

VAXIL BIO LTD

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)**

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019

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**NOTICE OF NO AUDITOR REVIEW OF THE
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 - *Continuous Disclosure Obligations*, of the Canadian Securities Administrators, the Company (as defined herein) discloses that its auditors have not reviewed the unaudited condensed interim consolidated financial statements.

The accompanying unaudited condensed interim consolidated financial statements of Vaxil Bio (“Vaxil”, the “Company”) for the three months and nine months ended September 30, 2019 have been prepared by and are the responsibility of the Company’s management and have not been reviewed by the Company’s auditors.

VAXIL BIO LTD
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(Expressed in Thousands of Canadian Dollars, except per share data)

	September 30	December 31
	2019	2018
	Unaudited	Audited
ASSETS		
Current assets		
Cash and cash equivalents	\$ 188	\$ 753
Amounts receivable and prepaid expenses	51	75
Total current assets	239	828
Fixed Assets, net	24	62
Total Assets	\$ 263	\$ 890
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	281	335
Other accounts payable and accrued liabilities	100	120
Total liabilities	381	455
Shareholders' equity		
Share capital (Note 4)	12,103	11,234
Warrant reserve (Note 4)	1,041	1,910
Contributed surplus (Note 4)	2,506	2,425
Foreign currency transaction reserve	(35)	(26)
Accumulated deficit	(15,733)	(15,108)
Total shareholders' equity (deficiency)	(118)	435
Total liabilities and shareholders' equity	\$ 263	\$ 890

Nature and continuance of operations (Note 1)

Commitments (Note 7)

Approved and authorized by the Board on November 29, 2019:

<u>"Ari Kellen"</u>	Director	<u>"David Goren"</u>	Director
Ari Kellen		David Goren	

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

VAXIL BIO LTD
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited)
(Expressed in Thousands of Canadian Dollars, except per share data)

	Three months ended		Nine Months ended	
	September 30		September 30	
	2019	2018	2019	2018
	Unaudited		Unaudited	
Expenses:				
Research and development costs, net (Note 5)	\$ 113	\$ 132	409	\$ 338
General and administration costs (Note 6)	63	68	133	291
Share based compensation	31	23	118	23
Total Expenses	207	223	660	652
Operating Loss	(207)	(223)	(660)	(652)
Financial (Income)Expenses	-	7	2	(3)
Net loss for the period	(207)	(230)	(662)	(649)
Other Comprehensive Loss				
Foreign currency translation adjustment	(4)	(6)	(9)	(10)
Net loss and comprehensive loss for the period	\$ (211)	\$ (236)	\$ (671)	\$ (659)
Basic and Fully Diluted Loss Per Share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Weighted Average Number Of Shares Outstanding	88,929,447	88,241,349	88,929,447	84,793,668

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

VAXIL BIO LTD
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
(Expressed in Thousands of Canadian Dollars, except per share data)

	Nine Months ended	
	September 30	
	2019	2018
	Unaudited	
Cash flows from operating activities		
Net loss for the period	\$ (662)	\$ (649)
Items not affecting cash:		
Depreciation	37	36
Interest on loan	1	3
Share-based compensation	118	23
Changes in non-cash working capital:		
Amounts receivable and prepaid expenses	24	(418)
Accounts payable	54	(205)
Other accounts payable and accrued liabilities	(103)	370
	(531)	(840)
Cash flows from financing activities		
Loan repayment	(25)	(23)
Proceeds for private placements, net	-	1,745
	(25)	1,722
Increase (decrease) in cash and cash equivalents	(556)	882
Effect of changes in foreign exchange rates	(9)	(11)
Cash and cash equivalents, beginning of period	753	169
Cash and cash equivalents, end of period	\$ 188	\$ 1,040

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

VAXIL BIO LTD
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)
(Expressed in Thousands of Canadian Dollars, except per share data)

	Ordinary share capital		Receipts on account of shares	Wararnt reserve	Contributed surplus	Foreign currency transaction reserve	Accumulated deficit	Total Equity (Capital Deficiency)
	Number of shares	Amount						
Balance - January 1, 2019	88,929,447	11,234	-	1,910	2,425	(26)	(15,108)	435
Expiration of warrants (Note 4(d))	-	869	-	(869)	-	-	-	-
Cancellation of options (Note 4 (c))	-	-	-	-	(37)	-	37	-
Share based compensation	-	-	-	-	118	-	-	118.00
Net comprehensive loss for the period	-	-	-	-	-	(9)	(662)	(671.00)
Balance - September 30, 2019	88,929,447	12,103	\$ -	1,041	2,506	\$ (35)	\$ (15,733)	\$ (118)

