

**VAXIL BIO LTD**  
**(formerly Emerge Resources Corp)**

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

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017**

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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 and nine months ended September 30, 2017 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**

(formerly Emerge Resources Corp.)

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

(Unaudited)

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

|   | <b>September 30</b> | <b>December 31</b> |
|---|---------------------|--------------------|
|   | <b>2017</b>         | <b>2016</b>        |
|   | <b>Unaudited</b>    | <b>Audited</b>     |
| <b>ASSETS</b>                                     |                     |                    |
| <b>Current assets</b>                             |                     |                    |
| Cash and cash equivalents                         | \$ 103              | \$ 1,023           |
| Amounts receivables and prepaid expenses          | 29                  | 29                 |
| <b>Total current assets</b>                       | <b>130</b>          | <b>1,052</b>       |
| Fixed Assets, net                                 | 132                 | 165                |
| <b>Total Assets</b>                               | <b>\$ 262</b>       | <b>\$ 1,217</b>    |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |                     |                    |
| <b>Current liabilities</b>                        |                     |                    |
| Accounts payable                                  | 123                 | 370                |
| Other accounts payable and accrued liabilities    | 74                  | 107                |
| <b>Total current liabilities</b>                  | <b>197</b>          | <b>477</b>         |
| <b>Long term liabilities</b>                      |                     |                    |
| Long Term accounts payable                        | 65                  | 84                 |
| <b>Total liabilities</b>                          | <b>262</b>          | <b>561</b>         |
| <b>Shareholders' equity</b>                       |                     |                    |
| Share capital (Note 5)                            | 10,391              | 9,807              |
| Shares to be issued                               | 0                   | 43                 |
| Warrant reserve (Note 5)                          | 1,547               | 1,547              |
| Contributed surplus (Note 5)                      | 1,761               | 1,761              |
| Foreign currency transaction reserve              | 2                   | (61)               |
| Accumulated deficit                               | (13,701)            | (12,441)           |
| <b>Total shareholders' equity</b>                 | <b>0</b>            | <b>656</b>         |
| <b>Total liabilities and shareholders' equity</b> | <b>\$ 262</b>       | <b>\$ 1,217</b>    |

Nature and continuance of operations (Note 1)

Subsequent Events (Note 9)

Approved and authorized by the Board on November 29, 2017:

|                                       |          |   |          |
|---------------------------------------|----------|---|----------|
| <u>"Saeid Babaei"</u><br>Saeid Babaei | Director | <u>"Isaac Maresky"</u><br>Isaac Maresky | Director |
|---------------------------------------|----------|---|----------|

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

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

|   | Three months ended |                   | Nine Months ended |                   |
|---|--------------------|-------------------|-------------------|-------------------|
|   | September 30       |                   | September 30      |                   |
|   | 2017               | 2016              | 2017              | 2016              |
|   | Unaudited          |                   | Unaudited         |                   |
| <b>Expenses:</b>                                      |                    |                   |                   |                   |
| Research and development costs, net (Note 6)          | \$ 212             | \$ 152            | \$ 539            | \$ 258            |
| General and administration costs (Note 7)             | 123                | 141               | 466               | 567               |
| Share based compensation (Note 5c(i))                 | -                  | -                 | 252               | 283               |
| Transaction costs                                     | -                  | -                 | -                 | 321               |
| Listing costs (Note 2)                                | -                  | -                 | -                 | 2,475             |
| <b>Total Expenses</b>                                 | <b>335</b>         | <b>293</b>        | <b>1,257</b>      | <b>3,904</b>      |
| <b>Operating Loss</b>                                 | <b>(335)</b>       | <b>(293)</b>      | <b>(1,257)</b>    | <b>(3,904)</b>    |
| Financial Expenses                                    | 1                  | -                 | 3                 | 1                 |
| <b>Net loss for the period</b>                        | <b>(336)</b>       | <b>(293)</b>      | <b>(1,260)</b>    | <b>(3,903)</b>    |
| <b>Other Comprehensive Loss</b>                       |                    |                   |                   |                   |
| Foreign currency translation adjustment               | 48                 | 3                 | 63                | 48                |
| <b>Net loss and comprehensive loss for the period</b> | <b>\$ (288)</b>    | <b>\$ (290)</b>   | <b>\$ (1,197)</b> | <b>\$ (3,855)</b> |
| <b>Basic and Fully Diluted Loss Per Share</b>         | <b>\$ (0.01)</b>   | <b>\$ (0.01)</b>  | <b>\$ (0.02)</b>  | <b>\$ (0.10)</b>  |
| <b>Weighted Average Number Of Shares Outstanding</b>  | <b>50,429,350</b>  | <b>46,979,999</b> | <b>50,095,053</b> | <b>37,033,931</b> |

