VAXIL BIO LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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INDEX

Independent Auditor's Report

To the Shareholders of Vaxil Bio Ltd.:

Opinion

We have audited the consolidated financial statements of Vaxil Bio Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and December 31, 2019, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has incurred losses since inception to December 31, 2020. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Patrycja Anna Kajda.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

April 29, 2021 — Licensed Public Accountants

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

	Note	December 31 2020	December 31 2019
ASSETS			
Current assets			
Cash	8	$ 1,510	$ 83
Amounts receivable and prepaid expenses	9	124	27
Total current assets		1,634	110
Equipment, net	10	21	25
Rights of use assets	11	6	70
Total Assets		$ 1,661	$ 205
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable	15,18	588	618
Other accounts payable and accrued liabilities	15,18	260	96
Short term portion of lease liability	12	9	63
Total current liabilities		857	777
Long term liabilities			
Long term lease liabilities	12	-	11
Total liabilities		857	788
Shareholders' equity (deficit)			
Share capital	13	13,860	11,234
Warrant reserve	13	755	816
Contributed surplus	13	3,790	3,620
Foreign currency transaction reserve		(68)	(32)
Accumulated deficit		(17,533)	(16,221)
Total shareholders' equity (deficit)		804	(583)
Total liabilities and shareholders' equity (deficit)		$ 1,661	$ 205

Nature and continuance of operations and going concern (Note 1)

Commitments and Contingencies (Note 18)

Subsequent Events (Note 21)

Approved and authorized by the Board on April 28, 2021:

"Gadi Levin"	Director	*"David Goren"*	Director
Gadi Levin		David Goren	

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

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

	Note	Year ended December 31 2020	Year ended December 31 2019
Expenses:			
Research and development costs	**19**	**$ 619**	$ 750
General and administration costs	**20**	**578**	251
Share based compensation	**13**	**150**	142
Total Expenses		**1,347**	1,143
Operating Loss		**(1,347)**	(1,143)
Financial Expenses	**6,7**	**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)
Basic and Fully Diluted Loss Per Share		**$ (0.01)**	$ (0.01)
Weighted Average Number Of Shares Outstanding		**101,736,967**	88,929,447

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

(Expressed in Thousands of Canadian Dollars, except per share data)

	Year ended December 31	
	2020	**2019**
Cash flows from operating activities		
Net loss for the year	**$ (1,358)**	$ (1,154)
Items not affecting cash:		
Depreciation	**57**	100
Interest on loans	**11**	9
Share-based compensation	**150**	142
Changes in non-cash working capital:		
Amounts receivable and prepaid expenses	**(97)**	48
Accounts payable	**(30)**	283
Other accounts payable and accrued liabilities	**164**	(24)
	(1,103)	(596)
Cash flows from financing activities		
Proceeds from private placement, net	**755**	-
Lease repayment	**(57)**	(68)
Proceeds from unsecured convertible loans	**36**	-
Proceeds from exercise of warrants	**1,823**	-
	2,557	(68)
Increase (decrease) in cash	**1,454**	(664)
Effect of changes in foreign exchange rates	**(27)**	(6)
Cash, beginning of year	**83**	753
Cash, end of year	**$ 1,510**	$ 83

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

VAXIL BIO LTD.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(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					
Balance - January 1, 2020	**88,929,447**	**$ 11,234**	**$ 816**	**$ 3,620**	**$ (32)**	**$ (16,221)**	**$ (583)**
Exercise of warrants (Note 13(b(i)))	18,380,000	2,218	(380)	-	-	-	**1,838**
Issuance of shares on conversion on convertible loan (Note 13(b(ii)+Note 6)	740,086	38	-	-	-	-	**38**
Private Placement (Note13(iii+iv))	10,759,440	370	385	-	-	-	**755**
Cancellation of options (Note 13(c)(1)(ii))	-	-	-	(46)	-	46	-
Expiration of warrants (Note 13(d)(1)(I))	-	-	(66)	66	-	-	-
Share based compensation (Note 13(c)(2))	-	-	-	150	-	-	**150**
Net comprehensive loss for the year	-	-	-	-	(36)	(1,358)	**(1,394)**
Balance - December 31, 2020	**118,808,973**	**$ 13,860**	**$ 755**	**$ 3,790**	**$ (68)**	**$ (17,533)**	**$ 804**

