Vaxil Bio Ltd.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the three and nine month periods ended September 30, 2021

*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 three and nine month periods ended September 30, 2021, which has been prepared on the basis of information available up until November 25, 2021. This Management's Discussion and Analysis ("**MD&A**") should be read in conjunction with the Company's interim consolidated financial statements for the three and nine month periods ended September 30, 2021, as well as the annual consolidated financial statements for the year ended December 31, 2020, together with the notes thereto.*

All monetary amounts are reported in Canadian dollars and in accordance with IFRS unless otherwise noted.

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 during the period

Corporate Structure

Name and Incorporation

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 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, Ness Ziona, 7403626, Israel. This is also the principal place of business where Vaxil currently hosts its scientific laboratory.

Significant developments during the period

On January 27, 2021, Vaxil completed the exploratory oral experiment that began in 2020. In this very preliminary experiment, Vaxil was able to establish that it is possible to observe an immune response in some animals after oral delivery of the vaccine candidate. It should be noted that this is a very preliminary result.

On February 17, 2021, Vaxil reported that the USAMRIID COVID-19 mouse model challenge experiment demonstrated that its SP-based vaccine candidate generated a specific immune response which was not accompanied by overall vaccine protection of the animals.

Vaxil recently put its COVID-19 vaccine work on temporary hold, as a result of how the COVID-19 vaccine market has evolved and the success of early entrants. The Company has determined it will better serve patients and shareholders to deploy its resources on oral delivery development and other development programs.

During the nine months ended September 30, 2021, The Company received $1.8 million from the exercise of 17,820,000 warrants, having an exercise price of $0.10 per warrant, that were previously issued in January 2018.

On May, 5, 2021 the Company announced that Mr. David Goren has provided notice that he will be resigning as the Company's chief executive officer ("**CEO**") to pursue other opportunities. The resignation will take effect on August 1, 2021 (the "**Effective Date**"). Mr. Goren has agreed that until the Effective Date, he will, in addition to continuing to fulfill his responsibilities as CEO, assist the Company's board of directors ("**Board**") in their search for a new CEO.

On August 4, 2021, the Company announced that Dr. Yuval Avnir, PhD, a translational scientist with expertise in the fields of immunology, infectious diseases, and cancer has been appointed as the Company's interim chief executive officer ("**CEO**") while the Company's Board continues to search for a CEO, as a result of David Goren's previously announced resignation. Dr. Avnir has been the Company's head of research and development since September 2020.

The Company further updated that Mr. Gadi Levin, a director and current CFO of the Company replaced Mr. Goren as Chairman of the Board.

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 1/2 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.

Oncology

Following the successful clinical trial of ImMucin™, Vaxil plans to develop its 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 underway to support potential 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.

In addition, Vaxil is continuing to progress the licensed drug delivery polymer that targets with high affinity E-selectin (P-Esbp), which was invented by Prof. Ayelet David, Head of the Drug Targeting and Nanomedicine Laboratory, Department of Clinical Biochemistry and Pharmacology from Ben-Gurion University of the Negev. E-selectin is an important component in inflammation, metastasis, and tumor growth processes, and Prof. Ayelet David's previous work demonstrated therapeutic efficacy of P-Esbp conjugated with the anti-cancer drug doxorubicin (P-Esbp-DOX) in prolonging the survival of tumor-bearing mice with both primary (Lewis lung carcinoma) and metastatic tumors (melanoma lung metastasis model).

In order to further explore and establish the potential of P-Esbp-DOX for treating cancer, an in vivo experiment was designed aimed at evaluating the therapeutic efficacy of P-Esbp-DOX in a mouse model of aggressive liver metastasis of colorectal tumors. To this end, P-Esbp was successfully conjugated with DOX, and the maximum tolerated dose of P-Esbp-DOX was determined in the suitable mouse strain. Preliminary results of this experiment demonstrates at day 45, 70% of animals (5/7) treated with a single dose of P-Esbp-DOX-FITC (FITC is a fluorescent marker) at day 4 post tumor implantation remain alive and 40% (3/7) appear tumor free. This is compared to 1/6 and 0/6 animals alive in the alternate treatment and control arms.

