Vaxil Bio Ltd.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the year ended December 31, 2020

*The following is a discussion and analysis of the activities, consolidated results of operations and financial condition of Vaxil Bio. Ltd. ("**Vaxil**", "**we**", "**our**", "**us**", or the "**Company**") for the year ended December 31, 2020, which has been prepared on the basis of information available up until April 29, 2021. This Management's Discussion and Analysis ("**MD&A**") should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2020, together with the notes thereto.*

All monetary amounts are reported in thousands of Canadian dollars and in accordance with IFRS unless otherwise noted. This MD&A is dated April 29, 2021.

Forward-Looking Statements

This MD&A (including, without limitation, the sections discussing Vaxil's Financial Conditions and Results of Operations) contains certain forward-looking statements. All statements other than statements of historical fact that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "contemplate", "target", "believe", "plan", "estimate", "expect" and "intend" and statements that an event or result "may", "will", "can", "should", "could" or "might" occur or be achieved and other similar expressions. These statements are based upon certain assumptions and analyses made by management in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. However, whether actual results and developments will conform with management's expectations is subject to a number of risks and uncertainties, including the considerations discussed herein and in other documents filed from time to time by the Company with Canadian security regulatory authorities, general economic, market or business conditions, the opportunities (or lack thereof) that may be presented to and pursued by management, competitive actions by other companies, changes in laws or regulations and other factors, many of which are beyond the Company's control. These factors may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements and there can be no assurance that the actual results or developments anticipated by management will be realized or, even if substantially realized, that they will have the expected results on Vaxil. All of the forward-looking statements made herein are qualified by the foregoing cautionary statements. The Company expressly disclaims any obligation to update or revise any such forward-looking statements. The Company cautions that COVID-19 Vaccine Development is still under early stage research and development and is not making any express or implied claims that it has the ability to eliminate the COVID-19 virus at this time.

Business overview and Significant Developments

Corporate Structure

Name and Incorporation

The Company was incorporated under the Business Corporations Act (BC) on July 26, 2006 and is listed on the TSX Venture Exchange under the symbol "VXL". The Company's head office is located at 3400 One First Canadian Place, Toronto, Ontario, M5X 1A4, Canada. Vaxil's Israel office is within the Weizmann Science Park, an Israeli biotech hub and adjacent to the famed Weizmann Institute of Science, at Pinchas Sapir Street 3, P.O. Box 4058, Nes Ziona, 74140, Israel. This is also the principal place of business where Vaxil currently hosts its scientific laboratory.

Equity issuances during the period

During the year ended December 31, 2020, $1,838 thousand was received from the exercise of 18,380,000 warrants, having an exercise price of $0.10 per warrant, that were previously issued in January 2018. Upon exercise of the warrants an additional 18,380,000 common shares of the Company ("**Common Shares**") were issued.

On September 14, 2020, the Company granted 200,000 stock options to two consultants, issued pursuant to the Company's stock option plan (the "**SOP**"), exercisable into an equal amount of Common Shares at an exercise price of $0.12 per Common Share.

The Company also granted 1.4 million stock options in aggregate to the CEO and CFO, pursuant to the terms of the SOP, exercisable into an equal amount of Common Shares at an exercise price of $0.12 per Common Share

On September 14, 2020, the Company converted all of its outstanding convertible loans and accrued interest into 740,086 Common Shares.

On October 27, 2020, $35 thousand was received from the exercise of 350,000 warrants, having an exercise price of $0.10 per warrant, that were previously issued in January 2018. Upon exercise of the warrants an additional 350,000 Common Shares were issued.

On November 9, 2020, the Company announced its intention to raise up to $1,500,000 by way of a non-brokered private placement (the "**Private Placement**") Of an issuance of up to 20,000,000 units of the Company ("**Units**") at a price of $0.075 per Unit. Each Unit consists of one Common Share and one Common Share purchase warrant ("**Warrant**"), with each Warrant being exercisable to acquire one additional Common Share (a "Warrant Share") at an exercise price of $0.10 per Warrant Share for a term of three years following the closing of the Private Placement (the "**Closing Date**"). The Company expects to pay a finder's fee equal to 7% of the gross proceeds of the Private Placement. As additional compensation for acting as a finder in respect of the Private Placement, the Company will issue to finders, compensation unit warrants ("**Finders Warrants**") equal to 7% of the aggregate number of Units sold by such finders in the Private Placement. The Finders Warrants will be exercisable into an equal number of Units, at an exercise price equal to $0.10 per Unit, for a period of 2 years following the Closing Date.

