Management's Report on Financial Position and Operating Results

For the nine months ended September 30, 2011

Immunovaccine

DELIVERING BREAKTHROUGH VACCINES

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LETTERS TO SHAREHOLDERS

FROM THE CHAIRMAN

We now have a full house.

In late September, John Trizzino joined us as Chief Executive Officer. John comes to Immunovaccine after a career of building successful life science businesses in the U.S., notably in vaccines. As John was settling into his office, we announced that Wayne Pisano, former chief executive of Sanofi Pasteur, the world's largest vaccine company, would join our board this month.

These two experienced vaccine industry professionals give us a full crew of talented, seasoned and ambitious directors intent on carrying our science to market. Significantly, they heighten awareness of our company in the North American and European biotechnology worlds.

Now that we have completed the DPX-0907 human trial, Marc Mansour, our chief scientist, will be submitting the results of that study for peer review and publication. This is another important step in making the scientific community aware of our progress.

Finally, Marc's team has won approval of its application to Health Canada to conduct our next human trials, a phase I/II study of DPX-Survivac to treat ovarian cancer. That means we have clearance in both Canada and the U.S. to conduct an accelerated study of this vaccine without stopping midway for a review of the first part of the trial.

All of this news taken together indicates that we are on track for developing life-saving, industry-changing vaccines. Thank you for continuing to be part of the process.

Yours sincerely,

Albert Scardino
Chairman

FROM THE CHIEF EXECUTIVE

I am pleased to join the Immunovaccine team and lead the company to its next stage of development and growth.

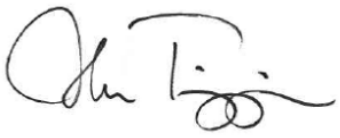
Curiously, many people have asked me, "why did you choose to join Immunovaccine, why now, and what is your vision?" Ultimately, it's because I was impressed by the strength of Immunovaccine's science and the company's potential to leverage that into differentiated, safe and effective new products.

To you and Immunovaccine, I bring a strategic philosophy that value creation is a critical element for any company. Biotech companies, specifically, create value by generating strong clinical data, hitting key milestones and bringing their vaccines to the marketplace.

As your new CEO, I am excited to be part of a company at this stage of development as we prepare to take a promising vaccine into human clinical trials. I'm also pleased to have the support of such a strong and independent board. The business experience of our directors, whose sizeable expertise in the vaccine industry and within the capital markets, will be invaluable to the growth of our company.

I look forward to working with my fellow directors and the rest of the management team to fully realize Immunovaccine's potential.

Yours sincerely,



John Trizzino
CEO

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 nine month period ended September 30, 2011 ("Q3 Fiscal 2011"), with information compared to the nine month period ended September 30, 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 is 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 November 8, 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 November 8, 2011, the date of the Board's approval of the MD&A and the Q3 Fiscal 2011 unaudited interim condensed consolidated 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 advancing two clinical-stage cancer vaccine candidates: DPX-0907, a therapeutic cancer vaccine targeting breast, ovarian, and prostate cancers; and DPX-Survivac, a therapeutic cancer vaccine which uses peptides from the tumour associated antigen survivin, being developed for clinical testing in patients diagnosed with ovarian cancer.

The Company has also completed proof of concept pre-clinical studies for infectious disease applications in its technology such as single-dose DepoVax™ platform-based pandemic influenza, hepatitis B and bio-terrorism agents, such as anthrax. 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 four 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 succeeded in developing an effective vaccine delivery system so that 90% of seals were still contracepted 10 years after receiving the novel single-dose vaccine.

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 ("Pfizer"). 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. Therefore, unlike many early stage biotechnology companies, the Company is not reliant on one product for its success in the medium- to long-term. Immunovaccine has identified and is pursuing opportunities across a number of markets that the Company believes will give it the ability to concurrently pursue multiple product opportunities in the future.

