TAPIMMUNE INC
Form 10-Q
November 21, 2011

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

S Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended September 30, 2011

£ Transition Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____.

Commission File Number: 000-27239

TAPIMMUNE INC.
(Name of registrant in its charter)

NEVADA	88-0277072
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2815 Eastlake Avenue East, Suite 300 Seattle, Washington	98102
(Address of principal executive offices)	(Zip Code)

(206)
336-5560
(Issuer's
telephone
number)

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes S No £

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, non-accelerated filer or a smaller reporting company. See definition of “accelerated filer”, “large accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act (check one):

£ Large accelerated filer
£ Non-accelerated filer (Do not check if smaller reporting company)
£ Accelerated filer
S Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes £ No S

As of November 1, 2011, the Company had 47,360,721 shares of common stock issued and outstanding.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

TAPIMMUNE INC.
(A Development Stage Company)
CONSOLIDATED BALANCE SHEETS

	September 30, 2011 (Unaudited)	December 31, 2010
ASSETS		
Current Assets		
Cash	$34,772	$23,516
Due from government agency	1,047	1,083
Prepaid expenses and deposits	25,088	700
	60,907	25,299
Deferred financing costs (Note 5)	36,160	91,134
	$97,067	$116,433
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Accounts payable and accrued liabilities (Note 10)	$1,025,536	$809,292
Research agreement obligations (Note 3)	220,968	141,761
Derivative liability – conversion option (Note 4)	-	175,389
Derivative liability – warrants (Note 4)	48,500	1,225,125
Convertible notes payable (Note 5)	-	353,050
Loans payable (Note 6)	7,000	425,000
Promissory note (Note 7)	100,000	-
Due to related parties (Note 8)	303,005	259,305
	1,705,009	3,388,922
Convertible notes payable (Note 5)	568,127	-
	2,273,136	3,388,922
Stockholders' Deficit		
Capital stock (Note 9)		
Common stock, $0.001 par value, 150,000,000 shares authorized		
47,360,721 shares issued and outstanding (December 31, 2010 – 40,256,027)	47,360	40,256
Additional paid-in capital	43,451,128	40,214,935
Shares and warrants to be issued (Note 9)	350,726	34,980
Deferred compensation (Note 10)	(86,875)	-
Deficit accumulated during the development stage	(45,879,801)	(43,501,765)
Accumulated other comprehensive loss	(58,607)	(60,895)
	(2,176,069)	(3,272,489)
	$97,067	$116,433

Restatement (Note 1A)

Commitments and Contingencies (Notes 3 and 11)

The accompanying notes are an integral part of these consolidated financial statements.

TAPIMMUNE INC.
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,		July 27, 1999 (inception) to September 30,
	2011	2010	2011	2010	2011
Expenses					
Consulting fees	$43,750	$28,000	$119,250	$66,699	$1,978,687
Consulting fees – stock-based (Note 9)	307,734	70,015	692,253	1,142,141	5,684,806
Depreciation	-	-	-	-	213,227
General and administrative	23,875	32,827	66,012	142,870	2,677,534
Interest and finance charges (Note 4)	103,740	458,565	558,577	794,418	5,712,158
Management fees (Note 8)	62,100	54,300	186,300	198,400	2,709,954
Management fees – stock-based (Notes 8 and 9)	29,563	325,977	360,260	973,977	4,295,225
Professional fees	36,173	170,657	317,130	584,564	4,373,917
Research and development (Note 8)	297,996	93,517	406,944	243,380	6,114,384
Research and development – stock-based	-	-	-	-	612,000
	904,931	1,233,858	2,706,726	4,146,449	34,371,892
Net Loss Before Other Items	(904,931)	(1,233,858)	(2,706,726)	(4,146,449)	(34,371,892)
Other Items					
Foreign exchange (loss) gain	14,654	(2,022)	(293)	(3,572)	43,060
Changes in fair value of derivative liabilities (Note 4)	46,000	191,867	(277,118)	1,724,217	1,409,118
Loss on debt financing	-	-	-	(1,615,425)	(1,644,750)
Gain (loss) on settlement of debt (Note 9)	-	30,000	(482,474)	53,589	(12,431,857)
Gain on extinguishment of derivative liabilities - warrants (Note 5)	-	-	1,088,575	-	1,088,575
Interest income	-	-	-	-	33,344
Loss on disposal of assets	-	-	-	-	(5,399)
Net Loss for the Period	(844,277)	(1,014,013)	(2,378,036)	(3,987,640)	(45,879,801)
Basic and Diluted Net Loss per Share	$(0.02)	$(0.03)	$(0.05)	$(0.10)	
Weighted Average Number of Common Shares Outstanding	47,213,710	40,042,202	44,845,195	39,650,563	

The accompanying notes are an integral part of these consolidated financial statements.

TAPIMMUNE INC.
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010	July 27, 1999 (inception) to September 30, 2011
Cash Flows from Operating Activities			
Net loss	$(2,378,036)	$(3,987,640)	$(45,879,801)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	-	-	213,228
Non-cash loss on debt financing	-	1,615,425	1,644,750
Changes in fair value of derivative liabilities	277,118	(1,724,217)	(1,409,118)
(Gain) loss on settlement of debt	482,474	(53,589)	12,431,857
Gain on extinguishment of derivative liabilities - warrants	(1,088,575)	-	(1,088,575)
Loss on disposal of assets	-	-	5,399
Non-cash interest and financing charges	558,577	771,799	5,349,644
Stock-based compensation	1,052,513	2,116,118	10,608,281
Changes in operating assets and liabilities:			
Due from government agency	-	(31)	(1,064)
Prepaid expenses and receivables	-	(30,700)	(24,700)
Accounts payable and accrued liabilities	85,019	401,131	3,300,619
Net Cash Used in Operating Activities	(1,010,910)	(891,704)	(14,849,480)
Cash Flows from Investing Activities			
Purchase of furniture and equipment	-	-	(218,626)
Cash acquired on reverse acquisition	-	-	423,373
Net Cash Provided by Investing Activities	-	-	204,747
Cash Flows from Financing Activities			
Issuance of common stock, net	194,750	-	9,816,875
Deferred financing costs	54,974	41,381	(10,911)
Research agreement obligations	79,207	-	439,099
Convertible notes	724,535	712,254	1,521,906
Proceeds from loans payable	-	-	425,000
Notes and loans payable	-	-	919,845
Advances from (repayments to) related parties	(31,300)	141,379	1,567,691
Net Cash Provided by Financing Activities	1,022,166	895,014	14,679,505
Net (Decrease) Increase in Cash	11,256	3,310	34,772
Cash, Beginning of Period	23,516	141,431	-

Cash, End of Period	$34,772	$144,741	$34,772

Supplemental cash flow information and non-cash investing and financing activities: (refer to Note 10)

The accompanying notes are an integral part of these consolidated financial statements.

TAPIMMUNE INC.
(A Development Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 (UNAUDITED)

NOTE 1A: RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS

Restatement relating to accounting for debt settlement transactions in fiscal year ended December 2009

We had restated our consolidated financial statements as of and for the fiscal year ended December 31, 2009 related to the Company's accounting for the debt settlement transactions. We had accounted for the equity issuance in settlement of $3,181,206 of debt by estimating the fair value from third party debt assignments instead of the quoted market value of the stock. Additionally, in connection with the debt settlement, the Company issued 2,000,000 shares pursuant to a consulting services agreement using a block discount from the quoted value of the stock. Following discussions with the SEC in connection with comments issued by the staff of the SEC, the Company determined that its accounting for debt settlement transactions should be reviewed. As a result, we reviewed GAAP guidance, which states that 'a quoted market price in an active market is the best evidence of fair value and should be used as the basis for the measurement, if available'. Based on this guidance we concluded that the difference of $13,137,038 between the fair value recognized using the quoted market price and the debt settled amounts should be recognized as loss on debt settlement.

We had previously restated the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2009 in the Form 10-K for the fiscal year ended December 31, 2010 relating to the Company's accounting for the debt settlement with related parties. The components of certain debt settlements that occurred in 2009 with related parties were originally accounted for as a gain on settlement of debt. We had determined that the accounting for the related party debt settlements was not in accordance with Financial Accounting Standards Board ("FASB") – Accounting Standards Codification ("ASC") 470-50-40-2, which states that 'extinguished transactions between related entities may be in essence capital transactions.' Based on this guidance, we had concluded that the gain from settlement with related parties in the amount of $766,769 would more appropriately be recognized as additional paid-in capital. Following discussions with the SEC in connection with comments issued by the staff of the SEC, the Company determined that its accounting for debt settlement transactions with related parties should be reviewed. As a result of the current restatement, based on GAAP guidance and management's interpretation, we have accounted for the debt settlement transactions with related parties as loss on debt settlement and reversed the $766,769 amount which was recognized as additional paid-in capital.

The adjustment amount of $13,137,038 comprises the fair value of the debt settlement less the book value of the debt less the $766,769 that was reversed in the previous 10-K filed on April 18, 2011.

The impact of the restatement on the consolidated balance sheet as of and for the year ended December 31, 2010 is shown in the following table:

	As reported in December 31, 2010 10-K filed on April 18, 2011	Adjustment	As restated
Balance sheet data — December 31, 2010			

Additional paid-in capital	$ 27,844,666	$ 12,370,269	$ 40,214,935
Deficit accumulated during the development stage	(31,131,496)	(12,370,269)	(43,501,765)
Total stockholders' equity	$ (3,272,489)	$ —	$ (3,272,489)

NOTE 1: NATURE OF OPERATIONS

TapImmune Inc. (the "Company"), a Nevada corporation incorporated in 1992, is a development stage company which was formed for the purpose of building a biotechnology business specializing in the discovery and development of immunotherapeutics aimed at the treatment of cancer, and therapies for infectious diseases, autoimmune disorders and transplant tissue rejection.

Since inception, the Company and its collaborators have been parties to various Research Agreements ("CRA") appointing such collaborators to carry out development of the licensed technology and providing TapImmune the option to acquire the rights to commercialize any additional technologies developed within the CRA. The lead product candidate, now wholly owned and with no ongoing license or royalty, resulting from these license agreements is an immunotherapy vaccine, on which the Company has been completing pre-clinical work in anticipation of clinical trials. Specifically, the Company has obtained and expanded on three U.S. and international patents, tested various viral vectors, licensed a viral vector and is working towards production of a clinical grade vaccine. The Company plans to continue development of the lead product vaccine through to clinical trials in both oncology and infectious diseases alone or in partnership with other vaccine developers.

