Immunovaccine Inc.

Unaudited Interim Condensed Consolidated Financial Statements
March 31, 2015

May 12, 2015

Notice

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

The accompanying unaudited interim condensed consolidated financial statements of **Immunovaccine Inc.** ("Immunovaccine" or the "Corporation") for the three months ended March 31, 2015 have been prepared by Management and approved by the Audit Committee of the Board of Directors of the Corporation.

These unaudited interim condensed consolidated financial statements have not been reviewed by the external auditors of the Corporation.

May 12, 2015

Management's Responsibility for Financial Reporting

The accompanying unaudited interim condensed consolidated financial statements of Immunovaccine 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"). The unaudited interim condensed consolidated financial statements include certain amounts and assumptions that are based on management's best estimates and have been derived with careful judgement.

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) "*Marc Mansour*"
Chief Executive Officer

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

Immunovaccine Inc.

Unaudited Interim Condensed Consolidated Statements of Financial Position

As at March 31, 2015 and December 31, 2014

(Expressed in Canadian dollars)

	March 31, 2015 $	December 31, 2014 $
Assets		
Current assets		
Cash and cash equivalents	8,557,040	10,662,463
Amounts receivable	376,866	250,779
Prepaid expenses	350,413	264,285
Investment tax credits receivable	851,855	787,355
	10,136,174	11,964,882
Intangible asset	227,891	234,796
Property and equipment (note 4)	294,207	248,782
	10,658,272	12,448,460
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	933,545	1,404,795
Amounts due to directors	56,834	37,762
Current portion of long-term debt (note 5)	60,371	65,950
	1,050,750	1,508,507
Long-term debt (note 5)	3,346,459	3,126,110
	4,397,209	4,634,617
Equity	6,261,063	7,813,843
	10,658,272	12,448,460

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

Approved on behalf of the Board of Directors

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

(signed) *"Wayne Pisano"*, Director

Immunovaccine Inc.

Unaudited Interim Condensed Consolidated Statements of Changes in Equity

For the period ended March 31, 2015 and December 31, 2014

(Expressed in Canadian dollars)

	Share capital $	Contributed surplus $	Warrants $	Deficit $	Total $
Balance, December 31, 2013	33,102,700	4,026,368	15,787	(34,554,090)	2,590,765
Comprehensive loss for the period	–	–	–	(1,942,756)	(1,942,756)
Exercise of warrants	8,200	–	(3,580)	–	4,620
Employee share options:					
Value of services recognized	–	402,049	–	–	402,049
Exercise of options	447,127	(334,700)	–	–	112,427
Balance, March 31, 2014	33,558,027	4,093,717	12,207	(36,496,846)	1,167,105
Comprehensive loss for the period	–	–	–	(4,624,982)	(4,624,982)
Issuance of shares in public offering	8,802,460	–	–	–	8,802,460
Share issuance costs	(911,295)	–	–	–	(911,295)
Issuance of shares in private placement	1,716,817	–	–	–	1,716,817
Share issuance costs	(78,198)	–	–	–	(78,198)
Issuance of warrants in a public offering	–	–	712,084	–	712,084
Warrant issuance costs	–	–	(72,489)	–	(72,489)
Issuance of broker warrants	–	–	128,546	–	128,546
Exercise of warrants	5,715	–	(2,496)	–	3,219
Employee share options:					
Value of services recognized	–	850,444	–	–	850,444
Exercise of options	181,190	(61,058)	–	–	120,132
Balance, December 31, 2014	43,274,716	4,883,103	777,852	(41,121,828)	7,813,843
Comprehensive loss for the period	–	–	–	(1,768,907)	(1,768,907)
Employee share options:					
Value of services recognized	–	207,127	–	–	207,127
Exercise of options	60,750	(51,750)	–	–	9,000
Balance, March 31, 2015	43,335,466	5,038,480	777,852	(42,890,735)	6,261,063

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

Immunovaccine Inc.

Unaudited Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

For the three months ended March 31, 2015 and 2014

(Expressed in Canadian dollars)

	Three months ended March 31, 2015 $	Three months ended March 31, 2014 $
Expenses		
General and administrative	724,380	683,709
Research and development	793,232	912,688
Business development	152,492	298,623
Accreted interest and adjustments	98,803	47,736
	1,768,907	1,942,756
Net loss and comprehensive loss for the period	(1,768,907)	(1,942,756)
Basic and diluted loss per share	(0.02)	(0.02)
Weighted-average shares outstanding	91,742,677	79,127,047

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

Immunovaccine Inc.

