

Immunovaccine Inc.

Unaudited Interim Consolidated Financial Statements
March 31, 2010

May 12, 2010

NOTICE

Notice in accordance with National Instrument 51-102, Part 4, subsection 4.3(3)(a).

The accompanying unaudited interim consolidated financial statements of Immunovaccine Inc. (“Immunovaccine” or the “Company”) for the three months ended March 31, 2010 have been prepared by Management and approved by the Audit Committee of the Board of Directors of the Company.

These interim statements have not been reviewed by the external auditors of the Company.

Immunovaccine Inc.

Unaudited Consolidated Balance Sheets As at March 31, 2010 and December 31, 2009

(Expressed in Canadian dollars)

	March 31, 2010 \$	December 31, 2009 \$
Assets		
Current assets		
Cash and cash equivalents	6,865,973	7,777,303
Amounts receivable	492,847	595,436
Share subscription receivable	–	28,877
Prepaid expenses	363,202	183,441
Investment tax credits receivable	574,448	553,448
	<u>8,296,470</u>	<u>9,138,505</u>
Intangible asset	420,677	430,460
Property and equipment	<u>330,638</u>	<u>322,356</u>
	<u>9,047,785</u>	<u>9,891,321</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	570,157	720,861
Current portion of long-term debt (note 3)	68,983	67,821
Deferred revenues	18,000	24,000
	<u>657,140</u>	<u>812,682</u>
Long-term debt (note 3)	<u>6,295,615</u>	<u>5,782,959</u>
	<u>6,952,755</u>	<u>6,595,641</u>
Shareholders' Equity		
Capital stock (note 4)	18,811,549	18,730,299
Contributed surplus and other (note 5)	849,830	633,970
Warrants (note 5)	136,672	136,672
Deficit	<u>(17,703,021)</u>	<u>(16,205,261)</u>
	<u>2,095,030</u>	<u>3,295,680</u>
	<u>9,047,785</u>	<u>9,891,321</u>

The accompanying notes form an integral part of these financial statements

Approved on behalf of the Board of Directors

(signed) "James W. Hall", Director

(signed) "Dr. Randal Chase", Director

Immunovaccine Inc.

Unaudited Interim Consolidated Statements of Loss, Comprehensive Loss and Deficit For the three month periods ended March 31, 2010 and 2009

(Expressed in Canadian dollars)

	3 months to March 31, 2010 \$	3 months to March 31, 2009 \$
Revenue	58,105	—
Expenses		
General and administrative	388,124	286,477
Research and development	767,477	691,207
Business development	183,304	92,913
Stock-based compensation	237,960	11,050
	<u>1,576,865</u>	<u>1,081,647</u>
Loss from operations	(1,518,760)	(1,081,647)
Investment tax credits	(21,000)	(74,750)
Net loss and comprehensive loss for the period	(1,497,760)	(1,006,897)
Deficit – Beginning of period	<u>(16,205,261)</u>	<u>(13,556,710)</u>
Deficit – End of period	<u>(17,703,021)</u>	<u>(14,563,607)</u>
Basic and diluted loss per share	<u>(0.03)</u>	<u>(0.03)</u>
Weighted-average shares outstanding	<u>45,294,148</u>	<u>30,595,873</u>

The accompanying notes form an integral part of these financial statements

Immunovaccine Inc.

Unaudited Interim Consolidated Statements of Cash Flows For the three month periods ended March 31, 2010 and 2009

(Expressed in Canadian dollars)

	3 months to March 31, 2010 \$	3 months to March 31, 2009 \$
Cash provided by (used in)		
Operating activities		
Net loss for the period	(1,497,760)	(1,006,897)
Charges to operations not involving cash		
Amortization of intangible asset	9,783	26,795
Amortization of property and equipment	17,833	11,050
Stock-based compensation	237,960	–
Shares issued for professional services	–	3,872
	<u>(1,232,184)</u>	<u>(965,180)</u>
Net change in non-cash working capital balances related to operations		
Decrease in amounts receivable	102,589	963,188
Increase in share subscriptions receivable	28,877	–
Decrease (increase) in prepaid expenses	(179,761)	31,656
Decrease (increase) in investment tax credits receivable	(21,000)	129,262
Increase (decrease) in accounts payable and accrued liabilities	(150,704)	69,156
Decrease in deferred revenues	(6,000)	–
	<u>(1,458,183)</u>	<u>228,082</u>
Financing activities		
Proceeds from long-term debt	523,496	–
Repayment of long-term debt	(9,678)	(152,250)
Proceeds from exercise of stock options	59,150	–
	<u>572,968</u>	<u>(152,250)</u>
Investing activities		
Acquisition of property and equipment	(26,115)	(17,182)
Net change in cash and cash equivalents during the period	<u>(911,330)</u>	<u>58,650</u>
Cash and cash equivalents – Beginning of period	<u>7,777,303</u>	<u>655,222</u>
Cash and cash equivalents – End of period	<u>6,865,973</u>	<u>713,872</u>
Cash and cash equivalents are comprised of the following:		
Cash on hand and balances (overdrafts) with banks	1,331,598	(86,128)
Short-term investments	5,534,375	800,000
	<u>6,865,973</u>	<u>713,872</u>
Supplementary cash flow information		
Income taxes paid	–	–
Interest paid	–	–

