NYMOX PHARMACEUTICAL CORP
Form 20-F
March 15, 2012

**United States**
**Securities and Exchange Commission**
**Washington, D.C. 20549**

# Form 20–F

[ ] Registration Statement pursuant to section 12(b) or (g) of the Securities Exchange Act of 1934
or
[ X ] Annual Report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 For the fiscal year ended December 31, 2011
or
[ ] Transition Report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934
or
[ ] Shell Corporation Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Date of event requiring this Shell Corporation Report
for the transition period from _____ to _____

Commission File Number: 001-12033

# NYMOX PHARMACEUTICAL CORPORATION

(Exact name of registrant as specified in its charter)

**Canada**
(Jurisdiction of incorporation or organization)

9900 Cavendish Blvd., Suite 306
St. Laurent, Quebec, Canada, H4M 2V2
(Address of principal executive offices)
Contact person: Roy Wolvin
Tel. 800-936-9669, e-mail: rwolvin@nymox.com,fax: 514-332-2227
(name, telephone, e-mail and/or facsimile number and address of company contact person) Securities registered or to be registered pursuant to Section 12(b) of the Act.

| Title of each class | Name of each exchange on which registered |
|---|---|
| Common Stock | The NASDAQ Stock Market LLC (NASDAQ Capital Market) |

Securities registered or to be registered pursuant to Section 12(g) of the Act

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

32,993,302 shares as of December 31, 2011

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes [ ] No [ X ]

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Yes [ ] No [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 [ X ] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website; if any, every interactive Date File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232-405 of this chapter) during the preceding twelve months (or for such shorter period that the registrant was required to submit and post such files).

Yes [ ] No [ ]

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

Large accelerated filer [ ] Accelerated filer [ X ] Non-accelerated filer [ ]

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

| | | |
|---|---|---|
| U.S. GAAP [ ] | International Financial Reporting Standards [ X ] as issued by the International Accounting Standards Board. | Other [ ] |

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 [ ] Item 18 [ ]

If this is an annual report, indicate by check mark whether the registrant is a shell Company (as defined in Rule 12b-2 of the Exchange Act).

Yes [ ] No [ X ]

In this annual report, the terms “Nymox”, “The Corporation”, “we” and “us” refers to both Nymox Pharmaceutical Corporation and its subsidiaries, Nymox Corporation and Serex Inc. Unless otherwise indicated all dollar amounts are in United States Dollars.

**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

You should be aware that this report contains forward-looking statements about, among other things, the anticipated operations, product development, financial condition and operating results of Nymox, proposed clinical trials and proposed transactions, including collaboration agreements.

By forward-looking statements, we mean any statements that are not statements of historical fact, including (but not limited to) statements preceded by or that include the words, “believes”, “expects”, “anticipates”, “hopes”, “targets” or similar expressions.

In connection with the “safe harbor” provisions in the Private Securities Litigation Reform Act of 1995, we are including this cautionary statement to identify some of the important factors that could cause Nymox’s actual results or plans to differ materially from those projected in forward-looking statements made by, or on behalf of, Nymox. These factors, many of which are beyond the control of Nymox, include Nymox’s ability to:

- identify and capitalize on possible collaboration, strategic partnering or divestiture opportunities;
- obtain suitable financing to support its operations and clinical trials;
- manage its growth and the commercialization of its products;
- achieve operating efficiencies as it progresses from a development-stage to a later-stage biotechnology corporation;
- successfully compete in its markets;
- realize the results it anticipates from the clinical trials of its products;
- succeed in finding and retaining joint venture and collaboration partners to assist it in the successful marketing, distribution and commercialization of its products;
- achieve regulatory clearances for its products;
- obtain on commercially reasonable terms adequate product liability insurance for its commercialized products and avoid product liability claims;
- adequately protect its proprietary information and technology from competitors and avoid infringement of proprietary information and technology of its competitors;
- assure that its products, if successfully developed and commercialized following regulatory approval, are not rendered obsolete by products or technologies of competitors; and
- not encounter problems with third parties, including key personnel, upon whom it is dependent.

Although Nymox believes that the forward-looking statements contained in this annual report are reasonable, it cannot ensure that its expectations will be met. These statements involve risks and uncertainties. Actual results may differ materially from those expressed or implied in these statements. Factors that could cause such differences include, but are not limited to, those discussed under “Risk Factors.”

**PART I**

**ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**
Not Applicable

**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**
Not Applicable

**ITEM 3. KEY INFORMATION**

**Selected Financial Data**

The following table sets forth selected consolidated financial data for Nymox for the periods indicated, derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") for 2011 and 2010 and in accordance with Canadian generally accepted accounting principles ("GAAP"), reconciled to U.S. GAAP, for 2009, 2008 and 2007. The financial statements have been audited by KPMG LLP, Montreal, Canada as at and for the years ended December 31, 2007, 2008, 2009, 2010 and 2011 and are reported in U.S. dollars. The data set forth below should be read in conjunction with the Corporation's consolidated financial statements and notes thereto included in Part I, Item 8 of this report.

**NYMOX PHARMACEUTICAL CORPORATION**
**Selected Consolidated Financial Data**

(In U.S. dollars)

| | **Dec. 31, 2011 IFRS** | **Dec. 31, 2010 IFRS** | **Dec. 31, 2009(1) CANADIAN GAAP** | **Dec. 31, 2008(1) CANADIAN GAAP** | **Dec. 31, 2007(1) CANADIAN** |
|---|---|---|---|---|---|
| Current Assets | $ 6,335,710 | $ 13,470,096 | $ 1,074,279 | $ 480,505 | $ |
| Property & Equipment | 22,160 | 14,730 | 16,152 | 21,525 | |
| Patents & Intellectual Property | 0 | 0 | 0 | 220,855 | |
| Total Assets | 6,375,266 | 13,502,222 | 1,090,431 | 749,879 | |
| Total Current Liabilities | 3,429,092 | 5,195,503 | 1,742,597 | 1,256,885 | 1, |
| Share Capital | 66,062,961 | 62,855,147 | 57,955,147 | 53,850,147 | 50, |
| Equity | (5,197,559 ) | (2,454,614 ) | (1,452,166 ) | (1,307,006 ) | (1, |
| Total Revenues | 3,113,815 | 691,450 | 415,980 | 428,409 | |
| Sales | 496,215 | 582,383 | 415,980 | 426,675 | |
| Research & Development Expenditures (2) | 8,974,171 | 4,880,126 | 3,043,219 | 2,388,911 | 3, |
| Net Loss | 9,652,389 | 6,536,313 | 5,130,074 | 4,637,103 | 5, |
| Loss per Share (basic & diluted) | $ 0.30 | $ 0.20 | $ 0.17 | $ 0.16 | $ |
| Weighted Avg. No. of Common Shares | 32,711,431 | 31,940,584 | 30,717,822 | 29,749,000 | 29, |

| | | | **U.S. GAAP** (1) | **U.S. GAAP** (1) | **U.S. GAAP** ( |
|---|---|---|---|---|---|
| Net Loss | N/A | N/A | $ 5,282,534 | $ 4,590,345 | $ 5, |
| Loss per Share | N/A | N/A | 0.17 | 0.15 | |
| Shareholders' Equity | N/A | N/A | 2,102,997 | 2,400,617 | 2, |

(1) The Corporation adopted IFRS in 2011 with a transition date of January 1, 2010. Consequently, the selected consolidated financial data for 2009, 2008 and 2007, which was presented in conformity with Canadian GAAP, and with U. S. GAAP, was not restated in accordance with IFRS and accordingly, is not comparable with the information for 2011 and 2010.

(2) We earn research tax credits by making qualifying research and development expenditures. These amounts shown are net of research tax credits and grants.

**Risk Factors**

Investing in our securities involves a significant degree of risk. You should carefully consider the risks described below, together with all of the other information in our publicly filed documents, before making an investment decision. If any of the following risks actually occurs, our business, financial condition or results of operations could be adversely affected. In such an event, the trading price of our Common Shares could decline and shareholders may lose part or all of their investment in our securities.

**Our Clinical Trials for our Therapeutic Products in Development, Such as NX-1207, May Not Be Successful and We May Not Receive the Required Regulatory Approvals Necessary to Commercialize These Products**

Products requiring regulatory approval, such as NX-1207, will be approved for commercial sale only if governmental regulatory authorities are satisfied that our clinical trials are properly designed and conducted and that the results of those trials provide valid and acceptable evidence that the product is safe and effective for the conditions or diseases it is intended to treat. We do not know whether our pending or any future clinical trials will demonstrate sufficient safety and efficacy to obtain the requisite regulatory approvals or will result in marketable products. Clinical trials are lengthy, complex, expensive and uncertain processes and failure can occur at any stage of testing. Results attained in pre-clinical testing or in early clinical trials may not be indicative of results that are obtained in later studies. We may suffer significant setbacks in advanced clinical trials, even after promising results in earlier studies. Based on results at any stage of clinical trials, we may decide to repeat or redesign a trial or discontinue development of one or more of our product candidates. If we fail to adequately demonstrate the safety and efficacy of our products under development, we will not be able to obtain the required regulatory approvals to commercialize our product candidates. Failure to obtain such approval could cause the price of our shares to decline and adversely affect our business, operations, product development programs and financial condition.

**Our Clinical Trials for Our Therapeutic Products, Such as NX-1207, May Be Delayed, Making it Impossible to Achieve Anticipated Development or Commercialization Timelines**

Delays in the initiation, conduct or completion of clinical trials are not uncommon. If one or more of our clinical trials is delayed, we may be unable to meet our anticipated development or commercialization timelines. Either circumstance could cause the price of our shares to decline, increase clinical trial and product development costs, and affect the Corporation’s business, operations, product development programs and financial condition.

The design, conduct and completion of clinical trials is a complex process involving many third parties, including governmental authorities, institutional review boards, contract manufacturers, contract research organizations (CROs), consultants, investigators, patients, and data monitoring committees. The initiation, progress, completion and success of a clinical trial is in part dependent on third parties providing necessary approvals, agreements and consents, performing necessary tasks in a timely, competent manner, and complying with protocols, good clinical practices and applicable laws, rules and regulations. Failure of a third party to perform as expected or agreed upon may result in delays or failure in initiating or completing a clinical trial.

Our clinical trials are subject to prior approvals and continuing oversight by governmental regulatory authorities and institutional review boards. We must meet and comply with their requirements in order to start, continue and successfully complete a clinical trial. We may not be able to comply with one or more of these requirements or there may be delays in doing so. A clinical trial may be put on hold or halted altogether due to concerns about patient safety. Governmental regulatory authorities may change approvals or requirements, resulting in changes to the design or conduct of a clinical trial or the need for new or further clinical trials.

Clinical trials for our product candidates require that we identify and enroll a large number of patients with the disorder under investigation. We may not be able to enroll a sufficient number of patients to complete our clinical trials in a timely manner. Patient enrollment is a function of many factors including:

- design of the protocol;
- the size of the patient population;
- eligibility criteria for the study in question;
- perceived risks and benefits of the drug under study;
- availability of competing therapies;
- efforts to facilitate timely enrollment in clinical trials;
- patient referral practices of physicians; and
- availability of clinical trial sites.

If we have difficulty enrolling a sufficient number of patients to conduct our clinical trials as planned, we may need to delay or terminate ongoing clinical trials.

**A Setback in Any of Our Clinical Trials Would Likely Cause a Drop in the Price of Our Shares**

We have successfully completed several Phase 1 and Phase 2 multi-center, blinded and controlled clinical trials, and follow-up studies, in the U.S. for NX-1207, our drug candidate for the treatment of enlarged prostate (benign prostatic hyperplasia or “BPH”), and we are currently in Phase 3. The clinical testing of drug candidates is fraught with uncertainties and positive results

from earlier clinical trials may not be repeated in later trials. As well, government regulators such as the U.S. Food and Drug Administration, or FDA, may require additional testing or further documentation relating to the preclinical testing, clinical studies, manufacturing or other issues at any time. These requirements may result in substantial delays in obtaining regulatory approval or make obtaining such approval much more difficult. Setbacks in any phase of the clinical development of our product candidates could have a negative impact on our business, operations, product development programs and financial condition, could jeopardize FDA or other regulatory approval and would likely cause a drop in the price of our shares.

**We May Not be Able to Make Adequate Arrangements with Third Parties for the Commercialization of Our Product Candidates, such as NX-1207**

In order to commercialize our product candidates successfully, we intend, on a product-by-product basis, either to make arrangements with third parties to perform some or all of these services or to expand our existing sales, marketing and distribution capabilities. We currently have limited sales and marketing capabilities and limited experience in developing, training or managing a large marketing or sales force. We currently rely primarily upon distributors for the sales of our existing products. The cost of establishing and maintaining a larger sales force would be substantial and may exceed its cost effectiveness. In addition, in marketing our products, we would likely compete with many companies that currently have extensive and well-funded marketing and sales operations. Despite our marketing and sales efforts, we may be unable to compete successfully against these companies. We may make arrangements with third parties to market and sell some or all of our products under development in certain territories, rather than establish our own sales force. We may not be able to do so on favorable terms. If we contract with third parties for the sales and marketing of our products, our revenues will depend upon the efforts of these third parties, whose efforts may not be successful.

We anticipate entering into co-development and co-marketing agreements with one or more partners with established sales, marketing and regulatory capabilities in order to assist in the completion of the development and commercialization of NX-1207. We may not be able to do so on favourable terms. If we fail to establish or make adequate arrangements with third parties for such purposes, our business, operations, product development programs and financial condition will be materially adversely affected.

In December 2010, the Corporation signed a license and collaboration agreement with Recordati, a European pharmaceutical group, for the development and commercialization of NX-1207 in Europe including Russia and the CIS, the Middle East, the Maghreb area of North Africa and South Africa (the “Licensed Territory”). The license and collaboration agreement covers the use of NX-1207 for the treatment of BPH as the initial indication for development and commercialization. The success of this agreement is contingent on Recordati’s ability to secure marketing approval from the European Medicines Agency (EMA) and other government regulatory agencies in the Licensed Territory. Failure to secure such approvals, inability to establish satisfactory reimbursement prices for sale of approved products, and difficulties with commercialization in the Licensed Territory could significantly impact our revenues from this agreement.

**We May Not Achieve Our Projected Development Goals in the Time Frames We Announce and Expect**

We make public statements regarding the achievement of our milestones, such as the commencement and completion of clinical trials, regulatory submission and approval dates and time of product launch. The actual timing of these events can vary dramatically due to factors such as delays or failures in our clinical trials, the uncertainties inherent in the regulatory approval process and delays in achieving manufacturing or marketing arrangements sufficient to commercialize our products. There can be no assurance that our clinical trials will be completed, that we will make regulatory submissions or receive regulatory approvals as planned or that we will be able to adhere to our current schedule for the launch of any of our products. If we fail to achieve one or more of these milestones as planned, the

price of our shares could decline.

**Even If We Obtain Regulatory Approvals for Our Product Candidates, We Will be Subject to Stringent Ongoing Government Regulation**

Even if regulatory authorities approve any of our product candidates, the manufacture, marketing and sale of such products will be subject to strict and ongoing regulation. Compliance with such regulation will be expensive and consume substantial financial and management resources. For example, an approval for a product may be conditioned on our conducting costly post-marketing follow-up studies. In addition, if based on these studies, a regulatory authority does not believe that the product demonstrates a benefit to patients, such authority could limit the indications for which the product may be sold or revoke the product's regulatory approval.

We and our contract manufacturers will be required to comply with applicable current Good Manufacturing Practice ("cGMP") regulations for the manufacture of our products. These regulations include requirements relating to quality assurance, as well as the corresponding maintenance of records and documentation. Manufacturing facilities must be approved before we can use them in commercial manufacturing of our products and are subject to subsequent periodic inspection by regulatory authorities. In addition, material changes in the methods of manufacturing or changes in the suppliers of raw materials are subject to further regulatory review and approval.

If we or any marketing collaborators or contract manufacturers fail to comply with applicable regulatory requirements, we may be subject to sanctions including fines, product recalls or seizures, injunctions, total or partial suspension of production, civil penalties, withdrawals of previously granted regulatory approvals and criminal prosecution. Any of these penalties could delay or prevent the development, marketing or sale of our products.

**It is Uncertain When, if Ever, We Will Make a Profit**

We first began operations in 1995 and are only in the early stages of commercial marketing of our diagnostic products, AlzheimAlert™, NicAlert™ and TobacAlert™. We have never made a profit. We incurred a net loss of approximately $6.5 million in 2010 and $9.7 million in 2011. As of December 31, 2011, Nymox's accumulated deficit was approximately $82.1 million.

We cannot say when, if ever, Nymox will become profitable. Profitability will depend on our uncertain ability to generate revenues from the sale of our products and the licensing of our technology that will offset the significant expenditures required for us to advance our research, protect and extend our intellectual property and develop, manufacture, license, market, distribute and sell our technology and products successfully. Similar types of expenditures in the past have contributed to the net losses reported above.

**We May Not Be Able to Raise Enough Capital to Develop and Market Our Products**

Nymox has funded its operations primarily by selling shares of its common stock. Since late 1998, a small portion of the funds came from sales. However, sales have not been, and may not be in the foreseeable future, sufficient to meet our anticipated financial requirements. In December 2010, the Corporation received an upfront payment of € 10 million (US$13.1 million) pursuant to a license and collaboration agreement with Recordati for the development and commercialization of NX-1207 in the Licensed Territory. Future payments under this agreement are contingent in part on Recordati's ability to secure regulatory approvals in the licensed territory and may be delayed or not occur.

We will continue to need to raise substantial amounts of capital for our business activities including our research and development programs, the conduct of clinical trials needed to obtain regulatory approvals and the marketing and sales of our products. We anticipate being able to fund our current total annual budgeted expenditures of approximately $5.5 – 9.5 million per year over the next year through our current cash position and additional financing, including draw downs through our Common Stock Private Purchase agreement with Lorros-Greyse Investments, Ltd. ("Lorros-Greyse"). The Corporation must comply with general covenants in order to draw on its facility including maintaining its stock exchange listing and registration requirements and having no material adverse effects, as defined in the agreement, with respect to the business and operations of the Corporation. Clinical trials will substantially increase cash requirements. We anticipate being able to meet these requirements as they arise. We plan to raise capital either through a new round of financing and/or through partnering with a major pharmaceutical corporation. The financial crisis in the United States and the global economic recession has had a negative impact on the availability of liquidity in the market and may have an effect on the liquidity of Lorros-Greyse. Additional financing may not be available when needed, or, if available, may not be available on acceptable terms. If adequate funds on acceptable terms are not available, we may have to curtail or eliminate expenditures for research and development, testing, clinical trials, promotion and marketing for some or all of our products.

**We Face Challenges in Developing, Manufacturing and Improving Our Products**

Our success depends on our ability to develop or acquire rights to new products or to improve our existing products. We are still developing many of our products and have not yet brought them to market. We cannot assure you that we will be able to develop or acquire rights to such products and to market them successfully.

Developing a treatment for Alzheimer's disease is particularly challenging. Many pharmaceutical companies, institutions and researchers are working on many different approaches and treatments. There is no consensus among researchers about the cause of this fatal illness and no guarantee that our drug development programs in this area are targeting significant factors in its cause, progression or symptoms. It is difficult to design drug candidates that can cross from the bloodstream into the brain, where the damage from Alzheimer's disease is occurring. Clinical trials to

establish efficacy for drugs that slow down the progression of Alzheimer's disease over a period of months or years often require that a large number of subjects be tracked over many months or years, making them very expensive to conduct. The potentially long period from discovery and patenting through development and regulatory approval to the market can significantly reduce the patent life of an Alzheimer's disease treatment. Any marketed treatment in this area may well eventually face competition from "me-too" drugs developed by other pharmaceutical companies based on our research. We will be under constant competitive pressure to improve our products and to develop new treatments in order to protect our position in the field.

Developing and improving our diagnostic products is also challenging. The science and technology of the detection and measurement of very small amounts of biochemicals in bodily fluids and tissue is evolving rapidly. We may need to make significant expenditures in research and development costs and licensing fees in order to take advantage of new technologies. If any major changes to our testing technologies used in our AlzheimAlert™, NicAlert™ or TobacAlert™ tests are made, further validation studies will be required. Developing new diagnostic products is more challenging, requiring identification and validation of the biochemical marker being detected by the new product in the clinical context and the development and validation of the product designed to detect the marker.

We anticipate outsourcing at least some of the manufacturing required for new products we may develop in order to control start-up and operating costs and to take advantage of the existing manufacturing capabilities and capacity in the large contract manufacturing sectors in the pharmaceutical and diagnostic industries. There are risks associated with this strategy, including difficulties in the transfer of manufacturing, the possibility of production interruption due to causes beyond our control and the need to arrange alternative suppliers. We currently out-source some of the manufacturing services required for our NicAlert™

and TobacAlert™ products to a contract manufacturer. We do not anticipate any significant risk of long-term interruption of manufacture due to this arrangement. The services supplied are not unique or unduly complicated and other contract manufacturers are available to provide similar services. The manufacture of therapeutics is more challenging and capital-intensive and may require us to partner with a major pharmaceutical corporation or other partner in order to manufacture a therapeutic for market.

**Our Products and Services May Not Receive Necessary Regulatory Approvals**

Our diagnostic products, AlzheimAlert™, NicAlert™ and TobacAlert™, and our products in development, are subject to a wide range of government regulation governing laboratory standards, product safety and efficacy. The actual regulatory schemes in place vary from country to country and regulatory compliance can take several years and involve substantial expenditures.

We cannot be sure that we can obtain necessary regulatory approvals on a timely basis, if at all, for our products in development and all of the following could have a material adverse effect on our business:

- failure to obtain or significant delays in obtaining requisite approvals;
- loss of or changes to previously obtained approvals; and
- failure to comply with existing or future regulatory requirements.

Any changes in the Centers for Medicare and Medicaid Services (“CMS”) or state law requirements or in the U.S. Food and Drug Administration (“FDA”) regulations could have a detrimental impact on our ability to offer or market any reference laboratory services and/or on our ability to obtain reimbursement from the Medicare and Medicaid programs and providers.

We have developed a diagnostic kit based on AlzheimAlert™ for sale to third parties. We will require prior approval from the FDA before we can market, distribute or sell this product in the United States. In July 2005, an FDA advisory panel voted 5-2 against approval of our kit, citing the need for further studies, such as long term follow-up and autopsy confirmation.

Similar requirements exist in many other countries. Obtaining these approvals and complying with the subsequent regulatory requirements can be both time-consuming and expensive.

In the United States, our drugs in development will require final FDA approval before their sale or distribution. Such approval comes only at the end of a lengthy, expensive and often arduous process. In September, 2006, we announced the successful completion of a multi-center, double-blind, placebo-controlled Phase 2 trial of NX-1207, our lead candidate for the treatment of BPH, a common disorder of older men. The Corporation reported positive results in 2007 and 2008 in several follow-up studies of BPH patients. In February 2008, the Corporation reported positive results in a 32 site U.S. Phase 2 prospective randomized clinical trial, with statistically significant improvement compared to an approved BPH drug (finasteride). In February 2009, the Corporation reported concluding a positive and productive End of Phase 2 (“EOP2”) meeting with the FDA concerning the Phase 3 program for NX-1207. In June 2009, the Corporation began conducting the first of two pivotal double blind placebo controlled Phase 3 trials for NX-1207 that incorporate the specific protocol design recommendations provided to the Corporation by the FDA. The two pivotal Phase 3 studies for NX-1207 are being conducted at well known investigational sites across the U.S. with planned enrollment of 1,000 patients. We cannot predict with any certainty the outcome of this program, what further steps may be required in order to apply for final FDA approval for this drug or whether the FDA will ultimately grant us such approval. Similar requirements exist in many other countries.

**We Face Significant and Growing Competition**

The modern pharmaceutical and biotechnology industries are intensely competitive, particularly with respect to Alzheimer's disease where there is a large unmet need for an effective treatment. Currently there are five drugs with similar mechanisms of action approved for sale in the United States (Aricept®, Cognex®, Exelon®, Razadyne® and Namenda®). These drugs offer some relatively short-term symptomatic relief, but do not treat the underlying causes of the illness. Over the past decade, there has been an intense research effort both in the non-profit sectors such as universities, government agencies and research institutes and in the pharmaceutical and biotechnology industry to develop new treatments for Alzheimer's disease. Treatment candidates under development include:

- vaccines and other immunotherapies for Alzheimer's disease. A number of pharmaceutical and biotechnology companies including Pfizer, Johnson & Johnson, Genentech and Baxter are working on such therapies.
- drugs aimed at reducing, blocking or clearing the aggregation or accumulation of the protein found in senile plaques. A number of pharmaceutical and biotechnology companies including Elan, Lilly, Pfizer and Prana Biotechnology are working on such therapies.
- drugs designed to enhance cognition from AstraZeneca and Roche among others.

There is also ongoing research into possible methods of preventing Alzheimer's disease such as taking certain cholesterol-lowering drugs called statins, estrogen replacement therapies, anti-oxidants such as vitamin E and ginkgo biloba, nutraceuticals such as resveratrol and docosahexanoic acid (DHA) (an omega 3 fatty acid), or anti-inflammatory drugs such as ibuprofen (*e.g.,* Advil® or Motrin®). The successful development of a treatment or method of preventing Alzheimer's disease could significantly impact on our ability to develop or market a competing treatment for Alzheimer's disease.

Our treatments under development for enlarged prostate BPH face significant competition from existing products. There are eight drugs approved for treatment of BPH: four proprietary drugs (dutasteride (Avodart®), tamsulosin (Flomax®), alfusozin (Uroxatral®), and silodosin (Rapaflo®)), a combination of two drugs (dutasteride and tamsulosin) (Jalyn™), and four generics (finasteride, terazozin, doxazozin, and prazosin). There are a number of thermal treatments on the market designed to shrink the enlarged prostate by heating its tissue with a device inserted through the urethra (the passage leading from the bladder through the penis through which men urinate). The devices on the market use microwave energy (Prostatron®, Targis Therapy® or TherMatrx®), low level radiowaves (TUNA System®), lasers (Indigo LaserOptic Treatment System® or Laserscope GreenLight PVP™), direct heat, energy or hot water to heat or burn away prostate tissue. A variety of surgical procedures exist to surgically reduce or remove the prostate or to widen the urethra. These include procedures to cut away prostate tissue such as TURP (transurethral resection of the prostate) and using a resectoscope with an electrical loop inserted through the penis to cut the prostate tissue. A small device used to widen the constricted urethra called a prostatic stent can also be inserted.

The diagnostic testing industry is also highly competitive. In the area of Alzheimer's disease, Athena Diagnostics, Inc. markets diagnostic tests for different biochemical indicators found in blood and spinal fluid and for genetic predispositions for the illness. Other companies are attempting to develop and market other diagnostic products in this area. Lilly has applied for approval of Amyvid™ (florbetapir), an imaging agent intended to help detect the signs of Alzheimer's disease. In January 2011 an FDA panel voted 13-2 to recommend against approval at that time. Lilly is continuing to pursue FDA approval of Amyvid™; GE and Bayer are also developing similar technologies. The introduction of other diagnostics products for Alzheimer's disease or tobacco product use that are cheaper, easier to perform, more accurate or otherwise more attractive to the physicians, health care payers or other potential customers would have a significant impact on the sales of our AlzheimAlert™, NicAlert™ or TobacAlert™ products.

**We May Not Be Able to Successfully Market Our Products**

To increase our marketing, distribution and sales capabilities both in the United States and around the world, we will need to enter into licensing arrangements, contract sales agreements and co-marketing deals. We cannot assure you that we will be able to enter into agreements with other companies on terms acceptable to us, that any licensing arrangement will generate any revenue for the Corporation or that the costs of engaging and retaining the services of a contract sales organization will not exceed the revenues generated.

**Protecting Our Patents and Proprietary Information is Costly and Difficult**

We believe that patent and trade secret protection is important to our business, and that our success will depend, in part, on our ability to obtain strong patents, to maintain trade secret protection and to operate without infringing the proprietary rights of others.

Obtaining and maintaining our patent position is costly. We pay for the filing, prosecution and fees of several hundred patents and patent applications in countries around the world, including the United States, Europe, Japan, Canada, Australia, New Zealand and South Korea. In the United States alone, Nymox has twenty-three patents issued or allowed relating to its technology. Our subsidiary, Serex, Inc. has thirteen patents.

While we believe that we have strong patent protection for the products we sell and for our product development programs and we are in the process of extending that patent protection to cover more countries or new discoveries or products, we cannot assure you that additional patents covering new products or improvements will be issued or that any new or existing patents will be of commercial benefit or be valid and enforceable if challenged.

Many companies have patents covering various drugs, methods and discoveries in the fields of diagnostics and therapeutics for Alzheimer's disease and related conditions and of new anti-infective agents. We believe that the

patents issued to date should not preclude Nymox from developing and marketing our products; however, it is impossible to predict the extent to which licenses from third parties will be necessary. If Nymox were to need licenses from third parties there can be no assurance that we could obtain such licenses on commercially reasonable terms, if at all.

In the fields of diagnostic methods and diagnostic tests for common human diseases and conditions, where Serex has many of its patents, there are many patents issued covering many areas of diagnostic methods, tests and technologies. We believe that these patents issued to date to other companies will not preclude Serex from developing and marketing its products but you should be aware that it is often difficult to determine the nature, breadth and validity of competing patent claims in these fields, that there has been significant litigation in some of these areas (not involving Serex) and that, if and when Serex's products become more commercially successful, Serex's products or patents may become the subject matter of litigation. If Serex were to need licenses from third parties there can be no assurance that it could obtain such licenses on commercially reasonable terms, if at all.

We are not currently involved in patent litigation. In the pharmaceutical and biotechnology industry patent disputes are frequent and can preclude the commercialization of products. Patent litigation is costly and the outcome often difficult to predict. It can expose us to significant liabilities to third parties and may require us to obtain third-party licenses at a material cost or cease using the technology or product in dispute.

