Vaxil Bio Ltd.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the three-month period ended March 31, 2022

*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-month period ended March 31, 2022, which has been prepared on the basis of information available up until May 26, 2022. This Management's Discussion and Analysis ("**MD&A**") should be read in conjunction with the Company's interim consolidated financial statements for the three-month period ended March 31, 2022, as well as the annual consolidated financial statements for the year ended December 31, 2021, 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, Nes Ziona, 74140, Israel. This is also the principal place of business where Vaxil currently hosts its scientific laboratory.

Significant Developments during the period

On March 7, 2022, Vaxil updated shareholders on previously reported therapeutic success of P-Esbp-DOX, a novel anti-cancer drug, when tested in vivo in a mouse model of aggressive liver metastasis of colorectal cancer (CRC). P-Esbp-DOX was developed 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, for which Vaxil has a worldwide exclusive license. Vaxil is in the midst of a screening process of contract development and manufacturing companies for the development of P-Esbp-DOX to be used in a first in-human clinical trial.

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™ a MUC1 SP-derived vaccine, completed a Phase 1/2 clinical trial in multiple myeloma and received orphan drug status from the FDA and EMA. The company has also, a SP-based COVID-19 vaccine candidate and a SP-based tuberculosis vaccine / treatment candidate. In addition, Vaxil has mAb candidates for the treatment of oncology and infectious diseases to be used alone, and in combination with other treatments. Vaxil has also initiated a pre-clinical program for a drug delivery polymer that targets with high affinity E-selectin (P-Esbp), 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 SP domains on crucial proteins to develop targeted therapies against cancer targets and infectious disease pathogens. VaxHit™, Vaxil's proprietary bioinformatic approach, mines candidate SPs with predicted high immunogenicity and wide coverage over varied HLA subtypes. The SPs induce a robust T- and B-cell response. Under normal conditions SPs 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.

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

1. Induction of a complete adaptive immune response – cellular (T cells) 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 class I and class II HLAs.
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 continue and develop ImMucin™ as an adjunct therapy or combination therapy to synergistically improve the standard of care for solid tumors with high risk of metastasis.

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.

Vaxil is continuing to progress 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. On January 4, 2022 Vaxil reported that in the experiment, four groups of mice were treated, four days post intrasplenic inoculation of CT26 colorectal cancer cells, with a single dose of either P-Esbp-DOX or P-DOX (15 mg/kg DOX equivalence), or free DOX (8 mg/kg), or saline. The findings confirm the significant effectiveness of a single dose of P-Esbp-DOX over other treatments in mice with detected CRC liver metastases: The number of surviving mice at day 85 was: 3/7 (43%) for P-Esbp-DOX, 1/6 (17%) for free DOX, and 0/6 for P-DOX and saline. The survival medians were: 63 days for P-Esbp-DOX, 36.5 days for P-DOX, 30 days for free DOX, and 35 days for saline (p=0.003 for P-Esbp-DOX vs. control P-DOX). P-Esbp-DOX was well-tolerated at the dose administered, with no weight loss observed post treatment.

Following the promising results of the in vivo study, Vaxil is in the midst of a screening process of contract development and manufacturing companies for the development of P-Esbp-DOX to be used in a first in-human clinical trial.

COVID-19 Vaccine Candidate

In February 2020, the Company began to identify and develop a potential vaccine for COVID-19 ("**Vaccine Candidate**"). The Vaccine Candidate is based on unique and patent-protected SP 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 SP vaccine candidate. This work may also lead to other infectious disease applications.

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.

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.

Vaxil has 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.

Oral Delivery

In December 2020, the Company initiated an exploratory pre-clinical study to determine the viability of oral administration of SPs. During 2021, Vaxil conducted an initial in vivo oral vaccine study for a COVID-19 SP-derived product. Following the identification of an initial signal, Vaxil decided to try to transition from the ImMucin™ (MUC1 signal peptide-derived product) injectable platform to an oral delivery platform. An ImMucin™ oral formulation was developed together with an oral drug delivery company, and an in vivo study was performed aimed at testing the ability of the ImMucin™ oral formulation to induce a systemic immune response in mice.

