

VAXIL BIO LTD

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

FOR THE THREE MONTHS ENDED MARCH 31, 2021

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

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

The accompanying unaudited condensed interim consolidated financial statements of Vaxil Bio (“Vaxil”, the “Company”) for the three months ended March 31, 2021 have been prepared by and are the responsibility of the Company’s management and have not been reviewed by the Company’s auditors.

VAXIL BIO LTD**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

(Unaudited)

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

	Note	March 31 2021	December 31 2020
		Unaudited	Audited
ASSETS			
Current assets			
Cash		\$ 2,952	\$ 1,510
Amounts receivable and prepaid expenses		76	124
Total current assets		3,028	1,634
Equipment, net		21	21
Rights of use assets		-	6
Total Assets		\$ 3,049	\$ 1,661
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable		412	588
Other accounts payable and accrued liabilities		258	260
Short term portion of lease liability		-	9
Total current liabilities		670	857
Shareholders' equity (deficit)			
Share capital	4	16,026	13,860
Warrant reserve	4	371	755
Contributed surplus	4	3,829	3,790
Foreign currency transaction reserve		(56)	(68)
Accumulated deficit		(17,791)	(17,533)
Total shareholders' equity		2,379	804
Total liabilities and shareholders' equity		\$ 3,049	\$ 1,661

Nature and continuance of operations (Note 1)**Commitments** (Note 7)

Approved and authorized by the Board on May 31, 2021:

"Gadi Levin"

Gadi Levin

Director

"David Goren"

David Goren

Director

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

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

	<u>Note</u>	Three months ended	
		March 31	
		2021	2020
		Unaudited	
Expenses:			
Research and development costs	5	\$ 111	82
General and administration costs	6	109	70
Share based compensation	4	<u>38</u>	<u>19</u>
Total Expenses		258	171
Operating Loss		(258)	(171)
Financial Expenses		-	2
Net loss for the year		(258)	(173)
Other Comprehensive Loss			
Foreign currency translation adjustment		<u>12</u>	<u>(30)</u>
Net loss and comprehensive loss for the period		\$ (246)	\$ (203)
Basic and Fully Diluted Loss Per Share		\$ (0.00)	\$ (0.00)
Weighted Average Number Of Shares Outstanding		133,974,449	91,457,799

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

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

	Year ended	
	March 31	
	2021	2020
	Unaudited	
Cash flows from operating activities		
Net loss for the period	\$ (258)	\$ (173)
Items not affecting cash:		
Depreciation	6	20
Interest on loans	-	3
Share-based compensation	38	19
Changes in non-cash working capital:		
Amounts receivable and prepaid expenses	48	(2)
Accounts payable	(176)	(18)
Other accounts payable and accrued liabilities	(2)	(1)
	<u>(344)</u>	<u>(152)</u>
Cash flows from financing activities		
Lease repayment	(9)	(18)
Proceeds from unsecured convertible loans	-	36
Proceeds from unsecured loans	-	95
Proceeds from exercise of warrants	1,782	1,137
	<u>1,773</u>	<u>1,250</u>
Increase in cash	1,429	1,099
Effect of changes in foreign exchange rates	13	(30)
Cash, beginning of period	<u>1,510</u>	<u>83</u>
Cash, end of period	<u>\$ 2,952</u>	<u>\$ 1,152</u>