**We Face Changing Market Conditions**

The healthcare industry is in transition with a number of changes that affect the market for therapeutic and diagnostic test products. The U.S. federal and various state governments have under consideration a number of proposals that may have the effect of directly or indirectly limiting drug prices in the U.S. markets. In March 2010, the United States enacted health care reform legislation. Important market reforms have begun and will continue through full implementation in 2014. The United States Supreme Court said that it will hear arguments this spring challenging the constitutionality of the new laws. The new law is expected to expand access to health care to more than 32 million Americans by the end of the decade. These changes may adversely affect the prices we may charge for any therapeutic drug we develop. Funding changes and budgetary considerations can lead major health care payers and providers to make changes in reimbursement policies for our products. These changes can seriously impact the potential for growth for the market for our products, either favorably when the decision is to offer coverage for our products at a reasonable price or negatively when the decision is to deny coverage altogether. Changes in the healthcare delivery system have resulted in consolidations and in the formation of multi-hospital alliances, reducing the number of institutional customers for therapeutic and diagnostic test products. There can be no assurance that Nymox will be able to enter into and/or sustain contractual or other marketing or distribution arrangements on a satisfactory commercial basis with these institutional customers.

**Health Care Plans May Not Cover or Adequately Pay for Our Products and Services**

Throughout the developed world, both public and private health care plans are under considerable financial and political pressure to contain their costs. The two principal methods of restricting expenditures on drugs and diagnostic products and services are to deny coverage or, if coverage is granted, to limit reimbursement. For single-payer government health care systems, a decision to deny coverage or to severely restrict reimbursement for one of our products can have an adverse effect on our business and revenues.

In the United States, where, to a significant degree, the patient population for our products is elderly, Medicare and Medicaid are sources of reimbursement. In general, any restriction on reimbursement, coverage or eligibility under either program could adversely affect reimbursement to Nymox for products and services provided to beneficiaries of the Medicare and/or Medicaid programs. Many elderly people are covered by a variety of private health care organizations either operating private health care plans or Medicare or Medicaid programs subject to government regulation. These organizations are also under considerable financial constraints and we may not be able to secure coverage or adequate reimbursement from these organizations. Without coverage, we will have to look to the patients themselves who may be unwilling or unable to pay for the product; in turn, doctors may be reluctant to order or prescribe our products in the absence of coverage of the product for the patient.

**We Are Subject to Continuing Potential Product Liability Risks, Which Could Cost Us Material Amounts of Money**

We may be subject to product liability which could task our critical resources, delay the implementation of our business strategy, result in products being recalled or removed from the market, and materially and adversely harm our business and financial condition due to the costs of defending such legal actions or the payment of any judgments or settlements relating to such actions or both. Our business exposes us to the risk of product liability claims that is inherent in the development and marketing, distribution, and sale of pharmaceutical and diagnostic products. If any of our product candidates or marketed products harms people, or is alleged to be harmful, we may be subject to costly and damaging product liability claims brought against us by clinical trial participants, consumers, patients, health care providers, corporate partners or others.

We have product liability insurance covering our ongoing clinical trials and marketed products. Our insurance coverage may not be sufficient to cover fully all potential claims, nor can we guarantee the solvency of any of our insurers. If our claims experience results in higher rates, or if product liability insurance otherwise becomes costlier because of general economic, market or industry conditions, then we may not be able to maintain product liability coverage on acceptable terms. If sales of our products increase materially, or if we add significant products to our portfolio, then we will require increased coverage and may not be able to secure such coverage at reasonable rates or terms. If our insurance coverage is not sufficient to cover fully all potential claims, the Corporation would be exposed to the risk that our litigation costs and liability could exceed our total assets and our ability to pay.

**The Issuance of New Shares May Dilute Nymox's Stock**

The Corporation relies almost exclusively on financing to fund its operations. In order to achieve the Corporation's business plan and realization of its assets and liabilities in the normal course of operations, the Corporation anticipates the need to raise additional capital and/or achieve sales and other revenue generating activities. The Corporation depends on financing under the Common Stock Private Purchase Agreement to fund its operations. Moreover, Nymox may use its shares as currency in acquisitions. The issuance of further shares and the eligibility of issued shares for sale will dilute our common stock and may lower its share price. There were 32,996,302 common shares of Nymox issued and outstanding as of March 15, 2012. In addition, 5,375,500 share options are outstanding, of which 5,218,625 are currently vested. Expiry dates for Nymox options range from 13 months to 9.4 years (see note 9(b) to our consolidated financial statements). These options have been granted to employees, officers, directors and consultants of the Corporation.

**We Face Potential Losses Due to Foreign Currency Exchange Risks**

Nymox incurs certain expenses, principally relating to salaries and operating expenses at its Canadian head office, in Canadian dollars. All other expenses are derived in U.S. dollars. As a result, we are exposed to the risk of losses due to fluctuations in the

exchange rates between the U.S. dollar and the Canadian dollar. We protect ourselves against this risk by maintaining cash balances in both currencies. We do not currently engage in hedging activities. The Corporation may suffer losses as a result of unfavorable fluctuations in the exchange rates between the United States dollar and Canadian dollar.

**We Have Never Paid a Dividend and are Unlikely to do so in the Foreseeable Future**

Nymox has never paid any dividends and does not expect to do so in the foreseeable future. We expect to retain any earnings or positive cash flow in order to finance and develop Nymox's business.

**ITEM 4. INFORMATION ON THE CORPORATION**

**History of the Corporation**

Nymox Pharmaceutical Corporation was incorporated under the Canada Business Corporations Act in May, 1995 to acquire all of the common shares of DMS Pharmaceutical Inc., a private Corporation which had been carrying on research and development since 1989 on diagnostics and drugs for brain disorders and diseases of the aged with an emphasis on Alzheimer's disease. Nymox has two subsidiaries: one wholly-owned subsidiary named Nymox Corporation and the other a majority owned subsidiary named Serex, Inc., acquired in 2000. Both subsidiaries are based in the same building in Hasbrouck Heights, New Jersey. Nymox Corporation conducts some research and development, while Serex conducts research and development, and some of the manufacturing for NicAlert™ and TobacAlert™.

Nymox's principal executive offices are located at:

Nymox Pharmaceutical Corporation

9900 Cavendish Boulevard, Suite 306, St. Laurent, Quebec, Canada, H4M 2V2
Phone: (800) 936-9669 Fax: (514) 332-2227

Nymox's registered agent in the United States is:

CT Corporation System

111 Eighth Avenue, 13th Floor
New York, NY, 10011

Nymox's two subsidiaries are located at:

Nymox Corporation

777 Terrace Avenue
Hasbrouck Heights, NJ, USA 07604

Serex, Inc.

777 Terrace Avenue
Hasbrouck Heights, NJ, USA 07604

Nymox Pharmaceutical Corporation is a biopharmaceutical Corporation with three proprietary products on the market, and a significant R&D pipeline of products in development for the treatment of such conditions and diseases as enlarged prostate (benign prostatic hyperplasia or BPH), Alzheimer's disease (AD), E. coli O157:H7 contamination of food and drink products, and bacterial infections and for the diagnosis of AD and other indications. Nymox also has U.S. and global patent rights for the use of statin drugs for the treatment and prevention of Alzheimer's disease.

**Acquisition of a Majority Interest in Serex, Inc.**

In March 2000, we acquired a controlling interest in Serex, Inc., a privately held diagnostic Corporation based in New Jersey and now own approximately 99% of its common stock.

Serex's patented diagnostic technologies include its particle valence technology, a highly sensitive, new method to detect very small amounts of biochemical indicators in body fluids such as blood, urine and saliva. This technology can be adapted to detect a wide range of biochemical indicators for diseases, conditions and drug use. Our NicAlert™ and TobacAlert™ employ this technology to measure levels of one of the metabolic products of nicotine in human urine, in order to determine whether a person is using or has been exposed to a tobacco product. NicAlert™ and TobacAlert™ are currently being distributed by Nymox and Jant Pharmacal Corporation.

**Products**

***NicAlert™ for Tobacco Product Use and TobacAlert™ for Second-Hand Smoke Exposure***

Nymox has developed and markets NicAlert™ and TobacAlert™, which are inexpensive, simple-to-use test strips for determining whether a person is using tobacco products (NicAlert™) or has been recently exposed to second-hand smoke (TobacAlert™). Both NicAlert™ and TobacAlert™ employ Serex, Inc.'s patented technology to provide an accurate read-out of

levels of cotinine, a by-product of the body's breakdown of nicotine and generally regarded as the best indicator of tobacco exposure for smokers and nonsmokers. The technology can be used with saliva as well as urine samples in order to detect tobacco product use. NicAlert™ and TobacAlert™ do not require instruments or special training to use and offer a quick, convenient means to test on-site whether a person, such as a child, teenager, student athlete or insurance applicant, is using a tobacco product or has been exposed to second-hand smoke.

Smoking and other tobacco product use is a serious public health problem around the world. Smoking kills. According to the Centers for Disease Control and Prevention, cigarette smoking is responsible for more than 443,000 deaths per year in the United States alone. Smoking can cause cancer of the lung, mouth, bladder, larynx, esophagus and other organs, as well as heart disease and stroke and chronic lung disease. Every year, exposure to second-hand smoke (environmental tobacco smoke or ETS) causes an estimated 3,400 nonsmoking Americans to die of lung cancer and up to 300,000 American infants and small children to suffer from lower respiratory tract infections.

NicAlert™ received clearance from the FDA in October 2002 for medical use to determine if an individual has been exposed to tobacco products. In January, 2006, Nymox announced the certification of the urine-based version of NicAlert™ with a CE Mark making it eligible for sale in the European Union and in May, 2006 the certification of the saliva-based version of NicAlert™ with a CE Mark. In September, 2003, Nymox launched TobacAlert™ for nonmedical testing for second hand smoke exposure in the U.S.

We market the NicAlert™ and TobacAlert™ tests through our own marketing arm and distributors in North America, Europe and Asia. TobacAlert™ is also available online at www.tobacalert.com. Nymox has entered into distribution and marketing agreements with companies and organizations in the U.S., the U.K., and Spain for these products.

Our NicAlert™ and TobacAlert™ products face competition from clinical laboratories such as LabCorp and Quest Diagnostics which provide off-site lab testing for cotinine, the by-product of the body's breakdown of nicotine measured by NicAlert™ and TobacAlert™, and from assay suppliers, including immunoassay developers such as OraSure Technologies Inc. and Abraxis LLC, and diagnostic system manufacturers such as Roche Diagnostics, Abbott and Diagnostic Products Corporation. NicAlert™ and TobacAlert™ also face competition from distributors who supply yes-no smoking status tests such as NicQuick, and QuickScreen, from NicCheck I, an FDA-cleared smoking status test being marketed by Mossman & Associates Ltd, from SmokeScreen, a chemical color-based tobacco test being marketed by Mermaid Diagnostics, Ltd. in the United Kingdom, and from carbon monoxide (CO) monitors such as SmokeCheck.

NicAlert™ and TobacAlert™ products are currently partly manufactured through out-sourcing arrangements with contract manufacturers. To date, we have not experienced any significant interruptions in the manufacture of these products and the cost of the manufacturing services has not been volatile. The manufacturing services supplied by our current contract manufacturers are not unique or unduly complicated and other contract manufacturers are available to provide similar services in the event that our current contract manufacturers fail to meet our needs.

The technology used in these products is covered by patents and patent applications held by Nymox's subsidiary, Serex, Inc., both in the U.S. and elsewhere in the world with expiry dates no earlier than September 2012.

Independent studies published in peer-reviewed medical and scientific journals reported finding that the Corporation's NicAlert™ Saliva product provides an accurate, convenient and cost-effective way to verify self-reported smoking status with broad potential applications both in the clinic and in large research trials and surveys. In 2008, one such study, Fiona Cooke et al. "Diagnostic accuracy of NicAlert cotinine test strips in saliva for verifying smoking status," *Nicotine Tob Res.* 2008;10:607-12, was published in *Nicotine & Tobacco Research*, the official journal of the Society for Research on Nicotine and Tobacco (SRNT). Other published studies include *Cancer Epidemiol Biomarkers Prev.* 2007; 16:1858-62 and *Int J Circumpolar Health.* 2007; 66 Suppl 1:29-38.

NicAlert™ Saliva was also reported used in research studies where there was a need to verify or monitor smoking status or nicotine replacement therapy (NRT): see, for example, *Am J Prev Med.* 2007; 33:297-305 (monitoring NRT in smoking cessation research involving pregnant women), *Int J Behav Med.* 2006; 13:16-25 (verifying smoking status in a smoking study of cancer patients), and *Neuropsychopharmacology* 2008; 33:480–490 (confirming non-smoking status for entry into the study).

***AlzheimAlert ™; an Aid to the Diagnosis of Alzheimer's Disease***

We have developed AlzheimAlert™, a proprietary urine assay that can aid physicians in the diagnosis of Alzheimer's disease. We have developed a kit version of the AlzheimAlert™ assay for sale in Europe. The AlzheimAlert™ kit has the CE Mark. The kit allows clinical reference laboratories to perform the AlzheimAlert™ assay on site with urine samples sent directly to the laboratory. We filed a premarket approval (PMA) application for the diagnostic kit version of the AlzheimAlert™ test with the FDA in February 2004. On July 15, 2005, an FDA advisory panel voted 5-2 against approval of the kit, citing the need for further studies, such as long term follow-up and autopsy confirmation.

The AlzheimAlert™ assay is based on research by scientists at the Massachusetts General Hospital and Brown University and on years of clinical studies to establish and confirm the accuracy of the assay technology as an aid to the diagnosis of Alzheimer's disease. In 1997, Nymox succeeded in developing a commercial assay that used spinal fluid samples. Subsequently, Nymox was able to develop an assay that used more easily obtained first morning urine samples. The AlzheimAlert™ assay represents the latest generation of development of this testing technology.

Nymox licensed the technology that led to the development of the AlzheimAlert™ assay in 1997 from the Massachusetts General Hospital as part of a sponsored research and licensing agreement, under which Nymox sponsored the research of the principal investigators into the use of neural thread protein ("NTP"), its antibodies or genes for diagnostic or therapeutic purposes. Nymox also paid the patent costs for the patent applications filed arising out of this research. In return, Nymox received an exclusive worldwide license of the patents to sell products and to use processes encompassed by them. Nymox is to pay the Massachusetts General Hospital a 4% royalty of the net sales price of any product developed and sold under the license. Nymox currently pays this royalty on its sales of its AlzheimAlert™ product. The license and the obligation to pay patent costs and royalties continue for the life of the patents, which run until November 2014 at the earliest. The Massachusetts General Hospital has the right to terminate the license in any country where, after the first commercial sale of the product in the country, there is a continuous two year period in which no product is sold in such country. There are eight issued U.S. patents under license and a larger number of patents and patent applications in Europe, Japan, Canada, Australia, New Zealand and South Korea. The sponsored research portion of this agreement terminated in March 1999. Nymox retained the exclusive license to the rights to the AlzheimAlert™-related patents owned by the Massachusetts General Hospital.

Effective March 1999, Nymox entered into a similar sponsored research and licensing agreement with Brown University and the Rhode Island Hospital. Under the terms of this agreement, Nymox continued to sponsor research into the uses of NTP, their antibodies or genes for diagnostic, therapeutic and research purposes and to pay the patent costs for any patent applications filed arising out of this research. In return, Nymox received an exclusive worldwide license of any such patents to sell products and to use processes encompassed by them. The Rhode Island Hospital has the right to terminate the license in any country where, after the first commercial sale of the product in the country, there is a continuous two year period in which no product is sold in such country. Nymox is to pay the Rhode Island Hospital a 4% royalty of the net sales price of any product developed and sold under the license. The sponsorship of this agreement expired in March 2005; however, Nymox retains the exclusive license to patent rights on certain NTP-based technology including a license to two issued U.S. patents.

Nymox believes that its AlzheimAlert™ test can assist a physician faced with the task of diagnosing whether a patient has Alzheimer's disease. An independent peer-reviewed double blind study from 8 prestigious centers across the U.S. found the level of accuracy of the AlzheimAlert™ urine test to be over 90% (*Journal of the American Medical Directors Association* Jan 2007; 8:21-30; "A multi-center blinded prospective study of urine NTP measurements in patients with suspected Alzheimer's disease," Goodman I *et al.*). This study confirmed several earlier Corporation funded trials of the AlzheimAlert™ technology. In earlier studies, the test results were positive for over 87% of the patients with verified Alzheimer disease and negative in over 89% of subjects without the disease (known as a low false positive rate). The low rate of positive results for patients without the disease is important for doctors investigating patients with subtle or marginal symptoms of mental, emotional, cognitive, or behavioral changes. If the doctor can rule out Alzheimer's with more assurance, a great deal of patient and family anguish and anxiety will be avoided. A low test score will help the doctor to be more certain that Alzheimer's disease is not the cause of the patient's symptoms and to target the other, often reversible causes of the patient's symptoms, such as depression. There can be no assurance that further studies will repeat the same level of success experienced to date.

In January 2007, a second peer-reviewed report was published in the *Journal of Clinical Laboratory Analysis* providing further positive data on the accuracy and utility of the Corporation's urinary AlzheimAlert™ test (*J Clin Lab Anal.* Jan 2007;21:24-33, "Competitive ELISA studies of NTP in urine in Alzheimer's disease"). The paper reported excellent performance in laboratory studies and impressive reproducibility of clinical test results for patients and controls who were re-tested at intervals ranging from 2 days to 4.5 years.

Recent publications in the peer-reviewed literature concerning the clinical utility of the assay in the diagnosis of Alzheimer's disease include, for example, the *Journal of Clinical Investigation* (1997; 100: 3093-3104); *Journal of Contemporary Neurology* (1998; art. 4a); *Journal of Clinical Laboratory Analysis* (1998; 12: 285-288) and (1998; 12:

223-226); *Alzheimer's Reports* (1999; 2: 327-332), (2000; 3: 177-184), (2001; 4: 61-65) and (2002; 5: 1-6); *Neurology* (2000; 54: 1498-1504) and (2000; 55: 1068); *Journal of Alzheimer's Disease* (2001; 3: 345-353) and (2004; 6(3): 231-42); *Cellular and Molecular Life Sciences* (2001; 58: 844-849) and (2003; 60: 2679-91); *Neurology and Clinical Neurophysiology* (2002; 1: 2-7); *Journal of Neuropathology and Experimental Neurology* (2001; 60: 195-207) and (1996; 55: 1038-1050), *Frontiers in Bioscience* (2002; 7: d989-96), *Journal of the American Medical Directors Association* (2007; 8:21-30), *Journal of Clinical Laboratory Analysis* (Jan 2007;21:24-33), *Expert Review of Molecular Diagnostics* (2008; 8:21-28) and *Journal of the American Medical Directors Association* (June 2011; 12(5):372-6).

There is a large need for a simple, non-invasive test that can aid in the diagnosis of Alzheimer's disease. According to 2010 Alzheimer's Disease Facts and Figures, U.S. Alzheimer's Association, Alzheimer's disease is the most common cause of dementia and is the seventh leading cause of death in the United States. It is estimated that as many as 5.3 million people have Alzheimer's disease in the United States alone. By 2050 this number is projected to increase to between 11 and 16 million Americans. The annual national direct and indirect costs of caring for Alzheimer patients in the U.S. alone are estimated to be over $200 billion a year. The human toll on patients, families and caregivers is incalculable. Despite the need for an accurate clinical test, the definitive diagnosis of the disease is possible only after the death of the patient by expert, pathologic examination of brain tissue.

The U.S. Surgeon General's Report on Mental Health, released on December 13, 1999, identified the importance and the need for the early detection and diagnosis of Alzheimer's disease. The report described the current approach to Alzheimer's disease diagnosis, clinical examination and the exclusion of other common causes of its symptoms, as time- and labor-intensive, costly and largely dependent on the expertise of the examiner. As a result, the illness is currently under-recognized, especially in primary care settings, where most older patients seek care. The report joined other experts writing in the field in recognizing the need for a better, more reliable method for diagnosing the disease in living patients and in particular, the need for a simple,

accurate and convenient test that could detect a biochemical change early in patients with Alzheimer's disease. We believe our AlzheimAlert™ product provides such a test.

The early diagnosis of Alzheimer's disease is important to physicians, patients and their families and enables them to make informed and early social, legal and medical decisions about treatment and care. Early diagnosis of Alzheimer's disease has become increasingly important with new improvements in drug treatment and care. Even a modest delay in institutionalization can mean substantial social and financial savings. Conversely, any testing procedure that could rule out Alzheimer's disease would eliminate the tremendous uncertainty and anxiety patients and their families otherwise face and would allow physicians to focus on the other, often reversible, causes of cognitive changes.

Early diagnosis as facilitated by the AlzheimAlert™ test represents a potentially large cost-savings in the form of a reduced number of office visits, lab tests, scans and other procedures required by the traditional methods of diagnosis.

In the field of Alzheimer's disease diagnosis, our AlzheimAlert™ test faces growing competition which could detrimentally impact on our ability to successfully market and sell our diagnostic test. Our competitors include:

- Athena Diagnostics, Inc., which is currently marketing three tests claimed to aid in the diagnosis of Alzheimer's disease: a genetic test for the rare cases of familial, early-onset Alzheimer's disease; a genetic test for a relatively common mutation of a gene said to increase the likelihood of a person with at least one of the genes contracting the disease; and a test for two proteins in the spinal fluid of patients.
- Innogenetics NV, which currently markets tests and kits for two proteins and a variant of one of these proteins in the spinal fluid of patients and a genetic test for a relatively common mutation of a gene said to increase the likelihood of a person developing the disease.
- Amorfix Life Sciences Ltd., which currently markets a research test to detect aggregated amyloid protein in brain test and has under development related blood and CSF tests.

There are also a number of other proposed biochemical signs of the disease that could potentially be developed into a commercial diagnostic test as well as various scanning and imaging technologies which compete for a portion of the diagnostic market for Alzheimer's disease. On January 20, 2011, an FDA Advisory Committee panel recommended against the approval at that time of Lilly's Amyvid™ (florbetapir), a molecular imaging tool developed to detect beta-amyloid plaque in the brain. The Committee's decision left open the possibility of approval at a later time after a further study is completed. A number of companies, including GE and Bayer, are actively working to develop imaging technologies for the diagnosis of Alzheimer's disease. In June 2004, the CMS approved limited coverage of a Positronic Emission Tomography (PET) imaging procedure for helping to more precisely distinguish Alzheimer's disease from a rarer type of dementia when clinical evaluation has been inconclusive. In October 2004, the National Institute on Aging in conjunction with other Federal agencies, private companies and organizations launched the Alzheimer's disease Neuroimaging Initiative, a $60 million initiative to test whether various scanning and imaging technologies, biochemical markers, and clinical and neuropsychological testing can be combined to help diagnose early Alzheimer's disease.

**Products in Development:**

***NX-1207 for Enlarged Prostate (BPH)***

We are developing treatments for BPH, using novel compounds. Our lead candidate NX-1207, which successfully completed a multi-center, double-blind, placebo-controlled Phase 2 trial in September 2006, is presently in Phase 3. We cannot predict with any certainty the outcome of this trial, what further steps may be required in order to apply for final FDA approval for this drug or whether the FDA will ultimately grant us such approval.

There is a significant need for an effective treatment for BPH. More than half of men in their sixties and as many as 90% of men in their seventies and eighties have the symptoms or signs of BPH according to the 2010 AUA Guideline on the Management of Benign Prostatic Hyperplasia, American Urological Association. Symptoms include more frequent urination (especially at night), difficulty urinating, incomplete emptying of the bladder and sometimes complete inability to urinate. More serious cases may require surgical intervention to reduce the size of the prostate. There is a need for a simple, effective treatment for BPH, particularly in cases where existing drug treatments have proven to be ineffective and where more intrusive procedures such as surgery may be inadvisable or bring unacceptable risks.

NX-1207 showed positive results for the treatment of BPH in Phase 1 and 2 clinical trials in the U.S. Nymox reported positive results in twelve follow-up studies of available subjects from the completed Phase 1 and 2 clinical trials. On March 16, 2011, Nymox announced positive results from a long term outcome study of NX-1207. The study evaluated symptomatic change and treatment status of patients involved in the Company’s NX02-0012 and NX02-0013 Phase 1-2 U.S. studies of NX-1207 initially undertaken in 2003. Patients treated with NX-1207 were followed on an unselected and as available basis and assessed for symptomatic improvement, treatment outcomes, and durability of efficacy 7 ½ years after a single treatment with NX-1207. As an inclusion criterion, all subjects enrolled in these studies were previous failures on conventional approved drug treatments. Data was available for 63% of the patients from the initial studies. Overall, 58% of the men in the new outcome study treated with NX-1207 reported no subsequent surgical treatment and no current drug treatment for their BPH. There were no indications of any drug safety issues in any of the patients.

Completed Phase 2 studies have shown that a single administration of NX-1207 resulted in symptomatic improvements which reached statistical significance compared to double-blinded placebo and study controls. Patient-reported improvements in the standardized BPH symptom score were on average 8 to 10 points at 90 days as compared to the approximately 3 to 5 points reported on average for currently approved BPH drugs. The drug is administered by a urologist in an office setting in a brief procedure that does not require anesthesia, sedation, or catheterization and involves little or no pain or discomfort. NX-1207 treatment has not been found to have the sexual, blood pressure, or other side effects associated with the use of the approved drugs for the treatment of BPH. Follow-up studies have shown clinical efficacy effects lasting up to 7½ years after a single treatment.

In February 2009, the Corporation reported concluding a positive and productive EOP2 meeting with the FDA concerning the Phase 3 program for NX-1207. In June 2009, the Corporation began conducting the first of two pivotal double blind placebo controlled Phase 3 trials for NX-1207 that incorporate the specific protocol design recommendations provided to the Corporation by the FDA. The two pivotal Phase 3 studies for NX-1207 are being conducted at well known investigational sites across the U.S. with planned enrolment of 1,000 patients.

Our treatments under development for enlarged prostate (benign prostatic hyperplasia or BPH) face significant competition from existing products. There are eight drugs approved for treatment of BPH: four proprietary drugs (dutasteride (Avodart®), tamsulosin (Flomax®), alfusozin (Uroxatral®), and silodosin (Rapaflo®)) a combination of two drugs (dutasteride and tamsulosin) (Jalyn™), and four generics (finasteride, terazozin, doxazozin, and prazosin). There are a number of thermal treatments on the market designed to shrink the enlarged prostate by heating its tissue with a device inserted through the urethra (the passage leading from the bladder through the penis through which men urinate). The devices on the market use microwave energy (Prostatron®, Targis Therapy® or TherMatrx®), low level radiowaves (TUNA System®), lasers (Indigo LaserOptic Treatment System® or Laserscope GreenLight PVP™), direct heat or hot water to heat or burn away prostate tissue. A variety of surgical procedures exist to surgically reduce or remove the prostate or to widen the urethra. These include procedures to cut away prostate tissue such as TURP (transurethral resection of the prostate) and using a resectoscope with an electrical loop inserted through the penis to cut the prostate tissue. A small device used to widen the constricted urethra called a prostatic stent can also be inserted.

***NX-1207 for Prostate and Liver Cancer***

We are also developing NX-1207 as a focal treatment for certain types of cancer. On August 26, 2009, Nymox announced that NX-1207 has been shown to produce strongly positive results when given to animals with hepatocellular carcinoma (HCC). In the experimental studies, the cancers were significantly reduced in size after 2 local injections of NX-1207. On October 14, 2009, we announced that NX-1207 had been shown to produce strongly positive results in laboratory studies of human prostate cancer. In addition, local injection of NX-1207 showed activity in animals with transplanted human prostate carcinoma. The NX-1207 used in these studies is a higher dosage from that of NX-1207 used to treat BPH.

The Corporation intends to advance NX-1207 into human clinical trials for the treatment of HCC and for the focal treatment of localized prostate cancer. We cannot predict with any certainty whether the use of NX-1207 for any oncological indication will successfully complete preclinical testing, whether government regulatory agencies, such as the FDA, will permit such products to proceed to human trials, or whether ultimately the use of NX-1207 for any such indications will be granted approval for sale and marketing in the U.S., Canada, or elsewhere in the world. The development of cancer therapeutics in particular is associated with high risks and many uncertainties and a drug candidate that shows efficacy in pre-clinical testing and in animal models may fail in human trials or take a long period (7 years or more) to achieve regulatory approval.

On May 10, 2011, Nymox announced that recruitment began for NX02-0020, a small open-label safety study of NX-1207. The study will enroll approximately 100-200 subjects who have already participated in previous studies of NX-1207. The study will assess the safety of repeat injection of the drug. Previous studies of NX-1207 have been single injection only. Eligible subjects will be enrolled from approximately 70 U.S. clinical trial sites. The study will run concurrently with the large pivotal Phase 3 studies of NX-1207 which are ongoing. NX02-0020 is expected to be concluded before the pivotal studies NX02-0017 and NX02-0018 are completed. For each enrolled subject in the new trial, participation will last 180 days.

***NXC-4720 for E. coli Contamination of Meat***

We are developing novel antibacterial agents for the treatment of *E. coli* O157:H7 bacterial contamination in hamburger meat and other food and drink products and for the treatment of urinary tract and other bacterial infections in humans which have proved highly resistant to conventional antibiotic treatments.

*E. coli* contamination of food and drink is a serious public health problem worldwide and a major concern for meat processors in particular. *E. coli* bacteria occur normally and usually harmlessly in the gastrointestinal tracts of humans, cows and other animals. However, one mutant variety of the E. coli bacteria, *E. coli* O157:H7, can cause life-threatening illness and has been implicated in cases of severe diarrhea, intestinal bleeding and kidney failure, leading, in some cases, to death in children and the elderly. *E. coli* contamination in hamburger meat and other food products and in drinking water affects about 70,000 people in the United States a year.

There is a well-recognized need in the beef industry to address the problem of *E. coli* contamination in meat processing and in livestock. *E. coli* contamination has triggered massive recalls of ground beef in the U.S. Cattle are a natural reservoir for the deadly strain of *E. coli*. Water contamination from cattle operations have led to public health tragedies.

