Management's Report on Financial Position and Operating Results

For the three months ended March 31, 2012

LETTER TO SHAREHOLDERS

Dear Fellow Shareholder,

The first quarter of 2012 was marked by important advancements that underscore the inherent value of Immunovaccine's technology and product pipeline.

Since the beginning of the year, the company has entered into three new collaborative agreements with world-leading organizations to address cocaine addiction, bio-defense threats and the fast-growing companion animal market. By choosing Immunovaccine as their partner, Weill Cornell Medical College (cocaine addiction) and the National Institutes of Health (NIH) (bio-defense threats) have validated the promise of our technology and reinforced the company's reputation for scientific excellence.

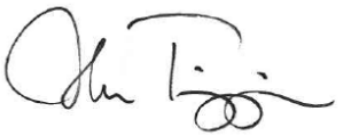
Immunovaccine recently received another validating acknowledgement by being named the "Best Early-Stage Vaccine Biotech" at the World Vaccine Congress in Washington, D.C. The judges pointed to the company's strong early clinical trial results in immunotherapy and key collaborations that have the potential to expand its product pipeline in infectious diseases, addiction and bio-defense vaccines. Coming from our peers in the industry, this was quite an acknowledgement.

During the quarter, we also made progress with our DPX-Survivac Phase I clinical trial. We remain on target to complete this study later this year and look forward to announcing the final data.

Lastly, to support our continuous collaborative and clinical efforts, we successfully completed a private financing during the quarter raising approximately $2.8 million. This funding will allow the company to maintain pace with all our important ongoing initiatives.

With a strong balance sheet, an expanding pipeline of products in both pre-clinical and clinical investigation and growing recognition of the value of our delivery system and our portfolio of intellectual property, we are on track for our most progressive year ever. We look forward to reporting our upcoming accomplishments to you.

Thank you for your continued support.



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 three months ended March 31, 2012 ("Q1 Fiscal 2012"), with information compared to the three months ended March 31, 2011, 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, 2011 and the year ended December 31, 2010.

The Company prepares its unaudited interim condensed consolidated financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants – Part I ("CICA Handbook"), which incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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 May 24, 2012; the date of the Board's approval of the MD&A and the Q1 Fiscal 2012 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 biotechnology company focused on the development and clinical advancement of its patented DepoVax™ vaccine-adjuvanting platform. Based on this platform, the Company is developing multiple therapeutic cancer and infectious diseases vaccine candidates. The DepoVax™ platform produces a strong, high-quality immune response that has a specific and sustained immune effect, which enables the Company to pursue vaccine candidates in cancer, infectious diseases and animal health. The Company's adjuvanting technology platform is being used in multiple vaccine candidates, including two cancer vaccine candidates in Phase I clinical trials. Immunovaccine has research collaborations for infectious diseases and other cancer vaccine candidates with several leading biotechnology companies and research organizations, including the US National Institutes of Health ("NIH") and the National Cancer Institute ("NCI"). In addition to the Company's human health vaccine strategy, it continues to capture value from animal health vaccine applications. Two of the world's leading animal health companies have partnered with Immunovaccine including Pfizer Animal Health, which licensed the Company's delivery technology platform to develop vaccines for livestock.

Based in Halifax, Nova Scotia, the Company has 20 full-time and part-time employees and five part-time consultants. Being involved in a scientific and technical business, the Company requires staff with significant education, training and scientific knowledge that cannot be recruited or replaced easily. 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).

HISTORY AND STRATEGY

History

The Company was founded 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 developed a vaccine delivery system that demonstrated effectiveness such 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 also working on vaccines for infectious diseases in livestock 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 expanded its vaccine business by developing its proprietary VacciMax® platform for various human applications. Concurrent with this work, the Company developed a scalable manufacturing process for the VacciMax® platform.

By 2008, the Company had developed the DepoVax™ platform - a lipid depot-based vaccine delivery and enhancement technology that offered a significant improvement over the Company's original VacciMax® platform. The patented DepoVax™ platform, which remains the Company's core technology, is a combination of antigens and immune enhancers formulated in liposomes and then in oil. The DepoVax™ platform creates a "depot effect" that holds the vaccine at the site of injection, prolonging the immune system's exposure to the vaccine, resulting in rapid, potent and long-lasting cellular and/or humoral immune responses.

The DepoVax™ platform is easy to use, chemically stable, scalable and has broad applications. The Company has also tested the platform with several commercial vaccines such as that for the H5N1 pandemic influenza and hepatitis B, as well as established other research collaborations evaluating vaccines against 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.