	Ordinary share capital		Shares to be issued	Wararnt reserve	Contributed surplus	Foreign currency transaction reserve	Accumulated deficit	Total Equity (Capital Deficiency)
	Number of shares	Amount						
Balance - January 1, 2018	50,624,350	\$ 10,139	\$ 41	\$ 1,376	\$ 2,224	\$ (28)	\$ (14,239)	\$ (487)
Private Placement	36,200,000	936	-	805	-	-	-	1,741
Exercise of warrants	63,000	-	-	(4)	7	-	-	3
Shares issued in respect of settlement of liabilities recorded in the prior period	2,042,097	207	(41)	-	-	-	-	166
Share based compensation	-	-	-	-	23	-	-	23
Net comprehensive loss for the period	-	-	-	-	-	(10)	(649)	(659)
Balance - September 30, 2018	88,929,447	\$ 11,282	-	2,177	2,254	(38)	(14,888)	786
Private Placement	-	(51)	-	14	-	-	-	(37)
Exercise of warrants	-	4	-	-	(4)	-	-	-
Share based compensation	-	-	-	-	72	-	-	72
Cancellation of options	-	-	-	-	(178)	-	178	-
Expiration of warrants	-	-	-	(281)	281	-	-	-
Net comprehensive loss for the period	-	-	-	-	-	12	(398)	(386)
Balance - December 31, 2018	88,929,447	\$ 11,234	\$ -	\$ 1,910	\$ 2,425	\$ (26)	\$ (15,108)	\$ 435

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

1. **NATURE AND CONTINUANCE OF OPERATIONS AND GOING CONCERN**

Vaxil Bio Ltd ("Vaxil" or the "Company") was incorporated under the Business Corporations Act (BC) on July 26, 2006 and is listed on the TSX Venture Exchange. Vaxil is an Israeli immunotherapy biotech company focused on its novel approach to targeting prominent cancer markers. Its lead product ImMucin™ successfully completed a Phase 1/2 clinical trial in multiple myeloma and received orphan drug status from the FDA and EMA. The Company is also developing a tuberculosis vaccine / treatment that has demonstrated promising preliminary results with further preclinical evaluation underway at a top US academic and research institution. Additional indications and mAb candidates are under evaluation as immuno-oncology and infectious disease treatments alone and in combination with other treatments. The Company trades on the TSX Venture under the symbol "VXL.V". The Company's head office is located at 3400 One First Canadian Place, ON, M5X 1A4, Toronto, Ontario.

The accompanying consolidated financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business for the foreseeable future. The Company has incurred losses from inception of \$15,734 is currently in the development stage and has not commenced commercial operations. The Company's ability to continue as a going concern is dependent upon its ability to attain future profitable operations and to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. As at September 30, 2019, the Company had not yet achieved profitable operations and expects to incur further losses in the development of its products, all of which may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company not be able to continue as a going concern.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 29, 2019.

2. **BASIS OF PREPARATION**

Statement of Compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed consolidated interim financial statements should be read in conjunction with the Company's annual financial statements for the year ending December 31, 2018. Certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS are not included in these condensed consolidated interim financial statements.

Basis of Presentation

The financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

2. BASIS OF PREPARATION (CONTINUED)

Basis of Consolidation

These consolidated financial statements include the accounts of Vaxil and its two wholly-owned subsidiaries: (i) Vaxil Israel, which owns 100% of Vaxil Biotherapeutics Ltd. The financial statements of Vaxil are included in the consolidated financial statements from the date that control commences until the date control ceases. Control exists when the Company has the power directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All inter-company balances, and transactions, have been eliminated upon consolidation.

Significant Accounting Judgments and Estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and also in future periods when the revision affects both current and future periods.

The critical judgments and significant estimates in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are:

- The series of loans made to the subsidiary company are considered part of the parent Company's net investment in a foreign operation as the Company does not plan to settle these balances in the foreseeable future. As a result of this assessment, the unrealized foreign exchange gains and losses on the intercompany loans are recorded through other comprehensive loss. If the Company determined that settlement of these amounts was planned or likely in the foreseeable future, the resultant foreign exchange gains and losses would be recorded through profit or loss.

Standards adopted in 2019

The IASB issued new standards and amendments not yet effective.

IFRS 16, Leases ("IFRS 16") was issued by the IASB in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. An entity applies IFRS 16 for annual periods beginning on or after January 1, 2019. Earlier application is permitted if IFRS 15 Revenue from Contracts with Customers has also been applied. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. The Company adopted IFRS 16 on January 1, 2019 and did not have a significant impact on the condensed consolidation interim financial statements.

3. RELATED PARTY TRANSACTIONS

During the three and nine month periods ended September 30, 2019, the Company incurred \$43 and \$125 thousand respectively, in employment costs of the CEO and consulting fees to the CFO, as compared to \$105 and \$149 thousand during the three and nine months ended September 30, 2018, respectively, that related to CEO and CFO costs, and consulting fees to directors.

These transactions are in the ordinary course of business and are measured at the amount of consideration set and agreed by the related parties.

As at September 30, 2019, the Company has \$63 outstanding liabilities to related parties (September 30, 2018 - \$188).