Unaudited Interim Condensed Consolidated Statements of Cash Flows

For the three months ended March 31, 2015 and 2014

(Expressed in Canadian dollars)

	Three months ended March 31, 2015 $	Three months ended March 31, 2014 $
Cash provided by (used in)		
Operating activities		
Net loss for the period	(1,768,907)	(1,942,756)
Charges to operations not involving cash		
Amortization of intangible asset	6,905	9,783
Depreciation of property and equipment	14,931	14,777
Accretion of long-term debt	98,803	47,736
Stock-based compensation	207,127	402,049
	(1,441,141)	(1,468,411)
Net change in non-cash working capital balances related to operations		
Decrease (increase) in amounts receivable	6,113	(51,871)
Increase in prepaid expenses	(86,128)	(69,663)
Increase in investment tax credits receivable	(64,500)	(12,652)
Increase (decrease) in accounts payable and accrued liabilities	(471,250)	45,244
Increase (decrease) in amounts due to directors	19,072	(21,168)
	(2,037,834)	(1,578,521)
Financing activities		
Repayment of long-term debt	(16,233)	(14,733)
Proceeds from the exercise of stock options	9,000	112,427
Proceeds from the exercise of warrants	–	4,620
	(7,233)	102,314
Investing activities		
Acquisition of property and equipment	(60,356)	(12,656)
Net change in cash and cash equivalents during the period	(2,105,423)	(1,488,863)
Cash and cash equivalents – Beginning of period	10,662,463	3,535,997
Cash and cash equivalents – End of period	8,557,040	2,047,134
Supplementary cash flow information		
Interest received	32,617	8,699

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

(Expressed in Canadian dollars)

1 Nature of operations

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

2 Basis of presentation

The Corporation 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").

These unaudited interim condensed consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, International Accounting Standards 34 "*Interim Financial Reporting*". Accordingly, certain information normally included in annual financial statements prepared in accordance with IFRS, as issued by the IASB have been omitted or condensed. The unaudited interim condensed consolidated financial statements should be read in conjunction with the Corporation's annual audited consolidated financial statements for the year ended December 31, 2014.

The policies applied in these unaudited interim condensed consolidated financial statements are based on IFRS issued and outstanding as of May 12, 2015, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Corporation's annual consolidated financial statements for the year ending December 31, 2014 could result in restatement of these unaudited interim condensed consolidated financial statements.

3 Significant accounting policies, judgments and estimation uncertainty

The significant accounting policies used in the preparation of these unaudited interim condensed consolidated financial statements are described below.

Basis of measurement

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

(Expressed in Canadian dollars)

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

Consolidation

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

Foreign currency translation

i) Functional and presentation currency

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

ii) Transactions and balances

Foreign currency translation of monetary assets and liabilities denominated in currencies other than the Corporation's functional currency is converted at the rate of exchange in effect at the statement of financial position date. Income and expense items are translated at the rate of exchange in effect at the translation date. Translation gains or losses are included in determining income or loss for the period. Foreign exchange loss of $33,156 for the three months ended March 31, 2015 (three months ended March 31, 2014- $18,433) is included in general and administrative expenses.

Cash and cash equivalents

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

Financial instruments

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset, and the net amount is reported in the statement of financial position, when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

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

(Expressed in Canadian dollars)

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

Financial instruments (continued)

The Corporation has implemented the following classifications:

- Cash and cash equivalents and amounts receivable are classified as loans and receivables. After their initial fair value measurement, they are measured at amortized cost using the effective interest method; and

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

Impairment of financial assets

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

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

Property and equipment

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

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

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

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

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the statement of loss.

(Expressed in Canadian dollars)

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

Intangible assets

The intangible asset, consisting of a license with a finite life, is carried at its cost, net of accumulated amortization. Amortization is provided over its estimated useful life of 14 years on a straight-line basis.

Impairment of non-financial assets

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

The Corporation evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

Income tax

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

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

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

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

Tax on income in interim periods is accrued using a tax rate that would be applicable to expected total annual earnings.

