

IMMUNOVATIVE, INC.

The Only Way to Treat Cancer

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IMMUNOVATIVE, INC. (OTC:BB - IMUN - \$0.22)

Price Target: \$1.70

Rating: Speculative Buy

COMPANY SNAPSHOT

Immunovative, Inc. is the exclusive worldwide licensee of any product commercialization covered under Israel-based Immunovative Therapies, Ltd.'s (ITL) current issued and pending patent application portfolio. The Company also owns the rights to any future patent applications, including improvements or modifications to the existing applications and any corresponding improvements or new versions of the existing products. ITL has two experimental ground-breaking immunotherapy products for the treatment of cancer in clinical development: *AlloStim™* and *AlloVax™*.

KEY STATISTICS

Price as of 8/3/12	\$0.22
52 Wk High – Low	\$0.324 – 0.08
Est. Shares Outstanding	136.4M
Market Capitalization	\$30.0M
3 Mo Avg Vol	241,000
Exchange	OTC:BB

COMPANY INFORMATION

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 514.840.3697
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INVESTMENT HIGHLIGHTS

Immunovative Inc. is poised to revolutionize the treatment of cancer. The Company's partner, ITL, has developed a novel, targeted immunotherapy technology that uses the body's own immune system to treat cancer eliminating the need for chemotherapy, even in its latest stages.

ITL's primary product, AlloStim™ successfully completed a Phase I/II trials in 42 advanced metastatic cancer patients (incl. 16 metastatic breast cancer (MBC) patients), with statistically significant improvement in overall survival. Roughly 226,000 women in the U.S. are diagnosed with breast cancer each year, with nearly 30% eventually developing MBC which claims the lives of 40,000 women annually and represents a billion-dollar market.

There is tremendous IP surrounding the ITL technology and its list of partner institutions is impressive. ITL owns 11 patents with 17 pending in the U.S. and 29 corresponding ones pending internationally. Plus, the Company has development partnerships with such prestigious institutions as the Mayo Clinic, NCI, the University of Arizona and others.

A number of milestones in the near term should drive the stock substantially higher. These include the launch of a Phase II/III trial for advanced MBC in Q1-2013, for which, a successful completion would trigger a merger between the Company and ITL. Because AlloStim™ can have activity in any cancer indications, several other trials are expected in 2013

The ITL technology could change the way we treat cancer and IMUN will be the driver of commercialization. As near term milestones occur we believe that the stock could see positive upside and eventually be valued at \$1.70 upon the successful phase II/III trial. We rate IMUN Speculative Buy.

IMMUNOVATIVE, INC. (OTC:BB - IMUN)

COMPANY OVERVIEW

Montreal-based Immunovative, Inc. is the exclusive worldwide licensee of any product commercialization covered under Israel-based Immunovative Therapies, Ltd.'s (ITL) current issued and pending patent application portfolio. The Company also owns the rights to any future patent applications, including improvements or modifications to the existing applications and any corresponding improvements or new versions of the existing products.

Founded in 2004, ITL is an Israeli biopharmaceutical company that was launched with the financial support of the Israel Office of the Chief Scientist. ITL is a graduate of the Misgav Venture Accelerator, which is a world-renowned Israel technological incubator program. ITL was the Misgav Venture Accelerator's candidate for the prize for the outstanding incubator project of 2006, awarded by the Office of the Chief Scientist. ITL specializes in the development of novel immunotherapy drug products that incorporate living immune cells as the active ingredients for treatment of cancer and infectious disease. ITL is developing a new class of immunotherapy drugs designed to harness the power of the immune system to treat cancer. ITL has two experimental immunotherapy products for the treatment of cancer already in clinical development, along with indications that the technology could be used to treat other deadly forms of cancer.

The Firm's lead products, *AlloStim™* and *AlloVax™*, are covered by Immunovative's 11 currently granted U.S. patents, with 17 U.S. patents pending and 29 corresponding applications pending internationally. *AlloStim™* has already successfully completed Phase I/II clinical trials with 42 advanced metastatic cancer patient and we believe that *AlloStim™* is poised to be fast-tracked by the FDA to enter into Phase II/III trials, given the unmet need of this disease, and how it has successfully treated patients with the latest phases of breast cancer. We should note that *AlloStim™* is also indicated for colorectal cancer.

AlloVax™ is a an experimental cancer vaccine that utilizes a novel mechanism of action, capable of shutting down the ability of the body's immune system to suppress immune attack on the tumor cells and is designed to be used after surgical resection of a primary tumor to prevent tumor recurrence. This vaccine has completed pre-clinical trials and is slated to engage in a Phase I/II for head and neck cancer.

