Vaxil Bio Ltd.

(formerly Emerge Resources Corp)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the year ended December 31, 2017

*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 year ended December 31, 2017, which has been prepared on the basis of information available up until April 30, 2018. This Management's Discussion and Analysis ("**MD&A**") should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2017, together with the notes thereto.*

All monetary amounts are reported in thousands of Canadian dollars and in accordance with IFRS unless otherwise noted. This MD&A is dated April 30, 2018.

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.

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 6th Floor, 4576 Yonge Street, Toronto, Ontario, M2N 6N4, 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.

Financial development during 2017 and through to the date of this report

On January 30, 2018, the Company completed non-brokered private placement financing at a price of $0.05 per unit, with each unit purchased entitling the investor to one common share and one additional common share purchase warrant (a "Warrant"). Each Warrant is exercisable into one additional common share of Vaxil for a period of 36 months at $0.10 per common share (share and warrant together referred to as "Unit"). In total, 36,200,000 Units were issued for aggregate gross proceeds of $1,810. The Financing is subject to all necessary regulatory and stock exchange approvals. The securities issued pursuant to the Financing are subject to a four month and one-day hold period expiring

May 27, 2018, in accordance with applicable Canadian securities law. In connection with the Financing, Vaxil paid certain finders fees on a portion of funds raised. Aggregate cash commissions of $90,580 and an aggregate 1,811,600 compensation warrants were paid and issued in connection with the Financing. Certain officers and/or directors of the Company (the "Related Parties") participated in the Financing, which participation constitutes a "related party transaction" as defined under Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions ("MI 61-101"). Such related party transaction is exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 as neither the fair market value of securities being issued to the related parties nor the consideration being paid by the related parties exceeded 25% of the Company's market capitalization. Vaxil did not file a material change report in respect of the related party transactions less than 21 days prior to the closing of the Financing, which Vaxil deemed reasonable in the circumstances so as to be able to avail itself of the proceeds in an expeditious manner.

Business of Vaxil

Vaxil Bio Ltd., is an Israeli immuno-oncology biotechnology company researching and developing novel immunotherapies for cancer and other diseases.

The Company's pipeline includes its lead candidate ImMucin™, a neoantigen-like peptide product, and proprietary antibodies, developed to treat cancer and infectious diseases.

Vaxil's products are derived from its fully owned proprietary platform VaxHit™, which in effect allows for the identification, isolation, and production of antigen based immunotherapy products.

Vaxil's patented lead product, ImMucin™ is composed of the entire SP domain of the MUC1 tumor associated antigen (TAA), and has successfully completed a Phase I/II clinical trial in 15 cancer patients demonstrating a high safety profile, robust immunity and initial hints of clinical efficacy. Immucin™ was granted Orphan Drug Status by the FDA and the EMA for MM.

Vaxil's secondary product family is focused on proprietary antibodies, specific to signal peptide domains of targeted tumor markers. To date, Vaxil has isolated SPmAb-2.1 and SPmAb-6, unique in their targeting of the signal peptide of the prominent MUC1 cancer marker. The Company has developed its antibodies with the belief that signal peptide specific targeting could potentially harbour superior or distinct therapeutic and/or diagnostic properties when compared with other antibody products.

Lastly, Vaxil has utilized its core platform algorithm, VaxHit™ in order to research and develop products geared toward infectious diseases. In that regard, Vaxil has developed and patented MTBuVax™, a multi-antigenic sub-unit LP vaccine against mycobacterium Tuberculosis (MTb) currently in pre-clinical testing at Vaxil's laboratory in Israel.

Recently, Vaxil has embarked on enhancing its Chemistry, Manufacturing, and Controls (CMC) in order to optimally manufacture Immucin™ for future clinical trials.

Vaxil has also continued and initiated a number of R&D programs, leveraging its underlying platform technology to explore potential areas of interest, including additional tumor markers and signal peptide antibodies. Vaxil scientists also continue R&D on its MTBuVax™ Tuberculosis vaccine candidate.

Vaxil Intellectual Property

Vaxil owns all of its technology and intellectual property outright, with no royalties. Currently, Vaxil maintains a robust IP portfolio including 8 fully issued patents obtained, with an additional 8 patents pending.

Capital Expenditures and Divestitures

During the year ended December 31, 2017, the Company incurred $nil (2016 - $164) of capital expenditures. The Company estimates capital expenditures for the next twelve months will be $60.