Building upon the research success in animal health and acknowledging the larger potential of the human health 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 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 more comprehensive results of its Phase I clinical trial of DPX-0907, a therapeutic vaccine to treat breast, ovarian and prostate cancers. The positive results of the Phase I trial of DPX-0907 have accelerated the Company's advancement towards a Phase I clinical trial of DPX-Survivac, an investigational therapeutic survivin-based cancer vaccine, recently in-licensed from Merck KGaA. While this vaccine has the potential to target nine different solid tumors and blood cancers, the Company has chosen to focus the first Phase I clinical trial of DPX-Survivac on ovarian cancer. The Company had been evaluating a Pseudomonas aeruginosa ("Pseudomonas") vaccine, however, after completing a series of experiments, the results have shown that the antibodies generated by the antigen did not protect animals when the challenge Pseudomonas strain was introduced. The Company will therefore not pursue renewal of the exclusive license option signed with Yokohama University.

Vaccine improvement - The Company intends to license the DepoVax™ technology to human health companies for certain indications. Immunovaccine 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 - Immunovaccine's initial research was focused on animal health and its positive results enabled the Company to initiate discussions with Pfizer. Pfizer has signed four license agreements for the use of the Company's delivery technology, which includes up-front signing fees, milestone payments and future royalty payments. In the medium- to long-term, Immunovaccine intends to pursue additional licensing and revenue opportunities within the animal health market to help fund the research and development of human health vaccine candidates.

Manufacturing

The Company has demonstrated the scalability 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. To

reduce costs, the Company has purchased dedicated equipment that is housed at an approved Good Manufacturing Practices ("GMP") contract manufacturing facility.

In 2009, the proprietary manufacturing and lyophilisation processes were established at the GMP contract manufacturing facility. That same year, the Company also manufactured commercial scale pilot vaccine batches, including 50 litres (200,000 doses) of a hepatitis B vaccine, some of which the Company retained for research purposes. This accomplishment is important because historically, large-scale production of liposomes has been an industry challenge.

During the first quarter of Fiscal 2010, a clinical batch of the DPX-0907 vaccine was successfully produced and was used in a multicenter Phase I clinical trial in the U.S. 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

DPX -0907

On June 1, 2011, Immunovaccine released more comprehensive safety and immunogenicity results of the Phase I clinical trial for DPX-0907, the Company's first human health vaccine candidate that combines the Company's DepoVax™ platform with seven peptide antigens indicated for breast, ovarian and prostate cancers. The results of the clinical trial demonstrated that the vaccine was well tolerated and elicited an antigen specific immune response.

The Phase I trial was conducted at five centers in the U.S. In this open-label, dose-escalating trial, patients received three injections (0.25 mL or 1 mL doses) of the active immune therapy DPX-0907, three weeks apart.

The Phase I trial met the primary objective of safety with overall results demonstrating that DPX-0907 is generally well tolerated and is considered safe at both dose levels. Two grade 3 local site reactions were reported after repeat injections of 1 mL of vaccine, both of which resolved completely or downgraded to a grade 1 reaction. Such local site reactions are expected and the severity of the injection site reactions were related to the volume of vaccine administered. There were no vaccine-related serious adverse experiences reported.

The secondary objective was to assess whether administration of DPX-0907 could generate an immune response specific to the seven cancer antigens. 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.

The Company is currently exploring opportunities to progress the clinical development of DPX-0907.

DPX - Survivac

On June 17, 2011, the U.S. Food Drug and Administration ("FDA") cleared its Investigational New Drug (IND) application for a Phase I/II clinical study with DPX-Survivac, a therapeutic cancer vaccine. Health Canada has also cleared its Clinical Trial Application (CTA) for a Phase I/II study with DPX-Survivac, allowing the Company to proceed with preparations in Canada.

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 Phase I clinical trial results of DPX-0907, as well as the 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,

and allowed the Company to file an IND application with the FDA for DPX-Survivac months ahead of schedule. The existing clinical data from both DPX-0907 and survivin antigens facilitated the approval of a combined Phase I/II protocol for testing DPX-Survivac in patients with advanced ovarian cancer.

