TAPIMMUNE INC
Form 10-Q
May 21, 2012

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 March 31, 2012

£ 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.)
1551 Eastlake Avenue East, Suite 100 Seattle, Washington (Address of principal executive offices)	98102 (Zip Code)

(206) 504 7279
(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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 £ Accelerated filer

£ Non-accelerated filer (Do not check if smaller reporting company)

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 May 1, 2012, the Company had 56,263,239 shares of common stock issued and outstanding.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

	March 31, 2012 (Unaudited)	December 31, 2011
ASSETS		
Current Assets		
Cash	$23,751	$250,234
Due from government agency	1,084	1,060
Prepaid expenses and deposits	41,475	56,627
	66,310	307,921
Deferred financing costs (Note 5)	28,464	32,291
	$94,774	$340,212
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Accounts payable and accrued liabilities (Note 11)	$701,015	$794,291
Research agreement obligations (Note 3)	303,513	259,752
Derivative liability – warrants (Note 4)	1,246,772	1,317,834
Convertible notes payable (Note 5)	1,048,164	998,790
Loans payable (Note 6)	7,000	7,000
Promissory note (Note 7)	100,000	100,000
Due to related parties (Note 8)	293,805	322,905
	3,700,269	3,800,572
Stockholders' Deficit		
Capital stock (Note 9)		
Common stock, $0.001 par value, 150,000,000 shares authorized		
54,329,906 shares issued and outstanding (2011 – 52,073,460)	54,330	52,072
Additional paid-in capital	40,334,265	39,943,374
Shares and warrants to be issued (Note 9)	413,797	362,906
Subscriptions receivable (Note 9)	(25,000)	-
Deferred compensation (Note 9)	-	(35,968)
Deficit accumulated during the development stage	(44,320,788)	(43,722,216)
Accumulated other comprehensive loss	(62,099)	(60,528)
	(3,605,495)	(3,460,360)
	$94,774	$340,212

COMMITMENTS AND CONTINGENCIES (Notes 1, 3, 5 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 March 31, 2012	(Restated) (Note 1A) Three Months Ended March 31, 2011	Period from July 27, 1999 (inception) to March 31, 2012
EXPENSES			
Consulting	$-	$50,500	$2,038,687
Consulting - stock-based (Note 9)	133,908	157,352	5,856,261
Depreciation	-	-	213,227
General and administrative	141,890	5,119	3,059,126
Interest and financing charges (Note 4)	96,726	356,710	5,927,739
Management fees (Note 8)	80,100	62,100	2,852,154
Management fees - stock-based (Notes 8 and 9)	29,563	301,134	4,354,352
Professional fees	74,129	116,014	5,000,701
Research and development (Note 8)	115,465	51,422	6,026,630
Research and development - stock-based	-	-	612,000
	671,781	1,100,351	35,940,877
LOSS BEFORE OTHER ITEMS	(671,781)	(1,100,351)	(35,940,877)
OTHER ITEMS			
Foreign exchange gain (loss)	(7,783)	(8,041)	45,807
Changes in fair value of derivative liabilities (Note 4)	71,062	(244,981)	4,146,202
Loss on debt financing	-	-	(1,268,713)
Gain (loss) on settlement of debt	9,930	(204,770)	(11,621,652)
Gain on extinguishment of derivative liabilities - warrants	-	290,500	290,500
Interest income	-	-	33,344
Loss on disposal of assets	-	-	(5,399)
NET LOSS	$(598,572)	$(1,267,643)	$(44,320,788)
BASIC AND DILUTED LOSS PER SHARE	$(0.01)	$(0.03)	
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, BASIC AND DILUTED	52,470,198	40,572,811	

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

TAPIMMUNE INC.

(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended March 31, 2012	(Restated) (Note 1A) Three Months Ended March 31, 2011	Period from July 27, 1999 (inception) to March 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$(598,572)	$(1,267,643)	$(44,320,788)
Adjustments to reconcile net loss to net cash from operating activities:			
Depreciation	-	-	213,228
Non-cash loss on debt financing	-	-	1,268,713
Changes in fair value of derivative liabilities	(71,062)	244,981	(4,146,202)
Loss (gain) on settlement of debt	(9,930)	204,770	11,621,652
Gain on extinguishment of derivative liabilities - warrants	-	(290,500)	(290,500)
Loss on disposal of assets	-	-	5,399
Non-cash interest and financing charges	96,726	356,710	5,565,225
Stock based compensation	163,471	458,486	10,838,863
Changes in operating assets and liabilities:			
Due from government agency	(24)	(65)	(1,101)
Prepaid expenses and deposits	15,152	-	(65,475)
Deferred financing costs	3,827	91,134	(3,215)
Accounts payable and accrued liabilities	24,268	(236,768)	3,605,744
Research agreement obligations	43,761	34,477	521,644
NET CASH USED IN OPERATING ACTIVITIES	(332,383)	(404,418)	(15,186,813)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of shares, net	85,000	-	10,390,575
Convertible notes, net	-	504,535	1,521,906
Proceeds from loans payable	-	-	425,000
Notes and loans payable	-	-	919,845
Advances from (to) related parties	20,900	(86,100)	1,608,491
Stock subscriptions	-	-	140,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	105,900	418,435	15,005,817
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