COVID-19 Vaccine Candidate

Vaxil first discovered its SP Vaccine in March 2020 and applied for US patents U.S 62/987,310 & 63/000,213.

Following the positive immune response seen in the in vivo study performed in collaboration with The Medical Research, Infrastructure, and Health Services Fund of the Tel Aviv Medical Center (the "**Tel Aviv Medical Center**"), the Company entered into a cooperative research and development agreement (CRADA) with U.S. Army Medical Research Institute of Infectious Diseases ("USAMRIID") in October 2020, under which USAMRIID would test the Company's COVID-19 vaccine candidate for its ability to generate a robust immune response and specifically prevent COVID-19 in mice.

As noted above, in February 2021, Vaxil reported that The USAMRIID COVID-19 mouse model challenge experiment demonstrated that its SP-based vaccine candidate generated a specific immune response. This was not, however, accompanied by overall vaccine protection of the animals.

Oral Delivery

In December 2020, the Company initiated an exploratory pre-clinical study to determine the viability of oral administration of signal peptides. In January 2021, Vaxil completed the experiment and established that indeed it was possible to observe an immune response in some animals after oral delivery of the vaccine candidate. This supported proceeding with next steps to validate this response. It should be noted that this was a very preliminary result. Work has commenced by the Company, independently and in partnership with an established oral delivery company to develop a viable SP-based oral formulation. Various potential oral formulations were explored for their ability to solubilize SPs and for their feasibility to be used in in vivo studies against MUC1 and COVID-19 targets. A potentially promising formulation was identified, and an in vivo study has been initiated aimed at testing the ability of the SP-based oral formulation to induce a systemic immune response in mice.

Tuberculosis (TB)

Vaxil's platform has potential as a treatment for various infectious diseases, including TB. 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.

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.

The promising interim results of the experiment which tested the therapeutic efficacy of P-Esbp-DOX-FITC in a mouse model of aggressive liver metastasis of colorectal tumors, further supports Vaxil's decision to work toward bringing P-Esbp-DOX to the clinic, and will require additional financing.

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. This work is performed by Vaxil alone as well as in collaboration with an established oral delivery company.

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.

Additional Disclosure for Venture Issuers without Significant Revenues (in Thousands of Canadian Dollars):

	Three months ended September 30		Nine months ended September 30	
	2021	**2020**	**2021**	**2020**
Research and development costs	**$ 152**	$ 133	**$ 358**	$ 385
General and administration costs	**71**	100	**278**	275
	$ 223	$ 233	**$ 636**	$ 660

Discussion of Operations

The following is a discussion of the results of operations which have been derived from the condensed consolidated interim financial statements of the Company for the nine periods ended September 30, 2021 (in Thousands of Canadian Dollars):

	Three months ended September 30		Nine months ended September 30	
	2021	**2020**	**2021**	**2020**
Expenses:				
Research and development costs	**$ 152**	$ 133	**$ 358**	$ 385
General and administration costs	**71**	100	**278**	275
Share based compensation	**16**	73	**70**	108
Total Expenses	**239**	306	**706**	768
Operating Loss	**(239)**	(306)	**(706)**	(768)
Financial expenses	**-**	(7)	**-**	(15)
Net loss for the period	**(239)**	(313)	**(706)**	(783)
Other Comprehensive Loss				
Foreign currency translation adjustment	**(8)**	(22)	**(6)**	(58)
Net loss and comprehensive loss for the period	**$ (247)**	$ (335)	**$ (712)**	$ (841)

Nine-month period ended September 30, 2021, compared to the nine-month period ended September 30, 2020

Research and development costs, net

For the nine -month period ended September 30, 2021, research and development costs expenses amounted to $358 thousand as compared to $385 thousand for the nine-month period ended September 30, 2020. The higher expenses in 2020 relates to additional work the Company performed in connection with the initial research into a potential Covid-19 vaccine.