The Phase I/II multicenter clinical trial is designed to assess the safety, immunogenicity and clinical efficacy of the DPX-Survivac vaccine. Patients will be treated with the DPX-Survivac vaccine after completing debulking surgery and chemotherapy treatments. The vaccine will be administered to patients who will also receive an immune modulating drug to enhance the effect of the vaccine on cancer cells. The Phase I portion of the clinical trial design is an open label dose-ranging study to identify the optimal dose of DPX-Survivac to use in the Phase II portion of the study.

Successful initiation and completion of Phase I, II and III clinical trials for DPX-0907 and DPX-Survivac, as well as approval from global regulatory bodies, represent future, and therefore uncertain, events that could have a significant impact on the Company's business.

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 expected to rise to US$46.5 billion by 2014. The development of new infectious disease vaccines along with therapeutic cancer vaccines, is expected to drive the growth of the vaccine industry in the early 21st century. In particular, 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. 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.

Furthermore, advances in biotechnology mean that vaccines are not easily replaced by generic substitutes and are therefore more likely to assure a long-term income stream. Vaccines are also positively viewed by governments and healthcare providers because of their potential to reduce hospital stays and drug costs. New technologies, such as the enhanced vaccine delivery platform being developed by the Company, are enabling the development of targeted vaccines not previously possible. These new vaccine products are being priced at a premium to reflect the value of the technology.

Therapeutic cancer vaccines

Cancer affects more than 10 million people world-wide each year. This number is expected to increase to 15 million people by 2020. Cancer treatment per person is very expensive with anti-cancer biological therapies like Avastin and Erbitux costing as much as US$15,000 to $60,000 per year. Therefore, cancer is a key therapeutic focus for the pharmaceutical industry and is particularly attractive for small biotech companies as cancer vaccines offer shorter time to market with lower approval hurdles and fast-track development opportunities.

Conventional cancer treatment involves debulking surgery, followed by chemotherapy. Chemotherapy interferes with the ability of cancer cells to grow and spread, but these drugs can only delay the cancer's recurrence as most tumors eventually develop resistance to the treatment. Chemotherapy also kills normal cells which is why it has negative side effects.

The next generation of therapeutic cancer vaccines is a more attractive approach because the vaccine is administered after surgery and chemotherapy, when tumor burden is low. Patients also need treatments with a better safety profile than chemotherapy. The goal is to have the cancer vaccine train the body's immune system to target and kill remaining cancer cells.

As a multi-billion dollar market opportunity, interest in cancer immunotherapy is rising as more products are approved. Two recent examples include the approval of Provenge for prostate cancer and Yervoy (ipilimumab) for melanoma.

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.

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 primarily of 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 Merck 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-controlled 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 for DPX-0907. On June 1, 2011, the Company announced that DPX-0907 is well tolerated 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 Q3 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 in 2011

- On October 26, 2011, the Company announced that Health Canada has cleared its Clinical Trial Application for a Phase I/II study with DPX-Survivac, a therapeutic cancer vaccine. The decision allows the Company to proceed with preparations in Canada to test the safety and efficacy of its immunotherapeutic vaccine in patients with ovarian cancer.

- On October 17, 2011, the Company announced the addition of Wayne Pisano, former President and Chief Executive Officer of Sanofi Pasteur, to Immunovaccine's Board of Directors.

- On September 12, 2011, the Company announced the appointment of John J. Trizzino as Chief Executive Officer and director on the Board of Directors.

- On June 27, 2011, the Company announced that Dr. Marc Mansour, Chief Operating Officer and Chief Science Officer, presented at the 2011 Biotechnology Industry Organization (BIO) Business Forum, the largest global event for the biotechnology industry.

- On June 23, 2011, the Company announced the results of the 2011 Annual General Meeting. The shareholders elected Dr. William A. Cochrane, Wade K. Dawe, James W. Hall, Albert Scardino, Kimberly Stephens and Brad Thompson to serve on the Board of Directors. The shareholders approved all motions put forth at the meeting, including the appointment of PricewaterhouseCoopers LLP, Chartered Accountants, as the Company's independent auditors.