Nymox developed a potent new antibacterial agent, NXC-4720. Tests of NXC-4720 show it to be highly effective against all known substrains of *E. coli* O157:H7, destroying the bacteria efficiently, rapidly and at a very low dose. In 1999, we began further laboratory trials for this agent as a treatment for food and drink contamination and entered into agreements with various collaborators. NXC-4720, which is being developed as a treatment of meat at the processing stage, has been shown to be capable of substantially reducing the level of potentially fatal *E. coli* O157:H7 contamination on fresh beef according to laboratory studies. Other projects in this area, such as treating *E. coli* O157:H7 infection in livestock, are in preliminary stages of development. Further pre-clinical testing and development is required before we can apply for regulatory approval for use of this agent on the processing of food and drink for human consumption.

The problem of *E. coli* O157:H7 contamination of hamburger meat and other food products is also well-known and a number of companies and researchers have been pursuing various potential solutions, including irradiation with x-rays, better detection of contamination, electronic pasteurization, vaccination and competitive exclusion of the pathogenic *E. coli* bacteria by harmless bacteria. The development of alternative solutions to the problem of E. coli infection may adversely affect the market for our treatment for *E. coli* O157:H7 infection in cattle and contamination of food products.

Nymox has also developed three other novel antibacterial agents, NXB-4221 for the treatment of difficult chronic and persistent urinary tract infections; NXB-5886 for the treatment of streptococcal infection; and NXT-1021 for the treatment of staphylococcal infection. Urinary tract infections in women caused by bacteria such as *E. coli* are a common and significant infection often resistant to conventional antibiotic treatment. Some varieties of streptococcus and staphylococcus bacteria, a common source of infection in humans, have acquired a broad immunity to antibiotic treatments. Infections from these antibiotic resistant bacteria are difficult to treat and can be life threatening.

Nymox's three antibacterial agents for the treatment of infectious disease have all shown the ability to kill their bacterial targets in culture with no signs of toxicity. Further pre-clinical testing and development is required before we can apply for regulatory approval to begin initial testing in humans.

A similar competitive reality prevails in the field of novel anti-infectives. Over the past ten years, there has been an increasing awareness of the medical need and of emerging market opportunities for new treatments for antibiotic resistant bacterial infections. Many of the major pharmaceutical companies are developing anti-infective drugs that either modify their existing drugs or involve new anti-bacterial properties. Many biotechnology companies are developing new classes of anti-bacterial drugs. At least three major pharmaceutical companies have vaccines against bacterial infections in development. To the extent that these companies are able to develop drugs or vaccines that offer treatment for some or all of the indications for our anti-infectives, the market for our products may be adversely affected.

Nymox has patent rights to these and other antibacterial agents.

***The Use of Statin Drugs for the Treatment or Prevention of Alzheimer's Disease***

In October 2002, we were issued a United States patent for the use of statin drugs to treat, prevent or reduce the risk of the onset of Alzheimer's disease and have issued patents or pending patent applications elsewhere, including Europe, Japan, Canada and Australia. Statins are a class of commonly prescribed cholesterol lowering drugs that have a well-established safety record and are widely available. The potential of statin drugs for AD has been featured in a cover story in *Newsweek*, as well as in the *New York Times*, *Fortune*, *Los Angeles Times*, and *The Wall Street Journal.* Some of the recent scientific studies and reviews concerning the potential for statin drugs to treat or reduce the risk of AD or loss of cognitive function include *Neurology.* 2007; 69:1873-80; *Expert Opinion on Ther Targets.* 2007; 11:1257-60; *CNS Drugs.* 2007;21:449-62; *Neurosci Lett.* 2007;416:279-84; *Curr Med Chem.* 2007;14:103-12; *Neurol*

*Res.* 2006; 28:630-6, *Acta Neurol Scand* 2006; 114 (Suppl. 185): 78-86, *Acta Neurol Scand* 2006; 114 (Suppl. 185): 3–7, *J.Neurochem.* 2006; 97:716-723; *Restor. Neurol. Neurosci* 2006; 24:79-95; *Neuromolecular Med.* 2006; 8:319-328, *Neurology* 2005; 65:1388-1394, *J. Neurol. Neurosurg. Psychiatry* 2005; 76:1624-1629, *The American Journal of Medicine* 2005; 118: 48S-53S; *The Lancet Neurology* 2005; 4:841-852; *Current Opinions in Lipidology* 2005;16: 619-623; *The Lancet Neurology* 2005; 4: 521-2, *Arch Neurol* 2005; 62:1047-51, *Neurology* 2005; 64:1531-8, *Arch Neurol* 2005; 62:753-7, *J Neurol Sci* 2005; 229-230:147-50, *Arch Gen Psychiatry* 2005; 62:217-24. *International Journal of Geriatric Psychiatry* (2004; 19:327-32), *Neuroepidemiology* (2004; 23:94-8); *Neuron* (2004; 41:7-10); *Archives of Neurology* (2000; 57:1439-1443); *Lancet* (2000; 356:1627-1631); *Archives of Neurology* (2002; 59:223-227); *Journals of Gerontology: Biological Sciences and Medical Sciences* (2002; 57:M414-M418); and *Journal of the American Geriatrics Society* (2002;50:1852-1856). Some studies, however, have not found evidence that statins may help treat or prevent Alzheimer’s disease and research in this area is ongoing. No statin drug has been approved for use in the treatment or prevention of Alzheimer’s disease.

**Research and Development of New Products**

***New Therapeutics for Alzheimer’s Disease***

Nymox has a number of proprietary drug development programs aimed at treatments for Alzheimer's disease and other indications. One program targets NTP and its role in the extensive brain cell loss associated with AD. Another program is based on spherons, which Nymox researchers regard as a source of senile plaques, the characteristic abnormality found in abundance in the brains of patients with AD and widely believed to play a major role in the cause and course of the illness. A third program is based on a novel drug candidate, NXD-5150, for neurodegenerative disease.

At present, there is no cure for Alzheimer's disease. There are five drugs approved by the FDA, tacrine (brand-name Cognex®), donepezil HCI (brand-name Aricept®), rivastigmine (brand-name Exelon®), galantamine hydrobromide (brand name Razadyne®) and memantine (brand name Namenda®) for the treatment of Alzheimer's disease. However, at most these drugs offer symptomatic relief for the loss of mental function associated with the disease and possibly help to delay the progression. There is no consensus as to the cause of Alzheimer's disease or even whether it is one disease or many.

There is an urgent need for an effective treatment for the illness, caused in part by the rising health care, institutional and social costs for the treatment and care of Alzheimer's disease sufferers. The Surgeon General's Report on Mental Health released on December 13, 1999, put the direct health care costs for the illness in the United States at almost $18 billion for 1996. In April 2002, the National Institute on Aging reported that the cost of care to family, caregivers and society in general was estimated to exceed $100 billion per year.

These costs are expected to rise sharply as the baby boom generation ages and more people become at risk for the disease. According to the National Institute on Aging's *2009 Progress Report on Alzheimer's Disease: Discovery and Hope*, experts agree that the number of people with AD will increase significantly if current population trends continue and no preventive treatments become available. As people live longer, they become more at risk of developing Alzheimer's disease. The U.S. Census Bureau projects that the number of people in the U.S. aged 65 will double to about 72 million people by 2035 with the 85-and-older group being the fastest growing segment of the U.S. population by then.

Nymox's research into drug treatments for Alzheimer's disease is aimed at compounds that could arrest the progression of the disease and therefore are targeted for long term use.

***Drugs Targeting Spherons***

We are a leader in research and development into drugs for the treatment of Alzheimer's disease that target spherons. Nymox researchers believe that spherons are a cause of senile plaques, the characteristic lesion found abundantly in the brains of patients with Alzheimer's disease and believed by many researchers to play a pivotal role in the fatal illness. Spherons are tiny balls of densely packed protein found in brain cells scattered throughout the brains of all humans from age one. Nymox researchers have found that as humans age the spherons grow up to a hundred times larger until they become too large for the cells that hold them. Once released from the cells, the researchers believe that the spherons burst, creating senile plaques, contributing to the cellular damage and biochemical changes pivotal to the symptoms and signs of Alzheimer's disease.

The substantial evidence linking spherons to senile plaques and Alzheimer's disease has been published in journals such as the *Journal of Alzheimer's Disease*, *Drug News & Perspectives* and *Alzheimer Reports*. There are 20 important criteria of validity which have been set forth correlating the disappearance of spherons in old age with the appearance of senile plaques and implicating spherons as a major cause in Alzheimer's disease. In 2000, Nymox researchers published important findings in *Alzheimer Reports* (2000; 3: 177-184) confirming that spherons contain key proteins that are also known to be in senile plaques and showing that, like senile plaques, spherons contain unusually old proteins in terms of the human body's metabolism, with an average age of 20 to 40 years. In 2003, Nymox announced the discovery that spherons contain toxic molecules termed spherotoxins which its researchers believe contribute significantly to the cell death and symptoms characteristic of Alzheimer's disease.

Nymox researchers believe that stopping or inhibiting the transformation of spherons into senile plaques will help stop or slow the progress of this illness. However, there is no consensus among researchers about the causes or possible treatments of Alzheimer's disease and not all researchers share this belief that spherons are a causative factor in Alzheimer's disease or are a target for the development of treatments for the disease.

Based on the research findings discussed above and the spheron-based approach to the treatment of the disease, we have developed novel, proprietary drug screening methods based on spherons and used them to discover, develop and test drug candidates to inhibit the formation of Alzheimer plaques from spherons. We believe these candidates have the potential to slow or stop the progression of the disease.

We have two distinct new drug candidates, NXD-3109 and NXD-1191, neither of which demonstrate significant toxicity and both of which had positive animal testing results. These candidates are at the stage of pre-clinical testing.

Such drug candidates will require regulatory approval in order to begin clinical studies for humans, but there is no guarantee that any of these drug candidates will ever be approved for marketing as a treatment for Alzheimer's disease. Drug candidates that

look promising in early studies in the laboratory or with animals often prove on further testing to be unsafe, ineffective or impractical to use with human patients. The cost of bringing a drug candidate through the necessary clinical trial and regulatory approvals is very high and may require us to seek substantial financing through various sources including the issuing of more stock, the borrowing of funds secured by financial instruments such as bonds or agreements with major pharmaceutical companies. We risk not being able to secure such funding in the necessary amounts or on sufficiently favorable terms.

Nymox holds global patent rights covering both methods for using spherons as targets for developing drugs and for the actual drug candidates discovered.

***Neural Thread Protein Based Drugs***

Nymox developed a drug screening system, based on the research that led to its AlzheimAlert™ test, to identify other potential drug candidates for the treatment of Alzheimer's disease. There is a substantial body of evidence showing that NTP may play a key role in Alzheimer's disease, including such published studies as *Journal of the Neurological Sciences* (1996; 138: 26-35), *Journal of Neuropathology and Experimental Neurology* (1996; 55: 1038-50) and (2001; 60: 195-207), *Journal of Clinical Investigation* (1997; 100: 3093-3104), *Alzheimer's Reports* (1999; 2: 327-332), *Journal of Alzheimer's Disease* (2001; 3: 345-353) and (2005; 7(1): 45-61), and *Cellular and Molecular Life Sciences* (2001; 58: 844-849) and (2003; 60:2679-91).

Nymox licensed the NTP technology in 1997 from Harvard University and the Massachusetts General Hospital as part of a sponsored research and licensing agreement. Under the terms of this agreement, Nymox sponsored the research of the principal investigators into the use of NTP, its antibodies or genes for diagnostic or therapeutic purposes. Nymox also paid the patent costs for the patent applications filed arising out of this research. In return, Nymox received an exclusive worldwide license of the patents to sell products and to use processes encompassed by them. Nymox is to pay the Massachusetts General Hospital a 4% royalty of the net sales price of any product developed and sold under the license. Nymox currently pays this royalty on its sales of its AlzheimAlert™ product. The license and the obligation to pay patents costs and royalties continue for the life of the patents, which run until November, 2014 at the earliest. The Massachusetts General Hospital has the right to terminate the license in any country where, after the first commercial sale of the product in the country, there is a continuous two year period in which no product is sold in such country. There are eight issued U.S. patents under license and a larger number of patents and patent applications in Europe, Japan, Canada, Australia, New Zealand and South Korea. The sponsored research portion of this agreement terminated in March, 1999. Nymox retained the exclusive license to the rights to the NTP-related patents owned by the Massachusetts General Hospital.

Effective March 1999, Nymox entered into a similar sponsored research and licensing agreement with Brown University and the Rhode Island Hospital. Under the terms of this agreement, Nymox continued to sponsor research into the uses of NTP, their antibodies or genes for diagnostic, therapeutic and research purposes and to pay the patent costs for any patent applications filed arising out of this research. In return, Nymox received an exclusive worldwide license of any such patents to sell products and to use processes encompassed by them. The Rhode Island Hospital has the right to terminate the license in any country where, after the first commercial sale of the product in the country, there is a continuous two year period in which no product is sold in such country. Nymox is to pay the Rhode Island Hospital a 4% royalty of the net sales price of any product developed and sold under the license. The sponsorship agreement expired in March 2005; however, Nymox retains the exclusive license to patent rights on certain NTP-based technology including a license to two issued U.S. patents.

Nymox has screened compounds for their ability to impede the process of premature cell death and thus potentially help slow or halt the loss of brain cells in the Alzheimer's disease brain. This screening process identified promising drug candidates. The Corporation has developed a candidate, NXD-9062, which has shown significant progress in preclinical studies but successful completion of other pre-clinical studies is necessary before it can move into formal regulatory studies.

The Corporation's third program is based on a new drug candidate for neurodegenerative disease, NXD-5150, which successfully completed important pre-clinical milestones. Nymox has exclusive rights to two patent applications covering NXD-5150 as well as other related drug candidates for neurodegenerative disorders.

Nymox faces intense competition for the development of an effective treatment for Alzheimer's disease. The market conditions for an Alzheimer's disease drug strongly favor the entry of other corporations into the area. This market is expected to grow rapidly as new drugs enter the market and as the baby boom generation becomes more at risk for

developing Alzheimer's disease. As a result, most of the major pharmaceutical companies and many biotechnology companies have ongoing research and development programs for drugs and treatments for Alzheimer's disease. Many of these companies have much greater scientific, financial and marketing resources than we have and may succeed in developing and introducing effective treatments for Alzheimer's disease before we can. At present, four drugs for Alzheimer's disease are being widely marketed in the United States, Aricept® by Pfizer, Exelon® by Novartis, Razadyne® by Janssen and Namenda® by Forest. These four drugs only treat some of the symptoms of Alzheimer's disease by enhancing memory and other mental functions and not the underlying causes of the illness.

***Oncology products***

We are in the preclinical stage of developing therapeutic products for oncological indications based on technology licensed from the Massachusetts General Hospital. We cannot predict with any certainty whether any such product will successfully complete preclinical testing, whether government regulatory agencies, such as the FDA, will permit such products to proceed to human trials, or whether ultimately any such product will be granted approval for sale and marketing in the U.S., Canada, or elsewhere in the world.

***New Diagnostic Products***

Nymox has a number of proprietary diagnostic markers and technologies, including a patented platform for point-of-care testing, and has tests utilizing these technologies in the early stages of development. Nymox also has U.S. patents for a

method and device for using saliva to determine cholesterol levels and for a method of testing for osteoporosis. The Corporation also owns patent rights to several novel biochemical indicators for Alzheimer's disease.

**Manufacturing Arrangements**

Our NicAlert™ and TobacAlert™ products and AlzheimAlert™ kits are currently partly manufactured through out-sourcing arrangements with contract manufacturers. To date, we have not experienced any significant interruptions in the manufacture of these products and the cost of the manufacturing services has not been volatile. The manufacturing services supplied by our current contract manufacturer are not unique or unduly complicated and other contract manufacturers are available to provide similar services in the event that our current contract manufacturer fails to meet our needs.

**Property and Equipment**

Nymox and Serex laboratory facilities in Hasbrouck Heights, New Jersey comprise 4,799 square feet of leased space. That lease agreement expires October 31, 2013. Nymox office and research facilities in St. Laurent, Quebec, Canada comprise 11,210 square feet of leased space. The lease agreement expires on August 31, 2012. Nymox Pharmaceutical Corp. and its two US subsidiaries Nymox Corp. and Serex, Inc. own a full complement of equipment used in all aspects of their research and development work. Nymox believes that its facilities are adequate for its current needs and that additional space, if required, would be available on commercially reasonable terms.

**Governmental Regulation**

Our AlzheimAlert™ test is subject to extensive government regulation in the United States. Any changes in CMS or state law requirements or in the FDA regulations could have an impact on our future ability to offer or market any reference laboratory services and/or on our ability to obtain reimbursement from the Medicare and Medicaid programs and providers.

We have developed a diagnostic kit version of the AlzheimAlert™ test. We will need to obtain FDA approval before we can market or sell such a diagnostic kit version outside of the clinical reference laboratory setting in the United States. Such approval for this type of commercial development is necessary for all in vitro diagnostic kits. On July 15, 2005, an FDA advisory panel voted 5-2 against recommending approval of our PMA application for the kit, citing the need for further studies, such as long term follow-up and autopsy confirmation. We cannot predict with any certainty when or if FDA approval will be forthcoming and we anticipate that more clinical testing or further documentation will be required before approval. If approved, the diagnostic kit would then be subject to postmarketing record and reporting obligations and manufacturing requirements.

Similar requirements exist in many other countries. In November 2004, Nymox satisfactorily completed the testing and registration required by European regulatory, environmental and quality standards in order to obtain a CE Mark for the AlzheimAlert™ kit. The CE Mark makes the AlzheimAlert™ kit eligible for sale in the European Union and enables European clinical and hospital laboratories to perform the AlzheimAlert™ test in their own facilities in Europe.

The regulatory process leading to such approval can be time-consuming and expensive and can result in an outright denial or a very limited approval only. AlzheimAlert™ will be subject to premarketing and postmarketing requirements applicable to such devices, including those governing:

- clinical testing;
- design control procedures;

- prior FDA approval of a 510(k) application, where the FDA has determined that our diagnostic device is substantially equivalent to a marketed device, or a premarket approval application, where the FDA has been satisfied with clinical studies demonstrating the safety and efficacy of our device;
- postmarketing record and reporting obligations; and
- good manufacturing practices.

The requirements for a premarket approval application are analogous to those for the approval of a new drug and include four categories of information: indications for use, device description and manufacturing methods, alternative practices and procedures for the diagnosis of the disease and clinical and nonclinical studies. The requirements for a 510(k) application are generally less onerous but still include indications for use, safety and effectiveness data as well as manufacturing and quality assurance data and information. There can be no assurance that the AlzheimAlert™ test or any other medical device that we may develop in the future will obtain the necessary approvals within a specified time framework, if ever. In addition, the FDA may impose certain postmarketing requirements that may significantly increase the regulatory costs associated with our product. The FDA has recourse to a wide range of administrative sanctions and civil and criminal penalties in order to enforce the applicable laws, rules and regulations.

Our therapeutic products under development by Nymox would also have to receive regulatory approval. This is a costly, lengthy and risky process. In the United States, in order for a product to be marketed, it must go through four distinct development and evaluation stages:

Product Evaluation

We must conduct preliminary studies of potential drug candidates using various screening methods to evaluate them for further testing, development and marketing.

Optimization of Product Formulation

The activities in this stage of development involve consultations between us and investigators and scientific personnel. Preliminary selection of screening candidates to become product candidates for further development and further evaluation of drug efficacy is based on a panel of research based biochemical measurements. Extensive formulation work and in vitro testing are conducted for each of various selected screening candidates and/or product candidates.

Clinical Screening and Evaluation

During this phase of development, portions of which may overlap with product evaluation and optimization of product formulation, initial clinical screening of product candidates is undertaken and full scale clinical trials commence. The FDA must approve any clinical testing on healthy subjects (Phase 1) and on patients (Phase 2 and 3).

Final Product Development

The activities to be undertaken in final product development include performing final clinical evaluations, conducting large-scale experiments to confirm the reproducibility of clinical responses, making clinical lots for any additional extensive clinical testing that may be required, performing any further safety studies required by the FDA, carrying out process development work to allow pilot scale production of the product, completing production demonstration runs for each potential product, filing new drug applications, product license applications, investigational device exemptions (and any necessary supplements or amendments) and undergoing comprehensive regulatory approval programs and processes.

We cannot assure you that we will successfully complete the development and commercialization of any therapeutic products.

In the United States, obtaining the necessary FDA approval for any drug is a lengthy, expensive and often arduous process. We cannot predict with any certainty the amount of time the FDA will take to approve one of our drugs or even whether any such approval will be forthcoming. Similar requirements exist in many other countries.

In the United States, the FDA approval procedure is a two-step process. We must file an investigational new drug (IND) application for each product with the FDA before beginning the initial (Phase 1) clinical testing of the new drug in healthy subjects. If the FDA has not commented on or questioned the application within 30 days of its filing, initial clinical studies may begin. If, however, the FDA has comments or questions, the questions must be answered to the satisfaction of the FDA before initial clinical testing can begin. In some instances, this process could result in substantial delay and expense. Phase I studies are intended to demonstrate the functional characteristics and safety of a product.

After Phase 1 testing, we must conduct extensive clinical trials with patients in order to establish the efficacy and safety of our drug. Once we complete the required clinical testing, we expect to have to file a new drug application for FDA approval in order to market most, if not all, of our new drugs. The application is complicated and detailed and must include the results of extensive clinical and other testing, the cost of which is substantial. The FDA conducts an extensive and often lengthy review of such applications. The agency is required to review applications within 180 days of their filing, but, during the review, frequently requests that additional information be submitted. This starts the

180-day regulatory review period anew when the requested additional information is submitted and, as a result, can significantly extend the review period. Until the FDA actually approves the new drug application, there can be no assurance that the agency will consider the information requested and submitted to justify approval. The packaging and labeling of products are also subject to FDA regulation. Accordingly, it is impossible to anticipate when the FDA will approve a new drug application.

Our lead candidate is NX-1207, a treatment for BPH. We cannot predict with any certainty the outcome of future trials, what further steps may be required in order to apply for final FDA approval for this drug or whether the FDA will ultimately grant us such approval.

We must also obtain approval for our drugs or diagnostic devices from the comparable regulatory authority in other countries before we can begin marketing our product in that country. The approval procedure varies from country to country and can involve additional testing. The time required may differ from that required for FDA approval. Although there are some procedures for unified filings for certain European countries, in general each country has its own procedures and requirements, many of which are time-consuming and expensive. Thus, there can be substantial delays in obtaining required approvals from both the FDA and foreign regulatory authorities after the relevant applications are filed.

After such approvals are obtained, further delays may be encountered before the products become commercially available. If, subsequent to approval, new information becomes available concerning the safety or effectiveness of any approved product, the regulatory authority may require the labeling for the affected product to be revised or the product to be withdrawn. Our manufacturing of any approved drug must conform with the FDA’s good manufacturing practice regulations which govern the production of pharmaceutical products and be subject to inspections and compliance orders.

Government regulation also affects our ability to receive an appropriate level of reimbursement for our products. Throughout the developed world, both public and private health care plans are under considerable financial and political pressure to contain

their costs. The two principal methods of restricting expenditures on drugs and diagnostic products and services are to deny coverage or, if coverage is granted, to limit reimbursement. For single-payer government health care systems, a decision to deny coverage or to severely restrict reimbursement for one of our products can have an adverse effect on our business and revenues.

In the United States, where, to a significant degree, the patient population for our products is elderly, Medicare and Medicaid are sources of reimbursement. In general, any restriction on reimbursement, coverage or eligibility under either program could adversely affect reimbursement to Nymox for products and services provided to beneficiaries of the Medicare and/or Medicaid programs. Many elderly people are covered by a variety of private health care organizations either operating private health care plans or Medicare or Medicaid programs subject to government regulation. These organizations are also under considerable financial constraints and we may not be able to secure coverage or adequate reimbursement from these organizations. Without coverage, we will have to look to the patients themselves who may be unwilling or unable to pay for the product; in turn, doctors may be reluctant to order or prescribe our products in the absence of coverage of the product for the patient.

In response to rising health care costs, there have been a number of legislative and administrative proposals in the U.S. for the reform of the heathcare system. In 1997 the U.S. Congress implemented sweeping changes to the U.S. Medicare and Medicaid systems. Under Part C: Medicare + Choice programs, beneficiaries can opt for a variety of health delivery models, including coordinated care plans, HMOs, preferred provider organizations and provider sponsored organizations, private fee-for-service plans and medical savings account plans. In addition, states have the option to require Medicaid recipients to enroll with managed health care plans without first obtaining a waiver, making it substantially easier for the states to meet their Medicaid obligations through private managed care organizations. All these health care delivery systems, including the original Medicare and Medicaid systems, are subject to funding formulas and spending caps and may compensate for these restrictions by limiting coverage, eligibility and/or payments. In 2003, the U.S. government added insurance coverage to help pay for prescription drugs to Medicare. In March 2010, the United States enacted health care reform legislation. Important market reforms have begun and will continue through full implementation in 2014. The United States Supreme Court said that it will hear arguments this spring challenging the constitutionality of the new laws. The new law is expected to expand access to health care to more than 32 million Americans by the end of the decade. These changes may adversely affect the prices we may charge for any therapeutic drug we develop. The long-term impact of legislative changes in terms of their efficiency, effectiveness and financial viability in delivering health care services to an aging population is uncertain at present. Any legislative or regulatory actions to reduce or contain federal spending under either the Medicare or Medicaid programs could adversely affect our ability to participate in either program as a provider or supplier of services or products and the amount of reimbursement under these programs potentially available to us.

Our AlzheimAlert™ test, and any of the new diagnostic and therapeutic products and services that we may develop, will be subject to coverage determinations by health care providers and payers. Federal and state regulations and law and internal coverage policies of health care organizations affect our ability to obtain payments for our products and services. The Medicare program will not pay for any expenses incurred for items or services that are not reasonable and necessary for the diagnosis or treatment of illness or injury or to improve the functioning of a malformed body member. Historically, CMS interpreted this provision in order to exclude from Medicare coverage those medical and health care services that are not demonstrated to be safe and effective by acceptable clinical evidence. CMS recently revised both its national coverage policies and procedures in general and specifically its coverage of diagnostic laboratory tests and constituted a Medicare Coverage Advisory Committee to provide advice on the effectiveness and appropriateness of medical items and services that are eligible for coverage under Medicare. It is unknown how these changes will affect our ability to obtain Medicare coverage for our products and services. However, an adverse national coverage decision with respect to one of our products or services will make it impossible to receive reimbursement from Medicare for that product and more difficult to convince private health care organizations to provide coverage for it. Even if we receive a favorable coverage decision for one of our products or services, there is

no guarantee that the level of reimbursement for it will be close to our retail price for it or commensurate with the costs of developing and marketing it.

**Patents and Proprietary Information**

We believe that patent and trade secret protection is important to our business, and that our success will depend, in part, on our ability to obtain strong patents, to maintain trade secret protection and to operate without infringing the proprietary rights of others.

The commercial success of products incorporating our technologies may depend, in part, upon our ability to obtain strong patent protection. We cannot assure you that additional patents covering new products or improvements will be issued or that any new or existing patents will be of commercial benefit or be valid and enforceable if challenged.

We pursue a policy of seeking patent protection for valuable patentable subject matter of our proprietary technology and require all employees, consultants and other persons who may have access to its proprietary technology to sign confidentiality agreements.

The Corporation currently owns or has licensed exclusive rights to several hundred patents and patent applications in the U.S. and other countries around the world in support of its proprietary product development programs. Nymox has twenty-three U.S. patents issued or allowed and a corresponding larger number of patents and patent applications worldwide. Nymox has issued patents in the main European markets, including Great Britain, Germany, France, Italy, The Netherlands, Sweden and Spain among others and in other countries such as Japan, Canada and Australia. These patents and patent applications cover much of our current product development and technologies, including new drug candidates, proprietary screening technologies for

finding drugs, promising diagnostic markers, new diagnostic assay methods, methods of treating meat and other food products; and anti-infective agents. The earliest expiry date for our current issued patents is October 2014 and the rest range from 2016 through 2027.

Nymox's subsidiary, Serex, has thirteen patents issued or allowed in the United States and a corresponding larger number of patents and patent applications worldwide. These patents and patent applications cover such areas as Serex's proprietary diagnostic technologies and methodologies. The expiry dates for its patents range from 2012 to 2017.

Nymox also has exclusive rights to twelve issued U.S. patents as well as a corresponding larger number of patents and patent applications worldwide through research and license agreements. The earliest of these patents expires in September 2012.

Many companies have patents covering various drugs, methods and discoveries in the fields of diagnostics and therapeutics for Alzheimer’s disease and related conditions and of new anti-infective agents. We believe that the patents issued to date will not preclude Nymox from developing and marketing our products; however, it is impossible to predict the extent to which licenses from third parties will be necessary. If Nymox were to need licenses from third parties there can be no assurance that we could obtain such licenses on commercially reasonable terms, if at all.

In the fields of diagnostic methods and diagnostic tests for common human diseases and conditions, where Serex has many of its patents, there are many patents issued covering many areas of diagnostic methods, tests and technologies. We believe that these patents issued to date to other companies will not preclude Serex from developing and marketing its products but you should be aware that it is often difficult to determine the nature, breadth and validity of competing patent claims in these fields, that there has been significant litigation in some of these areas (not involving Serex) and that, if and when Serex’s products become more commercially successful, Serex’s products or patents may become the subject matter of litigation. If Serex were to need licenses from third parties there can be no assurance that it could obtain such license on commercially reasonable terms, if at all.

Neither Nymox nor Serex are currently involved in litigation over patent and other intellectual property rights but significant litigation over these matters in the pharmaceutical and biotechnology industry is not uncommon. The validity and extent of patent rights can be very difficult to determine and involve complex legal, factual and scientific questions. Important legal issues about patent protection in the field of biotechnology have not been resolved. Patent litigation is costly and time-consuming and can consume substantial resources. An adverse decision can preclude the marketing of a product, expose us to significant liabilities or require us to obtain third party licenses, which may not be available at commercially reasonable prices.

