



Unaudited Interim Condensed Consolidated
Financial Statements
March 31, 2021

May 11, 2021

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of IMV Inc. (the "Corporation") are the responsibility of management and have been approved by the Board of Directors. The unaudited interim condensed consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The unaudited interim condensed 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 unaudited interim condensed consolidated financial statements. The Audit Committee of the Board of Directors reviewed and approved the Corporation's unaudited interim condensed consolidated financial statements and recommended their approval by the Board of Directors.

(signed) "*Frederic Ors*"
Chief Executive Officer

(signed) "*Pierre Labbé*"
Chief Financial Officer

Approved on behalf of the Board of Directors

(signed) "*Andrew Sheldon*", Director

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

IMV Inc.

Unaudited Interim Condensed Consolidated Statements of Financial Position

As at March 31, 2021 and December 31, 2020

(Expressed in thousands of United States dollars except for share and per share amounts)

	March 31, 2021 \$	December 31, 2020 \$ (Recast - note 2)
Assets		
Current assets		
Cash and cash equivalents	30,453	36,268
Amounts receivable	967	1,574
Prepaid expenses	4,493	4,416
Investment tax credits receivable	1,250	1,519
	<hr/> 37,163	<hr/> 43,777
Property and equipment	<hr/> 2,229	<hr/> 2,221
	<hr/> 39,392	<hr/> 45,998
Liabilities		
Current liabilities		
Accounts payable, accrued and other liabilities	4,606	7,228
Current portion of long-term debt (note 5)	868	856
Current portion of lease obligation	113	109
	<hr/> 5,587	<hr/> 8,193
Lease obligation	936	953
Long-term debt (note 5)	<hr/> 6,271	<hr/> 6,050
	<hr/> 12,794	<hr/> 15,196
Equity	<hr/> 26,598	<hr/> 30,802
	<hr/> 39,392	<hr/> 45,998

Going concern (note 1)

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

IMV Inc.

Unaudited Interim Condensed Consolidated Statements of Equity

For the periods ended March 31, 2021 and March 31, 2020

(Expressed in thousands of United States dollars except for share and per share amounts)

	Share capital \$ (note 6)	Contributed surplus \$ (note 7)	Warrants \$ (note 8)	Deficit \$	Accumulated other comprehensive income (loss) \$	Total \$
Balance, December 31, 2019 (recast – note 2)	90,294	6,676	254	(92,272)	–	4,952
Net loss for the period	–	–	–	(7,192)	–	(7,192)
Other comprehensive loss	–	–	–	–	(47)	(47)
Total comprehensive loss for the period	–	–	–	(7,192)	(47)	(7,239)
Issuance of shares in public equity offering	539	–	–	–	–	539
Share issuance costs in a public equity offering	(301)	–	–	–	–	(301)
Redemption of DSU's, net of applicable taxes	128	(132)	–	–	–	(4)
Warrants expired	–	254	(254)	–	–	–
DSUs:						
Value of services recognized	–	91	–	–	–	91
Employee share options:						
Value of services recognized	–	228	–	–	–	228
Exercise of options	178	(153)	–	–	–	25
Balance, March 31, 2020	90,838	6,964	–	(99,464)	(47)	(1,709)
Balance, December 31, 2020 (recast – note 2)	137,262	7,652	2,112	(118,331)	2,107	30,802
Net loss and comprehensive loss for the period	–	–	–	(6,957)	–	(6,957)
Issuance of shares in public equity offering	2,304	–	–	–	–	2,304
Share issuance costs in a public equity offering	(69)	–	–	–	–	(69)
DSUs:						
Value of services recognized	–	136	–	–	–	136
Employee share options:						
Value of services recognized	–	336	–	–	–	336
Exercise of options	217	(171)	–	–	–	46
Balance, March 31, 2021	139,714	7,953	2,112	(125,288)	2,107	26,598