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

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

|   | <b>Nine months ended</b> |                 |
|---|--------------------------|-----------------|
|   | <b>September 30</b>      |                 |
|   | <b>2017</b>              | <b>2016</b>     |
|   | <b>Unaudited</b>         |                 |
| <b>Cash flows from operating activities</b>               |                          |                 |
| Net loss for the period                                   | \$ (1,260)               | \$ (3,905)      |
| Items not affecting cash:                                 |                          |                 |
| Depreciation  | 35                       | 2               |
| Listing costs   | -                        | 2,475           |
| Interest on loan  | 12                       | 268             |
| Share-based compensation                                  | -                        |                 |
| Changes in non-cash working capital:                      |                          |                 |
| Amounts receivable and prepaid expenses                   | (582)                    | (34)            |
| Deferred issuance costs                                   | -                        | 196             |
| Accounts payable  | (258)                    | 38              |
| Other accounts payable and accrued liabilities            | 611                      | (276)           |
|   | <b>(1,442)</b>           | <b>(1,236)</b>  |
| <b>Cash flows from investing activities</b>               |                          |                 |
| Short term deposit  | -                        | -               |
| Purchase of fixed assets                                  | -                        | (14)            |
| Cash acquired in reverse take over                        | -                        | 1               |
|   | <b>-</b>                 | <b>(13)</b>     |
| <b>Cash flows from financing activities</b>               |                          |                 |
| Loan repayment  | (22)                     | -               |
| Proceeds from share issuance by Vaxil Israel, net         | -                        | 103             |
| Proceeds from the exercise of warrants and options        | -                        | 106             |
| Proceeds from private placement by Emerge Resources Corp. | -                        | 2,001           |
|   | <b>(22)</b>              | <b>2,210</b>    |
| <b>Decrease in cash and cash equivalents</b>              | <b>(1,464)</b>           | 961             |
| Effect of changes in foreign exchange rates               | 544                      | 263             |
| Cash and cash equivalents, beginning of period            | 1,023                    | 12              |
| Cash and cash equivalents, end of period                  | <b>\$ 103</b>            | <b>\$ 1,236</b> |

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

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

|  | Ordinary share capital | Share Capital | Shares to be issued | Warant reserve | Contributed surplus | Foreign currency transaction reserve | Accumulated deficit | Total Equity (Capital Deficiency) |               |
|--|------------------------|---------------|---------------------|----------------|---------------------|--------------------------------------|---------------------|-----------------------------------|---------------|
|  | Number of shares       | Amount        |                     |                |                     |                                      |                     |                                   |               |
| <b>Balance - January 1, 2017</b>   | <b>47,798,578</b>      | <b>\$ -</b>   | <b>\$ 9,807</b>     | <b>\$ 43</b>   | <b>\$ 1,547</b>     | <b>\$ 1,761</b>                      | <b>\$ (61)</b>      | <b>\$ (12,441)</b>                | <b>\$ 656</b> |
| Shares issued in respect of settlement of liabilities recorded in the prior period (Note 5(b)(i))  | 2,630,772              | -             | 289                 | -              | -                   | -                                    | -                   | -                                 | 289           |
| Shares issued in respect of settlement of liabilities recorded in the prior period (Note 5(b)(ii)) | 195,000                | -             | 43                  | (43)           | -                   | -                                    | -                   | -                                 | -             |
| Share based compensation (Note5c(i))   | -                      | -             | 252                 | -              | -                   | -                                    | -                   | -                                 | 252           |
| Net comprehensive loss for the period  | -                      | -             | -                   | -              | -                   | -                                    | 63                  | (1,260)                           | (1,197)       |
| <b>Balance -Sep30, 2017</b>  | <b>50,624,350</b>      | <b>- \$</b>   | <b>10,391</b>       | <b>0</b>       | <b>\$ 1,547</b>     | <b>\$ 1,761</b>                      | <b>\$ 2</b>         | <b>\$ (13,701)</b>                | <b>(0)</b>    |