- On June 20, 2011, the Company announced that the U.S. Food and Drug Administration (FDA) reviewed and cleared its Investigational New Drug (IND) application for a Phase I/II clinical trial with DPX-Survivac, a therapeutic cancer vaccine. After a successful Phase I clinical trial, which the Company expects to start in Q4 Fiscal 2011, Immunovaccine will be permitted to initiate a Phase II clinical trial without any further application to the FDA.

- 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 trial 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. Also on that date, 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 remained President and Chief Executive Officer until July 13, 2011, while the Board continued 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 for cancer and infectious disease.

Immunovaccine will continue to refine and focus its research activities on those candidates that show the most compelling technical results and 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 trials. The Company continues to look for partners with access to the specific antigens who are interested in advancing these products in the relevant jurisdictions. 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 other companies' vaccine candidates.

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 thousand. The information in the last quarter 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 three quarters of 2011 is reported on an IFRS basis. Accordingly, the financial information for the last quarter of 2009 may not be comparable to subsequent periods.

Quarter Ended In	Total Revenue $	Total Expenses $	Loss $	Basic and Diluted Loss Per Share $
Q3 - September 30, 2011	-	1,496,000	(1,496,000)	(0.03)
Q2 - June 30, 2011	-	2,044,000	(2,044,000)	(0.04)
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)

(*) – 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 September 30, 2011 ("Q3 Fiscal 2011"), compared to the three month period ended September 30, 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 $1,445,000 during the three month period ended September 30, 2010 to a loss of $1,496,000 in Q3 Fiscal 2011, an increase of $51,000. Operating expenses increased by $45,000 due mainly to the $1,986,000 expenses related to pre-clinical research on DPX-Survivac, offset by an increase of $1,255,000 of government assistance, a $229,000 decrease in expenses associated with the Phase I clinical trial of DPX-0907, a $286,000 decrease of general research and development costs, and a decrease in general and administration expenses of $167,000.

Revenues

During Q3 Fiscal 2011, revenue was $nil compared to $6,000 during the three month period ended September 30, 2010. The $6,000 was deferred revenue being recognized in the period in relation to a license agreement with Pfizer. 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 health activities and relates to potential animal vaccines that are being developed by another company that has licensed the Company's technology. The animal licenses are structured with upfront payments, milestone payments and royalties paid as a percentage of sales. As the animal vaccine candidates to which these licenses relate have not yet achieved final commercialization, the revenue at this stage of development is inconsistent. The amount and timing of future revenues from these animal health licenses are dependent on continued future development.

Operating expenses

Overall operating expenses increased by $45,000 (3%) during Q3 Fiscal 2011 compared to the three month period ended September 30, 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 Q3 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 continues 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 Q3 Fiscal 2011 were $2,434,000, less government assistance of $1,416,000 and investment tax credits of $45,000. This represented a $1,413,000 increase over the three month period ended September 30, 2010. Total R&D expenses for the three month period ended September 30, 2010 were $1,021,000, less investment tax credits of $171,000 and government assistance of $161,000.

The largest component of R&D expense was the milestone payment made to Merck KGaA ("Merck") to in-licence the survivin antigen for the DPX-Survivac vaccine candidate of $1,363,000. On July 12, 2010, the Company entered into a License Agreement with Merck to in-license EMD 640744, an investigational therapeutic survivin-based cancer vaccine designed to target multiple solid tumors and hematological malignancies. As a part of the License Agreement, the Company had agreed to pay Merck an agreement milestone of EUR 1,000,000 on or prior to July 31, 2011. The other significant components of the increase in R&D expenses were the direct expenses associated with the pre-clinical research and development for DPX-Survivac of $623,000 (three month period ended September 30, 2010 - $nil).

These costs were offset by the decrease in the expenses associated with the Phase I clinical trial for DPX-0907 and general R&D expenses. As the clinical trial for DPX-0907 concludes, the expenses associated with the Phase I clinical trial were reduced to $143,000 for Q3 Fiscal 2011 compared to $394,000 for the three month period ended September 30, 2010. Other R&D expenses decreased by $126,000 (28%) to $329,000 during Q3 Fiscal 2011 compared to $455,000 during the three month period ended September 30, 2010.

