

**VAXIL BIO LTD**

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

**FOR THE THREE MONTHS ENDED MARCH 31, 2020**

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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 ended March 31, 2020 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)

	Note	March 31 2020 <u>Unaudited</u>	December 31 2019 <u>Audited</u>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 1,152	\$ 83
Amounts receivable and prepaid expenses		29	27
<b>Total current assets</b>		<b>1,181</b>	<b>110</b>
Equipment, net		22	25
Rights of use assets		57	70
<b>Total Assets</b>		<b>\$ 1,260</b>	<b>\$ 205</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable		600	618
Other accounts payable and accrued liabilities		94	96
Unsecured Convertible Loans	3	37	-
Unsecured Loans- related parties	4,5	96	-
Short term portion of lease liability		63	63
<b>Total current liabilities</b>		<b>890</b>	<b>777</b>
<b>Long term liabilities</b>			
Long term lease liabilities		-	11
<b>Total liabilities</b>		<b>890</b>	<b>788</b>
<b>Shareholders' equity</b>			
Share capital	6	12,607	11,234
Warrant reserve	6	514	816
Contributed surplus	6	3,660	3,620
Foreign currency transaction reserve		(62)	(32)
Accumulated deficit		(16,349)	(16,221)
<b>Total shareholders' equity (deficit)</b>		<b>370</b>	<b>(583)</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 1,260</b>	<b>\$ 205</b>

**Nature and continuance of operations** (Note 1)

**Commitments** (Note 9)

**Subsequent Events** (Note 11)

Approved and authorized by the Board on May 27, 2020:

<u>"Gadi Levin"</u> Gadi Levin	Director	<u>"David Goren"</u> David Goren	Director
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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)

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	Note	Three Month ended	
		March 31	
		2020	2019
		Unaudited	
<b>Expenses:</b>			
Research and development costs	7	82	\$ 163
General and administration costs	8	70	39
Share based compensation	6	19	49
<b>Total Expenses</b>		<b>171</b>	<b>251</b>
<b>Operating Loss</b>		<b>(171)</b>	<b>(251)</b>
Financial Expenses	3	2	1
<b>Net loss for the year</b>		<b>(173)</b>	<b>(252)</b>
<b>Other Comprehensive Loss</b>			
Foreign currency translation adjustment		(30)	(7)
<b>Net loss and comprehensive loss for the period</b>		<b>\$ (203)</b>	<b>\$ (259)</b>
<b>Basic and Fully Diluted Loss Per Share</b>		<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Weighted Average Number Of Shares Outstanding</b>		<b>91,457,799</b>	<b>88,929,447</b>

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)

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	<b>Three Month ended</b>	
	<b>March 31</b>	
	<b>2020</b>	<b>2019</b>
	<b>Unaudited</b>	
<b>Cash flows from operating activities</b>		
Net loss for the period	\$ (173)	\$ (252)
Items not affecting cash:		
Depreciation	20	12
Interest on loans	3	-
Share-based compensation	19	49
Change in fair value of convertible loans	-	-
Changes in non-cash working capital:		
Amounts receivable and prepaid expenses	(2)	1
Accounts payable	(18)	29
Other accounts payable and accrued liabilities	(1)	(55)
	<b>(152)</b>	<b>(216)</b>
<b>Cash flows from financing activities</b>		
Loan repayment	-	(9)
Lease repayment	(18)	-
Proceeds from unsecured convertible loans	36	-
Proceeds from unsecured loans	95	-
Proceeds from exercise of warrants	1,137	-
	<b>1,250</b>	<b>(9)</b>
<b>Increase (decrease) in cash</b>	<b>1,099</b>	<b>(225)</b>
Effect of changes in foreign exchange rates	(30)	(7)
Cash, beginning of year	83	753
Cash, end of period	<b>\$ 1,152</b>	<b>\$ 521</b>