Additional Disclosure for Venture Issuers without Significant Revenues:

	Year ended December 31	
	2017	**2016**
Research and development costs, net	**$ 838**	$ 585
General and administration costs	**673**	905

Discussion of Operations

The following is a discussion of the results of operations which have been derived from the consolidated financial statements of the Company for the year ended December 31, 2017:

	Year ended December 31	
	2017	**2016**
Expenses:		
Research and development costs, net	**$ 838**	$ 585
General and administration costs	**673**	905
Share based compensation	**292**	260
Transaction costs	**-**	324
Listing costs	**-**	2,475
Total Expenses	**1,803**	4,549
Operating Loss	**(1,803)**	(4,549)
Financial Expenses	**(5)**	10
	(5)	10
Net loss for the period	**(1,798)**	(4,539)
Other Comprehensive Loss		
Foreign currency translation adjustment	**33**	(22)
Net loss and comprehensive loss for the period	**$ (1,765)**	$ (4,561)

Year ended December 31, 2017, compared to the year ended December 31, 2016

Research and Development costs, net

For the year ended December 31, 2017, research and development costs expenses amounted to $838 as compared to $585 for the year ended December 31, 2016. The increase in R&D expenses in 2017 is due to the continued focused in R&D efforts to support the preparations for the Company's next clinical trial.

General and Administrative Expenses

For the year ended December 31, 2017, general and administrative expenses amounted to $673 as compared to $905 for the year ended December 31, 2016. The decrease in general and administrative expenses in 2017 resulted primarily from a decrease in professional fees and decrease from a Settlement of lawsuit as compared to 2016.

Share based compensation

For the year ended December 31, 2017, share based compensation amounted to $292 as compared to $260 for the year ended December 31, 2016. In 2016, the Company issued shares to certain directors and suppliers in lieu of services rendered to the Company.

Transaction costs

For the year ended December 31, 2017, transaction costs amounted $nil as compared to $324 for the year ended December 31, 2016. The transaction costs were incurred in connection with RTO in 2016.

Listing costs

For the year ended December 31, 2017, listing costs amounted to $nil as compared to $2,475 for the year ended December 31, 2016. The listing costs reflects the total purchase price for the acquisition of the Company by Vaxil Israel with respect to the RTO in 2016.

Net Losses

The Company reported a net loss for the year ended December 31, 2017 of $1.8 million as compared to a net loss of $4.6 million for the year ended December 31, 2016. The primary reason for the increase in the net loss between these periods are the listing costs and transaction costs in respect of the RTO.

Inflation

During the year ended December 31, 2017 and 2016, inflation has not had a material impact on our operations.

Litigation

On November 8, 2016, a lawsuit was served in the Tel Aviv Magistrate Court against the Company and its two Israeli subsidiaries (together: "the Defendants"). The lawsuit was served by a service provider of the Israeli subsidiaries ("the plaintiff") claiming that they did not receive their full compensation for services provided by them in the past and claiming a termination fee in respect of future services, as they claim that the Israeli subsidiaries agreed to retain their services for at least three years. The plaintiff demanded an amount of approximately $185,000 (including VAT) for the above-mentioned services. A preliminary hearing is scheduled before the Court on May 3, 2018. The Company believes that there is less than a 50% chance or that their claim being successful or that the claim will be dismissed by the court or that if the plaintiff will be successful they will be awarded an insignificant amount.

Summary of Quarterly Results

		Quarter Ended			
		31-Dec-17	**30-Sep-17**	**30-Jun-17**	**31-Mar-17**
		Canadian dollars in thousands, except per share data			
Revenues	$	-	-	-	-
Net loss	$	(538)	(336)	(319)	(605)
Net loss and comprehensive loss	$	(568)	(288)	(367)	(542)
Net loss per share	$	(0.01)	(0.01)	(0.01)	(0.01)

		Quarter Ended			
		31-Dec-16	**30-Sep-16**	**30-Jun-16**	**31-Mar-16**
		Canadian dollars in thousands, except per share data			
Revenues	$	-	-	-	-
Net loss	$	(636)	(291)	(374)	(3,238)
Net loss and comprehensive loss	$	(706)	(288)	(342)	(3,225)
Net loss per share	$	(0.01)	(0.01)	(0.01)	(0.09)

Net loss per quarter is a function of the exploration and operational activity during that quarter. The loss per quarter and related loss net loss per share is a function of the level of research and development activity that took place during that quarter. In 2016 and 2017, the losses per quarter relates to wok completed in respect of the submission of an application to commence a Phase II clinical trial.