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 September 30, 2010, the Company received loan contributions of $85,000, which was recorded directly against research and development costs, compared to $1,393,000 in Q3 Fiscal 2011, as the Company filed the first claim under the Atlantic Innovation Fund Round VIII government loan.

General and administrative expenses ("G&A")

G&A expenses of $336,000 represented 22% of total expenses for Q3 Fiscal 2011 compared to $503,000 (35% of total expenses) for the three month period ended September 30, 2010, an overall decrease of $167,000 (33%).

The most significant components of G&A expenses are salaries and benefits and professional fees. Professional fees for Q3 Fiscal 2011 of $60,000 (three month period ended September 30, 2010 - $87,000) included: $14,000 in costs to maintain and expand the Company's patent portfolio; $33,000 in respect of audit, accounting, taxation and other consulting services provided by the Company's auditors; and $13,000 in general legal and other professional fees. During the three month period ended September 30, 2010, patent related costs, accounting and related costs, and general legal and other professional costs were approximately $50,000, $29,000 and $8,000, respectively.

G&A expenses related to salaries and benefits for Q3 Fiscal 2011 were approximately $64,000 compared to $142,000 for the three month period ended September 30, 2010. The decrease of $78,000 is attributable to the departure of the former 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 Q3 Fiscal 2011 are consulting fees of $110,000 relating to costs associated with the executive search for the new Chief Executive Officer. The consulting costs during the three month period ended September 30, 2010 of $77,000 consisted of costs associated with the former Chief Executive Officer and the former Acting Chief Financial Officer. The Company's directors' fees and costs in Q3 Fiscal 2011 were $37,000 compared to $49,000 during the three month period ended September 30, 2010.

Other Q3 Fiscal 2011 G&A expenses included a foreign exchange gain of $10,000 related to U.S. funds held by the Company, and $18,000 in interest income compared to a foreign exchange loss of $15,000 and interest income of $10,000, respectively, during the three month period ended September 30, 2010. Other minor differences were noted in office expenses and travel.

Business development expenses ("BD")

Total business development expenses of $158,000 in Q3 Fiscal 2011 represented a decrease of $82,000 compared to the three month period ended September 30, 2010. The decrease relates mainly to a $42,000 decrease in travel expenses, a $15,000 decrease in salary and consulting fees, and a $17,000 decrease in marketing and public relations expenses. These decreases were a result of the Company being in a transition period without a Chief Executive Officer, whose responsibilities include business development.

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 $51,000, $35,000 and $2,000 (three month period ended September 30, 2010 - $87,000, $81,000 and $13,000) 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.

Results for the nine month period ended September 30, 2011, compared to the nine month period ended September 30, 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 $4,192,000 during the nine month period ended September 30, 2010 to a loss of $5,419,000 during the nine month period ended September 30, 2011, an increase of $1,227,000. Operating expenses increased by $1,157,000, including $3,116,000 related to pre-clinical research expenses for DPX-Survivac and a $34,000 reduction of refundable investment tax credits. These increases are offset by a decrease in general and administration expenses of $497,000, a decrease in general research and development costs not related to the clinical or pre-clinical trials of $326,000, a decrease in business development costs of $207,000, a $300,000 decrease in stock-based compensation, and a $485,000 increase in government assistance.

Revenues

During the nine month period ended September 30, 2011, revenue was $nil compared to $70,000 during the nine month period ended September 30, 2010. The entire amount of $70,000 was for a non-refundable, upfront license fee pursuant to the signing of a new license agreement for a third livestock vaccine with Pfizer during the nine month period ended September 30, 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 health activities and relates to potential animal vaccines that are being developed by another company that has licensed the Company's technology. The animal licenses are structured with upfront payments, milestone payments and royalties paid as a percentage of sales. As the animal vaccine candidates to which these licenses relate have not yet achieved final commercialization, the revenue at this stage of development is inconsistent. The amount and timing of future revenues from these animal health licenses are dependent on continued future development.