	Ordinary share capital		Warrant 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 11(d))	-		(1,094)	1,094	-	-	-
Cancellation of options (Note 11(c))	-	-	-	(41)	-	41	-
Share based compensation	-	-	-	142	-	-	142
Net comprehensive loss for the year	-	-	-	-	(6)	(1,154)	(1,160)
Balance - December 31, 2019	**88,929,447**	**$ 11,234**	**$ 816**	**$ 3,620**	**$ (32)**	**$ (16,221)**	**$ (583)**

The accompanying notes are an integral part of these consolidated 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 $17,533, 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 December 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 represent a material uncertainty 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 consolidated financial statements were authorized for issue by the Board of Directors on April 28, 2021.

2. BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”).

Basis of Presentation

The consolidated financial statements are presented in Canadian dollars which is the Company’s reporting currency. A summary of the significant accounting policies is provided in Note 3.

Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments which have been measured at fair value.

Basis of Consolidation

These consolidated financial statements include the accounts of Vaxil and its wholly-owned subsidiaries Vaxil Bio Ltd. (an Israeli entity) (“Vaxil Israel”), and Vaxil Biotherapeutics Ltd. (Israel) (“Vaxil Biotherapeutics”). All intercompany balances and transactions have been eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Translation of Foreign Currencies

These consolidated financial statements are presented in Canadian dollars. The functional currency of Vaxil is the Canadian dollar. The functional currency of Vaxil Israel and Vaxil Biotherapeutics is the New Israeli Shekel ("NIS").

Translation gains or losses resulting from the translation of the financial statements of Vaxil Israel and Vaxil Biotherapeutics into Canadian dollars for presentation purposes are recorded in other comprehensive (loss) income.

Within each entity, transactions in currencies other than the functional currency ("foreign currencies") are translated to the functional currency at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the end of each reporting period at the period-end exchange rate. Exchange gains and losses on the settlement of transactions and the translation of monetary assets and liabilities to the functional currency are recorded in profit or loss.

Research and Development

Research and development costs are expensed as incurred.

Expenditures during the development phase are deferred as intangibles if the Company can demonstrate each of the following criteria: (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale, (ii) its intention to complete the intangible asset and to then either use or sell it, (iii) its ability to use or sell the intangible asset, (iv) how the intangible asset will generate probable future economic benefits, (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and (vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development; otherwise, they are expensed as incurred.

Impairment of Long-lived Assets

The Company's equipment and intangibles with finite lives are reviewed for an indication of impairment at the end of each reporting period. If indication of impairment exists, the asset's recoverable amount is estimated. The recoverable amount is the greater of the asset's fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equipment

Equipment is stated at cost less accumulated depreciation and impairment losses, if any. The cost of an item is initially recognized as its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless it is fully depreciated. The principal rates used for this purpose are:

Computers and software	33%
Laboratory equipment	12 - 33%

The depreciation method, and the useful lives and residual values are received and adjusted is appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected patter of consumption of the future economic benefits embodied in the items of the assets.

Leases and right of use assets

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. Contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases giving rise to right of use assets.

At the commencement date, a right of use asset is measured at cost, where cost comprises: (a) the amount of the initial measurement of the lease liability: (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the Company, and (d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Company subsequently measures a right of use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any re-measurement of the lease liability. Right of use assets are depreciated over the shorter of the asset's useful life and the lease term.