On November 23, 2020 the Company completed the first tranche of a non-brokered private placement for gross proceeds of $543 thousand ("**First Tranche Private Placement**"). Investors in the First Tranche Private Placement subscribed for 7,238,108 units ("**First Tranche Units**"). Each First Tranche Unit consisted of one common share in the capital of the Company and one Common Share purchase warrant, with each warrant being exercisable, at any time prior to November 24, 2023, to acquire one additional Common Share at an exercise price of $0.10 per warrant Share ("**Frist Tranche Warrants**"). In connection with the First Tranche Private Placement, Vaxil paid certain finders fees on a portion of funds raised. Aggregate fees of $30 thousand and the issuance of an aggregate 406,653 Finders' Warrants. The Finders' Warrants are exercisable into an equal number of Units, at exercise price equal to $0.10 per Unit at any time prior to November 22, 2022.

Certain officers and/or directors of the Company (the "**Related Parties**") participated in the First Tranche Private Placement, which participation constitutes a "related party transaction" as defined under Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101"). Such related party transaction is exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 as neither the fair market value of securities being issued to the related parties nor the consideration being paid by the related parties exceeded 25% of the Company's market capitalization.

On December 10, 2020 the Company completed the second and final tranche of a non-brokered private placement for gross proceeds of $264 thousand ("**Second Tranche Private Placement**"). Investors in the Second Tranche Private Placement subscribed for 3,521,333 units at a price of $0.075 per unit ("Second Tranche Unit"). Each Second Tranche Unit consisted of one common share in the capital of the Company and one Common Share purchase warrant, with each warrant being exercisable, at any time prior to December 9, 2023, to acquire one additional Common Share at an exercise price of $0.10 per warrant Share ("**Second Tranche Warrants**").

In connection with the Second Tranche Private Placement, Vaxil paid certain finders by payment of finders fees in the aggregate amount of $7 thousand and the issuance of an aggregate 98,000 finders' warrants ("Finders' Warrants"). The Finders' Warrants are exercisable into an equal number of Units, at exercise price equal to $0.10 per Unit at any time prior to December 9, 2022.

Additions to the Vaxil Board

On February 1, 2021, the Company announced that Dr. Michael Berelowitz had been appointed as special advisor to its board.

Dr. Michael Berelowitz, formerly Pfizer's Head of Clinical Development and Medical Affairs (Specialty Care), has enjoyed a 50+ year career in the biomedical sciences across the clinical practice of medicine, basic and clinical research and teaching, along with senior responsibilities in administration, budget management, and people leadership in academia and pharmaceutical companies/industry settings. Michael has also served on company boards, including public companies. This diverse experience provides Michael with a unique and valuable understanding of the world's biopharmaceuticals and their future.

Business of Vaxil

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.

Our most advanced product, ImMucin™, 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 in addition to its tuberculosis vaccine / treatment candidate that demonstrated promising preclinical results. Additional indications and mAb candidates are under evaluation as immuno-oncology and infectious disease treatments alone and in combination with other treatments. The Company has also initiated a pre-clinical program for ImMucin™ in combination with the E-selectin binding polymer-based therapeutic, which Vaxil licensed for development and commercialization from BGN Technologies, the technology transfer company of Ben-Gurion University of the Negev, Israel

Vaxil exploits the unique properties of signal peptide domains on crucial proteins to develop targeted therapies against cancer targets and infectious disease pathogens. VaxHit™, Vaxil's proprietary bioinformatic approach, mines candidate signal peptides with predicted high immunogenicity and wide coverage over varied HLA subtypes. The SPs induce a robust T- and B-cell response. Under normal conditions signal peptides are not presented on the cell surface, thus acting as a neoantigen in tumor cells. Since these neoantigens are not a result of a mutation, but are naturally occurring sequences, these

sequences will be identical among most patients providing a unique class of therapeutics – universal neoantigens. The peptide platform targets affected cells, either transformed (i.e., cancer) or infected, by "educating" or specifically activating the immune system to recognize and specifically attack these cells, and only these cells. In addition, Vaxil's mAb platform directly recognizes the target epitopes presented on malignant cells and recruits other elements of the immune system to kill those cells.

In February 2020, the Company shifted much of the Company's resources to identifying and developing a potential vaccine for COVID-19 ("**Vaccine Candidate**"). The Vaccine Candidate is based on unique and patent-protected signal peptide technology and was discovered utilizing Vaxil's proprietary VaxHit™ bioinformatics platform. The Vaccine Candidate's design is based on knowledge gained from in vivo experiments including testing Vaxil's tuberculosis signal peptide vaccine candidate. This work may also lead to other infectious disease applications.

Vaxil's technology provides unique advantages due to the use of signal peptides as the basis for a prophylactic and therapeutic vaccine. Those advantages include:

1. Induction of a complete adaptive immune response – cellular (T cell) and humoral (antibodies).
2. Stimulation of a robust immune response elicited by multiple antigens within the SP.
3. Wide coverage of diverse populations due to epitopes spanning varied HLA class I and class II restrictions.
4. Increased immune efficiency due to circumventing the viral and tumor immune evasions, such as TAP insufficiency and HLA downregulation.
5. Improved safety profile by specifically and only targeting affected cells.
6. Potential prevention of infectious disease resurgence and a novel universal class of neoantigen in oncology.
7. Greater susceptibility to adaptive immunity by targeting infected cells rather than the pathogen.