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

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

	Ordinary share capital		Warrant reserve	Contributed surplus	Foreign currency transaction reserve	Accumulated deficit	Total Equity (Capital Deficiency)
	Number of shares	Amount					
Balance - January 1, 2020	88,929,447	\$ 11,234	\$ 816	\$ 3,620	\$ (32)	\$ (16,221)	\$ (583)
Expiration of warrants	-	-	(66)	66	-	-	-
Exercise of warrants	11,370,000	1,373	(236)	-	-	-	1,137
Cancellation of options	-	-	-	(45)	-	45	-
Share based compensation	-	-	-	19	-	-	19.00
Net comprehensive loss for the period	-	-	-	-	(30)	(173)	(203)
Balance - March 31, 2020 (unaudited)	100,299,447	\$ 12,607	\$ 514	\$ 3,660	\$ (62)	\$ (16,349)	\$ 370
Exercise of warrants	7,010,000	845	(144)	-	-	-	701
Issuance of shares on conversion on convertible loan	740,086	38	-	-	-	-	38
Private Placement	10,759,440	370	385	-	-	-	755
Cancellation of options	-	-	-	(1)	-	1	-
Expiration of warrants	-	-	-	-	-	-	-
Share based compensation	-	-	-	131	-	-	131
Net comprehensive loss for the year	-	-	-	-	(6)	(1,185)	(1,191)
Balance - January 1, 2021	118,808,973	\$ 13,860	\$ 755	\$ 3,790	\$ (68)	\$ (17,533)	\$ 804
Exercise of warrants (Note 4(b))	17,820,000	2,166	(384)	-	-	-	1,782
Share based compensation (Note 4(c1))	-	-	-	39	-	-	39
Net comprehensive loss for the year	-	-	-	-	12	(258)	(246)
Balance - March 31, 2021 (unaudited)	136,628,973	\$ 16,026	\$ 371	\$ 3,829	\$ (56)	\$ (17,791)	\$ 2,379

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

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

Vaxil Bio Ltd ("Vaxil" or the "Company") was incorporated under the Business Corporations Act (BC) on July 26, 2006 and is listed on the TSX Venture Exchange ("TSX-V"). Vaxil is an Israeli biotechnology company that is focused on a novel drug discovery and development platform based on Signal Peptides ("SPs") which the company deploys to fight infectious diseases and cancer.

The Company's most advanced product, ImMucin™, successfully completed a Phase 1/2a clinical trial in multiple myeloma and received orphan drug status from the FDA and EMA. The Company also announced a COVID-19 vaccine candidate and is developing a tuberculosis vaccine / treatment that has demonstrated promising preliminary results at a top US academic and research institution. Additional indications and mAb candidates are under evaluation as immuno-oncology and infectious disease treatments alone and in combination with other treatments.

The Company trades on the TSX-V under the symbol "VXL.V". The Company's head office is located at 3400 One First Canadian Place, ON, M5X 1A4, Toronto, Ontario.

The accompanying consolidated financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business for the foreseeable future. The Company has incurred losses from inception of \$17,791, is currently in the development stage and has not commenced commercial operations. The Company's ability to continue as a going concern is dependent upon its ability to attain future profitable operations and to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. As at March 31, 2021, 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 condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 31, 2021.

2. **BASIS OF PREPARATION**

Statement of Compliance

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

These condensed consolidated interim financial statements should be read in conjunction with the Company's annual financial statements for the year ending December 31, 2020. Certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS are not included in these condensed consolidated interim financial statements.

Basis of Presentation

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

2. BASIS OF PREPARATION (CONTINUED)

Basis of Consolidation

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

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

Significant Accounting Judgments and Estimates

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

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

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

Standards issued but not yet effective

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

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period"
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2022. There is currently a proposal in place to extend effective date for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

The extent of the impact of adoption of this amendment has not yet been determined.

3. RELATED PARTY TRANSACTIONS

The following are the expenses incurred key management for the period ended March 31, 2021 and 2020 and the balances owing as of March 31, 2021 and 2020:

For the period ended March 31, 2021

	Directors Fees	Consulting Fees / Salaries	Share based awards	Total	Amounts owing at March 31, 2021
David Goren, Director and CEO	\$ -	26	\$ 23	49	\$ 9
Gadi Levin, Director and CFO	-	15	13	28	5
Ari Kellen, Director	-	-	-	-	-
Shawn Langer, Director	-	-	-	-	-
Total	\$ -	\$ 41	\$ 36	\$ 77	\$ 14

For the period ended March 31, 2020

	Directors Fees	Consulting Fees / Salaries	Share based awards	Total	Amounts owing at March 31, 2020
David Goren, Director and CEO	\$ -	26	\$ 19	45	\$ 9
Gadi Levin, Director and CFO	-	15	-	15	5
Ari Kellen, Director	-	-	-	-	-
Shawn Langer, Director	-	-	-	-	-
Total	\$ -	\$ 41	\$ 19	\$ 60	\$ 14

4. SHARE CAPITAL AND RESERVES

a) Issued and authorized share capital

As at March 31, 2021, 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 March 31, 2021, the Company had 136,628,973 (December 31, 2020 – 118,808,973) Common Shares issued and outstanding.

b) Transactions:

During the three months ended March 31, 2021, \$1,782 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.