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 $14,239 as of December 31, 2017 ($12,441 as of December 31, 2016), and the Company had negative cash flows from operations of $1,001 for the year ended December 31, 2017 (negative cash flows of $1,498 during the year ended December 31, 2016). The ability of the Company to continue as a going concern depends upon the ability of the Company to obtain financing to complete development, and upon future profitable operations from the properties or proceeds from their disposition. The Company is an exploration stage company and has not earned any revenues to date.

There can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. The Company is considering various alternatives with respect to raising additional capital to remedy any future shortfall in capital, but to date has made no specific plans or arrangements. Because of the early stage of the Company's operations, there can be no assurance this capital will be available and if it is not, the Company may be forced to substantially curtail or cease research and development expenditures.

Year ended December 31, 2017, compared to the year ended December 31, 2016

During the year ended December 31, 2017, the Company's overall position of cash and cash equivalents decreased by $886. This decrease in cash and cash equivalents can be attributed to the following activities:

The Company's net cash used in operating activities during the year ended December 31, 2017 was $1,001 as compared to $1,498 for the year ended December 31, 2016.

Cash used in investing activities during the year ended December 31, 2017 was $nil as compared to cash generated of $165 during the year ended December 31, 2016. This amount in 2016 represents the investment in fixed assets.

Cash from financing activities for the year ended December 31, 2017 was $115 as compared $2,326 during the year ended December 31, 2016. The cash provided in 2017 relates advance receipt of subscription funds and the repayment of our long-term loan and the cash provided in 2016 relates to two private placements completed during the first quarter, and the exercise of warrants and options during the year.

Capital Resources

As of December 31, 2017, the Company's cash and cash equivalents were $169 (December 31, 2016- $1,023). The majority of this balance is being held in Canadian Dollars. Our working capital at December 31, 2017 was negative $556 as compared to positive working capital of $575 at December 31, 2016. The Company decreased its working capital as a result of expenditures incurred during 2017. In January 2018, the Company completed a private placement and raised $1.8 million.

Commitments

The Company has an agreement for the lease of the offices in Israel for a period ending in February 2019. The total future minimum lease payments under the operating lease as of the date of this report is approximately $54.

Disclosure of Outstanding Share Data

As of the date of this report, the Company has 86,824,350 ordinary shares outstanding, of 51,059,176 warrants outstanding and 2,725,00 options granted. Each warrant and option entitle the right of the holder thereof to acquire one ordinary 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.

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

No director or senior officer of the Company, and no associate or affiliate of the foregoing persons, and no insider has or has had any material interest, direct or indirect, in any transactions, or in any proposed transactions, which in either such case has materially affected or will materially affect the Company or the Company's predecessors since the beginning of the Company's last completed fiscal year except as follows:

During the year ended December 31, 2017, the Company incurred $389, in consulting fees from one officer and two directors of the Company, as compared to $233 during the year ended December 31, 2016.

As at December 31, 2017, the Company had $215 outstanding liabilities to related parties.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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:

- Determination of functional currency

The key assumptions made in the financial statements concerning uncertainties at the end of the reporting period and the critical estimates computed by the Group that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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.

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 year ended December 31, 2017, which have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

As of December 31, 2017, 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 Company's financial instruments have been designated as follows:

Financial assets and liabilities	*Classification*
Accounts receivable (excluding for HST)	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Other long-term liabilities	Other financial liabilities

The carrying values of cash and cash equivalents, other receivables, trade payables and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

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 December 31, 2017 and December 31, 2016 was $192 and $1,052 respectively, which consisted of $169 (December 31, 2016 - $1,023) in cash held in bank accounts, and $23 (December 31, 2016 - $29) in accounts receivable and prepaid expenses, None of the Company's accounts receivable are overdue as at December 31, 2016.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet current obligations and future commitments. The Company's approach to managing liquidity risk is to forecast cash requirements to provide reasonable assurance that it will have sufficient funds to meet its liabilities when due. As of December 31, 2016, the Company had cash and cash equivalents of $169 (December 31, 2016 - $1,023) and accounts receivable and prepaid expenses of $23 (December 31, 2016 - $29) to settle current liabilities in the amount of $748 (December 31, 2016 - $477).

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 following that Vaxil RTO, the Company incurs expenses in 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 have 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.

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