.

The Company therefore reached a major milestone when, on March 29, 2010, it announced that it had started screening patients for its Phase I clinical trial, investigating the Company's therapeutic cancer vaccine, DPX-0907 (which is formulated in DepoVax™), as a treatment for patients with breast, ovarian and prostate cancer. This achievement included the following key elements:

- The vaccine product candidate was transferred to the first clinical site that has received Institutional Review Board ("IRB") approval;
- Patient recruitment for the Phase I clinical trial had commenced by the end of the first quarter of 2010;
- The first patient was injected on April 9, 2010; and
- Additional IRB approvals are expected over the next 1-3 months to expand patient recruitment.

During Q1 Fiscal 2010, the Company also continued to further its efforts to raise awareness of the Company and its technology, identifying additional partnerships, and identifying funding opportunities. Key achievements include:

- On February 2, 2010, the Company announced that it had engaged SectorSpeak Inc. to assist with its investor relations activities, namely to introduce the Company to institutional investors and analysts, organize investor road shows and generally assist in corporate communication;
- On February 8, 2010, the Company announced that it was being invited to present at the Canada - U.S. Partners in Biomedical Defense II Conference in Washington, D.C. on March 24, 2010. At the conference the Company presented positive new research, done in collaboration with Defence Research and Development Canada (DRDC), confirming the number of required doses for an anthrax vaccine candidate can be reduced when formulated in DepoVax™. The new research shows that one dose of anthrax antigen, when formulated in DepoVax™, is able to raise antibody levels that are 10 times higher on average than a comparable alum-adjuvanted anthrax vaccine;

- On February 23, 2010, the Company announced the addition of Mr. James Hall as a member of the Board of Directors. Mr. Hall will also serve as Chairman of the Company's Audit Committee;

- On March 2, 2010, the Company announced that Pfizer had exercised a licensing option on the Company's vaccine enhancement and delivery platform to develop a third livestock vaccine;

- On March 19, 2010, the Company was successful in securing a non-repayable $50,000 grant from the Atlantic Canada Opportunities Agency ("ACOA") towards certain research salaries in 2010. Also during March 2010, the Company was able to extend the expiry date of its existing business development loan with ACOA for an extra twelve months. This will provide the Company with additional time to potentially access up to $107,000 of additional funding that will be used towards business development activities;

- On April 5, 2010, the Company announced the publication of data from a preclinical study with its candidate cancer vaccine, DPX-0907, in human class I MHC transgenic mice. The study compares the Company's novel DepoVax™ vaccine platform to a vaccine formulation commonly used to deliver peptide antigens in the clinic today. The study shows that the Company's DepoVax™ platform promotes antigen specific immune responses, however, unlike the control vaccine, the DepoVax™ formulation does not induce problematic immune regulatory responses; and

- On April 22, 2010, the Company announced it had signed a collaborative agreement with the Dana-Farber Cancer Institute, a principal teaching affiliate of the Harvard Medical School. The research collaboration involves formulating Dana-Farber's HIV protein antigens in the Company's DepoVax™ vaccine enhancement and delivery platform. The goal of this preclinical research is to establish whether this novel vaccine formulation will induce a stronger immune response. Dana-Farber Cancer Institute (www.dana-farber.org) is a principal teaching affiliate of the Harvard Medical School and a federally designated Center for AIDS Research. It is also a founding member of the Dana-Farber/Harvard Cancer Center (DF/HCC) and designated comprehensive cancer center by the National Cancer Institute.

Outlook

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

The Company 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. However, the Company 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 based vaccines. While some initial promising results have been observed, the Company has found DNA vaccines to be vastly more complex and difficult, therefore additional research on DNA vaccines will be ongoing.

With the Phase I clinical trial now underway, the Company intends to leverage this positive achievement to accelerate its business development efforts, as many new doors have been opened to the Company now that it has reached the clinical stage. Over the upcoming quarters, the Company intends to pursue opportunities to expand the Company's pipeline of in-house vaccines, as well as enter into deals to use DepoVax™ to deliver and improve vaccine candidates that are controlled by others.

SUMMARY OF QUARTERLY RESULTS

The Company changed its fiscal year end date from March 31 to December 31, with the period ended December 31, 2009 representing the transition year.

Quarter Ended In	Total Revenue $	Total Expenses $	Loss $	Basic and Diluted Loss Per Share $
YE December 31, 2010				
Q1 - March 31, 2010	58,000	1,556,000	(1,498,000)	(0.03)
PE December 31, 2009				
Q3 - December 31, 2009*	971,000	1,324,000	(353,000)	(0.01)
Q2 - September 30, 2009*	449,000	853,000	(404,000)	(0.01)
Q1 - June 30, 2009	-	907,000	(907,000)	(0.03)
	1,420,000	3,084,000	(1,664,000)	(0.05)
YE March 31, 2009				
Q4 - March 31, 2009	-	1,007,000	(1,007,000)	(0.03)
Q3 - December 31, 2008	-	1,062,000	(1,062,000)	(0.03)
Q2 - September 30, 2008	106,000	955,000	(849,000)	(0.03)
Q1 - June 30, 2008	-	814,000	(814,000)	(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, 2010 ("Q1 Fiscal 2010"), compared to the three month period ended March 31, 2009.