The accompanying notes form an integral part of these financial statements

Immunovaccine Inc.

Notes to Unaudited Interim Consolidated Financial Statements For the period ended March 31, 2010

(Expressed in Canadian Dollars)

1 Nature of operations

Immunovaccine Inc. (“Immunovaccine” or the “Company”) (formerly Rhino Resources Inc.) is, through its 100% owned subsidiary ImmunoVaccine Technologies Inc., a clinical stage biotechnology company dedicated to the development of premium vaccines for therapeutic cancer and infectious diseases. Immunovaccine has patented vaccine delivery and enhancement technologies trade named VacciMax® and DepoVax™ and has a number of early stage infectious disease and cancer vaccine product candidates. The Company also partners with other companies to help them develop human and animal vaccine candidates. Based in Halifax, Nova Scotia, the shares of Immunovaccine are listed on the TSX-V exchange – symbol IMV.

Reverse take-over and private placement

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

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

As the former shareholders of IVT owned approximately 95% of Rhino following the exchange of shares, the transaction was accounted for as a reverse take-over of Rhino by IVT. Following the transaction, it is not expected that any one individual will hold more than 10% of the common shares of the resulting issuer and the operations of Immunovaccine are not expected to be altered significantly based on this transaction.

Basis of presentation

Upon completion of the reverse take-over, as the former IVT shareholders owned the majority of the common shares of Rhino, the transaction has been accounted for as a reverse take-over by IVT and these financial statements represent a continuation for accounting purposes of the financial statements of IVT. For accounting purposes, the acquisition of Rhino was accounted for as an issuance of 2,400,000 common shares and 32,000 broker options by Immunovaccine for consideration equal to the net monetary assets of Rhino of \$127,511. The operations of Rhino as of September 30, 2009, the deemed reverse take-over date, have been consolidated in these financial statements.

Effective December 31, 2009, the Company changed its year end from March 31 to December 31. These interim financial statements therefore reflect the Company’s results from operations for the three month period ended March 31, 2010 as compared to the three month period ended March 31, 2009.

Immunovaccine Inc.

Notes to Unaudited Interim Consolidated Financial Statements For the period ended March 31, 2010

(Expressed in Canadian Dollars)

1 Nature of operations (continued)

Interim Financial Statements

These unaudited interim consolidated financial statements have been prepared by Management in accordance with Canadian generally accepted accounting principles (GAAP), using the same accounting policies as the audited consolidated financial statements for the nine month period ended December 31, 2009. All disclosures required for annual financial statements have not been included in these financial statements. These unaudited interim consolidated financial statements should be read in conjunction with the Company's most recent annual consolidated financial statements.

2 Significant accounting policies

Future accounting changes

Business Combinations, Consolidated Financial Statements and Non-controlling Interests

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

International Financial Reporting Standards (IFRS)

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

Immunovaccine Inc.

Notes to Unaudited Interim Consolidated Financial Statements For the period ended March 31, 2010

(Expressed in Canadian Dollars)

3 Long-term debt

	March 31, 2010 \$	December 31, 2009 \$
Atlantic Canada Opportunities Agency (“ACOA”) Atlantic Innovation Fund interest-free loan with a maximum contribution of \$3,786,474. Annual principal repayments, commencing December 1, 2008, are calculated as a percentage of gross revenue for the preceding fiscal year, at 2% when gross revenues are less than \$5,000,000 and 10% when gross revenues are greater than \$5,000,000	3,779,461	3,779,461
ACOA Marketing interest-free loan repayable in 60 equal monthly payments of \$3,226 beginning November 1, 2008	138,713	148,391
ACOA Atlantic Innovation Fund interest-free loan with a maximum contribution of \$3,000,000. Annual principal repayments, commencing December 1, 2011, are calculated as a percentage of gross revenue, 5% for the first 5-year period and 10% thereafter	2,300,340	1,784,738
ACOA Business Development Program interest-free loan with a maximum contribution of \$245,625, payable in 72 equal monthly payments of \$3,411 beginning September 1, 2011	146,084	138,190
	<hr/> 6,364,598	<hr/> 5,850,780
Less: Current portion	68,983	67,821
	<hr/> 6,295,615	<hr/> 5,782,959

Certain ACOA loans require approval by ACOA before the Company can pay management fees, bonuses, dividends or other distributions.