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

(Expressed in Canadian dollars)

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

Research and development

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

Revenue recognition

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

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

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

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

Deferred revenue

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

Share capital

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

(Expressed in Canadian dollars)

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

Loss per share

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

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

Stock-based compensation plan

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

Government assistance

Non-repayable government assistance is recorded in the period earned as a reduction in the related qualifying expenditure. During the three months ended March 31, 2015, the Corporation recorded $51,865 of non-repayable government grants, from a number of government agencies, as a reduction in related research salaries (three months ended March 31, 2014 - $152,106). At March 31, 2015, $298,980 (December 31, 2014 - $93,410) of government assistance, including government loans, is included in amounts receivable. Repayable government loans are recorded initially at fair value, with the difference between the book value and fair value recorded as a reduction of the related expenditures. During the three months ended March 31, 2015, the Corporation recorded $25,285 as a reduction of research expenditures (three months ended March 31, 2014 - $nil).

Research and development tax credits

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

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

(Expressed in Canadian dollars)

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

Critical accounting estimates and judgments

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

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

Atlantic Innovation Fund ("AIF") loans

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

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

If the weighted average discount rate used in determining the initial fair value and the carrying value at each reporting date of all AIF loans, with repayment terms based on future revenue, had been determined to be higher by 10%, or lower by 10%, the carrying value of the long-term debt at December 31, 2014 would have been an estimated $230,600 lower or $590,700 higher, respectively. As there is no significant revenue forecasted in the near future, a 10% increase or decrease in the total forecasted revenue would not have a significant impact on the amount recorded for the AIF loans. If the total forecasted revenue were reduced to $nil, no amounts would be forecast to be repaid on the AIF loans, and the AIF loans payable at December 31, 2014 would be recorded at $nil, which would be a reduction in the AIF loans payable of $455,300. If the timing of the receipt of forecasted future revenue was earlier or later by 2 years, the carrying value of the long-term debt at December 31, 2014 would have been an estimated $374,500 higher or $205,500 lower, respectively.

(Expressed in Canadian dollars)

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

Critical accounting estimates and judgments (continued)

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

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

If the discount rate used in for the ERDT loan had been determined to be higher or lower by 5% (resulting in discount rates of 20% or 10%, respectively), the carrying value of the long-term debt at December 31, 2014 would have been an estimated $381,000 lower or $456,000 higher, respectively. The difference between the book value and the initial fair value of the ERDT loan is recorded in the statement of loss as government assistance on initial recognition. Any changes in the amounts recorded on the statement of financial position for the ERDT loan result in an offsetting charge in the statement of loss accreted interest and adjustments after initial recognition.

4 Property and equipment

	Computer equipment $	Furniture and equipment $	Laboratory equipment $	Total $
Year January 1, 2014				
Opening net book value	23,910	28,676	221,064	273,650
Additions	19,325	4,906	14,688	38,919
Depreciation for the year	(11,879)	(6,226)	(45,682)	(63,787)
Closing net book value	31,356	27,356	190,070	248,782
At December 31, 2014				
Cost	181,951	70,319	732,096	984,366
Accumulated depreciation	(150,595)	(42,963)	(542,026)	(735,584)
Net book value	31,356	27,356	190,070	248,782
Period ended March 31, 2015				
Opening net book value	31,356	27,356	190,070	248,782
Additions	5,014	–	55,342	60,356
Depreciation for the period	(3,053)	(1,368)	(10,510)	(14,931)
Closing net book value	33,317	25,988	234,902	294,207
At March 31, 2015				
Cost	186,965	70,319	787,438	1,044,722
Accumulated depreciation	(153,648)	(44,331)	(552,536)	(750,515)
Net book value	33,317	25,988	234,902	294,207

(Expressed in Canadian dollars)