Preclinical studies and the clinical Phase 1/2a trial demonstrated a good safety profile coupled with signals of biological activity for Vaxil's SP platform and approach. Vaxil has created effective, scientifically-validated, platforms to develop targeted immuno-oncology and infectious disease treatments from discovery through clinical trials.

Vaxil's strategy comprises two key therapeutic areas

1. Signal Peptides - COVID-19 (and other infectious disease: Tuberculosis)
2. Signal Peptides - Oncology

COVID-19 Vaccine Candidate – Work performed to date

In March 2020, the Company applied for two US patents (U.S 62/987,310 & 63/000,213) on a coronavirus vaccine candidate that are intended to provide broad patent protection for novel vaccines, pharmaceutical compositions and methods of treating and preventing an infectious disease as well as methods for producing a peptide vaccine against coronaviruses.

Vaxil has completed initial preclinical experiments to test the immune response of our COVID-19 vaccine candidate. These results provided the first pre-clinical validation of our in silico modelling announced a few weeks before.

As is common in such early preclinical trials/research programs, the early research is performed to validate the immune response in a screening protocol performed on healthy donor blood cells to establish that our signal peptides demonstrate a favorable and significant immune response (immunogenicity profile). The results of this work indeed exhibited proliferation in varying degrees across T cell population (CD3+) as well as in specific subpopulations: cytotoxic T lymphocytes (CD8+) and in T helper cells (CD4+).

The individual peptides as well as in combination responded more than unstimulated cells. This concurs with results seen in other Vaxil vaccine candidates, such as ImMucin™, which was used in our Phase 1/2a study for multiple myeloma, published by the Company in 2015.

We are assessing several large-scale contract manufacturers to develop a scaled GMP process to be ready to produce at the appropriate time.

The uniqueness of this multi-antigen SP platform is that it can employ both arms of the adaptive immune response by targeting infected cells rather than the pathogen which is targeted by traditional vaccines. Therefore, Vaxil's peptides have the potential to elicit a thorough and durable T cell (cellular) and B cell (humoral) immune response. It is hypothesized that this may lead to broader and more potent immune protection while maintaining a good safety profile, longer durability of protection and suitability to HLA-diverse populations.

In early May 2020, the Company signed a collaboration agreement with The Medical Research, Infrastructure, and Health Services Fund of the Tel Aviv Medical Center (the "**Tel Aviv Medical Center**") to advance the Company's research program to develop a potential peptide vaccine against COVID-19. and on July 20, 2020, the Company commenced its in vivo (animal) study for Vaxil's COVID-19 vaccine candidate,

In September 2020, the Company reported that the results of the in vivo study successfully demonstrated both cellular and humoral responses to multiple signal peptides as well as to the COVID-19 vaccine candidate, composed of multiple signal peptides. These results further confirmed the potential in the design of Vaxil's COVID19 vaccine candidate and provide additional evidence that it generates the anticipated immune response. A total of three injections were inoculated in two mouse strains to better simulate the human immune environment for which COVID-19 vaccine candidate was specifically designed. Both mouse strains exhibited a humoral response, developing antibodies as early as 10 days after last injection. Both strains also displayed activated T cells against the signal peptides.

Following the success of our in vivo study, on October 26, 2020, the Company entered into a cooperative research and development agreement (CRADA) with U.S. Army Medical Research Institute of Infectious Diseases ("USAMRIID") under which USAMRIID would test the Company's COVID-19 vaccine candidate for its ability to specifically prevent COVID-19 in mice.

Vaxil established the USAMRIID collaboration (CRADA) based on the global need for a viable COVID-19 vaccine utilizing an alternative technology that demonstrates cellular and humoral responses, both of which are necessary. In this rapidly moving pandemic, variants have become an established infection model, which has the potential to be better addressed with Vaxil's SP approach. Neutralizing antibody technologies may require frequent modifications while Vaxil's signal peptide ("**SP**") technology may provide long-term efficacy as the virus mutates.

The USAMRIID COVID-19 mouse model challenge experiment demonstrated that Vaxil's SP-based vaccine candidate generated a specific immune response. This was not, however, accompanied by overall vaccine protection of the animals.

The Company plans to conduct additional analyses and on the basis of the understanding obtained, refine aspects of experiment design, including dosing levels and regimens, and alternate animal models that may allow future investigation of the unique and specific aspects of SP's as immunogens. In addition, the Company will evaluate alternate peptide delivery approaches, including oral administration. This strategy focuses future efforts on the unique benefits of SP's to sustain Vaxil's competitive advantage over the longer term, beyond the current crisis environment, when it can realistically achieve approval for human use.

The Company's strategy to deliver value over the long-term is based on the unique potential benefits of SPs including their broad and strong immune response, both cellular and humoral, their reduced propensity to genetic mutation and the advantage of efficient manufacturing.

