

Immunovaccine Inc.
(Formerly Rhino Resources Inc.)

Unaudited Interim Consolidated Financial Statements
September 30, 2009

November 24, 2009

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”) as at and for the three and six months ended September 30, 2009 and 2008 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 Interim Consolidated Balance Sheet
As at September 30, 2009 and March 31, 2009

	September 30, 2009 \$	March 31, 2009 \$
Assets		
Current assets		
Cash and cash equivalents	1,078,615	713,872
Amounts receivable	186,248	24,423
Subscriptions receivable (note 5)	7,891,328	–
Prepaid expenses	72,825	47,073
Investment tax credits receivable	533,448	895,113
	<hr/>	<hr/>
	9,762,464	1,680,481
Intangible asset (note 3)	446,765	–
Property and equipment	326,806	345,749
	<hr/>	<hr/>
	10,536,035	2,026,230
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,267,119	550,625
Due to shareholders (note 7)	400,000	–
Current portion of long-term debt (note 4)	48,894	40,829
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	1,716,013	591,454
Long-term debt (note 4)	5,539,388	4,716,521
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	7,255,401	5,307,975
Shareholders' Equity (Deficiency)		
Capital stock (note 5)	18,449,858	10,770,437
Warrants (note 6)	142,922	–
Contributed surplus and other (note 6)	547,033	489,400
Deficit	(15,859,179)	(14,541,582)
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	3,280,634	(3,281,745)
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	10,536,035	2,026,230

Immunovaccine Inc.

Unaudited Interim Consolidated Statement of Loss, Comprehensive Loss and Deficit For the three and six month periods ended September 30, 2009 and 2008

	Three months ended September 30,		Six months ended September 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
Revenue	448,871	105,830	448,871	105,830
Expenditures				
General and administrative	286,097	281,244	596,313	602,718
Research and development	405,741	585,226	958,533	1,067,166
Product development	145,737	100,353	189,551	116,726
Business development	66,644	52,224	124,437	109,720
Stock-based compensation	28,817	11,050	57,634	22,100
	933,036	1,030,097	1,926,468	1,918,430
Loss before the following	(484,165)	(924,267)	(1,477,597)	(1,812,600)
Investment tax credits	(80,000)	(74,750)	(160,000)	(149,500)
Net loss and comprehensive loss for the periods	(404,165)	(849,517)	(1,317,597)	(1,663,100)
Deficit – Beginning of periods	(15,455,014)	(11,622,922)	(14,541,582)	(10,809,338)
Deficit – End of periods	(15,859,179)	(12,472,439)	(15,859,179)	(12,472,438)
Basic and diluted loss per share	(0.01)	(0.03)	(0.04)	(0.05)
Weighted-average shares outstanding	30,640,050	30,352,081	30,640,562	30,352,649

Immunovaccine Inc.

Unaudited Interim Consolidated Statement of Cash Flows

For the three and six month periods ended September 30, 2009 and 2008

	Three months ended September 30,		Six months ended September 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
Cash provided by (used in)				
Operating activities				
Net loss and comprehensive loss for the periods	(404,165)	(849,517)	(1,317,597)	(1,663,100)
Charges to operations not involving cash				
Amortization	18,791	22,966	37,384	44,018
Stock-based compensation	28,817	11,050	57,634	22,100
	(356,557)	(815,501)	(1,222,579)	(1,596,982)
Net change in non-cash working capital balances related to operations				
Decrease (increase) in amounts receivable	(84,370)	13,369	(161,825)	(48,811)
Decrease (increase) in prepaid expenses	(21,171)	(35,180)	(25,752)	66,434
Decrease (increase) in investment tax credits receivable	441,665	(74,750)	361,665	(149,500)
Increase in accounts payable and accrued liabilities	621,328	77,014	647,509	111,691
	600,895	(835,048)	(400,982)	(1,617,168)
Financing activities				
Repayment of long-term debt	(9,678)	–	(19,356)	–
Advances from shareholders	400,000	–	400,000	–
Proceeds from issuance of capital stock, net of issuance costs	–	115,421	–	1,476,819
Proceeds from long-term debt	288,234	673,892	850,288	677,154
Repayment of obligation under capital lease	–	–	–	(1,278)
	678,556	789,313	1,230,932	2,152,695
Investing activities				
Acquisition of property, equipment and intangible asset	(440,777)	(2,783)	(465,207)	(11,092)
Net change in cash and cash equivalents during the periods	838,674	(48,518)	364,743	524,435
Cash and cash equivalents – Beginning of periods	239,941	1,450,552	713,872	877,599
Cash and cash equivalents – End of periods	1,078,615	1,402,034	1,078,615	1,402,034
Cash and cash equivalents are comprised of the following:				
Cash on hand and balances (overdrafts) with banks	309,740	102,034	309,740	102,034
Short-term investments	768,875	1,300,000	768,875	1,300,000
	1,078,615	1,402,034	1,078,615	1,402,034
Supplementary cash flow information				
Interest paid	470	737	1,475	1,553