These consolidated financial statements have been prepared on the basis of a going concern which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As at September 30, 2011, the Company had a working capital deficit of $1,644,102 and has incurred significant losses since inception. Further losses are anticipated in the development stage raising substantial doubt as to the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on raising additional capital to fund ongoing research and development, maintenance and protection of patents, accommodation from certain debt obligations and ultimately on generating future profitable operations. Planned expenditures relating to future clinical trials of the Company's immunotherapy vaccine will require significant additional funding. The Company is dependent on future financings to fund ongoing research and development as well as working capital requirements. The Company's future capital requirements will depend on many factors including the rate and extent of scientific progress in its research and development programs, the timing, cost and scope involved in clinical trials, obtaining regulatory approvals, pursuing further patent protections and the timing and costs of commercialization activities.

Management is addressing going concern remediation through seeking new sources of capital, restructuring and retiring debt through conversion to equity and debt settlement arrangements with creditors, cost reduction programs and seeking possible joint venture participation. Management's plans are intended to return the Company to financial stability and improve continuing operations. The Company is continuing initiatives to raise capital through private placements, related party loans and other institutional sources to meet immediate working capital requirements.

The Company was able to substantially complete ongoing restructuring plans in the second half of 2009. Additional funding and equity for debt settlements have retired notes payable and certain other debt obligations were satisfied. In 2010 and 2011 additional funding was raised through equity and debt placements and continuing restructuring of debt and equity instruments. Additional capital is required currently to expand programs including pre-clinical work and to establish future manufacturing contracts necessary for clinical trials for the lead Transporters of Antigen Processing (TAP) vaccine and infectious disease adjuvant technology. Strategic partnerships will be needed to continue the product development portfolio and fund development costs. These measures, if successful, may contribute to reduce the risk of going concern uncertainties for the Company over the next twelve months.

There is no certainty that the Company will be able to raise sufficient funding to satisfy current debt obligations or to continue development of products to marketability.

NOTE 2: UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR AN INTERIM PERIOD

Basis of Presentation

In the opinion of management, the accompanying balance sheets and related interim statements of operations and cash flows include all adjustments, consisting only of normal recurring items, necessary for their fair presentation in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and expenses. Examples include: valuation of the derivative liabilities and stock-based compensation. Actual results and outcomes may differ from management's estimates and assumptions.

Interim results are not necessarily indicative of results for a full year. The information included in this quarterly report on Form 10-Q should be read in conjunction with information included in the Company's annual report on Form 10-K/A filed on October 14, 2011, with the U.S. Securities and Exchange Commission.

NOTE 3: RESEARCH AGREEMENTS

Crucell Holland B.V. ("Crucell") – Research License and Option Agreement

Effective August 7, 2003, Crucell and the Company's wholly owned subsidiary entered into a five-year research license and option agreement whereby Crucell granted to GPI a non-exclusive worldwide license for the research use of its adenovirus technology. The Company was required to make certain payments over the five-year term totaling Euro €450,000 (approximately $510,100).

At December 31, 2008, $243,598 (€172,801) was owing to Crucell under this agreement. During the year ended December 31, 2010, management negotiated a settlement of the outstanding balance requiring a €17,000 cash payment (paid) and the issuance of 265,000 shares of the Company's common stock.

In addition, retroactively effective August 7, 2008, the Company negotiated an amended license agreement for the use of Crucell's adenovirus technology. The Company is required to make annual license payments on the anniversary of the effective date for the three year term equal to €75,000 per annum. As at September 30, 2011, the Company had accrued $220,968 (€162,500) under the amended agreement. The Company is currently delinquent on making its first annual license payment under the amended license agreement. Crucell has the right to cancel the agreement however, to date, the Company has not received a notice terminating the license agreement. Management plans to negotiate an amended payment structure with Crucell that, if successful, would allow the Company to maintain the license agreement in good standing. However, there is no certainty that the license agreement will be maintained or that management will successfully negotiate new terms.

NOTE 4: DERIVATIVE LIABILITIES AND FAIR VALUE

The Company has evaluated the application of ASC 815 Derivatives and Hedging (formerly SFAS No. 133) and ASC 815-40 Contracts in an Entity's Own Equity to the issued and outstanding warrants to purchase common stock that were issued with the May 2010 secured convertible notes and those issued as finders' fees. Based on the guidance in ASC 815 and ASC 815-40-25, the Company concluded these instruments were required to be accounted for as derivatives due to a ratchet down protection feature available on the exercise price. Under ASC 815-40-25, the Company records the fair value of these derivatives on its balance sheet at fair value with changes in the values reflected in the statements of operations as "Changes in fair value of derivative liabilities". These derivative instruments are disclosed on the balance sheet under 'Derivative liabilities – warrants'.

Level 3 Valuation Techniques

Financial liabilities are considered as Level 3 when their fair values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable. Level 3 financial liabilities consist of the notes and warrants for which there is no current market for these securities such that the determination of fair value requires significant judgment or estimation.

Determining the fair value of the derivative liability of warrants and conversion options, given the Company's stage of development and financial position, is highly subjective and identifying appropriate measurement criteria and models is subject to uncertainty. There are several generally accepted pricing models for warrants and options and derivative provisions. The Company has chosen to value the conversion option on the notes and the warrants, both of which

contain ratchet down provisions using the Binomial option pricing model under the following assumptions:

	December 31, 2010						September 30, 2011					
	Expected Life (Years)	Risk free Rate	Dividend yield	Volatility	Expected Life (Years)	Risk free Rate	Dividend yield	Volatility
Series A Warrants	2.0	2.00 %	0.00 %	199 %	1.25	0.13 %	0.00 %	199 %
Series B Warrants	0.4	0.40 %	0.00 %	199 %	-	-	-	-
Series C Warrants	-	-	-	-	-	-	-	-
Conversion Option	0.4	0.40 %	0.00 %	199 %	-	-	-	-

The Series C Warrants were contingently exercisable following the exercise of the Series B Warrants. The Series B and Series C Warrants expired on May 19, 2011.

The foregoing assumptions are reviewed quarterly and are subject to change based primarily on management's assessment of the probability of the events described occurring. Accordingly, changes to these assessments could materially affect the valuations.

Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis

Financial assets and liabilities measured at fair value on a recurring basis are summarized below and disclosed on the balance sheet under Derivative liability – warrants and Derivative liability – conversion option:

	As of September 30, 2011				
		Fair Value Measurements			
	Carrying Value	Level 1	Level 2	Level 3	Total
Derivative liability - warrants	$48,500	-	-	$48,500	$48,500
Derivative liability – conversion option	-	-	-	-	-
Total	$48,500	-	-	$48,500	$48,500

	As of December 31, 2010				
		Fair Value Measurements			
	Carrying Value	Level 1	Level 2	Level 3	Total
Derivative liability - warrants	$1,225,125	-	-	$1,225,125	$1,225,125
Derivative liability – conversion option	175,389	-	-	175,389	175,389
Total	$1,400,514	-	-	$1,400,514	$1,400,514

The table below provides a summary of the changes in fair value, including net transfers, in and/or out, of financial assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the nine months ended September 30, 2011:

	Fair Value Measurements Using Level 3 Inputs		
	Derivative liability - warrants	Derivative liability – conversion option	Total
Beginning balance as of date of issuance, May 24, 2010	$2,270,125	$785,400	$3,055,525
Total unrealized gains or losses included in net loss	(1,045,000)	(610,011)	(1,655,011)
Transfers in and/or out of Level 3	-	-	-
Balance as of December 31, 2010	1,225,125	175,389	1,400,514
Total unrealized gains or (losses) included in net loss	365,950	(88,832)	277,118
Debt settlement	(1,542,575)	(86,557)	(1,629,132)
Transfers in and/or out of Level 3	-	-	-
Ending balance at September 30, 2011	$48,500	$-	$48,500

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NOTE 5: CONVERTIBLE NOTES PAYABLE

The following is a summary of debt instrument transactions that are relevant to the current period:

	Face Value	Principal Repayment	Unamortized Note Discount	Balance at September 30, 2011
February 2011 Secured Convertible Notes				
Senior Secured Notes, due February 24, 2014	$1,184,694	$-	$ 658,791	$525,903
April 2011 Secured Convertible Notes				
Senior Secured Notes, due April 4, 2014	215,000	-	179,886	35,114
June 2011 Secured Convertible Note				
Senior Secured Notes, due June 6, 2014	30,000	-	22,890	7,110
Total	$1,429,694	$-	$ 861,567	$568,127

February 2011 Secured Convertible Notes

On February 24, 2011, the Company entered into a securities purchase agreement with accredited investors to place Senior Secured Convertible Notes (the “February 2011 Notes”) with a maturity date of three years after the issuance thereof in the aggregate principal amount of $1,184,694. Consideration under the notes consisted of $944,694 in cash proceeds, including accrued interest, and $240,000 was subscribed for by the holders of outstanding and demandable 2010 secured convertible notes (the “2010 Notes”), of which, $80,000 was allocated for the extinguishment of the Series A, Series B and Series C warrants related to the 2010 Notes. In connection with the issuance of the February 2011 Notes, the Company entered into a 2011 Security Agreement with the note holders securing the February 2011 Notes with all of the Company’s assets. One year after the issuance of the February 2011 Notes, the note holders have the option to convert a portion or all of the outstanding balance of the February 2011 Notes including any accrued interest into shares of the Company’s common stock at a conversion rate of $0.15 per share.

The February 2011 Notes bear interest at the rate of 10% per annum except in case of default, in which case they bear interest at the rate of 20% per annum. The interest is due on the February 2011 Notes at the end of each three month period, starting three months from their issuance. One year after the issuance of the February 2011 Notes, the Company may elect to prepay a portion of the principal. If the Company makes such an election, the holders may elect to receive such prepayment in cash or in shares of the Company’s common stock or in a combination thereof.

The Company paid a finders’ fee of $41,500. The finder’s fee was accounted for as deferred financing costs, and is being amortized over the term of the notes. At September 30, 2011, $32,366 of the $36,160 in deferred financing costs relates to the February 2011 Notes which remains unamortized, and is presented in long-term assets on the Company’s Balance Sheet.

In connection with the issuance of the February 2011 Notes, the Company issued 2,369,388 warrants, exercisable into common stock at $0.25 with five year terms. The Company may force the exercise of the warrants at any time that the average volume weighted average price of the Company’s common stock over the prior ten trading days is greater than $0.50, the average daily dollar volume of the Company’s common stock sold over those ten trading days is greater than $25,000 and there is an effective registration statement covering the resale of the shares underlying the warrants.

At closing, the Company allocated the net proceeds to the debt and warrants based on their relative fair value. The fair value of the warrants was recorded at $299,409 and allocated to equity and the debt was recorded at $885,285. The fair value of the warrants was calculated using the Black-Scholes option pricing model under the following assumptions: estimated life five years, risk free rate 2.6%, dividend yield 0% and volatility of 253%. The Company recognized an embedded beneficial conversion feature of $457,368 as additional paid-in capital as the convertible notes were issued with an intrinsic conversion value. The beneficial conversion feature was recorded as a debt discount. The debt discount is being accreted over the three year term of the February 2011 Notes using the effective interest rate method.