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

IMV Inc.**Unaudited Interim Condensed Consolidated Statements of Loss and Comprehensive Loss
For the three months ended March 31, 2021 and 2020**

(Expressed in thousands of United States dollars except for share and per share amounts)

	Three months ended March 31, 2021 \$	Three months ended March 31, 2020 \$ (recast – note 2)
Income		
Interest income	69	51
Expenses		
Research and development	4,744	5,079
General and administrative	3,161	2,257
Government assistance (note 4)	(1,234)	(415)
Accreted interest and valuation adjustments (note 5)	355	322
	7,026	7,243
Net loss for the period	(6,957)	(7,192)
Other comprehensive loss		
Currency translation adjustment (note 2)	–	(47)
Total comprehensive loss for the period	(6,957)	(7,239)
Basic and diluted loss per share	(0.10)	(0.14)
Weighted-average shares outstanding	67,475,149	50,719,488

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

IMV Inc.

Unaudited Interim Condensed Consolidated Statements of Cash Flows For the three months ended March 31, 2021 and 2020

(Expressed in thousands of United States dollars except for share and per share amounts)

	Three months ended March 31, 2021 \$	Three months ended March 31, 2020 \$ (recast – note 2)
Cash provided by (used in)		
Operating activities		
Net loss for the period	(6,957)	(7,192)
Charges to operations not involving cash		
Depreciation of property and equipment	99	90
Accreted interest and valuation adjustments	355	322
Deferred share unit compensation	136	91
Stock-based compensation	336	228
	(6,031)	(6,461)
Net change in non-cash working capital balances related to operations		
Decrease in amounts receivable	607	186
Decrease in prepaid expenses	1,287	550
Decrease (increase) in investment tax credits receivable	269	(60)
(Decrease) increase in accounts payable, accrued and other liabilities	(3,986)	483
	(7,854)	(5,302)
Financing activities		
Proceeds from public equity offering	2,304	539
Share Issuance costs in public equity offering	(69)	(301)
Proceeds from the exercise of stock options	46	25
Repayment of long-term debt	(216)	(17)
Repayment of lease obligation	(27)	(18)
	2,038	228
Investing activities		
Acquisition of property and equipment	(100)	(25)
Net change in cash and cash equivalents during the period		
	(5,916)	(5,099)
Cash and cash equivalents – Beginning of period		
	36,268	10,805
Effect of foreign exchange on cash and cash equivalents	101	(483)
Cash and cash equivalents – End of period		
	30,453	5,223
Supplementary cash flow		
Interest received	69	51

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

IMV Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements As at March 31, 2021 and December 31, 2020

(Expressed in thousands of United States dollars except for share and per share amounts)

1 Nature of operations and going concern

IMV Inc. (the “Corporation” or “IMV”) is, through its 100% owned subsidiary, a biopharmaceutical company committed to improving the treatment of cancer and giving patients with hard-to-treat cancers a chance to enjoy a long and healthy life. IMV is using its DPX delivery technology (“DPX platform” or “DPX”) to generate targeted, specific and sustainable immune activation. The Corporation is developing a portfolio of DPX-based immunotherapies that address unmet medical needs, and its lead candidate, maveropepimut-S (DPX-Survivac) is a pipeline in a product that generates sustained and targeted immune responses against survivin, a tumor-associated protein, overexpressed in a high number of tumor types. Maveropepimut-S, in association with low dose cyclophosphamide used as an immune modulator, is being evaluated in three phase 2 clinical trials across 5 different cancer indications with and without Merck’s Keytruda®. With the financial support of the Canadian government, IMV initiated the development of DPX-COVID-19, a vaccine candidate against SARS-CoV-2 using the DPX platform. The DPX platform is a versatile technology that gives IMV the opportunity to develop new immunotherapies in its portfolio with the goal to address more unmet medical needs in the future. Also, the Corporation believes that its DPX platform offers a novel way to deliver drugs to the human body. The Corporation has one reportable and geographic segment. Incorporated under the Canada Business Corporations Act and domiciled in Dartmouth, Nova Scotia, the shares of the Corporation are listed on the Nasdaq Stock Market and the Toronto Stock Exchange under the symbol “IMV”. The address of its principal place of business is 130 Eileen Stubbs Avenue, Suite 19, Dartmouth, Nova Scotia, Canada.

