Immunovaccine Inc.

Consolidated Financial Statements
December 31, 2013

March 14, 2014

Management's Responsibility for Financial Reporting

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

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

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

(signed) "*Marc Mansour*"
Chief Operating Officer

March 14, 2014

Independent Auditor's Report

To the Shareholders of
Immunovaccine Inc.

We have audited the accompanying consolidated financial statements of **Immunovaccine Inc.** and its subsidiary, which comprise the consolidated statements of financial position as at December 31, 2013 and December 31, 2012 and the consolidated statements of changes in equity, loss and comprehensive loss and cash flows for the years then ended and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Immunovaccine Inc. and its subsidiary as at December 31, 2013 and December 31, 2012 and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 of the consolidated financial statements which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about Immunovaccine Inc.'s ability to continue as a going concern.

(signed) *"PricewaterhouseCoopers LLP"*

Chartered Accountants

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Immunovaccine Inc.

Consolidated Statements of Financial Position

As at December 31, 2013 and 2012

(Expressed in Canadian dollars)

	2013 $	2012 $
Assets		
Current assets		
Cash and cash equivalents	3,535,997	2,001,931
Amounts receivable (note 4)	246,957	397,556
Prepaid expenses	170,249	300,153
Investment tax credits receivable	595,503	494,429
	4,548,706	3,194,069
Intangible asset (note 5)	273,929	313,062
Property and equipment (note 6)	273,650	342,782
	5,096,285	3,849,913
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	1,111,313	1,019,424
Amounts due to directors (note 8)	63,238	30,936
Current portion of long-term debt (note 9)	56,809	80,065
	1,231,360	1,130,425
Long-term debt (note 9)	1,274,160	910,223
	2,505,520	2,040,648
Equity	2,590,765	1,809,265
	5,096,285	3,849,913

Going concern (note 1)

Commitments (note 16)

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

Approved on behalf of the Board of Directors

(signed) *"James W. Hall"*, Director

(signed) *"Wayne Pisano"*, Director

Immunovaccine Inc.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2013 and 2012

(Expressed in Canadian dollars)

	Share Capital $ (note 10)	Contributed Surplus $ (note 11)	Warrants $ (note 12)	Deficit $	Total $
Balance, December 31, 2011	24,764,328	2,169,664	1,590,402	(23,472,821)	5,051,573
Net loss and comprehensive loss for the year	–	–	–	(6,399,836)	(6,399,836)
Issuance of shares	2,788,202	–	–	–	2,788,202
Share issuance costs	(166,986)	–	–	–	(166,986)
Expiration of warrants, net of tax of $27,000	–	139,052	(166,052)	–	(27,000)
Issuance of share capital in lieu of professional fees	67,219	–	–	–	67,219
Employee share options:					
Value of services recognized	–	496,093	–	–	496,093
Balance, December 31, 2012	27,452,763	2,804,809	1,424,350	(29,872,657)	1,809,265
Net loss and comprehensive loss for the year	–	–	–	(4,681,433)	(4,681,433)
Issuance of shares	5,808,364	–	–	–	5,808,364
Share issuance costs	(251,147)	–	–	–	(251,147)
Expiration of warrants, net of tax of $231,500	–	1,192,850	(1,424,350)	–	(231,500)
Issuance of share capital in lieu of professional fees	82,595	–	–	–	82,595
Issuance of broker warrants	–	–	15,787	–	15,787
Employee share options:					
Value of services recognized	–	36,734	–	–	36,734
Exercise of options	10,125	(8,025)	–	–	2,100
Balance, December 31, 2013	33,102,700	4,026,368	15,787	(34,554,090)	2,590,765

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

Immunovaccine Inc.

Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31, 2013 and 2012

(Expressed in Canadian dollars)

	2013 $	2012 $
Expenses		
General and administrative	1,852,849	2,012,675
Research and development	2,542,131	3,333,988
Business development	840,585	932,546
Accreted interest and adjustments (note 9)	(322,632)	147,627
	4,912,933	6,426,836
Loss before income taxes	(4,912,933)	(6,426,836)
Deferred income tax recovery	231,500	27,000
Net loss and comprehensive loss for the year	(4,681,433)	(6,399,836)
Basic and diluted loss per share	(0.07)	(0.10)
Weighted-average shares outstanding	68,765,650	61,788,779

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

Immunovaccine Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2013 and 2012

(Expressed in Canadian dollars)

	2013 $	2012 $
Cash provided by (used in)		
Operating activities		
Net loss for the year	(4,681,433)	(6,399,836)
Charges to operations not involving cash		
Amortization of intangible asset	39,133	39,133
Depreciation of property and equipment	75,783	94,414
Accreted interest and adjustments	(322,632)	147,627
Stock-based compensation	36,734	496,093
Deferred income tax recovery	(231,500)	(27,000)
	(5,083,915)	(5,649,569)
Net change in non-cash working capital balances related to operations		
Decrease in amounts receivable	150,599	312,727
Decrease in prepaid expenses	129,904	2,914
Increase in investment tax credits receivable	(101,074)	(196,187)
Increase (decrease) in accounts payable and accrued liabilities	91,889	(151,053)
Increase in amounts due to directors	32,302	29,186
	(4,780,295)	(5,651,982)
Financing activities		
Proceeds from issuance of capital stock and warrants	5,808,364	2,788,202
Shares and warrant issuance costs	(152,765)	(99,767)
Proceeds from long-term debt	753,000	15,001
Repayment of long-term debt	(89,687)	(90,145)
Proceeds from the exercise of stock options	2,100	–
	6,321,012	2,613,291
Investing activities		
Acquisition of property and equipment	(6,651)	(30,328)
Net change in cash and cash equivalents during the year	1,534,066	(3,069,019)
Cash and cash equivalents – Beginning of year	2,001,931	5,070,950
Cash and cash equivalents – End of year	3,535,997	2,001,931
Cash and cash equivalents are comprised of the following:		
Cash on hand and balances with banks	3,535,997	251,931
Short-term investments	–	1,750,000
	3,535,997	2,001,931
Supplementary cash flow		
Interest received	35,898	42,412