INCREASE (DECREASE) IN CASH	(226,483)	14,017	23,751
CASH, BEGINNING OF PERIOD	250,234	23,516	-
CASH, END OF PERIOD	$23,751	$37,533	$23,751

	Three Months Ended March 31, 2012	(Restated) (Note 1A) Three Months Ended March 31, 2011	Period from July 27, 1999 (inception) to March 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$ (598,572)	$ (1,267,643)	$ (44,320,788)
Adjustments to reconcile net loss to net cash from operating activities:			
Depreciation	-	-	213,228
Non-cash loss on debt financing	-	-	1,268,713
Changes in fair value of derivative liabilities	(71,062)	244,981	(4,146,202)
Loss (gain) on settlement of debt	(9,930)	204,770	11,621,652
Gain on extinguishment of derivative liabilities - warrants	-	(290,500)	(290,500)
Loss on disposal of assets	-	-	5,399
Non-cash interest and financing charges	96,726	356,710	5,565,225
Stock based compensation	163,471	458,486	10,838,863
Changes in operating assets and liabilities:			
Due from government agency	(24)	(65)	(1,101)
Prepaid expenses and deposits	15,152	-	(65,475)
Deferred financing costs	3,827	91,134	(3,215)
Accounts payable and accrued liabilities	24,268	(236,768)	3,605,744
Research agreement obligations	43,761	34,477	521,644
NET CASH USED IN OPERATING ACTIVITIES	(332,383)	(404,418)	(15,186,813)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of shares, net	85,000	-	10,390,575
Convertible notes, net	-	504,535	1,521,906
Proceeds from loans payable	-	-	425,000
Notes and loans payable	-	-	919,845
Advances from (to) related parties	20,900	(86,100)	1,608,491
Stock subscriptions	-	-	140,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	105,900	418,435	15,005,817
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
INCREASE (DECREASE) IN CASH	(226,483)	14,017	23,751
CASH, BEGINNING OF PERIOD	250,234	23,516	-
CASH, END OF PERIOD	$23,751	$37,533	$23,751

Supplemental cash flow information and non-cash investing and financing activities: (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
MARCH 31, 2012 (UNAUDITED)

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 has been party to various Collaborative Research Agreements ("CRA") working with universities 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 March 31, 2012, the Company had a working capital deficiency of $2,387,187 (excluding derivative liabilities recorded as current liabilities) 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.

Additional funding was raised through equity and debt placements in 2011ant the first quarter of 2012, and management intends to continue restructuring outstanding 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 TAP (Transporters of Antigen Processing) 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 arrange sufficient funding to satisfy current debt obligations or to continue development of products to marketability.

NOTE 1A: RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS

Restatement relating to classification and valuation of derivative liabilities for the three months ended March 31, 2011

Management has restated the consolidated financial statements as of and for the three months ended March 31, 2011 relating to the Company's accounting for share purchase warrants issued as part of private placement transactions, consulting service agreements and debt settlement transactions since the latter half of 2009. Previously, the fair value of the share purchase warrants was determined using the Black-Scholes valuation model, or an alternate methodology, at the time of issuance and classified within shareholders' equity. Following discussions with the Company's auditors, management reviewed the terms and conditions underlying its outstanding share purchase warrants and determined that the accounting for the warrants should be revised. Specifically, the Company had issued warrants to purchase common stock that may require the Company, or a successor, to purchase unexercised warrants for a cash amount equal to their fair value following the announcement of specified events defined as "Fundamental Transactions" (e.g., merger, sale of all or substantially all assets, tender offer, going private or share exchange). The cash settlement provisions require the use of the Black-Scholes model in calculating the cash payment value in the event of a Fundamental Transaction or a delisting. As a consequence of these provisions, management now believes that these share purchase warrants should be classified as a liability on our balance sheets and measured at fair value with the changes in fair value reported in results of operations at each reporting period.

In coming to this conclusion, management evaluated the application of ASC 480-10 Distinguishing liabilities from equity, ASC 815-40 Contracts in an Entity's Own Equity and ASC 718-10 Compensation – Stock Compensation to the issued and outstanding warrants to purchase common stock that were issued with the private placements, consulting and debt settlement transactions. In summary, the guidance requires the share purchase warrant or equity instrument to be classified as a liability, not equity, whenever the Company could be required to settle the equity instrument by transferring cash or other assets. The Fundamental Transaction clause creates a situation where the warrants may be contingently puttable back to the Company for cash settlement. As a result, the Company has restated its accounting for the share purchase warrants and recorded the fair value of the warrants under "Derivative liability- warrants" on its balance sheet with changes in the fair value over time reflected in the statements of operations as "Changes in fair value of derivative liabilities".

The net loss for the three months ended March 31, 2011 increased by $138,263 due to recognition of the derivative liabilities.