Oral Delivery

In December 2020, The Company initiated an exploratory pre-clinical study to determine the viability of oral administration. By the end of December 2020, the first three doses had been completed successfully. In January 2021, Vaxil completed the experiment and established that it was possible to observe an immune response in some animals after oral delivery of the vaccine candidate. This supports proceeding with next steps to validate this response. It should be noted that this is a very preliminary result. Further updates will be provided when available

Tuberculosis (TB)

In addition, Vaxil's platform has potential as a treatment for other infectious diseases. Vaxil has advanced the signal peptide platform in infectious disease, focusing on tuberculosis with MTBuVax™. Preclinical studies have confirmed the efficacy of signal peptides in reducing bacterial load in the lungs in a murine protection model. Further studies will evaluate tuberculosis SPs as a boost to standard of care, in order to (1) increase treatment efficacy, (2) prolong the protective immunity effect and/or (3) expand the treated population. Vaxil has collaborations with world-renowned tuberculosis researchers at a top research university.

Oncology

Following the successful clinical trial of ImMucin™, Vaxil plans to develop our MUC1-SP as an adjunct therapy or combination therapy to synergistically improve the standard of care for solid tumors with high risk of metastasis. Preclinical studies are planned to support forthcoming clinical trials.

Vaxil's VaxHit™ has identified additional peptide candidates pertinent to a variety of cancers that can be developed as either SPs or mAbs. VaxHit™ will continue to be employed to identify other candidates for oncological and infectious disease indications.

During 2019, Vaxil enhanced its peptide production methodologies to increase yield and purity, improving and allowing future scale-up for prospective clinical trials as well as future commercial manufacturing.

Going Forward

Vaxil's strategy remains focused on delivering long-term value based on the unique benefits of SP's including their broad and robust immune response, both cellular and humoral, their reduced sensitivity to genetic mutation and manufacturing efficiency.

Vaxil's has initiated experimental work in the following areas of its 2021 strategic focus:

1. Optimizing the immune response to SPs in infectious diseases such as COVID, as well as oncology, to demonstrate the robust and consistent value SPs can bring to the clinic.
2. Developing oral delivery technology internally as well as through relevant partnerships, to expand value across all therapeutic areas
3. Preparing for a clinical trial that both leverages Vaxil's science and previous success in its research programs and creates the best opportunity for helping patients

Consistent with this strategy, the company has initiated efforts to design and then conduct experiments focused on strengthening the value proposition of SPs across these therapeutic areas by demonstrating the ability to generate a robust and consistent immune response.

Based on the previously announced positive signs seen in an early oral delivery experiment, the Company is proceeding to design and conduct formulation experiments that further validate oral routes of administration. Vaxil will also explore partnerships that can maximize the likelihood of successfully delivering SPs orally.

Finally, building on previous successful investigation, the Company has begun efforts to accelerate the pathway to a clinical trial through the design and execution of supportive experiments.

Vaxil Intellectual Property

Vaxil has five patent families, including 30 granted patents and eight patent applications with more work being done to expand the portfolio.

- The first patent family relates to the ImMucin™ product, a MUC1 signal peptide-based vaccine. This patent family includes patents in US, Europe, Australia, Canada, Israel and India, relating to the ImMucin™ vaccine and methods for using ImMucin™ such as for treating cancer and T-cell enrichment.
- The second patent family relates to immunogenic composition, specifically against a pathogen (e.g., tuberculosis, malaria, toxoplasma, EBV, HIV, herpes virus, and influenza). This patent family includes patents in US, Europe and South Africa.
- The third patent family relates to the antibodies produced by MUC1 signal peptides, and diagnostic and therapeutic methods using these antibodies. This patent family includes a US granted patent and patent applications in Europe, Australia, Canada, Israel and India.
- The fourth patents family relates to selective delivery of the drugs such as anticancer to endothelial cells using polymer-drug conjugates. This patent family includes granted patents in the US, Europe, and Israel
- The fifth patent family relates to COVID-19 immunogenic peptides, such as for use as vaccines. This patent family includes two US provisional applications.

Capital Expenditures and Divestitures

During the year ended December 31, 2020, the Company incurred $nil (2019 - $nil) of capital expenditures. The Company estimates capital expenditures for the next twelve months will be approximately $50. thousand.