A lease liability is initially measured at the present value of the unpaid lease payments. Subsequently. the Company measures a lease liability by: (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in substance fixed lease payments. Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset the Company recognizes in the statement of loss and comprehensive loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

a) Classification

The following table shows the classification of financial instruments under IFRS 9:

Financial asset/liability	Classification
Cash	Amortized cost
Amounts receivable	Amortized cost
Other accounts payable and accrued liabilities	Amortized cost

The Company determines the classification of financial assets at initial recognition. The classification of its instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading (including all equity derivative instruments) are classified as fair value through profit and loss ("FVTPL"). For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them at fair value through other comprehensive income ("FVTOCI"). Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

b) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of net income (loss) in the period in which they arise. Where Company has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

c) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company recognizes an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(Expressed in Thousands of Canadian Dollars, except per share data)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

	FAIR VALUE INPUT LEVEL	As at December 31, 2020		As at December 31, 2019	
		CARRYING AMOUNT	ESTIMATED FAIR VALUE	CARRYING AMOUNT	ESTIMATED FAIR VALUE
Financial Assets:					
Cash (Note 8)	1	$ 1,510	$ 1,510	$ 83	$ 83

Government Grants

The Company is eligible for grants from the Office of Chief Scientist, Ministry of Economy of the State of Israel ("OCS") granted as support in Vaxil Biotherapeutics' research and development ("OCS grants"). The Company classified these grants as "forgivable loans" as set out in IAS 20 – "Accounting for Government Grants and Disclosure of Government Assistance". The accounting treatment for the grant depends on the Company's ability to obtain FDA approval of which it may go into production in the future. Accordingly, the grant is recorded against research and development costs. Credit related to grants recognized against research and development costs are recorded at fair value which there is reasonable assurance that they will be received, and the Company will comply with the condition associated with the credits.

Government loans are recognized and measured as set out in IAS 37 – "Provisions, Contingent Liabilities and Contingent Assets" ("IAS 37"). No liability has been recognized during the period, as it is not reasonable that a provision shall be recognized. A government grant that becomes repayable shall be accounted for as a change in accounting estimate.

Share-based Payments

Equity-settled share-based payments for directors, officers and employees are measured at fair value at the date of grant and recorded as compensation expense with a corresponding increase to share based payment reserve in the consolidated financial statements.

The fair value determined at the grant date of equity-settled share-based payments is expensed using the graded vesting method over the vesting period based on the Company's estimate of shares that will eventually vest. Upon exercise of the stock options, consideration paid by the option holder together with the amount previously recognized in share-based payment reserve is recorded as an increase to share capital. Upon expiry, the amounts recorded for share based compensation are transferred to the deficit from the share-based payment reserve. Shares are issued from treasury upon the exercise of equity-settled share-based instruments.

Compensation expense on stock options granted to non-employees is measured at the earlier of the completion of performance and the date the options are vested using the fair value method and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a Black-Scholes valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share Capital

Common shares are classified as equity. Proceeds from unit placements are allocated between shares and warrants issued using the relative fair value method. Costs directly identifiable with share capital financing are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as non-current deferred assets. Share issuance costs related to uncompleted share subscriptions are charged to operations in the period they are incurred.

Warrant Reserve

The fair value of warrants is determined upon their issuance either as part of unit private placements or in settlement of share issuance costs and finders' fees, using the Black-Scholes model. All such warrants are classified in a warrant reserve within equity. If the warrants are converted, the value attributable to the warrants is transferred to common share capital. Upon expiry, the amounts recorded for expired warrants is transferred to the deficit from the warrant reserve. Shares are issued from treasury upon the exercise of share purchase warrants.

Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent they relate to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probably that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent future recovery is probable. At the end of each reporting period, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all of part of the asset to be recovered.

Basic and Diluted Loss per Share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock.

The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method. Diluted amounts are not presented when the effect of the computations are anti-dilutive. Accordingly, at present, there is no difference in the amounts presented for basic and diluted loss per share.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

On January 1, 2019, the Company first applied IFRS 16, "Leases" ("the Standard"). The Company elected to apply the provisions of the Standard using the modified retrospective method (without restatement of comparative data).

The accounting policy for leases applied effective from January 1, 2019, is as follows:

The Company accounts for a contract as a lease when the contract terms convey the right to control the use of an identified asset for a period of time in exchange for consideration.