The impact of the restatement on the consolidated statement of operations as of and for the quarter ended March 31, 2011 is shown in the following table:

	As reported	Adjustment	As restated
Consolidated Statement of Operations data			
For the three months ended March 31, 2011			
Changes in fair value of derivative liabilities	$(105,718)	$(139,263)	$(244,981)
Loss on settlement of debt	$(607,845)	$403,075	$(204,770)
Gain on extinguishment of derivative liabilities - warrants	$692,575	$(402,075)	$290,500
NET LOSS	$(1,129,380)	$(138,263)	$(1,267,643)
Loss per share – Basic and diluted	$(0.03)	$-	$(0.03)

	As reported	Adjustment	As restated
Consolidated Statement of Cash Flows data			
For the three months ended March 31, 2011			
Changes in fair value of derivative liabilities	$105,718	$139,263	$244,981
Loss on settlement of debt	$607,845	$(403,075)	$204,770
Gain on extinguishment of derivative liabilities - warrants	$(692,575)	$402,075	$(290,500)
NET CASH USED IN OPERATING ACTIVITIES	$(404,418)	$-	$(404,418)

	As reported	Adjustment	As restated
Consolidated Statement of Cash Flows data			
For the three months ended March 31, 2011			
Changes in fair value of derivative liabilities	$105,718	$139,263	$244,981
Loss on settlement of debt	$607,845	$(403,075)	$204,770
Gain on extinguishment of derivative liabilities - warrants	$(692,575)	$402,075	$(290,500)
NET CASH USED IN OPERATING ACTIVITIES	$(404,418)	$-	$(404,418)

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 filed on April 16, 2012, 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 subsidiary GeneMax Pharmaceuticals, Inc. ("GPI") 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, 2009, 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 (refer to Note 9).

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 March 31, 2012, the Company had accrued $303,513 (€227,555) under the amended agreement, inclusive of interest on outstanding amounts. 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 any 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 WARRANT LIABILITY AND FAIR VALUE

The Company has evaluated the application ASC 480-10 Distinguishing liabilities from equity, ASC 815-40 Contracts in an Entity's Own Equity and ASC 718-10 Compensation – Stock Compensation to the issued and outstanding warrants to purchase common stock that were issued with the convertible notes, private placements, consulting agreements, and various debt settlements during 2009 through 2011. Based on the guidance, management concluded these instruments are required to be accounted for as derivatives either due to a ratchet down protection feature available on the exercise price (Note 5) or a holder's right to put the warrants back to the Company for cash under certain conditions. Under ASC 815-40-25, the Company records the fair value of these warrants (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". The fair value of the share purchase warrants are recorded on the balance sheet under 'Derivative liabilities – warrants'.

ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820-10 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820-10 describes three levels of inputs that may be used to measure fair value: Level 1 – Quoted prices in active markets for identical assets or liabilities; Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and Level 3 – Unobservable inputs that are supported by little or no market activity and that are financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation. The Company's Level 3 liabilities consist of the derivative liabilities associated with the warrants issued with the convertible notes during the year ended December 31, 2011. At March

31, 2012, all of the Company's derivative liabilities were categorized as Level 3 fair value liabilities. If the inputs used to measure the financial assets and liabilities fall within more than one level described above, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Level 3 Valuation Techniques

Financial liabilities are considered 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 fair value of share purchase 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 warrants and conversion option on the notes that contain ratchet down provisions using the Binomial model under the following assumptions:

	December 31, 2011				March 31, 2012			
	Expected Life (Years)	Risk free Rate	Dividend yield	Volatility	Expected Life (Years)	Risk free Rate	Dividend yield	Volatility
Share purchase warrants	1.09 to 4.80	0.12% to 0.83%	0.00%	199%	0.84 to 4.53	0.19% to 1.04%	0.00%	199%

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:

	As of March 31, 2012				
		Fair Value Measurements Using			
	Carrying Value	Level 1	Level 2	Level 3	Total
Derivative liability - warrants	$ 1,246,772	-	-	$ 1,246,772	$ 1,246,772
Total	$ 1,246,772	-	-	$ 1,246,772	$ 1,246,772

	As of December 31, 2011				
		Fair Value Measurements Using			
	Carrying Value	Level 1	Level 2	Level 3	Total
Derivative liability - warrants	$ 1,317,834	-	-	$ 1,317,834	$ 1,317,834
Total	$ 1,317,834	-	-	$ 1,317,834	$ 1,317,834

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 three months ended March 31, 2012 and the year ended December 31, 2011:

	Fair Value Measurements Using Level 3 Inputs		
	Derivative liability - warrants	Derivative liability – conversion option	Total
Balance, December 31, 2010	$1,819,512	$175,389	$1,994,901
Additions during the year	1,587,275	-	1,587,275
Total unrealized (gains) or losses included in net loss	(631,631)	(37,079)	(668,710)
Debt settlement	(1,457,322)	(138,310)	(1,595,632)
Transfers in and/or out of Level 3	-	-	-
Balance, December 31, 2011	1,317,834	-	1,317,834
Additions during the year	-	-	-
Total unrealized (gains) or losses included in net loss	(71,062)	-	(71,062)
Debt settlement	-	-	-
Transfers in and/or out of Level 3	-	-	-
Balance, March 31, 2012	$1,246,772	$-	$1,246,772

The fair value of the warrants is determined using a Binomial option pricing model. The valuation of warrants is subjective and is affected by changes in inputs to the valuation model including the price per share of common stock, the historical volatility of the stock price, risk-free rates based on U.S. Treasury security yields, the expected term of

the warrants and dividend yield. Changes in these assumptions can materially affect the fair value estimate. Ultimately, the Company may incur amounts to settle the warrant at a cash settlement value that is significantly different than the carrying value of the liability in the financial statements. The Company will continue to classify the fair value of the warrants as a liability until the warrants are exercised, expire, or are amended in a way that would no longer require these warrants to be classified as a liability. Changes in the fair value of the common stock warrants liability are recognized as a component of other income (expense) in the statement of operations.