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

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

|  | Ordinary share capital |            | Share Capital | Shares to be issued | Wararnt reserve | Receivable from shareholder | Contributed surplus | Foreign currency transaction reserve | Accumulated deficit | Total Equity (Capital Deficiency) |
|--|------------------------|------------|---------------|---------------------|-----------------|-----------------------------|---------------------|--------------------------------------|---------------------|-----------------------------------|
|  | Number of shares       | Amount     |               |                     |                 |                             |                     |                                      |                     |                                   |
| <b>Balance - January 1, 2016 (audited)</b>   | <b>21,749,528</b>      | - \$ 5,577 | -             | \$ 435              | -               | \$ 1,712                    | \$ (39)             | \$ (7,902)                           | \$ (217)            |                                   |
| Shares issued in private placement, net of issuance expenses                       | 633,451                | - 103      | -             | -                   | -               | -                           | -                   | -                                    | 103                 |                                   |
| Share issue costs related to the private placement                                 | 38,802                 | - -        | -             | -                   | -               | -                           | -                   | -                                    | -                   |                                   |
| Settlement of liabilities by issuance of shares                                    | 807,356                | - 179      | -             | -                   | -               | -                           | -                   | -                                    | 179                 |                                   |
| Shares issued in respect of settlement of liabilities recorded in the prior period | 1,254,760              | - -        | -             | -                   | -               | -                           | -                   | -                                    | -                   |                                   |
| Share based compensation   | 106,354                | - 23       | -             | -                   | -               | -                           | -                   | -                                    | 23                  |                                   |
| Shares issued to former warrant holders of Vaxil Israel                            | 135,836                | - 435      | -             | (435)               | -               | -                           | -                   | -                                    | -                   |                                   |
| Acquisition of Emerge Resources Corp.  | 7,538,043              | - 1,508    | -             | 780                 | -               | 76                          | -                   | -                                    | 2,364               |                                   |
| Shares issued in private placement, net of issuance expenses                       | 11,403,565             | - 1,275    | -             | 726                 | -               | -                           | -                   | -                                    | 2,001               |                                   |
| Share issue costs related to the private placement                                 | 1,000,000              | - -        | -             | 142                 | -               | -                           | -                   | -                                    | 142                 |                                   |
| Shares issued as a retention fee   | 1,300,000              | - 260      | -             | -                   | -               | -                           | -                   | -                                    | 260                 |                                   |
| Shares issued for services   | 465,652                | - 102      | -             | -                   | -               | -                           | -                   | -                                    | 102                 |                                   |
| Shares issued in respect of settlement of liabilities recorded in the prior period | -                      | - -        | 57            | -                   | -               | -                           | -                   | -                                    | 57                  |                                   |
| Exercise of options  | 150,000                | - 42       | -             | -                   | -               | (27)                        | -                   | -                                    | 15                  |                                   |
| Exercise of warrants   | 281,000                | - 64       | -             | (36)                | -               | -                           | -                   | -                                    | 28                  |                                   |
| Net comprehensive loss for the period  | -                      | - -        | -             | -                   | -               | -                           | 48                  | (3,905)                              | (3,857)             |                                   |
| <b>Balance - September 30, 2016 (unaudited)</b>                                    | <b>46,864,347</b>      | - \$ 9,568 | \$ 57         | \$ 1,612            | \$ -            | \$ 1,761                    | \$ 9                | \$(11,807)                           | \$ 1,200            |                                   |

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

## 1. NATURE AND CONTINUANCE OF OPERATIONS

Vaxil Bio Ltd. (formerly Emerge Resources Corp) (“Vaxil” or the “Company”) was incorporated under the Business Corporations Act (BC) on July 26, 2006 and is listed on the TSX Venture Exchange. The Company's head office is located at 6th Floor, 4576 Yonge Street, Toronto, Ontario.