Additional Disclosure for Venture Issuers without Significant Revenues (In thousands of CAD**):**

	Year ended December 31	
	2020	**2019**
Research and development costs	**$ 619**	$ 750
General and administration costs	**578**	251
	$ 1,197	$ 1,001

Discussion of Operations

The following is a discussion of the results of operations which have been derived from the consolidated financial statements of the Company for the year ended December 31, 2020 (in thousands of CAD):

	Year ended December 31	
	2020	**2019**
Expenses:		
Research and development costs	**$ 619**	$ 750
General and administration costs	**578**	251
Share based compensation	**150**	142
Total Expenses	**1,347**	1,143
Operating Loss	**(1,347)**	(1,143)
Financial Expenses	**11**	11
Net loss for the year	**(1,358)**	(1,154)
Other Comprehensive Loss		
Foreign currency translation adjustment	**(36)**	(6)
Net loss and comprehensive loss for the year	**$ (1,394)**	$ (1,160)

Year ended December 31, 2020 compared to the year ended December 31, 2019

Research and Development costs

For the year ended December 31, 2020, research and development costs expenses amounted to $619 thousand as compared to $750 thousand for the year ended December 31, 2019. The decrease in research and development costs in 2020 relates primarily to a decrease in salaries and the fact that in 2019 the Company incurred certain costs in respect to a an exclusive worldwide license agreement for the development and commercialization of a targeted cancer therapy with BGN Technologies, the technology transfer company of Ben-Gurion University (BGU) in Israel.

General and Administrative Expenses

For the year ended December 31, 2020, general and administrative expenses amounted to $578 thousand as compared to $251 thousand for the year ended December 31, 2019. The increase in general and administrative expenses in 2020 resulted primarily from an increase in legal expenses and in connection with initiatives relating to expanding our options for the future development patents.

Share based compensation

For the year ended December 31, 2020, share based compensation amounted to $150 thousand as compared to $142 thousand for the year ended December 31, 2020. The charges in 2019 and 2020 relates to the fair value of the stock options issued and vested during these periods.

Net Losses

The Company reported a net loss for the year ended December 31, 2020 of $1.358 million as compared to a net loss of $1.154 million for the year ended December 31, 2019. The reason for the increase in the net loss between these periods is as a result of an increase in general and administration expenses, which is partially offset by a decrease in research and development expenses, as explained above.

Inflation

During the year ended December 31, 2020 and 2019, inflation has not had a material impact on our operations.

Litigation

On November 8, 2016, a lawsuit was served in the Tel Aviv Magistrate Court (the "Court") against Vaxil Bio Ltd. (Israel), Vaxil Biotherapeutics Ltd. and the Vaxil Bio Ltd. (Canada) (together: the "Defendants"). The lawsuit was served by the former auditors (the "Plaintiffs") of Vaxil Bio Ltd. (Israel), Vaxil Biotherapeutics Ltd. claiming that they did not receive their full compensation for services provided to the Defendants in the past. Additionally, the Plaintiffs claim to be entitled to a termination fee in respect of future audits because, as they claim, the companies agreed to retain them as auditors for at least three years. The Plaintiffs demanded an amount of NIS 532,695 (Approximately $190 thousand) for the services. On April 4, 2021, the Court ordered the Company's Israeli subsidiary to pay $98 thousand, including legal costs. This amount has been included in Other accounts payable and accrued liabilities as of December 31, 2020.

From July 2020, the Company was in an ongoing mediation process with Mr. Isaac Maresky, the Company's former CEO in connection with a disagreement regarding compensation. The mediation process was not successful and the Company has been named as a defendant in an action commenced by Mr. Maresky, alleging constructive dismissal and seeking damages. The Company denies any wrongdoing, refutes all claims alleged by Mr. Maresky and intends not only to defend itself but to counter sue Mr. Maresky. Whilst it is difficult to provide any guarantee as to the outcome of the case at this very early stage it is the Company's assessment, based on advice from the Company's legal counsel and based on the information known by the Company at this time, that the Company has included a provision in its accounts for a potential loss or settlement. The Company does not believe that any outcome of this action will have a material effect on the Company's operations.

Summary of Quarterly Results

	Quarter ended			
	31-Dec-20	**30-Sep-20**	**30-Jun-20**	**31-Mar-20**
	Canadians dollars in thousands, except per share data			
Net loss	$ (575)	$ (313)	$ (297)	$ (173)
Net loss and comprehensive loss	$ (553)	$ (335)	$ (303)	$ (203)
Net loss per share	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.00)

	Quarter ended			
	31-Dec-19	**30-Sep-19**	**30-Jun-19**	**31-Mar-19**
	Canadians dollars in thousands, except per share data			
Net loss	$ (492)	$ (207)	$ (203)	$ (252)
Net loss and comprehensive loss	$ (489)	$ (211)	$ (201)	$ (259)
Net loss per share	$ (0.01)	$ (0.00)	$ (0.00)	$ (0.00)

The loss per quarter and related net loss per share is a function of the level of research and development activity that took place during that quarter. In 2019 and 2020, the losses per quarter relates to work completed in respect of preclinical studies.

Liquidity

Liquidity is a measure of a company's ability to meet potential cash requirements. The Company has historically met its capital requirements through the issuance of common shares.