Immunovaccine Inc.

Notes to Unaudited Interim Consolidated Financial Statements For the period ended March 31, 2010

(Expressed in Canadian Dollars)

4 Capital stock

Authorized

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

	Number of common shares	Consideration \$
Issued and outstanding		
Balance – March 31, 2009	30,598,862	10,770,437
Issued for cash consideration, net of issue costs	11,980,535	7,604,262
Issued in lieu of professional fees	2,248	–
Shares issued on the reverse take-over	2,400,000	127,511
Stock options exercised	240,750	228,089
	<hr/>	<hr/>
Balance – December 31, 2009	45,222,395	18,730,299
Stock options exercised	170,750	81,250
	<hr/>	<hr/>
Balance – March 31, 2010	45,393,145	18,811,549

Reverse take-over

Pursuant to the reverse take-over referred to in note 1, the Company issued 2,400,000 common shares in exchange for all outstanding shares of Rhino at September 30, 2009. The shares issued were recorded at a value equal to the net monetary assets received from Rhino.

Private placements

In connection with the reverse take-over, 11,813,013 common shares were issued as part of brokered and non-brokered private placements at a price of \$0.70 per share, for total gross proceeds of \$8,269,109. After cash commissions as well as legal, regulatory and other share issuance costs, total net cash proceeds were \$7,623,668. Additionally, as part of the brokered private placement, 455,573 broker warrants were issued. As a result, the net cash proceeds have been allocated to the common shares and warrants issued based on their relative fair values of \$7,486,996 and \$136,672.

In November 2009, the Company entered into a Master Services Agreement with Cato Research Canada Inc. (“Cato”), a contract research organization, to assist the Company in managing the Phase I clinical trial for DPX-0907. As part of the Master Services Agreement, the Company had the option to pay a portion of Cato’s service fees through the issuance of common shares. The Company exercised this option, obtained approval from the TSX-Venture Exchange, and issued to Cato 167,522 common shares of its capital stock at a price of \$0.70 per share.

Immunovaccine Inc.

Notes to Unaudited Interim Consolidated Financial Statements For the period ended March 31, 2010

(Expressed in Canadian Dollars)

5 Contributed surplus and other

	March 31, 2010 \$	December 31, 2009 \$
Contributed surplus		
Balance, beginning of period	633,970	526,900
Stock-based compensation – stock options vested	237,960	143,634
Stock-based compensation – modification of existing options (note 5 (a))	–	11,000
Stock options exercised	(22,100)	(53,814)
Warrants expired (note 5 (b))	–	6,250
	<hr/>	<hr/>
Total contributed surplus and other	849,830	633,970

a) Stock options

The Board of Directors of the Company has established a stock option plan (the "Plan") under which options to acquire common shares of the Company are granted to directors, employees and other advisors of the Company. The maximum number of common shares issuable under the Plan shall not exceed 4,500,000 common shares of the Company, inclusive of all shares presently reserved for issuance pursuant to previously granted stock options. The total number of options awarded to all consultants for the Company shall not exceed 5% of the issued and outstanding common shares of the Company at the award date. If any option expires or otherwise terminates for any reason without having been exercised in full, or if any option is exercised in whole or in part, the number of shares in respect of which option expired, terminated or was exercised shall again be available for the purposes of the Plan.

Immunovaccine Inc.

Notes to Unaudited Interim Consolidated Financial Statements For the period ended March 31, 2010

(Expressed in Canadian Dollars)

5 Contributed surplus and other (continued)

a) Stock options (continued)

During the three months ended March 31, 2010, 110,000 stock options (nine months ended December 31, 2009 – 1,012,000) with a weighted average exercise price of \$1.29 (nine months ended December 31, 2009 – \$1.40) and a term of 5 years (nine months ended December 31, 2009 – 5.4 years), were granted to employees and consultants. The value of these stock options has been estimated at \$99,700 (nine months ended December 31, 2009 - \$999,246), which is a weighted average grant date value per option of \$0.91 (nine months ended December 31, 2009 - \$0.99), using the Black-Scholes valuation model and the following weighted average assumptions:

	March 31, 2010	December 31, 2009
	\$	\$
Risk-free interest rate	2.25%	1.7%
Expected volatility	91%	91%
Expected dividend yield	0%	0%
Expected life (years)	5	5.4

Option activity for the three months ended March 31, 2010 and the nine months ended December 31, 2009 was as follows:

	March 31, 2010		December 31 2009	
	\$		\$	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding, beginning of period	3,518,687	0.81	2,715,437	0.59
Granted	110,000	1.29	1,012,000	1.40
Exercised	(170,750)	0.38	(208,750)	0.83
Forfeited	(16,250)	0.45	—	—
Outstanding, end of period	<u>3,441,687</u>	0.85	<u>2,715,437</u>	0.81

Immunovaccine Inc.