For leases in which the Company is the lessee, the Company recognizes on the commencement date of the lease a right-of-use asset and a lease liability, excluding leases whose term is up to 12 months and leases for which the underlying asset is of low value. For these excluded leases, the Company has elected to recognize the lease payments as an expense in profit or loss on a straight-line basis over the lease term. In measuring the lease liability, the Company has elected to apply the practical expedient in the Standard and does not separate the lease components from the non-lease components (such as management and maintenance services, etc.) included in a single contract.

Leases which entitle employees to a company car as part of their employment terms are accounted for as employee benefits in accordance with the provisions of IAS 19 and not as subleases.

On the commencement date, the lease liability includes all unpaid lease payments discounted at the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Company's incremental borrowing rate. After the commencement date, the Company measures the lease liability using the effective interest rate method.

On the commencement date, the right-of-use asset is recognized in an amount equal to the lease liability plus lease payments already made on or before the commencement date and initial direct costs incurred. The right-of-use asset is measured applying the cost model and depreciated over the shorter of its useful life and the lease term.

The Company tests for impairment of the right-of-use asset whenever there are indications of impairment pursuant to the provisions of IAS 36.

Provisions

A provision in accordance with IAS 37 is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, 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 of the amount of the obligation.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

4. CHANGES IN ACCOUNTING POLICIES - INITIAL ADDITION OF NEW FINANCIAL REPORTING AND ACCOUNTING STANDARDS AND AMENDMENTS TO EXISTING FINANCIAL REPORTING AND ACCOUNTING STANDARDS

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 is currently evaluating the application of the Amendment on the consolidated financial statements.

(Expressed in Thousands of Canadian Dollars, except per share data)

5. 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. Company has determined there will not be a significant impact to the consolidated financial statements as a result of the adoption of this standard.

IFRS 17 – Insurance Contract ("IFRS 17")

IFRS 17 was issued by the IASB in May 2017, which replaces IFRS 4 Insurance Contracts. IFRS 17 requires entities to measure insurance contract liabilities at their current fulfillment values using one of three measurement models, depending on the nature of the contract. IFRS 17 is effective for annual periods beginning on or after January 1, 2021. IFRS 17 will affect how the Company's accounts for its insurance contracts and how it reports its financial performance in our consolidated statements of operations. The Company has determined there will not be a significant impact to the consolidated financial statements as a result of the adoption of this standard.

6. UNSECURED CONVERTIBLE LOANS

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

The Convertible Loans accrued interest at 10% per annum and the principal and interest ("Repayment Amount") was repayable by February 3, 2021. The Company had 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 was $0.05.

On September 14, 2020, the Company converted all of its outstanding Convertible Loans, in the principal amount of $36 into 720,000 common shares of the Company. Interest amounting to $2 was converted into 20,086 Common Shares at the market price of the Common Shares, being $0.11.

7. UNSECURED NON-CONVERTIBLE LOANS – RELATED PARTIES

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 and are repayable on or before March 15, 2022. On November 23, 2020, all of the unsecured loans from related parties, including accrued interest, were repaid.

8. CASH

	December 31	
	2020	**2019**
In US dollars	**$ 25**	**$ 55**
In Canadian dollars	**1,429**	**11**
In new Israeli shekels ("NIS")	**56**	**17**
	$ 1,510	**$ 83**

(Expressed in Thousands of Canadian Dollars, except per share data)

9. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	December 31	
	2020	2019
Government institutions	$ 33	$ 11
Prepayments	91	16
	$ 124	$ 27

10. EQUIPMENT, NET

	Computers and software	Laboratory equipment	Total
Cost:			
Balance - January 1, 2019	$ 17	$ 196	$ 213
Balance - January 1, 2020	$ 17	$ 196	$ 213
Balance - December 31, 2020	$ 17	$ 196	$ 213
Accumulated depreciation:			
Balance - January 1, 2019	$ 15	$ 136	$ 151
Depreciation during 2019	2	35	37
Balance - January 1, 2020	$ 17	$ 171	$ 188
Depreciation during the year	-	4	4
Balance - December 31, 2020	$ 17	$ 175	$ 192
Depreciated cost - December 31, 2020	-	$ 21	$ 21
Depreciated cost - December 31, 2019	$ -	$ 25	$ 25