Immunovaccine Inc.

Notes to Unaudited Interim Consolidated Financial Statements For the period ended September 30, 2009

1 Nature of operations

Immunovaccine Inc. (“Immunovaccine” or the “Company”) (formerly ImmunoVaccine Technologies Inc.) is a 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 to develop human and animal vaccine candidates. Based in Halifax, Nova Scotia, Immunovaccine is listed on the TSX-V exchange - symbol IMV.

Reverse takeover 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 effective June 1, 2009 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 the 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 own approximately 95% of Rhino following the exchange of shares, the transaction was accounted for as a reverse takeover 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 takeover, 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 \$174,224. The operations of Rhino as of September 30, 2009, the deemed reverse takeover date, have been consolidated in these financial statements.

Immunovaccine Inc.

Notes to Unaudited Interim Consolidated Financial Statements For the period ended September 30, 2009

2 Significant accounting policies

These consolidated interim financial statements have been prepared using Canadian generally accepted accounting principles (“GAAP”) with respect to the preparation of interim statements. Accordingly, the disclosures in these statements do not conform in all respects to the requirements of GAAP for audited annual financial statements. Except as set out below, these unaudited consolidated interim statements were prepared using the same accounting policies as were used for the financial statements for the year ended March 31, 2009 and should be read in conjunction with the 2009 audited annual financial statements of ImmunoVaccine Technologies Inc. as filed in the Company’s information circular on August 28, 2009.

Change in accounting policy

Effective April 1, 2009 the Company adopted CICA Section 3064 – *Goodwill and Other Intangible Assets*. This Section replaces Section 3062 – *Goodwill and Other Intangible Assets*. This new Section establishes standards for the recognition, measurement and disclosure of goodwill and other intangible assets. The adoption of this Section had no material impact on the Company’s interim financial statements.

Future accounting changes

Section 1601 – *Consolidated Financial Statements* - This Section replaces the former Section 1600 – *Consolidated Financial Statements*. The Company will begin application of this standard effective April 1, 2011. The Company does not currently have any subsidiaries so there is no impact on its financial statements at this time.

International Financial Reporting Standards (IFRS) - In February 2008, the Canadian Accounting Standards Board announced that 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 financial statements including comparative information in compliance with IFRS for periods ending after January 1, 2011. 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.

3 Intangible asset

On July 9, 2009, the Company purchased an exclusive world-wide license for the use of certain antigens for \$446,765. These antigens are being used in the Company’s therapeutic cancer vaccine candidate, DPX-0907. Under the terms of the license, the Company must pay certain royalties on commercial revenues generated through use of the antigens. As DPX-0907 has not yet reached commercial production, the license does not have an expiry date. The Company plans to use the antigens for the foreseeable future.

Immunovaccine Inc.