The Company has an accumulated deficit of $17,533 thousand as of December 31, 2020 ($16,221 thousand as of December 31, 2019), and the Company had negative cash flows from operations of $1,102 thousand for the year ended December 31, 2020 (negative cash flows of $596 thousand during the year ended December 31, 2019). The ability of the Company to continue as a going concern depends upon the ability of the Company to obtain financing to complete development, and upon future profitable operations from the properties or proceeds from their disposition. The Company is an early stage biotech company and has not earned any revenues to date.

There can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. The Company is considering various alternatives with respect to raising additional capital to remedy any future shortfall in capital, but to date has made no specific plans or arrangements. Because of the early stage of the Company's operations, there can be no assurance this capital will be available and if it is not, the Company may be forced to substantially curtail or cease research and development expenditures.

Year ended December 31, 2020, compared to the year ended December 31, 2019

During the year ended December 31, 2020 the Company's overall position of cash increased by $1,427 thousand. This decrease can be attributed to the following activities:

The Company's net cash used in operating activities during the year ended December 31, 2020 was $1,103 thousand as compared to $596 thousand for the year ended December 31 2019. The increase in 2020 is primarily due to the increase in net loss for the year ended December 31, 2020 as compared to 2019.

Cash flow from financing activities for the year ended December 31, 2020 was $2,557 thousand as compared to $68 thousand used in financing activities during the year ended December 31, 2019. During 2020, the Company raised $1.8 million from the exercise of certain warrants issued in 2018 and $755 thousand for a private placement.

Capital Resources

As of December 31, 2020, the Company's cash was $1,510 thousand (December 31, 2019- $83 thousand). The majority of this balance is being held in CAD Dollars. Our working capital at December 31, 2020 was $777 thousand as compared to negative working capital $667 thousand at December 31, 2019. During 2020, we raised $1.8 million from the exercise of certain warrants issued in 2018.

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 thousand.

Disclosure of Outstanding Share Data

As of the date of this report, the Company has 136,628,973 ordinary shares outstanding, 10,759,440 warrants outstanding, 504,653 finders' warrants outstanding and 6,632,199 options granted. Each warrant and option entitle the right of the holder thereof to acquire one ordinary share.

Management of Capital

The Company is an early-stage biotechnology research and development company and currently does not generate significant cash flows from operations. The Company's primary source of funds comes from the issuance of share capital. The Company does not use other sources of financing that require fixed payments of interest and principal and is not subject to any externally imposed capital requirements.

The Company defines its capital as share capital plus warrants. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget to manage its costs and commitments.

The Company's capital management objective is to maximize investment returns to its equity-linked stakeholders within the context of relevant opportunities and risks associated with the Company's operations. Achieving this objective requires management to consider the underlying nature of research and development activities, the availability of capital, the cost of various capital alternatives and other factors. Establishing and adjusting capital requirements is a continuous management process.

In order to carry out the planned research and development and pay for administrative costs, the Company intends to raise additional amounts as needed. Although the Company has been successful at raising funds in the past through the issuance of share capital, there can be no assurance that future financings will be successful.

Off-Balance Sheet arrangements

See "Commitments" above.

Transactions with Related Parties

The following are the expenses incurred with related parties for the year ended December 2020 and 2019 and the balances owing as of December 31, 2020 and 2019:

For the year ended December, 2020 (in thousands of CAD)

	Directors Fees	Consulting Fees / Salaries	Share based awards	Total	Amounts owing at December 31, 2020
David Goren, Director and CEO	$ -	$ 102	$ 106	$ 208	$ 9
Gadi Levin, Director and CFO	-	60	38	98	5
Ari Kellen, Director	-	-	-	-	-
Shawn Langer, Director	-	-	-	-	-
Total	$ -	$ 162	$ 144	$ 306	$ 14

For the year ended December, 2019 (in thousands of CAD)

	Directors Fees	Consulting Fees / Salaries	Share based awards	Total	Amounts owing at December 31, 2019
David Goren, Director and CEO	$ -	$ 100	$ 142	242	$ 26
Gadi Levin, Director and CFO	-	60	-	60	25
Ari Kellen, Director	-	-	-	-	-
Shawn Langer, Director	-	-	-	-	-
Total	$ -	$ 160	$ 142	$ 302	$ 51

Critical Accounting Policies 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:

Provisions are recognized when: a) the Company has a present obligation (legal or constructive) as a result of a past event; and b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation.

A contingent liability is not recognized in the case where no reliable estimate can be made; however, disclosure is required unless the possibility of an outflow of resources embodying economic benefits is remote. By its nature, a contingent liability will only be resolved when one or more future events occur or fail to occur. The assessment of a contingent liability inherently involves the exercise of significant judgment and estimates of the outcome of future events.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.

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

There were no changes to the Company's internal controls over financial reporting during the year ended December 31, 2020, which have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

As of December 31, 2020, the Company evaluated its disclosure controls and procedures and internal control over financial reporting, as defined by the Canadian Securities Administrators. These evaluations were carried out under the supervision of and with the participation of management, including the Company's chief financial officer. Based on these evaluations, the chief financial officer concluded that the design of these disclosure controls and procedures and internal control over financial reporting were effective.