The net cash settlement value at the time of any future Fundamental Transaction will depend upon the value of the following inputs at that time: the consideration value per share of the Company's common stock, the volatility of the Company's common stock, the remaining term of the warrant from announcement date, the risk-free interest rate based on U.S. Treasury security yields, and the Company's dividend yield. The warrant requires use of a volatility assumption equal to the greater of 100% and the 100-day volatility function determined as of the trading day immediately following announcement of a Fundamental Transaction.

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 March 31, 2012
February 2011 Secured Convertible Notes				
Senior Secured Notes, due February 24, 2014	$1,184,694	$-	$ 306,507	$878,187
April 2011 Secured Convertible Notes				
Senior Secured Notes, due April 4, 2014	215,000	-	68,987	146,013
June 2011 Secured Convertible Note				
Senior Secured Notes, due June 6, 2014	30,000	-	6,036	23,964
Total	$1,429,694	$-	$ 381,530	$1,048,164

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 two of the holders of outstanding and demandable 2010 secured convertible notes (the “2010 Notes”). The holders of the 2010 Notes returned their Series A, Series B and Series C warrants to the Company for cancellation. 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, at a conversion rate of $0.15 per share, 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 March 31, 2012, $25,431 of the $28,464 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.

After reviewing the Fundamental Transaction clause contained in the warrants, the Company revised its interim accounting for the 2011 Notes. The Company has allocated the net proceeds to the warrants based on the calculated fair value at the date of issuance. The fair value of the warrants was recorded at $483,355 and recognized as derivative liabilities and the debt was recorded at $701,339. The fair value of the warrants was calculated using the Binomial option pricing model under the following assumptions: estimated life of five years, risk free rate of 2.06%, dividend yield of 0% and volatility of 199%. The debt discount is being accreted over the three year term of the February 2011 Notes using the effective interest rate method.

For the three months ended March 31, 2012, accretion of the debt discount of $40,133 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 in exchange 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 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, at a conversion rate of $0.15 per share, 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 March 31, 2012, $3,033 of the $28,464 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.

The Company has allocated the net proceeds to the warrants based on the calculated fair value. The fair value of the warrants was recorded at $130,720 and recognized as derivative liabilities and the debt was recorded at $84,280. The fair value of the warrants was calculated using the Binomial option pricing model under the following assumptions: estimated life of two years, risk free rate of 0.77%, dividend yield of 0% and volatility of 199%. The debt discount is being accreted over the three year term of the April 2011 Notes using the effective interest rate method.

For the three months ended March 31, 2012, accretion of the debt discount of $8,553 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 holders may elect to receive such prepayment in cash or in shares of the Company's common stock, at a conversion rate of $0.15 per share, 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.

The Company has allocated the net proceeds to the warrants based on the calculated fair value. The fair value of the warrants was recorded at $8,280 and recognized as derivative liabilities and the debt was recorded at $21,720. The fair value of the warrants was calculated using the Binomial option pricing model under the following assumptions: estimated life of two years, risk free rate of 0.43%, dividend yield of 0% and volatility of 199%. The debt discount is being accreted over the three year term of the June 2011 Note using the effective interest rate method.

For the three months ended March 31, 2012, accretion of the debt discount of $689 was recorded for the June 2011 Note.

NOTE 6: LOANS PAYABLE

As at March 31, 2012, there was an unsecured loan advance from a third party in the amount of $7,000 (December 31, 2011 - $7,000), which is due on demand. The loan is accruing interest of 10% per annum.

NOTE 7: PROMISSORY NOTE

During the year ended December 31, 2011, the Company issued a note in the amount of $100,000 towards future legal services, which matured July 24, 2011. As of March 31, 2012, the Company had received legal services in the amount of $73,529 and the difference of $26,471 is recorded as prepaid expenses and deposits. The note bears interest at 10% per annum and may be converted into shares at a conversion price of $0.23 per share at the lender's option.

The note became due on July 24, 2011, and the Company is in default of repayment. As of March 31, 2012, the Company is renegotiating the settlement of the note.

NOTE 8: RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2012, the Company entered into transactions with certain officers and directors of the Company as follows:

(a) incurred $80,100 (March 31, 2011 - $62,100) in management fees and $22,500 (March 31, 2011 - $22,500) in research and development services paid to officers and directors during the period;

(b) recorded $29,562 (March 31, 2011 - $301,134) in stock based compensation for the fair value of options granted to management that were granted and or vested during the period;

(c) converted $50,000 (March 31, 2011 - $75,000) of debt due to related parties during the period, which were settled with shares.

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, using amounts similar to arm's length settlements for debt settled.

At March 31, 2012, the Company had amounts owing to directors and officers of $293,805 (December 31, 2011 - $322,905). Amounts due to related parties are unsecured, non-interest bearing and have no specific terms of repayment.

NOTE 9: CAPITAL STOCK

Share Capital

The authorized capital of the Company consisted of 150,000,000 common shares with $0.001 par value and 5,000,000 non-voting preferred shares with $0.001 par value.

2012 Share Transactions

On March 15, 2012, the Company issued 333,334 shares of its restricted common stock to related parties, pursuant to debt settlement agreements to settle $50,000 of outstanding trade payable. At the time of issuance the fair value of the shares was determined to be $50,000 based on the quoted market price of $0.15 per share.