In contrast with commercialized therapies, ITL's technology can be applied to multiple indications. Further development of some of these indications, which also include various forms of leukemia, glioblastoma, prostate and kidney cancer, along with NSCLC, is likely to be engaged and partially funded by such prestigious institutions as the Mayo Clinic, NCI, the University of Colorado, and the University of Arizona.

Upon successful completion of the phase II/II clinical trials in MBC and payment in full by Immunovative, Inc. of \$10 million, Immunovative, Inc. and ITL intend to consummate a transaction in which Immunovative, Inc. and ITL will merge to become a single entity. ITL's shareholders will own 75% of the new entity shares and the Immunovative, Inc.'s shareholders will own 25% of the new entity shares on a fully diluted basis, subject to adjustment. Considering the huge potential of *AlloStim™*'s MBC treatment alone, which is likely worth well over \$1billion in annual revenue, such a transaction would be ultimately be a very profitable one for IMUN and its shareholders.

Company Report

Breast Cancer

The Company's first target therapy is the treatment of metastatic breast cancer. Each year, roughly 226,000 women in the U.S. are diagnosed with breast cancer, with nearly 30% of them eventually developing metastatic breast cancer (MBC) which claims the lives of 40,000 women annually. The treatment of metastatic cancer is an unmet need with no effective treatment options available. Traditional first and second line treatments fail and generate metastatic recurrences on 50% of women facing metastatic breast cancer. Moreover, the 5-year survival rate for women diagnosed with metastatic breast cancer is 21% with a mean survival rate of approximately 3 years.

CANCER AND ITS FLAWED TREATMENT METHODS

It is no secret that despite our best efforts, the incidence of cancer has escalated to epidemic proportions, with cancer now striking nearly one in two men (44%) and more than one in three women (39%). This increase translates into approximately 56% more cancer in men and 22% more cancer in women over the course of a single generation. The National Cancer Institute estimates that the number of cancer cases will increase still further because of the growth and aging of the population, dramatically doubling by 2050.

Despite decades of research and new treatment approaches, adverse side effects remain high, reversals in overall mortality rates has been minimal and overall five-year survival rates for all cancers have remained virtually static since 1970, from 49 to 54 percent for all races combined, despite the fact that we now spend tens of billions annually on anti-cancer treatments.

While a number of different therapies for cancer exist, conventional cancer therapy has remained fundamentally unchanged for decades. The three major forms of cancer therapy remain: surgery, radiation and chemotherapy. Surgery and radiation therapies have long reached their limits. Thus, chemotherapy is still the current mainstay of cancer management. Unfortunately, at the end of the day, due to the high level of toxicity, the very expensive forms of chemotherapy have such debilitating emotional and physical side effects that many patients view the treatments to be worse than the disease itself. The reason for this is the fact that most chemotherapy drugs are broad-spectrum cytotoxic agents. Even though these drugs are designed to inflict greater damage on cancer cells than on normal cells, all chemotherapy drugs affect normal cells and cause severe side effects. The sad truth is that chemotherapy is a treatment attempt to kill the tumor before the drug kills the patient.

The major limitation of all current cancer therapies is the inability to eliminate the last tumor cell. This means that current cancer therapies, for the most part, can only extend survival but rarely can actually cure the disease. While current therapies can often initially eradicate measurable evidence of disease, they generally fail to eliminate all the tumor cells. Therefore, any remaining cells may proliferate and cause a relapse of cancer. In this common scenario, the first set of remaining cells has resisted chemotherapy/radiation. The offspring of these tumor cells that were not destroyed by the chemotherapy/radiation have a selective advantage, leaving the person with a recurrence of cancer that is often widespread and resistant to chemotherapy/radiation and other techniques.

IMMUNOTHERAPY 101

The ITL treatment technology is based upon a form of immunotherapy. Immunotherapy is a treatment that uses certain parts of the immune system, the body's natural defense system, which protects us to fight diseases such as cancer. This is accomplished by either stimulating the immune system to work harder or smarter to attack cancer cells, or giving the immune system components, such as man-made immune system proteins.

Originally, immunotherapy was believed to only be effective in combating infectious diseases caused by bacteria and viruses. More recently, we have learned that the immune system may play a central role in protecting the body against cancer and in combating cancer that has already developed. This latter role is not currently well understood, but there is evidence that in many cancer patients the immune system slows down the growth and spread of tumors. The body's ability to develop an immune reaction to tumors may help determine which patients are cured of cancer using conventional therapies, including surgery, radiation and drugs.