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

(Expressed in Canadian dollars)

1 Nature of operations and going concern

Immunovaccine Inc. ("Immunovaccine" or the "Corporation") is, through its 100% owned subsidiary ImmunoVaccine Technologies Inc., a clinical stage biopharmaceutical company that discovers and develops activators of the immune system to treat cancer and prevent infectious diseases. Immunovaccine has built a proprietary product platform that is used to create immunogenic vaccines. The Corporation's proprietary DepoVax™ adjuvanting/delivery platform is believed to produce a strong, high-quality immune response that has a specific and sustained immune effect, and enables the Corporation to pursue vaccine candidates in cancer, infectious diseases and potentially other vaccine applications. The Corporation has research collaborations with research organizations, including the National Institutes of Health ("NIH") in the U.S. The Corporation has licensed the delivery technology to Zoetis, formerly the animal health division of Pfizer, Inc. ("Pfizer"), for the development of vaccines for livestock. The Corporation has one reportable and geographic segment. Incorporated under the Canada Business Corporations Act and domiciled in Halifax, Nova Scotia, the shares of Immunovaccine are listed on the TSX-Venture Exchange ("TSX-V") with the symbol IMV. The address of its principal place of business is 1344 Summer Street, Suite 412, Halifax, Nova Scotia, Canada.

Since the Corporation's inception, the Corporation's operations have been financed through the sale of shares, issuance of debt, revenue from animal health licenses, interest income on funds available for investment, and government assistance and income tax credits. The Corporation has incurred significant operating losses and negative cash flows from operations since inception and has an accumulated deficit of $34,554,090 as at December 31, 2013.

The ability of the Corporation to continue as a going concern is dependent upon raising additional financing through equity and non-dilutive funding and partnerships. There can be no assurance that the Corporation will have sufficient capital to fund its ongoing operations, develop or commercialize any products without future financings. These material uncertainties cast significant doubt as to the Corporation's ability to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The Corporation is currently pursuing financing alternatives that may include equity, debt, and non-dilutive financing alternatives including co-development through potential collaborations, strategic partnerships or other transactions with third parties, and merger and acquisition opportunities. There can be no assurance that additional financing will be available on acceptable terms or at all. If the Corporation is unable to obtain additional financing when required, the Corporation may have to substantially reduce or eliminate planned expenditures or the Corporation may be unable to continue operations.

The Corporation's ability to continue as a going concern is dependent upon its ability to fund its research and development programs and defend its patent rights. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the Corporation were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

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

The Corporation prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") as set out in the Chartered Professional Accountants of Canada Handbook - Accounting - Part 1 ("CPA Canada Handbook"), which consist of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(Expressed in Canadian dollars)

2 Basis of presentation and adoption of International Financial Reporting Standards ("IFRS") (continued)

These consolidated financial statements include all adjustments considered necessary by management to fairly state the Corporation's annual results of operations, financial position and cash flows.

These consolidated financial statements were approved by the Board of Directors on March 14, 2014.

3 Significant accounting policies, judgments and estimation uncertainty

New and amended standards adopted by the Corporation

The following standards have been adopted by the Corporation for the financial year beginning on January 1, 2013:

Amendment to IAS 1, "Financial statement presentation" regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income ("OCI") on the basis of whether they subsequently will or will not be reclassified to profit or loss. These changes did not result in any adjustments to OCI or comprehensive income or loss.

IFRS 10, "Consolidated financial statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard requires an entity to consolidate an investee, only if the investor possesses power over the investee, is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Corporation assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of its subsidiary.

IFRS 11, "Joint arrangements" focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations; and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. The Corporation currently has no interests in joint arrangements, therefore the adoption of this standard had no impact on the Corporation's consolidated financial statements.

IFRS 12, "Disclosures of interests in other entities" includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. This standard did not result in any additional disclosures for the Corporation.

IFRS 13, "Fair value measurement", aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The adoption of IFRS 13 did not require any adjustment to the valuation techniques used by the Corporation to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

(Expressed in Canadian dollars)

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

New and amended standards adopted by the Corporation (continued)

The IASB made several amendments to IAS 36, “Impairment of assets”, to IAS 36, Impairment of assets, in conjunction with issuing IFRS 13. They later issued a limited scope amendment, effective January 1, 2014, introducing additional disclosures about fair value measurement where an impairment has been recorded or reversed. The Corporation has early adopted the limited scope amendment with no material impact on the Corporation’s consolidated financial statements.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2014, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Corporation.

In May 2013, the IASB issued IFRIC 21, "Levies", an interpretation on the accounting for levies imposed by governments. IFRIC 21 is an interpretation of IAS 37, “Provisions, contingent liabilities and contingent assets”. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Corporation is currently assessing the impact of adopting IFRIC 21.