For the nine months ended September 30, 2011, accretion of the debt discount of $97,986 was recorded for the February 2011 Notes.

April 2011 Secured Convertible Notes

On April 4, 2011, the Company entered into a securities purchase agreement with accredited investors to place Senior Secured Convertible Notes (the "April 2011 Notes") with a maturity date of three years after the issuance thereof in the aggregate principal amount of $215,000. Consideration under the notes consisted of $190,000 in cash proceeds, and $25,000 was subscribed for by a holder of 2010 Notes for the partial extinguishment of the Series A, Series B and Series C warrants related to the 2010 Notes. In connection with the issuance of the April 2011 Notes, the Company entered into a 2011 Security Agreement with the note holders securing the April 2011 Notes with a secondary security interest in all of the Company's assets. One year after the issuance of the April 2011 Notes, the note holders have the option to convert a portion or all of the outstanding balance of the April 2011 Notes including any accrued interest into shares of the Company's common stock at a conversion rate of $0.15 per share.

The April 2011 Notes bear interest at the rate of 10% per annum except in case of default, in which case they bear interest at the rate of 20% per annum. The interest is due on the April 2011 Notes at the end of each three month period, starting three months from their issuance. One year after the issuance of the April 2011 Notes, the Company may elect to prepay a portion of the principal. If the Company makes such an election, the holders may elect to receive such prepayment in cash or in shares of the Company's common stock or in a combination thereof.

The Company paid a finders' fee of $4,550. The finder's fee was accounted for as deferred financing costs, and is being amortized over the term of the notes. At September 30, 2011, $3,794 of the $36,160 in deferred financing costs relates to the April 2011 Notes which remains unamortized, and is presented in long-term assets on the Company's Balance Sheet.

In connection with the issuance of the April 2011 Notes, the Company issued 430,000 warrants, exercisable into common stock at $0.25 with 2 year terms. The Company may force the exercise of the warrants at any time that the average volume weighted average price of the Company's common stock over the prior ten trading days is greater than $0.50, the average daily dollar volume of the Company's common stock sold over those ten trading days is greater than $25,000 and there is an effective registration statement covering the resale of the shares underlying the warrants.

At closing, the Company allocated the net proceeds to the debt and warrants based on their relative fair value. The fair value of the warrants was recorded at $122,354 and allocated to equity and the debt was recorded at $92,646. The fair value of the warrants was calculated using the Black-Scholes option pricing model under the following assumptions: estimated life two years, risk free rate 0.77%, dividend yield 0% and volatility of 194%. The Company recognized an embedded beneficial conversion feature of $92,646 as additional paid-in capital as the convertible notes were issued with an intrinsic conversion value. The beneficial conversion feature was recorded as a debt discount. The debt discount is being accreted over the three year term of the April 2011 Notes using the effective interest rate method.

For the nine months ended September 30, 2011, accretion of the debt discount of $35,114 was recorded for the April 2011 Notes.

June 2011 Secured Convertible Note

On June 6, 2011, the Company entered into a securities purchase agreement with accredited investors to place Senior Secured Convertible Note (the "June 2011 Note") with a maturity date of three years after the issuance thereof in the aggregate principal amount of $30,000. In connection with the issuance of the June 2011 Note, the Company entered into a 2011 Security Agreement with the note holder securing the June 2011 Note with a secondary security interest in

all of the Company's assets. One year after the issuance of the June 2011 Note, the note holder has the option to convert a portion or all of the outstanding balance of the June 2011 Note including any accrued interest into shares of the Company's common stock at a conversion rate of $0.15 per share.

The June 2011 Note bears interest at the rate of 10% per annum except in case of default, in which case it bears interest at the rate of 20% per annum. The interest is due on the June 2011 Note at the end of each three month period, starting three months from its issuance. One year after the issuance of the June 2011 Note, the Company may elect to prepay a portion of the principal. If the Company makes such an election, the holder may elect to receive such prepayment in cash or in shares of the Company's common stock or in a combination thereof.

In connection with the issuance of the June 2011 Note, the Company issued 60,000 warrants, exercisable into common stock at $0.25 with two year terms. The Company may force the exercise of the warrants at any time that the average volume weighted average price of the Company's common stock over the prior ten trading days is greater than $0.50, the average daily dollar volume of the Company's common stock sold over those ten trading days is greater than $25,000 and there is an effective registration statement covering the resale of the shares underlying the warrants.

At closing, the Company allocated the net proceeds to the debt and warrants based on their relative fair value. The fair value of the warrants was recorded at $10,800 and allocated to equity and the debt was recorded at $19,200. The fair value of the warrants was calculated using the Black-Scholes option pricing model under the following assumptions: estimated life two years, risk free rate 0.43%, dividend yield 0% and volatility of 180%. The Company recognized an embedded beneficial conversion feature of $14,800 as additional paid-in capital as the convertible notes were issued with an intrinsic conversion value. The beneficial conversion feature was recorded as a debt discount. The debt discount is being accreted over the three year term of the June 2011 Note using the effective interest rate method.

To September 30, 2011, accretion of the debt discount of $2,709 was recorded for the June 2011 Note.

The following is a summary of debt instrument transactions that are relevant to the current and prior period:

May 2010 Secured Convertible Notes

	Face Value	Principal Repayment in Cash	Principal Repayment in Shares and Warrants	Principal Repayment in February 2011 Notes	Balance at September 30, 2011
May 2010 Secured Convertible Notes Senior Secured Notes, due May 19, 2011	$1,530,000	$(1,053,333)	$(316,667)	$(160,000)	$-

	Face Value	Principal Repayment	Unamortized Note Discount	Balance at December 31, 2010
2010 Secured Convertible Notes Senior Secured Notes, due May 19, 2011	$1,530,000	$(573,333)	$ 603,617	$353,050

On May 24, 2010, the Company entered into a securities purchase agreement with accredited investors to place the 2010 Notes with a maturity date of one year after the issuance thereof in the aggregate principal amount of $1,530,000 for gross consideration of $1,275,000. The $1,275,000 consisted of $712,254 in cash proceeds to the Company, $212,746 of services and $350,000 was subscribed for by the holder of an outstanding and due 2009 convertible debenture. In connection with the issuance of the notes, the Company entered into a 2010 Security Agreement with the note holders securing the 2010 Notes with all of the Company's assets. The 2010 Note holders had the option to convert the outstanding balance of the notes including any accrued interest into shares of the Company's common stock at a maximum conversion rate of $0.30 per share at any time.

The 2010 Notes were placed at a 20% discount from their face value and bore no interest except in case of an event of default, in which case they would bear interest at the rate of 18% per annum. The principal and any interest due on the 2010 Notes was due in 9 equal monthly installments starting in September 2010. Subject to the satisfaction of certain

customary conditions including the effectiveness of a registration statement and certain minimums on the amount and value of the shares of the Company's common stock traded on the Over-the-Counter Bulletin Board, the Company could elect to pay amounts due on any installment date in either cash or shares of its common stock. Any shares of its common stock that the Company issued as payment on an installment date would have been issued at a price which would be equal to the lesser of $0.30 per share or 85% of the average of the volume-weighted average prices of the Company's common stock on the Over-the-Counter Bulletin Board on each of the twenty trading days immediately preceding the applicable installment date.

The Company paid a finders' fee of $64,000 and issued 1,400,000 broker's warrants (described below) valued at $167,000. The finder's fee and fair value of the broker's warrants was accounted for as deferred financing costs, and was being amortized over the term of the notes. During the nine months ended September 30, 2011, $52,508 of the deferred financing costs were amortized and the remaining balance of $38,626 was recognized as loss on settlement of debt.

In February 2011, the Company negotiated an early settlement of $640,000 of the outstanding 2010 Notes. Pursuant to the settlement agreement, the Company paid $480,000 in cash, issued $240,000 in February 2011 Notes and retired 4,000,000 Series A Warrants, 3,200,000 Series B Warrants and 4,000,000 Series C Warrants. Under the agreement, those holders released the Company from the remaining obligations under the securities purchase agreement entered into during fiscal year 2010, the 2010 security agreement and other conditions related to the issuance of the 2010 Notes.

In March 2011, the Company entered into a debt settlement and warrant extinguishment agreement to settle $83,333 of the 2010 Notes and retire 625,000 Series A Warrants, 500,000 Series B Warrants and 625,000 Series C Warrants of the Company by issuing to the 2010 Note holder 641,023 shares of common stock and a new warrant to purchase up to 250,000 shares of common stock (Note 9).

In addition, the Company has also entered into an agreement to settle the remaining $233,333 of the 2010 Notes in exchange for 2,048,578 common shares (Note 9). Further, the Company entered into an agreement with a former 2010 Note holder to extinguish the 4,900,000 warrants related to the 2010 Note to extinguish those warrants for a new warrant to purchase 1,000,000 shares of common stock and a new April 2011 Note for $25,000.

During the nine month period ended September 30, 2011, the Company settled all of the outstanding 2010 Notes. The settlement of the 2010 Notes, was completed by cash payments, share and warrant issuances and the issuance of February 2011 Notes. In aggregate the fair value of the consideration was $1,169,301, which resulted in a loss on debt settlement of $607,845. In addition, the negotiated early extinguishment of the Series A, B, and C warrants resulted in a gain of $1,088,575.

NOTE 6: LOANS PAYABLE

As at September 30, 2011, there was an unsecured loan advance from a third party in the amount of $7,000 (December 31, 2010 - $425,000), which is due on demand. The loan is accruing interest of 10% per annum.

NOTE 7: PROMISSORY NOTE

During the six months ended June 30, 2011, the Company issued a note in the amount of $100,000 (December 31, 2010 - $nil) towards future legal services. As of September 30, 2011, the Company had received legal services in the amount of $75,612 and the difference of $24,388 is recorded as prepaid expenses and deposits.

The note became due on July 24, 2011 and the Company is in default of repayment. As of September 30, 2011, the Company is renegotiating the settlement of the note.

NOTE 8: RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2011, the Company entered into transactions with certain officers and directors of the Company as follows:

(a)

incurred $187,200 (2010 - $198,400) in management fees and $67,500 (2010 - $54,000) in research and development paid to officers and directors during the period;

(b) recorded $360,260 (2010 - $973,977) in stock based compensation for the fair value of options granted to management that were granted and or vested during the period; and

(c) converted $100,000 (2010 - $Nil) of debt due to related parties during the period, which were settled with shares. The Company recognized a loss of $11,030 on settlement of debt.

All related party transactions (other than stock based consideration) involving provision of services were recorded at the exchange amount, which is the amount established and agreed to by the related parties as representing fair value. The Company accounted for the debt settlement transactions with related parties at management's estimate of fair value, which was evidenced by quoted market price of Company's shares in an observable market.

At September 30, 2011, the Company had amounts owing to directors and officers of $303,005 (December 31, 2010 - $259,305). These amounts were in the normal course of operations. Amounts due to related parties are unsecured, non-interest bearing and have no specific terms of repayment.