We also rely upon trade secrets, know-how, and continuing technological advancement to develop and maintain our competitive position. We control the disclosure and use of our know-how and confidential information through agreements with the parties involved. In addition, we have confidentiality agreements with our key employees, consultants, officers and directors. There can be no assurance, however, that all confidentiality agreements will be honored, that others will not independently develop equivalent technology, that disputes will not arise as to the ownership of intellectual property, or that disclosure of our trade secrets will not occur. Furthermore, there can be no assurance that others have not obtained or will not obtain patent protection that will exclude us from using our trade secrets and confidential information. To the extent that consultants or research collaborators use intellectual property owned by others in their work with us, disputes may also arise as to the rights to related or resulting know-how or inventions.

**Competition**

Rapidly evolving technology and intense competition are the hallmarks of modern pharmaceutical and biotechnology industries.

Our competitors include:

- major pharmaceutical, diagnostic, chemical and biotechnology companies, many of which have financial, technical and marketing resources significantly greater than ours;
- biotechnology companies, either alone or in collaborations with large, established pharmaceutical companies to support research, development and commercialization of products that may be competitive with ours; and
- academic institutions, government agencies and other public and private research organizations which are conducting research into Alzheimer's disease and which increasingly are patenting, licensing and commercializing their products either on their own or through joint ventures.

In the field of Alzheimer's disease diagnosis, our AlzheimAlert™ test faces growing competition which could detrimentally impact on our ability to successfully market and sell our diagnostic test. Our competitors include:

- Athena Diagnostics, Inc., a division of Quest Diagnostics, which is currently marketing three tests claimed to aid in the diagnosis of Alzheimer's disease: a genetic test for the rare cases of familial, early-onset Alzheimer's disease; a genetic test for a relatively common mutation of a gene said to increase the likelihood of a person with at least one of the genes contracting the disease; and a test for two proteins in the spinal fluid of patients.
- Innogenetics NV, which currently markets tests and kits for two proteins and a variant of one of these proteins in the spinal fluid of patients and a genetic test for a relatively common mutation of a gene said to increase the likelihood of a person developing the disease.
- Amorfix Life Sciences Ltd., which currently markets a research test to detect aggregated amyloid protein in brain test and has under development related blood and CSF tests.

There are also a number of other proposed biochemical signs of the disease that could potentially be developed into a commercial diagnostic test as well as various scanning and imaging technologies which compete for a portion of the diagnostic market for Alzheimer's disease. On January 20, 2011, an FDA Advisory Committee panel recommended against the approval at that time of Lilly's Amyvid™ (florbetapir), a molecular imaging tool developed to detect beta-amyloid plaque in the brain. The Committee's decision left open the possibility of approval at a later time after a further study is completed. A number of companies, including GE and Bayer, are actively working to develop imaging technologies for the diagnosis of Alzheimer's disease. In June 2004, the CMS approved limited coverage of a Positronic Emission Tomography ("PET") imaging procedure for helping to more precisely distinguish Alzheimer's disease from a rarer type of dementia when clinical evaluation has been inconclusive. In October 2004, the National Institute of Aging in conjunction with other Federal agencies, private companies and organizations launched the Alzheimer's Disease Neuroimaging Initiative, a $60 million initiative to test whether various scanning and imaging technologies, biochemical markers, and clinical and neuropsychological testing can be combined to help diagnose early Alzheimer's disease.

Our NicAlert™ and TobacAlert™ products face competition from clinical laboratories such as LabCorp and Quest Diagnostics which provide off-site lab testing for cotinine, the by-product of the body's breakdown of nicotine measured by NicAlert™ and TobacAlert™, and from assay suppliers, including immunoassay developers such as OraSure Technologies Inc. and Abraxis LLC, and diagnostic system manufacturers such as Roche Diagnostics, Abbott and Diagnostic Products Corporation. NicAlert™ and TobacAlert™ also face competition from distributors who supply simple yes-no smoking status tests such as NicQuick, and QuickScreen, from NicCheck I, an FDA-cleared smoking status test being marketed by Mossman & Associates Ltd, from SmokeScreen, a chemical color-based tobacco test being marketed by Mermaid Diagnostics, Ltd. in the United Kingdom, and from carbon monoxide (CO) monitors such as SmokeCheck.

We also face intense competition for the development of an effective treatment for Alzheimer's disease. The market conditions for an Alzheimer's disease drug strongly favor the entry of other corporations into the area. This market is expected to grow rapidly as new drugs enter the market and as the baby boom generation becomes more at risk for developing Alzheimer's disease. As a result, most of the major pharmaceutical companies and many biotechnology companies have ongoing research and development programs for drugs and treatments for Alzheimer's disease. Many of these companies have much greater scientific, financial and marketing resources than we have and may succeed in developing and introducing effective treatments for Alzheimer's disease before we can. At present, four drugs for Alzheimer's disease are being widely marketed in the United States, Aricept® by Pfizer, Exelon® by Novartis, Razadyne® by Janssen and Namenda® by Forest. These four drugs only treat some of the symptoms of Alzheimer's disease by enhancing memory and other mental functions and not the underlying causes of the illness.

A similar competitive reality prevails in the field of novel anti-infectives. Over the past ten years, there has been an increasing awareness of the medical need and of emerging market opportunities for new treatments for antibiotic resistant bacterial infections. Many of the major pharmaceutical companies are developing anti-infective drugs that either modify their existing drugs or involve new anti-bacterial properties. Many biotechnology companies are developing new classes of anti-bacterial drugs. At least three major pharmaceutical companies have vaccines against bacterial infections in development. To the extent that these companies are able to develop drugs or vaccines that offer treatment for some or all of the indications for our anti-infectives, the market for our products may be adversely affected.

Our treatments under development for BPH face significant competition from existing products. There are eight drugs approved for treatment of BPH: four proprietary drugs (dutasteride (Avodart®), tamsulosin (Flomax®), alfusozin (Uroxatral®), and silodosin (Rapaflo®)) a combination of two drugs (dutasteride and tamsulosin) (Jalyn™), and four generics (finasteride, terazozin, doxazozin, and prazosin). There are a number of thermal treatments on the market designed to shrink the enlarged prostate by heating its tissue with a device inserted through the urethra (the tube

leading from the bladder through the penis through which men urinate) or through the abdomen. The devices on the market use microwave energy (Prostatron®, Targis Therapy® or TherMatrx®), low level radiowaves (TUNA System®), lasers (Indigo LaserOptic Treatment System® or Laserscope GreenLight PVP™), direct heat or hot water to heat or burn away prostate tissue. A variety of surgical procedures exist to surgically reduce or remove the prostate or to widen the urethra. These include procedures to cut away prostate tissue such as TURP (transurethral resection of the prostate) and using a resectoscope with an electrical loop inserted through the penis to cut the prostate tissue. A small device used to widen the constricted urethra called a prostatic stent can also be inserted.

The problem of *E. coli* O157:H7 contamination of hamburger meat and other food products is also well-known and a number of companies and researchers have been pursuing various potential solutions, including irradiation with x-rays, better detection of contamination, electronic pasteurization, vaccination and competitive exclusion of the pathogenic *E. coli* bacteria by harmless bacteria. The development of alternative solutions to the problem of E. coli infection may adversely affect the market for our treatment for *E. coli* O157:H7 infection in cattle and contamination of food products.

**Marketing**

Our AlzheimAlert™ test is certified with a CE Mark, making the device eligible for sale in the European Union.

At present, we do most of our marketing ourselves. To increase our marketing, distribution and sales capabilities both in the United States and around the world, we will need to enter into licensing arrangements, contract sales agreements and co-marketing deals. We cannot assure you that we will be able to enter into agreements with other companies on terms

acceptable to us, that any licensing arrangement will generate any revenue for the Corporation or that the costs of engaging and retaining the services of a contract sales organization will not exceed the revenues generated.

If successfully developed and approved, we plan to market and sell our therapeutic and diagnostic products directly or through co-promotion arrangements or other licensing arrangements with third parties. In cases where we have sole or shared marketing rights, we plan to build a small, focused sales force if and when such products approach marketing approval in some markets, including Europe. Implementation of this strategy will depend on many factors, including the market potential of any products we develop as well as on our financial resources. To the extent we will enter into co-promotion or other licensing arrangements, any revenues received by us will be dependent on the efforts of third parties.

**Principal Markets**

The Corporation markets its products for sale principally in the United States, Canada and overseas. Set forth below is a breakdown of the Corporation's revenues by geographic market for the last three years. The revenue in 2011 and 2010 include recognition of revenue related to the upfront payment of €10 million (U.S. $13.1 million) received from Recordati in December 2010.

| Revenues: | Canada | United States | Europe & Other |
|---|---|---|---|
| 2011 | $ 11,537 | $ 437,410 | $ 2,664,868 |
| 2010 | $ 15,900 | $ 505,897 | $ 169,653 |
| 2009 | $ 11,386 | $ 328,564 | $ 76,030 |

**ITEM 4A. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

**General**

Nymox Pharmaceutical Corporation is a biopharmaceutical Corporation with three proprietary products on the market, and an R&D pipeline of drug and diagnostic products in development.

We have developed the AlzheimAlert™ test as an aid to the diagnosis of Alzheimer's disease. The kit version of the AlzheimAlert™ test is certified with a CE Mark in Europe. AlzheimAlert™ is an improved version of our AD7C™ test, from which we began generating revenue from sales in 1997. In July 2005, an FDA advisory panel voted 5-2 against approval of our kit, citing the need for further studies, such as long term follow-up and autopsy confirmation.

We also market NicAlert™ and TobacAlert™, our two products which determine a person's level of exposure to tobacco products. These products are also certified with a CE Mark, making the devices eligible for sale in the European Union.

We have under development therapeutic agents for the treatment of Alzheimer's disease, the treatment of BPH and of certain antibiotic-resistant infections as well as antibacterial agents for E. coli contamination of food and drink products.

In September 2006, we announced the successful completion of a multi-center, double-blind, placebo-controlled Phase 2 trial of NX-1207, our lead candidate for the treatment of BPH. In February 2009, the Corporation reported

concluding a positive and productive End of Phase 2 (“EOP2”) meeting with the FDA concerning the Phase 3 program for NX-1207. In June 2009, the Corporation began conducting the first of two pivotal double blind placebo controlled Phase 3 trials for NX-1207 that incorporate the specific protocol design recommendations provided to the Corporation by the FDA.

We also have the rights to a U.S. patent for the use of statin drugs for the treatment or prevention of Alzheimer’s disease.

We have incurred operating losses throughout our history. Management believes that such operating losses will continue for at least the next few years. The costs relating to clinical trials for our potential therapeutic products will increase expenditures and delay profitability, despite anticipated increases in sales revenue in the coming years.

All figures are presented in U.S. dollars, unless otherwise stated.

**History of Capital Funding**

We have funded our operations and projects primarily by selling shares of Nymox’s common stock. However, since 1997, a small portion of our funding also comes from sales. Since its incorporation in May 1995, Nymox raised the capital necessary to fund its on-going research and development work and its marketing and sales operations primarily through private placements of its shares.

On December 1, 1997, our common shares began trading on the Nasdaq Stock Market. Nymox’s common shares also traded on the Montreal Exchange from December 18, 1995 to November 19, 1999.

On January 27 2003, we entered into a Common Stock Private Purchase Agreement with an investment corporation, Lorros-Greyse, for the future issuance and purchase of Nymox's common shares.

Under the terms of this agreement, which has since been replaced annually by new agreements with Lorros-Greyse, we may give notice to Lorros-Greyse requiring it to purchase a specified dollar amount of our shares. The amount specified in any one notice may be up to $1,000,000 but not less than $100,000. The maximum amount can be higher if both parties agree. The number of shares Nymox will issue to Lorros-Greyse in return for that money will be equal to the amount specified in the notice divided by 97% of the average market price of our common shares for the five trading days preceding the giving of the notice. The Corporation must comply with general covenants in order to draw on its facility, including maintaining its stock exchange listing and registration requirements and having no material adverse effects, as defined in the agreement, with respect to the business and operations of the Corporation. The Corporation may terminate the agreement before the 24-month term, if it has issued at least $8 million of common shares under the agreement.

Under the agreement dated November 10, 2008, we received $4,105,000 during 2009 and under the agreement dated November 2, 2009; we received a total of $4,700,000 during 2010.

On November 1, 2010, we signed a new Common Stock Private Purchase Agreement, whereby Lorros-Greyse is committed to purchase up to $15 million of Nymox's common shares over the twenty-four month period beginning in November 2010, subject to the same terms and conditions as before.

Under this agreement dated November 1, 2010, which became effective November 25, 2010, we received a total of $3,200,000 for the following shares under this common stock private purchase agreement:

- December 9, 2010, 49,261 common shares were issued at a price of $4.06 per share.
- July 20, 2011, 114,416 common shares were issued at a price of $8.74 per share.
- October 17, 2011, 123,916 common shares were issued at a price of $8.07 per share.
- November 1, 2011, 115,075 common shares were issued at a price of $8.69 per share.

On November 1, 2011, we signed a new Common Stock Private Purchase Agreement, whereby Lorros-Greyse is committed to purchase up to $15 million of Nymox's common shares over the twenty-four month period beginning in November 2011, subject to the same terms and conditions as before.

As of March 15, 2012, there have been no drawdowns under this agreement dated November 1, 2011, which became effective December 19, 2011, As of March 15, 2012, Nymox had approximately $15 million of financing available under the facility. We expect this Common Stock Private Purchase Agreement to provide sufficient financing to enable us to advance our research and product development for the next two years.

Also, the Corporation has received total proceeds of approximately $1.08 million from the exercise of 377,400 options since 1995. In 2011, 28,000 options were exercised. No other options have been exercised since May 2007.

Pursuant to the share purchase agreement we entered into in March 2000 to acquire a controlling interest of Serex, Inc., a total of 257,607 additional shares and 158,526 warrants were issued in exchange for the shares of Serex. Since January 2004, 131,940 of these warrants have been exercised under a "cashless exercise", whereby the warrant holder receives a number of shares equivalent in value to the net difference between the strike price on the warrant and the average market price on the day before the date of the "cashless exercise", according to a formula contained in the warrant agreement. The net effect of these "cashless exercises" has been the issuance of 22,061 shares of Nymox common stock. Another 1,090 of these warrants were exercised resulting in the issuance of 1,090 shares of Nymox, for proceeds of $4,033.

In total, Nymox has raised over $66.0 million through the issuance of common stock or securities exercisable for shares of common stock, since its incorporation in May 1995.

We have no contractual obligations of significance other than long-term lease commitments for our premises in Canada and the United States of $31,158 through to August 2012 and August 2012 respectively. Contractual obligations are summarized in the Management's Discussion and Analysis below.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**(in US dollars)**

This Management's discussion and analysis ("MD&A") comments on the Corporation's operations, performance and financial condition as at and for the years ended December 31, 2011 and 2010. This MD&A should be read together with the audited Consolidated Financial Statements and the related notes. This MD&A is dated March 15, 2012. All amounts in this report are in U.S. dollars, unless otherwise noted.

Except as otherwise indicated, all financial information contained in this MD&A and in the Consolidated Financial Statements has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Consolidated Financial Statements and this MD&A were reviewed by the Corporation's Audit and Finance Committee and were approved by our Board of Directors.

Additional information about the Corporation can be obtained on EDGAR at www.sec.gov or on SEDAR at www.sedar.com.

**Overview**

**Corporate Profile**

Nymox Pharmaceutical Corporation is a biopharmaceutical company with a significant R&D pipeline in development. Nymox is developing NX-1207, a novel treatment for benign prostatic hyperplasia ("BPH") which is in Phase 3 trials in the U.S. In December 2010, the Corporation signed a license and collaboration agreement with Recordati, a European pharmaceutical group, for the development and commercialization of NX-1207 in Europe including Russia and the CIS, the Middle East, the Maghreb area of North Africa and South Africa. The license and collaboration agreement covers the use of NX-1207 for the treatment of BPH as the initial indication for development and commercialization. NX-1207 showed positive results for the treatment of BPH in Phase 1 and 2 clinical trials in the U.S. The Corporation successfully completed a 43 site prospective randomized double-blinded placebo controlled Phase 2 U.S. clinical trial of NX-1207 in 2006, which showed statistically significant efficacy and a good safety profile. In February 2008, the Corporation reported positive results in a 32 site U.S. Phase 2 prospective randomized blinded clinical trial, with statistically significant improvement compared to an approved BPH drug (finasteride). Nymox reported positive results in twelve follow-up studies of available subjects from the completed Phase 1 and 2 clinical trials. In February 2009, the Corporation reported concluding a positive and productive End of Phase 2 (EOP2) meeting with the FDA concerning the Phase 3 program for NX-1207. In June 2009, the Corporation began conducting the first of two pivotal double blind placebo controlled Phase 3 trials for NX-1207 that incorporate the specific protocol design recommendations provided to the Corporation by the FDA. The two pivotal Phase 3 studies for NX-1207 are being conducted at well known investigational sites across the U.S. with planned enrollment of 1,000 patients. The Corporation is also developing new treatments for bacterial infections in humans and for the treatment of E. *coli* O157:H7 contamination in food products. Nymox has candidates which are under development as drug treatments aimed at the causes of Alzheimer's disease, and has several other drug candidates in development. Nymox has U.S. and global patent rights for the use of statin drugs for the treatment and prevention of Alzheimer's disease. Nymox developed the AlzheimAlert™ test, which is certified with a CE Mark in Europe. AlzheimAlert™ is an accurate, non-invasive aid in the diagnosis of Alzheimer's disease. Nymox developed and markets NicAlert™ and TobacAlert™; which are tests that use urine or saliva to detect use of and exposure to tobacco products. NicAlert™ has received clearance from the FDA and is also certified with a CE Mark in Europe. TobacAlert™ is the first test of its kind to accurately measure second and third hand smoke exposure in individuals.

**Risk Factors**

The business activities of the Corporation since inception have been devoted principally to research and development. Accordingly, the Corporation has had limited revenues from sales and has not been profitable to date. We refer to the Risk Factors section of our Form 20-F filed on EDGAR and on SEDAR for a discussion of the management and investment issues that affect the Corporation and our industry. The risk factors that could have an impact on the Corporation's financial results are summarized as follows:

- Our Clinical Trials for Our Therapeutic Products in Development, Such as NX-1207, May Not be Successful and We May Not Receive the Required Regulatory Approvals Necessary to Commercialize These Products
- Our Clinical Trials for Our Therapeutic Products, Such as NX-1207, May Be Delayed, Making it Impossible to Achieve Anticipated Development or Commercialization Timelines
- A Setback in Any of Our Clinical Trials Would Likely Cause a Drop in the Price of our Shares
- We May Not be Able to Make Adequate Arrangements with Third Parties for the Commercialization of our Product Candidates, such as NX-1207
- We May Not Achieve our Projected Development Goals in the Time Frames We Announce and Expect
- Even If We Obtain Regulatory Approvals for Our Product Candidates, We Will be Subject to Stringent Ongoing Government Regulation
- It is Uncertain When, if Ever, We Will Make a Profit
- We May Not Be Able to Raise Enough Capital to Develop and Market Our Products
- We Face Challenges in Developing, Manufacturing and Improving Our Products
- Our Products and Services May Not Receive Necessary Regulatory Approvals
- We Face Significant and Growing Competition

- We May Not Be Able to Successfully Market Our Products
- Protecting Our Patents and Proprietary Information is Costly and Difficult
- We Face Changing Market Conditions
- Health Care Plans May Not Cover or Adequately Pay for Our Products and Services
- We Are Subject to Continuing Potential Product Liability Risks, Which Could Cost Us Material Amounts of Money
- The Issuance of New Shares May Dilute Nymox's Stock
- We Face Potential Losses Due to Foreign Currency Exchange Risks
- We Have Never Paid a Dividend and are Unlikely to do so in the Foreseeable Future

**Critical Accounting Policies**

The consolidated financial statements of the Corporation have been prepared under International Financial Reporting Standards ("IFRS"). The Corporation's functional and presentation currency is the United States dollar. Our accounting policies are described in the notes to our annual audited consolidated financial statements. We consider the following policies to be the most critical in understanding the judgments that are involved in preparing our financial statements and the matters that could impact our results of operations, financial condition and cash flows.

Revenue Recognition

The Corporation has generally derived its revenue from product sales and collaboration agreements. Revenue from product sales is recognized when the product has been delivered and obligations as defined in the agreement are performed. Collaboration agreements that include multiple deliverables are considered to be multiple-element arrangements. Under this type of arrangement, the identification of separate units of accounting is required and revenue is allocated among the separate units based on their relative fair values.

Payments received under a collaboration agreement may include upfront payments, milestone payments, sale of goods, royalties and license fees. Revenue for each unit of accounting are recorded as described below:

(i) Upfront payments:

Upfront payments are deferred and recognized as revenue on a systematic basis over the estimated service period. Changes in estimates are recognized prospectively when changes to the expected term are determined.

(ii) Milestone payments:

Revenue subject to the achievement of milestones is recognized only when the specified events have occurred and collectability is reasonably assured.

Specifically, the criteria for recognizing milestone payments are that (i) the milestone is substantive in nature, (ii) the achievement was not reasonably assured at the inception of the agreement, and (iii) the Corporation has no further involvement or obligation to perform associated with the achievement of the milestone, as defined in the related collaboration arrangement.

(iii) Sale of goods:

Revenue from the sale of goods is recognized when the Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(iv) Royalties and license fees:

Royalties and license fees are recognized when conditions and events under the license agreement have occurred and collectability is reasonably assured.

Valuation of Property and Equipment

Property and equipment are stated at cost and are amortized on a straight-line basis over the estimated useful lives. The Corporation reviews the unamortized balance of property and equipment, and recognizes any impairment in carrying value when it is identified. Factors we consider important, which could trigger an impairment review include:

- Significant changes in the manner of our use of the acquired assets or the strategy for our overall business; and
- Significant negative industry or economic trends.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit, or CGU”).

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU on a

pro rata basis. Future events could cause management to conclude that impairment indicators exist and that the carrying values of the Corporation's property and equipment are impaired.

Stock-based Compensation

Stock-based compensation is recorded using the fair value based method for stock options issued to employees and non-employees. Under this method, compensation cost related to employee awards is measured at fair value at the date of grant, net of forfeitures, and is expensed over the award's vesting period. The Corporation uses the Black-Scholes options pricing model to calculate stock option values, which requires certain assumptions, including the future stock price volatility and expected time to exercise. Changes to any of these assumptions, or the use of a different option pricing model, could produce different fair values for stock-based compensation, which could have a material impact on the Corporation's earnings.

Recoverability of Deferred Tax Assets

Management judgment is required in assessing the recoverability of deferred tax assets. We have recorded no deferred tax assets as of December 31, 2011 and 2010, due to uncertainties related to our ability to utilize all of our deferred tax assets, primarily consisting of net operating losses carried forward and other unclaimed deductions, before they expire. In assessing the recoverability of deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will not be recovered. The ultimate recoverability of deferred tax assets is dependent upon the generation of future taxable income and tax planning strategies. The generation of future taxable income is dependent on the successful commercialization of the Corporation's products and technologies.

**Results of Operations**

| **Selected Annual Information** | **2011** | **2010** | **2009** (i) |
|---|---|---|---|
| Total revenues | $3,113,815 | $691,450 | $415,980 |
| Net loss | $(9,652,389) | $(6,536,313) | $(5,130,074) |
| Loss per share (basic & diluted) | $(0.30) | $(0.20) | $(0.17) |
| Total assets | $6,375,266 | $13,502,222 | $1,090,431 |
| Non-current financial liabilities | $400,000 | $400,000 | $400,000 |

| **Quarterly Results** | **Q4 – 2011** | **Q3 – 2011** | **Q2 – 2011** | **Q1 – 2011** |
|---|---|---|---|---|
| Total revenues | $777,606 | $804,712 | $766,482 | $765,015 |
| Net loss | $(1,659,125) | $(1,614,041) | $(1,948,132) | $(4,431,091) |
| Loss per share (basic & diluted) | $(0.05) | $(0.05) | $(0.06) | $(0.14) |
| | **Q4 – 2010** | **Q3 – 2010** | **Q2 – 2010** | **Q1 – 2010** |
| Total revenues | $313,143 | $26,896 | $104,550 | $246,861 |
| Net loss | $(2,057,314) | $(1,649,061) | $(1,646,586) | $(1,183,352) |
| Loss per share (basic & diluted) | $(0.06) | $(0.05) | $(0.05) | $(0.04) |

The revenues in 2011 and 2010 include the recognition of revenue related to the upfront payment of €10 million (US$13.1 million) received from Recordati in December 2010. The higher net loss in the year ended December 31, 2011 is related primarily to higher stock-based compensation expense recorded during the first quarter of 2011 due to 865,000 options granted in the first quarter of 2011 of which the majority vested immediately.

(i) The Corporation adopted IFRS in 2011 with a transition date of January 1, 2010. Consequently, the selected financial information for 2009, as presented in our 2009 MD&A, which was presented in conformity with Canadian GAAP, was not restated in accordance with IFRS and accordingly, is not comparable with the information for 2011 and 2010.

Results of Operations – 2011 compared to 2010

Net losses were $1,659,125, or $0.05 per share, for the quarter, and $9,652,389, or $0.30 per share, for the year ended December 31, 2011, compared to $2,057,314, or $0.06 per share, for the quarter and $6,536,313, or $0.20 per share, for the year ended December 31, 2010. Net losses include stock compensation charges of $4,005,404 in 2011 and $478,865 in 2010. The increase in net losses in 2011 is principally attributable to the stock compensation charges. The weighted average number of common shares outstanding for the year ended December 31, 2011 was 32,711,431 compared to 31,940,584 for the same period in 2010.

Revenues

Revenues from sales of goods amounted to $123,206 for the quarter and $496,215 for the year ended December 31, 2011, compared with $204,076 for the quarter and $582,383 for the year ended December 31, 2010. A large number of orders by one client for NicAlert™/TobacAlert™ in 2010 were not repeated in 2011, which explains the decrease in sales. The development of therapeutic candidates and of moving therapeutic product candidates through clinical trials is a priority for the Corporation at this time. The growth of sales will become more of a priority once these candidates have reached the marketing stage. The Corporation expects that revenues will increase if and when product candidates pass clinical trials and are launched on the market.

For the three months and year ended December 31, 2011, amounts of $654,400 and $2,617,600 respectively were recognized as revenue relating to the upfront payment received from Recordati in December 2010, compared to $109,067 for the three months and year ended December 31, 2010. At December 31, 2011, the deferred revenue related to this transaction recorded in the statement of financial position amounted to $10,361,333.

Research and Development

Research and development expenditures were $1,890,452 for the quarter and $9,461,081 for the year ended December 31, 2011, compared with $1,396,699 for the quarter and $5,116,227 for the year ended December 31, 2010. Research and development expenditures include costs incurred in advancing Nymox's BPH product candidate NX-1207 through clinical trials, as well as costs related to its R&D pipeline in development. Research and development expenditures also include stock compensation charges of $2,357,307 in the year ended December 31, 2011 and $318,184 in the comparative period in 2010. The increase in expenses in 2011 is primarily attributable to the stock compensation charges due to 905,000 options mainly granted in the first quarter of 2011 of which the majority vested immediately. Expenditures on the clinical trial for NX-1207 also increased compared to the same period in 2010, principally on salaries by approximately $353,000 and on clinical site and laboratory services by approximately $1,501,000, with corresponding increases for the quarter. In 2011, research tax credits and grants amounted to $486,910 compared to $236,101 in 2010 due to the recognition in 2011 of the grant awarded from the U.S. government under the Qualifying Therapeutic Discovery Project in the amount of $244,479. The Corporation expects that research and development expenditures will decrease as product candidates finish development and clinical trials. However, because of the early stage of development of the Corporation's R&D projects, it is impossible to outline the nature, timing or estimated costs of the efforts necessary to complete these projects, nor the anticipated completion dates for these projects. The facts and circumstances indicating the uncertainties that preclude us from making a reasonable estimate of the costs and timing necessary to complete projects include the risks inherent in any field trials, the uncertainty as to the nature and extent of regulatory requirements both for safety and efficacy, and the ability to manufacture the products in accordance with current good manufacturing requirements (cGMP) and in sufficient quantities both for large scale trials and for commercial use. A drug candidate that shows efficacy can take a long period (7 years or more) to achieve regulatory approval. There is also uncertainty whether we will be able to successfully adapt our patented technologies or whether any new products we develop will pass proof-of-principle testing both in the laboratory and in clinical trials, and whether we will be able to manufacture such products at a commercially competitive price. In addition, given the very high costs of development of therapeutic products, we anticipate having to partner with larger pharmaceutical companies to bring therapeutic products to market. The terms of such partnership arrangements along with our related financial obligations cannot be determined at this time and the timing of completion of the approval of such products will likely not be within our sole control.

Marketing Expenses

Marketing expenditures were $51,964 for the quarter and $642,235 for the year ended December 31, 2011, in comparison to expenditures of $42,589 for the quarter and $152,389 for the year ended December 31, 2010. Marketing expenditures also include stock compensation charges of $434,635 for the year ended December 31, 2011 and $4,780 in 2010. The increase in expenses in 2011 is primarily attributable to the stock compensation charges. The balance of the increase for the quarter and for the year is due to an increase in salaries by approximately $20,000 and costs of publicity by approximately $35,000 in 2011 compared to 2010. The Corporation expects that marketing expenditures will increase if and when new products are launched on the market.

General and Administrative Expenses

General and administrative expenses were $443,895 for the quarter and $2,832,870 for the year ended December 31, 2011, compared with $923,464 for the quarter and $1,847,122 for the year ended December 31, 2010. General and

administrative expenditures also include stock compensation charges of $1,213,462 for the year ended December 31, 2011 and $155,901 in 2010. The increase in expenses in 2011 is attributable to the stock compensation charges. The decrease for the quarter is due to higher expenditures in the fourth quarter of 2010 in professional fees by approximately $780,000, which were not repeated in 2011. The Corporation expects that general and administrative expenditures will increase as new product development leads to expanded operations.