IFRS 9, "Financial instruments" introduces new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods.

Requirements for classification and measurement of financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 was amended in November 2013 to (i) include guidance on hedge accounting, (ii) allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity’s own credit risk, from financial liabilities designated under the fair value option, in OCI, without having to adopt the remainder of IFRS 9, and (iii) remove the previous mandatory effective date for adoption of January 1, 2015, although the standard is available for early adoption.

(Expressed in Canadian dollars)

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

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention.

Consolidation

The financial statements of the Corporation consolidate the accounts of Immunovaccine Inc. and its subsidiary. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation. There are no non-controlling interests, therefore all loss and comprehensive loss is attributable to the shareholders of the Corporation.

Foreign currency translation

i) Functional and presentation currency

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

ii) Transactions and balances

Foreign currency translation of monetary assets and liabilities, denominated in currencies other than the Corporation's functional currency, are converted at the rate of exchange in effect at the consolidated statement of financial position date. Income and expense items are translated at the rate of exchange in effect at the translation date. Translation gains or losses are included in determining income or loss for the year.

Cash and cash equivalents

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

Financial Instruments

Financial assets and liabilities are recognized when the Corporation 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 Corporation has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the consolidated 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 Corporation recognizes financial instruments based on their classification. Depending on the financial instruments' classification, changes in subsequent measurements are recognized in net loss and comprehensive loss.

(Expressed in Canadian dollars)

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

Financial Instruments (continued)

The Corporation has implemented the following classifications:

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

Impairment of financial assets

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

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

Property and equipment

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

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

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

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

(Expressed in Canadian dollars)

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

Property and equipment (continued)

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of general and administrative expenses in the consolidated statement of loss and comprehensive loss.

Intangible asset

The intangible asset, consisting of a license with a finite life is carried at its cost, net of accumulated amortization. Amortization is provided over its estimated useful life of 10.5 years on a straight-line basis.

Impairment of non-financial assets

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

Income tax

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

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

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

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

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

(Expressed in Canadian dollars)

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

Research and development

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

Revenue recognition

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

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

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

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

Deferred revenue

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

Share capital

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

(Expressed in Canadian dollars)

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

Loss per share

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

Diluted LPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. Diluted LPS is equal to the LPS as the Corporation is in a loss position and all securities, comprised of options and warrants, would be anti-dilutive.

Stock-based compensation plan

The Corporation grants stock options to certain employees and non-employees. The majority of the stock options vest over 18 months (33 1/3% per six months) and expire after five years. In 2012 and 2013, the Corporation granted stock options which vest over one year (25% each quarter). Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

Government assistance

Non-repayable government assistance is recorded in the period earned as a reduction in the related qualifying expenditure. During the year ended December 31, 2013, the Corporation recorded $357,963 of non-repayable government grants, from a number of government agencies, as a reduction in related research salaries and general and administrative training (2012 - $46,387). At December 31, 2013, $67,658 (2012 - $296,636) of government assistance, including government loans, is included in amounts receivable. Repayable government loans are recorded initially at fair value, with the difference between the book value and fair value recorded as a reduction of the related expenditures. During the year ended December 31, 2013, the Corporation recorded $497,000 as a reduction of general and administrative expenditures (2012 - $nil), and $nil as a reduction in related research expenditures (2012 - $895,085).

Research and development tax credits

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

Amounts recorded for refundable investment tax credits are calculated based on the expected eligibility and tax treatment of qualifying scientific research and experimental development expenditures recorded in the Corporation's consolidated financial statements.

(Expressed in Canadian dollars)

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

Critical accounting estimates and judgments

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

Calculation of initial fair value and carrying amount of long-term debt:

Atlantic Innovation Fund ("AIF") loans

The initial fair value of the AIF loans is determined by using a discounted cash flow analysis for each of the loans, which require a number of assumptions. The difference between the face value and the initial fair value of the AIF loans is recorded in the statement of loss as government assistance. The carrying amount of the AIF loans requires management to adjust the long-term debt to reflect actual and revised estimated cash flows whenever revised cash flow estimates are made or new information related to market conditions is made available. Management recalculates the carrying amount by computing the present value of the estimated future cash flows at the original effective interest rate. Any adjustments are recognized in the consolidated statement of loss as accreted interest and adjustments after initial recognition.

The significant assumptions used in determining the discounted cash flows include estimating the amount and timing of future revenue for the Corporation and the discount rate. As the AIF loans are repayable based on a percentage of gross revenue, if any, the determination of the amount and timing of future revenue significantly impacts the initial fair value of the loan, as well as the carrying value of the AIF loans at each reporting date. The Corporation is in the early stages of research for its infectious diseases and cancer vaccine product candidates; accordingly, determination of the amount and timing of revenue, if any, requires significant judgment by management. If the Corporation expected no future revenues, no repayments would be required on the AIF loans and the amounts recorded for the AIF loans would be $nil. Management's estimates of future revenues assume no significant revenue in the near future. The discount rate determined on initial recognition of the AIF loans is used to determine the present value of estimated future cash flows expected to be required to settle the debt. In determining the appropriate discount rates, the Corporation considered the interest rates of similar long-term debt arrangements, with similar terms. The AIF loans are repayable based on a percentage of gross revenue, if any; accordingly, finding financing arrangements with similar terms is difficult and management was required to use significant judgment in determining the appropriate discount rates. Management used discount rates ranging from 35% to 50% to discount the AIF loans.