(Expressed in Thousands of Canadian Dollars, except per share data)

11. RIGHT OF USE ASSETS

	Property		Total	
Cost:				
Balance - Januarv 1. 2019	**$**	**133**	**$**	**133**
Depreciation during the year		63		63
Balance -December 31, 2019	**$**	**70**	**$**	**70**
Rights-of-use assets changes		(11)		(11)
Depreciation during the year		53		53
Balance -December 31, 2020	**$**	**6**	**$**	**6**

12. LEASE LIABILITIES

	Property		Total	
Balance - January 1, 2019	**$**	**133**	**$**	**133**
Interest expense		9		9
Lease payments		68		68
Balance - January 1, 2020	**$**	**74**	**$**	**74**
Lease liabilities changes		(11)		(11)
Interest expense		3		3
Lease payments		57		57
Balance -December 31, 2020	**$**	**9**	**$**	**9**

Lease expenses for the year ended December 31, 2020 was $57 (December 31, 2019 - $68).

	Under 1 year		Total	
Property	$	9	$	9
Total	**$**	**9**	**$**	**9**

13. SHARE CAPITAL AND RESERVES

a. Issued and authorized share capital

As at December 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 ('Common Shares'). As at December 31, 2020, the Company had 118,808,973 (2019 – 88,929,447) Common Shares issued and outstanding.

b. Transactions:

(i) During the year ended December 31, 2020, $1,838 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.

(ii) On September 14, 2020, the Company converted all of its outstanding Convertible Loans and accrued interest into 740,086 shares. See also Note 6.

(iii) On November 23, 2020 the Company completed the first tranche of a non-brokered private placement for gross proceeds of $543 ("First Tranche Private Placement"). Investors in the First Tranche Private Placement subscribed for 7,238,108 units at a price of $0.075 per unit ("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 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").

(iv) On December 10, 2020, the Company completed the second and final tranche of a non-brokered private placement for gross proceeds of $264 ("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 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.

The fair value of the First Tranche Warrants and Second Tranche Warrants and Finder' Warrants were $385 and were determined using the Black-Scholes warrant pricing model and the following assumptions: share price - $0.085 - $0.105; exercise price - $0.10; expected life – 3 years; annualized volatility – around 176% - 178%; dividend yield – 0%; risk free rate – 0.30%-0.31%.

(Expressed in Thousands of Canadian Dollars, except per share data)

13. SHARE CAPITAL AND RESERVES (CONTINUED)

c. Stock options:

1) Stock option transactions during the years ended December 31, 2020 and 2019 are summarized as follows:

	Options Issued		Average Exercise Price
Balance January 1, 2019	**5,647,684**	**$**	**0.10**
Cancelled (I)	(225,000)		0.10
Balance outstanding at December 31, 2019	**5,422,684**	**$**	**0.10**
Cancelled (II)	(390,485)		0.13
Issued (III)	200,000		0.12
Issued (IV)	1,400,000		0.12
Balance outstanding at December 31, 2020	**6,632,199**	**$**	**0.10**

(I) During 2019, 225,000 options with a fair value of $41 were cancelled.

(II) During the year ended December 31, 2020, 390,485 options with a fair value of $46 were cancelled.

(III) On September 14, 2020, the Company granted 200,000 stock options (the “Consultant Options”) to two consultants, issued pursuant to the Company's stock option plan (the "SOP"), exercisable into an equal amount of shares at an exercise price of $0.12 per Share. 100,000 of the Consultant Options shall vest in three equal installments with 1/3 vesting on the Effective Date (the “Initial Grant”), 1/3 on the six month anniversary of the Initial Grant and the last 1/3 on the 12 month anniversary of the Initial Grant. The remaining 100,000 options shall vest in three equal installments with 1/3 vesting on the one-year anniversary of the Initial Grant, 1/3 on the two-year anniversary of the Initial Grant and the last 1/3 on the three-year anniversary of the Initial Grant. All Consultant Options shall expire on the 5th anniversary of the Initial Grant.