Net loss and comprehensive loss

As a result of increased revenues and the changes in operating expenses as discussed below, net loss and comprehensive loss increased from a loss of $1,007,000 during the three month period ended March 31, 2009, to $1,498,000 in Q1 Fiscal 2010, an increase of $491,000. Of this increase, $227,000 relates to an increase in stock-based compensation (a non-cash expense). The remaining increase of $268,000 relates primarily to increased expenses associated with the Phase I clinical trial, increased business development expenses, as well as increased expenses associated with now being a public company.

Revenues

During Q1 Fiscal 2010, the Company recognized approximately $58,000 in revenues from animal health (three month period ended March 31, 2009 - $0). Of this, $52,000 was for a non-refundable upfront license fee related to the signing of a new license agreement. The remaining $6,000 related to the recognition of revenues that had been deferred until the services were completed.

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

Operating expenses

Overall operating expenses increased by $495,000 (46%) during Q1 Fiscal 2010 compared to the three month period ended March 31, 2009. 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 for DPX-0907, 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.

The majority of the Company's R&D efforts and related expenses for Q1 Fiscal 2010 continued to be focused on the preparation for and the commencement of the Company's Phase I clinical trial of DPX-0907. 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.

Total R&D expenses of $767,000 for Q1 Fiscal 2010 represented a $76,000 (11%) increase over the three month period ended March 31, 2009. The largest component of R&D expense were direct expenses associated with the Phase I clinical trial of $334,000 (three month period ended March 31, 2009 - $151,000). These expenses were incurred as required under the clinical trial timelines. Total R&D salaries and benefits of $191,000 during Q1 Fiscal 2010 represented a minor decrease of $10,000 compared to the three month period ended March 31, 2009. Expenses related to third party consultants were $119,000 in Q1 Fiscal 2010 (three month period ended March 31, 2009 – $123,000). Non-repayable government grants are recorded as a reduction in the related salary expense during the period earned and were approximately $25,000 during Q1 Fiscal 2010 (three month period ended March 31, 2009 - $nil). The Company records recoveries of research expenditures as a reduction in the related R&D expenses. During Q1 Fiscal 2010 the Company recovered $41,000 of research expenses (three month period ended March 31, 2009 - $10,000). Expenses for animal care facilities and lab chemicals in Q1 Fiscal 2010 of $18,000 and $28,000, respectively represented decreases of $6,000 and $24,000, respectively over the three month period ended March 31, 2009. All other R&D expenses decreased by $7,000 to $133,000 during Q1 Fiscal 2010 compared to the three month period ended March 31, 2009.

General and Administrative Expenses ("G&A")

G&A expenses of $388,000 represented 25% of total expenses for Q1 Fiscal 2010 compared to $286,000 (26% of total expenses) for the three month period ended March 31, 2009. Overall G&A expenses increased by $102,000 (35%) compared to the three month period ended March 31, 2009. The ongoing level of G&A expenses within the Company have increased due primarily to increased expenses associated with being a public company, as well as due to the addition of a full-time Chief Financial Officer from September 28, 2009.

The most significant components of G&A expenses are professional fees and salaries and benefits. Professional fees for Q1 Fiscal 2010 of $115,000 (three month period ended March 31, 2009 - $132,000) included approximately: $20,000 in costs to maintain and expand the Company's patent portfolio; $48,000 in respect of audit, accounting, taxation and other consulting services provided by the Company's auditors; and approximately $47,000 in general legal and other professional fees. During the three month period ended March 31, 2009, patent related costs, accounting and related costs, and general legal and other professional costs were approximately $17,000, $79,000 and $36,000, respectively.

G&A expenses related to salaries and benefits for Q1 Fiscal 2010 were approximately $114,000 compared to $87,000 for the three month period ended March 31, 2009. The increase of $27,000 is primarily related to the addition of a full-time Chief Financial Officer from September 2009, as well as for general wage increases.

Also included in G&A expenses for Q1 Fiscal 2010 were expenses of approximately $23,000 and $17,000 related to a foreign exchange loss on US funds held, and public company regulatory filing fees, respectively. These amounts were not incurred during the three month period ended March 31, 2009.