If the weighted average discount rate used in determining the initial fair value and the carrying value at each reporting date of all AIF loans, with repayment terms based on future revenue, had been determined to be higher by 10% (resulting in discount rates ranging from 45% to 60%), or lower by 10% (resulting in discount rates ranging from 25% to 40%), the carrying value of the long-term debt at December 31, 2013 would have been an estimated $180,000 lower or $400,000 higher, respectively. As there is no significant revenue forecasted in the near future, a 10% increase or decrease in the total forecasted revenue would not have a significant impact on the amount recorded for the AIF loans. If the total forecasted revenue were reduced to $nil, no amounts would be forecast to be repaid on the AIF loans, and the AIF loans payable at December 31, 2013 would be recorded at $nil, which would be a reduction in the AIF loans payable of $372,700. If the timing of the receipt of forecasted future revenue was earlier or later by 2 years, the carrying value of the long-term debt at December 31, 2013 would have been an estimated $287,000 higher or $95,000 lower, respectively.

(Expressed in Canadian dollars)

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

Critical accounting estimates and judgments (continued)

Province of Nova Scotia, Economic and Rural Development and Tourism ("ERDT") loan

The initial fair value of the ERDT loan is determined by using a discounted cash flow analysis for the loan. The interest rate on the loan is below the market rate for a loan with similar terms. The significant assumption used in determining the discounted cash flows is the discount rate. Any changes in the discount rate would impact the amount recorded as initial fair value of the long-term debt and the carrying value of the long-term debt at each reporting date. In determining the appropriate discount rate, the Corporation considers the interest rates of similar long-term debt arrangements, with similar terms. The ERDT loan is a government loan with principal payments only required at the end of five years; accordingly, finding financing arrangements with similar terms is difficult and management was required to use significant judgment in determining the appropriate discount rates. Management used a discount rate of 15% to discount the ERDT loan.

If the discount rate used in for the ERDT loan had been determined to be higher or lower by 5% (resulting in discount rates of 20% or 10%, respectively), the carrying value of the long-term debt at December 31, 2013 would have been an estimated $142,000 lower or $178,000 higher, respectively. The difference between the book value and the initial fair value of the ERDT loan is recorded in the statement of loss as government assistance on initial recognition. Any changes in the amounts recorded on the statement of financial position for the ERDT loan result in an offsetting charge in the statement of loss accreted interest and adjustments after initial recognition.

4 Amounts receivable

	2013 $	2012 $
Amounts due from government assistance and government loans	67,568	296,636
Sales tax receivable	121,815	100,920
Other	57,574	–
	246,957	397,556

(Expressed in Canadian dollars)

5 Intangible asset

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

	License $
Year ended December 31, 2012	
Opening net book value	352,195
Amortization for the year	(39,133)
Closing net book value	313,062
At December 31, 2012	
Cost	446,765
Accumulated amortization	(133,703)
Net book value	313,062
Year ended December 31, 2013	
Opening net book value	313,062
Amortization for the year	(39,133)
Closing net book value	273,929
At December 31, 2013	
Cost	446,765
Accumulated amortization	(172,836)
Net book value	273,929

(Expressed in Canadian dollars)

6 Property and equipment

	Computer equipment $	Furniture and fixtures $	Laboratory equipment $	Total $
Year ended December 31, 2012				
Opening net book value	44,626	41,893	320,349	406,868
Additions	11,939	849	17,540	30,328
Depreciation for the year	(20,127)	(8,463)	(65,824)	(94,414)
Closing net book value	36,438	34,279	272,065	342,782
At December 31, 2012				
Cost	161,156	64,023	713,617	938,796
Accumulated depreciation	(124,718)	(29,744)	(441,552)	(596,014)
Net book value	36,438	34,279	272,065	342,782
Year ended December 31, 2013				
Opening net book value	36,438	34,279	272,065	342,782
Additions	1,470	1,390	3,791	6,651
Depreciation for the year	(13,998)	(6,993)	(54,792)	(75,783)
Closing net book value	23,910	28,676	221,064	273,650
At December 31, 2013				
Cost	162,626	65,413	717,408	945,447
Accumulated depreciation	(138,716)	(36,737)	(496,344)	(671,797)
Net book value	23,910	28,676	221,064	273,650

7 Accounts payable and accrued liabilities

	2013 $	2012 $
Trade payables	559,426	764,067
Accrued liabilities	541,575	247,575
Payroll taxes	10,312	7,782
	1,111,313	1,019,424

8 Amounts due to directors

During the year ended December 31, 2013, the Corporation incurred $202,213 (2012 - $171,192) of directors' fees and attendance fees earned by the members of the Board of Directors who are not employees or officers of the Corporation. At December 31, 2013, $63,238 (2012 - $30,936) was due to these individuals. These costs are included in general and administrative expenses in the consolidated statements of loss and comprehensive loss.