(IV) 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 share at an exercise price of $0.12 per Common Share (the "Management Options"). One third of the Management Options vest immediately (the "Initial Date"), one-third vest on the Initial Date, one third, six months after the Initial Date, and one third on the one-year anniversary of the Initial Date. The Management Options expire 5 years from the Initial Date.

The fair value of the 1,600,000 stock options issued is $160. $95 was charged to contributed surplus on the consolidated statements of changes in shareholders’ equity (deficiency) representing the vested portion of the expense and was determined using the Black-Scholes option pricing model and the following assumptions: share price - $0.11; exercise price - $0.12; expected life – 5 years; annualized volatility – 153%; dividend yield – 0%; risk free rate – 0.48%.

(Expressed in Thousands of Canadian Dollars, except per share data)

13. SHARE CAPITAL AND RESERVES (CONTINUED)

c. Stock options: (continued)

2) During the year ended December 31,2020, the Company charged $150 as share based compensation in respect of current and prior period option grants (for the year ended December 31, 2019: $142).

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

Options Outstanding				Options Exercisable	
Number Outstanding at December 31, 2020	**Exercise Price**		**Expiry Date**	**Exercisable at December 31, 2020**	**Weighted Exercise Price**
585,727	$	0.125	January 3, 2022	585,727	$ 0.125
4,446,472	$	0.090	September 3, 2023	4,293,447	$ 0.090
1,600,000	$	0.120	September 14, 2025	500,000	$ 0.120
6,632,199	**$**	**0.10**		**5,379,174**	**$ 0.10**

d. Warrants

1) Subscriber's warrant transactions for the years ended December 31, 2020 and 2019 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 (I)	(1,080,849)	0.36
Exercised (Note 13(b(i)))	(18,380,000)	0.10
Issued (Note 13(b(iii)))	7,238,107	0.10
Issued (Note 13(b(iv)))	3,521,333	0.10
Balance at December 31, 2020	**28,579,440**	**$ 0.10**

(I) During the year, 1,080,849 warrants expired with a fair value of $66 and the Company recorded a charge to the warrant reserve with a corresponding credit to contributed surplus.

(Expressed in Thousands of Canadian Dollars, except per share data)

13. SHARE CAPITAL AND RESERVES (CONTINUED)

2) As at December 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 December 31, 2020	Date of expiry	Exercise price	
17,820,000	January 26, 2021	$	0.10
7,238,107	November 23, 2023	$	0.10
3,521,333	December 9, 2023	$	0.10
28,579,440			

See Note 21 for warrants that were exercised subsequent to December 31, 2020.

e. Finders' Warrants

1) Subscriber's Finders' Warrants transactions for the years ended December 31, 2020 summarized as follows:

	Finders' Warrants Issued	Weighted average exercise price	
Balance at January 1, 2020	-	$	-
Issued (Note 13(b(iii)))	406,653		0.10
Issued (Note 13(b(iv)))	98,000		0.10
Balance at December 31, 2020	**504,653**	**$**	**0.10**

3) As at December 31, 2020, the Company had outstanding subscriber's Finders' Warrants, enabling the holders to acquire further common shares as follows:

Number of Finders' Warrants outstanding as of December 31, 2020	Date of expiry	Exercise price	
406,653	November 23, 2022	$	0.10
98,000	December 9, 2022	$	0.10
504,653			

(Expressed in Thousands of Canadian Dollars, except per share data)

14. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2019: 26.5%) to the effective tax rate for the year ended December 31, 2020 is as follows:

		2020		2019
Loss before recovery of income taxes	$	(1,358)	$	(1,154)
Expected income tax recovery	$	(360)	$	(306)
Difference in foreign tax rates		30		28
Share issuance costs booked through equity		(10)		-
Share based compensation and non-deductible expenses		40		38
Change in tax benefits not recognized		300		240
Income tax (recovery) expense	$	-	$	-

Deferred Tax

The following table summarizes the components of deferred tax:

		2020		2019
Deferred Tax Assets				
Operating tax losses carried forward	$	3,810	$	17,110
Deferred Tax Liabilities		-		-
Equipment		(3,810)		(17,110)
Net deferred tax liability	$	-	$	-

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the company has the legal right and intent to offset.