The results, to date, are inconclusive, and given our limited resources, Vaxil has decided not to pursue this at this time. Regarding the potential application of oral delivery to COVID-19, Vaxil is exploring whether there is value in conducting experiments of the oral formulation of the potential COVID-19 vaccine candidate in combination with mRNA vaccines to boost T-cell protection to future variants.

Tuberculosis (TB)

Vaxil's platform has potential as a treatment for various infectious diseases, including TB. Preclinical studies have confirmed the efficacy of SPs 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 results of the experiment which tested the therapeutic efficacy of P-Esbp-DOX in a mouse model of aggressive liver metastasis of colorectal tumors, further supports Vaxil's decision to focus the Company's efforts to work toward bringing P-Esbp-DOX to the clinic, which will require additional financing.

Intellectual Property

Vaxil has five patent families, including 41 granted patents and 4 patent applications with more work being done to expand the portfolio.

- The first patent family relates to the ImMucin™ product, a MUC1 SP-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 SPs, and diagnostic and therapeutic methods using these antibodies. This patent family includes a granted patents in the US, Europe, Australia, Canada and Israel.
- 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 an international patent application a PCT application.

Capital Expenditures and Divestitures

During the three months ended March 31, 2022, the Company incurred $nil (2021 - $nil) of capital expenditures. The Company estimates capital expenditures for the next twelve months will be approximately $25. thousand.

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

	Three months ended March 31	
	2022	**2021**
Research and development costs	**$ 62**	$ 111
General and administration costs	**63**	109
	$ 125	$ 220

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 three periods ended March 31, 2022 (in Thousands of Canadian Dollars):

	Three months ended March 31	
	2022	**2021**
Expenses:		
Research and development costs	**$ 62**	$ 111
General and administration costs	**63**	109
Share based compensation	**1**	38
Total Expenses	**126**	258
Operating Loss	**(126)**	(258)
Net loss for the period	**(126)**	(258)
Other Comprehensive Loss		
Foreign currency translation adjustment	**-**	12
Net loss and comprehensive loss for the period	**$ (126)**	$ (246)

Three-month period ended March 31, 2022, compared to the three-month period ended March 31, 2021

Research and development costs, net

For the three-month period ended March 31, 2022, research and development costs expenses amounted to $62 thousand as compared to $111 thousand for the three-month period ended March 31, 2021. The decrease in research and development costs is the result of a decrease in salaries and a decrease in consultants, management and sub-contractors.

General and administrative expenses

For the three-month period ended March 31, 2022, general and administrative expenses amounted to $63 thousand as compared to $109 thousand for the three-month period ended March 31, 2021. The decrease in general and administrative expenses in 2022 resulted primarily from a decrease in professional fees.

Share based compensation

For the three-month period ended March 31, 2022, share-based compensation is $1 thousand as compared to $38 thousand for the three-month period ended March 31, 2021. The charges in 2022 and 2021 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 March 31, 2022 of $126 thousand as compared to a net loss of $258 thousand for the three-month period ended March 31, 2021. The decrease in the loss in 2022 is due to decrease in general and administrative expenses.

Inflation

During the three-month period ended March 31, 2022 and 2021, inflation has not had a material impact on our operations.