5 Long-term debt

	March 31, 2015 $	December 31, 2014 $
Atlantic Canada Opportunities Agency ("ACOA") Atlantic Innovation Fund interest-free loan with a maximum contribution of $3,786,474. Annual repayments, commencing December 1, 2008, are calculated as a percentage of gross revenue for the preceding fiscal year, at 2% when gross revenues are less than $5,000,000 and 5% when gross revenues are greater than $5,000,000. As at March 31, 2015, the amount drawn down on the loan, net of repayments, is $3,749,531.	182,700	171,800
ACOA Atlantic Innovation Fund interest-free loan with a maximum contribution of $3,000,000. Annual repayments, commencing December 1, 2011, are calculated as a percentage of gross revenue, at 2% when gross revenues are less than $5,000,000 and 5% when gross revenues are greater than $5,000,000. As at March 31, 2015, the amount drawn down on the loan is $3,000,000.	152,675	144,200
ACOA Business Development Program interest-free loan with a maximum contribution of $245,625, repayable in 72 equal monthly payments of $3,411 beginning September 1, 2011. As at March 31, 2015, the amount drawn down on the loan, net of repayments, is $98,952.	92,153	101,328
ACOA Business Development Program interest-free loan with a maximum contribution of $75,000, repayable in monthly payments beginning October 1, 2011 of $500 until April 2012, $1,000 until April 2013, $1,500 until April 2014, $2,000 until April 2015 and $3,333 until August 2015. As March 31, 2015, the amount drawn down on the loan, net of repayments, is $15,477.	14,027	19,832
ACOA Business Development Program interest-free loan with a maximum contribution of $394,826, repayable in monthly payments beginning October 1, 2015 of $2,500 until October 2017 and $5,850 until September 2022. As at March 31, 2015, the amount drawn down on the loan is $246,485.	215,800	83,600
ACOA Atlantic Innovation Fund interest-free loan with a maximum contribution of $2,944,000, annual repayments commencing September 1, 2014, are calculated as a percentage of gross revenue from specific product(s), at 5% for the first 5 year period and 10%, thereafter. As at March 31, 2015, the amount drawn down on the loan is $2,944,000.	151,475	139,300
Province of Nova Scotia, Economic and Rural Development and Tourism ("ERDT") department secured loan with a maximum contribution of $5,000,000, interest bearing at a rate equal to ERDT's cost of funds plus 1%, compounded semi-annually and payable monthly. The loan is made available in four equal installments based on the Corporation meeting certain milestones, and is repayable on the fifth anniversary date of the first disbursement. The Corporation and its subsidiary have provided a general security agreement granting a first security interest in favour of the Province of Nova Scotia in and to all the assets of the Corporation and its subsidiary, including the intellectual property. As at March 31, 2015, the amount drawn down on the loan is $3,750,000.	2,598,000	2,532,000
	3,406,830	3,192,060
Less: Current portion	60,371	65,950
	3,346,459	3,126,110

(Expressed in Canadian dollars)

5 Long-term debt (continued)

Total contributions received less amounts that have been repaid as at March 31, 2015 is $13,804,445.

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

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

	March 31, 2015 $	December 31, 2014 $
Balance – Beginning of period	3,192,060	1,330,969
New debt, net of $25,285 (2014 - $916,400) allocated to government assistance	132,200	1,672,600
Accreted interest and adjustments	98,803	251,923
Repayment of debt	(16,233)	(63,432)
Balance – End of period	3,406,830	3,192,060
Less: current portion	60,371	65,950
Non-current portion	3,346,459	3,126,110

(Expressed in Canadian dollars)

6 Share capital

Authorized

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

	Number of common shares	Amount $
Issued and outstanding		
Balance – January 1, 2014	79,098,923	33,102,700
Issued for cash consideration, net of issue costs	11,910,369	9,529,784
Stock options exercised	693,785	628,317
Warrants exercised	19,600	13,915
Balance – December 31, 2014	91,722,677	43,274,716
Stock options exercised	45,000	60,750
Balance – March 31, 2015	91,767,677	43,335,466

On September 4, 2014, the Corporation completed a public offering of 10,002,795 units at a price of $0.95 per unit, for aggregate proceeds of $9,502,655. Each unit consisted of one common share and one-half 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 $1.24 for a period of 18 months, expiring on March 4, 2016. The value allocated to the common shares issued was $8,802,460 and the value allocated to the warrants was $700,195. In addition, 191,750 common share purchase warrants were purchased for additional gross proceeds of $11,889, resulting in total gross proceeds of $9,514,544 under the public offering. Total costs associated with the offering were $983,784, including cash costs for commissions of $555,085, professional fees and regulatory costs of $300,153 and 584,298 compensation options issued as commissions to the agents valued at $128,546. Each compensation option entitles the holder to acquire one common share of the Corporation at an exercise price of $0.95 for a period of 18 months, expiring on March 4, 2016. The Corporation has allocated $911,295 of the issue costs to the common shares and $72,489 of the issue costs to the warrants.