Notes to Unaudited Interim Consolidated Financial Statements For the period ended March 31, 2010

(Expressed in Canadian Dollars)

5 Contributed surplus and other (continued)

a) Stock options (continued)

At March 31, 2010, the following options were outstanding:

Closing	Issued	Exercised	Expired	Closing	Exercisable	Exercise price per share \$	Expiry	Average years remaining
22,500	—	(11,250)	(11,250)	—	—	0.20	March 7, 2010	0.0
127,500	—	(127,500)	—	—	—	0.28	March 7, 2010	0.0
15,000	—	(15,000)	—	—	—	0.67	March 7, 2010	0.0
22,000	—	(17,000)	(5,000)	—	—	1.00	March 7, 2010	0.0
133,254	—	—	—	133,254	133,254	0.28	December 31, 2013	3.7
225,000	—	—	—	225,000	225,000	0.28	March 31, 2014	4.0
82,500	—	—	—	82,500	82,500	0.28	April 30, 2014	4.0
67,500	—	—	—	67,500	67,500	0.28	August 31, 2014	4.3
22,500	—	—	—	22,500	22,500	0.28	December 31, 2014	4.7
299,783	—	—	—	299,783	299,783	0.28	March 31, 2015	5.0
270,000	—	—	—	270,000	270,000	0.20	March 31, 2015	5.0
87,750	—	—	—	87,750	87,750	0.67	March 31, 2016	6.0
7,500	—	—	—	7,500	7,500	0.67	July 1, 2016	6.2
300,000	—	(7,500)	—	300,000	300,000	0.67	December 1, 2016	6.7
154,000	—	—	—	154,000	154,000	1.00	March 31, 2017	7.0
10,000	—	—	—	10,000	10,000	1.00	July 1, 2017	7.2
326,500	—	—	—	326,500	326,500	1.00	March 31, 2018	8.0
333,400	—	—	—	333,400	111,133	1.00	March 31, 2019	9.0
75,000	—	—	—	75,000	25,000	0.70	September 28, 2019	9.4
937,000	—	—	—	937,000	—	1.46	December 14, 2014	4.7
—	60,000	—	—	60,000	—	1.31	February 2, 2015	4.8
—	50,000	—	—	50,000	—	1.26	February 23, 2015	4.9
3,518,687	110,000	(170,750)	(16,250)	3,441,687	2,122,420	0.85		5.8

Immunovaccine Inc.

Notes to Unaudited Interim Consolidated Financial Statements For the period ended March 31, 2010

(Expressed in Canadian Dollars)

5 Contributed surplus and other (continued)

b) Warrants:

	Opening	Issued	Exercised	Expired	Closing	Exercise price per warrant \$	Expiry
Broker warrants	455,573	–	–	–	455,573	0.70	September 30, 2010
Total number	<u>455,573</u>	–	–	–	<u>455,573</u>		
Total value					<u>\$136,672</u>		

Pursuant to the private placement that closed on September 30, 2009, the Company issued 455,573 Immunovaccine warrants in connection with the brokered portion of the private placement. The broker warrants have an exercise price of \$0.70 per common share and expire on September 30, 2010. The fair value attributed to the broker warrants issued of \$136,672 was determined using the Black-Scholes option pricing model with the following assumptions:

Risk free interest rate	1.25%
Term	1 year
Expected volatility	112 %
Expected dividend yield	0%

6 Related party transactions

During the three months ended March 31, 2010, the Company carried out the following transactions which are recorded at the exchange amount and were incurred during the normal course of operations with related parties:

- The Company was charged \$21,573 (March 31, 2009 - \$29,764) for legal services from law firms in which certain shareholders are principals; and
- The Company issued shares to directors and shareholders valued at \$nil (March 31, 2009 - \$3,872) in lieu of professional fees.

Immunovaccine Inc.

Notes to Unaudited Interim Consolidated Financial Statements

For the period ended March 31, 2010

(Expressed in Canadian Dollars)