Operating expenses

Overall operating expenses increased by $1,157,000 (27%) during the nine month period ended September 30, 2011 compared to the nine month period ended September 30, 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, including formulation costs of the clinical batch of DPX-Survivac vaccines, 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 nine month period ended September 30, 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 continues 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 the nine month period ended September 30, 2011 were $5,423,000, less investment tax credits of $194,000 and government assistance of $1,594,000. This represented an increase of $2,284,000 over the nine month period ended September 30, 2010. Total R&D expenses for the nine month period ended September 30, 2010 were $3,139,000, less investment tax credits of $227,000 and government assistance of $1,109,000.

The largest component of R&D expense was the milestone payment made to Merck KGaA ("Merck") to in-licence the survivin antigen for the DPX-Survivac vaccine candidate of $1,363,000. On July 12, 2010, the Company entered into a License Agreement with Merck to in-license EMD 640744, an investigational therapeutic survivin-based cancer vaccine designed to target multiple solid tumours and hematological malignancies. As a part of the License Agreement, the Company had agreed to pay Merck an agreement milestone of EUR 1,000,000 on or prior to July 31, 2011. The other significant components of the increase in R&D expenses were the direct expenses associated with the pre-clinical research and development for DPX-Survivac of $1,753,000 (nine month period ended September 30, 2010 - $nil).

These costs were offset by the decrease in the expenses associated with the Phase I clinical trial for DPX-0907 and general R&D expenses. As the clinical trial for DPX-0907 concludes, the expenses associated with the Phase I clinical trial were reduced to $955,000 compared to $1,313,000 for the nine month period ended September 30, 2010. Other R&D expenses decreased by $326,000 (24%) to $1,033,000 during the nine month period ended September 30, 2011 compared to $1,360,000 during the nine month period ended September 30, 2010. The decrease in other R&D expenses is due to the focus on the clinical trial of DPX-0907 and the pre-clinical research and development of DPX-Survivac.

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 nine month period ended September 30, 2010, the Company received loan contributions of $915,000, which was recorded directly against research and development costs, compared to $1,393,000 in the nine month period ended September 30, 2011.

General and administrative expenses ("G&A")

G&A expenses of $1,082,000 represented 20% of total expenses for the nine month period ended September 30, 2011 compared to $1,578,000 (37% of total expenses) for the nine month period ended September 30, 2010, an overall decrease of $497,000 (31%).

The most significant components of G&A expenses are salaries and benefits and professional fees. Professional fees for the nine month period ended September 30, 2011 of $253,000 (nine month period ended September 30, 2010 - $400,000) included: $109,000 in costs to maintain and expand the Company's patent portfolio; $110,000 in respect of audit, accounting, taxation and other consulting services provided by the Company's auditors; and $34,000 in general legal and other professional fees. During the nine month period ended September 30, 2010, patent related costs, accounting and related costs, and general legal and other professional costs were approximately $143,000, $162,000 and $95,000, respectively.

G&A expenses related to salaries and benefits for the nine month period ended September 30, 2011 were approximately $186,000 compared to $413,000 for the nine month period ended September 30, 2010. The decrease of $227,000 is attributable to the departure of the former 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 the nine month period ended September 30, 2011 are consulting fees of $251,000 (nine month period ended September 30, 2010 - $171,000). The increase in consulting fees primarily relates to costs associated with the executive search for the new Chief Executive Officer. The Company's directors' fees and costs were consistent in the nine month period ended September 30, 2011 of $124,000 compared to $125,000 during the nine month period ended September 30, 2010.

Other G&A expenses during the nine month period ended September 30, 2011 included a foreign exchange gain of $15,000 related to U.S. funds held by the Company, and $88,000 in interest income compared to a foreign exchange loss of $13,000 and interest income of $24,000, respectively, during the nine month period ended September 30, 2010. Other minor differences were noted in office expenses and travel.