These financial statements have been prepared using International Financial Reporting Standards applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. Since the Corporation’s inception, the Corporation’s operations have been financed through the sale of shares, issuance of debt, revenue from subcontracts, interest income on funds available for investment, 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 \$125,000 as at March 31, 2021.

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 substantial 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 unaudited interim condensed consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statements 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.

IMV Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements As at March 31, 2021 and December 31, 2020

(Expressed in thousands of United States dollars except for share and per share amounts)

1 Nature of operations and going concern (continued)

An outbreak of a novel strain of coronavirus, identified as “COVID-19”, was declared a global pandemic by the World Health Organization on March 11, 2020. To date, COVID-19 has not had a material impact on the Corporation’s financial condition, liquidity or longer-term strategic development and commercialization plans. The extent to which COVID-19 may cause more significant disruptions to IMV’s business and greater impacts to results of operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the duration and severity of outbreaks, including potential future waves or cycles, and the effectiveness of actions to contain and treat COVID-19. The Corporation cannot predict the duration, scope and severity of any potential business shutdowns or disruptions, including to ongoing and planned clinical studies and regulatory approval prospects. Further prolonged shutdowns or other business interruptions could result in material and negative effects to the Corporation’s ability to conduct its business in the manner and on the timelines currently planned, which could have a material adverse impact on IMV’s business, results of operations, and financial condition. The COVID-19 pandemic continues to rapidly evolve, and the Corporation will continue to monitor the effects of COVID-19 on its business.

2 Basis of presentation

The Corporation prepares its unaudited interim condensed consolidated financial statements in accordance with International Accounting Standards (IAS) 34 – *Interim Financial Reporting* as set out in the Chartered Professional Accountants of Canada Handbook – Accounting Part I, which incorporates International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

These consolidated financial statements were approved by the Board of Directors on May 11, 2021.

Functional and presentation currency

Effective January 1, 2021, the Corporation has adopted the United States dollar (“USD”) as its functional and presentation currency. Prior to this date, the functional and presentation currency was the Canadian dollar (“CAD”). The change in the functional currency from the CAD to the USD was made to more closely reflect the primary economic environment in which the Corporation currently operates. As a result of the advancement of the Corporation’s development programs, the Corporation has incurred and anticipates incurring the majority of future operating costs including research and development costs denominated mainly in USD. In addition, these costs will be financed from USD proceeds received from At-the-Market distribution agreements (“ATM”) executed in 2020. The Corporation also anticipates that potential future sales revenues and financings will be primarily denominated in USD. As such, these unaudited interim condensed consolidated financial statements are measured in USD. On January 1, 2021, the change in functional currency resulted in the assets and liabilities as of December 31, 2020 being translated in USD using the exchange rate in effect on that date, and equity transactions were translated at historical rates. The change in functional currency was applied prospectively.

The change in presentation currency was applied retrospectively in accordance with IAS 8 – *Accounting Policies, changes in Accounting Estimates and Errors*, and therefore, these unaudited interim condensed consolidated financial statements are presented in USD, together with the comparative information as at December 31, 2020, and for the three-month period ended March 31, 2020. For comparative purposes, historical consolidated financial statements were recast in USD by translating assets and liabilities at the closing rate in effect at the end of the respective period, revenues, expenses and cash flows at the average rate in effect for the respective period

IMV Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements As at March 31, 2021 and December 31, 2020

(Expressed in thousands of United States dollars except for share and per share amounts)

2 Basis of presentation (continued)

and equity transactions at historical rates. Any exchange difference resulting from the translation was included in accumulated other comprehensive income presented in shareholders' equity.