(Expressed in Canadian dollars)

9 Long-term debt

	2013 $	2012 $
Atlantic Canada Opportunities Agency ("ACOA") Atlantic Innovation Fund interest-free loan with a maximum contribution of $3,786,474. Annual repayments, commencing December 1, 2008, are calculated as a percentage of gross revenue for the preceding fiscal year, at 2% when gross revenues are less than $5,000,000 and 10% when gross revenues are greater than $5,000,000. As at December 31, 2013, the amount drawn down on the loan, net of repayments, is $3,749,531	228,000	613,200
ACOA Marketing interest-free loan, repayable in 60 equal monthly payments of $3,226 beginning November 1, 2008. As at December 31, 2013, the loan is fully repaid	–	31,718
ACOA Atlantic Innovation Fund interest-free loan with a maximum contribution of $3,000,000. Annual repayments, commencing December 1, 2011, are calculated as a percentage of gross revenue from specific product(s), 5% for the first 5-year period and 10%, thereafter. As at December 31, 2013, the amount drawn down on the loan is $3,000,000	5,300	3,500
ACOA Business Development Program interest-free loan with a maximum contribution of $245,625, repayable in 72 equal monthly payments of $3,411 beginning September 1, 2011. As at December 31, 2013, the amount drawn down on the loan, net of repayments, is $150,117	137,006	171,046
ACOA Business Development Program interest-free loan with a maximum contribution of $75,000, repayable in monthly payments beginning October 1, 2011 of $500 until April 2012, $1,000 until April 2013, $1,500 until April 2014, $2,000 until April 2015 and $3,333 until August 2015. As at December 31, 2013, the amount drawn down on the loan, net of repayments, is $43,977	40,963	55,324
ACOA Atlantic Innovation Fund interest-free loan with a maximum contribution of $2,944,000, annual repayments commencing September 1, 2014, are calculated as a percentage of gross revenue from specific product(s), 5% for the first 5 year period and 10%, thereafter. As at December 31, 2013, the amount drawn down on the loan is $2,944,000	139,400	115,500
Province of Nova Scotia, Economic and Rural Development and Tourism ("ERDT") department secured loan with a maximum contribution of $5,000,000, interest bearing at a rate equal to ERDT's cost of funds plus 1%, compounded semi-annually and payable monthly. The loan is made available in four equal installments based on the Corporation meeting certain milestones, and is repayable on the fifth anniversary date of the first disbursement. The Corporation and its subsidiary have provided a general security agreement granting a first security interest in favour of the Province of Nova Scotia in and to all the assets of the Corporation and its subsidiary, including the intellectual property. The Corporation received the first disbursement of $1,250,000 on August 9, 2013, and this is the amount drawn down on the loan at December 31, 2013	780,300	–
	1,330,969	990,288
Less: Current portion	56,809	80,065
	1,274,160	910,223

(Expressed in Canadian dollars)

9 Long-term debt (continued)

Total contributions received less amounts that have been repaid as at December 31, 2013 is $11,137,625 (2012 - $9,977,312).

Certain ACOA loans and the ERDT loan require approval by ACOA or the Minister for ERDT before the Corporation can pay management fees, bonuses, dividends or other distributions, or before there is any change of ownership of the Corporation. The ERDT loan requires the Corporation to obtain the written consent of the Province of Nova Scotia prior to the sale, disposal or abandon of possession of the intellectual property of the Corporation or its subsidiary. If during the term of the ERDT loan, the head office, research and development facilities, or production facilities of the Corporation are moved from the Province of Nova Scotia, the Corporation is required to repay 40% of the outstanding principal of the loan.

The ERDT loan requires certain early repayments if the Corporation's subsidiary, or the Corporation on a consolidated basis, has cash flow from operations in excess of $1,500,000. The ERDT loan also requires repayment of the loan under certain circumstances, such as changes of control, sale or liquidation of the Corporation or the sale of substantially all of the assets of the Corporation.

The minimum annual principal repayments of long-term debt over the next five years, excluding the Atlantic Innovation Fund repayments for 2014 and beyond which are not determinable at this time, are as follows:

	$
Year ending December 31, 2014	63,432
2015	62,409
2016	40,932
2017	27,321
2018	1,250,000

	2013 $	2012 $
Balance – Beginning of year	990,288	917,805
Borrowings, net of $497,000 (2012 - $895,085) allocated to government assistance	753,000	15,001
Accreted interest	70,644	147,627
Adjustments	(393,276)	–
Repayment of debt	(89,687)	(90,145)
Balance – End of year	1,330,969	990,288
Less: current portion	56,809	80,065
Non-current portion	1,274,160	910,223

(Expressed in Canadian dollars)

10 Share capital

Authorized

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

	Number of common shares	Amount $
Issued and outstanding		
Balance – December 31, 2011	53,987,084	24,764,328
Issued for cash consideration, net of issuance costs	9,294,005	2,621,216
Issued in lieu of professional fees	224,063	67,219
Balance – December 31, 2012	63,505,152	27,452,763
Issued for cash consideration, net of issuance costs	15,371,453	5,557,217
Issued in lieu of professional fees	214,818	82,595
Stock option exercised	7,500	10,125
Balance – December 31, 2013	79,098,923	33,102,700

On March 7, 2012, the Corporation completed a private placement of 9,294,005 shares at a price of $0.30 per share for aggregate gross proceeds of $2,788,202. Total costs associated with the offering were $166,986, including finder's fees of $134,438; paid 50% in cash of $67,219 and 50% by the issuance of common shares. The 224,063 common shares issued to satisfy payment of 50% of the finder's fee were issued at a deemed price of $0.30 per common share. The remaining costs were associated with professional fees and regulatory fees.