On March 15, 2012, the Company issued 400,000 shares of its restricted common stock pursuant to a debt settlement and a consulting agreement. At the time of issuance the fair value of the shares was determined to be $71,200 based on the quoted market price of $0.15 per share. The Company recorded $9,930 as gain on settlement of debt.

On March 15, 2012, the Company issued 789,778 shares of its restricted common stock in settlement of accrued interest on the outstanding 2011 Notes. At the time of issuance the fair value of the shares was determined to be $118,467 based on the quoted market price of $0.15 per share. No gain or loss was recorded on settlement.

In March 2012, the Company received subscription proceeds of $85,000. The subscribers purchased 733,334 share units at $0.15 per unit. Each unit consists of 1 share of Company's common stock and half a warrant exercisable at $0.40, which expires in two years. The fair value of these warrants was determined to be $5,133. At March 31, 2012, $25,000 of the subscription proceeds was not received. These funds were deposited April 3, 2012.

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.

Stock Compensation Plan

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.

The expensed portion of the value of the vesting options during the three months ended March 31, 2012 was $43,482 (March 31, 2011 - $266,569) which was recorded as stock based consulting and management fees. During the periods, stock-based consulting and management fees also includes share and warrant based compensation.

Share purchase options

A summary of the Company's stock options as of March 31, 2012 and changes during the period is presented below:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Life
Balance, December 31, 2011	6,278,000	$0.18	6.85
Issued	-	-	-
Cancelled	-	-	-
Balance, March 31, 2012	6,278,000	$0.18	6.60

At March 31, 2012, the intrinsic value of the vested options was equal to $nil (March 31, 2011 - $602,800).

A summary of the status of the Company's unvested options as of March 31, 2012 is presented below:

	Number of Shares	Weighted Average Grant-Date Fair Value
Unvested, December 31, 2011	1,037,709	$0.18
Granted	-	-
Vested	(238,124)	0.18
Cancelled	-	-
Unvested, March 31, 2012	799,585	$0.18

Share Purchase Warrants

In March, 2012, the Company issued 366,668 share purchase warrants to acquire an equivalent number of common shares of the Company, at an exercise price of $0.40 per share for an exercise period of up to two years from the issuance date. The warrants were issued pursuant to the private placement of $110,000, of which $85,000 were received in the current quarter. The fair value of these warrants was determined to be $5,133, using the Black-Scholes option pricing model with an expected life of 2 years, a risk free interest rate of 0.37%, a dividend yield of 0%, and an expected volatility of 63%.

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 of $43,750 was recognized under derivative liabilities, using the Binomial option pricing model with an expected life of 5 years, a risk free interest rate of 0.77%, a dividend yield of 0%, and an expected volatility of 199%.

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 of $483,355 was recognized under derivative liabilities, using the Binomial option pricing model with

an expected life of 5 years, a risk free interest rate of 2.06%, a dividend yield of 0%, and an expected volatility of 199%.

A summary of the Company's share purchase warrants as of March 31, 2012 and changes during the period is presented below:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Life
Balance, December 31, 2011	12,106,355	$0.56	2.81
Issued	366,668	0.40	1.96
Extinguished or expired	(586,400)	2.50	-
Balance, March 31, 2012	11,886,623	$0.46	2.37

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

	Three Months Ended March 31, 2012	
	Shares/warrants	Amount
Shares issued pursuant to debt settlement agreements	1,363,112	$211,187

	Three Months Ended March 31, 2011	
	Shares/warrants	Amount
Prepaid portion of fair value of shares issued pursuant to consulting service agreements	-	$73,125
Accounts payable settled by issuing common shares	3,719,014	$689,857
Common shares issued pursuant to consulting service arrangements	1,477,059	$288,027

Pursuant to the 2010 Note settlement and warrant extinguishment agreements entered during the three months ended March 31, 2011, the Company issued February 2011 Notes in the amount of $240,000 (Note 5).

See Notes 5 and 9 for additional disclosure on non-cash transactions.

	Three Months Ended March 31,	
	2012	2011
Interest paid in cash	$-	$-
Income taxes paid	$-	$-

NOTE 11: CONTINGENCIES AND COMMITMENTS

Contingencies

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.

Commitments

Combined Research and Operating Obligations

Effective May 25, 2010, the Company entered into a research and license Option Agreement with the Mayo Clinic for the development and possible commercial use of a cancer vaccine. Subject to the approval and guidance of the United States Food and Drug Administration ("FDA") the Mayo Clinic plans to conduct a Phase I human clinical trial ("Phase I Trial") to test and develop the Company's technology.

The Company has agreed that, during the period of the option and upon approval of FDA to conduct Phase I Trials, will pay all the costs incurred by the Mayo Clinic, not to exceed a total of $841,000. Both Parties agree that within 30 days after the Mayo Clinic informs the Company in writing about the receipt of FDA approval, the parties shall enter into an a formal research agreement. Management anticipates that Phase 1 Trials will begin in the second quarter of 2012. An initial payment of $250,000 will be required within 30 days of receiving notice from the Mayo Clinic that the Phase 1 Trials will commence.

Management Services Agreement

In February 2011, the Company approved an employment agreement with Dr. Wilson 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 at $0.19 per share, 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 options shall be exercisable for at least five years.