Operating Strategy

The DepoVax™ vaccine delivery platform drives the operating strategy for the Company. All of the Company's vaccines in human and animal health utilize this adjuvanting platform to improve their effectiveness against cancer, infectious diseases, drug addiction and to improve animal health.

The Company currently has two cancer vaccine candidates in human trials: DPX-Survivac; and DPX-0907. Immunovaccine believes the principles behind a successful anti-cancer vaccine will include the right antigen, the right vaccine delivery technology and the right therapeutic strategy. Antigens used in both DPX-Survivac and DPX-0907 are believed to specifically target tumor cells without harming normal, healthy cells. These antigens are combined with the Company's DepoVax™ platform in an effort to optimize the presentation of these antigens in the body, potentially resulting in an enhanced immune response. To be successful against cancer, the vaccine must be administered at the right moment in the treatment cycle, which the Company believes to be soon after a tumor has been identified. Immunovaccine also believes that the effect of the vaccine may be enhanced if an immune modulator is used simultaneously to prevent a patient's immune system from overriding the positive response to the vaccine.

Using the same DepoVax™ adjuvanting platform and working with partners in North America and Europe, the Company is also developing vaccines for infectious diseases, including a bio-defense vaccine that may protect against anthrax and multi-filoviruses. Another vaccine in development may be used to treat cocaine addiction. Pre-clinical studies have indicated that the platform may allow the development of single-dose vaccines for a wide range of infectious diseases by generating a stronger immune response more quickly than is possible with existing delivery methods. The Company's goal will be to advance at least one of these collaborations into human clinical trials in the next two years.

Partnering Strategy

While having used its own resources to bring its two cancer vaccines to human clinical trials, the Company is involved in various partnerships and collaborations to accelerate development of its products.

Programs announced thus far include a research partnership with the US National Institutes of Health for vaccines against bio-terrorism threats, as well as collaborations with Weill Cornell Medical College to develop a vaccine designed to counteract cocaine abuse. The goal is to convert these partnerships into licensing agreements, either to allow the use of the DepoVax™ technology by others or to acquire infectious diseases antigens for use in new vaccines using DepoVax™.

Financial Strategy

Immunovaccine relies on equity financing, along with private and public partnerships to fund its development programs. Applying this strategy, the Company has raised more than $9 million in government funding, including interest-free loans and government grants. Most recently, the Company has been drawing down on the $2.9 million government loan it was awarded in March 2011 from the Atlantic Canada Opportunities Agency ("ACOA"), and closed a $2.8 million equity private placement in March 2012. This support has enabled the Company to accelerate its research activities in cancer vaccines and improve its DepoVax™ technology.

Immunovaccine has developed research partnerships with various government organizations, including the Department of Research and Development Canada, the US National Institutes of Health, National Cancer Institute and the Department of Defense in the US, which have funded pre-clinical collaborations. The Company provides its DepoVax™ technology and preliminary studies for these partnerships, but they are otherwise non-dilutive in financial terms.

The Company intends to explore every strategic avenue in the development of its products, including co-development with partners and pursue strategic investments from major pharmaceutical companies. The Company may also seek additional equity - together with non-dilutive funding and partnerships - to advance the development of the vaccine candidates.

Manufacturing

The Company has developed and implemented a commercial scale manufacturing process for the DepoVax™ platform, which is applicable to all of the Company's human health vaccines. The scale-up methods and manufacturing process have been transferred to a reputable Good Manufacturing Practices ("GMP") contract development and manufacturing facility licensed by Health Canada to manufacture sterile products for clinical and commercial purposes. Immunovaccine has purchased and installed dedicated equipment at the site.

The Company has manufactured commercial scale pilot vaccine batches including 50 liters (200,000 doses) of a hepatitis B vaccine at the contract manufacturing facility. Historically, large-scale production of liposomes has been a challenge. The Company has confirmed the stability of the vaccine manufactured there and also confirmed that the biological activity of the batch is equivalent to the Company's laboratory batches.

Immunovaccine has also completed the lyophilization process for its vaccines. Lyophilization (freeze-drying) is the final step in manufacturing of the product, making it easily reconstituted for injection. The lyophilization parameters have been established and transferred to a GMP filling and lyophilization facility.

The product-specific manufacturing process for both DPX-Survivac and DPX-0907 was successfully implemented at a GMP contract manufacturing formulation and the fill/lyophilization facility. In preparing for Phase I clinical trials, the Company has successfully produced clinical batches for both therapeutic cancer vaccine candidates. The Company is also ready to develop and implement manufacturing processes for other DepoVax™-based vaccine products.