3 Significant accounting policies, judgments and estimation uncertainty

These unaudited interim condensed consolidated financial statements have been prepared using the same policies and methods as the annual audited consolidated financial statements of the Corporation for the period ended December 31, 2020, except for the change in functional and presentation currency described in note 2 above. Refer to note 4 of the Corporation's annual audited consolidated financial statements for the year ended December 31, 2020 for more information on accounting policies and methods applied.

4 Government grants and assistance

The Corporation is evaluating all applicable government relief programs. Notably, in response to the negative economic impact of COVID-19, the Government of Canada, in collaboration with the National Research Council of Canada Industrial Research Assistance Program ("NRC IRAP"), announced the Innovation Assistance Program ("IAP") program in April 2020. IAP provides a wage subsidy on eligible remuneration, subject to limits per employee, to eligible employers pursuing technology driven innovation who are not eligible for funding under the Canada Emergency Wage Subsidy. In 2020, the Corporation qualified for this subsidy from the April 1, 2020 effective date through to June 23, 2020, and has, accordingly, recognized \$434 of IAP during the year ended December 31, 2020, in government assistance on the consolidated statements of loss and comprehensive loss.

In July 2020, the Corporation qualified for \$1,982 in project funding from Next Generation Manufacturing Canada ("NGen") to support the rapid development of DPX-COVID-19. Under this program, NGen will reimburse up to 50% of eligible project expenses. The Corporation received advances of \$1,628 from NGen in 2020 related to this funding and as at March 31, 2021, these advances have been fully recognized in government assistance on the consolidated statements of loss and comprehensive loss and the remaining assistance of \$354 will be reimbursed as eligible expenditures are incurred.

In August 2020, the Corporation qualified for COVID-19 project funding from the Atlantic Canada Opportunities Agency ("ACOA"). ACOA's contribution is an interest free government loan with a maximum contribution of \$793 conditionally repayable based on a percentage of revenue only from resulting COVID-19 vaccine revenue. The loan was initially recorded at its fair value and subsequently measured at amortized cost in long-term debt on the consolidated statements of financial position. As at March 31, 2021, there is \$79 in receivables related to this ACOA funding.

In October 2020, the Corporation qualified for an additional \$4,281 in project funding from NRC IRAP, to support the continuation of clinical development for IMV's DPX-COVID-19 vaccine candidate. Under this program, NRC IRAP will reimburse up to 100% of eligible project salaries and 75% of eligible contractor and materials costs. As at March 31, 2021, the Corporation has recognized \$1,812 of this NRC IRAP funding in government assistance on the consolidated statements of loss and comprehensive loss. As at March 31, 2021, there is \$351 in receivables related to this funding. In March 2021, IMV qualified for an additional \$396 in project funding under this program.

IMV Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements As at March 31, 2021 and December 31, 2020

(Expressed in thousands of United States dollars except for share and per share amounts)

4 Government grants and assistance (continued)

In May 2020, the Corporation qualified for \$300 in NRC IRAP funding toward the development of its COVID-19 vaccine candidate, DPX-COVID-19. Under this program, NRC IRAP will reimburse up to 80% of eligible project salaries and 50% of eligible contractor costs. In July 2020, the Corporation qualified to receive an additional \$205 in funding under the terms of this contribution agreement, resulting in a maximum contribution of \$505. The Corporation fully recognized this funding in 2020.