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		Warrant reserve	Contributed surplus	Foreign currency transaction reserve	Accumulated deficit	Total Equity (Capital Deficiency)
	Number of shares	Amount					
<b>Balance - January 1, 2019</b>	<b>88,929,447</b>	<b>\$ 11,234</b>	<b>\$ 1,910</b>	<b>\$ 2,425</b>	<b>\$ (26)</b>	<b>\$ (15,108)</b>	<b>\$ 435</b>
Expiration of warrants	-	-	(869)	\$ 868	-	-	(1)
Share based compensation	-	-	-	\$ 49	-	-	49
Net comprehensive loss for the period	-	-	-	-	(7)	(252)	(259)
<b>Balance - March 31, 2019</b>	<b>88,929,447</b>	<b>\$ 11,234</b>	<b>1,041</b>	<b>\$ 3,342</b>	<b>(33)</b>	<b>(15,360)</b>	<b>224</b>
Expiration of warrants	-	-	(225)	226	-	-	1
Cancellation of options	-	-	-	(41)	-	41	-
Share based compensation	-	-	-	93	-	-	93
Net comprehensive loss for the period	-	-	-	-	1	(902)	(901)
<b>Balance - December 31, 2019</b>	<b>88,929,447</b>	<b>\$ 11,234</b>	<b>\$ 816</b>	<b>\$ 3,620</b>	<b>\$ (32)</b>	<b>\$ (16,221)</b>	<b>\$ (583)</b>
Expiration of warrants (Note 6(d))	-	-	(66)	66	-	-	-
Exercise of warrants (Note 6(d))	11,370,000	1,373	(236)	-	-	-	1,137
Cancellation of options (Note 6(c))	-	-	-	(45)	-	45	-
Share based compensation	-	-	-	19	-	-	19
Net comprehensive loss for the period	-	-	-	-	(30)	(173)	(203)
<b>Balance - March 31, 2020</b>	<b>\$ 100,299,447</b>	<b>\$ 12,607</b>	<b>\$ 514</b>	<b>\$ 3,660</b>	<b>\$ (62)</b>	<b>\$ (16,349)</b>	<b>\$ 370</b>

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 (“TSX-V”). Vaxil is an Israeli biotechnology company that is focused on a novel drug discovery and development platform based on Signal Peptides (“SPs”) which the company deploys to fight infectious diseases and cancer. The Company’s most advanced product, ImMucin™, successfully completed a Phase 1/2a clinical trial in multiple myeloma and received orphan drug status from the FDA and EMA. The Company also announced a COVID-19 vaccine candidate and is developing a tuberculosis vaccine / treatment that has demonstrated promising preliminary results 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-V 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 \$16,349 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 March 31, 2020, 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 May 27, 2020.

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, 2019. 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.
- The change in the fair value of the unsecured convertible loan is based on an estimate determined by the Black-Scholes Model.

### **Standards issued but not yet effective**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for future accounting periods. Many are not applicable to or do not have a significant impact on the Company and have been excluded from the list below. The following have not yet been adopted and are being evaluated to determine their impact on Vaxil.

#### **IFRS 3 - Business Combinations ("IFRS 3")**

In October 2018, the IASB issued an amendment to IFRS 3, effective for annual periods beginning on or after January 1, 2020 with early adoption permitted. The amendment clarifies that a business must include, at minimum, an input and a substantive process that together contribute to the ability to create outputs, and assists companies in determining whether an acquisition is a business combination or an acquisition of a group of assets by providing supplemental guidance for assessing whether an acquired process is substantive. The Company has decided to early adopt the amendments to IFRS 3 effective January 1, 2019 and shall apply the amended standard in assessing business combinations on a prospective basis. For acquisitions that are determined to be acquisitions of assets as opposed to business combinations, the Company allocates the transaction price to the individual identifiable assets acquired and liabilities assumed on the basis of their relative fair values, and no goodwill is recognized. Acquisitions that continue to meet the definition of a business combination are accounted for under the acquisition method, without any changes to the Company's accounting policy.



**3. UNSECURED CONVERTIBLE LOANS**

On February 3, 2020, the Company received \$36 of unsecured convertible loans (Convertible Loans) from third parties.

The Convertible Loans accrue interest at 10% per annum and the principal and interest (“Repayment Amount”) will be repayable by February 3, 2021. The Company shall have the right, but not the obligation, in its sole and absolute discretion, to pay and satisfy the Repayment Amount by the issuance of Common Shares. The conversion price of the Principal shall be \$0.05. All Interest conversions, if any, shall be compliant with Policy 4.3 of the TSX-V.

**4. UNSECURED NON-CONVERTIBLE LOANS**

On March 4, 2020, the Company issued unsecured non-convertible loans to the directors of the Company in the total amount of \$95 (“Non-Convertible Loans”). The Non-Convertible Loans bear interest at 10% annually (“Non-Convertible Loan Interest”) and are repayable on or before March 15, 2022. The Company shall have the right, but not the obligation, in its sole and absolute discretion, to pay and satisfy the Non-Convertible Loans by the issuance of Common Shares. All Non-Convertible Loan conversions, if any, shall be compliant with Policy 4.3 of the TSX-V.