Rental Lease Agreement

In December 2011, the Company entered into a lease agreement, which started in January 2012 for a two year period. The Company will pay a monthly basic rent of $7,152 and additional rent for operating costs of 2.20% of total operating expenses of the property.

The Company has obligations under various agreements through December 31, 2014. The aggregate minimum annual payments for the years ending December 31 are as follows:

2012	$ 1,105,824
2013	85,824
2014	7,152
	$1,198,800

NOTE 12: SUBSEQUENT EVENTS

In April 2012, the Company issued 933,333 restricted common shares, at $0.15 per share, for proceeds of $140,000 received in October 2011, in a private placement.

In April 2012, the Company issued 1,000,000 common shares to a consultant pursuant to a consulting agreement effective October 1, 2011

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 March 31, 2012 included in this quarterly report, as well as our Annual Report on Form 10-K for the year ended December 31, 2011.

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 and, therefore, the immune system is not stimulated to attack the cancer. 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 pursuing the development of prophylactic vaccines against infectious microbes and will also do so 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.

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 the Mayo Clinic and others. We will also continue product development in oncology and infectious diseases both alone and with corporate partners and collaborators including the Mayo Clinic for HER2/neu positive Breast Cancer and smallpox. 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. Vaccines continue to be the success story for pharmaceutical companies, with the world market for preventative vaccines totaling $22.1 billion in 2009, up from $19 billion in 2008, according to healthcare market research publisher Kalorama Information. Kalorama's new report, Vaccines 2010: World Market Analysis, Key Players, and Critical Trends in a Fast-Changing Industry, notes that the worldwide vaccine market is predicted to increase at a compound annual rate of 9.7% during the next five years, as new product introductions continue and the use of current products expands further(http://www.kaloramainformation.com/Vaccines-Key-Players-2684026).

In the USA, the second leading cause of death by illness is cancer. The current estimates for cancer treatments such as chemotherapy represent approximately a US$7 billion market. The National Cancer Institute expects cancer to be the leading cause of death in the USA within 5 years. Cancer vaccines will become a major player in the vaccine market. According to the report Cancer Vaccines Markets, (http://www.pharmaceutical-market-research.com/publications/diseases_conditions/cancer/cancer_vaccines_markets.html) cancer vaccines have the potential to become a significant force in future cancer treatments. In 2010, Dendreon's Provenge became the first cancer vaccine approved by the FDA, generating renewed interest and support for this type of cancer immune therapy. Cancer vaccines can be divided into six main categories: antigen/adjuvant vaccines, DNA vaccines, vector-based vaccines, tumor cell vaccines, dendritic cell vaccines and anti-idiotype vaccines.

This relatively new commercial market for cancer vaccines is poised to dramatically increase to over $7 billion by 2015.

Management also believes that our prophylactic vaccine adjuvant will improve the creation of new vaccines and enhance the efficacy of current vaccines in the treatment of infectious disease. 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 global market for vaccines is dominated by five companies—Merck, GlaxoSmithKline, Sanofi Pasteur (the vaccines division of Sanofi SA [SNY-NYSE]), Pfizer Inc. (PFE-NYSE), and Novartis—with Pfizer, GlaxoSmithKline, Sanofi, and Novartis collectively accounting for approximately 74% of the market (Source: Transparency Market Research's Global Vaccine Market Analysis and Forecast 2011-2016). This market is estimated at roughly $30 billion worldwide, with the U.S. contributing approximately $20 billion. Importantly, there still exist significant development opportunities in the global vaccine market, as there are more than 300 infectious diseases yet effective prophylactic therapies for only approximately 15% of these (Source: The Life Sciences Report's "Vaccine Therapies Hold Promise for Investors: Stephen Dunn," April 12, 2012). Management believes that our TAP Platform technology 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. We will also rely on our new collaboration agreements with Mayo clinic to demonstrate the use of TAP in new vaccine candidates. In parallel with our viral 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, 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 these conditions are all 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. We will 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– 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 human clinical trials on the HER2/neu cancer vaccine in collaboration with the Mayo Clinic was allowed by the FDA in July, 2011 and the Mayo IRB approved the trial on May 4 2012. Patient dosing is expected to start in June 2012. 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 vector delivered Tap1/2 for subsequent Phase I human clinical trials and for use in combination in later stage clinical trials with the HER2/neu antigens as part of a "Prime and Boost" strategy.

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 responses. 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.

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. We believe our collaborations with the Mayo Clinic is evidence of this and we will continue to pursue additional partnerships and collaborations as a key strategy to expand our research and development (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, were initiated

in 2011 and are progressing on schedule. 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 an 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 a Sponsored Research Agreement for the clinical trial.

On May 4, 2012, Mayo IRB approval was confirmed and patient dosing is expected to start in June 2012.

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.

On April 16, 2012, we announced an Exclusive Agreement with the Mayo Foundation for Education & Research, Rochester, MN, to License a proprietary MHC Class I HER2/neu antigen technology.

This antigen was discovered in the laboratory of Dr. Keith Knutson at the Mayo Clinic. In contrast to Class I antigens in clinical testing this novel antigen is naturally produced in the intracellular proteasome and presented to T-cells as the MHC Class I peptide complex. Scientific details of this new work was presented by Andrea Henle of Dr. Knutson's lab at the Annual Meeting of The American Association of Immunologists held in Boston, MA, May 2012.