General and administrative expenses

For the nine -month period ended September 30, 2021, general and administrative expenses amounted to $278 thousand as compared to $275 thousand for the nine-month period ended September 30, 2020. General and administrative expense remain largely unchanged.

Share based compensation

For the nine -month period ended September 30, 2021, share-based compensation is $70 thousand as compared to $108 thousand for the nine-month period ended September 30, 2020. The charges in 2021 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 nine-month period ended September 30, 2021 of $706 thousand as compared to a net loss of $783 thousand for the nine-month period ended September 30, 2020. The decrease relates primarily to a decrease in share based compensation.

Three-month period ended September 30, 2021, compared to the three-month period ended September 30, 2020

Research and development costs, net

For the three -month period ended September 30, 2021, research and development costs expenses amounted to $152 thousand as compared to $133 thousand for the three -month period ended September 30, 2020. The higher expenses in 2021 relates to oral delivery development work and the Company's oncology work with the Ben-Gurion University of the Negev.

General and administrative expenses

For the three -month period ended September 30, 2021, general and administrative expenses amounted to $71 thousand as compared to $100 thousand for the three -month period ended September 30, 2020. The decrease in general and administrative expenses in 2021 relates primarily to a reduction in professional fees incurred during the period.

Share based compensation

For the three -month period ended September 30, 2021, share-based compensation is $16 thousand as compared to $73 thousand for the three -month period ended September 30, 2020. The charges in 2021 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 three -month period ended September 30, 2021 of $239 thousand as compared to a net loss of $313 thousand for the three -month period ended September 30, 2020. The decrease in 2021 related primarily to decreased general and administration expenses and stock based compensation, offset by an increase in research and development expenses.

Inflation

During the nine-month period ended September 30, 2021 and 2020, inflation has not had a material impact on our operations.

Summary of Quarterly Results

	Quarter ended			
	30-Sep-21	**30-June-21**	**31-Mar-21**	**31-Dec-20**
	Canadians dollars in thousands, except per share data			
Net loss	$ (239)	$ (209)	$ (258)	$ (575)
Net loss and comprehensive loss	$ (247)	$ (219)	$ (246)	$ (553)
Net loss per share	$ (0.01)	$ (0.00)	$ (0.00)	$ (0.00)

	Quarter ended			
	30-Sep-20	**30-June-20**	**31-Mar-20**	**31-Dec-19**
	Canadians dollars in thousands, except per share data			
Net loss	$ (313)	$ (297)	$ (173)	$ (492)
Net loss and comprehensive loss	$ (335)	$ (303)	$ (203)	$ (489)
Net loss per share	$ (0.01)	$ (0.01)	$ (0.00)	$ (0.01)

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 and during 2021, 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 $18,239 thousand as of September 30, 2021 ($17,533 thousand as of December 31, 2020 and negative cash flows from operations of $951 thousand for the nine-month period ended September 30, 2021 (negative cash flows of $810 thousand during the nine-month period ended September 30, 2020). The ability of the Company to continue as a going concern depends upon the ability of the Company to obtain financing to complete its research and development programs. The Company is an early-stage biotech company and has not earned any revenues to date.

Nine-month period ended September 30, 2021 compared to the nine-month period ended September 30, 2020

During the nine-month period ended September 30, 2021, the Company's overall position of cash and cash equivalents increased by $822 thousand. This increase in cash and cash equivalents can be attributed to the following activities:

The Company's net cash used in operating activities during the nine-month period ended September 30, 2021 was $951 thousand as compared to $810 thousand for the nine-month period ended September 30, 2020. This increase is primarily due to the decrease in accounts payable.