**5. RELATED PARTY TRANSACTIONS**

During the three month periods ended March 31, 2020, the Company incurred \$41 thousand in employment costs of the CEO and consulting fees to the CFO, as compared to \$41 thousand during the three months ended March 31, 2019, 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 March 31, 2020, the Company has outstanding liabilities to related parties \$137, including unsecured non-convertible loans and interest of \$96 (March 31, 2019 - \$14).

## 6. SHARE CAPITAL AND RESERVES

### a) Authorized share capital

As at March 31, 2020, 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) During the three months ended March 31, 2020, the Company issued 11,370,000 shares in respect of 11,370,000 warrants that were exercised (see note 6(d)).

### c) Stock options

(i) Stock option transactions during the year ended December 31, 2019 and the three months ended March 31, 2020 are summarized as follows:

	Options Issued	Average Exercise Price
<b>Balance January 1, 2019</b>	<b>5,647,684</b>	<b>\$ 0.10</b>
Cancelled (i)	(225,000)	0.10
<b>Balance outstanding at December, 2019</b>	<b>5,422,684</b>	<b>\$ 0.09</b>
Cancelled (ii)	(390,485)	0.13
<b>Balance outstanding at March, 2020</b>	<b>5,032,199</b>	<b>\$ 0.09</b>

(\*) During the three month ended March, 2020, 390,485 options with a fair value of \$45 were expired.

(ii) As at March 31, 2020, the Company had outstanding stock options, enabling the holders to acquire further common shares as follows:

Options Outstanding			Options Exercisable	Weighted
Number	Exercise Price	Expiry Date	Exercisable at March 31, 2020	Exercise Price
585,727	\$ 0.125	January 3, 2022	585,727	\$ 0.125
4,446,472	\$ 0.090	September 3, 2023	3,766,915	\$ 0.090
<b>5,032,199</b>			<b>4,352,642</b>	<b>\$ 0.09</b>

**6. SHARE CAPITAL AND RESERVES (CONTINUED)**

d) Warrants

- (i) Warrant transactions during the year ended December 31, 2019 and three months ended March 31, 2020 are summarized as follows:

	Warrants Issued	Weighted average exercise price
Balance, January 1, 2019	49,612,501	\$ 0.10
Expired	(12,331,652)	0.36
Balance at December 31, 2019	37,280,849	\$ 0.09
Expired (*)	(1,080,849)	0.36
Exercised (**)	(11,370,000)	0.10
<b>Balance at March 31, 2020</b>	<b>24,830,000</b>	<b>\$ 0.10</b>

- (\*) During the three months ended March 31, 2020, 1,080,849 warrants expired with a fair value of \$66 expired and the Company recorded a charge to the warrant reserve with a corresponding credit to deficit.
- (\*\*) As noted in note 6(b) during the three months ended March 30, 2020, \$1,137,000 was received from the exercise of 11,370,000 warrants, having an exercise price of \$0.10 per warrant, that were previously issued in January 2018. Upon exercise of the warrants an additional 11,370,000 common shares of the Company were issued
- (ii) As at March 31, 2020, the Company had outstanding subscriber's warrants, enabling the holders to acquire further common shares as follows:

Number of warrants outstanding as of March 31, 2020	Date of expiry	Exercise price
24,830,000	January 26, 2021	\$ 0.10
<b>24,830,000</b>		

**7. RESEARCH AND DEVELOPMENT COSTS**

	<b>Three Month ended</b>	
	<b>March 31</b>	
	<b>2020</b>	<b>2019</b>
	<b>Unaudited</b>	
Wages, salaries and related expenses	\$ 54	\$ 70
Consultants, management and sub-contractors	2	34
Development materials	3	47
Patent registrations	6	-
Depreciation	17	12
	<b>\$ 82</b>	<b>\$ 163</b>

**8. GENERAL AND ADMINISTRATION COSTS**

	<b>Three Month ended</b>	
	<b>March 31</b>	
	<b>2020</b>	<b>2019</b>
	<b>Unaudited</b>	
Consulting and management fees	15	\$ 16
Professional fees	46	21
Office rental and other related expenses	6	2
Depreciation	3	-
	<b>\$ 70</b>	<b>\$ 39</b>

**9. COMMITMENTS**

The Company has an agreement for the lease of the offices in Israel for a period ending in February 2021, which can be terminated by giving three months' notice. The total future minimum lease payments for three months under the operating lease is \$14.

## 10. 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.

### *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 institution, 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.

## 11. SUBSEQUENT EVENTS

Subsequent to the balance sheet date, \$332 were received from the exercise of 3,320,000 warrants, having an exercise price of \$0.10 per warrant, that were previously issued in January 2018. Upon exercise of the warrants an additional 3,320,000 common shares of the Company were issued.