Unfortunately, in practice, most immunotherapies in cancer have failed due to the failure of stimulating the correct immune response, since the body's immune system is already weakened and compromised or have been unable to counteract the evolution of the tumor that is able to avoid the correct immune response.

One method, which involves an initial stage of chemotherapy, is known as a mini-transplant, and may be the most powerful anti-tumor method used. This method has been shown to demonstrate an immune response following allogeneic bone marrow/stem cell transplant (BMT) procedures and is a proven curative therapy for hematological malignancy and treatment of solid tumors. The process is mediated by transplanted immune cells derived from a normal tissue-matched donor.

Unfortunately, this method also generates lethal toxicity referred to Graft vs. Host Disease (GVHD), thus limiting the application of these mini-transplants.

THE IMMUNOVATIVE PROCESS: GOODBYE CHEMOTHERAPY

In Phase I/II trials, ITL appears to have successfully mirrored the curative anti-tumor effect found in the mini-transplants while eliminating the lethal toxicity associated with GVHD and does not require any chemotherapy through its *AlloStim™* procedure.

The *AlloStim™* procedure involves a series of steps. First, T-cells are manufactured from the blood of a normal donor, rather than a matched donor, as in the case of bone marrow/stem cell transplant. Precursor cells purified from blood are then mixed with social microparticles to provoke immune cells for 9 days in a culture. The cultured immune cells become highly inflammatory "angry" immune cells. When infused in the body, the cultured inflammatory cells stimulate the patient's own immune system to attack the tumor rather than engaging in the GVT effect. This effect is known as host-vs.-tumor (HVT) and it is the mirror image of the GVT effect.

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The patient's immune system is alerted by the infusion of foreign cells and raises up to reject the foreign cells, an effect known as host-vs.-graft (HVG). The HVG effect is the mirror image of the GVH effect. However, unlike the GVH effect the HVG effect is not toxic to a patient. The net result is that the *Mirror Effect™* separates the beneficial characteristics from the detrimental characteristics. Thus, the Company's method enables T-cell infusions to elicit mechanisms of action that mirror the same mediated by the mini-transplants with no toxicity.

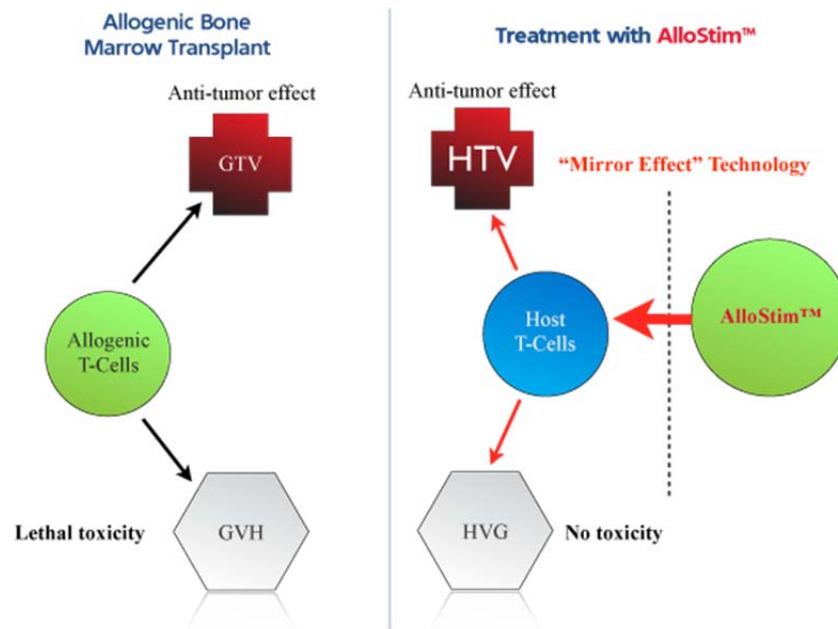


Image I. *The Mirror Effect™*

Source: www.imun.com

The reason that the GVT effect is such a powerful immune mechanism for curing cancers is that the interaction between the host and donor creates the release of an array of inflammatory cytokines that signal the body of an imminent danger. These danger signals shut down the ability of the tumor to avoid an immune attack and enable immune-mediated killing of tumors disseminated throughout the body. *The Mirror Effect™* creates these same danger signals in the context of a rejection response to a foreign cell infusion (HVG) rather than as an attack against normal tissues (GVH). As a result, the Mirror Effect™ has the potential to cause a proven curative anti-tumor effect of BMT without the extremely toxic side effects. **This may represent a new concept in the treatment of cancer.**