On February 28, 2016, Vaxil completed the acquisition of Vaxil Bio Ltd. (“Vaxil Israel”), a previously publicly traded company on the Tel-Aviv stock exchange, which was incorporated on June 13, 1982. The transaction was accounted for as a reverse takeover (“RTO”). Upon the completion of the transaction Emerge Resources Corp changed its name to Vaxil Bio Ltd, to distinguish its change of business. The Company’s principal activity is research and development of ImMucin vaccine to treat cancer. The Company trades on the TSX Venture under the symbol “VXL.V”

The accompanying condensed consolidated interim 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 \$13,046 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 September 30, 2017, the Company had not yet achieved profitable operations and expects to incur further losses in the development of its products, all of which may cast significant doubt about the Company’s ability to continue as a going concern. These condensed interim 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.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

These consolidated financial statements were authorized for issue by the Board of Directors on November 29, 2017.

## 2. REVERSE TAKE OVER

On February 29, 2016, the Company entered into a Share Exchange Agreement with Vaxil Israel whereby the parties completed a share exchange and the Company acquired all the outstanding equity interests of Vaxil Israel, in a transaction whereby the shareholders of Vaxil Israel received common shares of the Company. As a result of the transaction, the Company became the sole beneficial owner of all outstanding shares of Vaxil Israel. Completion of the transaction resulted in a Reverse Takeover and Change of Business for the Company (the “RTO”).

The terms of the RTO provided for the Company to consolidate its common shares on a two old shares for 1 new share basis resulting in an aggregate of 7,538,043 shares being outstanding subsequent to consolidation. The Company then issued 24,726,087 post consolidation shares to the shareholders and warrant holders of Vaxil Israel in exchange for 100% of the issued and outstanding share capital of Vaxil Israel and the cancellation of all warrants issued by Vaxil Israel. The shares issued to Vaxil Israel are subject to an Escrow Arrangement.

The Transaction has been accounted for as a reverse acquisition that does not constitute a business combination; consequently, the consolidated financial statements are issued under the legal parent Vaxil, but are deemed to be a continuation of the legal subsidiary Vaxil Israel.

On February 29, 2016, the Company received TSX Venture Exchange approval to consolidate all the Company’s issued and outstanding common shares without par value on a 2 old for 1 new basis. All periods presented have been retroactively adjusted to reflect this reverse split.

VAXIL BIO LTD  
(formerly Emerge Resources Corp.)  
NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS  
(Unaudited)  
(Expressed in Thousands of Canadian Dollars, except per share data)

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**2. REVERSE TAKE OVER (CONTINUED)**

Concurrent with the RTO, a private placement (the “Financing”) was conducted and 11,403,565 Subscription Units were issued at \$0.23 for gross proceeds of \$2,623. Each Unit consists of one common share and one common share purchase warrant of the Company. Each warrant is exercisable into one common share of the Company at a price of \$0.31 for a period of 12 months after closing and a price of \$0.36 for the subsequent 24 months. The Company retained Sunel Securities Inc. and M Partners Inc. as agents (the “Agents”) for the Financing.

The Agents received a corporate finance fee and cash commission of \$177,988,568 broker warrants and reimbursement of Agent expenses. Finder’s fees to the agents in the form of 1,000,000 common shares were also issued.

The condensed consolidated interim financial statements are issued under the legal parent Vaxil Bio Ltd (formally Emerge Resources Corp.), but are deemed to be a continuation of the legal subsidiary Vaxil Israel.