4. SHARE CAPITAL AND RESERVES

a) Authorized share capital

As at September 30, 2019, the authorized share capital of the Company is an unlimited number of common shares without par value. All issued shares, consisting only of common shares are fully paid.

b) There were no issuances of shares during the three and nine months ended September 30, 2019:

c) Stock options

(i) Stock option transactions during the year ended December 31, 2018 and the nine months ended September 30, 2019 are summarized as follows:

	Options Issued	Average Exercise Price
Balance outstanding at December 31, 2017	2,725,000	0.12
Granted	4,446,472	0.09
Cancelled	(1,523,788)	0.13
Balance outstanding at December, 2018	5,647,684	\$ 0.10
Cancelled (*)	(225,000)	\$ 0.10
Balance outstanding at September, 2019	5,422,684	\$ 0.10

(*) During the nine months ended September, 2019, 225,000 options with a fair value of \$37 were cancelled.

(ii) As at September 30, 2019, the Company had outstanding stock options, enabling the holders to acquire further common shares as follows:

Options Outstanding			Options Exercisable	
Number Outstanding at September, 2019	Exercise Price	Expiry Date	Exercisable at September 30, 2019	Weighted Exercise Price
976,212	\$ 0.125	January 3, 2022	976,212	\$ 0.125
4,446,472	\$ 0.090	September 3, 2023	1,111,618	\$ 0.090
5,422,684			2,312,830	\$ 0.10

4. SHARE CAPITAL AND RESERVES (CONTINUED)

d) Warrants

- (i) Warrant transactions during the year ended December 31, 2018 and nine months ended September 30, 2019 are summarized as follows:

	Warrants Issued	Weighted average exercise price
Balance, December 31, 2017	14,891,176	\$ 0.52
Issued	38,000,400	0.10
Expired	(2,559,524)	1.32
Exercised	(63,000)	0.05
Balance at December, 2018	50,269,052	\$ 0.10
Expired (*)	(12,331,652)	0.10
Balance at September 30, 2019	37,937,400	\$ 0.10

- (*) During the nine months ended September 30, 2019, 12,331,652 warrants expired. The fair value of the warrants (\$869) was transferred from the warrant reserve to share capital.
- (ii) As at September 30, 2019, the Company had outstanding subscriber's warrants, enabling the holders to acquire further common shares as follows:

Number of warrants outstanding as of September 30, 2019	Date of expiry	Exercise price
36,200,000	January 26, 2021	\$ 0.10
1,737,400	January 26, 2020	\$ 0.05
37,937,400		

5. RESEARCH AND DEVELOPMENT COSTS, NET

	Three months ended		Nine Months ended	
	September 30		September 30	
	2019	2018	2019	2018
	Unaudited		Unaudited	
Wages, salaries and related expenses	\$ 54	\$ 35	\$ 171	\$ 90
Consultants, management and sub-contractors	33	67	101	149
Development materials	13	18	100	63
Depreciation	13	12	37	36
	<u>\$ 113</u>	<u>\$ 132</u>	<u>\$ 409</u>	<u>\$ 338</u>

6. GENERAL AND ADMINISTRATION COSTS

	Three months ended		Nine Months ended	
	September 30		September 30	
	2019	2018	2019	2018
	Unaudited		Unaudited	
Consulting, management and directors fees	\$ 34	\$ 11	\$ 62	\$ 86
Professional fees	13	27	46	152
Office rental and other related expenses	5	11	9	24
Depreciation	-	-	4	-
Other	11	19	11	28
	<u>\$ 63</u>	<u>\$ 68</u>	<u>\$ 133</u>	<u>\$ 291</u>

7. COMMITMENTS

The Company has an agreement for the lease of the offices in Israel for a period ending in February 2020. The total future minimum lease payments under the operating lease is \$26 thousand.

8. FINANCIAL AND CAPITAL RISK MANAGEMENT

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Fair value

The carrying value of due to/from related parties and accounts payable approximated their fair value because of the relatively short-term nature of these instruments. Cash, which is classified as held for trading and carried at fair value, has been determined using Level 1 inputs.

Foreign exchange risk

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

8. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTIINUED)

Credit risk

The Company’s cash is largely held in large Canadian financial institutions. The Company does not have any asset-backed commercial paper. The Company maintains cash deposits with Schedule A financial institutions, which from time to time may exceed federally insured limits. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not hold any financial liabilities with variable interest rates. The Company does maintain bank accounts which earn interest at variable rates but it does not believe it is currently subject to any significant interest rate risk.

Liquidity risk

The Company’s ability to continue as a going concern is dependent on management’s ability to raise required funding through future equity issuances and through short-term borrowing. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

Capital management

The Company defines its capital as shareholders’ equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration and development of mineral properties. The Board of Directors do not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company’s management to sustain future development of the business. As such, the Company has historically relied on the equity markets to fund its activities. In addition, the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will need to raise additional funds. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

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