On March 5, 2013, the Corporation completed a private placement of 4,860,244 common shares at a price of $0.33 per share for aggregate gross proceeds of $1,603,880. Total costs associated with the offering were $50,881, including finder's fees of $15,708, paid by the issuance of common shares. The 47,600 common shares issued to satisfy payment of the finder's fee were at a value of $0.33 per common share. The remaining costs were associated with professional and regulatory fees.

On November 21, 2013, the Corporation completed a private placement of 10,511,209 shares at a price of $0.40 per common share for aggregate gross proceeds of $4,204,484. In connection with the private placement, the Corporation agreed to pay finders' fees representing an aggregate of $82,562 in cash, along with $66,887 of finders' fees paid by the issuance of 167,218 common shares, and $15,787 of finders' fees paid by the issuance of 50,925 compensation options, each compensation option entitling its holder to purchase one common share at a price of $0.40 per share until May 21, 2015. The remaining costs were associated with professional and regulatory fees.

As at December 31, 2013, 3,844,610 a total of shares (2012 – 8,962,200) are reserved to meet outstanding stock options and warrants.

(Expressed in Canadian dollars)

11 Contributed surplus

	Amount $
Contributed surplus	
Balance – December 31, 2011	2,169,664
Share-based compensation – stock options vested	496,093
Warrants expired, net of effect of $27,000	139,052
Balance – December 31, 2012	2,804,809
Share-based compensation – stock options vested	36,734
Warrants expired, net of effect of $231,500	1,192,850
Stock options exercised	(8,025)
Balance – December 31, 2013	4,026,368

Stock options

The Board of Directors of the Corporation has established a stock option plan (the "Plan") under which options to acquire common shares of the Corporation are granted to directors, employees and other advisors of the Corporation. The maximum number of common shares issuable under the Plan shall not exceed 6,250,000, inclusive of all shares presently reserved for issuance pursuant to previously granted stock options. The total number of options awarded to all consultants for the Corporation shall not exceed 5% of the issued and outstanding common shares of the Corporation at the award date. If any option expires or otherwise terminates for any reason without having been exercised in full, or if any option is exercised in whole or in part, the number of shares in respect of which option expired, terminated or was exercised shall again be available for the purposes of the Plan.

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

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

The fair values of stock options are estimated using the Black-Scholes option pricing model. During the year ended December 31, 2013, 514,070 stock options (2012 – 1,112,500) with a weighted average exercise price of $0.28 (2012 – $0.39) and a term of 5 years (2012 – 4.33 years), were granted to employees and consultants. The value of these stock options has been estimated at $113,095 (2012 - $275,500), which is a weighted average grant date value per option of $0.22 (2012 - $0.25), using the Black-Scholes valuation model and the following weighted average assumptions:

	2013	2012
Risk-free interest rate	3.00%	3.00%
Expected volatility	116%	94%
Expected dividend yield	–	–
Expected life (years)	4.4	3.64
Forfeiture rate	4%	3%

(Expressed in Canadian dollars)

11 Contributed surplus (continued)

Stock options (continued)

Option activity for the year ended December 31, 2013 and 2012 was as follows:

	2013		2012	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Outstanding - Beginning of year	5,229,650	0.60	4,299,650	0.67
Granted	514,070	0.28	1,112,500	0.39
Exercised	(7,500)	0.28	–	–
Expired	(1,312,500)	0.38	(140,833)	1.19
Forfeited	(630,035)	0.38	(41,667)	0.78
Outstanding - End of year	3,793,685	0.67	5,229,650	0.60

The weighted average exercise price of options exercisable at December 31, 2013 is $0.71 (2012 – $0.66).

At December 31, 2013, the following options were outstanding:

Opening	Issued	Exercised	Expired	Forfeited	Closing	Exercisable	Exercise price per share $	Expiry	Average years remaining
75,000	–	(7,500)	(67,500)	–	–	–	0.28	December 31, 2013	–
150,000	–	–	–	–	150,000	150,000	0.28	March 31, 2014	0.25
82,500	–	–	–	–	82,500	82,500	0.28	April 30,2014	0.33
67,500	–	–	–	–	67,500	67,500	0.28	August 31, 2014	0.67
15,000	–	–	–	–	15,000	15,000	0.28	December 31, 2014	1.00
165,000	–	–	–	–	165,000	165,000	0.20	March 31, 2015	1.25
77,250	–	–	–	–	77,250	77,250	0.20	March 31, 2016	2.25
89,000	–	–	–	–	89,000	89,000	0.67	July 1, 2016	2.50
10,000	–	–	–	–	10,000	10,000	1.00	March 31, 2017	3.25
136,000	–	–	–	–	136,000	136,000	1.00	July 1, 2017	3.50
139,900	–	–	–	–	139,900	139,900	1.00	March 31, 2018	4.25
411,000	–	–	–	–	411,000	411,000	1.00	March 31, 2019	5.25
50,000	–	–	–	–	50,000	50,000	1.46	December 14, 2014	.95
50,000	–	–	–	–	50,000	50,000	1.26	February 23, 2015	1.15
10,000	–	–	–	–	10,000	10,000	1.27	July 29, 2015	1.57
35,000	–	–	–	–	35,000	35,000	1.33	August 5, 2015	1.59
20,000	–	–	–	–	20,000	20,000	0.91	September 20, 2015	1.72
589,000	–	–	(5,000)	–	584,000	584,000	0.85	November 15,2015	1.87
50,000	–	–	–	–	50,000	50,000	1.00	December 16, 2015	1.96
1,860,000	–	–	(1,240,000)	(620,000)	–	–	0.55	August 26, 2016	2.65
50,000	–	–	–	–	50,000	50,000	0.38	September 26, 2016	2.74
797,500	–	–	–	–	797,500	797,500	0.45	November 8, 2016	2.86
50,000	–	–	–	–	50,000	50,000	0.40	March 9, 2017	3.19
250,000	–	–	–	–	250,000	250,000	0.30	May 28, 2017	0.87
–	514,070	–	–	(10,035)	504,035	168,012	0.28	April 30, 2018	4.33
5,229,650	514,070	(7,500)	(1,312,500)	(630,035)	3,793,685	3,457,662			