Business development expenses ("BD")

Total business development expenses of $612,000 during the nine month period ended September 30, 2011 represented a decrease of $207,000 compared to the nine month period ended September 30, 2010. The Company incurred increased expenses in consulting fees of $92,000 offset by decreased legal fees of $97,000. There was a decrease in salary and benefits of $52,000, as the role of Director of Business Development is currently being performed by a consultant rather than an employee. Travel expenses decreased by $61,000 from $167,000 in the nine month period ended September 30, 2010 compared to $106,000 in the nine month period ended September 30, 2011. The remaining significant decrease relates to the decrease in the stock-based compensation expense as described below.

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 $318,000, $168,000 and $17,000 (nine month period ended September 30, 2010 - $466,000, $268,000 and $70,000) 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 September 30, 2011, the Company had cash and cash equivalents of $4,205,000, as compared to cash and cash equivalents of $7,504,000 at June 30, 2011, $9,299,000 at March 31, 2011 and $10,413,000 at December 31, 2010. At September 30, 2011, the Company had working capital of $6,361,000, as compared to $7,638,000 at June 30, 2011, $9,462,000 at March 31, 2011 and $11,116,000 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.

Three month period ended September 30, 2011

During Q3 Fiscal 2011, cash of $3,377,000 was used in operating activities. This included the reported net loss of $1,496,000 prior to being decreased for; non-cash amortization, non-cash depreciation, non-cash accretion of long-term debt, and non-cash stock-based compensation of $10,000, $22,000, $30,000, and $87,000, respectively.

During Q3 Fiscal 2011, the Company used $1,587,000 of cash as a result of non-cash changes in working capital balances. The primary uses of cash were a $1,502,000 increase in accounts receivable, a $257,000 increase in prepaid expenses, a $223,000 decrease in accounts payable and accrued liabilities, a $45,000 increase in investment tax credits receivable and a $3,000 decrease in amounts due to directors.

Sources of cash raised through financing activities during Q3 Fiscal 2011 were $99,000 in proceeds from long-term debt, offset by the repayment of $13,000 of its long-term debt.

During Q3 Fiscal 2011, the Company purchased $8,000 of equipment for ongoing research and operating activities.

Nine month period ended September 30, 2011

During the nine month period ended September 30, 2011, cash of $6,173,000 was used in operating activities. This included the reported net loss of $5,419,000 prior to being decreased for; non-cash amortization, non-cash depreciation, non-cash accretion of long-term debt, non-cash stock-based compensation, shares issued for professional services and loss on the disposal of assets of $29,000, $65,000, $90,000, $504,000, $27,000 and $3,000, respectively.

During the nine months ended September 30, 2011, the Company had used $1,472,000 of cash as a result of non-cash changes in working capital balances. The primary uses of cash were an $1,198,000 increase of amounts receivable, a $166,000 increase decreasing prepaid expenses, a $210,000 decrease in accounts payable and accrued liabilities and a $36,000 decrease in amounts due to directors. These uses of cash were offset by a decrease of $138,000 in investment tax credits receivable.

Sources of cash raised through financing activities during the nine months ended September 30, 2011 were $145,000 in proceeds from long-term debt, offset by the repayment of $32,000 of its long-term debt.

During the nine months ended September 30, 2011, the Company purchased $148,000 of equipment for ongoing research and operating activities.

At September 30, 2011, the Company had approximately $8.0 million of existing and identified potential sources of cash including:

- cash and equivalents of $4.2 million;
- amounts receivable and investment tax credits receivable of $2.3 million; and
- additional funding of $1.5 million available from government assistance and loans that the Company has been awarded and not yet claimed assistance.

For Q3 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 $1.3 million. The Company forecasts the burn rate to be between $1.6 million to $1.8 million over the next twelve months, as the DPX-0907 Phase I clinical trial costs wind down and the Company increases its Phase I/II clinical development work for DPX-Survivac.