Notes to Unaudited Interim Consolidated Financial Statements For the period ended September 30, 2009

4 Long-term debt

	September 30, 2009 \$	March 31, 2009 \$
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	3,781,578	3,781,578
ACOA Marketing interest-free loan repayable in 60 equal monthly payments of \$3,226 beginning November 1, 2008	158,069	177,425
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	1,495,258	713,244
ACOA Business Development Program interest-free loan payable in 72 equal monthly payments of \$1,182 beginning September 1, 2010	153,377	85,103
	<hr/> 5,588,282	<hr/> 4,757,350
Less: Current portion	48,894	40,829
	<hr/> 5,539,388	<hr/> 4,716,521

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

The minimum annual principal repayments of long-term debt over the next five years, excluding the Atlantic Innovation Fund repayments for 2011 and beyond which are not determinable at this time, are as follows:

	\$
Year ending September 30, 2010	48,894
2011	52,896
2012	52,896
2013	52,896
2014	17,405

Immunovaccine Inc.

Notes to Unaudited Interim Consolidated Financial Statements For the period ended September 30, 2009

5 Capital stock

Authorized

500,000,000 common shares with no par value

	Number	Amount \$
Issued and outstanding		
Balance – March 31, 2008	28,776,625	9,253,847
Issued for cash consideration, net of issue costs	1,468,000	1,396,321
Issued in lieu of professional fees	34,281	34,281
Stock options exercised	319,956	85,988
Balance – March 31, 2009	30,598,862	10,770,437
Issued in lieu of professional fees	2,248	–
Balance – June 30, 2009	30,601,110	10,770,437
Shares issued on the reverse takeover (note 1)	2,400,000	174,224
Issued for cash consideration, net of issue costs	11,813,013	7,505,197
Balance – September 30, 2009	44,814,123	18,449,858

Reverse takeover

Pursuant to the reverse takeover 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 takeover, 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 \$7,641,869. 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 \$7,505,197 and \$136,672 (note 6 (c)), respectively.

On October 5, 2009, the Company collected the \$7,891,328 of subscriptions receivable. As the subscriptions receivable was received after September 30, 2009, this is a non-cash transaction for the three and six month periods ended September 30, 2009 and has been excluded from the statement of cash flows.

Immunovaccine Inc.

Notes to Unaudited Interim Consolidated Financial Statements For the period ended September 30, 2009

6 Contributed surplus and other

	September 30, 2009 \$	March 31, 2009 \$
Contributed surplus (note 6 (a) and (b))		
Balance, beginning of periods	555,716	267,700
Stock-based compensation – stock options vested	28,817	44,200
Stock-based compensation – modification of existing options	–	215,000
	<hr/> 584,533	<hr/> 526,900
Employee share purchase loans receivable (note 6 (b))	<hr/> (37,500)	<hr/> (37,500)
Total contributed surplus and other	<hr/> <hr/> 547,033	<hr/> <hr/> 489,400

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 twenty percent (20%) of the issued common shares of the Company, inclusive of all shares presently reserved for issuance pursuant to previously granted stock options. Stock options are granted with an exercise price determined by the Board of Directors, which is not less than the market price of the shares on the day preceding the award. The term of the option is determined by the Board of Directors, not to exceed ten years from the date of grant. The vesting of the options is determined by the Board and is typically 33 1/3% every six months after the date of grant.

During the three months ended September 30, 2009, 75,000 (2008 - nil) stock options were granted to employees.

Immunovaccine Inc.

Notes to Unaudited Interim Consolidated Financial Statements For the period ended September 30, 2009

6 Contributed surplus and other (continued)

a) Stock options (continued)

Option activity for the periods ended March 31 and September 30, 2009 was as follows:

	Number of shares under option	Weighted average exercise price \$
Balance – March 31, 2008	2,742,915	0.49
Granted	384,400	1.00
Exercised	(319,956)	0.27
Forfeited	(91,922)	0.28
Balance – March 31 and June 30, 2009	2,715,437	0.59
Granted	75,000	0.70
Balance – September 30, 2009	2,790,437	0.59

At September 30, 2009, the following options were outstanding:

Opening	Issued	Exercised	Expired	Closing	Exercisable	Weighted average exercise price per share \$	Expiry	Weighted average remaining contracted life (years)
170,754	–	–	–	170,754	170,754	0.28	December 31, 2013	4.3
277,500	–	–	–	277,500	277,500	0.28	March 31, 2014	4.5
82,500	–	–	–	82,500	82,500	0.28	April 30, 2014	4.6
67,500	–	–	–	67,500	67,500	0.28	August 31, 2014	4.9
67,500	–	–	–	67,500	67,500	0.28	December 31, 2014	5.3
299,783	–	–	–	299,783	299,783	0.28	March 31, 2015	5.3
296,250	–	–	–	296,250	296,250	0.20	March 31, 2015	5.5
110,250	–	–	–	110,250	110,250	0.67	March 31, 2016	6.5
7,500	–	–	–	7,500	7,500	0.67	July 1, 2016	6.8
300,000	–	–	–	300,000	300,000	0.67	December 1, 2016	7.3
120,000	–	–	–	120,000	120,000	0.67	January 1, 2017	7.3
185,000	–	–	–	185,000	185,000	1.00	March 31, 2017	7.5
10,000	–	–	–	10,000	10,000	1.00	July 1, 2017	7.8
336,500	–	–	–	336,500	336,500	1.00	March 31, 2018	8.5
384,400	–	–	–	384,400	128,133	1.00	March 31, 2019	9.5
–	75,000	–	–	75,000	–	0.70	September 4, 2019	9.9
2,715,437	75,000	–	–	2,790,437	2,459,170	0.59		6.6

Immunovaccine Inc.

Notes to Unaudited Interim Consolidated Financial Statements For the period ended September 30, 2009

6 Contributed surplus and other (continued)

b) Employee share purchase loans

During the year ended March 31, 2006, the Company issued a \$37,500 loan to an employee to acquire shares utilizing stock options held by the employee. The loan is interest-free and is secured by the Company shares which the funds were used to purchase. The loan is repayable on December 31, 2009. Under GAAP, such a share purchase loan is presented as a deduction from shareholders' equity until repaid.

c) Warrants and broker options

	Opening	Issued	Exercised	Expired	Closing	Exercise price per warrant \$	Expiry
Class A	52,000	–	–	(52,000)	–	1.75	
Class A	93,143	–	–	–	93,143	1.75	November 2, 2009
Issued per Qualifying Transaction	–	139,714	–	–	139,714	1.17	November 2, 2009
Broker Options	–	32,000	–	–	32,000	0.50	October 24, 2009
Broker warrants	–	455,573	–	–	455,573	1.17	September 30, 2010
	<u>145,143</u>	<u>627,287</u>	<u>–</u>	<u>(52,000)</u>	<u>720,430</u>		

Prior to the year ended March 31, 2007, the Company issued warrants in connection with debt and equity financing. The warrants outstanding provided the holder with the rights to acquire 1.5 common shares for each warrant held upon payment by the holder of \$1.75 per Class A warrant. All 93,143 Class A warrants expired in November 2009.

Pursuant to the private placement that closed on September 30, 2009, the Company issued 455,573 Immunovaccine warrants and 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%

As part of the reverse takeover, the Company issued 32,000 broker options to the brokers as a replacement for previously issued Rhino options. The broker options allow the holders to purchase 32,000 shares of Immunovaccine at a price of \$0.50 per share. These options have been recorded by Immunovaccine as a \$6,250 addition to warrants.

Immunovaccine Inc.

Notes to Unaudited Interim Consolidated Financial Statements

For the period ended September 30, 2009

7 Related party transactions

During the three and six months to September 30, 2009, the Company was charged \$22,128 and \$58,653, respectively (2008 - \$32,066 and \$72,229, respectively) for legal services from law firms in which certain shareholders are principals.

The shareholder loans at September 30, 2009 were from two shareholders, both interest at 10% per annum, and were repaid in full out of the proceeds from the private placement.

8 Comparative figures

Certain of the prior period comparative figure have been re-stated to conform with current year classifications.