Cash flows from financing activities for the nine-month period ended September 30, 2021 was $1,773 thousand as compared to cash flows from financing activities of $1,563 thousand during the nine-month period ended September 30, 2020. The amount in 2021 and 2020 relates primarily to proceeds from exercise of warrants of $1,782 thousand and $1,478 thousand, respectively.

Capital Resources

As of September 30, 2021, the Company's cash and cash equivalents were $2,326 thousand (December 31, 2020 - $1,510 thousand). The majority of this balance is being held in Canadian Dollars. Our working capital at September 30, 2021 was $1,925 thousand as compared to $777 thousand at December 31, 2020.

Commitments

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 thousand.

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.

Disclosure of Outstanding Share Data

As of the date of this report, the Company has 136,978,973 ordinary shares outstanding, 10,409,440 warrants outstanding ("Warrants"), 504,653 finders' warrants outstanding ("Finders Warrants") and 6,632,199 options granted. Each Warrant and option entitles the right of the holder thereof to acquire one ordinary share. Each Finders Warrant is exercisable in to one common share and one warrant, with each warrant being exercisable into one common 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 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 nine month ended September 30, 2021 and 2020 and the balances owing as of September 30, 2021 and 2020:

For the nine month ended September 30, 2021 (in thousands of CAD)

	Directors Fees	Consulting Fees / Salaries	Share based awards	Total	Amounts owing at September 30, 2021
David Goren, Director and CEO (*)	$ -	$ 63	$ 40	$ 103	$ -
Gadi Levin, Director and CFO	-	55	22	77	7
Yuval Avnir, CEO (**)	-	20	-	20	11
Ari Kellen, Director	-	-	-	-	-
Shawn Langer, Director	-	-	-	-	-
Total	$ -	$ 138	$ 62	$ 200	$ 18

(*) Through to July 31, 2021

(**) From July 31, 2021

For the nine month ended September 30, 2020 (in thousands of CAD)

	Directors Fees	Consulting Fees / Salaries	Share based awards	Total	Amounts owing at September 30, 2020
David Goren, Director and CEO	$ -	$ 77	$ 104	$ 181	$ 9
Gadi Levin, Director and CFO	-	45	43	88	-
Ari Kellen, Director	-	-	-	-	-
Shawn Langer, Director	-	-	-	-	-
Total	$ -	$ 122	$ 147	$ 269	$ 9

Critical Accounting Policies and Estimates

Our results of operation and financial condition are based on our consolidated financial statements, which are presented in accordance with IFRS. Certain accounting principles require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at that time. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the periods presented. To the extent there are material differences between these estimates, judgments or assumptions and actual results, our financial statements will be affected. The significant accounting policies and estimates that we believe are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

- 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 nine-month period ended September 30, 2021, which have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

As of September 30, 2021, 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.

Risks and Uncertainties

Credit risk

The Company manages credit risk, in respect of cash and cash equivalents and restricted deposits, by holding them at major Canadian and Israeli financial institutions in accordance with the Company's investment policy. The Company places its cash and cash equivalents with high credit quality Israeli and Canadian financial institutions. Concentration of credit risk exists with respect to the Company's cash and cash equivalents and other receivables. The Company's exposure as at September 30, 2021 and December 31, 2020 was $2,372 thousand and $1,634 thousand respectively, which consisted of $2,326 thousand (December 31, 2020 - $1,510 thousand) in cash held in bank accounts, and $46 thousand (December 31, 2020 - $124 thousand) in amounts receivable and prepaid expenses. None of the Company's amounts receivable are overdue as at September 30, 2021.

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 September 30, 2021, the Company had cash and cash equivalents of $2,326 thousand (December 31, 2020 - $1,510 thousand) and accounts receivable and prepaid expenses of $46 thousand (December 2020 - $124 thousand) to settle current liabilities in the amount of $447 thousand (December 31, 2020 - $857 thousand). During 2020 and 2021, the Company raised $3.6 million from the exercise of certain warrants issued in 2018. In 2020, the Company completed a private placement and raised $755 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 and 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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