Phase I/II Results

ITL's Phase I/II clinical trial results were outstanding. The 42 breast cancer patient trial included 16 MBC patients who would be characterized as low performing MBC patients. Participants had exhausted all standard treatment options and the life expectancy in the trial was only 60 days. Remarkably, not only 26% survive more than 1 year but 21% survived over 18 months. Moreover, 31% of the MBC patients were still stable and surviving after one year. Clearly, the Company's technology demonstrated that anti-tumor killing activity correlates with survival.

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NEXT STEPS

A number of milestones in the near term should drive the stock substantially higher. These include peer journal publications, the launch of a Phase II/III trial in MBC, and further trials for the following indications as illustrated in the image below.

		Preclinical	Phase I	Phase II	Phase III	Next Milestone
ALLOSTIM™ Lead Product - Designed to elicit the same GVT anti-tumor effect from Mini-Transplant procedures without GVHD toxicity	Breast (Metastatic)					Phase II/III Q1-2013
	Colorectal					Phase II/III Q3-2013
ALLOVAX™ Cancer Vaccine - Designed to be used after surgical resection of a primary tumor to prevent tumor recurrence	Head & Neck					Phase I/II Q2-2013
	Child Leukemia					Phase I/II Q3-2013

Image II. Developmental Milestones
Source: www.imun.com

In addition, investors should look forward to the successful completion of the phase II/III trials in MBC, after which, a merger agreement calls for both IMUN and ITL to merge into a single entity capped at a valuation of \$40 million, with IMUN owning 25% and ITL 75% of the merged entity.

This represents to IMUN an option to acquire, at a value of \$30 million (75% of \$40 million), a biotech with multi-billion market potential. With a unique solution to an unmet medical need in an industry where the hurdles for market approval are very low, a conservative initial base valuation of \$1.39 billion has been calculated for ITL (\$1.8 billion for the merged entity). This is for one indication and one territory only (metastatic breast cancer in the U.S.).

THE IMMUNOVATIVE TEAM

Antonio Treminio – Chairman and Chief Executive Officer

Mr. Treminio serves as our president and chief executive officer and has served as a member of our Board of Directors since September of 2008. Mr. Treminio has over 20 years of experience with public companies. He started his career with Dean Witter Reynolds, having completed the Dean Witter Stockbroker training program in 1994. Mr. Treminio has also worked at PaineWebber and has served as a Director, Advisor and Consultant for other publicly traded companies. Mr. Treminio is the guiding force on the daily activities of the Company. His commitment and dedication is focused to maximize shareholder value. Mr. Treminio attended studies of Business Administration at Loyalist, College in Belleville, Ontario, Canada.

Seth Shaw - Vice President, Strategic Planning

Mr. Shaw has extensive experience building companies and securing financing from a broad range of both domestic and international institutional investors. Over the past 7 years, he has been instrumental in securing more than \$60 million in capital, in aggregate, for several small-cap and micro-cap companies. Mr. Shaw

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started his career at American International Group (AIG) Global Investment Group, after which he gained further experience working at a prestigious Manhattan based hedge fund.

In 2005, he founded Novastar Resources Ltd, a natural resources exploration company focused on the exploration and acquisition of mineral properties containing the element thorium. During this period, Mr. Shaw secured more than \$17 million in financing from top tier institutional investors and helped complete the merger between Novastar Resources and Thorium Power, holding the position of Director of Strategic Planning until mid-2007. Subsequently, the company changed its name to Lightbridge Inc. and currently trades on the NASDAQ (LTBR). Following the merger, Mr. Shaw has assisted several other companies in securing value added capital from institutional investors as well as providing management consulting services.

Among those, Mr. Shaw was instrumental in securing \$12,000,000 for NASDAQ listed flat panel display developer Uni-Pixel Inc. (UNXL). In addition Mr. Shaw served as the founding CFO of Los Angeles based Biotech firm Physician Therapeutics LLC ("PTL") in 2004. Subsequently PTL merged with Targeted Medical Pharma ("TMP"), which announced plans for a \$118 million NASDAQ IPO in February of 2011. Mr. Shaw graduated from Cornell University in 2001, with a degree in Policy Analysis Management and a concentration in Econometrics. Mr. Shaw currently serves on the Board of Directors of the Jewish Community Center (JCC) of Dutchess County (New York) and has been active in numerous charities and not for profits, including: The Robinhood Foundation (2007-2009), The Cypress Fund for World Peace and Security (2006-2010), and Magen.