4. SHARE CAPITAL AND RESERVES (CONTINUED)

c) Stock options

- (i) Stock option transactions during the year ended December 31, 2020 and the three months ended March 31, 2021 are summarized as follows:

	Options Issued	Average Exercise Price
Balance at January 1, 2020	5,422,684	\$ 0.10
Cancelled	(390,485)	0.13
Issued	200,000	0.12
Issued	1,400,000	0.12
Balance outstanding at December 31, 2020 and March 31, 2021	6,632,199	\$ 0.10

- (ii) During three months ended March 31, 2021, the Company charged \$38 as share based compensation in respect of current and prior period option grants (for the three months ended March 31, 2020: \$19).
- (iii) As at March 31, 2021, the Company had outstanding stock options, enabling the holders to acquire further common shares as follows:

Options Outstanding			Options Exercisable	Weighted Exercise Price
Number Outstanding at March 31, 2021	Exercise Price	Expiry Date	Exercisable at March 31, 2021	
585,727	\$ 0.125	January 3, 2022	585,727	\$ 0.125
4,446,472	\$ 0.090	September 3, 2023	4,314,444	\$ 0.090
1,600,000	\$ 0.120	September 14, 2025	1,000,000	\$ 0.120
6,632,199	\$ 0.10		5,900,171	\$ 0.10

4. SHARE CAPITAL AND RESERVES (CONTINUED)

d) Warrants:

- (i) Warrant transactions during the year ended December 31, 2020 and three months ended March 31, 2021, are summarized as follows:

	Warrants Issued	Weighted average exercise price
Balance, January 1, 2020	37,280,849	\$ 0.09
Expired	(1,080,849)	0.36
Exercised	(18,380,000)	0.10
Issued	7,238,107	0.10
Issued	3,521,333	0.10
Balance at December 31, 2020	28,579,440	\$ 0.10
Exercised (Note 4(b))	(17,820,000)	0.10
Balance at March 31, 2021	10,759,440	\$ 0.10

- (ii) As at March 31, 2021, 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 and March 31, 2021	Date of expiry	Exercise price
7,238,107	November 23, 2023	\$ 0.10
3,521,333	December 9, 2023	\$ 0.10
10,759,440		

4. SHARE CAPITAL AND RESERVES (CONTINUED)

e) Finders' Warrants

(i) Subscriber's Finders' Warrants transactions for the year ended December 31, 2020 and the three months ended March 31, 2021 summarized as follows:

	Finders' Warrants Issued	Weighted average exercise price
Balance at January 1, 2020	-	\$ -
Issued	406,653	0.10
Issued	98,000	0.10
Balance at December 31, 2020 and March 31, 2021	504,653	\$ 0.10

(ii) As at March 31, 2021, 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 and March 31, 2021	Date of expiry	Exercise price
406,653	November 23, 2022	\$ 0.10
98,000	December 9, 2022	\$ 0.10
504,653		

Each Finders Warrant is exercisable at \$0.10 in to one common share and one warrant, with each warrant being exercisable into one common share at an exercise price of \$0.10 per warrant.

5. RESEARCH AND DEVELOPMENT COSTS

	Three months ended March 31	
	2021	2020
Development materials	\$ 28	\$ 3
Wages, salaries and related expenses	26	54
Consultants, management and sub-contractors	37	2
Patent registrations	15	6
Depreciation	5	17
	\$ 111	\$ 82

6. GENERAL AND ADMINISTRATION COSTS

	Three months ended	
	March 31	
	2021	2020
Professional fees	\$ 79	\$ 46
Consulting and management fees	21	15
Office rental and other related expenses	8	6
Depreciation	1	3
	\$ 109	\$ 70

7. COMMITMENTS

- a. The Company has an agreement for the lease of the offices in Israel for a period ending in February 2022, 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 March 31, 2021 and was paid subsequent to the period end.
- 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. 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.

8. FINANCIAL AND CAPITAL RISK MANAGEMENT

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

Fair value

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

Foreign exchange risk

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

Credit risk

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

Interest rate risk

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

Liquidity risk

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

Capital management

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

8. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

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.

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