PLATFORM AND PRODUCTS IN DEVELOPMENT

DepoVax™ Vaccine Enhancement Platform

DepoVax™ is a lipid depot-based vaccine delivery and enhancement platform that is easy to use, chemically stable, flexible, and forms the basis of the Immunovaccine's therapeutic cancer vaccines and infectious diseases vaccine candidates.

The DepoVax™ platform is a combination of antigens, plus adjuvant immune enhancers formulated in liposomes and then in oil. With the ability to retain the active components in the oil phase, the DepoVax™ platform creates a long-lasting "depot effect" that prolongs the exposure of vaccine ingredients to immune cells at the site of vaccination. This has shown to elicit a potent humoral and/or cellular immunity with as little as one dose.

This unique formulation is also chemically stable. DepoVax™-based products are lyophilized and stored in a dry format, which provides the added benefit of an extended shelf life. The DepoVax™ formulation is easy to re-suspend and administer.

One of the significant advantages of the DepoVax™ platform is its versatility. The DepoVax™ platform can be combined with a variety of antigens, including recombinant proteins, synthetic peptides and nucleic acids, viruses and a wide range of adjuvants, which provides the flexibility to develop many different vaccine products using a single platform.

DepoVax™-formulated vaccines have the ability to induce rapid and robust immune responses that are believed to protect against disease agents with as little as one dose. The potential single-dose capability is a key factor for developing rapid response vaccines for pandemics and disease outbreaks.

The ability of DepoVax™ to induce robust cellular immune responses also makes the platform suitable for therapeutic cancer vaccines. The vaccines are designed to specifically target tumor cells and to help patients to remain in remission and combat the dissemination of micro-metastases. DepoVax™ can induce antigen-specific 'poly-functional' cellular responses, which are postulated to be required for effective tumor control.

DPX-Survivac

DPX-Survivac uses Survivin-based antigens 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. DepoVax™ will deliver the Survivin-based antigens in a lipid depot-based format designed to generate a strong and prolonged immune response.

Survivin is essential for the survival of cancer cells and is an inhibitor of cancer cell death, known as apoptosis. A vaccine that disrupts Survivin may potentially lead to an increase in apoptosis and a decrease in tumor growth. The National Cancer Institute recognized Survivin as a promising antigen for cancer treatment based on its specificity, over-expression in cancer cells and immunogenicity potential.

DPX-Survivac could have broad commercial potential as a therapeutic cancer vaccine because it may be applicable for the treatment of multiple solid tumors and hematological cancers, including ovarian, prostate, breast, pancreatic, multiple myeloma, B-cell lymphoma, glioblastoma and melanoma. The Company intends to proceed with pre-clinical testing of DPX-Survivac in a broader range of cancer indications to evaluate additional opportunities.

Immunovaccine initiated the Phase I clinical trial of DPX-Survivac and vaccinated the first patient in December 2011. The existing clinical data, from both DPX-0907 by Immunovaccine and Survivin antigens by Merck KGaA, facilitated the approval of a combined Phase I and Phase II protocol for testing DPX-Survivac in patients with advanced ovarian cancer. The US Food and Drug Administration ("FDA") allowed the Company to accelerate the pre-clinical research and development of DPX-Survivac by filing an Investigational New Drug ("IND") application for DPX-Survivac months ahead of normal expectations.

The Phase I clinical trial is being conducted in eight clinical sites in the US and Canada, having received clearance for both Phase I and Phase II clinical trials by regulators in both countries. The Phase I trial is an open label clinical trial designed to evaluate sequentially the safety of two DPX-Survivac dosing regimens in approximately 15 patients. The goal of the Phase I clinical trial is to establish the safety and immune activity of DPX-Survivac in patients with advanced ovarian cancer.

The Phase II clinical trial will be a randomized, placebo-controlled, double-blinded trial conducted in approximately 80 sites in North America and designed to enroll approximately 250 patients. 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 primary aim of the Phase II trial will be progression-free survival.

The Company expects interim results on safety and immunogenicity from the Phase I trial in the third quarter of 2012 and final safety and immunogenicity data in the fourth quarter of 2012. Various financing options that may include dilutive and non-dilutive sources to support this Phase II research are under consideration by the Company.