5 Long-term debt

	March 31, 2021 \$	December 31, 2020 \$ (recast – note 2)
ACOA Atlantic Innovation Fund (“AIF”), interest-free loan ¹ with a maximum contribution of CAD\$3,786. 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 CAD\$5,000 and 5% when gross revenues are greater than CAD\$5,000. As at March 31, 2021, the amount drawn down on the loan, net of repayments, is \$2,968 (2020 - \$2,929).	1,313	1,191
ACOA AIF, interest-free loan ¹ with a maximum contribution of CAD\$3,000. Annual repayments, commencing December 1, 2011, are calculated as a percentage of gross revenue for the preceding fiscal year, at 2% when gross revenues are less than CAD\$5,000 and 5% when gross revenues are greater than CAD\$5,000. As at March 31, 2021, the amount drawn down on the loan is \$2,375 (2020 - \$2,343).	1,051	954
ACOA Business Development Program, interest-free loan with a maximum contribution of CAD\$395, repayable in monthly payments commencing October 2015 of CAD\$3 until October 2017 and CAD\$6 until June 2023. As at March 31, 2021, the amount drawn down on the loan, net of repayments, is \$120 (2019 - \$131).	115	125
ACOA AIF, interest-free loan ¹ with a maximum contribution of CAD\$2,944, annual repayments commencing September 1, 2014, are calculated as a percentage of gross revenue from specific product(s) for the preceding fiscal year, at 5% for the first 5 years and 10%, thereafter. As at March 31, 2021, the amount drawn down on the loan is \$2,334 (2020 - \$2,303).	946	858
TNC 120-140 Eileen Stubbs Ltd. (the Landlord) loan, with an original balance of CAD\$300, bearing interest at 8% per annum, is repayable in monthly payments of \$4 beginning February 1, 2019 until May 1, 2028. As at March 31, 2021, the balance on the loan is \$197 (2020 - \$199).	197	199

IMV Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements As at March 31, 2021 and December 31, 2020

(Expressed in thousands of United States dollars except for share and per share amounts)

5 Long-term debt (continued)

	March 31, 2021 \$	December 31, 2020 \$ (recast – note 2)
Province of Nova Scotia (the “Province”), secured loan with a maximum contribution of CAD\$5,000, bearing interest at a rate equal to the Province’s cost of funds plus 1%, compounded semi-annually and payable monthly. The loan is repayable in monthly payments beginning January 1, 2021 of CAD\$83 plus interest until March 2026. 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. As at March 31, 2021, the amount drawn down on the loan is \$3,766 (2020 - \$3,911).	3,167	3,261
ACOA Regional Economic Growth through Innovation ¹ – Business Scale-Up and Productivity Program, interest-free loan with a maximum contribution of CAD\$1,000. Annual repayments, commencing September 1, 2022, are calculated as a percentage of gross revenue from DPX-COVID-19 product(s) for the preceding fiscal year, at 5% when gross revenues are less than CAD\$5,000 and 10% when gross revenues are greater than CAD\$5,000. Subsequent to September 1, 2024, any outstanding balance is payable in full on December 31, 2024 from DPX-COVID-19 gross revenues. As at March 31, 2021, the amount drawn down on the loan is \$714 (2020 - \$704).	350	318
	7,139	6,906
Less: current portion	868	856
	6,271	6,050

¹The carrying amount of these loans is reviewed each reporting period and adjusted as required to reflect management’s best estimate of future cash flows, based on a number of assumptions, discounted at the original effective interest rate.

	March 31, 2021 \$	December 31, 2020 \$ (recast – note 2)
Balance – Beginning of period	6,906	6,500
Borrowings	–	782
Accreted interest and valuation adjustments	355	27
Revaluation of long-term debt	–	(491)
Repayment of debt	(216)	(31)
Currency translation adjustment (note 2)	94	119
	7,139	6,906
Less: Current portion	868	856
Non-current portion	6,271	6,050

IMV Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements As at March 31, 2021 and December 31, 2020

(Expressed in thousands of United States dollars except for share and per share amounts)

5 Long-term debt (continued)

Total contributions received, less amounts that have been repaid as at March 31, 2021, is \$12,474 (2020 - \$12,520).

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

The Province 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 \$1,189. The Province 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 Corporation is in compliance with its debt covenants.