In connection with the public offering on September 4, 2014, the Corporation completed a private placement of 1,907,574 shares at a price of $0.90 per share for aggregate gross proceeds of $1,716,817. Total costs associated with this offering were $78,198, including finder's fees of $69,614, paid in cash. The remaining costs of $8,584 were associated with professional and regulatory fees.

As at March 31, 2015, a total of 11,686,821 shares (March 31, 2014 – 5,052,374) are reserved to meet outstanding stock options and warrants.

(Expressed in Canadian dollars)

7 Contributed surplus

	Amount $
Contributed surplus	
Balance – January 1, 2014	4,026,368
Share-based compensation – stock options vested	1,252,493
Stock options exercised	(395,758)
Balance – December 31, 2014	4,883,103
Share-based compensation – stock options vested	207,127
Stock options exercised	(51,750)
Balance – March 31, 2015	5,038,480

Stock options

The Board of Directors of the Corporation has established a stock option plan (the "Plan") under which options to acquire common shares of the Corporation are granted to directors, employees and other advisors of the Corporation. The maximum number of common shares issuable under the Plan shall not exceed 9,100,000, inclusive of all shares presently reserved for issuance pursuant to previously granted stock options. The total number of options awarded to all insiders of Corporation shall not exceed 10% of the issued and outstanding common shares of the Corporation at the award date. If any option expires or otherwise terminates for any reason without having been exercised, the number of shares in respect of which option expired or terminated shall again be available for the purposes of the Plan. The Board of Directors may make certain amendments to the Plan without seeking the approval of the shareholders of the Corporation.

Stock options are granted with an exercise price determined by the Board of Directors, which is not less than the volume weighted average market price of the shares for the five trading days immediately preceding the award (the "VWAP"). 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.

If approved by the Board of Directors, in lieu of paying the exercise price for the shares that may be issued pursuant to the exercise of stock options, the participant may elect to acquire the number of shares determined by subtracting the exercise price from the VWAP, multiplying the difference by the number of shares in respect of which the option was otherwise being exercised and then dividing that product by such VWAP. In such event, the number of shares as so determined (and not the number of shares to be issued under the Option) will be deemed to be issued under the Plan and all the options surrendered will be cancelled.

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

(Expressed in Canadian dollars)

7 Contributed surplus (continued)

Stock options (continued)

During the three months ended March 31, 2015, 1,277,500 stock options were granted to employees and consultants. During the three months ended March 31, 2014, 1,781,500 were granted to employees and consultants. The value of these stock options has been estimated at $702,625, which is a weighted average grant date value per option of $0.55, using the Black-Scholes valuation model and the following weighted average assumptions:

	March 31, 2015	December 31, 2014
Risk-free interest rate	3.00%	3.00%
Expected volatility	129%	123%
Expected dividend yield	–	–
Expected life (years)	4.30	4.49
Forfeiture rate	4%	4%

Option activity for the three months ended March 31, 2015 and the year ended December 31, 2014 was as follows:

	March 31, 2015		December 31, 2014	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Outstanding - Beginning of period	4,733,050	0.69	3,793,685	0.67
Granted	1,277,500	0.66	2,231,500	0.74
Exercised	(45,000)	0.20	(693,785)	0.34
Forfeited	–	–	(587,117)	1.16
Expired	(87,500)	0.81	(11,233)	0.48
Outstanding - End of period	5,878,050	0.69	4,733,050	0.69

(Expressed in Canadian dollars)

8 Related party transaction

During the three months ended March 31, 2015, the Corporation was charged $nil (three months ended March 31, 2014 - $105,590) for business development consulting fees by a non-executive director.