DPX-0907

DPX-0907 combines the Company's DepoVax™ delivery technology with seven HLA-A2-restricted cancer specific antigens licensed from Immunotope. The vaccine is designed to stimulate an immune response specific to cancer antigens which are believed to be involved in critical tumor cell processes. It is expected to kill tumor cells without injury to normal, healthy cells. The seven peptide antigens in DPX-0907 are believed to be present on the surface of breast, ovarian and prostate cancer cells. In pre-clinical studies, the seven antigens could not be found on the surface of normal cells.

The Company completed a Phase I clinical trial of DPX-0907 and the results of the trial were released in June 2011. The Phase I trial was conducted at five centers in the US. 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 by all patients and is considered safe at both dose levels. There were no vaccine related serious

adverse events reported. Final safety was assessed in 11 patients in the 0.25 mL dose group and 11 patients in the 1 mL dose group.

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 immunogenicity results were based on an analysis of 9 evaluable patients in the 0.25 mL dose group and 9 evaluable patients in the 1 mL dose group.

The further clinical development of DPX-0907 into Phase II clinical trials will be evaluated based on safety, immunogenicity and commercial potential. The Company is exploring opportunities for commercialization of DPX-0907 and is considering investigator funded trials or partnership opportunities at various stages of clinical development, including at the Phase I and Phase II clinical trial stages.

Infectious and Other Diseases

A significant component of the Company's business strategy is leveraging the DepoVax™ platform within infectious and other diseases. The DepoVax™ adjuvanting platform has the potential to generate a rapid and robust immune response, often in a single dose. The unique vaccine enhancement and single-dose capability could prove to be beneficial in targeting difficult infectious and other disease candidates.

Bio-terrorism

The Company has entered into a research collaboration to advance the development of next generation bio-defense vaccines against the most threatening biological agents. These novel vaccine candidates are being evaluated as part of a study funded by the US National Institutes of Health which started in the first quarter of 2012.

The study combines the Company's DepoVax™ adjuvanting technology platform with four bio-defense vaccine candidates, developed in collaboration with an undisclosed commercial partner. Earlier results from initial studies warranted further development of the vaccine candidates. These novel vaccine candidates will now be tested in a non-human primate challenge model by the NIH's National Institute of Allergy and Infectious Diseases ("NIAID").

The study will evaluate the potential for these novel vaccine candidates to protect against anthrax and multi-filoviruses (e.g., Marburg). These bio-terrorism agents are classified as Category A by the US Centers for Disease Control and Prevention. Category A agents have the greatest potential for adverse public health impact with mass casualties because they are easily transmittable and have high fatality rates.

Immunovaccine's preliminary research with an anthrax antigen demonstrated that a single-dose of the DepoVax™-based vaccine was able to increase antibody levels, as compared to three doses of an alum-adjuvanted control vaccine. Persisting high antibody levels were induced within four weeks following a single dose of the anthrax antigen with DepoVax™.

Data generated from these research studies is expected to facilitate access to various funding mechanisms to move the vaccine candidate into Phase I clinical trials.

Other Diseases

The Company signed a research agreement with Weill Cornell Medical College to advance a vaccine for treating cocaine addiction. The project will combine Cornell's novel cocaine antigen with Immunovaccine's DepoVax™ adjuvanting platform to strengthen the immune response shown in research animals in previous studies at the College.

This research project builds on earlier cocaine vaccine work at Weill Cornell in 2010, funded by the National Institute on Drug Abuse ("NIDA") of the NIH. The previous studies used a viral vector platform linked to a cocaine analog to formulate the vaccine candidate. These results showed the anti-cocaine vaccine raised antibody levels

high enough to sequester the cocaine molecules before the drug reached the brains of the mice and prevented cocaine-related hyperactivity. The new study will determine if the addition of the DepoVax™ adjuvanting technology will trigger an even stronger and longer-lasting immune response. By blocking the effects of the drug, the vaccine could become one of several methods of intervention intended to help people in rehabilitation programs.

Data generated from these research studies is expected to facilitate access to various funding mechanisms that are focused on developing treatments for addictions.

Animal Health

While the Company's main focus is now on the human health market and activities, the animal health market is still an important part of the Company's strategy. In 2008, the Company signed a license agreement with Pfizer Animal Health ("Pfizer"), which represents the Company's first step in validating the DepoVax™ platform technology. The Company now has four licensing agreements with Pfizer for the use of the Company's delivery technology in cattle and other livestock vaccine applications. These license agreements include upfront signing fees, milestone payments and royalties from future vaccine sales.