Other Q1 Fiscal 2010 G&A expenses included consulting fees of $40,000 (three month period ended March 31, 2009 - $34,000). The increase primarily relates to the addition of a part-time Human Resource consultant in Q1 Fiscal 2010. Also during Q1 Fiscal 2010, the board of director's fees were evaluated and increased to $34,000 (three month period ended March 31, 2009 - $2,000) to reflect the public status of the Company.

All other G&A expenses totalled $46,000 for Q1 Fiscal 2010 compared to $36,000 for the three month period ended March 31, 2009, representing an increase of $10,000.

Business Development Expenses ("BD")

The Company continued to expand its business development activities during Q1 Fiscal 2010. Total BD expenses of $183,000 represented an increase of $90,000 compared to the three month period ended March 31, 2009. Of this increase, $34,000 relates to the addition of a senior independent BD consultant, as well as the hiring of independent investor relations and public relations firms to help to expand the Company's vaccine pipeline. These expenses were not incurred during the three month period ended March 31, 2009.

During Q1 Fiscal 2010, the Company attended a greater number of trade conferences and also conducted a number of investor awareness road shows. As a result, expenses related to travel and conferences increased from $21,000 in the three month period ended March 31, 2009 to $60,000 in Q1 Fiscal 2010. All other BD expenses increased by approximately $17,000 during Q1 Fiscal 2010 compared to the three month period ended March 31, 2009.

Stock-based compensation

Stock-based compensation increased by $227,000 to $238,000 during Q1 Fiscal 2010 compared to the three month period ended March 31, 2009. The increase was due primarily to the vesting of 937,000 options that were granted in December 2009. During the three month period ended March 31, 2009, there were a smaller number of unvested options outstanding.

Investment tax credits

As of October 1, 2009, when the Company became a public corporation, its level of refundable investment tax credits decreased from approximately 44% to 15% of eligible expenditures as it no longer qualifies for the refundable federal portion of the investment tax credits. As a result, the total amount recorded during Q1 Fiscal 2010 was $21,000 compared to approximately $75,000 during the three month period ended March 31, 2009.

CASH FLOWS, LIQUIDITY AND CAPITAL RESOURCES

During Q1 Fiscal 2010, the Company's overall cash and cash equivalents decreased by $911,000 to $6,866,000 as at March 31, 2010.

During Q1 Fiscal 2010, $1,458,000 was used in operating activities. This included the reported net loss of $1,498,000, which was then decreased for non-cash expenses for amortization and stock-based compensation of $27,000 and $238,000, respectively.

During Q1 Fiscal 2010, $226,000 was used due to changes in non-cash working capital balances. The primary uses were a $180,000 increase in prepaid expenses, a $150,000 reduction in accounts payable and accrued liabilities, a $21,000 increase in investment tax credits receivable and a $6,000 decrease in deferred revenue. These decreases were reduced by sources of cash of $103,000 due to a decrease in amounts receivable and a $29,000 decrease in share subscriptions receivable.

Approximately $573,000 was raised through financing activities during Q1 Fiscal 2010 including $524,000 in proceeds from long-term debt and $59,000 from the exercise of stock options. During Q1 Fiscal 2010 the Company repaid $10,000 of its long-term debt.

During Q1 Fiscal 2010, the Company purchased $26,000 of equipment for ongoing research and operating activities.

At March 31, 2010, the Company had approximately $8.8 million of existing and identified potential sources of cash including:

- Cash and equivalents of $6.9 million;
- Accounts receivable and investment tax credits receivable of $1.1 million;
- Additional funding available under the ACOA Atlantic Innovation Fund Round V (must be drawn by March 31, 2011) of $0.7 million; and
- Approximately $0.1 million in additional funding available under the ACOA Business Development Program (must be drawn by March 31, 2011).

The "cash burn rate" of the Company (defined as net loss for the period adjusted for non-cash transactions including amortization, stock-based compensation and shares issued for professional services) is forecasted to increase slightly due to the continuation of the Phase I clinical trial, and be in the range of $1.5 million to $1.7 million per quarter, on average, during Fiscal 2010. At March 31, 2010, the Company had cash resources of $6.9 million and identified additional potential cash resources of $1.9 million. Management is of the belief that this provides the Company with sufficient funds to execute its existing strategy of completing the Phase I trial while maintaining adequate working capital until the second quarter of 2011. The Company will reassess the adequacy of its cash resources should either positive research results be obtained from existing research projects, or potential collaboration opportunities are identified that may require additional funding.

FUTURE ACCOUNTING CHANGES

Business Combinations, Consolidated Financial Statements and Non-controlling Interests

In January 2009, the CICA issued Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling Interests" which replace Section 1581, "Business Combinations" and Section 1600, "*Consolidated Financial Statements*". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Early adoption of this section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the entity's interim and annual consolidated financial statements for fiscal years beginning on or after January 1, 2011. Early adoption of this section is permitted. If the entity chooses to early adopt any one of these sections, the other two sections must also be adopted at the same time. The Company is currently assessing the impact on its financial statements.