Changes in accounting policies – initial adoption of new financial reporting and accounting standards and amendments to existing financial reporting and accounting standard

Amendment to IAS 37, "Provisions, Contingent Liabilities and Contingent Assets":

In May 2020, the IASB issued an amendment to IAS 37, regarding which costs a company should include when assessing whether a contract is onerous ("the Amendment"). According to the Amendment, costs of fulfilling a contract include both the incremental costs (for example, raw materials and direct labor) and an allocation of other costs that relate directly to fulfilling a contract (for example, depreciation of an item of property, plant and equipment used in fulfilling the contract).

The Amendment is effective for annual periods beginning on or after January 1, 2022 and applies to contracts for which all obligations in respect thereof have not yet been fulfilled as of January 1, 2022. Early application is permitted.

The Company estimates that the application of the Amendment is not expected to have a material impact on the financial statements.

Risks and Uncertainties

Credit risk

The Company manages credit risk, in respect of cash, by holding them at major Canadian and Israeli financial institutions in accordance with the Company's investment policy. The Company places its cash with high credit quality Israeli and Canadian financial institutions. Concentration of credit risk exists with respect to the Company's cash and other receivables. The Company's exposure as at December 31, 2020 and December 31, 2019 was $1,634 thousand and $110 thousand respectively, which consisted of $1,510 (December 31, 2019 - $83 thousand) in cash held in bank accounts, and $124 thousand (December 31, 2019 - $27 thousand) in accounts receivable and prepaid expenses. None of the Company's accounts receivable are overdue as at December 31, 2020.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet current obligations and future commitments. The Company's approach to managing liquidity risk is to forecast cash requirements to provide reasonable assurance that it will have sufficient funds to meet its liabilities when due. As of December 31, 2020, the Company had cash of $1,510 thousand (December 31, 2019 - $83 thousand) and accounts receivable and prepaid expenses of $124 thousand (December 31, 2019 - $27 thousand) to settle current liabilities in the amount of $857 thousand (December 31, 2019 - $777 thousand). During 2020, we raised $1.8 million from the exercise of certain warrants issued in 2018. In 2020, the Company completed a private placement and raised $769 thousand net of share issuance expenses.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of two types of risk: interest rate risk, and foreign currency risk.

(i) Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its cash equivalents.

(ii) Foreign currency risk

The Company is exposed to financial risk related to the fluctuation of foreign exchange rates. The Company operates in Israel where most of the Company’s expenditures are currently incurred in NIS. However, the Company also has expenditures in US Dollars and Canadian Dollars. The Company has not hedged its exposure to currency fluctuations. An increase or decrease of 5% of the NIS or the US Dollar relative to the Canadian dollar would not have a significant effect on the Company.

Development Stage Company

Vaxil has only a limited history upon which one can evaluate its business and prospects as its technologies are still at an early stage of development and thus Vaxil has limited experience and has not yet demonstrated an ability to successfully overcome many of the risks and uncertainties frequently encountered by companies in new and rapidly evolving fields, particularly in the biopharmaceutical area. Vaxil has not begun to market or generate revenues from the commercialization of any products related to human health. The likelihood of the success of the Company must be considered in light of the risks inherent in, and the difficulties, costs and complications associated with the early growth stages of a business enterprise, as well as with the development and marketing of new products.

Future Capital Needs

The Company may not be able to fully implement and execute its business strategy without additional financing. There can be no assurance that such additional financing will be available, and if available, there can be no assurance that the cost of obtaining such financing will be on favorable or reasonable commercial terms or that it will not result in substantial dilution to its shareholders. If additional funds are raised through the issuance of equity or equity-linked debt securities, the percentage ownership in Vaxil of the shareholders will be reduced, and such securities may have rights, preferences, or privileges senior to or equal to those of the Company's shares held by the current shareholders, or any other securities outstanding on the date hereof.

If adequate funds are not available to satisfy ongoing capital requirements, the Company may be required to curtail its operations significantly or to obtain funds, if available, through arrangements with strategic partners or others that may require the Company to relinquish material rights to certain technologies or potential markets. There is no certainty that financing will be available in amounts or on acceptable terms, if at all.

Any failure to raise additional funds on favorable terms is likely to have a material adverse effect on the Company's liquidity and financial condition.

Dependence on Key Personnel

The Company's future success depends on its ability to retain key employees and attract, train, retain and successfully integrate new talent into its management team. Vaxil is dependent on the services of its senior management team. The loss of any of the members of the Company's senior management team could have a material adverse effect on the Company's results of operations, business and prospects. The Company's future success also depends, to a significant extent, on its ability to attract and retain talented personnel. Recruiting and retaining talented personnel, particularly those with the expertise required for the Company's business is vital to the Company's success and may prove difficult.