Unrecognized Deferred Tax

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

		2020		2019
Deferred income tax				
Right of use liability	$	10	$	75
Reserves	$	330	$	-
Share issuance costs	$	120	$	223
Operating tax losses carried forward - Canada	$	3,940	$	2,180
Operating tax loss - Israel	$	10,650	$	10,202

The Canadian operating tax loss carry forwards expire between 2036 and 2040 per the table below:

2036	$	318
2037		894
2038		643
2039		333
2040		346
Total	$	2,534

(Expressed in Thousands of Canadian Dollars, except per share data)

14. INCOME TAXES (CONTINUED)

The Israel net operating losses carry forward indefinitely. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

15. RELATED PARTY TRANSACTIONS AND BALANCES

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

<u>For the year ended December 31, 2020</u>

	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

<u>For the year ended December 31, 2019</u>

	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

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

16. CAPITAL MANAGEMENT

The Company's capital comprises share capital, share based payment reserve, warrant reserve, and accumulated other comprehensive loss. The Company manages its capital structure, and makes adjustments to it, based on the funds available to the Company in order to support the Company's business activities. The Board of Directors does not establish quantitative return on capital criteria for management; it relies on the expertise of the Company's management to sustain future development of the business.

The intellectual property in which the Company currently has an interest is in the development stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned research and development and pay for administrative costs, the Company intends to raise additional amounts as needed (Note 1).

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

17. FINANCIAL AND CAPITAL RISK MANAGEMENT

Fair value

The carrying value of amounts receivable and accounts payable and other accounts payable and accrued liabilities 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 is exposed to foreign currency fluctuation on it operations in Israel, which are denominated in Israel New Shekels. Sensitivity to a plus or minus 10% change in rates would not have a significant effect on the net income (loss) of the Company.

Credit risk

The Company manages credit risk, in respect of cash, by holding it 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 and $110, respectively, which consisted of $1,510 (December 31, 2019 - $83) in cash held in bank accounts and $124 (December 31, 2019 - $27) in amounts receivable and prepaid expenses. None of the Company's amounts receivable are overdue as at December 31, 2020.

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.

17. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

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 (December 31, 2019 - $83) and amounts receivable and prepaid expenses of $124 (December 31, 2019 - $27) to settle current liabilities in the amount of $857 (December 31, 2019 - $777).

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 research and development. 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 research and development 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.

COVID-19

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 Canada and the United States 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, 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.

(Expressed in Thousands of Canadian Dollars, except per share data)

18. COMMITMENTS AND CONTINGENCIES

a. 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.

b. 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) for the services. On April 4, 2021, the Court ordered the Company's Israeli subsidiary to pay $98, including legal costs. This amount has been included in other accounts payable and accrued liabilities as of December 31, 2020.

c. 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. Whist 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.

19. RESEARCH AND DEVELOPMENT COSTS

	Year ended December 31	
	2020	**2019**
Development materials	**$ 237**	$ 60
Wages, salaries and related expenses	**155**	210
Consultants, management and sub-contractors	**62**	104
Patent registrations	**67**	70
Depreciation	**53**	90
Licensing	**45**	216
	$ 619	$ 750

(Expressed in Thousands of Canadian Dollars, except per share data)

20. GENERAL AND ADMINISTRATION COSTS

	Year ended December 31	
	2020	**2019**
Professional fees	**$ 401**	$ 152
Consulting and management fees	**84**	52
Office rental and other related expenses	**33**	24
Depreciation	**4**	10
Other	**56**	13
	$ 578	$ 251

21. SUBSEQUENT EVENTS

a. During January 2021, $1,780,000 was received from the exercise of 17,820,000 warrants, having an exercise price of $0.10 per warrant, that were previously issued in January 2018. Upon exercise of the warrants 17,820,000 common shares of the Company were issued.