Finance Costs - Foreign Exchange

The Corporation incurs expenses in the local currency of the countries in which it operates, which include the United States and Canada. Approximately 66% of 2011 expenses (78% in 2010) were in U.S. dollars. Foreign exchange fluctuations had no meaningful impact on the Corporation’s results in 2011 or 2010.

Inflation

The Corporation does not believe that inflation has had a significant impact on its results of operations.

**Contractual Obligations**

Nymox has no contractual obligations of significance other than long-term lease commitments for rental of laboratory and office space, other operating leases and redeemable preferred shares as follows:

| Contractual Obligations | Total | Less than 1 year | 1-3 years | 4+ years |
|---|---|---|---|---|
| Rent for laboratory and office space | $367,771 | $280,789 | $86,982 | $0 |
| Operating Leases | $21,713 | $10,964 | $10,749 | $0 |
| Total Contractual Obligations | $389,484 | $291,753 | $97,731 | $0 |

The redeemable preferred shares in the amount of $400,000 have no specific terms of repayment.

**Off-Balance Sheet Arrangements**

The Corporation has no binding commitments for the purchase of property, equipment or intellectual property. The Corporation has no commitments that are not reflected in the statement of financial position except for operating leases.

**Transactions with Related Parties**

The Corporation had no transactions with related parties in 2011 and 2010.

Refer to note 18 of the consolidated financial statements for key management personnel disclosures.

**Financial Position**

Liquidity and Capital Resources

As of December 31, 2011, cash totalled $5,918,921 and receivables including tax credits totalled $393,169. In December 2010, the Corporation received an upfront payment of €10 million (US$13.1 million) pursuant to a license and collaboration agreement with Recordati for the development and commercialization of NX-1207 in Europe and other countries. In November 2010, the Corporation signed a common stock private purchase agreement, whereby Lorros-Greyse Investments, Ltd. (the “Purchaser”) was committed to purchase up to $15 million of the Corporation’s common shares over a twenty-four month period. The agreement became effective November 25, 2010. As at December 31, 2011, four drawings were made under this purchase agreement, for total proceeds of $3,200,000. On December 9, 2010, 49,261 common shares were issued at a price of $4.06 per share. On July 20, 2011, 114,416 common shares were issued at a price of $8.74 per share. On October 17, 2011, 123,916 common shares were issued at a price of $8.07 per share. On November 1, 2011, 115,075 common shares were issued at a price of $8.69 per share.

The Corporation negotiated a new agreement with the Purchaser on November 1, 2011, which became effective December 19, 2011, under the same terms and conditions of the previous agreement. As at December 31, 2011, no drawings were made under this purchase agreement. At December 31, 2011, the Corporation can draw down $15,000,000 over the remaining 22 months under the agreement. The Corporation intends to access financing under this agreement when appropriate to fund its research and development. The Corporation believes that cash balances, funds from operations, as well as funds from the common stock private purchase agreement will be sufficient to meet the Corporation’s cash requirements for the next twelve months.

The Corporation must comply with general covenants in order to draw on its facility including maintaining its stock exchange listing and registration requirements and having no material adverse effects, as defined in the agreement, with respect to the business and operations of the Corporation.

The Corporation relies almost exclusively on this financing as well as collaboration agreements to fund its operations. In order to achieve the Corporation’s business plan and realization of its assets and liabilities in the normal course of operations, the Corporation anticipates the need to raise additional capital and/or achieve sales and other revenue

generating activities.

**Capital disclosures**

The Corporation's objective in managing capital is to ensure a sufficient liquidity position to finance its research and development activities, general and administrative expenses, working capital and overall capital expenditures, including those associated with patents. The Corporation makes every attempt to manage its liquidity to minimize shareholder dilution when possible.

The Corporation defines capital as total equity. To fund its activities, the Corporation has followed an approach that relies almost exclusively on the issuance of common shares and, during 2010, entered into a collaboration agreement. Since inception, the Corporation has financed its liquidity needs primarily through private placements and, since 2003, through a financing agreement with an investment company that has been replaced annually by a new agreement with the same purchaser (see note 9 (a) -Common Stock Private Purchase Agreement). The Corporation intends to access financing under this agreement when appropriate to fund its research and development activities. The financial crisis in the United States and the global economic environment has had a negative impact on the availability of liquidity in the market. Since 2003 through to December 2011, the Purchaser has always complied with the drawdowns made pursuant to the agreement. The Corporation believes that cash balances, funds from operations, as well as funds from the Common Stock Private Purchase Agreement will be sufficient to meet the Corporation’s cash requirements for the next twelve months.

The Corporation must comply with general covenants in order to draw on its facility including maintaining its stock exchange listing and registration requirements and having no material adverse effects, as defined in the agreement, with respect to the business and operations of the Corporation.

The capital management objectives remain the same as for the previous fiscal year. When possible, the Corporation tries to optimize its liquidity needs by non-dilutive sources, including sales, collaboration agreements, research tax credits and interest income. The Corporation's general policy on dividends is to retain cash to keep funds available to finance its research and development and operating expenses. The Corporation has no debt.

The Corporation is not subject to any capital requirements imposed by external parties.

**Financial risk management**

This note provides disclosures relating to the nature and extent of the Corporation’s exposure to risks arising from financial instruments, including foreign currency risk, credit risk, interest rate risk and liquidity risk, and to how the Corporation manages those risks.

Foreign currency risk

The Corporation uses the US dollar as its measurement currency because a substantial portion of revenues, expenses, assets and liabilities of its Canadian and US operations are denominated in US dollars. The Corporation’s equity financing facility is also in US dollars. Foreign currency risk is limited to the portion of the Corporation’s business transactions denominated in currencies other than the US dollar. The Canadian operation has transactions denominated in Canadian dollars, principally relating to salaries and rent. Additional variability arises from the translation of monetary assets and liabilities denominated in currencies other than the US dollar at each statement of financial position date. Fluctuations in the currency used for the payment of the Corporation’s expenses denominated in currencies other than the US dollar (primarily Canadian dollars) could cause unanticipated fluctuations in the Corporation’s operating results, but would not impair or enhance its ability to pay its Canadian dollar denominated obligations. The Corporation’s objective in managing its foreign currency risk is to minimize its net exposures to foreign currency cash flows by transacting with parties in US dollars to the maximum extent possible. The Corporation does not engage in the use of derivative financial instruments to manage its currency exposures.

Approximately 66% of expenses that occurred during the year ended December 31, 2011 (2010 - 78%) were denominated in US dollars. Foreign exchange fluctuations had no meaningful impact on the Corporation’s results in 2011 or 2010.

The following table provides significant items exposed to foreign exchange:

| | December 31 | December 31 | December 31 |
|---|---|---|---|
| **CA$** | **2011** | **2010** | **2010** |
| Cash | $320,662 | $26,736 | $71,224 |
| Trade accounts receivable, other receivables and research tax credits receivable | $119,192 | $30,106 | $291,671 |
| Trade accounts payable and accrued liabilities | $(399,802) | $(299,776) | $(330,357) |
| | $40,052 | $(242,934) | $32,538) |

The following exchange rates were applied for the years ended December 31, 2011 and 2010 and as at January 1, 2010:

| | Average rate (twelve months) | Reporting date rate |
|---|---|---|
| US$ - CA$ - December 31, 2011 | 0.9891 | 1.0170 |
| US$ - CA$ - December 31, 2010 | 1.0299 | 0.9946 |
| US$ - CA$ - January 1, 2010 | N/A | 1.0510 |

Based on the Corporation's foreign currency exposures noted above, varying the above foreign exchange rates to reflect a 5% strengthening of the US dollar would have increased the net loss for the year ended December 31, 2011 by less than $5,000, assuming that all other variables remained constant.

An assumed 5% weakening of the US dollar would have had an equal but opposite effect on the amount shown above, on the basis that all other variables remained constant.

Credit risk

Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. Financial instruments that potentially subject the Corporation to concentrations of credit risk consist primarily of cash and trade accounts receivable. Cash is maintained with high-credit quality financial institutions. For trade accounts receivable, the Corporation performs periodic credit evaluations and typically does not require collateral. Allowances are maintained for potential credit losses consistent with the credit risk, historical trends, general economic conditions and other information.

The Corporation has a limited number of customers. Included in the consolidated statement of financial position are trade accounts receivable of $31,546 (December 31, 2010 - $11,278; January 1, 2010 - $66,354), all of which were aged under 45

days. Four customers (December 31, 2010 - four customers; January 1, 2010 - four customers) accounted for 100% (December 31, 2010 - 100%; January 1, 2010 - 88%) of the trade receivables balance at December 31, 2011, all of whom have a good payment record with the Corporation. No bad debt expense was recorded for the year ended December 31, 2011, nor for the year ended December 31, 2010.

At December 31, 2011, the Corporation's maximum credit exposure corresponded to the carrying amount of cash, trade accounts receivable and other receivables.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash bears interest at a variable rate. Trade accounts receivable, other receivables, trade accounts payable and accrued liabilities bear no interest. The Corporation has no other interest-bearing financial instruments.

Based on the value of variable interest-bearing cash during the year ended December 31, 2011, an assumed 0.5% increase or 0.5% decrease in interest rates during such period would have had no significant effect on the net loss.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk through the management of its capital structure, as outlined in note 14 - Capital disclosures. The Corporation does not have an operating credit facility and finances its activities through an equity financing agreement with an investment company, as described in note 9 (a) - Common Stock Private Purchase Agreement.

The following are the contractual maturities of financial liabilities:

| | **Carrying Amount** | **Less than 1 year** | **1 year to 5 years** |
|---|---|---|---|
| Trade accounts payable and accrued liabilities: | | | |
| December 31, 2011 | $811,492 | $811,492 | – |
| December 31, 2010 | $2,577,903 | $2,577,903 | – |
| January 1, 2010 | $1,729,951 | $1,729,951 | – |

The redeemable preferred shares in the amount of $400,000 have no specific terms of repayment.

**Outstanding Share Data**

As at March 15, 2012, there were 32,996,302 common shares of Nymox issued and outstanding. In addition, 5,375,500 share options are outstanding, of which 5,218,625 are currently vested. There are no warrants outstanding.

**Disclosure Controls and Procedures**

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed is accumulated and communicated to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure. The Corporation's Chief Executive Officer and its Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures. They are assisted in this

responsibility by the Corporation's disclosure committee, which is composed of members of senior management. Based on an evaluation of the Corporation's disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures were effective as of December 31, 2011.

**Internal Control over Financial Reporting**

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, management conducted an evaluation of the effectiveness of our internal control over financial reporting, as of December 31, 2011, based on the framework set forth in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its evaluation under this framework, the Chief Executive Officer and the Chief Financial Officer concluded that our internal control over financial reporting was effective as of December 31, 2011.

Internal control over financial reporting has inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Changes in Internal Controls Over Financial Reporting

There have been no changes during fiscal 2011 in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**International Financial Reporting Standards**

In February 2008, Canada's Accounting Standards Board ("AcSB") confirmed that Canadian generally accepted accounting principles, as used by publicly accountable enterprises, will be fully converged into IFRS, as issued by the International Accounting Standards Board ("IASB"). The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Therefore the Corporation was required to report under IFRS starting with its 2011 interim and annual financial statements.

The consolidated financial statements for the year ended December 31, 2011 have been prepared in accordance with IFRS and its interpretations as issued by the IASB. These are the Corporation's first annual audited consolidated financial statements prepared in accordance with IFRS and IFRS 1, *First-time Adoption of International Financial Reporting Standards*, has been applied.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Corporation is provided in note 20 of the audited consolidated financial statements. This note includes reconciliations of financial position and equity as at January 1, 2010 and December 31, 2010, and of net loss and comprehensive loss for the year ended December 31, 2010 reported under Canadian generally accepted accounting principles (previous "GAAP") to those reported under IFRS.

In preparing the audited consolidated financial statements in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards,* the Corporation has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of IFRS.

The Corporation elected to apply the following optional exemptions from full retrospective application:

(i) Business combination exemption:

The Corporation has elected not to apply IFRS 3, *Business Combinations*, retrospectively for its past business combination.

(ii) Share-based payment exemption:

The Corporation has elected not to apply IFRS 2, *Share-based Payment*, retrospectively to stock options that were granted on or before November 7, 2002, and to stock options that were granted after November 7, 2002 that vested before January 1, 2010 (the date of transition to IFRS). Accordingly, the Corporation has elected to apply IFRS 2 only to stock options that were granted after November 7, 2002 that were not vested by January 1, 2010.

As required by IFRS 1, estimates made under IFRS at the date of transition must be consistent with estimates made for the same date under previous GAAP, unless there is evidence that those estimates were in error.

**Impact on the Corporation's consolidated financial statements**

Set out below are the main areas where changes in accounting policies in conversion to IFRS impacted the Corporation's audited consolidated financial statements:

Stock-based compensation

In accordance with IFRS 2, *Share-based Payment*, the Corporation's stock options that vest in instalments need to be accounted for as though each instalment is a separate stock option grant, and therefore the fair value is to be measured separately for each instalment and recognized over the vesting period of each instalment. In accordance with Canadian GAAP, the Corporation's stock options that vested in instalments were accounted for as a whole, for stock options granted on the same day and a fair value was measured for each stock options grant and recognized over the vesting period of each stock options grant as a whole.

The impact on the audited consolidated statements of financial position and on the audited consolidated statements of comprehensive loss arising from this change is summarized as follows:

| Consolidated statements of financial position: | January 1, 2010 | December 31, 2010 |
|---|---|---|
| Increase to additional paid-in capital | $1,526,314 | $1,106,594 |
| Increase to deficit | (1,526,314) | (1,106,594) |
| Adjustment to equity | $ – | $ – |

| Consolidated statement of operations and comprehensive loss: | Year ended December 31, 2010 |
|---|---|
| Decrease in research and development expenses | $(369,816) |
| Decrease in general and administrative expenses | (44,364) |
| Decrease in marketing expenses | (5,540) |
| Adjustment to net loss and comprehensive loss | $(419,720) |

Non-controlling interest

The non-controlling interest of $400,000 reported outside of shareholders' equity and included in preferred shares of a subsidiary for Canadian GAAP purposes was reclassified to equity, separately from equity of the owners of the Corporation, in accordance with IFRS.

Other changes

Note 20 of the audited consolidated financial statements for the year ended December 31, 2011 contains a detailed description of the Corporation’s conversion to IFRS, including a line-by-line reconciliation to IFRS of the Corporation’s statements of financial position previously prepared under Canadian GAAP as at January 1, 2010 and December 31, 2010 and of the Corporation’s statements of operations and comprehensive loss for the year ended December 31, 2010 previously prepared under Canadian GAAP.

**Impact on the Business**

The impact of the conversion to IFRS on the Corporation was minimal and therefore resulted in a limited number of adjustments. The Corporation’s existing systems accommodated the required changes.

**Impact on Information Systems and Technology**

The transition had no impact on the Corporation’s IT system.

**Impact on Internal Control over Financial Reporting and Disclosure Controls and Procedures**

The Corporation’s internal control over financial reporting was not significantly affected by the transition to IFRS. The IFRS differences mostly required presentation changes to report more detailed information in the notes to the audited consolidated financial statements, and it did not lead to many differences in the accounting treatments of the Corporation. The Corporation’s disclosure controls and procedures were adapted to take into consideration the changes in recognition, measurement and disclosures practices, but the impact was minimal.

**Impact on Financial Reporting Expertise**

Training and education was provided to the finance team who is directly affected by the transition to IFRS. This training focused mainly on the process changes required and an overview of the reasons behind the changes from a standards perspective.

**Changes in accounting policies:**

**New standards and interpretations issued but not yet adopted:**

A number of new standards, interpretations and amendments to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC"). They are mandatory but not yet effective for the year ended December 31, 2011 and have not been applied in preparing these audited consolidated financial statements.

Many of these are not applicable or are inconsequential to the Corporation and have been excluded from the discussion below. The following standards and interpretations have been issued by the IASB and the IFRIC and the Corporation is currently assessing their impact on the financial statements:

**IFRS 9 - *Financial Instruments* ("IFRS 9")** ultimately replaces IAS 39 - *Financial Instruments: Recognition and Measurement* ("IAS 39"). The replacement of IAS 39 is a three-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of the first phase of the IFRS 9 provides guidance on the classification and measurement of financial assets and financial liabilities. IFRS 9 establishes two measurement categories for financial assets: amortized cost and fair value. Existing IAS 39 categories of loans and receivables, held-to-maturity investments, and available-for-sale financial assets have been eliminated. The criteria for a financial asset to be measured at amortized cost include: the objective of the business model is to hold assets in order to collect contractual cash flows and; the contractual terms give rise, on contractual dates, to cash flows that are solely payments of principal and interest on principal outstanding. All other financial assets are measured at fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2015, with early

adoption permitted. The Corporation intends to adopt IFRS 9 in its consolidated financial statements for the annual period beginning on January 1, 2015.

**IFRS 12 - *Disclosure of Interests in Other Entities* ("IFRS 12")** contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate:

- the nature of, and risks associated with, an entity's interests in other entities; and
- the effects of those interests on the entity's financial position, financial performance and cash flows.

IFRS 12 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Corporation intends to adopt IFRS 12 in its consolidated financial statements for the annual period beginning on January 1, 2013.

**IFRS 13 - *Fair Value Measurement* ("IFRS 13")** provides new guidance on fair value measurement and disclosure requirements. IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. IFRS 13 is effective prospectively for annual periods beginning on or after January 1, 2013. The Corporation intends to adopt IFRS 13 prospectively in its consolidated financial statements for the annual period beginning on January 1, 2013.

**Forward Looking Statements**

Certain statements included in this MD&A may constitute "forward-looking statements" within the meaning of the U.S. *Private Securities Litigation Reform Act of 1995* and Canadian securities legislation and regulations, and are subject to important risks, uncertainties and assumptions. This forward-looking information includes amongst others, information with respect to our objectives and the strategies to achieve these objectives, as well as information with respect to our beliefs, plans, expectations, anticipations, estimates and intentions. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "estimate", "anticipate", "plan", "foresee", "believe" or "continue" or the negatives of these terms or variations of them or similar terminology. We refer you to the Corporation's filings with the Canadian securities regulatory authorities and the U.S. Securities and Exchange Commission, as well as the "Risk Factors" section of this MD&A, and of our Form 20-F, for a discussion of the various factors that may affect the Corporation's future results. The results or events predicted in such forward-looking information may differ materially from actual results or events.

Factors that could cause actual results or plans to differ materially from those projected in forward-looking statements made by, or on behalf of, the Corporation, many of which are beyond our control, include the Corporation's ability to:

- identify and capitalize on possible collaboration, strategic partnering or divestiture opportunities;
- obtain suitable financing to support its operations and clinical trials;
- manage its growth and the commercialization of its products;
- achieve operating efficiencies as it progresses from a development-stage to a later-stage biotechnology corporation;
- successfully compete in its markets;
- realize the results it anticipates from the clinical trials of its products;

- succeed in finding and retaining joint venture and collaboration partners to assist it in the successful marketing, distribution and commercialization of its products;
- achieve regulatory clearances for its products;
- obtain on commercially reasonable terms adequate product liability insurance for its commercialized products and avoid product liability claims;
- adequately protect its proprietary information and technology from competitors and avoid infringement of proprietary information and technology of its competitors;
- assure that its products, if successfully developed and commercialized following regulatory approval, are not rendered obsolete by products or technologies of competitors; and
- not encounter problems with third parties, including key personnel, upon whom it is dependent.

Forward-looking statements do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made have on the Corporation’s business. For example, they do not include the effect of business dispositions, acquisitions, other business transactions, asset writedowns or other charges announced or occurring after forward-looking statements are made. The financial impact of such transactions and non-recurring and other special items can be complex and necessarily depends on the facts particular to each of them.

We believe that the expectations represented by our forward-looking statements are reasonable, yet there can be no assurance that such expectations will prove to be correct. Furthermore, the forward-looking statements contained in this report are made as of the date of this report, and we do not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise unless required by applicable legislation or regulation. The forward-looking statements contained in this report are expressly qualified by this cautionary statement.

**Research and Development, Patents and Licenses**

Nymox's research and development policies are targeted at the development of novel therapeutic and diagnostic proprietary products that are subject to patent rights either directly owned by the Corporation or licensed to the Corporation through exclusive licensing agreements of patent rights. Over the last three financial years, the Corporation's major research and development activities were in the following program areas:

- *Diagnostic products for Alzheimer's disease. The major project in this area, the development and validation of a kit version of our AlzheimAlert™ product for sale to laboratories and hospitals was completed in 2004 and the kit subsequently received the CE mark in Europe, allowing it to be marketed there. The FDA has not approved our kit version for sale in the U.S. We are continuing to pursue further kit development and regulatory approvals. At this time, we cannot provide an estimate of the costs and timing to obtain FDA approval for such a kit as it is uncertain at this stage the nature and extent of FDA requirements for approval based on discussions with us.*
- *Therapeutic products for enlarged prostate (benign prostatic hyperplasia or BPH)*. We have successfully completed several Phase 1 and Phase 2 multi-center, double-blind, placebo-controlled clinical trials, and follow-up studies, in the U.S. for NX- 1207, our drug candidate for the treatment of BPH, and are presently in Phase 3. We cannot predict with any certainty the outcome of any future trials nor estimate the costs of completing such trials, given the inherent uncertainties in conducting clinical trials, including as yet unknown response rates to our treatment candidate, unforeseeable safety issues, patient enrollment rates, manufacturing costs, and regulatory requirements. We anticipate starting a Phase 3 trial in the near future and subsequently filing a New Drug Application (NDA) with the FDA. Given the inherent uncertainties with any Phase 3 clinical trial, we cannot provide a more precise estimate of the costs and timing of the completion of this project. These uncertainties include the chances of success of any phase of the clinical trials, the nature and extent of FDA requirements to proceed with a Phase 3 and for filing an NDA, our ability to scale up manufacture in accordance with current good manufacturing requirements (cGMP) and in sufficient quantities for commercial use, and whether or when the FDA will ultimately grant us such approval.

- *Anti-infectives*. Our anti-bacterial agent, NXC-4720, which is being developed as a treatment of meat at the processing stage, has shown to be capable of substantially reducing the level of potentially fatal *E. coli* O157:H7 contamination on fresh beef according to laboratory studies. Other projects in this area, such as treating *E. coli* O157:H7 infection in livestock and treating bacterial infections in humans, are in preliminary stages of development with more uncertain prospects and timing and course of development. Because of the early stage of development of this project, it is impossible to outline the nature, timing or estimated costs of the efforts necessary to complete this project or the anticipated completion dates for this project. The facts and circumstances indicating the uncertainties that preclude us from making a reasonable estimate of the costs and timing necessary to complete this project include the risks inherent in any field trials of NXC-4720, the uncertainty as to the nature and extent of regulatory requirements both for safety and efficacy, and the ability to manufacture NXC-4720 in accordance with current good manufacturing requirements (cGMP) and in sufficient quantities both for large scale trials and for commercial use. In addition, we anticipate that we may need to partner with a larger Corporation in the food or agricultural sectors in order to finance and conduct field trials and to market any approved product; thus the timing of completion of the regulatory approval of such a product will not likely be within our sole control.

- *Tobacco exposure and other diagnostic tests*. We developed and validated NicAlert™, which is an FDA-cleared test for tobacco product use, and TobacAlert™, which is an over-the-counter test for second-hand smoke exposure. These are completed projects with any further research and development costs being related to product improvement and obtaining regulatory approvals where required in order to expand the market for these products. The development of other new diagnostic tests using our patented diagnostic technologies are

in early stage development. Because of the early stage of development of these projects, it is not possible to outline the nature, timing or estimated costs of the efforts necessary to complete any of them nor their anticipated completion dates. The facts and circumstances indicating the uncertainties that preclude us from making a reasonable estimate include the uncertainty about whether we will be able to successfully adapt our patented diagnostic technologies to these new diagnostic indicators, whether any new diagnostic tests we develop will pass proof-of-principle testing both in the laboratory and in clinical trials, and whether we will be able to manufacture such tests at a commercially competitive price.

- *Therapeutic products for Alzheimer's disease*. We are conducting early stage research and development work into preclinical development of novel drug candidates and original research into the role spherons play in the Alzheimer's disease process in order to pursue spheron-based therapeutics. Because of the early stage of development of this project, it is impossible to outline the nature, timing or estimated costs of the efforts necessary to complete this project, nor the anticipated completion dates for this project. The facts and circumstances indicating the uncertainties that preclude us from making a reasonable estimate include the inherent uncertainties in the pre-clinical and clinical development of therapeutic candidates. In addition, given the very high costs of development of a drug for Alzheimer's disease, we anticipate having to partner with a larger pharmaceutical corporation to conduct and finance clinical trials. The terms of such a partnership arrangement along with our related financial obligations cannot be determined at this time and the timing of completion of the approval of such a drug will likely not be within our sole control. Most pre-clinical drug candidates do not meet necessary milestones to enter clinical trials; of those which do, only a small percentage ultimately achieve regulatory approval and enter the marketplace. We also have global patent rights to the use of statins in the prevention or treatment of Alzheimer's disease. Various published epidemiological and other research studies have shown evidence that statins may help in the prevention or treatment of Alzheimer's disease; other studies have shown otherwise. Other companies and

organizations are currently carrying out clinical trials into the use of statin drugs for Alzheimer's disease. The effect of the results of such trials on this program is uncertain.

- *Oncology products*. We are in the early stages of developing therapeutic products for oncological indications. Because of the early stage of development of this project, it is impossible to outline the nature, timing or estimated costs of the efforts necessary to complete this project or its anticipated completion dates. The development of cancer therapeutics in particular is associated with high risks and many uncertainties and a drug candidate that shows efficacy can take a long period (7 years or more) to achieve regulatory approval.

Research and development expenses, excluding stock-based compensation and depreciation expenses, allocated to our major research and development programs are as follows:

| | **Year ended Dec 31, 2011** | **Year ended Dec 31, 2010** | **Year ended Dec 31, 2009** |
|---|---|---|---|
| **Alzheimer's Disease: Diagnostics** | $44,509 | $71,932 | $253,020 |
| **Alzheimer's Disease: Therapeutics** | $21,595 | $18,744 | $95,184 |
| **Anti-Infectives** | $8,243 | $5,091 | $5,963 |
| **BPH (Enlarged Prostate) Therapeutics** | $6,281,443 | $4,231,508 | $2,576,936 |
| **Tobacco Exposure Tests: NicAlert™ and TobacAlert™** | $8,424 | $7,095 | $5,353 |
| **Oncology** | $237,934 | $217,349 | $106,763 |
| **Total** | $6,602,148 | $4,551,719 | $3,043,219 |

For the earlier periods from 1995 to 1998, the Corporation did not maintain a cost accounting system that tracked research and development costs on a project-by-project basis. During the initial discovery stages, research and development is more general in nature and cannot be specifically categorized. During the periods 1995 to 2001, the general research expenses related primarily to the development of diagnostic products and therapeutic candidates for Alzheimer's disease. From 2002 to 2004, expenses related primarily to R&D in the areas of Alzheimer's disease and in BPH. Since 2005, expenses have primarily related to the development and clinical trials of NX-1207, our candidate for the treatment of BPH. The breakdown of research and development costs for these periods is as follows: 2008: $2,388,911; 2007: $3,468,273; 2006: $3,171,428; 2005: $2,292,610. The total research and development expenditures for the 1995 to 2004 period were $18,507,409. Total research and development expenditures to date, excluding stock-based compensation and depreciation expenses, are $44,025,717

The Corporation expenses all research and development costs as incurred but does not currently maintain a cost accounting system to track, record and allocate staffing time on a specific project-by-project basis. We manage our ongoing research and development projects and programs in a dynamic, flexible manner. Our researchers, staff and management are typically involved in more than one of our research and development projects and the percentage of time an employee may be involved in a project varies according to the changing needs and progress of that project. As well, a significant portion of the Corporation's research and development expenses, such as laboratory supplies, travel, information systems and services and facilities costs, benefit multiple projects and are not necessarily individually tracked or allocated to a specific project when incurred. Research and development costs are allocated in reasonable and realistic proportion to the projects that benefited from those costs.

According to industry statistics, on average it takes 10 to 15 years to research, develop and bring to market a new prescription medicine in the United States. In light of the steps and complexities involved, the successful development of our product candidates is highly uncertain. Actual product timelines and costs are subject to enormous variability and are very difficult to predict. Accordingly, we cannot provide reliable estimates of the nature, timing and estimated

costs of the efforts necessary to complete our programs. This is particularly the case for our programs in early stage development. The risk of failure to complete any such program is high because of uncertain feasibility and commercial viability, long lead times to program completion and potentially high costs in relation to anticipated returns. We update and change our product development programs to reflect the most recent preclinical and clinical data and other relevant information. Many of our products under development require regulatory approval before being sold. The process of obtaining such approvals is often lengthy and uncertain and requires the expenditure of substantial resources. Any failure by us to obtain, or any delay in obtaining, regulatory approvals could materially adversely affect our business. We cannot assure you that any such approvals required will be obtained on a timely basis, if at all.

**Trend Information**

The Corporation does not currently know of any trends that would be material to our operations.

**Off-Balance Sheet Arrangements**

The Corporation has no existing off-balance sheet arrangements.

**ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

**Directors and Senior Management**

Paul Averback, M.D., D.A.B.P., 61, President and Director since September 1995 and Chairman since June of 2001, is the founder of Nymox and the inventor of much of its initial technology. Prior to founding Nymox, Dr. Averback served as President of Nymox's predecessor, DMS Pharmaceuticals Inc. He received his M.D. in 1975 and taught pathology at universities, including Cambridge University, England (1977-1980), during which time he initiated his research on Alzheimer's disease. He has practised medicine in numerous institutions as well as in private practice. Dr. Averback has published extensively in the scientific and medical literature.