The total purchase price for the acquisition of the Company by Vaxil Israel is as follows:

|   |           |              |
|---|-----------|--------------|
| Fair value of 7,538,043 common shares issued  | \$        | 1,508        |
| Fair value of 6,652,024 warrants issued       |           | 780          |
| Fair value of 465,064 options issued          |           | 76           |
| <b>Total Purchase Price</b>                   | <b>\$</b> | <b>2,364</b> |
| Cash and cash equivalents                     | \$        | 1            |
| Accounts receivable and prepaid expenses      |           | 2            |
| Accounts payable and accrued liabilities      |           | (114)        |
| <b>Excess attributed to the Listing costs</b> | <b>\$</b> | <b>2,475</b> |

**3. 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, 2016. 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

### 3. 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, and (ii) 9073647 Canada Inc. 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 financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the determination of functional currency.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

#### Determination of functional currency

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

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

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

#### **New standards not yet adopted**

The IASB issued new standards and amendments not yet effective.

IFRS 9, Financial Instruments ("IFRS 9") was initially issued by the IASB on November 12, 2009 and issued in its completed version in July 2014, and will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for financial years beginning on or after January 1, 2018. The Company is currently assessing the effects of IFRS 9 and intends to adopt on its effective date.

### 3. BASIS OF PREPARATION (CONTINUED)

#### **New standards not yet adopted (continued)**

IFRS 15, Revenue from Contracts with Customers (“IFRS 15”) was issued by the IASB in May 2014 and clarifies the principles for recognizing revenue from contracts with customers. IFRS 15 will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (i.e. service revenue and contract modifications) and improve guidance for multiple-element arrangements. IFRS 15 is effective for periods beginning on or after January 1, 2018 and is to be applied retrospectively. The Company's preliminary assessment of IFRS 15 has determined there will not be a significant impact to the consolidated financial statements as a result of the adoption of this standard

IFRS 16, Leases (“IFRS 16”) was issued by the IASB in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17. An entity applies IFRS 16 for annual periods beginning on or after January 1, 2019. Earlier application is permitted if IFRS 15 Revenue from Contracts with Customers has also been applied. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. The Company is currently assessing the effects of IFRS 16 and intends to adopt on its effective date.

### 4. RELATED PARTY TRANSACTIONS

During the three and nine months ended September 30, 2017, the Company incurred \$38 and \$138, respectively, in consulting fees from one officer and two directors of the Company, as compared to \$71 and \$114 during the three and nine months ended September 30, 2016.

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

As at September 30, 2017, the Company has no outstanding liabilities to related parties.

### 5. SHARE CAPITAL AND RESERVES

#### a) Authorized share capital

As at September 30, 2017, 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.

#### b) Issued share capital issued during the nine months ended September 30, 2017:

(i) On January 23, 2017, the company issued 2,630,772 shares in respect of the settlement of certain liabilities. The fair value of the shares issued were \$289 and were recorded as Share Capital in the Statement of Changes in Shareholders’ Equity and was charged against Accounts payable in the Consolidated Statement of Financial Position.

(ii) On July 12, 2017, the Company issued 195,000 shares to a former director, that were granted in 2016 in order to settle an outstanding liability.

**5. SHARE CAPITAL AND RESERVES (CONTINUED)**

c) Stock options

- (i) On January 4, 2017, the Company granted 2,346,000 stock options to directors, officers, employees and consultants. The exercise price is \$0.125 per share, all options granted vest immediately on the date of grant and the options expire on January 3, 2022.

The fair value of the 2,346,000 stock options issued of \$252 which was charged to Contributed surplus in the Statement of Changes in Shareholders' Equity and was determined using the Black Scholes option pricing model and the following assumptions:

|                       |          |
|-----------------------|----------|
| Number of Options     | 2,346    |
| Share price           | \$ 0.12  |
| Exercise price        | \$ 0.125 |
| Expected life (years) | 5        |
| Annualized Volatility | 144%     |
| Risk free rate        | 1.08%    |