Recently announced, the Company is collaborating with one of the world's leading animal health companies to develop next generation companion animal vaccines. Immunovaccine intends to pursue additional licensing and revenue opportunities within the animal health market to help fund the research and development of its human health vaccine candidates.

MARKET OVERVIEW

The market outlook for the Company's products and platform technology remains positive, backed by the growing public awareness of new, safer and more effective vaccines, and the adoption of novel vaccine delivery mechanisms. Vaccines are one of the fastest growing segments of the pharmaceutical industry. According to industry sources, global revenues are expected to rise to US$46.5 billion by 2014. The development of new infectious diseases vaccines along with therapeutic cancer vaccines will drive the growth of this industry in the first quarter of the 21st Century.

Currently, there are five manufacturers that dominate revenue generation in the human vaccine market; Merck & Co., GlaxoSmithKline ("GSK"), Novartis, Sanofi Pasteur ("Sanofi"), and Pfizer. The increased revenue potential for vaccines is due in part 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 may prevent vaccines from being easily replaced by generic substitutes potentially facilitating a long-term income stream. Governments and healthcare providers also positively view vaccines 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 is considered one of the most widespread and prevalent diseases globally. According to the US Centers for Disease Control and Prevention ("CDC"), 12.7 million individuals become victims of cancer and 7.6 million individuals die from the disease annually.

Interest in immunotherapy and cancer vaccines has been rising as researchers are learning more about cancer and its interactions with the immune system. A better understanding of the immunology of cancer has led to novel strategies for vaccine development in the past several years. The recent approval by the FDA of Dendreon's Provenge for prostate cancer and Bristol-Meyers Squibb's Yervoy (ipilimumab) for melanoma have resulted in increased attention and support for immunotherapy and cancer vaccine companies.

The global market for cancer vaccines, including both prophylactic and therapeutic vaccines, was US$1.6 billion in 2010. While the majority of this is based on sales of prophylactic vaccines, the area of therapeutic cancer vaccines is expected to experience high growth, reaching US$4.8 billion by 2018. Several first-in-class therapeutic cancer vaccines are expected to be introduced during this time driving this anticipated growth rate.

Independent sources note a high unmet medical need in the treatment of cancer. Despite recent advances in cancer therapy, the median survival rate remains poor. Vaccines for cancer treatment may potentially provide a new and effective treatment option without the toxicity issues of existing therapies.

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, resulting in multiple negative side effects.

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

Cancer vaccines can be a possible combination partner with chemotherapy, radiation or surgery. Thus, cancer vaccines are believed to hold great promise in the future as a potential for combination treatment options. The Company is of the belief that, over the next five years, cancer vaccines will become part of a multi-targeted approach for the treatment of cancer.

Infectious Diseases

Globally, infectious diseases have witnessed robust growth in recent years. During the past decade, diseases thought to be under control or retreating, such as plague, diphtheria, yellow fever, dengue, meningitis, influenza and malaria, have re-emerged. While the effort to control these known infectious diseases continues, more than 30 emerging diseases have been identified in humans for the first time over the past two decades.

The global market for infectious diseases treatment was valued at US$90.4 billion in 2009. This market is expected to increase 8.8% (CAGR) to reach US$138 billion in 2014. Viral disease treatments will have the fastest growth rate of 12.1% (CAGR), increasing from nearly US$45 billion in 2009 to US$79 billion in 2014.

With up to 17 million deaths each year, there is an increased awareness of the impact of current and emerging infectious diseases. Demand for newer treatments and vaccines is growing globally. Decision Resources reports that the world-wide market for vaccines against infectious diseases more than doubled between 2005 and 2011.

Many infectious diseases lack effective prophylactic vaccines, and the industry faces a variety of challenges in vaccine design and production. Adjuvants and delivery methods are viewed as key technologies for the success of future vaccines. The Company believes this current market landscape offers significant commercial opportunities for both our technology platform and our vaccines.

Efforts to decrease treatment duration by developing single-dose vaccines, in particular for malaria, are a strong focus at the research level to improve patient compliance and decrease monitoring of therapy by the healthcare provider.

Better diagnostics are being sought for many infectious diseases. This advance could result in additional market expansion by increasing the number of patients identified for vaccine treatment. Finally, further growth of the influenza vaccines market could be driven by the implementation of a universal immunization program recommended by the US Advisory Committee on Immunization Practices to increase further the flu vaccination coverage.