NOTE 9: CAPITAL STOCK

Share Capital

Effective February 21, 2010, the Company increased its authorized shares of common stock from 50,000,000 shares to 150,000,000 common shares. The Company maintained its authorized shares of preferred stock at 5,000,000.

2011 Share Transactions

On March 21, 2011, the Company issued 641,023 shares of its restricted common stock pursuant to debt settlement and warrant extinguishment agreement to settle $83,333 of the 2010 Notes and partial extinguishment of the Series A, Series B and Series C Warrants. At the time of issuance, the fair value of the shares was determined to be $115,384, based on the quoted market price of $0.18 per share, which has been recorded against the carrying value of the debt. The Company recognized a loss of $87,734 on partial settlement of 2010 Notes and partial extinguishment of the Series A, Series B and Series C Warrants.

On March 23, 2011, the Company issued 1,180,000 shares of its restricted common stock pursuant to various consulting agreements. At the time of issuance the fair value of the shares was determined to be $227,432 based on the quoted market price of $0.18 per share.

On March 23, 2011, the Company issued 885,295 shares of its restricted common stock pursuant to debt settlement agreements to settle $150,500 of outstanding trade payables. At the time of issuance the fair value of the shares was determined to be $172,633 based on the quoted market price of $0.195 per share. The Company recorded $22,133 as loss on settlement of debt.

On March 23, 2011, the Company issued 441,177 shares of its restricted common stock to related parties, pursuant to debt settlement agreements to settle $75,000 of its outstanding trade payables. At the time of issuance the fair value of the shares was determined to be $86,030 based on the quoted market price of $0.195 per share. The Company recorded the calculated loss on settlement of $11,030 to the statement of operations.

On March 30, 2011, the Company issued 2,048,578 shares of its restricted common stock pursuant to an exchange agreement to settle $233,333 of the 2010 Notes. At the time of issuance the fair value of the shares was determined to be $450,687 based on the quoted market price of $0.22 per share. The discounted carrying amount of the 2010 Note as of March 30, 2011 was $77,421. The Company recorded the difference between the fair value and accreted amount of $373,266 as loss on settlement of debt.

On April 5, 2011, the Company issued 500,000 shares of its restricted common stock pursuant to a consulting agreement. At the time of issuance the fair value of the shares was determined to be $125,000 based on the quoted market price of $0.25 per share.

On April 25, 2011, the Company issued 350,000 shares of its restricted common stock pursuant to a consulting agreement. At the time of issuance the fair value of the shares was determined to be $87,500 based on the quoted market price of $0.25 per share.

On April 25, 2011, the Company issued 366,783 shares of its restricted common stock pursuant to debt settlement agreements to settle $84,315 of outstanding trade payables. At the time of issuance the fair value of the shares was determined to be $91,696 based on the quoted market price of $0.25 per share. The Company recorded $7,381 as loss on settlement of debt.

On April 25, 2011, the Company issued 20,000 shares of its restricted common stock pursuant to a debt settlement agreement to settle $4,575 of outstanding trade payables. At the time of agreement the fair value of the shares was determined to be $6,800 based on the quoted market price of $0.34 per share. The Company recorded $2,225 as loss on settlement of debt.

On April 25, 2011, the Company issued 108,696 shares of its restricted common stock to related parties, pursuant to a debt settlement agreement to settle $25,000 of its outstanding accounts payables. At the time of issuance the fair value of the shares was determined to be $27,174 based on the quoted market price of $0.25 per share. The Company recorded the calculated loss on settlement of $2,174 to the statement of operations.

In April 2011, the Company received subscription proceeds of $90,000 and issued 600,001 shares of common stock in a private placement. The subscribers purchased one unit for each $3.00 of subscription proceeds. Each unit consists of 20 shares of Company's common stock and 6 warrants each exercisable at $0.25, which expire in two years.

On June 1, 2011, 586,858 shares of the Company's restricted common stock was returned to treasury due to an adjustment to the final settlement of the $233,333 2010 Notes. The return of the shares resulted in a $134,977 reduction to the previously calculated loss on debt settlement.

On July 7, 2011, the Company received subscription proceeds of $65,000 and issued 325,000 shares of common stock in a private placement. The subscribers purchased one unit for each $2.00 of subscription proceeds. Each unit consists of 10 shares of Company's common stock and 6 warrants each exercisable at $0.25, which expire in two years. The fair value of these warrants was determined to be $33,600.

On August 19, 2011, the Company received subscription proceeds of $45,000 and issued 225,000 shares of common stock in a private placement. The subscribers purchased one unit for each $2.00 of subscription proceeds. Each unit consists of 10 shares of Company's common stock and 6 warrants each exercisable at $0.25, which expire in two years. The fair value of these warrants was determined to be $23,400.

Stock Compensation Plan

On June 8, 2007, the Board of Directors of the Company approved the adoption of a stock option plan (the "2007 Plan") allowing for the granting of up to 640,000 options to directors, officers, employees and consultants of the Company and its subsidiaries. On October 14, 2009, the Company adopted the 2009 Stock Incentive Plan (the "2009 Plan") which supersedes and replaces the 2007 Stock Plan. The 2009 Plan allows for the issuance of up to 10,000,000 common shares. Options granted under the Plan shall be at prices and for terms as determined by the Board of Directors.

On February 16, 2011, the Company granted a total of 850,000 stock options at an exercise price of $0.17 per share to consultants and management, which vest monthly over a twenty-four month period. The term of the options is ten years.

Additionally, on February 16, 2011, the Company approved the repricing of 2,928,000 stock options issued to consultants and management. Options with an exercise price of $0.97 were repriced to $0.17 per share and the Company recognized aggregate incremental fair value of the repriced options of $40,260. The incremental fair value was determined using the Black-scholes option pricing model with weighted average assumptions as follows: Expected life of 3.48 years, an expected volatility of 199%, dividend yield of 0% and risk-free rate of 1.4%.

On March 16, 2011, the Company granted 2,000,000 stock options to management at an exercise price of $0.19 per share, of which, 1,000,000 vested immediately and the remaining vest monthly over twenty four month period. The aggregate fair value of the new grants was estimated at $522,500, or $0.18 per option, using the Black-Scholes option pricing model with weighted average assumptions as follows: a risk free interest rate of 2.4%, a dividend yield of 0%, an expected volatility of 248%, and an expected life of 6.43 years.

On June 8, 2011, the Company granted 250,000 stock options to a consultant at an exercise price of $0.17 per share, of which, 125,000 vested immediately and the remaining vest monthly over twenty four month period. The aggregate

fair value of the grant was estimated at $42,500, or $0.17 per option, using the Black-Scholes option pricing model with weighted average assumptions as follows: a risk free interest rate of 2.98%, a dividend yield of 0%, an expected volatility of 238.4%, and an expected life of 10 years.

The expensed portion of the value of the granted and vested options during the nine months ended September 30, 2011 was $412,597(2010 - $1,979) which was recorded as stock based consulting and management fees.

A summary of the Company’s stock options as of September 30, 2011 and changes during the period is presented below:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Life
Balance, December 31, 2010	3,272,000	$0.21	
Issued	3,100,000	0.18	
Cancelled	(94,000)	0.97	
Balance, September 30, 2011 (Unaudited)	6,278,000	$0.18	7.16

At September 30, 2011, the intrinsic value of the vested options was equal to $nil (2010 - $Nil).

A summary of the status of the Company's unvested options as of September 30, 2011 is presented below:

	Number of Shares	Weighted Average Grant-Date Fair Value
Unvested, December 31, 2010	208,332	$0.84
Granted	3,100,000	0.18
Vested	(2,032,499)	0.18
Cancelled	-	-
Unvested, September 30, 2011 (Unaudited)	1,275,833	$0.18

Share Purchase Warrants

On February 24, 2011, the Company issued 2,369,388 share purchase warrants to acquire an equivalent number of common shares of the Company, at an exercise price of $0.25 per share for an exercise period of up to five years from the issuance date. The warrants were issued pursuant to a securities purchase agreement (Note 5). The fair value of these warrants was determined to be $400,427, using the Black-Scholes option pricing model with an expected life of 5 years, a risk free interest rate of 2.19%, a dividend yield of 0%, and an expected volatility of 251%.

On March 21, 2011, the Company issued 250,000 share purchase warrants to acquire an equivalent number of common shares of the Company, at an exercise price of $0.25 per share for an exercise period of up to five years from the issuance date. The warrants were issued pursuant to a debt settlement agreement (Note 5). The fair value of these warrants was determined to be $44,750, using the Black-Scholes option pricing model with an expected life of 5 years, a risk free interest rate of 2.04%, a dividend yield of 0%, and an expected volatility of 251%.

On April 4, 2011, the Company issued 430,000 share purchase warrants to acquire an equivalent number of common shares of the Company, at an exercise price of $0.25 per share for an exercise period of up to five years from the issuance date. The warrants were issued pursuant to a securities purchase agreement (Note 5). The fair value of these warrants was determined to be $149,948, using the Black-Scholes option pricing model with an expected life of 5 years, a risk free interest rate of 2.20%, a dividend yield of 0%, and an expected volatility of 253%.

On April 4, 2011, the Company issued 1,000,000 share purchase warrants to acquire an equivalent number of common shares of the Company, at an exercise price of $0.25 per share for an exercise period of up to five years from the

issuance date. The warrants were issued pursuant to a debt settlement agreement (Note 5). The fair value of these warrants was determined to be $349,000, using the Black-Scholes option pricing model with an expected life of 5 years, a risk free interest rate of 2.20%, a dividend yield of 0%, and an expected volatility of 252%.

On April 25, 2011, the Company issued 180,000 share purchase warrants to acquire an equivalent number of common shares of the Company, at an exercise price of $0.25 per share for an exercise period of up to five years from the issuance date. The warrants were issued pursuant to the private placement of $90,000. The fair value of these warrants was determined to be $44,800, using the Black-Scholes option pricing model with an expected life of 5 years, a risk free interest rate of 2.1%, a dividend yield of 0%, and an expected volatility of 257.7%.

On June 6, 2011, the Company issued 60,000 share purchase warrants to acquire an equivalent number of common shares of the Company, at an exercise price of $0.25 per share for an exercise period of up to five years from the issuance date. The warrants were issued pursuant to a securities purchase agreement (Note 5). The fair value of these warrants was determined to be $10,146, using the Black-Scholes option pricing model with an expected life of 5 years, a risk free interest rate of 1.60%, a dividend yield of 0%, and an expected volatility of 254%.

In July, 2011, the Company issued 220,000 share purchase warrants to acquire an equivalent number of common shares of the Company, at an exercise price of $0.25 per share for an exercise period of up to five years from the issuance date. The warrants were issued pursuant to the private placement of $110,000. The fair value of these warrants was determined to be $57,000, using the Black-Scholes option pricing model with an expected life of 5 years, a risk free interest rate of 1.74%, a dividend yield of 0%, and an expected volatility of 256.8%.