9 Expenses by nature

	Three months ended March 31, 2015 $	Three months ended March 31, 2014 $
Salaries, wages and benefits	535,094	437,588
Other research and development expenditures, including clinical costs	242,132	428,924
Professional and consulting fees	452,761	539,514
Travel	90,658	34,437
Office, rent and telecommunications	76,379	75,247
Insurance	17,879	20,005
Marketing, communications and investor relations	88,702	107,941
Amortization	6,905	9,783
Depreciation	14,931	14,777
Stock-based compensation	207,127	402,049
Accreted interest	98,803	47,736
Other	79,186	43,861
Research and development tax credits and income tax recovery	(64,500)	(67,000)
Government assistance	(77,150)	(152,106)
	1,768,907	1,942,756

10 Capital management

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

	March 31, 2015 $	December 31, 2014 $
Total debt	3,406,830	3,192,060
Less: Cash and cash equivalents	(8,557,040)	(10,662,463)
Net debt	(5,150,210)	(7,470,403)
Shareholders' equity	6,261,063	7,813,843
Total capital	1,110,853	343,440

The Corporation is in compliance with its debt covenants.

(Expressed in Canadian dollars)

11 Financial instruments

Fair value of financial instruments

Financial instruments are defined as a contractual right on 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 statement of financial position date with relevant comparatives:

	March 31, 2015		December 31, 2014	
	Carrying value $	Fair value $	Carrying value $	Fair value $
Cash and cash equivalents	8,557,040	8,557,040	10,662,463	10,662,463
Amounts receivable	301,345	301,345	79,533	79,533
Accounts payable and accrued liabilities	915,715	915,715	1,392,127	1,392,127
Amounts due to directors	56,834	56,834	37,762	37,762
Long-term debt	3,406,830	3,406,830	3,192,060	3,192,060

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 at March 31, 2015 and December 31, 2014 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.

Risk management

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

a) Interest rate risk

The Corporation has limited exposure to interest rate risk on its lending and borrowing activities. The Corporation has a significant loan in which the interest rate is dependent on the cost of funds from the lender plus 1%. This interest rate is fixed at the time that each loan disbursement is made, resulting in limited variability to the interest rate. The total amount drawn down on the loan as at March 31, 2015 is $3,750,000 (December 31, 2014 - $3,750,000) and the Corporation is required to make interest payments in fiscal 2015 of $120,762.

The Corporation also has interest-free debt that is repayable over 60, 72, or 84 months periods, resulting in required principal debt payments in fiscal 2015 of $69,909. The remaining outstanding debt as at March 31, 2014 is interest-free, only becoming repayable when revenues are earned.

(Expressed in Canadian dollars)

11 Financial instruments (continued)

Risk management (continued)

b) Credit risk

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

The total of amounts receivable disclosed in the statement of financial position as at March 31, 2015 of $376,866 (December 31, 2014 - $250,779) is comprised mainly of non-repayable government assistance, as well as sales taxes recoverable. If required, the balance is shown net of allowances for bad debts, estimated by management based on prior experience and their assessment of the current economic environment. Historically, there have been no collection issues and the Corporation does not believe it is subject to any significant concentration of credit risk.

c) Liquidity risk

Liquidity risk represents the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

While the Corporation has $8,557,040 in cash and cash equivalents at March 31, 2015, it continues to have an ongoing need for substantial capital resources to research and develop, commercialize and manufacture its products and technologies. The Corporation is currently not yet receiving a significant ongoing revenue stream from its animal health license agreements, nor can it be certain that it will receive significant revenue from these agreements before additional cash is required. As a result, there can be no assurance that the Corporation will have sufficient capital to fund its ongoing operations, develop or commercialize any of its products without future financing. See note 1 for further details.

The following table outlines the contractual maturities for the Corporation's financial liabilities. The long-term debt is comprised of the contributions received described in note 5, less amounts that have been repaid as at March 31, 2015:

	Total $	Less than 1 year $	1 to 3 years $	4 to 5 years $	After 5 years $
Accounts payable and accrued liabilities	933,545	933,545	–	–	–
Amounts due to directors	56,834	56,834	–	–	–
Long-term debt	14,217,048	192,171	378,024	3,953,322	9,693,531
Operating leases	245,225	155,676	89,549	–	–
	15,452,652	1,338,226	467,573	3,953,322	9,693,531

(Expressed in Canadian dollars)

11 Financial instruments (continued)

Risk management (continued)

d) Currency risk

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

Foreign exchange loss of $33,156 for the three months ended March 31, 2015 (three months ended March 31, 2014, foreign exchange loss - $25,749) are included in general and administrative expenses. If the foreign exchange had been 1% higher or lower, with all other variables held constant, it would have had an immaterial impact on the foreign exchange gain/loss.