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 March 31, 2012, we have accrued $303,513 (€227,555) 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

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 was 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”. The Company will not pursue this technology or continue to prosecute this additional patent and has released its option back to the University of British Columbia.

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, Immune Design, Oncothyreon, Celldex, BN Immunotherapeutics, Apthera and Transgene S.A.

Our Financial Condition

During the next 12 months, we anticipate that we will not generate any sales revenue but may receive grant funding. We had cash of $23,751 and a working capital deficit of $2,387,187 at March 31, 2012 (excluding derivative liabilities). 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

As a vaccine component, the gene based TAP technology has the potential to significantly improve the efficacy of both prophylactic and immunotherapeutic vaccines as it addresses a fundamental mechanism for T cell recognition and response. Unlike other vaccine technologies that address only the initiation of immune responses, TAP expression also has the unique ability to enhance the effector function of mature killer T cells. This enhancement of effector function is potentially complementary to any/all vaccine approaches that are designed to enhance cellular responses. Therefore, we envisage establishing multiple collaborative partnerships as we progress gene-based TAP development and research in the clinic. The exploitation of this key mechanism is highlighted by two collaborations with the Mayo Clinic in Rochester, MN and their progress in 2011.

Management believes that as a result of our recent personnel additions, our moving into a state of the art facility and our exclusive Licensing Option agreements with the Mayo Clinic in Rochester, Minnesota, the May 2012 initiation of Phase 1 clinical trials, and with adequate funding, the Company will be well positioned for significant growth in 2012.

In August 2011, the FDA approved an IND (Investigational New Drug application) and the Company signed a sponsored research agreement with the Mayo Clinic for a Phase 1 Her2neu Breast Cancer Clinical Trial, which has now started. The trial will use a patented technology developed at the Mayo clinic. TapImmune has the exclusive option to license this technology. Recent clinical trials of Her2neu vaccines have shown considerable promise but have left significant room for improvements, and the technology we are evaluating in our Phase I clinical trial offers a vaccine with broader coverage, making it applicable to a much larger population of women with breast cancer. We anticipate that this technology will be used therapeutically together with our TAP expression technology as it reaches clinical development in combination with the improved Her2neu targeted vaccine. 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.

Our Gene-based TAP vaccines also have the potential to significantly improve the efficacy of prophylactic vaccines for viral pandemics and as agents for biodefense. In a novel approach to the development of a smallpox vaccine, in our collaboration with the Mayo Clinic, research studies have progressed well and are now testing unique and patentable smallpox antigens in combination with TAP technology which we expect to be completed by the third quarter of 2012. Once these feasibility studies are complete, we would move to larger preclinical animal studies, and Phase I safety trials. This study will also act as a platform for more extensive use of gene-based TAP vectors for biodefense. We will be seeking non-dilutive avenues to finance and advance this program by way of biodefense focused grants and contracts. We have the exclusive option to license the patented Mayo technology that is derived from this collaboration.

The opening of our new laboratories and offices at 1551 Eastlake Avenue, Seattle, on January 23, 2012 represents a significant advance for the Company on several fronts. First, our sub-lease and service agreements with the Puget Sound Blood Center Research Institute enables our scientific team to access a wide array of functioning core labs and shared equipment relevant to all aspects of development of our gene-based product candidates. Second, such an arrangement allows us to speed the development of TAP-based products towards the clinic. Third, we now have the capabilities to produce and test a range of proprietary TAP-based expression vectors for both cancer and infectious disease and to expand our external collaborations. Fourth, the development of new TAP constructs in our laboratories allows us to significantly enhance our intellectual property portfolio. US Patent # 7,994,146 issued in 2011 represents the most recent example of this strategy. The opening of these new facilities is consistent with our strategy of managing costs using a small core internal team that leverages external resources.

We will continue to build our technical team in 2012. Under the leadership of Mark Reddish, who joined the TapImmune Management Team as Vice President Product Development, the recruitment of world-class scientists is progressing rapidly. Mark is a recognized leader in vaccine technology development with an impressive track record in taking leading immunotherapy products from early research through development, both in the areas of cancer vaccines and biodefense. He was formerly Vice President of Product Development and Principal Investigator, Biodefense at ID Biomedical, Bothell, WA, prior to the acquisition of the company by Glaxo SmithKline for $1.6 billion. At Biomira Inc, (renamed Oncothyreon) he was responsible for preclinical development of their cancer vaccines program where he led the early research and clinical development of Stimuvax, which is currently in late Stage 3 clinical trials under a partnership with Merck KGaA.

With respect to the broader market, a major driver and positive influence on our activities has been the emergence and general acceptance of the potential of a new generation of immunotherapies that promise to change the standard of care for cancer. The immunotherapy sector has been greatly stimulated by the approval of Provenge® (Dendreon NASD: DNDN) for prostate cancer and Yervoy™ (BMS) for metastatic melanoma, anticipation of the results from Phase III trials on Stimuvax® (Merck KGaA/Oncothyreon NASD: ONTY) and MAGE-3 (GSK) for treatment of lung cancer, and progression of approaches for multiple cancer indications through Phase II and into Phase III.