A summary of the Company's stock purchase warrants as of September 30, 2011 and changes during the period is presented below:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Life
Balance, December 31, 2010	24,868,300	$0.45	3.24
Issued	4,509,388	0.25	3.24
Extinguished or expired	(19,460,500)	0.32	-
Balance, September 30, 2011 (Unaudited)	9,917,188	$0.59	2.80

NOTE 10: SUPPLEMENTAL CASH FLOW INFORMATION AND NON-CASH INVESTING AND FINANCING ACTIVITIES

As of September 30, 2011, the prepaid portion of the fair value of shares issued pursuant to consulting services agreements was $86,875 and has been recorded as deferred compensation (December 31, 2010 - $nil).

During the period, $175,000 of accounts payable was settled by the issuance of 1,029,413 restricted common shares with a value of $0.195 per share (refer to Note 9).

Pursuant to the consulting arrangements, the Company issued 1,477,059 restricted common shares with a value of $0.195 per share (refer to Note 9).

Pursuant to the debt settlement agreements entered into during the period, the Company issued 641,023 restricted common shares with a value of $0.18 per share (refer to Note 5).

Pursuant to the debt settlement agreements entered into during the period, the Company issued 2,048,578 restricted common shares with a value of $0.195 per share (refer to Note 5).

Pursuant to the debt settlement agreements entered into during the period, the Company issued 475,479 restricted common shares with a value of $0.25 per share (refer to Note 9).

Pursuant to the debt settlement agreements entered into during the period, the Company issued 20,000 restricted common shares with a value of $0.34 per share (refer to Note 9).

Pursuant to the consulting arrangements, the Company issued 850,000 restricted common shares with a value of $0.25 per share (refer to Note 9).

Pursuant to the debt settlement and warrant extinguishment agreements entered during the period, the Company issued February 2011 Notes in the amount of $240,000, of which, $80,000 was deemed to be for partial settlement of the 2010 Series A, Series B and Series C warrants (Note 5).

Pursuant to the warrant extinguishment agreement entered during the period, the Company issued an April 2011 Note in the amount of $25,000, which was for partial settlement of the 2010 Series A, Series B and Series C warrants (Note 5).

	Nine Months Ended September 30,	
	2011	2010
Interest paid	$-	$-
Income taxes paid	$-	$-

NOTE 11: CONTINGENCY AND COMMITMENTS

Tax Filings

The Company has not filed income tax returns for several years in certain operating jurisdictions, and may be subject to possible compliance penalties and interest. Management is currently not able to make a reliably measurable provision for possible liability for penalties and interest, if any, at this time, and the Company may be liable for such amounts upon assessment. Penalties and interest, if assessed in the future, will be recorded in the period such amounts are determinable.

Combined Research and Operating Obligations

On August 15, 2011, the Company entered into a research agreement with Mayo Clinic and Dr. Keith Knutson as the principal investigator. On June 13, 2011, an investigative new drug application (“IND”) for a Phase I clinical trial on a set of Her2/neu breast cancer antigens was filed by Dr. Keith Knutson. This filing is for a prospective safety study that will examine the safety and immunological responses of a set of Her2/neu antigens in breast cancer patients that have completed adjuvant chemotherapy and/or radiation therapy. TapImmune has the exclusive option to license this technology after Phase I studies have been completed. The Company has agreed to sponsor the clinical trial and has committed to spending up to $250,000 upon execution of the research agreement, $250,000 forty five days after the execution of the research agreement and subsequent quarterly installments of $85,250 for a total commitment of $841,000.

Management Services Agreement

During the nine months ended September 30, 2011, the Company approved an employment agreement with the Chairman and Chief Executive Officer of the Company with an initial term of 2 years, which may be automatically extended for successive one-year terms. This employment agreement provides for annual compensation of $180,000 and the grant of an option to acquire 2,000,000 shares of the Company’s common stock, 50% of which vested on March 16, 2011, while the remainder will vest monthly over a period of two years (41,667 per month). The option price is $0.19 and shall be exercisable for at least five years.

The Company has estimated its minimum annual obligations under the above agreements through December 31, 2012 as follows:

2011	$ 619,350
2012	521,000
	$ 1,140,350

NOTE 12: SUBSEQUENT EVENTS

In October 2011, the Company entered into an exchange agreement with the holder of 500,000 Series A broker warrants to replace them with a new warrant to purchase 600,000 shares of common stock at a strike price of $0.20 for 5 years.

In October 2011, the Company entered into a consulting agreement, for a consultant to provide investor relations and business development services to the Company. The Company has agreed to issue 500,000 shares to the consultant for such services.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Securities and Exchange Act of 1934, as amended, that involve risks and uncertainties. All statements other than statements relating to historical matters including statements to the effect that we "believe", "expect", "anticipate", "plan" "target", "intend" and similar expressions should be considered forward-looking statements. Our actual results could differ materially from those discussed in the forward-looking statements as a result of a number of important factors, including factors discussed in this section and elsewhere in this quarterly report on Form 10-Q, and the risks discussed in our other filings with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis, judgment, belief or expectation only as the date hereof. We assume no obligation to update these forward-looking statements to reflect events or circumstance that arise after the date hereof.

As used in this quarterly report: (i) the terms "we", "us", "our", "TapImmune" and the "Company" mean TapImmune Inc. and wholly owned subsidiary, GeneMax Pharmaceuticals Inc. which wholly owns GeneMax Pharmaceuticals Canada Inc., unless the context otherwise requires; (ii) "SEC" refers to the Securities and Exchange Commission; (iii) "Securities Act" refers to the Securities Act of 1933, as amended; (iv) "Exchange Act" refers to the Securities Exchange Act of 1934, as amended; and (v) all dollar amounts refer to United States dollars unless otherwise indicated.

The following should be read in conjunction with our unaudited consolidated interim financial statements and related notes for the three months ended September 30, 2011 included in this quarterly report, as well as our Annual Report on Form 10-K/A for the year ended December 31, 2010.

Overview

We are a biotechnology company whose strategic vision is to develop and market products specializing in the application of discoveries in cellular and molecular immunology and cancer biology to the development of proprietary therapeutics aimed at the treatment and eradication of cancer, the prevention of infectious diseases and the stockpiling of biodefense agents. Our technologies are based on an understanding of the function of a protein pump known as "TAP", which is located within cells and which is essential to the processing of foreign (microbial) or autologous antigens, and subsequent presentation to the immune system for eradication of the cancer or infected cell. We currently have none of our product candidates on the market and are focusing on the development and testing of our product candidates as well as joint development products.

The current standard therapies for cancer treatment include surgery, radiation therapy and chemotherapy. However, we believe that these treatments are not precise in targeting only cancerous cells and often fail to remove or destroy all of the cancer. The remaining cancer cells may then grow into new tumors, which can be resistant to further chemotherapy or radiation, which may result in death. In the United States, deaths from cancer are second only to cardiovascular deaths.

The Immunotherapy Industry for Cancer

Management believes that there is a critical need for more effective cancer therapies. Management further believes that the global market for effective cancer treatments is large, and that immunotherapies representing potential treatments for metastatic cancer are an unmet need in the area of oncology.

The human immune system appears to have the potential to clear cancers from the body, based on clinical observations that some tumors spontaneously regress when the immune system is activated. Most cancers are not very "immunogenic", however, meaning that the cancers are not able to induce an immune response because they no longer express sufficient levels of key proteins on their cell surface, known as Major Histocompatability Class I or MHC Class I proteins. In healthy cells, these proteins provide the information to the immune system that defines whether the

cell is healthy or, in the case of cancer or viral infection, abnormal. If the MHC Class I proteins signal that the cells are abnormal, then the immune system's T-cells are activated to attack and kill the infected or malignant cell.

In many solid cancer tumors, the TAP protein system does not function normally and, therefore, the immune system is not stimulated to attack the cancer. Indeed, lack of normal functioning of TAP in humans correlates with susceptibility to disease and disease progression. Management believes that although a number of cancer therapies have been developed that stimulate the immune system, these approaches have often proven ineffective because the cancers remain invisible to the immune system due to this apparent lack of or low expression of the TAP protein.

By restoring TAP expression to TAP-deficient cells, the MHC Class I protein peptide complexes could signal the immune system to attack the cancer. The strategic vision of TapImmune is to be a product-driven biotechnology company, focusing primarily on use of its patented TAP technology to restore the TAP function within cancerous cells, thus making them immunogenic, or more "visible" to cancer fighting immune cells. Management believes that this cancer vaccine strategy will provide the most viable therapeutic approach that addresses this problem of "non-immunogenicity" of cancer. Management believes that this therapy may have a strong competitive advantage over other cancer therapies, since restoring the TAP protein will direct the immune system to specifically target the cancerous cells without damaging healthy tissue.

As a key part of its overall strategy, and with adequate funding, the company is also pursuing the development of prophylactic vaccines against infectious microbes, that can cause pandemics or be used as weapons of bioterrorism. We plan to do this in partnership with other vaccine developers. The company intends to develop the TAP technology for use as a vaccine that restores normal immune recognition for the treatment of cancer and supplements immune recognition for the development of prophylactic vaccines as well as biodefence vaccines.

TapImmune's Target Market Strategy

With the required funding in place, we will support and expand on our key infectious disease partnerships, including our collaboration efforts with Aeras TB Foundation and Mayo Clinic. We will also continue product development in oncology alone and through our collaboration on HER2/neu breast cancer with Mayo Clinic and other potetial corporate partners. Cancer encompasses a large number of diseases that affect many different parts of the human body. The diversity of cancer types and their overall prevalence create a large need for new and improved treatments. Management believes that there is a significant market opportunity for a cancer treatment that utilizes the highly specific defense mechanisms of the immune system to attack cancers. IMS has estimated that the cancer market will mushroom from $48 billion to $75 billion in 2012 with biopharma companies anticipating that cancer vaccines will grab a large slice of the market (Fierch Biotech, March 23, 2010). The goal of TapImmune management is to have the FDA approve our cancer vaccines within the next few years so that we can secure a portion of this market.

Management also believes that our prophylactic vaccine adjuvant will improve the creation of new vaccines and enhance the efficacy of current vaccines. It will be a key business development strategy to pursue additional partnerships and joint research and development ventures with vaccine manufacturers and pharmaceutical companies to bring new and improved vaccines to market. This strategy includes the development of vaccines for pandemic diseases and for bioterrorism threats. The market for prophylactic vaccines is around $6 billion and is expected to reach $11 billion in 2010 (Frost & Sullivan). Management believes that our adjuvant will increase the potency of many of the currently available vaccines and lead to the creation of better, more effective new vaccines, thereby allowing us to participate in this large market through novel new products and in combination with existing vaccines.