(Expressed in Canadian dollars)

11 Warrants

Warrant activity for the years ended December 31, 2013 and 2012 was as follows:

	2013			2012		
	Number	Exercise price per warrant $	Amount $	Number	Exercise price per warrant $	Amount $
Opening balance	3,732,550	1.30	1,424,350	4,137,556	1.27	1,590,402
Expired	(3,732,550)	1.30	(1,424,350)	(405,006)	1.00	(166,052)
Granted	50,925	0.40	15,787	–	–	–
Closing balance	50,925	0.40	15,787	3,732,550	1.30	1,424,350

The fair values of warrants are estimated using the Black-Scholes option pricing model. The weighted average grant date value per warrant of warrants issued in 2013 was $0.31, using the Black-Scholes valuation model and the following weighted average assumptions:

	2013
Risk-free interest rate	3.00%
Expected volatility	116%
Expected dividend yield	–
Expected life (years)	1.5

13 Deferred income taxes

a) Reconciliation of total tax recovery

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

	2013 $	2012 $
Loss before income taxes	(4,912,933)	(6,426,836)
Income tax rate	31.0%	31.0%
	(1,523,000)	(1,992,000)
Effect on income taxes of:		
Non-deductible share-based compensation	11,000	154,000
Unrecognized deductible temporary difference and carry forward amounts and experimental development expenditures	1,279,500	1,810,000
Other non-deductible items	1,000	1,000
Income tax recovery	(231,500)	(27,000)

(Expressed in Canadian dollars)

13 Deferred income taxes (continued)

b) Deferred income tax

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

	2013 $	2012 $
Deferred income tax liabilities:		
Property and equipment	(23,000)	(27,000)
Deferred income tax assets:		
Non-capital losses	23,000	27,000
Net deferred income tax liability	–	–

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

	2013 $	2012 $
Non-capital losses	24,530,000	19,100,000
Scientific research and experimental development expenditures	5,371,000	5,000,000
Non-refundable investment tax credits	1,477,000	1,100,000
Deductible share issuance costs	268,000	507,000
Long-term debt	1,153,000	732,000

c) Non-capital losses

As at December 31, 2013, the Corporation had approximately $24,600,000 in losses available to reduce future taxable income. The benefit of these losses has not been recorded in the accounts as realization is not considered probable. These losses may be claimed no later than:

	$
For the year ending December 31, 2014	500,000
2025	1,000,000
2026	1,100,000
2027	1,520,000
2028	1,790,000
2029	740,000
2030	2,810,000
2031	5,180,000
2032	4,100,000
2033	5,860,000
	24,600,000

(Expressed in Canadian dollars)

13 Deferred income taxes (continued)

d) Scientific research and experimental development expenditures

The Corporation has approximately $5,371,000 of unclaimed scientific research and development expenditures, which may be carried forward indefinitely and used to reduce taxable income in future years. The potential income tax benefits associated with the unclaimed scientific research and experimental development expenditures have not been recognized in the accounts as realization is not considered probable.

e) Non-refundable investment tax credits

The Corporation also has approximately $1,477,000 in non-refundable federal investment tax credits which may be carried forward to reduce taxes payable. These tax credits will be fully expired by 2033. The benefit of these tax credits has not been recorded in the accounts as realization is not considered probable.

14 Capital management

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

	2013 $	2012 $
Total debt	1,330,969	990,288
Less: Cash and cash equivalents	(3,535,997)	(2,001,931)
Net debt	(2,205,028)	(1,011,643)
Equity	2,590,765	1,809,265
Total capital	385,737	797,622

The Corporation is in compliance with its debt covenants.

(Expressed in Canadian dollars)

15 Financial instruments

Fair value of financial instruments

Financial instruments are defined as a contractual right or obligation to receive or deliver cash on another financial asset.

The following table sets out the approximate fair values of financial instruments as at the consolidated statements of financial position date with relevant comparatives:

	2013		2012	
	Carrying value $	Fair value $	Carrying value $	Fair value $
Cash and cash equivalents	3,535,997	3,535,997	2,001,931	2,001,931
Amounts receivable	125,142	125,142	296,617	296,617
Accounts payable and accrued liabilities	1,101,001	1,101,001	1,011,642	1,011,642
Amounts due to directors	63,238	63,238	30,936	30,936
Long-term debt	1,333,969	1,333,969	990,288	990,288

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

Fair value of items, which are short-term in nature, have been deemed to approximate their carrying value. The above noted fair values, presented for information only, reflect conditions that existed only at December 31, 2013, and do not necessarily reflect future value or amounts which the Corporation might receive if it were to sell some or all of its assets to a willing buyer in a free and open market.

The fair value of the long-term debt is estimated based on the expected interest rates for similar borrowings by the Corporation at the consolidated statements of financial position dates. At December 31, 2013, the fair value is estimated to be equal to the carrying amount.