Management believes that TapImmune is well positioned to be a leading player in this emerging market. It is important to note that the late stage immunotherapies in development do not necessarily represent competition to our programs, but rather offer us opportunities as our TAP expression technology is potentially synergistic with many other vaccine approaches. The addition of a TAP expression vector to patients already receiving a therapeutic vaccine could enhance the efficacy of these vaccines, as TAP is designed to help killer T-cells kill tumor cells. This concept of enhancing the effector stage of an immune response differentiates TAP technology from a wide list of immunotherapies currently in development, and offers a great opportunity for collaborations and partnerships. Accordingly we believe that the use of TAP expression vectors represents the next logical step in the development of more effective immunotherapies.

In 2011, we made significant progress with very few resources. We believe that our recent progress and our buildup of resources indicate that we will make even greater progress in 2012. On the technology and product pipeline side, management believes that the Company is fundamentally strong and poised to be a leading company in a highly attractive and expanding market, a position reinforced by our recruitment of top-class managers, advisors and investors who all share our vision.

Results of Operations

Three Months Ended March 31, 2012 Compared to Three Months Ended March 31, 2011
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 $599,000 during the three months ended March 31, 2012 compared to $1,268,000 for the three months ended March 31, 2011.

Operating costs decreased to $672,000 during the three months ended March 31, 2012 compared to $1,100,000 in the prior period. Significant changes in operating expenses are outlined as follows:

- Consulting fees decreased to $nil during the three months ended March 31, 2012 from $51,000 during the prior period, due primarily to absence of new business development contracts entered into during the current period.
    - Consulting fee – stock-based decreased to $134,000 during the three months ended March 31, 2012 from $157,000 during the prior period. The lower current period expense is primarily due to decreased share based payments to the consultants compared to the prior period.
- General and administrative expenses increased to $142,000 in the three months ended March 31, 2012 from $5,000 in the prior period, with the increase resulting from increased staff and rental costs at the Company' Seattle office and higher travel related expense in the current period.
- Interest and finance charges decreased to $97,000 during the three months ended March 31, 2012 from $357,000 during the prior period. Current and prior period interest charges are primarily accretion of convertible debt notes.
- Management fees increased to $80,000 during the three months ended March 31, 2012 from $62,000 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 March 31, 2012 from $301,000 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 $74,000 during the three months ended March 31, 2012 from $116,000 during the prior period, due to lower legal fees incurred relating to absence of debt issuance in the current period.
- Research and development increased to $115,000 during the three months ended March 31, 2012 from $51,000 during the prior period. This was due to higher technology licensing fee accrued for payments due to Mayo clinic and Crucell Holland B.V. in the current period.

Liquidity and Capital Resources
At March 31, 2012, we had $24,000 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 decreased our net cash by $226,000 during the three months ended March 31, 2012 compared to an increase of $14,000 during the prior period.

Operating Activities
Net cash used in operating activities during the three months ended March 31, 2012 was $332,000 compared to $404,000 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 three months ended March 31, 2012 was $Nil compared to $Nil during the prior period.

Financing Activities

Net cash provided by financing activities during the three months ended March 31, 2012 was $106,000 compared to $418,000 during the prior period. Current period financing consisted of proceeds from private placements and advances from related parties while prior period financing relates to proceeds from convertible notes and advances from related parties.

At March 31, 2012, we had 6,278,000 stock options and 11,886,623 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 $0.46 per share. Accordingly, as of March 31, 2012, the outstanding options and warrants represented a total of 18,164,623 shares issuable for proceeds of approximately $6,625,000 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.

As of March 31, 2012, 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, 2011 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 Chief Executive Officer and Chief Financial Officer has 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 March 31, 2012, 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 March 31, 2012 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 three months ended March 31, 2012 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 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 March 31, 2012 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

We are not a party to any legal proceedings, and management is not aware of any 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, 2011, which was filed with the SEC on April 16, 2012.

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

In April 2012, we issued 933,333 shares of restricted common stock at $0.15 per shares for proceeds of $140,000, which we received in October 2011 in a private placement.

In April 2012, we issued 1,000,000 shares of restricted common stock relating to a consulting agreement.

The shares mentioned above were issued in reliance on exemptions from registration under Section 4(2) of the Securities Act of 1933, as amended, including Rule 506 of Regulation D. These transactions qualified for exemption from registration because among other things, the transactions did not involve a public offering, each investor was an accredited investor, each investor had access to information about our Company and their investment, each investor took the securities for investment and not resale, there was no general solicitation or advertising in connection with the placement and we took appropriate measures to restrict the transfer of the securities.

Item 3.Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosure

Not Applicable.

Item 5. Other Information

On May 18, we issued a press release regarding the appointment of James W. Fuller to our Board of Directors. Mr. Fuller has over 30 years of experience in the brokerage and financial services industry.

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 and 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 and Acting Principal Accounting Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Press Release, dated May 18, 2012

Pursuant to Rule 406T of Regulation S-T, the interactive data files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

Exhibit 101
101.INS - XBRL Instance Document
101.SCH - XBRL Taxonomy Extension Schema Document
101.CAL - XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF - XBRL Taxonomy Extension Definition Linkbase Document
101.LAB - XBRL Taxonomy Extension Label Linkbase Document
101.PRE - XBRL Taxonomy Extension Presentation Linkbase Document

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, Principal Executive Officer and Chief Financial Officer
Date: May 15, 2012.