Philippe Germain – Vice President, Investor Relations

In 2006, Mr. Germain initiated his career as a consultant after finishing his studies in economics and politics at University Laval (combined bachelor's in Economics and Political Science), specializing in the field of profitability studies and statistical studies. Mr. Germain is fluent in French, English and German. Mr. Germain has worked on several successful projects in Europe and North America with his primary emphasis on raising capital. Mr. Germain acts also as an advisor for entrepreneurs through acquisition, financing or business development.

Mr. Germain is the co-founder of Impera Advisory Inc., a business consulting firm headquartered in Montreal, Canada with special focus on assisting with strategic development plans and advising small medium enterprises and high-growth firms. Mr. Germain is also a co-founder of Impera Patrimoine France, a brokerage firm based in Paris with representative offices in Monaco. Mr. Germain also serves a board member of Azur Capital Management, a private Asset Management firm.

Guillaume Lariviere - Corporate Finance

Mr. Lariviere plays a strategic role in connection with the Company's business development strategies and financial projections. Guillaume is the founder of GlobalGL-Trade, a private consulting firm for business ventures, with the purpose of aligning, unifying and elevating all aspects of a company's identity with its intellectual capital. He has experience working for companies of multiple industries, such as mining, real estate, clean technologies, and also biotechnologies. He was a management consultant for Crea Biopharma, where he developed a successful business plan for the early-stage biotech venture.

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Earlier in his career, Guillaume has been a senior level financial analyst at several leading companies including H.R. Strategies Inc., CDQ and BCE. Guillaume is a summa cum laude graduate of the Finance Master's Program of the University of Sherbrooke, and holds a Bachelor of Commerce in Finance from the John Molson School of Business in Montreal. Prior to that, he lived several years in the United States and Mexico and speaks fluently in French, English and Spanish.

COMPETITIVE ADVANTAGES

In our view, the IMUN advantages are crystal clear. If the Company continues to demonstrate ground-breaking tumor-killing activity with no lethal toxicity and in increase in survival, it will have revolutionized the way we treat cancer. The rich IP portfolio is a crucial cog in the wheel of success while the strong developmental relationships with highly regarded institutions are also major advantages. The Company also has great leverage with respect to manufacturing. The Company has an easy, cost-effective manufacturing system favorable for patients, providers and payers. By sourcing from one normal blood donor rather than a matched donor, 1 donor can supply 20 patients, which is a huge advantage. Manufacturing is only a 9 day process and in contrast with targeted therapy leader Dendreon (NASDAQ – DNDN), is stable for 24 months, frozen.

With a fast track go ahead likely to be given by the FDA, the Company's lead product could be approved and commercialized in 3+ years, which is a very short timeline.

RISK FACTORS

In our view, IMUN's biggest risk factors are a technology that may not prove successful in future trials and the need to find further financing to pursue the research. If any of these issues develop in the next trial or in any trials for other cancer indications, it could be problematic for the Company. However, at this stage, that does not seem to be a likely even, given the current trial results. Furthermore, we believe that IMUN will be very successful in its development efforts but understand that the timing of the start of more clinical trials and potential commercialization could push meaningful revenue generation out to a later date, or in a smaller initial ramp, thus impacting the Company's revenue ramp or time to profitability. Competition from larger firms or even from newer entrants with new therapies is a typical concern and is also consistent with firms of IMUN's size and standing.

VALUATION AND CONCLUSION

The bottom line is that ITL technology could change the way we treat cancer and IMUN will be the driver of commercialization which could be worth billions in annual revenue. With a potential base case valuation of \$1.8 billion for the merged entity, taking into account the effect of potential dilution of future financing round, this represents a potential valuation of \$1.70 per share. This is for *AlloStim™*'s only and only for one indication and one territory (MBC in the U.S.). In the near term, each milestone, including peer review journal publications and the start of new trials, potential partnerships, and successful R&D, should have positive impact of the valuation of the company. Thus, the stock will likely be even-driven in the coming months. We rate IMUN Speculative Buy and will monitor our price target and adjust it accordingly as milestones are achieved.

Company Report

Analyst: Robert Goldman

Rob Goldman has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

Analyst Certification

I, Robert Goldman, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

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