Pharmaceutical companies dominating this market include Bristol-Myers Squibb, GlaxoSmithKline, Johnson & Johnson, Merck & Co. and Roche. Additionally, government and nonprofit institutions play a significant role in

vaccine development in both industrialized and developing markets. Support for infectious diseases vaccine development and commercialization is available to companies through government and nonprofit funding and granting mechanisms.

Bio-defense

According to the Center for Bio-security's review of the US government FY2012 federal budget, funds for civilian bio-defense total US$6.42 billion. Of that total, US$5.78 billion (90%) is budgeted for programs that have both bio-defense and non bio-defense goals and applications, and US$637.6 million (10%) is budgeted for programs that have objectives solely related to bio-defense.

US government-funding programs for civilian bio-defense are intended to address a range of scientific, public health, healthcare, national security, and international security issues in addition to bio-defense. Programs with both bio-defense and non bio-defense goals and applications include those that fund basic scientific research in infectious diseases pathogenesis and immunology, programs to improve planning and operations related to public health preparedness, and programs to improve preparedness and response for a range of other disasters.

An example of programs with both bio-defense and non bio-defense goals includes the National Institute of Allergy and Infectious Diseases' ("NIAID") Bio-defense Research Program, which, in addition to funding preclinical and clinical research toward bio-defense countermeasures, funds basic infectious diseases pathogenesis and immunology research with implications for a multitude of other diseases. The Company's platform technology and products have application to many of these programs.

Animal Health Market

According to industry sources, the world animal health market, defined as a sector spanning veterinary pharmaceuticals, biologics 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 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, 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 a booster administration, which increases the handling costs for the livestock market and has the potential to decrease safety in the companion animal market. Therefore, a vaccine that 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.

There is a growing global demand for premium companion animal vaccines that can be safely and easily administered. According to a Global Industry Analysts' report, the veterinary vaccine market is projected to reach US$5.6 billion by 2015. Growth in this market is driven by an increasing number of pet owners demanding products that enhance the health and well being of their pets.

RECENT DEVELOPMENTS AND OUTLOOK

Key developments and achievements

- On May 10, 2012, the Company announced that it entered into a research collaboration with one of the world's leading animal health companies to develop next generation companion animal vaccines. Under terms of the collaboration, Immunovaccine will combine multiple vaccine candidates provided by its research partner with the Company's proprietary DepoVax™ adjuvanting vaccine technology. The resulting vaccine products, which are expected to deliver long-lasting, single-dose protection against several of the most common infectious diseases affecting dogs and cats, will then be advanced through veterinary studies in several indications by Immunovaccine's research partner.

- On April 24, 2012, the Company announced that European biotech investment banker Stephanie Léouzon is being nominated to join the board of Immunovaccine Inc. (TSX-V: IMV). Ms. Léouzon is a Senior Advisor to Torreya Partners, a New York-based life science advisory firm, and was formerly a Senior Advisor and Managing Director in Health Care Investment Banking at Credit Suisse in London.

- On April 11, 2012, the Company received the "Best Early-Stage Vaccine Biotech" award at the 5th Vaccine Industry Excellence (ViE) Awards ceremony during the World Vaccine Congress Washington 2012 in Washington, D.C. The annual ViE Awards honor the efforts, accomplishments and positive contributions of companies and individuals within the vaccine industry. The "Best Early-Stage Vaccine Biotech" was awarded to Immunovaccine based on the Company's strong early clinical trial results in immunotherapy and key collaborations that have expanded its product pipeline in infectious diseases, addiction and bio-defense vaccines.

- On March 12, 2012, the Company signed a research agreement with Weill Cornell Medical College to advance a vaccine for treating cocaine addiction. The new vaccine would stimulate the body's own immune system to prevent cocaine molecules from reaching the brain, blocking the effects of the drug before it produced pleasurable sensations. The vaccine could become one of several methods of intervention intended to help people in rehabilitation programs.

- On March 7, 2012, the Company received gross proceeds of $2,788,201.50 through its non-brokered Private Placement. The Company issued 9,294,005 common shares of the Company at the price of $0.30 per common share.

- On February 14, 2012, the Company entered into a research collaboration to advance the development of next generation bio-defense vaccines against the most threatening biological agents. These novel vaccine candidates will be evaluated as part of a US National Institutes of Health funded study, starting in the first quarter of 2012.

- On January 4, 2012, the Company announced it had vaccinated the first patient with DPX-Survivac in December 2011. The goal of the Phase I clinical trial is to establish the safety and immune activity of DPX-Survivac in patients with advanced ovarian cancer.