Research and Development Efforts

We direct our research and development efforts towards the development of immunotherapeutic and prophylactic vaccine products for the treatment of cancer and protection against pathogenic microbes respectively, using our proprietary TAP technology. We have focused our efforts initially on the development of a therapeutic vaccine for applications in cancer treatment while demonstrating the breadth of the TAP technology for the development of prophylactic vaccines and its ability to complement currently approved and emerging products in both cancer therapeutics and prophylactic vaccines against microbes. This approach allows us to pursue our own internal product development while positioning us to enter into multiple partnerships and licensing agreements. Our first generation TAP vaccines that have been used in animal preclinical studies are based on insertion of TAP genes into a proprietary modified adenovirus vector. For clinical studies, we plan to have this product manufactured using the PerC6 cell line licensed from Crucell Holland B.V. ("Crucell"). We have an opportunity to take advantage of our potential partners' capabilities while reducing our overhead costs. Moving into the development phase, we plan to initiate a contract with

a qualified CRO (contract research organization) for the production of clinical grade vaccine product to be used in preclinical and clinical studies that require production facilities with Good Manufacturing Practices ("GMP") and Good Laboratory Practices ("GLP") certification. We will also plan to rely on our new collaboration agreements with Aeras and Mayo clinic to demonstrate the use of TAP in new vaccine candidates. In parallel with our adenoviral vector approach we plan to develop non-viral vectors for the delivery of plasmid DNA.

Products and Technology in Development

TAP Cancer Vaccine
Based on earlier research at UBC Biomedical Research Centre in Vancouver BC, we have taken our TAP Cancer Vaccine into preclinical studies and will be completing toxicology and clinical manufacturing studies prior to entering clinical trials. Our overall objective is to successfully develop,the patented TAP-1 gene vector technology to restore the TAP protein, with the objective being to develop the TAP technology as a therapeutic cancer vaccine that will restore the normal immune recognition of cancer cells. The TAP Cancer Vaccine will be targeted at those cancers that are deficient in the TAP protein, which include breast cancer, prostate cancer, lung cancer, liver cancer, melanoma, renal cancer and colorectal cancer.

Management believes that the TAP Cancer Vaccine will deliver the genetic information required for the production of the TAP protein in the target cancer cell. This will trigger the cancer cell's ability to effectively identify itself to the body's immune system by transporting the cancer antigen peptides to the cell surface using the individual's specific MHC Class I proteins. As a result, we believe that the immune response could be targeted to the entire repertoire of cancer antigen peptides produced by the cancer cell, rather than just to a single cancer antigen, as delivered by current cancer vaccines. The TAP Cancer Vaccine could allow the immune response to respond to the cancer even if the TAP protein and genetic information were only delivered to a small portion of the cancer cells. In addition, the TAP Cancer Vaccine would generate an immune response to any TAP-deficient cancer, regardless of the patient's individual genetic variability either in the MHC Class I proteins or in the cancer-specific proteins and resultant peptides.

In general, a "cancer vaccine" is a therapy whose goal is to stimulate the immune system to attack tumors. Management believes that most current cancer vaccines contain either cancer-specific proteins that directly activate the immune system or contain genetic information, such as DNA, that encodes these cancer-specific proteins. Management believes that there are a number of key conditions that must be met before a cancer vaccine can be effective in generating a therapeutic immune response: (i) the cancer antigen peptide delivered by the vaccine has to be recognized by the immune system as "abnormal" or "foreign" in order to generate a strong and specific T-cell response; (ii) the same cancer antigen peptide has to be displayed on the surface of the cancer cells in association with the MHC Class I proteins; and (iii) these cancer antigen peptides then have to be sufficiently different from normal proteins in order to generate a strong anti-tumor response.

If all these conditions are met, then management believes that such cancer vaccines should generate a sufficiently strong immune response to kill the cancer cells. However, the identification of suitable cancer-specific antigen proteins to use in these therapeutic vaccines has proven extremely complex. In addition, the MHC Class I proteins are highly variable, with over 100 different types in humans and, as a result, any one-cancer antigen peptide will not produce an immune response for all individuals. Cancers are "genetically unstable" and their proteins are highly variable, so that the selected cancer antigen protein may result in the immune system only attacking a small subset of the cancerous cells.

Laboratory Testing of the TAP Cancer Vaccine
Management believes that key milestones of efficacy in animal models of cancer have been achieved and that scientific research from other laboratories has validated the efficacy data. The proof of principle for the TAP technology as a cancer vaccine has been established in research conducted at UBC in metastatic models that have multiple defects in the "antigen presentation pathway" resulting in poor detection of cancer cells by the immune system. These studies demonstrating that introduction of the TAP gene can restore an immune response have been published in a number of peer-reviewed leading scientific journals (links to publications can be found at www.tapimmune.com).

Pre-Clinical Testing

We have completed small animal pre-clinical animal testing of our TAP Cancer Vaccine to the extent that is required as a prerequisite for further preclinical toxicology analysis and Investigational New Drug (or "IND") application to the FDA. The pre-clinical testing of the TAP Cancer Vaccine to date included the evaluation of several strains of vaccinia and adenovirus vectors to assess their respective ability to deliver the correct genetic information allowing expression of the TAP protein in tumors, the selection and licensing of the vector from Crucell and the identification and entering into an agreement, that we refer to in this report as our "Production Services Agreement", with a CRO, a GMP manufacturer, for subsequent production of the TAP Cancer Vaccine. We have to complete the performance of toxicology studies using the TAP Cancer Vaccine on at least two animal species to confirm its non-toxicity. In addition, we must complete initial vaccine production, and develop internal and external clinical trials, support personnel and infrastructure before commencing clinical trials.

Once the formal pre-clinical testing is completed, we intend to compile and summarize the data and submit it to the United States Federal Drug Administration (or "FDA") and/or the Canadian Health Canada (or "HC"), and/or other national regulatory agencies, in the form of an investigational new drug application. We anticipate that these applications would include data on vaccine production, animal studies and toxicology studies, as well as proposed protocols for the Phase I human clinical trials, described below.

Phase I Human Clinical Trials

An IND for Phase I human clinical trials on the HER2/neu cancer vaccine in collaboration with the Mayo Clinic was approved by the FDA in July, 2011 and patient dosing is expected to start at the end of 2011. The primary endpoint for this trial will be vaccine safety. Secondary endpoints will be immune responses including generation of antigen-specific T-cells and time to disease progression in breast cancer patients. In parallel we will complete the manufacturing and toxicity of AdTap1 for subsequent Phase I human clinical trials and for use in combination in later stage clinical trials with the HER2/neu antigens.

Clinical trials to support new drug applications are typically conducted in three sequential phases, although the phases may overlap. During Phase I there is an initial introduction of the therapeutic candidate into healthy human subjects or patients. The drug is tested to assess metabolism, pharmacokinetics and pharmacological actions and safety, including side effects associated with increasing doses. For immunotherapeutics/vaccine, Phase I studies are conducted in cancer patients and include the measurement of cellular immune reponses. Phase II usually involves studies in a limited patient population to assess the clinical activity of the drug in specific targeted indications, assess dosage tolerance and optimal dosage and continue to identify possible adverse effects and safety risks. If the therapeutic candidate is found to be potentially effective and to have an acceptable safety profile in Phase II evaluations, Phase III trials are undertaken to further demonstrate clinical efficacy and to further test for safety within an expanded patient population at geographically dispersed clinical trial sites.

HER2/neu Vaccine Technology – Mayo Clinic

On June 1, 2010, we signed an exclusive licensing option agreement with the Mayo Clinic, Rochester MN for clinical development of a new HER2/neu breast cancer vaccine technology. An IND for Phase I clinical studies was approved by the FDA in July 2010. Under the direction of principle investigators Drs. Keith Knutson and Amy Degniman clinical studies are expected to begin before the end of 2011.

Infectious Disease Application for "TAP" Adjuvant

TapImmune plans to develop or license out our technology for the creation of enhanced viral vaccines, such as for smallpox and others, based on our findings that TAP can augment immune responses. We have presented data showing that increasing TAP expression in TAP-competent antigen presenting cells (APCs) and/or virus infected cells increases the antigenic peptide associated with MHC class I expression on the cell surface, and leads to increased

specific T cell-mediated immune responses. We believe this technology can add great value to the creation of new vaccines and enhance those that already exist. Our collaborations with Aeras TB Foundation and Mayo Clinic is evidence of this and we will continue to pursue additional partnerships and collaborations as a key strategy to expand our R&D program to optimize resources and to reduce costs and development Times. In our collaboration with the Mayo Clinic efficacy studies in small animals on a novel smallpox vaccine that includes TAP will be completed in 2011. The subsequent regulatory pathway for this product is to use the FDA's "Animal Efficacy Rule" for completion of efficacy studies in primates followed by Phase I clinical studies on vaccine safety.

The cost of funding preclinical and clinical programs in cancer and infectious disease is estimated to be approximately $5 million. Sources of non-dilutive grant funding will also be applied for.

Strategic Relationships

Mayo Foundation for Medical Education and Research
On May 26, 2010 we signed a Technology Option Agreement with the Mayo Foundation for Medical Education and Research, Rochester, MN, for the evaluation of HER2/neu peptide epitopes as antigens for a breast cancer vaccine. The agreement grants TapImmune and exclusive worldwide option to become the exclusive licensee of the technology after completion of Phase I clinical trials. Following approval of the IND by the FDA in July, 2011 TapImmune and the Mayo Foundation executed at Sponsored Research Agreement for the clinical trial.

On July 24, 2010, we signed a Research and Technology License Option Agreement with the Mayo Foundation for Medical Education and Research, Rochester, MN, to evaluate novel smallpox peptide antigens. The Agreement grants TapImmune an exclusive worldwide option to become the exclusive licensee of the smallpox vaccine technology after research studies have been completed under the terms of the agreement.

Crucell Holland B.V. Research License and Option Agreement
Effective August 7, 2003, we entered into a five-year research license and option agreement with Crucell Holland B.V. ("Crucell"), whereby Crucell granted us a non-exclusive worldwide license for the research use of its packaging cell (PerC6) technology. We were required to make certain payments over the five-year term totaling Euro €450,000 (approximately $510,100). The license was dormant with an outstanding balance owing of 170,000 Euro ($248,938) that was included in research obligations. Management has completed a settlement for the remaining balance including a €17,000 cash payment and the issuance of 265,000 shares of the Company's restricted common stock.

Effective August 7, 2008, we negotiated an amended license agreement for the use of Crucell's adenovirus technology. We are required to make annual license payments on the anniversary of the effective date for the three year term equal to €75,000 per annum. As at September 30, 2011, we have accrued $220,968 (€162,500) under the amended agreement.