Randall Lanham, Esquire, 48, has been a director since June 8, 2006. He attained his Juris Doctor from Whittier College School of Law in 1991 and a Bachelor of Science degree from the University of Delaware in 1987. Mr. Lanham has vast experience in both domestic and international corporate legal matters. Currently Mr. Lanham manages his own law office in California specializing in corporate mergers and acquisitions. In addition, Mr. Lanham has a broad base of entrepreneurial experience and currently owns and operates several small entertainment companies.

Paul F. McDonald, 86, has been a director since June 8, 2006. A graduate in law of McGill University, he has had a long and varied career as a member of the Canadian investment industry. Mr. McDonald was previously Vice-President of the Montreal Exchange, and he was principal owner and president of a stock exchange firm. His principal focus has been in the financing and development of growth companies in the high-tech and resources sectors, and he has had numerous appointments to corporate boards. He has devoted much time to committee work in the investment sector, as well as to public affairs, including a lengthy tenure as a director of the Quebec Industrial Development Corporation. Mr. McDonald currently works as a private consultant.

Professor David Morse, Ph.D., 55, has been a director since June 8, 2006. He is a world expert in the biochemistry, proteomics and genomics of cell function particularly as it relates to circadian regulation in single cell organisms. He received a Ph.D. from McGill University in 1984, completed a post-doctoral fellowship at Harvard University in 1989 and has been a Full Professor at the University of Montreal since 2001. He has published extensively in the peer-reviewed scientific literature, including papers in journals such as Science, Cell, Proceedings of the National Academy of Science, Journal of Biological Chemistry, and Nature. Dr. Morse has previously collaborated with Nymox scientists in research and development projects.

Roger Guy, M.D., 61, has been a director since June 8, 2006. He received his B.Sc., M.Sc. and M.D degrees from Memorial University of Newfoundland. He is a highly experienced medical doctor who has served as a national examiner. Dr. Guy has broad human clinical trial and business experience.

Jack Gemmell, 60, has been a Director since June, 2001 and is Nymox's General Counsel and Chief Information Officer. He graduated from the Faculty of Law at the University of Toronto in 1977 and was called to the bar in 1979. He practiced in private practice primarily in the area of litigation for over 19 years before joining Nymox in July, 1998.

Roy M. Wolvin, 57, has been Secretary-Treasurer and Chief Financial Officer since September 1995. Prior to September 1995, Mr. Wolvin was Account Manager, private business, for a Canadian chartered bank. Mr. Wolvin holds a degree in Economics from the University of Western Ontario.

Brian Doyle, B.Sc., M.B.A., 57, has been Senior Manager Global Sales and Marketing since May 2003. He received his B.Sc. in Microbiology and Immunology from McGill University, in 1979. He worked in the Experimental Surgery

department at McGill in cancer research, before completing his MBA at Concordia University, in 1983. He has wide sales, marketing and merchandising experience and spent 15 years at a technical sales representative firm, where he was National Sales Manager before joining Nymox.

**Compensation**

**Named Executive Officers**

The Summary Compensation Table and Outstanding Incentive Plan Awards tables below for Named Executive Officers summarize the total compensation paid during the Corporation's financial year ending on December 31, 2011 to the Named Executive Officers of the Corporation and all incentive plan awards outstanding at December 31, 2011 for the Named Executive Officers: The Named Executive Officers are the Corporation's Chief Executive Officer, Chief Financial Officer, and three most highly compensated executive officers.

During the financial year ended December 31, 2011, four executives received grants totaling 790,000 options. No executive officer received any other share-based awards, or any bonuses or other non-equity incentive compensation. The Corporation does not have a share-based incentive plan, non-equity incentive plan or pension plan for its executive officers. The Corporation has not made any agreements or arrangements with any of its executive officers in connection with any termination or change of employment or change of control of the Corporation.

**Compensation Discussion and Analysis**

The Human Resources and Compensation Committee of the Board of Directors oversees the compensation of executive officers of the Corporation. The members of the Human Resources and Compensation Committee for the financial year ending December 31, 2011 were Dr. Roger Guy, Paul McDonald and Randall Lanham.

The Corporation's current compensation policy for its executive officers, including the Chief Executive Officer and the Named Executive Officers, emphasizes the granting of options over base salary as a means of attracting, motivating and retaining talented individuals. Such a policy is believed to better further the Corporation's business goals by allocating more financial resources to the Corporation's ongoing product development programs. Given the current stage of the Corporation's development, the Corporation has not established and does not use formal benchmarks, performance goals, review processes or other qualitative or quantitative criteria or targets relating to the performance of the Corporation or the individual in order to determine compensation. The Corporation does not have a non-equity incentive plan or a policy of annually granting performance bonuses or salary increases to its executive officers.

The Corporation grants option-based awards to its executive officers in accordance with a stock option plan approved by the shareholders. Further details of the stock option plan are provided below. The stock option plan provides long-term incentives to the Corporation's officers and employees to advance the Corporation's drug development programs towards commercialization and to enhance shareholder value. The Corporation endeavours to provide salaries and option grants that are internally equitable and that are consistent with both job performance and ongoing progress towards corporate goals. The amount of option grants is determined in part by the amount and terms of outstanding and expiring options, the experience and expertise of each executive officer and the needs of the Corporation, among other factors. The Human Resources and Compensation Committee of the Board of Directors reviews all proposals for awards of stock options to executive officers and decides on the appropriateness of the awards. In doing so, the Committee relies solely on discussion among the independent board members on the Committee without any formal pre-determined objectives, criteria or analytic processes but with a view to attracting and retaining executive officers who can help further the Corporation's business plan.

By relying on option grants as a primary means of compensating its executive officers, the Corporation's intention is to provide a direct link between corporate performance and executive compensation while maximizing shareholder value and controlling cash expenditures.

**Directors**

The Summary Compensation Table and Outstanding Incentive Plan Awards tables below for the directors of the Corporation summarize the total compensation paid during the Corporation's financial year ending on December 31, 2011 to the directors of the Corporation and all incentive plan awards outstanding at December 31, 2011 for the directors. Two current directors, Dr. Paul Averback, the President and CEO of the Corporation, and Jack Gemmell, General Counsel, are members of the senior management of the Corporation and do not receive any compensation for acting as a director. Their compensation as Named Executive Officers is summarized in the summary tables for compensation and incentive plans for Named Executive Officers below.

**Summary Compensation Table: Named Executive Officers**

| Name and principal position | Year | Salary | Share-based awards | Option-based awards | Non-equity incentive plan compensation | | Pension value | All Other Compensation | Total Compensation |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Annual incentive | Long-term incentive | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | plans | plans | |
| Dr. Paul Averback CEO and President | 2011 | $190,000 | 500,000 | | | $190,000 |
| Mr. Roy Wolvin CFO | 2011 | $147,445 | 20,000 | | | $147,445 |
| Mr. Brian Doyle Global Sales Manager | 2011 | $166,597 | 100,000 | | | $166,597 |
| Mr. Jack Gemmell General Counsel, CIO | 2011 | $163,032 | 170,000 | | | $163,032 |

Salaries are payable in Canadian dollars, but expressed above in US$.

**Outstanding Incentive Plan Awards as of December 31, 2011: Named Executive Officers**

| | Option-based Awards | | | | | |
|---|---|---|---|---|---|---|
| Name | Number of securities underlying unexercised options | | | Option exercise price | Option expiration date (mm/dd/yy) | Value of unexercised in-the-money options |
| | Total | Unvested[(1)] | Vested | | | |
| | 500,000 | | 500,000 | $3.00 | 10/24/13 | $2,610,000 |
| Dr. Paul | 3,000,000 | 250,000 | 2,750,000 | $3.00 | 08/24/16 | $14,355,000 |
| Averback | 500,000 | | 500,000 | $7.08 | 01/24/21 | $570,000 |
| | 5,000 | | 5,000 | $2.62 | 09/09/13 | $28,000 |
| | 50,000 | | 50,000 | $2.82 | 06/09/16 | $270,000 |
| Mr. Roy Wolvin | 150,000 | 12,500 | 137,500 | $3.00 | 08/24/16 | $717,750 |
| | 20,000 | | 20,000 | $3.65 | 05/14/19 | $91,400 |
| | 20,000 | | 20,000 | $7.08 | 01/24/21 | $22,800 |
| | 20,000 | | 20,000 | $2.62 | 09/09/13 | $112,000 |
| Mr. Jack | 210,000 | 17,500 | 192,500 | $3.00 | 08/24/16 | $1,004,850 |
| Gemmell | 50,000 | | 50,000 | $3.30 | 01/23/19 | $246,000 |
| | 25,000 | | 25,000 | $3.40 | 05/03/20 | $120,500 |
| | 170,000 | | 170,000 | $7.08 | 01/24/21 | $193,800 |
| | 50,000 | | 50,000 | $3.75 | 04/28/13 | $223,500 |
| Mr. Brian Doyle | 50,000 | 3,750 | 46,250 | $3.00 | 08/24/16 | $241,425 |
| | 100,000 | | 100,000 | $7.08 | 01/24/21 | $114,000 |

Option exercise prices and the values of unexercised in-the-money options are expressed in US$. The Corporation does not have a share-based award plan.

(1) Unvested options vest quarterly over a 6 year period beginning in August 2006.

**Summary Compensation Table: Directors**

| Name | Year | Fees Earned | Share-based awards | Option-based awards | Non-equity incentive plan compensation | Pension value | All other compensation | Total |
|---|---|---|---|---|---|---|---|---|
| Paul McDonald | 2011 | $16,500 | | 10,000 | | | | $16,500 |
| Randall Lanham | 2011 | $15,500 | | 10,000 | | | | $15,500 |
| Roger Guy, MD | 2011 | $15,500 | | 10,000 | | | | $15,500 |
| David Morse, Ph.D. | 2011 | $14,500 | | 10,000 | | | | $14,500 |

**Outstanding Incentive Plan Awards as of December 31, 2011: Directors**

| | Option-based Awards |
|---|---|

| Name | Number of securities underlying unexercised options | Option exercise price | Option expiration date (mm/dd/yy) | Value of unexercised in-the-money options |
|---|---|---|---|---|
| | 10,000 | $2.74 | 07/17/16 | $54,800 |
| | 10,000 | $5.95 | 08/23/17 | $22,700 |
| Paul McDonald | 10,000 | $3.61 | 07/16/18 | $46,100 |
| | 10,000 | $4.83 | 07/09/19 | $33,900 |
| | 10,000 | $2.90 | 07/16/20 | $53,200 |
| | 10,000 | $9.10 | 07/16/21 | |
| | 10,000 | $2.74 | 07/17/16 | $54,800 |
| | 10,000 | $5.95 | 08/23/17 | $22,700 |
| Randall Lanham | 10,000 | $3.61 | 07/16/18 | $46,100 |
| | 10,000 | $4.83 | 07/09/19 | $33,900 |
| | 10,000 | $2.90 | 07/16/20 | $53,200 |
| | 10,000 | $9.10 | 07/16/21 | |
| | 10,000 | $2.74 | 07/17/16 | $54,800 |
| | 10,000 | $5.95 | 08/23/17 | $22,700 |
| Roger Guy, MD | 10,000 | $3.61 | 07/16/18 | $46,100 |
| | 10,000 | $4.83 | 07/09/19 | $33,900 |
| | 10,000 | $2.90 | 07/16/20 | $53,200 |
| | 10,000 | $9.10 | 07/16/21 | |
| | 10,000 | $2.74 | 07/17/16 | $54,800 |
| | 10,000 | $5.95 | 08/23/17 | $22,700 |
| David Morse, | 10,000 | $3.61 | 07/16/18 | $46,100 |
| Ph.D. | 10,000 | $4.83 | 07/09/19 | $33,900 |
| | 10,000 | $2.90 | 07/16/20 | $53,200 |
| | 10,000 | $9.10 | 07/16/21 | |

During the same period from 2000 to 2011, the salaries of Named Executive Officers increased from $465,805US (2000) to $667,788US (2011), an increase of 3.6% per annum over that twelve year period, or 43.3% in total. During the same period, the Corporation's stock price has increased approximately 324%.

**Share Ownership**

As of March 15, 2012, the number of common shares owned or controlled by directors and senior officers of the Corporation were as follows:

| Name | Common Shares Owned and Controlled | Percentage of Common Shares Owned and Controlled |
|---|---|---|
| Paul Averback, M.D. | 13,115,395 | 39.8% |
| Randall Lanham | 0 | * |
| Paul McDonald | 0 | * |
| David Morse, Ph.D. | 396 | * |
| Roger Guy, MD | 51,979 | * |
| Jack Gemmell | 13,725 | * |
| Roy Wolvin | 8,920 | * |
| Brian Doyle | 10,100 | * |

* Denotes less than 1%.

**Options**

Nymox has created a stock option plan for its employees, officers and directors, and for consultants. The board of directors of Nymox administers the stock option plan and authorizes the granting of options in accordance with the terms of the plan. Each option gives the individual granted the option the right to purchase a common share of the Corporation at a fixed price during a specified period of no more than ten years. The board may also make all or a portion of the options granted effective only as of a specific future date or dates. The option price must not be less than the market price of the common shares when the option is granted. The total number of shares under option to any one individual may not exceed fifteen percent of the total number of issued and outstanding common shares of the Corporation. The options may not be assigned, transferred or pledged, and expire within three months of the termination of employment or active office with the Corporation and six months of the death of the individual.

No more than 7,500,000 common shares may be under option at any time and a maximum of 7,500,000 common shares are available to be issued under the stock option plan as the result of the exercise of options. Options that expire

or terminate without being exercised become available to be granted again. Material changes to the stock option plan such as the number of shares available to be optioned require shareholder approval. On June 13, 2011, the shareholders approved amendments to the plan that included increasing the maximum number of shares that could be issued in total under the plan from 5,500,000 to 7,500,000. Since the inception of the stock option plan in 1995, 374,400 options have been exercised under the plan.

**Board Practices**

Directors are elected at each annual meeting for a term of office until the next annual meeting. Executive officers are appointed by the board of directors and serve at the pleasure of the board. Other than Dr. Averback, no other officer or director previously was affiliated with DMS Pharmaceuticals Inc.

Nymox does not have written contracts with any of the directors named above. We do not have any pension plans or other type of plans providing retirement or similar benefits for directors, nor any benefits upon termination of service as a director.

Nymox's Audit Committee consists of three directors appointed by the Board who are independent of management and who are generally knowledgeable in financial and auditing matters. The Chairman of the Audit Committee is Paul McDonald; the other members are Randall Lanham and Roger Guy. The primary role of the Audit Committee is to provide independent oversight of the quality and integrity of the accounting, auditing, and reporting practices of Nymox with a particular focus on financial statements and financial reporting to shareholders. The Committee is responsible for the appointment, compensation, and oversight of the public accounting firm engaged to prepare or issue an audit report on our financial statements. It oversees all relationships between Nymox and the auditor, including reviewing on an ongoing basis any non-audit services and special

engagements that may impact the objectivity or independence of the auditors. The auditors report directly to the Audit Committee. The Audit Committee reviews the scope and results of the audit with the independent auditors.

The Audit Committee meets at least four times a year to review with management and the independent auditors the Corporation's interim and year-end financial condition and results of operations. Its review includes an assessment of the adequacy of the internal accounting, bookkeeping and control procedures of the Corporation. The Audit Committee also has the responsibility for reviewing on an ongoing basis all material transactions between Nymox and its affiliates and other related parties such as officers, directors, other key management personnel, major shareholders and their close family members, affiliated companies or associated enterprises.

The Audit Committee has the power to conduct or authorize investigations into any matters within the Committee's scope of responsibilities, including the power and authority to retain and determine funding for independent counsel, accountants, or other advisors as it determines necessary to carry out its duties.

The Human Resources and Compensation Committee consists of the independent directors of the Board. The Chairman of the Committee is Roger Guy; the other members are Randall Lanham, David Morse and Paul McDonald. The Committee establishes and reviews overall policy and structure with respect to compensation and employment matters, including the determination of compensation arrangements for directors, executive officers and key employees of the Corporation. The Committee is also responsible for the administration and award of options to purchase shares pursuant to our share option plan.

The Corporate Governance Committee consists of the independent directors of the Board. The Chairman of the Committee is Randall Lanham; the other members are Paul McDonald, Roger Guy and David Morse. This Committee has the general mandate of providing an independent and regular review of the management, business and affairs of Nymox, including our corporate governance. This Committee also reviews and approves director nominations to ensure each nominee meets the requisite requirements under applicable corporate and securities laws, rules and regulations and otherwise possesses the skills, judgment and independence appropriate for a director of a public corporation.

**Employees**

In addition to the employees in its Hasbrouck Heights and St. Laurent laboratories and offices, Nymox carries out its work with the assistance of an extensive group of research collaborators, out-sourced manufacturing teams, research suppliers, research institutions, service providers and research consultants. To help carrying out its marketing, Nymox has independent medical representatives detailing its products.

In its Hasbrouck Heights and St. Laurent laboratories and offices, for the year 2011, the Corporation employed on the average twenty-six persons (twenty-two in research and development and four in administration and marketing); for the year 2010, the Corporation employed on the average twenty-two persons (eighteen in research and development and four in administration and marketing); for the year 2009, the Corporation employed on the average twenty persons with sixteen in research and development and four in administration and marketing.

## ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

**Major Shareholders**

The following table sets out as of March 15, 2012, the number of common shares owned and controlled by Dr. Paul Averback, the President and CEO of Nymox and a member of the Nymox board of directors, and by all directors and officers as a group.

| Name of Shareholder | Number of Common Shares owned by Shareholder | Percent of Class of Common Shares |
|---|---|---|
| Dr. Paul Averback | 13,115,395 | 39.8% |
| All directors and officers as a group | 13,200,515 | 40.1% |

The above shareholders have the same voting rights as all other shareholders. There has been no significant change in ownership for any of the persons listed above over the past three years.

Hal Pettigrew reported in a February 15, 2011 filing that he had dispositive power over 2,647,586 shares of Nymox or approximately 8.2% of Nymox's shares. Michael Starcher reported in a February 15, 2011 filing that he had dispositive power over 1,952,007 shares of Nymox or approximately 6.02% of Nymox's shares. The number of shares owned by Hal Pettigrew represents an increase of 252,486 shares from the number of shares reported as beneficially owned in the Schedule 13G filed with the Securities and Exchange Commission on March 31, 2010. The number of shares owned by Michael Starcher represents an increase of 157,007 shares from the number of shares reported as beneficially owned in the Schedule 13G filed with the Securities and Exchange Commission on November 20, 2008. Hal Pettigrew and Michael Starcher have the same voting rights as all other shareholders. Other than Dr. Paul Averback and the individuals above, Nymox does not know of any other shareholders that beneficially own or hold dispositive power over more than 5% of its shares.

According to information furnished to Nymox by the transfer agent for the common shares, as of March 15, 2012, total shares outstanding were 32,996,302; there were 190 holders of record of the common shares and 4,906 beneficial shareholders in

total. Of these, 76 were holders of record of the common shares and 3,902 were beneficial shareholders with addresses in the United States and such holders owned an aggregate of 16,910,112 shares, representing approximately 51.25% of the outstanding shares of common stock.

**Related Party Transactions**

The Corporation did not have any related party transactions for the years ended December 31, 2011, 2010 and 2009. Refer to Note 18 of the consolidated financial statements for key management personnel disclosures.

**ITEM 8. FINANCIAL INFORMATION**

In 2011, revenues of Nymox Pharmaceutical Corporation's US subsidiaries were $437,410 and revenues of its Canadian Corporation were $2,676,405 (including Europe and other). We refer to Note 17 of the financial statements below.

**Dividends**

The Corporation has not issued dividends since inception.

**Cease Trade Orders, or Bankruptcies**

To the knowledge of the Corporation, no director or officer of the Corporation or shareholder of the Corporation holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation is, or has been within the past 10 years, a director or officer of any other Corporation that, while such person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied such Corporation access to any exemptions under Canadian securities legislation for a period of more than 30 consecutive days, or was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

**Penalties or Sanctions**

To the knowledge of the Corporation, no director, officer or control person of the Corporation has been subject to any penalties or sanctions imposed by a court relating to U.S. or Canadian securities legislation or by a U.S. or Canadian securities regulatory authority or has entered into a settlement agreement with a U.S. or Canadian securities authority, nor has any director, officer or control person of the Corporation been subject to any penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

**Personal Bankruptcies**

To the knowledge of the Corporation, no director, officer or control person of the Corporation, nor any personal holding Corporation of any such person, has within the past 10 years, been declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

**Conflicts of Interest**

To the knowledge of the Corporation, there are no existing or potential material conflicts of interest between the Corporation, or subsidiary of the Corporation, and any director, officer or control person of the Corporation.

**Legal Proceedings**

In November 2011, two former directors of Nymox, who ceased to be directors in 2006, served Nymox with a Motion to Institute Proceedings filed with the Quebec Superior Court seeking orders that they are entitled to exercise options to purchase a total of 125,000 shares of Nymox at a price of $4.33 U.S. or in the alternative damages for lost profit. Nymox believes that the right to exercise these options ended in May 2007 and that the claims are without merit. Nymox intends to defend the action vigorously. Accordingly, no provision related to this matter has been recorded in these financial statements.

Consolidated Financial Statements of

**NYMOX PHARMACEUTICAL CORPORATION**

Years ended December 31, 2011 and 2010 and as at January 1, 2010

**KPMG LLP**
**Chartered Accountants**
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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareholders and Directors of Nymox Pharmaceutical Corporation

We have audited the accompanying consolidated statements of financial position of Nymox Pharmaceutical Corporation as of December 31, 2011, December 31, 2010 and January 1, 2010 and the related consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010. These consolidated financial statements are the responsibility of Nymox Pharmaceutical Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nymox Pharmaceutical Corporation as of December 31, 2011, December 31, 2010 and January 1, 2010, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2011 and December 31, 2010 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Nymox Pharmaceutical Corporation’s internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 9, 2012 expressed an unqualified opinion on the effectiveness of Nymox Pharmaceutical Corporation’s internal control over financial reporting.

*/s/ KPMG LLP*

Chartered Accountants

March 9, 2012
Montréal, Canada

*CA Auditor permit no 20408

network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareholders and Directors of Nymox Pharmaceutical Corporation

We have audited Nymox Pharmaceutical Corporation's internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Nymox Pharmaceutical Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Discussion and Analysis. Our responsibility is to express an opinion on Nymox Pharmaceutical Corporation's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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In our opinion, Nymox Pharmaceutical Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control - Integrated Framework* issued by the COSO.

We also have audited, in accordance with the Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of Nymox Pharmaceutical Corporation as of December 31, 2011, December 31, 2010 and January 1, 2010 and the related consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and our report dated March 9, 2012 expressed an unqualified opinion on those consolidated financial statements.

*/s/ KPMG LLP*

Chartered Accountants

March 9, 2012
Montréal, Canada

*CA Auditor permit no 20408

**NYMOX PHARMACEUTICAL CORPORATION**
Consolidated Financial Statements

Years ended December 31, 2011 and 2010 and as at January 1, 2010

**Financial Statements**

**NYMOX PHARMACEUTICAL CORPORATION**
Consolidated Statements of Financial Position

December 31, 2011, December 31, 2010 and January 1, 2010
(In US dollars)

| | Note | 2011 | As at December 31 2010 | As at January 1 2010 |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets: | | | | |
| Cash | | $ 5,918,921 | $ 13,174,999 | $ 668,702 |
| Trade accounts receivable | | 31,546 | 11,278 | 66,354 |
| Other receivables | | 119,192 | 30,270 | 24,657 |
| Research tax credits receivable | | 242,431 | 236,101 | 251,158 |
| Security deposit | | – | – | 26,994 |
| Inventories | | 23,620 | 17,448 | 36,414 |
| Total current assets | | 6,335,710 | 13,470,096 | 1,074,279 |
| Non-current assets: | | | | |
| Long-term security deposit | | 17,396 | 17,396 | – |
| Property and equipment | 5 | 22,160 | 14,730 | 16,152 |
| Total non-current assets | | 39,556 | 32,126 | 16,152 |
| Total assets | | $ 6,375,266 | $ 13,502,222 | $ 1,090,431 |
| **Liabilities and Equity** | | | | |
| Current liabilities: | | | | |
| Trade accounts payable | | $ 640,507 | $ 2,386,696 | $ 1,494,416 |
| Accrued liabilities | | | | |
| Payroll related liabilities | | 4,102 | 24,184 | 11,257 |
| Other accrued liabilities | | 166,883 | 167,023 | 224,278 |
| Deferred revenue | 7 | 2,617,600 | 2,617,600 | – |
| Deferred lease inducement | | – | – | 12,646 |
| Total current liabilities | | 3,429,092 | 5,195,503 | 1,742,597 |

| | | | | |
|---|---|---|---|---|
| Non-current liabilities: | | | | |
| Deferred revenue | 7 | 7,743,733 | 10,361,333 | – |
| Preferred shares of a subsidiary | 8 | 400,000 | 400,000 | 400,000 |
| Total non-current liabilities | | 8,143,733 | 10,761,333 | 400,000 |
| Equity: | | | | |
| Share capital | 9 | 66,062,961 | 62,855,147 | 57,955,147 |
| Additional paid-in capital | | 10,445,524 | 6,493,544 | 6,014,679 |
| Deficit | | (82,106,044 ) | (72,203,305 ) | (65,421,992 ) |
| Total equity attributable to the equity holders of the Corporation | | (5,597,559 ) | (2,854,614 ) | (1,452,166 ) |
| Non-controlling interest | 8 | 400,000 | 400,000 | 400,000 |
| Total equity | | (5,197,559 ) | (2,454,614 ) | (1,052,166 ) |
| Commitments and contingencies | 10 | | | |
| Total liabilities and equity | | $ 6,375,266 | $ 13,502,222 | $ 1,090,431 |

See accompanying notes to consolidated financial statements.

On behalf of the Board:

/s/ Paul Averback MD Director

/s/ Paul McDonald Director

**NYMOX PHARMACEUTICAL CORPORATION**
Consolidated Statements of Operations and Comprehensive Loss

Years ended December 31, 2011 and 2010
(In US dollars)

| | Note | 2011 | 2010 |
|---|---|---|---|
| Revenues: | | | |
| Sales of goods | | $ 496,215 | $ 582,383 |
| Licensing revenues: | | | |
| Upfront payment | 7 | 2,617,600 | 109,067 |
| | | 3,113,815 | 691,450 |
| Expenses: | | | |
| Research and development | 9 (c) | 9,461,081 | 5,116,227 |
| Less research tax credits and grants | 12 (a) | (486,910 ) | (236,101 ) |
| | | 8,974,171 | 4,880,126 |
| General and administrative | 9 (c) | 2,832,870 | 1,847,122 |
| Marketing | 9 (c) | 642,235 | 152,389 |
| Cost of sales | 11 | 289,866 | 316,945 |
| | | 12,739,142 | 7,196,582 |
| Results from operating activities | | (9,625,327 ) | (6,505,132 ) |
| Net finance income (costs): | | | |
| Finance income | 16 (b) | 12,817 | 1,191 |
| Finance costs | 16 (b) | (39,879 ) | (32,372 ) |
| | | (27,062 ) | (31,181 ) |
| Net loss and comprehensive loss attributed to the equity holders of the Corporation | | $ (9,652,389 ) | $ (6,536,313 ) |
| Basic and diluted loss per share | 13 | $ (0.30 ) | $ (0.20 ) |
| Weighted average number of common shares outstanding | 13 | 32,711,431 | 31,940,584 |

See accompanying notes to consolidated financial statements.

**NYMOX PHARMACEUTICAL CORPORATION**
Consolidated Statements of Changes in Equity

Years ended December 31, 2011 and 2010
(In US dollars)

| | | Attributable to equity holders of the Corporation | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Share capital | | Additional paid-in | | | Non-controlling | Total |
| | Note | Number | Dollars | capital | Deficit | Total | interest | equity |
| Balance, December 31, 2010 | | 32,573,856 | $ 62,855,147 | $ 6,493,544 | $ (72,203,305 ) | $ (2,854,614 ) | $ 400,000 | $ (2,454,614 ) |
| **Transactions with owners, recorded directly in equity:** | | | | | | | | |
| Issuance of share capital | 9 (a) | 353,407 | 3,000,000 | – | – | 3,000,000 | – | 3,000,000 |
| Exercise of stock options and option surrender agreements | | | | | | | | |
| Cash | 9 (b) | 66,039 | 54,040 | – | – | 54,040 | – | 54,040 |
| Ascribed value | | – | 153,774 | (53,424) | (100,350 ) | – | – | – |
| Share issue costs | | – | – | – | (150,000 ) | (150,000 ) | – | (150,000 ) |
| Stock-based compensation | 9 (c) | – | – | 4,005,404 | – | 4,005,404 | – | 4,005,404 |
| Total contributions by owners | | 419,446 | 3,207,814 | 3,951,980 | (250,350 ) | 6,909,444 | – | 6,909,444 |
| **Net loss and comprehensive** | | – | – | – | (9,652,389 ) | (9,652,389 ) | – | (9,652,389 ) |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **loss** | | | | | | | | |
| Balance, December 31, 2011 | | 32,993,302 | $ 66,062,961 | $ 10,445,524 | $ (82,106,044 ) | $ (5,597,559 ) | $ 400,000 | $ (5,197,559 ) |
| Balance, January 1, 2010 | | 31,283,778 | $ 57,955,147 | $ 6,014,679 | $ (65,421,992 ) | $ (1,452,166 ) | $ 400,000 | $ (1,052,166 ) |
| **Transactions with owners, recorded directly in equity:** | | | | | | | | |
| Issuance of share capital | 9 (a) | 1,290,078 | 4,900,000 | – | – | 4,900,000 | – | 4,900,000 |
| Share issue costs | | – | – | – | (245,000 ) | (245,000 ) | – | (245,000 ) |
| Stock-based compensation | 9 (c) | – | – | 478,865 | – | 478,865 | – | 478,865 |
| Total contributions by owners | | 1,290,078 | 4,900,000 | 478,865 | (245,000 ) | 5,133,865 | – | 5,133,865 |
| **Net loss and comprehensive loss** | | – | – | – | (6,536,313 ) | (6,536,313 ) | – | (6,536,313 ) |
| Balance, December 31, 2010 | | 32,573,856 | $ 62,855,147 | $ 6,493,544 | $ (72,203,305 ) | $ (2,854,614 ) | $ 400,000 | $ (2,454,614 ) |

See accompanying notes to consolidated financial statements.