6 Share capital

Authorized

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

	Common shares #	Amount \$
Issued and outstanding		
Balance – December 31, 2019 (recast – note 2)	50,630,875	90,294
Issued for cash, net of issuance costs	15,611,778	43,515
Stock options exercised	162,086	482
DSUs redeemed	76,920	128
Warrants exercised	611,888	2,843
Balance – December 31, 2020 (recast – note 2)	67,093,547	137,262
Issued for cash, net of issuance costs	533,994	2,235
Stock options exercised	83,504	217
Balance – March 31, 2021	67,711,045	139,714

As at March 31, 2021, a total of 4,997,282 shares (December 31, 2020 – 4,523,379) are reserved to meet outstanding stock options, warrants and deferred share units (“DSUs”).

On October 16, 2020, the Corporation entered into an Equity Distribution Agreement (“October 2020 ATM”) with Piper Sandler & Co. (“Piper Sandler”) authorizing the Corporation to offer and sell common shares from time-to-time up to an aggregate offering amount of \$50,000 through Piper Sandler, as agent. The total expenses associated with the ATM Distribution, excluding compensation and reimbursements payable to Piper Sandler under the terms of the Equity Distribution Agreement, were approximately \$215. During the period ended March 31, 2021, 533,994 common shares were sold for gross proceeds of \$2,304.

IMV Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements As at March 31, 2021 and December 31, 2020

(Expressed in thousands of United States dollars except for share and per share amounts)

6 Share capital (continued)

On May 7, 2020, the Corporation completed a private placement of 8,770,005 units at a price of CAD\$2.86 per unit, for aggregated proceeds of \$17,795. Each unit consisted of one common share and 0.35 of one common share purchase warrant, with each whole warrant entitling the holder to acquire one common share of the Corporation at an exercise price of CAD\$3.72 for a period of 24 months expiring on May 7, 2022. The value allocated to the common shares issued was \$15,117 and the value allocated to the warrants was \$2,678. Total costs associated with the offering were \$108, including cash costs for professional and regulatory fees.

On March 17, 2020, the Corporation entered into an Equity Distribution Agreement (“March 2020 ATM”) with Piper Sandler authorizing the Corporation to offer and sell common shares from time-to-time up to an aggregate offering amount of \$30,000 through Piper Sandler, as agent. The March 2020 ATM was terminated on June 30, 2020 and 2,070,883 common shares were sold under this agreement for total gross proceeds of \$5,500. To maintain the remainder of IMV’s March 2020 ATM facility under its new Canadian base shelf prospectus, IMV entered a second ATM Distribution dated June 30, 2020 (“June 2020 ATM”), with Piper Sandler, to offer and sell common shares from time-to-time up to an aggregate offering amount of \$24,500 through Piper Sandler, as agent. An additional 4,770,890 common shares were sold for gross proceeds of \$24,500, concluding the proceeds raised under the June 2020 ATM to the maximum offering amount. In 2020, a total of 6,841,773 shares were sold under the two ATM Distribution agreements for total gross proceeds of \$30,000. The total expenses associated with both ATM Distributions including commissions, were approximately \$1,462.

7 Contributed surplus

Deferred share units

The maximum number of common shares which the Corporation is entitled to issue from Treasury in connection with the redemption of DSUs granted under the DSU Plan is 968,750 common shares.

DSU activity for the three months ended ended March 31, 2021 and year ended December 31, 2020 are as follows:

	March 31 2021 #	December 31 2020 #
Opening balance	429,530	360,965
Granted	40,344	147,671
Redeemed	—	(79,106)
Closing balance	469,874	429,530

The compensation expense as at March 31, 2021 was \$136 (2020 – \$91) recognized over the vesting period. Vested DSUs cannot be redeemed until the holder is no longer a member of the Board.