Summary of Quarterly Results

	Quarter ended			
	31-Mar-22	**31-Dec-21**	**30-Sep-21**	**30-Jun-21**
	Canadians dollars in thousands, except per share data			
Net loss	$ (126)	$ (280)	$ (239)	$ (209)
Net loss and comprehensive loss	$ (126)	$ (279)	$ (247)	$ (219)
Net loss per share	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.00)

	Quarter ended			
	31-Mar-21	**31-Dec-20**	**30-Sep-20**	**30-Jun-20**
	Canadians dollars in thousands, except per share data			
Net loss	$ (258)	$ (575)	$ (313)	$ (297)
Net loss and comprehensive loss	$ (246)	$ (553)	$ (335)	$ (303)
Net loss per share	$ (0.00)	$ (0.00)	$ (0.01)	$ (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 2020 and 2021 and during 2022, 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 $18,645 thousand as of March 31, 2022 ($18,519 thousand as of December 31, 2021), the Company had negative cash flows from operations of $279 thousand for the three-month period ended March 31, 2022 (negative cash flows of $344 thousand during the three-month period ended March 31, 2021). 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.

Three-month period ended March 31, 2022 compared to the three-month period ended March 31, 2021

During the three-month period ended March 31, 2022, the Company's overall position of cash and cash equivalents decreased by $279 thousand. This decrease in cash can be attributed to the following activities:

The Company's net cash used in operating activities during the three-month period ended March 31, 2022 was $279 thousand as compared to $344 thousand for the three-month period ended March 31, 2021. This decrease is primarily due to a decrease in net loss for the three months ended March 31, 2022 as compared to the three months ended March 31, 2021.

Cash flows from financing activities for the three-month period ended March 31, 2022 was $nil thousand as compared to cash flows from financing activities of $1,773 thousand during the three-month period ended March 31, 2021. The amount in 2021 relates primarily to proceeds from exercise of warrants of $1,773 thousand.

Capital Resources

As of March 31, 2022, the Company's cash was $1,960 thousand (December 31, 2021 - $2,241 thousand). The majority of this balance is being held in Canadian Dollars. Our working capital at March 31, 2022 was $1,575 thousand as compared to $1,698 thousand at December 31, 2021.

Commitments

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

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, 10,759,440 warrants outstanding ("Warrants"), 504,653 finders' warrants outstanding ("Finders Warrants") and 800,000 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 three month ended March 31, 2022 and 2021 and the balances owing as of March 31, 2022 and 2021:

For the three month ended March 31,2022 (in thousands of CAD)

	Directors Fees	Consulting Fees / Salaries	Share based awards	Total	Amounts owing at March 31, 2022
Gadi Levin, Director and CFO	$ -	$ 19	$ -	$ 19	$ 6
Yuval Avnir, CEO	-	16	-	16	6
Ari Kellen, Director	-	-	-	-	-
Shawn Langer, Director	-	-	-	-	-
Total	$ -	$ 35	$ -	$ 35	$ 12

For the three month ended March 31,2021 (in thousands of CAD)

	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

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 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.

- Management assesses the fair value of options and warrants granted in accordance with the accounting policy disclosed in share-based payments. The fair value of stock options granted is measured using the Black-Scholes option valuation model, which was created for use in estimating the fair value of freely tradable and fully transferable options. The same model is used by the Company in order to arrive at a fair value for the issuance of warrants.

- Management expenses the costs directly associated with research and development. Indirect costs are estimated using management's calculation of the amount of the activity that is deemed to be associated with research and development.

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 three-month period ended March 31, 2022, which have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

As of March 31, 2022, 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.

Financial Instruments and Other Instruments

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

Financial asset/liability	Classification under IFRS 9
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.

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 March 31, 2022 and December 31, 2021 was $1,990 thousand and $2,283 thousand respectively, which consisted of $1,960 thousand (December 31, 2021 - $2,241 thousand) in cash held in bank accounts, and $30 thousand (December 31, 2021 - $42 thousand) in amounts receivable and prepaid expenses. None of the Company's amounts receivable are overdue as at March 31, 2022.

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 March 31, 2022, the Company had cash of $1,960 thousand (December 31, 2021 - $2,241 thousand) and amounts receivable and prepaid expenses of $30 thousand (December 2021 - $42 thousand) to settle current liabilities in the amount of $415 thousand (December 31, 2021 - $585 thousand). During 2021, the Company raised $3.6 million from the exercise of certain warrants issued in 2018. In 2021, 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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