**NYMOX PHARMACEUTICAL CORPORATION**
Consolidated Statements of Cash Flows

Years ended December 31, 2011 and 2010
(In US dollars)

| | Note | 2011 | 2010 |
|---|---|---|---|
| Cash flows (used in) from operating activities: | | | |
| Net loss | | $ (9,652,389) | $ (6,536,313) |
| Adjustments for: | | | |
| Depreciation of property and equipment | 5 | 14,716 | 10,223 |
| Stock-based compensation | 9 (c) | 4,005,404 | 478,865 |
| Amortization of lease inducement | | – | (12,646) |
| Changes in non-cash operating balances: | | | |
| Trade accounts receivable and other receivables | | (109,190) | 49,463 |
| Research tax credits receivable | | (6,330) | 15,057 |
| Inventories | | (6,172) | 18,966 |
| Long-term security deposit | | – | 9,598 |
| Trade accounts payable and accrued liabilities | | (1,766,411) | 847,952 |
| Deferred revenue | | (2,617,600) | 12,978,933 |
| | | (10,137,972) | 7,860,098 |
| Cash flows from (used in) financing activities: | | | |
| Proceeds from issuance of share capital | 9 (a) | 3,000,000 | 4,900,000 |
| Share issue costs | | (150,000) | (245,000) |
| Proceeds from exercise of stock options | | 54,040 | – |
| | | 2,904,040 | 4,655,000 |
| Cash flows used in investing activities: | | | |
| Additions to property and equipment | | (22,146) | (8,801) |
| Net (decrease) increase in cash | | (7,256,078) | 12,506,297 |
| Cash, beginning of year | | 13,174,999 | 668,702 |
| Cash, end of year | | $ 5,918,921 | $ 13,174,999 |

See accompanying notes to consolidated financial statements.

**NYMOX PHARMACEUTICAL CORPORATION**
Notes to Consolidated Financial Statements

Years ended December 31, 2011 and 2010
(In US dollars)

**1. Business activities:**

Nymox Pharmaceutical Corporation is a company domiciled in Canada and is incorporated under the Canada Business Corporations Act. Nymox Pharmaceutical Corporation including its subsidiaries, Nymox Corporation, a Delaware Corporation, and Serex Inc. of New Jersey (together referred to as the "Corporation"), is a biopharmaceutical corporation, which specializes in the research and development of products for the aging population. The head-office of the Corporation is located at 9900 Cavendish Boulevard, Saint Laurent, Québec. The Corporation developed AlzheimAlert™, a urinary test that aids physicians in the diagnosis of Alzheimer's disease. The Corporation currently markets NicAlert™ and TobacAlert™, tests that use urine or saliva to detect use of tobacco products. The Corporation is developing NX-1207, a novel treatment for benign prostatic hyperplasia which is in Phase 3 clinical trials. The Corporation is also developing therapeutics for the treatment of Alzheimer's disease and new anti-bacterial agents for the treatment of bacterial infections in humans, including a treatment for E-coli O157:H7 bacterial contamination in meat and other food and drink products.

Since 1989, the Corporation's activities and resources have been primarily focused on developing certain pharmaceutical technologies. The Corporation is subject to a number of risks, including the successful development and marketing of its technologies and maintaining access to existing financing arrangements under the Common Stock Private Purchase Agreement referred to in note 9 (a). The Corporation depends on this financing, as well as collaboration agreements, to fund its operations. In order to achieve its business plan and the realization of its assets and liabilities in the normal course of operations, the Corporation anticipates the need to raise additional capital and/or achieve sales and other revenue-generating activities. Management believes that cash balances, funds from operations, as well as funds from the common stock private purchase agreement will be sufficient to meet the Corporation's requirements for the next year.

The Corporation is listed on the NASDAQ Stock Market.

**2. Basis of preparation:**

(a) Statement of compliance:

The consolidated financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations as issued by the International Accounting Standards Board ("IASB"). These are the Corporation's first annual consolidated financial statements in accordance with IFRS and IFRS 1, *First-time Adoption of International Financial Reporting Standards*, has been applied.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Corporation is provided in note 20. This note includes reconciliations of financial position and equity as at January 1, 2010 and December 31, 2010, and of net loss and comprehensive loss for the year ended December 31, 2010 reported under Canadian generally accepted accounting principles (previous "GAAP") to those reported under IFRS.

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**NYMOX PHARMACEUTICAL CORPORATION**
Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2011 and 2010
(In US dollars)

**2. Basis of preparation (continued):**

(a) Statement of compliance (continued):

The consolidated financial statements were authorized for issue by the Board of Directors on March 9, 2012.

(b) Basis of measurement:

The consolidated financial statements have been prepared on a going concern and on the historical cost basis.

(c) Functional and presentation currency:

These consolidated financial statements are presented in United States dollars, which is the Corporation and its subsidiaries' functional currency.

(d) Use of estimates and judgments:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Information about critical judgments in applying accounting policies and assumption and estimation uncertainties that have the most significant effect on the amounts recognized in the consolidated financial statements is noted below:

- Licensing revenues and deferred revenue:

Revenue recognition is subject to critical judgments, particularly in collaboration agreements that include multiple deliverables, as judgment is required in allocating revenue to each component, including upfront payments, milestone payments, sale of goods, royalties and license fees. Judgment and estimation uncertainty is also required to determine the estimated service period over which revenue is recognized.

- Stock options:

There is estimation uncertainty with respect to selecting inputs to the Black-Scholes pricing model used to determine the fair value of the stock options.

Other areas requiring the use of management estimates and judgments include estimating the useful lives of property and equipment, as well as estimating the recoverability of research tax credits and grants receivable and deferred tax assets.

Reported amounts and note disclosure reflect the overall economic conditions that are most likely to occur and anticipated measures management intends to take. Actual results could differ from those estimates.

The above estimates and assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

**NYMOX PHARMACEUTICAL CORPORATION**
Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2011 and 2010
(In US dollars)

**3. Significant accounting policies:**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 (the Corporation's date of transition to IFRS). The accounting policies have been applied consistently by the Corporation, except as explained in note 4, which addresses changes in accounting policies.

(a) Consolidation:

The consolidated financial statements of the Corporation have been prepared in accordance with IFRS and include the accounts of its subsidiaries. Subsidiaries are entities controlled by the Corporation. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intercompany balances and transactions have been eliminated on consolidation.

(b) Financial instruments:

Financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are included in the consolidated statements of financial position and are measured at fair value, with the exception of loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost.

The Corporation has classified its cash, trade accounts receivable and other receivables as "loans and receivables", and its trade accounts payable and accrued liabilities as "other financial liabilities".

The Corporation must classify the fair value measurements of financial instruments according to a three-level hierarchy, based on the type of inputs used in making these measurements. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. As at December 31, 2011, December 31, 2010 and January 1, 2010, the Corporation held no assets or liabilities required to be measured at fair value.

(i) Financial assets:

The Corporation initially recognizes loans and receivables on the date that they are originated. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

**NYMOX PHARMACEUTICAL CORPORATION**
Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2011 and 2010
(In US dollars)

**3. Significant accounting policies (continued):**

(b) Financial instruments (continued):

(i) Financial assets (continued):

Financial assets and liabilities are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(ii) Financial liabilities:

The Corporation initially recognizes other financial liabilities on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument. Other financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The Corporation derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Interest, losses and gains relating to a financial liability are recognized in the statement of operations and comprehensive loss.

(iii) Share capital:

Common shares are classified as equity. Incremental costs attributable to the issuance of common shares are recognized as an increase to deficit.

(c) Inventories:

Inventories consist of finished goods and are carried at the lower of first-in, first-out cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less selling

expenses.

(d) Property and equipment:

(i) Recognition and measurement:

Property and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property and equipment have significantly different useful lives, they are accounted for as separate items (major components) of property and equipment. Gains and losses on disposal of an item of property and equipment are recognized as the difference in the proceeds from disposal and the carrying amount of property and equipment.

**NYMOX PHARMACEUTICAL CORPORATION**
Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2011 and 2010
(In US dollars)

**3. Significant accounting policies (continued):**

(d) Property and equipment (continued):

(ii) Subsequent costs:

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in the statement of operations and comprehensive loss.

(iii) Depreciation:

Depreciation is calculated on the depreciable amount, which is the cost of an asset less its residual value. Depreciation is recognized on a straight-line basis over the estimated useful lives of each component of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are represented by the following estimated useful lives:

| Asset | Useful life |
|---|---|
| Laboratory equipment | 5 years |
| Computer equipment | 3 years |
| Office equipment and fixtures | 5 years |

Depreciation methods, useful lives and residual values are reviewed on an ongoing basis and adjusted if appropriate.

(e) Intangible assets:

(i) Intellectual property rights:

Intellectual property rights that are acquired by the Corporation and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

**NYMOX PHARMACEUTICAL CORPORATION**
Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2011 and 2010
(In US dollars)

**3. Significant accounting policies (continued):**

(e) Intangible assets (continued):

(ii) Research and development expenditures:

Expenditure on research activities, net of research tax credits, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in comprehensive loss as incurred. Development activities, net of research tax credits, involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Corporation intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditure is recognized in research and development expenses as incurred. At December 31, 2011, December 31, 2010 and January 1, 2010, no development expenditures have been capitalized.

(iii) Subsequent expenditure:

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

(iv) Amortization:

Amortization is calculated on the cost of the asset, less its residual value.

Amortization methods, useful lives and residual values are reviewed on an ongoing basis and adjusted if appropriate.

(f) Impairment:

(i) Financial assets:

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise, indications that a debtor or issuer will enter bankruptcy.

The Corporation considers evidence of impairment for receivables at a specific asset level. All individually significant receivables are assessed for specific impairment.

In assessing impairment, the Corporation uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management’s judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

**NYMOX PHARMACEUTICAL CORPORATION**
Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2011 and 2010
(In US dollars)

**3. Significant accounting policies (continued):**

(f) Impairment (continued):

(i) Financial assets (continued):

An impairment loss in respect of a financial asset measured at amortized cost is calculated and recognized for the amount by which the asset's carrying amount exceeds the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed.

(ii) Non-financial assets:

The carrying amounts of the Corporation's non-financial assets, including property and equipment, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Corporation's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(g) Revenue recognition:

Revenue from product sales is recognized when the product has been delivered and obligations as defined in the agreement are performed. Collaboration agreements that include multiple deliverables are considered to be multiple-element arrangements. Under this type of arrangement, the identification of separate units of accounting is required and revenue is allocated among the separate units based on their relative fair values.

**NYMOX PHARMACEUTICAL CORPORATION**
Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2011 and 2010
(In US dollars)

**3. Significant accounting policies (continued):**

(g) Revenue recognition (continued):

Payments received under a collaboration agreement may include upfront payments, milestone payments, sale of goods, royalties and license fees. Revenue for each unit of accounting is recorded as described below:

(i) Upfront payments:

Upfront payments are deferred and recognized as revenue on a systematic basis over the estimated service period. Changes in estimates are recognized prospectively when changes to the expected term are determined.

(ii) Milestone payments:

Revenue subject to the achievement of milestones is recognized only when the specified events have occurred and collectability is reasonably assured.

Specifically, the criteria for recognizing milestone payments are that (i) the milestone is substantive in nature, (ii) the achievement was not reasonably assured at the inception of the agreement, and (iii) the Corporation has no further involvement or obligation to perform associated with the achievement of the milestone, as defined in the related collaboration arrangement.

(iii) Sale of goods:

Revenue from the sale of goods is recognized when the Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(iv) Royalties and license fees:

Royalties and license fees are recognized when conditions and events under the license agreement have occurred and collectability is reasonably assured.

(h) Foreign currency:

Monetary assets and liabilities of the Corporation’s Canadian and US subsidiaries denominated in currencies other than the US dollar are translated at the rates of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Income and expenses denominated in foreign currencies are translated at the average rate prevailing during the year.

Foreign exchange loss and gain are reported on a net basis, net within finance costs or finance income.

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**NYMOX PHARMACEUTICAL CORPORATION**
Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2011 and 2010
(In US dollars)

**3. Significant accounting policies (continued):**

(i) Research tax credits and grants:

The Corporation is entitled to scientific research and experimental development tax credits ("research tax credits") granted by the Canadian federal government and the government of the province of Québec. Federal research tax credits, which are non-refundable, are earned on qualified research and development expenditures and can only be used to offset federal income taxes otherwise payable. Provincial research tax credits, which are refundable, are earned on qualified research and development expenditures incurred in the province of Québec.

The Corporation is also entitled to a grant from the U.S. Government under the Qualifying Therapeutic Discovery Project for its ongoing Phase III clinical trial program for NX-1207 for the treatment of benign prostatic hyperplasia of which, in April 2011, the Corporation received its full entitlement under this program.

These research tax credits and grants are recognized as a reduction of research and development expenditures in the period in which they become receivable, provided that there is reasonable assurance that they will be received.

(j) Stock-based compensation:

The grant date fair value of stock-based compensation awards granted to employees and directors is recognized as an expense, with a corresponding increase in equity, over the period that the employees or directors unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

(k) Employee benefits:

Short-term employee benefits:

Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided.

In addition to their salaries, employees of the Corporation are covered by a benefit package which includes a health plan, dental plan, disability insurance and life insurance coverage. Participation in this plan is paid by the Corporation in full. Any employee that elects to extend the coverage to members of their family must pay the additional premium.

(l) Lease payments:

Payments made under operating leases are recognized on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

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**NYMOX PHARMACEUTICAL CORPORATION**
Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2011 and 2010
(In US dollars)

**3. Significant accounting policies (continued):**

(m) Income taxes:

Income tax expense comprises current and deferred taxes. Current tax and deferred tax are recognized in the statement of operations and comprehensive loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive loss.

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(n) Earnings per share:

Basic earnings per share are determined using the weighted average number of common shares outstanding during the period. Diluted earnings per share are computed in a manner consistent with basic earnings per share, except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding options were exercised, and that the proceeds from such exercises as well as the assumed proceeds from future services were used to acquire shares of common stock at the average market price during the reporting period.

(o) Determination of fair values:

Certain of the Corporation’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values of stock options granted have been determined for

measurement purposes based on the following method. When applicable, further information about the assumptions made in determining fair values is disclosed in the related notes.

**NYMOX PHARMACEUTICAL CORPORATION**
Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2011 and 2010
(In US dollars)

**3. Significant accounting policies (continued):**

(o) Determination of fair values (continued):

Stock-based compensation:

The fair value of the stock options is measured using the Black-Scholes pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(p) Segment reporting:

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Corporation's other components. Operating results of all operating segments are reviewed regularly by the Corporation's Chief Executive Officer, who is the Corporation's chief operating decision maker, who makes decisions about resources to be allocated to the segment and assesses its performance, and for which discrete financial information is available.

**4. Changes in accounting policies:**

New standards and interpretations issued but not yet adopted:

A number of new standards, interpretations and amendments to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC"). They are mandatory but not yet effective for the year ended December 31, 2011, and have not been applied in preparing these consolidated financial statements.

Many of these are not applicable or are inconsequential to the Corporation and have been excluded from the discussion below. The following standards and interpretations have been issued by the IASB and the IFRIC and the Corporation is currently assessing their impact on the financial statements:

**IFRS 9 -** ***Financial Instruments*** **("IFRS 9")** ultimately replaces IAS 39 - *Financial Instruments: Recognition and Measurement* ("IAS 39"). The replacement of IAS 39 is a three-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of the first phase of the IFRS 9 provides guidance on the classification and measurement of financial assets and financial liabilities. IFRS 9 establishes two measurement categories for financial assets: amortized cost and fair value. Existing IAS 39 categories of loans and receivables, held-to-maturity investments, and available-for-sale financial assets have been eliminated. The criteria for a financial asset to be measured at amortized cost include: the objective of the business model is to hold assets in order to collect contractual cash flows; and, the contractual terms give rise, on contractual dates, to cash flows that are solely

payments of principal and interest on principal outstanding. All other financial assets are measured at fair value.

**NYMOX PHARMACEUTICAL CORPORATION**
Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2011 and 2010
(In US dollars)

**4. Changes in accounting policies (continued):**

New standards and interpretations issued but not yet adopted (continued):

IFRS 9 is effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. The Corporation intends to adopt IFRS 9 in its consolidated financial statements for the annual period beginning on January 1, 2015.

**IFRS 12 -** ***Disclosure of Interests in Other Entities*** **("IFRS 12")** contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate:

- the nature of, and risks associated with, an entity's interests in other entities; and
- the effects of those interests on the entity's financial position, financial performance and cash flows.

IFRS 12 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Corporation intends to adopt IFRS 12 in its consolidated financial statements for the annual period beginning on January 1, 2013.

**IFRS 13 -** ***Fair Value Measurement*** **("IFRS 13")** provides new guidance on fair value measurement and disclosure requirements. IFRS 13 replaces the fair value measurement guidance contained in individual IFRS with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRS. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

IFRS 13 is effective prospectively for annual periods beginning on or after January 1, 2013. The Corporation intends to adopt IFRS 13 prospectively in its consolidated financial statements for the annual period beginning January 1, 2013.

**NYMOX PHARMACEUTICAL CORPORATION**
Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2011 and 2010
(In US dollars)

**5. Property and equipment:**

| | Laboratory equipment | Computer equipment | Office equipment and fixtures | Total |
|---|---|---|---|---|
| Cost: | | | | |
| Balance at January 1, 2010 | $ 434,751 | $ 24,455 | $ 91,501 | $ 550,707 |
| Additions | – | 6,535 | 2,266 | 8,801 |
| Disposals | (1,550 ) | (8,393 ) | (1,000 ) | (10,943 ) |
| Balance at December 31, 2010 | $ 433,201 | $ 22,597 | $ 92,767 | $ 548,565 |
| Balance at January 1, 2011 | $ 433,201 | $ 22,597 | $ 92,767 | $ 548,565 |
| Additions | 2,907 | 9,651 | 9,588 | 22,146 |
| Disposals | – | (1,600 ) | (429 ) | (2,029 ) |
| Balance at December 31, 2011 | $ 436,108 | $ 30,648 | $ 101,926 | $ 568,682 |
| Accumulated depreciation: | | | | |
| Balance at January 1, 2010 | $ 425,199 | $ 20,387 | $ 88,969 | $ 534,555 |
| Depreciation for the year | 4,359 | 4,605 | 1,259 | 10,223 |
| Disposals | (1,550 ) | (8,393 ) | (1,000 ) | (10,943 ) |
| Balance at December 31, 2010 | $ 428,008 | $ 16,599 | $ 89,228 | $ 533,835 |
| Balance at January 1, 2011 | $ 428,008 | $ 16,599 | $ 89,228 | $ 533,835 |
| Depreciation for the year | 5,521 | 6,018 | 3,177 | 14,716 |
| Disposals | – | (1,600 ) | (429 ) | (2,029 ) |
| Balance at December 31, 2011 | $ 433,529 | $ 21,017 | $ 91,976 | $ 546,522 |

| | | | | |
|---|---|---|---|---|
| Carrying amounts: | | | | |
| At January 1, 2010 | $ 9,552 | $ 4,068 | $ 2,532 | $ 16,152 |
| At December 31, 2010 | 5,193 | 5,998 | 3,539 | 14,730 |
| At December 31, 2011 | 2,579 | 9,631 | 9,950 | 22,160 |

The depreciation expense of property and equipment is included in research and development in the statements of operations and comprehensive loss.

**6. Intangible assets:**

The intellectual property rights, having a cost of $2,222,661 and an accumulated amortization of $2,222,661 at January 1, 2010, December 31, 2010 and 2011, are still property of the Corporation.

**NYMOX PHARMACEUTICAL CORPORATION**
Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2011 and 2010
(In US dollars)

**7. Licensing revenues and deferred revenue:**

On December 16, 2010, the Corporation signed a license and collaboration agreement with Recordati Ireland Ltd. ("Recordati"), a European pharmaceutical group, for the development and commercialization of NX-1207 in Europe, including Russia and the CIS, the Middle East, the Maghreb area of North Africa and South Africa. The license and collaboration agreement covers the use of NX-1207 for the treatment of benign prostatic hyperplasia ("BPH") as the initial indication for development and commercialization. Recordati made an upfront payment to the Corporation of €10 million (US$13,088,000), in December 2010, and will make regulatory approval and sales milestones payments, and tiered supply and royalty payments of a minimum of 26% to increase progressively up to 40% of total net sales in the case specific contractual conditions are achieved.

The upfront payment of $13,088,000 has been deferred and is being recognized as revenue on a systematic basis over the estimated service period. This period may be modified in the future based on additional information that may be received by the Corporation. In 2011, an amount of $2,617,600 (2010 - $109,067) was recognized as revenue related to this upfront payment. As at December 31, 2011, the deferred revenue related to this transaction amounted to $10,361,333 (as at December 31, 2010 - $12,978,933; as at January 1, 2010 - nil).

**8. Preferred shares of a subsidiary and non-controlling interest:**

The preferred shares of a subsidiary and the non-controlling interest relate to redeemable and/or convertible preferred shares of Serex in the amount of $800,000. These preferred shares are convertible into common shares of Serex at a price of $3.946 per share. Up to 50% of the preferred shares are redeemable at any time at the option of the preferred shareholders for their issue price, subject to holders with at least 51% of the face value of the preferred shares asking for redemption, and sufficient funds being available in Serex. These redeemable preferred shares in the amount of $400,000 have been presented as a liability in the statements of financial position and are measured at their issue price which is also the redemption value. The non-redeemable portion is presented within equity, separately from equity of the owners of the Corporation, as non-controlling interest.

**9. Share capital:**

| | December 31, 2011 | December 31, 2010 | January 1, 2010 |
|---|---|---|---|
| Authorized: | | | |
| An unlimited number of common shares, at no par value | | | |
| | | | |
| Issued, outstanding and fully paid: | | | |
| Number of common shares | 32,993,302 | 32,573,856 | 31,283,778 |

| | | | |
|---|---|---|---|
| Dollars | $ 66,062,961 | $ 62,855,147 | $ 57,955,147 |

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**NYMOX PHARMACEUTICAL CORPORATION**
Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2011 and 2010
(In US dollars)

**9. Share capital (continued):**

The holders of common shares are entitled to receive dividends as declared, which is at the discretion of the Corporation, and are entitled to one vote per share at the annual general meeting of the Corporation. The Corporation has never paid any dividends.

(a) Common Stock Private Purchase Agreement:

In November 2010, the Corporation entered into a Common Stock Private Purchase Agreement with an investment company (the "Purchaser") that established the terms and conditions for the purchase of common shares by the Purchaser. In November 2011, this agreement was terminated and a new agreement was concluded with the Purchaser. In general, the Corporation can, at its discretion, require the Purchaser to purchase up to $15 million of common shares over a 24-month period based on notices given by the Corporation. The Corporation must comply with general covenants in order to draw on its facility, including maintaining its stock exchange listing and registration requirements and having no material adverse effects, as defined in the agreement, with respect to the business and operations of the Corporation.

The number of shares to be issued in connection with each notice shall be equal to the amount specified in the notice, divided by 97% of the average price of the Corporation's common shares for the five days preceding the giving of the notice. The maximum amount of each notice is $1,000,000 and the minimum amount is $100,000. The Corporation may terminate the agreement before the 24-month term, if it has issued at least $8 million of common shares under the agreement.

In 2011, the Corporation issued 353,407 (2010 - 1,290,078) common shares to the Purchaser for aggregate proceeds of $3,000,000 (2010 - $4,900,000) under the agreements. All issued shares were fully paid. At December 31, 2011, the Corporation can require the Purchaser to purchase up to $15,000,000 of common shares over the remaining 22 months of the agreement, provided the Corporation adheres to its covenants.

The Corporation records the equity transaction at the amount received.

(b) Stock options:

The Corporation has established a stock option plan (the “Plan”) for its key employees, its officers and directors, and certain consultants. The Plan is administered by the Board of Directors of the Corporation. The Board may from time to time designate individuals to whom options to purchase common shares of the Corporation may be granted, the number of shares to be optioned to each, and the option price per share. The option price per share cannot involve a discount to the market price at the time the option is granted. On June 13, 2011, the shareholders approved a resolution to increase the maximum number of shares which may be optioned under the stock option plan from 5,500,000 to 7,500,000. The maximum number of shares which may be optioned to any one individual is 15% of the total issued and outstanding common shares. Options under the Plan expire ten years after the grant and vest either immediately or over periods of up to six years, and are equity-settled. As at December 31, 2011, 2,121,500 options could still be granted by the Corporation (2010 - 886,000).

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**NYMOX PHARMACEUTICAL CORPORATION**
Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2011 and 2010
(In US dollars)

**9.**
**Share capital (continued):**

(b) Stock options (continued):
The following table provides the activity of stock option awards during the year and for options outstanding and exercisable at the end of the year, the weighted average exercise price, and the weighted average years to expiration.

| | Options outstanding | | | |
|---|---|---|---|---|
| | Number | | Weighted average exercise price | Weighted average remaining contractual life (in years) |
| Outstanding, January 1, 2010 | 4,724,000 | $ | 3.07 | 6.24 |
| Granted | 65,000 | | 3.09 | |
| Expired | (175,000 ) | | 3.13 | |
| Outstanding, December 31, 2010 | 4,614,000 | $ | 3.06 | 5.32 |
| Exercised | (28,000 ) | | 1.93 | |
| Granted | 905,000 | | 7.10 | |
| Expired | (2,500 ) | | 3.57 | |
| Surrendered | (110,000 ) | | 3.83 | |
| Outstanding, December 31, 2011 | 5,378,500 | $ | 3.73 | 5.22 |
| Options exercisable | 5,049,750 | $ | 3.75 | 5.22 |

The weighted average share price at the date of exercise for stock options exercised in 2011 was $7.48 (no stock options were exercised in 2010).

In 2011, a total of 110,000 options were surrendered to the Corporation in consideration for the issuance of a total of 38,039 common shares.

**NYMOX PHARMACEUTICAL CORPORATION**
Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2011 and 2010
(In US dollars)

**9. Share capital (continued):**

(b) Stock options (continued):

At December 31, 2011, options outstanding and exercisable were as follows:

| Options outstanding | Options exercisable | Exercise price per share | Expiry date |
|---|---|---|---|
| 50,000 | 50,000 | $ 3.75 | April 28, 2013 |
| 26,000 | 26,000 | 2.62 | September 9, 2013 |
| 500,000 | 500,000 | 3.00 | October 24, 2013 |
| 175,000 | 175,000 | 2.82 | June 9, 2016 |
| 40,000 | 40,000 | 2.74 | July 17, 2016 |
| 3,415,500 | 3,131,750 | 3.00 | August 24, 2016 |
| 40,000 | 40,000 | 5.95 | August 23, 2017 |
| 40,000 | 40,000 | 3.61 | July 16, 2018 |
| 10,000 | 10,000 | 3.03 | November 26, 2018 |
| 50,000 | 50,000 | 3.30 | January 23, 2019 |
| 2,000 | 2,000 | 3.05 | March 24, 2019 |
| 20,000 | 20,000 | 3.65 | May 14, 2019 |
| 40,000 | 40,000 | 4.83 | July 9, 2019 |
| 25,000 | 25,000 | 3.40 | May 3, 2020 |
| 40,000 | 40,000 | 2.90 | July 16, 2020 |
| 790,000 | 790,000 | 7.08 | January 24, 2021 |
| 75,000 | 30,000 | 6.27 | March 16, 2021 |
| 40,000 | 40,000 | 9.10 | July 16, 2021 |
| 5,378,500 | 5,049,750 | $ 3.73 | |

(c) Stock-based compensation:

| | 2011 | 2010 |
|---|---|---|
| Stock options granted in 2006 | $ 184,490 | $ 361,160 |

| | | |
|---|---|---|
| Stock options granted in 2010 | – | 117,705 |
| Stock options granted in 2011 | 3,820,914 | – |
| Total stock-based compensation expense recognized | $ 4,005,404 | $ 478,865 |

The stock-based compensation expense is disaggregated in the statements of operations and comprehensive loss as follows:

| | 2011 | 2010 |
|---|---|---|
| Stock-based compensation pertaining to general and administrative | $ 1,213,462 | $ 155,901 |
| Stock-based compensation pertaining to marketing | 434,635 | 4,780 |
| Stock-based compensation pertaining to research and development | 2,357,307 | 318,184 |
| | $ 4,005,404 | $ 478,865 |

**NYMOX PHARMACEUTICAL CORPORATION**
Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2011 and 2010
(In US dollars)

**9. Share capital (continued):**

(c) Stock-based compensation (continued):

The fair value of the options granted during the years ended December 31, 2011 and 2010 was determined using the Black-Scholes pricing model using the following weighted average assumptions:

| | 2011 | 2010 |
|---|---|---|
| Share price | $ 7.10 | $ 3.09 |
| Exercise price | $ 7.10 | $ 3.09 |
| Risk-free interest rate | 2.56 % | 2.62 % |
| Expected volatility | 71.94 % | 68.63 % |
| Expected option life in years | 5 | 5 |
| Expected dividends | – | – |

The weighted average grant-date fair value of options granted during the year ended December 31, 2011 was $4.29 per option (2010 - $1.81 per option).

Expected volatility was estimated considering a five-year historic average share price volatility.

Expected dividends were determined to be nil, since it is the present policy of the Corporation to retain all earnings to finance operations.

**10. Commitments and contingencies:**

(a) Operating leases:

Minimum lease payments under non-cancelable operating leases that were entered into by the Corporation are payable as follows:

| | |
|---|---|
| Less than one year | $ 291,753 |
| Between one and five years | 97,731 |
| More than five years | – |

| | |
|---|---|
| | $ 389,484 |

In September and November 2010, the Corporation entered into new operating lease agreements for its Canadian and US premises, both of which will expire on August 31, 2012 and October 31, 2013, respectively.