Stock options

The fair values of stock options are estimated using the Black-Scholes option pricing model. As at March 31, 2021, 663,725 stock options (2020 – 395,850) with a weighted average exercise price of CAD\$4.34 (2020 - CAD\$5.50) and a term of ten years (2020 – five years), were granted to employees and consultants. The expected volatility of

IMV Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements As at March 31, 2021 and December 31, 2020

(Expressed in thousands of United States dollars except for share and per share amounts)

7 Contributed surplus (continued)

Stock options (continued)

these stock options was determined using historical volatility rates and the expected life was determined using the weighted average life of past options issued. The value of these stock options has been estimated at \$1,576 (2020 - \$914), which is a weighted average grant date value per option of \$2.37 (2020 - \$2.31), using the Black-Scholes valuation model and the following weighted average assumptions:

	2021	2020
Risk-free interest rate	0.51%	1.00%
Exercise price	CAD\$4.34	CAD\$5.50
Market price	CAD\$4.34	CAD\$5.50
Expected volatility	80%	71%
Expected dividend yield	—	—
Expected life (years)	7.0	4.2
Forfeiture rate	4%	4%

Option activity for the three months ended March 31, 2021 and year December 31, 2020 was as follows:

	March 31, 2021		December 31, 2020	
	Number #	Weighted average exercise price \$	Number #	Weighted average exercise price \$
Outstanding - Beginning of period	1,636,236	3.75	1,573,411	3.54
Granted	663,725	3.32	395,850	4.10
Exercised	(150,438) ¹	1.62	(203,595) ¹	1.89
Forfeited	(30,634)	3.61	(47,638)	5.17
Cancelled	—	3.61	(81,792)	5.34
Expired	(8,750)	1.62	—	—
Outstanding - End of period	2,110,139	3.76	1,636,236	3.75

¹Of the 150,438 (2020 – 203,595) options exercised, 125,812 (2020 – 109,845) elected the cashless exercise, under which 58,787 shares (2020 – 68,336) were issued. These options would have otherwise been exercisable for proceeds of \$235 (2020 - \$180) on the exercise date.

The number and weighted average exercise price of options exercisable as at March 31, 2021 is 1,061,641 and \$3.84, respectively (2020 – 938,587 and \$3.14).

IMV Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements As at March 31, 2021 and December 31, 2020

(Expressed in thousands of United States dollars except for share and per share amounts)

8 Warrants

Warrant activity for the three months ended March 31, 2021 and year ended December 31, 2020, was as follows:

	March 31, 2021			December 31, 2020		
	Number #	Weighted average exercise price \$	Amount \$	Number #	Weighted average exercise price \$	Amount \$
Opening balance	2,457,613	2.64	2,112	134,766	5.20	254
Granted	—	—	—	3,069,501	2.64	2,678
Exercised	—	—	—	(611,888)	2.64	(569)
Expired	—	—	—	(134,766)	5.20	(251)
Closing balance	<u>2,457,613</u>	<u>2.64</u>	<u>2,112</u>	<u>2,457,613</u>	<u>2.64</u>	<u>2,112</u>

(Recast –
note 2)

The fair values of warrants are estimated using the Black-Scholes option pricing model. There have been no warrants issued in 2021. The weighted average assumptions used in the Black-Scholes valuation model for the periods presented were as follows:

	2020
Risk-free interest rate	0.27%
Market price	\$2.64
Expected volatility	83%
Expected dividend yield	—
Expected life (years)	2

9 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:

	March 31, 2021		December 31, 2020	
	Carrying value \$	Fair value \$	Carrying value \$	Fair value \$
Cash and cash equivalents	30,453	30,453	36,268	36,268
Accounts receivable	214	214	163	163
Accounts payable, accrued and other liabilities	4,590	4,590	7,211	7,211
Long-term debt	7,139	7,139	6,906	6,906

IMV Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

As at March 31, 2021 and December 31, 2020

(Expressed in thousands of United States dollars except for share and per share amounts)

9 Financial instruments (continued)

Fair value of financial instruments (continued)

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 accounts payable.

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 as at March 31, 2021, 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 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. As at March 31, 2021, the fair value is estimated to be equal to the carrying amount.