Risk management

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

a) Interest rate risk

The Corporation has no exposure to interest rate risk on its lending and borrowing activities. All outstanding debt as at December 31, 2013 is interest-free, with the vast majority only becoming repayable when revenues are earned. The remaining portion is repayable over either 60 or 72 month periods, resulting in required principal debt payments in fiscal 2014 of $63,432.

(Expressed in Canadian dollars)

15 Financial instruments (continued)

Risk management (continued)

b) Credit risk

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

The total of amounts receivable disclosed in the consolidated statements of financial position as at December 31, 2013 of $246,957 (2012 - $397,556) is comprised mainly of current period advances due to the Corporation for government assistance programs, as well as sales taxes recoverable. If required, the balance is shown net of allowances for bad debts, estimated by management based on prior experience and their assessment of the current economic environment. Historically, there have been no collection issues and the Corporation does not believe it is subject to any significant concentration of credit risk.

c) Liquidity risk

Liquidity risk represents the possibility that the Corporation may not be able to gather sufficient cash resources, when required and under reasonable conditions, to meet its financial obligations.

While the Corporation has $3,535,997 in cash and cash equivalents at December 31, 2013, it continues to have an ongoing need for substantial capital resources to research and develop, commercialize and manufacture its products and technologies. The Corporation is currently not yet receiving a significant ongoing revenue stream from its animal health license agreements, nor can it be certain that it will receive significant revenue from these agreements before additional cash is required. As a result, there can be no assurance that the Corporation will have sufficient capital to fund its ongoing operations, and develop or commercialize any of its products without future financing. See note 1 for further details.

The following table outlines the contractual maturities and estimated maturities for long-term debt repayable based on a percentage of revenues for the Corporation's financial liabilities. The long-term debt is comprised of the contributions received described in note 9, less amounts that have been repaid as at December 31, 2013:

					2013
	Total	**Year 1**	**Years 2 to 3**	**Years 4 to 5**	**After 5 years**
	$	**$**	**$**	**$**	**$**
Accounts payable and accrued liabilities	1,111,313	1,111,313	–	–	–
Amounts due to directors	63,238	63,238	–	–	–
Long-term debt	11,352,221	109,207	222,209	1,327,274	9,693,531
Operating leases	272,719	205,477	67,242	–	–
	12,799,491	1,489,235	289,451	1,327,274	9,693,531

The above amounts include interest payments, where applicable.

(Expressed in Canadian dollars)

15 Financial instruments (continued)

Risk management (continued)

d) Currency risk

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

Foreign exchange loss of $25,749 for the year ended December 31, 2013 (2012, foreign exchange loss - $2,393) are included in general and administrative expenses. If the foreign exchange had been 1% higher/lower, with all other variables held constant, it would have had an immaterial impact on the foreign exchange gain/loss.

16 Commitments

The minimum annual payments under long-term lease agreements for office premises and equipment for the expiring over the next three years are as follows:

	$
Year ending December 31, 2014	205,477
2015	64,508
2016	2,734

Under the terms of the Corporation's 2009 license agreement with Immunotope Inc. for the world-wide exclusive use of certain antigens, the Corporation was required to make an up-front payment, which has been recorded as an intangible asset (see note 5). Should the Corporation's research using these antigens continue and prove successful through clinical trials and on to commercialization, the Corporation would be required to pay certain future milestones and royalty payments along the way. The likelihood and timing of these payments is not known at this time.

On July 12, 2010, the Corporation entered into a License Agreement with Merck KGaA to in-license EMD 640744, an investigational therapeutic Survivin-based cancer antigen designed to target multiple solid tumors and hematological malignancies. Should the Corporation's research using these antigens continue and prove successful through clinical trials and on to commercialization, the Corporation would be required to pay certain future milestones and royalty payments along the way. The likelihood and timing of these payments is not known at this time.

17 Related party transactions

During the year ended December 31, 2013, the Corporation paid a payroll liability on behalf of an officer. As at December 31, 2013, there are no related party receivables.

(Expressed in Canadian dollars)

18 Expenses by nature

	2013 $	2012 $
Salaries, wages and benefits	2,491,593	2,160,335
Other research and development expenditures, including clinical costs	1,342,330	2,530,577
Professional and consulting fees	1,433,235	965,812
Travel	270,295	393,969
Office, rent and telecommunications	305,873	323,568
Insurance	75,887	79,957
Marketing, communications and investor relations	175,644	333,125
Amortization	39,133	39,133
Depreciation	75,784	94,414
Stock-based compensation	36,734	496,093
Other	147,020	27,698
Accreted interest	(322,632)	147,627
Research and development tax credits	(534,500)	(251,000)
Government assistance	(854,963)	(941,472)
	4,681,433	6,399,836

19 Compensation of key management

Key management includes the Corporation's Directors, Chief Executive Officer, the former President and Chief Executive Officer, the Chief Science Officer, the Chief Financial Officer and the Vice President of Business Development. Compensation awarded to key management is summarized as follows:

	2013 $	2012 $
Salaries and other benefits	1,518,341	1,163,158
Stock-based compensation	59,400	143,300
	1,577,741	1,306,458

20 Subsequent event

On January 17, 2014, the Corporation granted 1,731,500 stock options to employees, consultants, officers and directors. Each stock option is exercisable for one common share at an exercise price of $0.74 per option and expires on January 17, 2019.