Outlook

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 continues to seek partners to drive the clinical programs. One group of potential partners includes those who hold specific infectious diseases antigens who are interested in developing an effective vaccine. Other partners would provide non-dilutive funding to advance the development of the Company's cancer vaccine candidates. 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 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 audited annual consolidated financial statements and the unaudited interim condensed consolidated financial statements. All values discussed below are rounded to the nearest thousand. The information is reported on an IFRS basis.

Quarter Ended In	Total Revenue $	Total Expenses $	Loss $	Basic and Diluted Loss Per Share $
Q1 - March 31, 2012	-	(1,404,000)	(1,404,000)	(0.03)
Q4 - December 31, 2011	-	1,387,000	(1,387,000)	(0.03)
Q3 - September 30, 2011	-	1,497,000	(1,497,000)	(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)

Results for the three months ended March 31, 2012 ("Q1 Fiscal 2012"), compared to the three months ended March 31, 2011.

Net loss and comprehensive loss

The net loss and comprehensive loss of $1,404,000 for Q1 Fiscal 2012 was $474,000 lower than the net loss and comprehensive loss during the three months ended March 31, 2011. The decrease is due mainly to the $698,000 decrease in research and development costs and the $16,000 decrease in business development costs, offset by an increase of $225,000 in general and administration expenses and an increase of $15,000 in accreted interest.

Operating expenses

Overall operating expenses decreased by $474,000 (25%) during Q1 Fiscal 2012 compared to the three months ended March 31, 2011. 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, clinical research expenses of DPX-Survivac, consulting fees paid to various independent contractors who possess specific expertise required by the Company, the cost of animal care facilities, lab supplies, peptides and other chemicals, rental of lab facilities, insurance, as well as other R&D related expenses. These R&D costs are offset by investment tax credits and government assistance received in relation to the R&D expenses incurred.

The majority of the Company's R&D efforts and related expenses for Q1 Fiscal 2012 were costs surrounding the Company's Phase I clinical trial 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.

Total R&D expenses for Q1 Fiscal 2012 were $956,000, less government loans and assistance of $349,000 and investment tax credits of $60,000. This represented a $548,000 decrease over the three months ended March 31,

2011. Total R&D expenses for the three months ended March 31, 2011 were $1,504,000, less investment government loans and assistance of $147,000 and tax credits of $113,000.

The largest component of R&D expense was $593,000 of Phase I clinical trial expenditures on DPX-Survivac, which was an increase of $184,000 compared to the three months ended March 31, 2011. Total pre-clinical expenses relating to DPX-Survivac for the three months ended March 31, 2011 were $409,000. The Company initiated the Phase I clinical trial in Q4 Fiscal 2011, when it vaccinated its first patient in December 2011. 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 has ended, the expenses associated with the Phase I clinical trial were reduced to $6,000 for Q1 Fiscal 2012 compared to $577,000 for the three months ended March 31, 2011. Other R&D expenses decreased by $163,000 to $356,000 during Q1 Fiscal 2012 compared to $519,000 during the three months ended March 31, 2011.

The government loans and 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 months ended March 31, 2011, the Company received loan contributions and government assistance of $191,000, of which $147,000 was recorded directly against research and development costs, compared to $366,000, of which $349,000 was recorded directly against research and development in Q1 Fiscal 2012.

General and administrative expenses ("G&A")

G&A expenses of $567,000 represented 40% of total expenses for Q1 Fiscal 2012 compared to $342,000 (18% of total expenses) for the three months ended March 31, 2011, an overall increase of $225,000 (66%).

The most significant components of G&A expenses are salaries and benefits and professional fees. Professional fees for Q1 Fiscal 2012 of $69,000 (three months ended March 31, 2011 - $111,000) included: $23,000 in costs to maintain and expand the Company's patent portfolio; $25,000 in respect of audit, accounting, taxation and other consulting services provided by the Company's auditors; and $21,000 general legal and other professional fees. During the three months ended March 31, 2011, patent related costs, accounting and related costs, and general legal and other professional costs were approximately $68,000, $38,000 and $5,000, respectively.

G&A expenses related to salaries and benefits for Q1 Fiscal 2012 were approximately $236,000 compared to $61,000 for the three months ended March 31, 2011. The increase of $175,000 is attributable to the new Chief Executive Officer who started in September 2011 and the bonus paid to him in Q1 Fiscal 2012. The former President and Chief Executive Officer was paid as a consultant and therefore, consulting fees decreased by $29,000 due to his departure.