At September 30, 2011, the Company had cash resources of $4.2 million and identified additional potential cash resources of $3.8 million, including amounts receivable and investment tax credits receivable of $2.3 million and remaining $1.5 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 for the next twelve months. The Company intends to complete the first steps of the DPX-Survivac clinical trial, which includes the formulation development, analytical development, preclinical efficacy and safety studies and study set-up. This also includes vaccinating the first three patients with DPX-Survivac to establish the preliminary safety of the vaccine and to ensure the absence of vaccine-related dose limiting toxicities. The remaining conduct of a multi-center Phase I clinical trial of DPX-Survivac will be delayed until sufficient funds are available to conduct these studies. 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 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 third 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 auditors 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						
Capital 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, a 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 a clinical stage vaccine development 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, respectively. 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 and nine month period ended September 30, 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 and nine months ended September 30, 2010									
	12 months			**3 months**			**9 months**		
	December 31, 2010			**September 30, 2010**			**September 30, 2010**		
	Cdn GAAP	**Adj**	**IFRS**	**Cdn GAAP**	**Adj**	**IFRS**	**Cdn GAAP**	**Adj**	**IFRS**
Revenue	76,105	-	76,105	6,000	-	6,000	70,105	-	70,105
Expenses									
General and administrative	1,878,697	88,745	1,967,442	497,800	5,327	503,127	1,499,125	79,367	1,578,492
Research and development	3,672,249	(1,040,742)	2,631,507	768,114	(79,803)	688,311	2,573,167	(770,334)	1,802,833
Business development	1,028,228	21,108	1,049,336	239,252	262	239,514	797,193	22,483	819,676
Interest	-	81,600	81,600	-	20,400	20,400		61,200	61,200
	6,579,174	(849,289)	5,729,885	1,505,166	(53,814)	1,451,352	4,869,485	(607,284)	4,262,201
Net loss and comprehensive loss	(6,503,069)	849,289	(5,653,780)	(1,499,166)	53,814	(1,445,352)	(4,799,380)	607,284	(4,192,096)

Adopting IFRS has resulted in a net loss for the three and nine months ended September 30, 2010 of $1,445,000 and $4,192,000, respectively, compared to a net loss of $1,499,000 and $4,799,000, respectively, under old Canadian GAAP. The most significant statement of loss item is the difference between the fair value of the government interest-free 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 $85,000 and $915,000 in government assistance in the three and nine months ended September 30, 2010, respectively. This positive adjustment was offset by the accreted interest relating to these loans of $20,000 and $61,000 in the three and nine months ended September 30, 2010, as well as an increase in the stock-based compensation expense of $4,000 and $246,000 in the three and nine months ended September 30, 2010, respectively. A small decrease in the investment tax credit expense of $3,000 and small increase of $3,000 in the three and nine months ended September 30, 2010 reduced the impact to a $54,000 and $607,000 decrease of net loss in the three and nine months ended September 30, 2010, respectively, 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 investment tax credits at fair value, the long-term debt at fair value and adjustments made to the stock-based compensation expense resulted in a change of presentation of the cash flows received. The differences arising from these changes described above reduced the net loss by $54,000, $607,000 and $849,000 for the three and nine months ended September 30, 2010 and year ended December 31, 2010, respectively. The Company also recorded accreted interest relating to the interest-free loans of $20,000, $61,000 and $82,000, for the three and nine months ended September 30, 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 the nine month period ended September 30, 2011, the Company incurred business development consulting fees of $36,000 during the period that the individual was a non-executive Director. Subsequent to June 2011, the individual was no longer 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.

Venture Issuers 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 September 30, 2011 have been prepared in accordance with new 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 Management's judgment. A change in Management's assumptions used to forecast future revenue or a change in the discount rate could have a significant impact on the fair value of these interest-free government loans. 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 nine month period ended September 30, 2011, Management has estimated the amount of accrued liabilities to be recorded.

OUTSTANDING SECURITIES

The number of issued and outstanding common shares on November 8, 2011 is 53,987,084. The number of outstanding stock options on September 30, 2011 is 5,130,650. The outstanding stock options have a weighted average exercise price of $0.73 per share and a weighted average remaining term of 4.52 years. The number of outstanding warrants on September 30, 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 1.86 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 (U.S., Europe, Japan and Australia) and two pending patent applications in the U.S. 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 September 30, 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".