Changes in Technology and Industry Standards

The pharmaceutical and biotechnology drug development industry is susceptible to technological advances and the introduction of new technologies. Further, this industry is also subject to changing industry standards, market trends and customer preferences and to competitive pressures, which can, among other things, necessitate revisions in pricing strategies, price reductions and reduced profit margins. The success of the Company will depend, in part, on its ability to secure technological superiority in its products and operations and maintain such superiority in the face of new technologies. No assurance can be given that further modification of product offerings of Vaxil will not be required in order to meet demands or to make changes necessitated by developments made by competitors that might render services and operations of the Company less competitive. The future success of the Company will be influenced by its ability to continue to adapt its products. Although Vaxil has committed resources to research and develop its products, there can be no assurance that these efforts will be successful.

Applicability of Patents and Proprietary Technology

Competitors may have filed patent applications, or hold issued patents, relating to products or processes competitive with those Vaxil has developed or will in future develop. The Company's patent applications for a product may not be approved or approved as desired. The patents of the Company's competitors may impair its ability to do business in a particular area. Others may independently develop similar products or duplicate any of the Company's unpatented products or technologies. The Company's success will depend, in part, on its ability in the future to obtain patents, protect trade secrets and other proprietary information and operate without infringing the proprietary rights of others. Patent protection is uncertain and involves many complex legal, scientific and technical questions. The degree of legal protection afforded under patents is unclear. As a result, the scope of patents issued to Vaxil or their partners may not successfully prevent third parties from developing similar or competitive products.

Vaxil has and will continue to enter into confidentiality agreements with its employees, suppliers and vendors. However, these confidentiality agreements may be breached, and the Company may not have adequate remedies for such breaches. Others may independently develop substantially equivalent proprietary information without infringing upon any proprietary technology belonging to the Company. Third parties may otherwise gain access to the Company's proprietary information and adopt it in a competitive manner.

In addition, the coverage claimed in a patent application can be significantly reduced before a patent is issued. Also, Vaxil faces the following intellectual property risks: (i) some or all patent applications may not result in the issuance of a patent; (ii) patents issued may not provide the holder with any competitive advantages; (iii) patents could be challenged by third parties; (iv) the patents of others could impede our ability to do business; (v) competitors may find ways to design around our patented products; and (vi) competitors could independently develop products which duplicate our products.

Patent Litigation

A number of industry competitors and institutions have developed technologies, filed patent applications or received patents on various technologies that may be related to or affect our business. Claims by these companies that Vaxil infringes their proprietary technology may result in liability for damages or may delay the development and commercialization efforts for the Company's products. Such conflict could limit the scope of the patents, if any, that the Company may be able to obtain or result in the denial of its patent applications. In addition, if patents that cover the Company's activities are issued to other companies, there can be no assurance that Vaxil would be able to obtain licenses to these patents at a reasonable cost or be able to develop or obtain alternative technology. If the Company does not obtain such licenses, it could encounter delays in the introduction of products, or could find that the development, manufacture or sale of products requiring such licenses could be prohibited. In the pharmaceutical industry, it is not uncommon for competitors to advance such claims for strategic purposes. Furthermore, there can be no assurance that patent or other litigation will not arise in connection with any of the Company's or future products or product candidates. Patent litigation, with or without merit, is time-consuming and costly and may significantly impact the Company's financial condition and results of operations, even if the Company prevails. In addition, the Company could incur substantial costs in defending suits brought against it on patents it might infringe or in filing suits against others to have such patents declared invalid.

Covid-19 Pandemic

Since January 2020, the Coronavirus outbreak has dramatically expanded into a worldwide pandemic creating macro-economic uncertainty and disruption in the business and financial markets. Many countries around the world, including Israel, have been taking measures designated to limit the continued spread of the Coronavirus, including the closure of workplaces, restricting travel, prohibiting assembling, closing international borders and quarantining populated areas. Such measures present concerns that may dramatically affect the Company’s ability to conduct its business effectively, including, but not limited to, adverse effect relating to employees’ welfare, slowdown and stoppage of manufacturing, commerce, shipping, delivery, work, travel and other activities which are essential and critical for maintaining on-going business activities. To date, the impact of Covid-19 on the Company's operations has been limited, to date, however, given the uncertainty around the extent and timing of the future spread or mitigation of COVID-19 and around the imposition or relaxation of protective measures, the Company cannot reasonably estimate the impact to its future results of operations, cash flows or financial condition; infections may become more widespread and the limitation on the ability to work, travel and timely sell and distribute products, as well as any closures or supply disruptions, may be extended for longer periods of time and to other locations, all of which would have a negative impact on the Company’s business, financial condition and operating results. In addition, the unknown scale and duration of these developments have macro and micro negative effects on the financial markets and global economy which could result in an economic downturn that could affect demand for the Company’s products and have a material adverse effect on its operations and financial results, earnings, cash flow and financial condition.

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