Intellectual Property, Patents and Trademarks
Patents and other proprietary rights are vital to our business operations. We protect our technology through various United States and foreign patent filings, and maintain trade secrets that we own. Our policy is to seek appropriate patent protection both in the United States and abroad for its proprietary technologies and products. We require each of our employees, consultants and advisors to execute a confidentiality agreement upon the commencement of any employment, consulting or advisory relationship with us. Each agreement provides that all confidential information developed or made known to the individual during the course of the relationship will be kept confidential and not be disclosed to third parties except in specified circumstances. In the case of employees, the agreements provide that all inventions conceived of by an employee shall be our exclusive property.

Patent applications in the United States are maintained in secrecy until patents are issued. There can be no assurance that our patents, and any patents that may be issued to us in the future, will afford protection against competitors with similar technology. In addition, no assurances can be given that the patents issued to us will not be infringed upon or designed around by others or that others will not obtain patents that we would need to license or design around. If the courts uphold existing or future patents containing broad claims over technology used by us, the holders of such patents could require us to obtain licenses to use such technology.

Method of Enhancing Expression of MHC Class I Molecules Bearing Endogenous Peptides
On March 26, 2002, the United States Patent and Trademark Office issued US Patent No. 6,361,770 to UBC for the use of TAP-1 as an immunotherapy against all cancers. The patent is titled "Method of Enhancing Expression of MHC Class I Molecules Bearing Endogenous Peptides" and provides comprehensive protection and coverage to both in vivo and ex vivo applications of TAP-1 as a therapeutic against all cancers with a variety of delivery mechanisms. The inventors were Dr. Jefferies, Dr. Reinhard Gabathuler, Dr. Gerassinmoes Kolaitis and Dr. Gregor S.D. Reid, who collectively assigned the patent to UBC under an assignment agreement. The patent expires March 23, 2014. We have pending applications for patent protection for this patent in Europe and in Japan.

Method of Enhancing an Immune Response
U.S. patent No. 7,378,087, issued May 27 2008. The patent claims relate to methods for enhancing the immune response to tumor cells by introducing the TAP molecule into the infected cells. Patent applications are pending on other aspects of the company's technology. The inventors were Jefferies, Wilfred A.; Zhang, Qian-Jin; Chen, Susan Shu-Ping; Alimonti, Judie B., who collectively assigned the patent to UBC under an assignment agreement.

Method of Identifying MHC Class I Restricted Antigens Endogenously Processed by a Secretory Pathway
On August 11, 1998, the U.S. Patent and Trademark Office issued US Patent No. 5,792,604 to UBC, being a patent for the use of bioengineered cell lines to measure the output of the MHC Class I restricted antigen presentation pathway as a way to screen for immunomodulating drugs. The patent is titled "Method of Identifying MHC Class I Restricted Antigens Endogenously Processed by a Secretory Pathway." This patent covers the assay which can identify compounds capable of modulating the immune system. The inventors were Dr. Jefferies, Dr. Gabathuler, Dr. Kolaitis and Dr. Reid, who collectively assigned the patent to UBC under an assignment agreement. The patent expires on March 12, 2016. We have been granted patent protection for this patent in Finland, France, Germany, Italy, Sweden Switzerland and the United Kingdom, and have applied for patent protection in Canada and Japan.

Method of Enhancing an Immune Response

On October 27, 2011 The US Patent Office has issued Patent 7,994,146 entitled “Method of Enhancing an Immune Response”. The invention relates to a method of enhancing an immune response to an antigen by augmenting the level of TAP (Transporters Associated with Antigen Processing) molecule in a target cell bearing the antigen. This patent details application to treating vaccinia, herpes simplex and influenza virus infections and small cell lung cancer. Levels of TAP in humans correlate with susceptibility to certain diseases and the ability to respond to a vaccine.

TAP Vaccines and other filings

Patent applications have been filed by TapImmune and UBC in respect of our technologies and those currently under assignment. In December 2006, January, November, and December 2007 we made additional filings as continuations or new filings with regard to the same technologies as well as their applications in infectious diseases. We intend to continue to work with our collaborators to file additional patent applications with respect to any novel aspects of our technology to further protect our intellectual property portfolio. An invention that describes the use of bio-acceptable substances to promote the transcription of the TAP-1 gene in TAP-1 expression-deficient cells was filed in July 2009 and is available to us under an option agreement with the University of British Columbia. The patent is entitled “HAT acetylation promoters and uses of compositions thereof in promoting immunogenicity”.

Competition

The oncology industry is characterized by rapidly evolving technology and intense competition. Many companies of all sizes, including a number of large pharmaceutical companies as well as several specialized biotechnology companies, are developing various immunotherapies and drugs to treat cancer. There may be products on the market that will compete directly with the products that we are seeking to develop. In addition, colleges, universities, governmental agencies and other public and private research institutions will continue to conduct research and are becoming more active in seeking patent protection and licensing arrangements to collect license fees and royalties in exchange for license rights to technologies that they have developed, some of which may directly compete with our technologies and products. These companies and institutions may also compete with us in recruiting qualified scientific personnel. Many of our potential competitors have substantially greater financial, research and development, human and other resources than us. Furthermore, large pharmaceutical companies may have significantly more experience than we do in pre-clinical testing, human clinical trials and regulatory approval procedures. Such competitors may develop safer and more effective products, obtain patent protection or intellectual property rights that limit our ability to commercialize products, or commercialize products earlier than we do.

Management expects technology developments in the oncology industry to continue to occur at a rapid pace. Commercial developments by any competitors may render some or all of our potential products obsolete or non-competitive, which could materially harm the company’s business and financial condition.

Management believes that the following companies, which are developing various types of similar immunotherapies and therapeutic cancer vaccines to treat cancer, could be our major competitors: CellGenSys Inc., Dendreon Corp., Genzyme Molecular Oncology, and Transgene S.A.

Our Financial Condition

During the next 12 months, we anticipate that we will not generate any revenue. We had cash of $34,772 and a working capital deficit of $1,644,102 at September 30, 2011. We will require significant additional financial resources and will be dependent on future financings to fund our ongoing research and development as well as other working capital requirements.

Plan of Operation and Funding

Management believes that as a result of restructuring and recent financings and along with our exclusive Licensing Option agreement with the Mayo Clinic in Rochester, Minnesota, for the clinical development of a vaccine technology

to treat HER-2/neu positive breast cancer. An IND for the commencement of Phase 1 clinical trials was filed in June 2011 and subsequently approved by the FDA. The Phase 1 trial is expected to begin in the fourth quarter of 2011.

The technology entering the clinic targets a novel set of HER-2/neu antigens discovered in breast cancer patients with pre-existent immunity to these antigens (Clinical Cancer Research 16[3]:825-34, 2010). This technology complements TapImmune's TAP technology that we envision as part of a final vaccine product. This technology is currently completing preclinical development. Currently, Herceptin® (trastuzumab: an intravenously delivered monoclonal antibody) is used in the treatment of HER-2/neu breast cancer. Sales of this product in 2009 were approximately US$5 billion (source: Roche AG's Pharmaceutical Division). As our vaccine approach has the potential to treat a broader HER-2/neu positive clinical population, the market potential is significant.

In August 2010, we announced a second Research and Technology License Option Agreement with the Mayo Clinic, Rochester, MN, for the development of a new smallpox vaccine. Research in progress in the laboratories of Gregory Poland M.D., at the Mayo Clinic has begun the selection process for the most potent peptide antigens against the smallpox virus for combination with our TAP technology. In preclinical studies (Plos Pathogens 1: 289-98, 2005) our TAP technology improved the efficacy of a vaccinia virus vaccine by over a 100 fold. TapImmune believes that its approach provides the potential for development of a vaccine against smallpox that has broader application, is potentially more cost effective and has a better shelf-life than existing viral-based products.

TapImmune plans to evaluate its TAP technology for improving the efficacy of vaccines designed to combat a range of additional viral threats in the biodefense and infectious disease field. To expand its technology platform TapImmune also plans additional partnerships for the development of DNA plasmid expression vectors that can deliver TAP genes into target cells.

Over the past 12 months TapImmune has completed financings in excess of $2 million that have enabled the company to continue to grow its technology platform including those through collaborative projects and expand as well as protect its IP portfolio.

We have made significant progress in the last 12 months with the establishment of excellent research and development collaborations and the recruitment of world-class advisors to help guide our technical and commercial programs. Starting clinical programs is a major milestone for the company and we expect to reach a number of important additional milestones during 2011 in both cancer and infectious disease.

We have not generated any cash flows from operations to fund our operations and activities due primarily to the nature of lengthy product development cycles that are normal to the biotech industry. Therefore, we must raise additional funds in the future to continue operations. We intend to finance our operating expenses with further issuances of common stock and/or debt. Although we do not currently have funds to continue operations for more than four months, we believe that future investment, if successful, should be adequate to fund our operations over the next 24 months. Thereafter, we expect we will need to raise additional capital to meet long-term operating requirements. Our future success and viability are dependent on our ability to raise additional capital through further private offerings of our stock or loans from private investors. Additional financing may not be available upon acceptable terms, or at all. If adequate funds are not available or not available on acceptable terms, we may not be able to conduct our proposed business operations successfully, which could significantly and materially restrict or delay our overall business operations.

Results of Operations

Three Months Ended September 30, 2011 Compared to Three Months Ended September 30, 2010
In this discussion of the Company’s results of operations and financial condition, amounts, other than per-share amounts, have been rounded to the nearest thousand dollars.

We are a development stage company. We recorded a net loss of $844,000 during the three months ended September 30, 2011 compared to $1,014,000 for the three months ended September 30, 2010.

Operating costs decreased to $905,000 during the three months ended September 30, 2011 compared to $1,234,000 in the prior period. Significant changes in operating expenses are outlined as follows:

- Consulting fees increased to $44,000 during the three months ended September 30, 2011 from $28,000 during the prior period, due primarily to new business development contracts entered into during the current period.
- Consulting fee – stock-based increased to $308,000 during the three months ended September 30, 2011 from $70,000 during the prior period. The higher current period expense is primarily due to increased share based payments to the

consultants compared to the prior period.

- General and administrative expenses decreased to $24,000 in the three months ended September 30, 2011 from $33,000 in the prior period, with the decrease resulting primarily from reduced investor relations expense in the current period.
- Interest and finance charges decreased to $104,000 during the three months ended September 30, 2011 from $459,000 during the prior period. Current and prior period interest charges are primarily accretion of interest and the fair value of warrants issued with the convertible debentures.
- Management fees increased to $62,000 during the three months ended September 30, 2011 from $54,000 during the prior period due to increase in compensation to management in the current period.

- Management fees – stock-based decreased to $30,000 during the three months ended September 30, 2011 from $326,000 during the prior period. The current and prior period expense consists of the fair value of option grants earned during the period.
- Professional fees decreased to $36,000 during the three months ended September 30, 2011 from $171,000 during the prior period, due to lower legal fees incurred relating to debt issuance in the current period.
- Research and development increased to $298,000 during the three months ended September 30, 2011 from $94,000 during the prior period. This was due to higher technology licensing fee accrued for payment due to Mayo clinic in the current period.