International Financial Reporting Standards (IFRS)

In February 2008, the Canadian AcSB announced that Canadian GAAP for publically accountable enterprises will be replaced by *International Financial Reporting Standards* (IFRS) for fiscal years beginning on or after January 1, 2011. As such, the Company will be required to prepare its December 31, 2011 financial statements including comparative information in compliance with IFRS. The Company is currently assessing the potential impact of the transition to IFRS on its financial statements, disclosure and broader financial reporting systems and controls.

RELATED PARTY TRANSACTIONS

During Q1 Fiscal 2010, the Company was charged $22,000 (three month period ended March 31, 2009 - $30,000) for legal services from law firms in which certain shareholders are principals. The Company issued shares to directors and shareholders valued at $3,872 during the three month period ended March 31, 2009 in lieu of professional fees. These services were recorded at the exchange amount and were incurred during the normal course of operations.

SIGNIFICANT ESTIMATES

The unaudited consolidated interim financial statements as at March 31, 2010 have been prepared in accordance with Canadian GAAP. Significant accounting estimates used in preparing the financial statements include the Scientific Research and Experimental Development ("SRED") tax credit receivable, the fair value allocation of consideration for multiple element revenue arrangements and accrued liabilities. 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. Through knowledge of the Company's activities in the period ended March 31, 2010, management has estimated the amount of accrued liabilities to be recorded.

OUTSTANDING SECURITIES

The number of issued and outstanding common shares on May 12, 2010 is 45,393,145. The number of outstanding stock options and broker warrants on May 12, 2010 was 3,441,687 and 455,573, respectively. The outstanding stock options have a weighted average exercise price of $0.85 per share, and a weighted average remaining term of 5.8 years. The outstanding warrants expire on September 30, 2010 and have an exercise price of $0.70 per share.

REVERSE TAKE-OVER and PRIVATE PLACEMENTS

On June 8, 2009, ImmunoVaccine Technologies Inc. ("IVT") and Rhino Resources Inc. ("Rhino") announced that they had entered into a binding term sheet effective June 1, 2009 for Rhino's non-arm's length acquisition of IVT. The transaction closed on September 30, 2009 in the form of a share exchange whereby Rhino acquired all of the issued and outstanding common shares of IVT in consideration for common shares of Rhino. Prior to closing, the Rhino shares were consolidated on the basis of one new share for each existing five Rhino shares, and then each existing share of the IVT was exchanged for one new common share of Rhino. Upon closing, Rhino also changed its name to Immunovaccine Inc. ("Immunovaccine").

In connection with this transaction, 6,230,399 shares of IVT were issued as part of a brokered private placement at a price of $0.70 per share for gross proceeds of $4,361,279, and 5,582,614 shares of IVT were issued as part of a non-brokered private placement at a price of $0.70 per share for gross proceeds of $3,907,830. The agents received an 8% cash commission and broker warrants equal to 8% of the number of shares sold to individuals not currently shareholders of IVT, with each broker warrant entitling the holder to acquire one new common share of Immunovaccine at a price of $0.70 per share for a period of 12 months from closing.

As the former shareholders of IVT owned approximately 95% of Rhino following the exchange of shares, the transaction was accounted for as a reverse take-over of Rhino by IVT. Following the transaction, no one individual held more than 10% of the common shares of the resulting issuer, and the operations of the Company were not altered significantly based on this transaction.

INTELLECTUAL PROPERTY RIGHTS

The Company has invested resources into protecting its intellectual property rights and continues to invest in the protection and expansion of its intellectual property rights. The Company's intellectual property portfolio for its VacciMax® platform technology, includes 18 granted patents and applications in Canada, US, Europe, Australia and Japan. US Patent 6,793,923 (issued in 2004) contains claims to the Company's platform, covering "any antigen, any adjuvant in any liposome and any oil". The platform name is protected by trademark in the US and Europe. The Company has also filed additional follow-on patent applications to protect DepoVax™ formulations as well as delivery of oligonucleotides and others.

FINANCIAL INSTRUMENTS

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 are classified as "Financial Assets Held for Trading". These financial assets are marked-to-market through net income at each period end.

- 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.

- Accounts payable 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 May 12, 2010.

RISK ASSESSMENT

The Company's activities are subject to certain risk factors and uncertainties that generally affect 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; and vii) obtain regulatory approvals required to commercialize its products or those of its partners. The Company's activities have and will require significant financial investments. 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, 2009, under the heading "Risk Factors".

(Signed) "Gary Dodge"

Chief Financial Officer

May 12, 2010