G&A expenses also were higher due to an increase in travel expenses of $13,000, an increase in stock-based compensation of $66,000 and a decrease of interest income of $24,000.

Business development expenses ("BD")

Total business development expenses of $244,000 in Q1 Fiscal 2012 represented a decrease of $16,000 compared to the three months ended March 31, 2011. This relates mainly to a $33,000 decrease in legal expenses, an $8,000 decrease in marketing and communications expenses and a $7,000 decrease in stock-based compensation expense. These decreases were offset by a $33,000 increase in consulting fees.

CASH FLOWS, LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2012, the Company had cash and cash equivalents of $6,497,000 and working capital of $6,648,000 as compared to $5,071,000 and $5,133,000, respectively at December 31, 2011.

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

During the three months ended March 31, 2012, cash of $1,182,000 was used in operating activities. This included the reported net loss of $1,404,000 prior to being decreased for; non-cash amortization, non-cash depreciation, non-cash accretion of long-term debt, non-cash stock-based compensation and shares issued for professional services in the amounts of $10,000, $22,000, $46,000, $168,000 and $67,000, respectively.

During the three months ended March 31, 2012, the Company used cash of $91,000, as a result of non-cash changes in working capital balances. The primary uses of cash were a $414,000 decrease in accounts payable and accrued liabilities and a $32,000 increase in investment tax credits receivable. These uses of cash were offset by a decrease of $264,000 in amounts receivable, a $47,000 decrease in prepaid expenses and a $45,000 increase in amounts due to directors.

Approximately $2,616,000 was provided by financing activities during the three months ended March 31, 2012, primarily due to the completion of a private placement on March 7, 2012, which raised proceeds of $2,788,000, less share issuance costs of $167,000. Other sources of cash raised through financing activities were $16,000 in proceeds from long-term debt, less $21,000 repayment of long-term debt.

During the three months ended March 31, 2012, the Company purchased $8,000 of equipment for ongoing research and operating activities.

At March 31, 2012, the Company had approximately $7.9 million of existing and identified potential sources of cash including:

- cash and equivalents of $6.5 million;
- amounts receivable and investment tax credits receivable of $0.8 million; and
- additional funding of $0.6 million available from government assistance and loans that the Company has been awarded and not yet claimed assistance.

On March 7, 2012, the Company 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.

For the three months ended March 31, 2012, the Company's quarterly "cash burn rate" (defined as net loss for the period adjusted for non-cash transactions including amortization, depreciation, accretion of long-term debt, loss on disposal of assets, stock-based compensation and shares issued for professional services) was approximately $1.09 million. The Company forecasts the burn rate to be between $1.7 million to $1.8 million per quarter over the next twelve months, as the Company continues the Phase I clinical development for DPX-Survivac and incurs corporate expenditures.

At March 31, 2012, the Company had cash resources of $6.5 million and identified additional potential cash resources of $1.4 million, including amounts receivable and investment tax credits receivable of $0.8 million and remaining $0.6 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-Survivac, executing business development efforts and pre-clinical collaborations on infectious diseases, while maintaining adequate working capital for the next twelve months. 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 will be required. The Company expects to raise additional financing during the next twelve months.

RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2012, the Company had no 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 March 31, 2012 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 three months ended March 31, 2012, Management has estimated the amount of accrued liabilities to be recorded.

OUTSTANDING SECURITIES

The number of issued and outstanding common shares on May 24, 2012 is 63,505,152. The number of outstanding stock options on March 31, 2012 is 5,097,150. The outstanding stock options have a weighted average exercise price of $0.63 per share and a weighted average remaining term of 4.13 years. The number of outstanding warrants on March 31, 2012 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 1.36 years.

INTELLECTUAL PROPERTY RIGHTS

The Company strives to protect its intellectual property in established as well as emerging markets around the world. The Company's intellectual property portfolio for its vaccine platform technology includes five patent families, the first of which contains five patents issued in four jurisdictions (US, Europe, Japan and Australia) and two pending patent applications in the US and Canada. The four other families collectively contain thirty-three pending patent applications in eleven jurisdictions. US Patent 6,793,923, issued in 2004, contains claims to the Company's platform, covering "any antigen, any adjuvant in any liposome and any oil". The platform name is protected by trademarks in the US, 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 statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

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

The Company has implemented the following classifications:

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

OFF BALANCE SHEET ARRANGEMENTS

The Company was not party to any off balance sheet arrangements as of March 31, 2012.

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, 2011, under the heading "Risk Factors and Uncertainties".