**NYMOX PHARMACEUTICAL CORPORATION**
Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2011 and 2010
(In US dollars)

**10. Commitments and contingencies (continued):**

(a) Operating leases (continued):

The current leases for the Canadian and U.S. operations run for two years and three years respectively, with an option to renew the leases after these dates. Lease payments are increased with every renewal to reflect market rentals. During the year ended December 31, 2011, an amount of $364,471 was recognized as an expense in respect of operating leases (2010 - $300,960). The Corporation's leases were entered into as combined leases of land and buildings. Since the land title does not pass, the rent paid to the landlords of the buildings is increased to market rent at regular intervals, and the Corporation does not participate in the residual value of the buildings, it was determined that substantially all the risks and rewards of the buildings are with the respective landlords. As such, the Corporation determined that the leases are operating leases.

(b) Contingencies:

In November 2011, two former directors of the Corporation, who ceased to be directors in 2006, served the Corporation with a Motion to Institute Proceedings filed with the Quebec Superior Court seeking an order that they are entitled to exercise options to purchase a total of 125,000 shares of the Corporation at a price of US$4.33 or, in the alternative, damages for lost profit. The Corporation believes that the right to exercise these options ended in May 2007 and that the claims are without merit. The Corporation intends to defend the action vigorously. Accordingly, no provision related to this matter has been recorded in these consolidated financial statements.

**11. Cost of sales:**

In 2011, expenses related to inventories recognized as cost of sales amounted to $108,372 (2010 -$102,547).

**12. Research tax credits and grants and income taxes:**

(a) Research tax credits and grants:

The Corporation was entitled to a grant from the U.S. Government under the Qualifying Therapeutic Discovery Project for its ongoing Phase III clinical trial program for NX-1207 for the treatment of benign prostatic hyperplasia. In April 2011, the Corporation received its full entitlement under this program in the amount of $244,479.

**NYMOX PHARMACEUTICAL CORPORATION**
Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2011 and 2010
(In US dollars)

**12.**

**Research tax credits and grants and income taxes (continued):**

(a) Research tax credits and grants (continued):

Unused federal research tax credits may be used to reduce future income tax expense, which are not recognized and expire as follows:

| | |
|---|---|
| 2018 | $ 5,228 |
| 2019 | 8,504 |
| 2020 | 23,093 |
| 2021 | 23,483 |
| 2022 | 53,537 |
| 2023 | 69,362 |
| 2024 | 22,561 |
| 2025 | 29,084 |
| 2026 | 66,314 |
| 2027 | 73,235 |
| 2028 | 71,538 |
| 2029 | 116,557 |
| 2030 | 174,430 |
| 2031 | 246,053 |
| | $ 982,979 |

(b) Income taxes:

| | 2011 | 2010 |
|---|---|---|
| Current income tax expense for the year | $ – | $ 2,423,054 |

| | | |
|---|---|---|
| Recognition of previously unrecognized tax loss | – | (2,423,054 ) |
| Current income tax expense | – | – |
| Deferred tax expense: | | |
| Origination and reversal of temporary differences | (1,591,363 ) | (1,834,000 ) |
| Change in unrecognized deductible temporary differences | 1,591,363 | 1,834,000 |
| Deferred tax expense | – | – |
| Total income tax expense | $ – | $ – |

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**NYMOX PHARMACEUTICAL CORPORATION**
Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2011 and 2010
(In US dollars)

**12.**
**Research tax credits and grants and income taxes (continued):**

(b) Income taxes (continued):

Reconciliation of effective tax rate:

| | 2011 | 2010 |
|---|---|---|
| Net loss for the year, before income taxes | $ (9,652,389 ) | $ (6,536,313 ) |
| Domestic tax rate applicable to the Corporation | 28.4 % | 29.9 % |
| Income taxes at domestic tax statutory rate | (2,741,278 ) | (1,954,358 ) |
| Change in unrecognized deductible temporary differences | 1,591,363 | 1,834,000 |
| Non-deductible expenses and other | 1,149,915 | 120,358 |
| Income taxes | $ – | $ – |

The applicable statutory tax rates are 28.4% in 2011 and 29.9% in 2010. The Corporation's applicable tax rate is the Canadian combined rates applicable in the jurisdictions in which the Corporation operates. The decrease is due to the reduction of the Federal income tax rate in 2011 from 18% to 16.5% At December 31, 2011, December 31, 2010 and January 1, 2010, deferred tax assets not recognized were as follows:

| | December 31, 2011 | December 31, 2010 | January 1, 2010 |
|---|---|---|---|
| Deferred revenue | $ 2,787,199 | $ 3,530,597 | $ - |
| Tax loss carry forward | 11,196,417 | 9,523,940 | 11,387,600 |
| Property and equipment and patents | 1,923,879 | 1,894,480 | 1,875,752 |
| Research and development expenditures | 1,799,941 | 1,581,539 | 1,428,920 |
| Share issue costs | 103,847 | 123,525 | 127,211 |

| | | |
|---|---|---|
| $ 17,811,283 | $ 16,654,081 | $ 14,819,483 |

Deferred tax assets have not been recognized in respect to these items because it is not probable that future taxable profit will be available against which the Corporation can utilize the benefits therefrom. The generation of future taxable profit is dependent on the successful commercialization of the Corporation's products and technologies.

**NYMOX PHARMACEUTICAL CORPORATION**
Notes to Consolidated Financial Statements, Continued

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**12. Research tax credits and grants and income taxes (continued):**

(b) Income taxes (continued):

At December 31, 2011, the amounts and expiry dates of tax attributes for which no deferred tax assets were recognized are as follows:

| | Federal | Provincial |
|---|---|---|
| Research and development expenditures, without time limitation | $ 4,699,915 | $ 9,201,294 |
| Losses carried forward: | | |
| 2014 | 581,932 | 504,560 |
| 2015 | 3,544,044 | 3,544,196 |
| 2026 | 3,807,913 | 3,745,175 |
| 2027 | 3,608,571 | 3,529,083 |
| 2028 | 2,750,121 | 2,750,121 |
| 2029 | 3,509,077 | 3,509,077 |
| 2031 | 7,385,583 | 7,385,583 |
| Other deductible temporary differences: | | |
| Share issue costs | 386,050 | 386,050 |
| Excess of tax value of intellectual property and patent fees over carrying value | 6,919,930 | 6,919,930 |
| Excess of tax value of property and equipment over carrying value | 255,944 | 255,944 |
| Deferred revenue | 10,361,333 | 10,361,333 |
| US losses carried forward: | | |
| 2012 | | $ 1,932,153 |
| 2018 | | 2,781,408 |
| 2019 | | 1,077,985 |
| 2020 | | 813,001 |
| 2021 | | 664,129 |
| 2022 | | 522,140 |
| 2023 | | 564,484 |

| | |
|---|---|
| 2024 | 353,204 |
| 2025 | 264,237 |
| 2026 | 355,198 |
| 2027 | 372,942 |
| 2028 | 351,224 |
| 2029 | 86,251 |
| 2030 | 785,936 |
| 2031 | 193,617 |
| | $ 11,117,909 |

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Notes to Consolidated Financial Statements, Continued

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**13. Earnings per share:**
Weighted average number of common shares outstanding:

| | 2011 | 2010 |
|---|---|---|
| Issued common shares at January 1 | 32,573,856 | 31,283,778 |
| Effect of stock options exercised | 20,167 | - |
| Effect of shares issued | 117,408 | 656,806 |
| Weighted average number of common shares outstanding at December 31 | 32,711,431 | 31,940,584 |

Diluted loss per share was the same amount as basic loss per share, as the effect of options would have been anti-dilutive, because the Corporation incurred losses in each of the years presented. All outstanding options could potentially be dilutive in the future.

**14. Capital disclosures:**
The Corporation's objective in managing capital is to ensure a sufficient liquidity position to finance its research and development activities, general and administrative expenses, working capital and overall capital expenditures, including those associated with patents. The Corporation makes every attempt to manage its liquidity to minimize shareholder dilution when possible.

The Corporation defines capital as total equity. To fund its activities, the Corporation has followed an approach that relies almost exclusively on the issuance of common shares and, during 2010, entered into a collaboration agreement. Since inception, the Corporation has financed its liquidity needs primarily through private placements and, since 2003, through a financing agreement with an investment company that has been replaced annually by a new agreement with the same purchaser (see note 9 (a) - Common Stock Private Purchase Agreement). The Corporation intends to access financing under this agreement when appropriate to fund its research and development activities. The financial crisis in the United States and the global economic environment has had a negative impact on the availability of liquidity in the market. Since 2003 through to December 2011, the Purchaser has always complied with the drawdowns made pursuant to the agreement. The Corporation believes that cash balances, funds from operations, as well as funds from the Common Stock Private Purchase Agreement will be sufficient to meet the Corporation’s cash requirements for the next twelve months.

The Corporation must comply with general covenants in order to draw on its facility including maintaining its stock exchange listing and registration requirements and having no material adverse effects, as defined in the agreement, with respect to the business and operations of the Corporation.

**NYMOX PHARMACEUTICAL CORPORATION**
Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2011 and 2010
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**14. Capital disclosures (continued):**

The capital management objectives remain the same as for the previous fiscal year. When possible, the Corporation tries to optimize its liquidity needs by non-dilutive sources, including sales, collaboration agreements, research tax credits and interest income. The Corporation's general policy on dividends is to retain cash to keep funds available to finance its research and development and operating expenses. The Corporation has no debt.

The Corporation is not subject to any capital requirements imposed by external parties.

**15. Financial risk management:**

This note provides disclosures relating to the nature and extent of the Corporation’s exposure to risks arising from financial instruments, including foreign currency risk, credit risk, interest rate risk and liquidity risk, and to how the Corporation manages those risks.

(a) Foreign currency risk:

The Corporation uses the US dollar as its measurement currency because a substantial portion of revenues, expenses, assets and liabilities of its Canadian and US operations are denominated in US dollars. The Corporation’s equity financing facility is also in US dollars. Foreign currency risk is limited to the portion of the Corporation’s business transactions denominated in currencies other than the US dollar. The Canadian operation has transactions denominated in Canadian dollars, principally relating to salaries and rent. Additional variability arises from the translation of monetary assets and liabilities denominated in currencies other than the US dollar at each statement of financial position date. Fluctuations in the currency used for the payment of the Corporation’s expenses denominated in currencies other than the US dollar (primarily Canadian dollars) could cause unanticipated fluctuations in the Corporation’s operating results, but would not impair or enhance its ability to pay its Canadian dollar denominated obligations. The Corporation’s objective in managing its foreign currency risk is to minimize its net exposures to foreign currency cash flows by transacting with parties in US dollars to the maximum extent possible. The Corporation does not engage in the use of derivative financial instruments to manage its currency exposures.

Approximately 66% of expenses that occurred during the year ended December 31, 2011 (2010 - 78%) were denominated in US dollars. Foreign exchange fluctuations had no meaningful impact on the Corporation’s results in 2011 or 2010.

**NYMOX PHARMACEUTICAL CORPORATION**
Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2011 and 2010
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**15.**
**Financial risk management (continued):**

(a) Foreign currency risk (continued):

The following table provides significant items exposed to foreign exchange:

| CA$ | December 31, 2011 | December 31, 2010 | January 1, 2010 |
|---|---|---|---|
| Cash | $ 320,662 | $ 26,736 | $ 71,224 |
| Trade accounts receivable, other receivables and research tax credits receivable | 119,192 | 30,106 | 291,671 |
| Trade accounts payable and accrued liabilities | (399,802 ) | (299,776 ) | (330,357 ) |
| | $ 40,052 | $ (242,934 ) | $ 32,538 |

The following exchange rates were applied for the years ended December 31, 2011 and 2010 and as at January 1, 2010:

| | Average rate (twelve months) | Reporting date rate |
|---|---|---|
| US$ - CA$ - December 31, 2011 | 0.9891 | 1.0170 |
| US$ - CA$ - December 31, 2010 | 1.0299 | 0.9946 |
| US$ - CA$ - January 1, 2010 | N/A | 1.0510 |

Based on the Corporation’s foreign currency exposures noted above, varying the above foreign exchange rates to reflect a 5% strengthening of the US dollar would have increased the net loss for the year ended December 31, 2011 by less than $5,000, assuming that all other variables remained constant.

An assumed 5% weakening of the US dollar would have had an equal but opposite effect on the amount shown above, on the basis that all other variables remained constant.

(b) Credit risk:

Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. Financial instruments that potentially subject the Corporation to concentrations of credit risk consist primarily of cash and trade accounts receivable. Cash is maintained with high-credit quality financial institutions. For trade accounts receivable, the Corporation performs periodic credit evaluations and typically does not require collateral. Allowances are maintained for potential credit losses consistent with the credit risk, historical trends, general economic conditions and other information.

**NYMOX PHARMACEUTICAL CORPORATION**
Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2011 and 2010
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**15.**
**Financial risk management (continued):**

(b) Credit risk (continued):

The Corporation has a limited number of customers. Included in the consolidated statement of financial position are trade accounts receivable of $31,546 (December 31, 2010 - $11,278; January 1, 2010 -$66,354), all of which were aged under 45 days. Four customers (December 31, 2010 - four customers; January 1, 2010 - four customers) accounted for 100% (December 31, 2010 - 100%; January 1, 2010 -88%) of the trade receivables balance at December 31, 2011, all of whom have a good payment record with the Corporation. No bad debt expense was recorded for the year ended December 31, 2011, nor for the year ended December 31, 2010.

At December 31, 2011, the Corporation’s maximum credit exposure corresponded to the carrying amount of cash, trade accounts receivable and other receivables.

(c) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash bears interest at a variable rate. Trade accounts receivable, other receivables, trade accounts payable and accrued liabilities bear no interest. The Corporation has no other interest-bearing financial instruments.

Based on the value of variable interest-bearing cash during the year ended December 31, 2011, an assumed 0.5% increase or 0.5% decrease in interest rates during such period would have had no significant effect on the net loss.

(d) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk through the management of its capital structure, as outlined in note 14 - Capital disclosures. The Corporation does not have an operating credit facility and finances its activities through an equity financing agreement with an investment company, as described in note 9 (a) - Common Stock Private Purchase Agreement.

The following are the contractual maturities of financial liabilities:

| | Carrying amount | Less than 1 year | 1 year to 5 years |
|---|---|---|---|
| Trade accounts payable and accrued liabilities: | | | |

| | | | |
|---|---|---|---|
| December 31, 2011 | $ 811,492 | $ 811,492 | $ – |
| December 31, 2010 | 2,577,903 | 2,577,903 | – |
| January 1, 2010 | 1,729,951 | 1,729,951 | – |

The redeemable preferred shares in the amount of $400,000 have no specific terms of repayment.

**NYMOX PHARMACEUTICAL CORPORATION**
Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2011 and 2010
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**16.**
**Financial instruments:**

(a) Fair value disclosure:
The Corporation has determined that the carrying value of its short-term financial assets and liabilities approximates their fair value due to the immediate or short-term maturity of these financial instruments.

(b) Finance income and finance costs:

| | 2011 | 2010 |
|---|---|---|
| Interest income | $ 12,817 | $ 1,191 |
| Finance income | 12,817 | 1,191 |
| Interest and bank charges | (11,700 ) | (7,078 ) |
| Net foreign exchange loss | (28,179 ) | (25,294 ) |
| Finance costs | (39,879 ) | (32,372 ) |
| Net finance costs | $ (27,062 ) | $ (31,181 ) |

**17. Segment disclosures:**
The Corporation operates in one reportable segment, which is the Corporation’s strategic business unit - the research and development of products for the aging population.

Information regarding the geographic reportable segment is as follows:

| | Canada | United States | Europe and other |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Revenues: | | | |
| 2011 | $ 11,537 | $ 437,410 | $ 2,664,868 |
| 2010 | 15,900 | 505,897 | 169,653 |
| | | | |
| Property and equipment: | | | |
| December 31, 2011 | 21,253 | 907 | – |
| December 31, 2010 | 10,121 | 4,609 | – |
| January 1, 2010 | 7,470 | 8,682 | – |

Revenues are attributed to geographic locations based on location of customers.

**NYMOX PHARMACEUTICAL CORPORATION**
Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2011 and 2010
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**17. Segment disclosures (continued):**
Major customers:

Customers that accounted for greater than 10% of revenues from sales were as follows:

| | 2011 | 2010 |
|---|---|---|
| Customer A | $ – | $ 143,950 |
| Customer B | 191,190 | 165,870 |
| Customer C | 78,122 | 23,066 |

One customer accounted for 100% of licensing revenues during 2011 and 2010 (refer to note 7).

**18. Related parties:**
Executive officers and directors participate in the Corporation's stock option plan (see note 9 (b)). Executive officers are covered under the Corporation's health plan.

Key management personnel compensation is comprised of:

| | 2011 | 2010 |
|---|---|---|
| Salaries | $ 667,788 | $ 565,320 |
| Short-term employee benefits | 9,259 | 10,619 |
| Stock-based compensation | 3,802,911 | 478,865 |
| | $ 4,479,958 | $ 1,054,804 |

**19. Personnel expenses:**

| | 2011 | 2010 |
|---|---|---|
| Salaries | $ 1,801,253 | $ 1,314,187 |

| | | |
|---|---|---|
| Employer contributions | 164,988 | 116,601 |
| Short-term employee benefits | 44,244 | 43,785 |
| Stock-based compensation | 3,848,780 | 478,865 |
| Total personnel expenses | $ 5,859,265 | $ 1,953,438 |

The table above includes the compensation figures from the table in note 18.

**NYMOX PHARMACEUTICAL CORPORATION**
Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2011 and 2010
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**20. Transition to IFRS:**

As stated in note 2 (a), these are the Corporation's first annual consolidated financial statements prepared in accordance with IFRS.

The accounting policies set out in note 3 have been applied in preparing the consolidated financial statements for the year ended December 31, 2011, the comparative information presented in these consolidated financial statements for the year ended December 31, 2010, and in the preparation of an opening IFRS statement of financial position as at January 1, 2010 (the Corporation's date of transition).

In preparing these consolidated financial statements in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards*, the Corporation has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of IFRS.

The Corporation elected to apply the following optional exemptions from full retrospective application:

(i) Business combination exemption:

The Corporation has elected not to apply IFRS 3, *Business Combinations*, retrospectively for its past business combination.

(ii) Share-based payment exemption:

The Corporation has elected not to apply IFRS 2, *Share-based Payment*, retrospectively to stock options that were granted on or before November 7, 2002, and to stock options that were granted after November 7, 2002 that vested before January 1, 2010 (the date of transition to IFRS). Accordingly, the Corporation has elected to apply IFRS 2 only to stock options that were granted after November 7, 2002 that were not vested by January 1, 2010.

As required by IFRS 1, estimates made under IFRS at the date of transition must be consistent with estimates made for the same date under previous GAAP, unless there is evidence that those estimates were in error.

In preparing its opening IFRS statement of financial position, the Corporation has adjusted amounts reported previously in the consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). An explanation of how the transition from Canadian GAAP to IFRS has affected the Corporation's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

**NYMOX PHARMACEUTICAL CORPORATION**
Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2011 and 2010
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**20. Transition to IFRS (continued):**

Reconciliation of financial position and equity as at January 1, 2010:

| | Note | Canadian GAAP | Effect of transition to IFRS | IFRS |
|---|---|---|---|---|
| Assets | | | | |
| Current assets: | | | | |
| Cash | | $ 668,702 | $ – | $ 668,702 |
| Trade accounts receivable | | 66,354 | – | 66,354 |
| Other receivables | | 24,657 | – | 24,657 |
| Research tax credits receivable | | 251,158 | – | 251,158 |
| Security deposit | | 26,994 | – | 26,994 |
| Inventories | | 36,414 | – | 36,414 |
| Total current assets | | 1,074,279 | – | 1,074,279 |
| Non-current assets: | | | | |
| Property and equipment | | 16,152 | – | 16,152 |
| Total non-current assets | | 16,152 | – | 16,152 |
| Total assets | | $ 1,090,431 | $ – | $ 1,090,431 |
| Liabilities and Equity | | | | |
| Current liabilities: | | | | |
| Trade accounts payable | | $ 1,494,416 | $ – | $ 1,494,416 |
| Accrued liabilities | (c) | 235,535 | (235,535 ) | – |
| Payroll related liabilities | (c) | – | 11,257 | 11,257 |
| Other accrued liabilities | (c) | – | 224,278 | 224,278 |

| | | | | |
|---|---|---|---|---|
| Deferred lease inducement | | 12,646 | – | 12,646 |
| Total current liabilities | | 1,742,597 | – | 1,742,597 |
| Non-current liabilities: | | | | |
| Preferred shares of a subsidiary | (d) | 800,000 | (400,000 ) | 400,000 |
| Total non-current liabilities | | 800,000 | (400,000 ) | 400,000 |
| Equity: | | | | |
| Share capital | | 57,955,147 | – | 57,955,147 |
| Additional paid-in capital | (e) | 4,488,365 | 1,526,314 | 6,014,679 |
| Deficit | (e) | (63,895,678 ) | (1,526,314 ) | (65,421,992 ) |
| Total equity attributable to the equity holders of the Corporation | | (1,452,166 ) | – | (1,452,166 ) |
| Non-controlling interest | (d) | – | 400,000 | 400,000 |
| Total equity | | (1,452,166 ) | 400,000 | (1,052,166 ) |
| Total liabilities and equity | | $ 1,090,431 | $ – | $ 1,090,431 |

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**NYMOX PHARMACEUTICAL CORPORATION**
Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2011 and 2010
(In US dollars)

**20. Transition to IFRS (continued):**

Reconciliation of financial position and equity as at December 31, 2010:

| | Note | Canadian GAAP | Effect of transition to IFRS | IFRS |
|---|---|---|---|---|
| Assets | | | | |
| Current assets: | | | | |
| Cash | | $ 13,174,999 | $ – | $ 13,174,999 |
| Trade accounts receivable | | 11,278 | – | 11,278 |
| Other receivables | | 30,270 | – | 30,270 |
| Research tax credits receivable | | 236,101 | – | 236,101 |
| Inventories | | 17,448 | – | 17,448 |
| Total current assets | | 13,470,096 | – | 13,470,096 |
| Non-current assets: | | | | |
| Long-term security deposit | | 17,396 | – | 17,396 |
| Property and equipment | | 14,730 | – | 14,730 |
| Total non-current assets | | 32,126 | – | 32,126 |
| Total assets | | $ 13,502,222 | $ – | $ 13,502,222 |
| Liabilities and Equity | | | | |
| Current liabilities: | | | | |
| Trade accounts payable | | $ 2,386,696 | $ – | $ 2,386,696 |
| Accrued liabilities | (c) | 191,207 | (191,207 ) | – |
| Payroll related liabilities | (c) | – | 24,184 | 24,184 |
| Other accrued liabilities | (c) | – | 167,023 | 167,023 |

| | | | | |
|---|---|---|---|---|
| Deferred revenue | | 2,617,600 | – | 2,617,600 |
| Total current liabilities | | 5,195,503 | – | 5,195,503 |
| Non-current liabilities: | | | | |
| Deferred revenue | | 10,361,333 | – | 10,361,333 |
| Preferred shares of a subsidiary | (d) | 800,000 | (400,000 ) | 400,000 |
| Total non-current liabilities | | 11,161,333 | (400,000 ) | 10,761,333 |
| Equity: | | | | |
| Share capital | | 62,855,147 | – | 62,855,147 |
| Additional paid-in capital | (e) | 5,386,950 | 1,106,594 | 6,493,544 |
| Deficit | (e) | (71,096,711 ) | (1,106,594 ) | (72,203,305 ) |
| Total equity attributable to the equity holders of the Corporation | | (2,854,614 ) | – | (2,854,614 ) |
| Non-controlling interest | (d) | – | 400,000 | 400,000 |
| Total equity | | (2,854,614 ) | 400,000 | (2,454,614 ) |
| Total liabilities and equity | | $ 13,502,222 | $ – | $ 13,502,222 |

**NYMOX PHARMACEUTICAL CORPORATION**
Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2011 and 2010
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**20. Transition to IFRS (continued):**

Reconciliation of net loss and comprehensive loss for the year ended December 31, 2010:

| | Note | Canadian GAAP | Effect of transition to IFRS: Adjustments | Effect of transition to IFRS: Reclassifications | IFRS |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| Sales of goods | | $ 582,383 | $ – | $ – | $ 582,383 |
| Licensing revenues: | | | | | |
| Upfront payment | | 109,067 | – | – | 109,067 |
| Interest | (f) | 1,191 | – | (1,191 ) | – |
| | | 692,641 | – | (1,191 ) | 691,450 |
| Expenses: | | | | | |
| Research and development | (a), (b), (e) | 4,787,820 | (369,816 ) | 698,223 | 5,116,227 |
| Less research tax credits | | (236,101 ) | – | – | (236,101 ) |
| | | 4,551,719 | (369,816 ) | 698,223 | 4,880,126 |
| General and administrative | (b), (e), (f) | 1,716,515 | (44,364 ) | 174,971 | 1,847,122 |
| Marketing | (b), (e) | 147,609 | (5,540 ) | 10,320 | 152,389 |
| Cost of sales | | 316,945 | – | – | 316,945 |
| Depreciation of property and equipment | (a) | 10,223 | – | (10,223 ) | – |
| Stock-based compensation | (b), (e) | 898,585 | – | (898,585 ) | – |
| Interest and bank charges | (f) | 7,078 | – | (7,078 ) | – |
| | | 7,648,674 | (419,720 ) | (32,372 ) | 7,196,582 |
| Results from operating activities | | (6,956,033 ) | 419,720 | 31,181 | (6,505,132 ) |
| Net finance costs: | | | | | |
| Finance income | (f) | – | – | 1,191 | 1,191 |
| Finance costs | (f) | – | – | (32,372 ) | (32,372 ) |

| | | | | |
|---|---|---|---|---|
| | – | – | (31,181 ) | (31,181 ) |
| Net loss and comprehensive loss attributed to the equity holders of the Corporation | $ (6,956,033 ) | $ 419,720 | $ – | $ (6,536,313 ) |
| Basic and diluted loss per share | $ (0.22 ) | $ 0.02 | $ – | $ (0.20 ) |

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**NYMOX PHARMACEUTICAL CORPORATION**
Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2011 and 2010
(In US dollars)

**20. Transition to IFRS (continued):**

Material adjustments to the consolidated statement of cash flows for the year ended December 31, 2010: There are no material differences between the consolidated statement of cash flows presented under IFRS and the consolidated statement of cash flows presented under previous Canadian GAAP.

Notes to the reconciliations:

(a) As the Corporation has elected to present its analysis of expenses recognized in the statement of operations and comprehensive loss using a classification based on function, depreciation of property and equipment expense was reallocated between general and administrative and research and development expenses, based on the function within the Corporation to which the expense pertains.

The impact arising from this change is summarized as follows:

| | December 31, 2010 |
|---|---|
| Consolidated statement of operations and comprehensive loss: | |
| Increase in research and development expenses | $ 10,223 |
| Decrease in depreciation of property and equipment | (10,223 ) |
| Adjustment to net loss and comprehensive loss | $ – |

(b) As the Corporation has elected to present its analysis of expenses recognized in the statement of operations and comprehensive loss using a classification based on function, stock-based compensation expense was reallocated between general and administrative, marketing and research and development expenses, based on the function within the Corporation the stock-based compensation expense pertains.

The impact arising from this change is summarized as follows:

| | December 31, 2010 |
|---|---|

| | | |
|---|---|---|
| Consolidated statement of operations and comprehensive loss: | | |
| Increase in research and development expenses | $ | 688,000 |
| Increase in general and administrative expenses | | 200,265 |
| Increase in marketing expenses | | 10,320 |
| Decrease in stock-based compensation | | (898,585 ) |
| Adjustment to net loss and comprehensive loss | $ | – |

(c) In accordance with IFRS, the accrued liabilities have been reclassified to report payroll related liabilities separately from other liabilities.

**NYMOX PHARMACEUTICAL CORPORATION**
Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2011 and 2010
(In US dollars)

**20. Transition to IFRS (continued):**

(d) The non-controlling interest of $400,000 reported outside of shareholders' equity and included in preferred shares of a subsidiary for Canadian GAAP purposes was reclassified to equity, separately from equity of the owners of the Corporation, in accordance with IFRS.

(e) In accordance with IFRS, the Corporation's stock options that vest in instalments need to be accounted for as though each instalment is a separate stock option grant, and therefore, the fair value is to be measured separately for each instalment and recognized over the vesting period of each instalment. In accordance with Canadian GAAP, the Corporation's stock options that vested in instalments were accounted for as a whole, for stock options granted on the same day and a fair value was measured for each stock options grant and recognized over the vesting period of each stock options grant as a whole.

The impact on the consolidated statements of financial position and on the consolidated statements of operations and comprehensive loss arising from this change is summarized as follows:

| | January 1, 2010 | December 31, 2010 |
|---|---|---|
| Consolidated statements of financial position: | | |
| Increase to additional paid-in capital | $ 1,526,314 | $ 1,106,594 |
| Increase to deficit | (1,526,314 ) | (1,106,594 ) |
| Adjustment to equity | $ – | $ – |

| | December 31, 2010 |
|---|---|
| Consolidated statement of operations and comprehensive loss: | |
| Decrease in research and development expenses | $ (369,816 ) |
| Decrease in general and administrative expenses | (44,364 ) |
| Decrease in marketing expenses | (5,540 ) |

| | |
|---|---|
| Adjustment to net loss and comprehensive loss | $ (419,720 ) |

(f) In accordance with IFRS, interest income, interest and bank charges expenses and net foreign exchange loss have been reclassified in order to present finance income and finance costs separately.

**NYMOX PHARMACEUTICAL CORPORATION**
Notes to Consolidated Financial Statements, Continued

Years ended December 31, 2011 and 2010
(In US dollars)

**20. Transition to IFRS (continued):**

(f) (continued):
The impact arising from this change is summarized as follows:

| | December 31, 2010 |
|---|---|
| Consolidated statement of operations and compre | |