- (ii) Stock option transactions during the nine months ended September 30, 2017 are summarized as follows:

|  | Number<br>of Options |    | Weighted<br>Average<br>Exercise<br>Price |
|--|----------------------|----|--|
| Balance, December 31, 2016                           | 315,064              | \$ | 0.47                                     |
| Options granted during the period – see note 5(c)(i) | 2,630,772            |    | 0.125                                    |
| Balance, September 30, 2017                          | 2,661,064            |    | 0.17                                     |
| Options exercisable, end of period                   | 2,661,064            | \$ | 0.17                                     |

- (iii) As at September 30, 2017, the Company had outstanding stock options, enabling the holders to acquire further common shares as follows:

| September 30, 2017 | Exercise<br>Price | Expiry Date      |
|--------------------|-------------------|------------------|
| 90,064             | \$1.40            | December 7, 2017 |
| 225,000            | \$0.10            | March 18, 2020   |
| 2,346,000          | \$0.125           | January 3, 2022  |
| <u>2,661,064</u>   |                   |                  |

**5. SHARE CAPITAL AND RESERVES (CONTINUED)**

c) Warrants

- (i) Subscriber's warrant transactions during the nine months ended September 30, 2017 are summarized as follows:

|                             | Number<br>of Options | Weighted<br>Average<br>Exercise<br>Price |
|-----------------------------|----------------------|--|
| Balance, December 31, 2016  | 16,210,176           | \$ 0.45                                  |
| Issued                      | -                    |  |
| Expired                     | -                    |  |
| Exercised                   | -                    |  |
| Balance, September 30, 2017 | 16,210,176           | \$ 0.45                                  |

- (ii) As at September 30, 2017, the Company had outstanding subscriber's warrants, enabling the holders to acquire further common shares as follows:

| Number of Warrants<br>Outstanding as at<br>September 30, 2017 | Exercise<br>Price | Expiry Date       |
|---|-------------------|-------------------|
| 2,380,953   | \$1.40            | July 8, 2018      |
| 178,571   | \$0.21            | July 8, 2018      |
| 1,319,000   | \$0.10            | March 23, 2017    |
| 928,087   | \$0.31            | February 29, 2019 |
| 11,403,565  | \$0.35            | February 29, 2019 |
| <u>16,210,176</u>   |                   |                   |

VAXIL BIO LTD  
(formerly Emerge Resources Corp.)  
NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS  
(Unaudited)  
(Expressed in Thousands of Canadian Dollars, except per share data)

**6. RESEARCH AND DEVELOPMENT COSTS, NET**

|                                      | Three months ended |               | Nine Months ended |               |
|--------------------------------------|--------------------|---------------|-------------------|---------------|
|                                      | September 30       |               | September 30      |               |
|                                      | 2017               | 2016          | 2017              | 2016          |
| Wages, salaries and related expenses | \$ 70              | \$ 109        | \$ 224            | \$ 165        |
| Consultants and sub-contractors      | 34                 | 33            | 117               | 37            |
| Development materials                | 97                 | 1             | 163               | 4             |
| Patent registration                  | -                  | 7             | -                 | 46            |
| Depreciation                         | 11                 | 2             | 35                | 6             |
|                                      | <u>\$ 212</u>      | <u>\$ 152</u> | <u>\$ 539</u>     | <u>\$ 258</u> |

**7. GENERAL AND ADMINISTRATION COSTS**

|   | Three months ended |               | Nine Months ended |               |
|---|--------------------|---------------|-------------------|---------------|
|   | September 30       |               | September 30      |               |
|   | 2017               | 2016          | 2017              | 2016          |
| Consulting, management and directors fees | \$ 42              | \$ 40         | \$ 211            | \$ 189        |
| Professional fees                         | 31                 | 37            | 92                | 265           |
| Office rental and other related expenses  | 45                 | 42            | 146               | 70            |
| Gain on settlement of liabilities         | -                  | -             | -                 | (43)          |
| Settlement of lawsuit                     | -                  | 22            | -                 | -             |
| Other                                     | 4                  | -             | 17                | 86            |
|   | <u>\$ 123</u>      | <u>\$ 141</u> | <u>\$ 466</u>     | <u>\$ 567</u> |

## 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 institutions, 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.

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