Foreign exchange gain increased to $15,000 during the three months ended September 30, 2011 compared to a loss of $2,000 in the prior period primarily due to stronger USD against EURO in the current period.

Nine months Ended September 30, 2011 Compared to nine Months Ended September 30, 2010
We recorded a net loss of $2,378,000 during the nine months ended September 30, 2011 compared to a net loss of $3,988,000 for the nine months ended September 30, 2010.

Operating costs decreased to $2,707,000 during the nine months ended September 30, 2011 compared to $4,146,000 in the prior period. Significant changes in operating expenses are outlined as follows:

- Consulting fees increased to $119,000 during the nine months ended September 30, 2011 from $67,000 during the prior period, due primarily to increased business development expenses.
- Consulting fees – stock-based decreased to $692,000 during the nine months ended September 30, 2011 from $1,142,000 during the prior period. The current and prior period expense consists of the fair value of option, stock and warrant grants earned during the period.
- General and administrative expenses decreased to $66,000 in the nine months ended September 30, 2011 from $143,000 in the prior period, with the decrease resulting primarily from lower investor relations activities in the current period.
- Interest and finance charges decreased to $559,000 during the nine months ended September 30, 2011 from $794,000 during the prior period. Current and prior period interest charges are primarily accretion of interest and the fair value of warrants issued with the convertible notes payable.
- Management fees decreased to $186,000 during the nine months ended September 30, 2011 from $198,000 during the prior period due to one less person in management in the current period offset somewhat by higher management fee paid to the current management.
- Management fees – stock-based decreased to $360,000 during the nine months ended September 30, 2011 from $974,000 during the prior period. The current and prior period expense consists of the fair value of option grants earned during the period.
- Professional fees decreased to $317,000 during the nine months ended September 30, 2011 from $585,000 during the prior period due to due to lower legal fees incurred relating to debt issuance in the current period.
- Research and development increased to $407,000 during the nine months ended September 30, 2011 from $243,000 during the prior period. This was due to higher technology licensing fee accrued for payment due to Mayo clinic in the current period.

During the nine months ended September 30, 2011, the Company recorded a loss on settlement of debt in the amount of $482,000 relating to early settlement of 2010 convertible notes and settlement of trade payables for shares. The Company also recorded a gain from extinguishment of the derivative share purchase warrants in the amount of $1,089,000 as determined by the fair value of the warrants at the date of settlement less the consideration attributed to the settlement of the warrants relating to the 2010 Notes. There were no similar transactions in the prior period.

Our net loss for the nine months ended September 30, 2011 was $2,378,000 or ($0.05) per share, compared to a net loss of $3,988,000 or ($0.10) per share in the prior period. The weighted average number of shares outstanding was

44,845,195 for the nine months ended September 30, 2011 compared to 39,650,563 for the prior period.

Liquidity and Capital Resources

At September 30, 2011, we had $35,000 in cash. Generally, we have financed our operations through the proceeds from convertible notes and the private placement of equity securities as noted in Financing Activities below. We increased our net cash by $11,000 during the nine months ended September 30, 2011 compared to an increase of $3,000 during the prior period.

Operating Activities
Net cash used in operating activities during the nine months ended September 30, 2011 was $1,011,000 compared to $892,000 during the prior period. We had no revenues during the current or prior periods. Operating expenditures, excluding non-cash interest and stock-based charges during the current period primarily consisted of consulting and management fees, office and general expenditures, and professional fees.

Investing Activities
Net cash used in investing activities during the nine months ended September 30, 2011 was $Nil compared to $Nil during the prior period.

Financing Activities
Net cash provided by financing activities during the nine months ended September 30, 2011 was $1,022,000 compared to $895,000 during the prior period. Current period financing consisted of proceeds from convertible notes offset by payments to related parties while prior period financing relates to proceeds from convertible notes and advances from related parties.

At September 30, 2011, we had 6,278,000 stock options and 9,917,188 share purchase warrants outstanding. The outstanding stock options had a weighted average exercise price of $0.18 per share, with the warrants having a weighted average exercise price of $0.59 per share. Accordingly, as of September 30, 2011, the outstanding options and warrants represented a total of 16,195,188 shares issuable for proceeds of approximately $6,981,000 if these options and warrants were exercised in full. The exercise of these options and warrants is completely at the discretion of the holders. There is no assurance that any of these options or warrants will be exercised or that those warrants that contain a cashless exercise provision will not be exercised on a cashless basis.

As of September 30, 2011, we anticipate that we will need significant financing to enable us to meet our anticipated expenditures for the next 24 months, which are expected to be in the range of $5,000,000 assuming a single Phase 1 clinical trial.

Going Concern
Our financial statements have been prepared assuming that we will continue as a going concern and, accordingly, do not include adjustments relating to the recoverability and realization of assets and classification of liabilities that might be necessary should we be unable to continue in operation. Our ability to continue as a going concern is dependent upon our ability to obtain the necessary financing to meet our obligations and pay our liabilities arising from our business operations when they come due. We intend to finance our anticipated operating expenses with further issuances of common stock through private placement offerings or loans from private investors. Management believes that the Company will be able to continue limited operations with accommodations from debt holders and additional temporary short term funding over the next twelve months. Due to capital market conditions, funding continues to be challenging. It is unlikely the Company will be able to continue as a going concern past a twelve month horizon if significant equity funding is not raised within this period.

Off-Balance Sheet Arrangements
Other than as disclosed in the financial statements, we have no significant off-balance sheet arrangements that have or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to stockholders.

Critical Accounting Policies
Our consolidated financial statements and accompanying notes have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis. The preparation of financial statements in

conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

We regularly evaluate the accounting policies and estimates that we use to prepare our consolidated financial statements. In general, management's estimates are based on historical experience, on information from third party professionals, and on various other assumptions that are believed to be reasonable under the facts and circumstances. Actual results could differ from those estimates made by management.

Refer to Note 2 of our consolidated financial statements for our year ended December 31, 2010 for a summary of significant accounting policies.

Item 3. Quantitive and Qualitative Disclosures About Market Risk

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures
Our management, with the participation of our Principal Executive Officer and Principal Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this report. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is accumulated and communicated to management, including our Principal Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Based on such evaluation, our Principal Executive Officer and Principal Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are not effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Exchange Act.

It should be noted that any system of controls is based in part upon certain assumptions designed to obtain reasonable (and not absolute) assurance as to its effectiveness, and there can be no assurance that any design will succeed in achieving its stated goals.

Management’s Report on Internal Control Over Financial Reporting
The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as required by Sarbanes-Oxley (SOX) Section 404 A. The Company's internal control over financial reporting is a process designed under the supervision of the Company's Principal Executive Officer and Principal Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with United States generally accepted accounting principles (“US GAAP”).

As of September 30, 2011, management assessed the effectiveness of the Company's internal control over financial reporting based on the criteria for effective internal control over financial reporting established in Internal Control -Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and SEC guidance on conducting such assessments. Based on that evaluation, they concluded that, as at September 30, 2011 such internal controls and procedures were not effective to detect the inappropriate application of US GAAP rules as more fully described below.

The matters involving internal controls and procedures that the Company’s management considered to be material weaknesses under the standards of the Public Company Accounting Oversight Board were: (1) inadequate entity level controls due to an ineffective audit committee resulting from the presence of only one of independent members on the current audit committee and the presence of only one outside director on our board of directors; (2) inadequate segregation of duties consistent with control objectives; (3) insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of US GAAP and SEC disclosure requirements relating to the 10-K report for fiscal year ended December 2009; (4) ineffective controls over period end financial disclosure and reporting processes.

Management believes that none of the material weaknesses set forth above had a material adverse effect on the Company's financial results for the nine months ended September 30, 2011 but management is concerned that the

material weakness in entity level controls set forth in item (1) results in ineffective oversight in the establishment and monitoring of required internal controls and procedures, it could result in a material misstatement in our financial statements in future periods.

We are committed to improving our financial organization. As part of this commitment, we will continue to enhance our internal control over financial reporting by: i) expanding our personnel, ii) improving segregated duties consistent with control objectives, iii) appointing more outside directors to our board of directors who shall be appointed to our audit committee resulting in a fully functioning audit committee who will undertake the oversight in the establishment and monitoring of required internal controls and procedures such as reviewing and approving estimates and assumptions made by management; and iv) preparing and implementing sufficient written policies and checklists which will set forth procedures for accounting and financial reporting with respect to the requirements and application of US GAAP and SEC disclosure requirements.

Management believes that the appointment of one or more outside directors, who shall be appointed to a fully functioning audit committee, will remedy the ineffective audit committee. To this end, Ms. Lynn DePippo was appointed to our audit Committee in the first quarter of 2011. In addition, management believes that preparing and implementing sufficient written policies and checklists will remedy the following material weaknesses (i) insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of US GAAP and SEC disclosure requirements; and (ii) ineffective controls over period end financial close and reporting processes. Further, management believes that the hiring of additional personnel will result in improved segregation of duties and provide more checks and balances within the financial reporting department.

We will continue to monitor and evaluate the effectiveness of our internal controls and procedures over financial reporting on an ongoing basis and are committed to taking further action by implementing additional enhancements or improvements, or deploying additional human resources as may be deemed necessary.

This quarterly report does not include an attestation report of the Company's registered public accounting firm regarding internal controls over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to the temporary rules of the SEC that permit the Company to provide only management's report in this report.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the three months ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

As of the date of this Quarterly Report, no director, officer, affiliate or beneficial owner of more than 5% of our common stock is (i) a party adverse to us in any legal proceeding, or (ii) has an adverse interest to us in any legal proceeding. Management is not aware of any other legal proceedings pending or that have been threatened against us or our properties.

Item 1A. Risk Factors

There have been no material changes from the risk factors as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2010, which was filed with the SEC on April 18, 2011.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On August 19, 2011, the Company sold 22,500 units of the Company, with each Unit consisting of ten shares of common stock and five warrants, to two U.S. accredited investors for $2.00 per unit. As a result, the Company sold 225,000 shares of common stock and 162,500 warrants to buy a share of common stock, exercisable at $0.25 per warrant for a term of two years. This sale was exempt from registration pursuant to Rule 506 under the Securities Act of 1933.

Item 3. Defaults Upon Senior Securities

None.

Item 4. (Removed and Reserved)

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The following exhibits are included with this Quarterly Report on Form 10-Q:

Exhibit Number	Description of Exhibit
31.1	Certification of Principal Executive Officer Pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1933, as amended.
31.2	Certification of Acting Principal Accounting Officer Pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1933, as amended.
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Acting Principal Accounting Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TAPIMMUNE INC.

/s/ Glynn Wilson

_____

Glynn Wilson
Chairman, Chief Executive Officer and
Principal Executive Officer
Date: November 21, 2011.

/s/ Denis Corin

_____

Denis Corin
President, Chief Financial Officer and Acting
Principal
Accounting Officer
Date: November 21, 2011.