VAXIL BIO LTD.
(formerly Emerge Resources Corp.)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

VAXIL BIO LTD.
(formerly Emerge Resources Corp.)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

INDEX

Independent Auditors' Report

To the Shareholders of Vaxil Bio Ltd. (formerly Emerge Resources Corp.):

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Vaxil Bio Ltd. (formerly Emerge Resources Corp.), which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audits opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Vaxil Bio Ltd. (formerly Emerge Resources Corp.) as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which highlights the existence of material uncertainty relating to conditions that cast significant doubt on Vaxil Bio Ltd.'s (formerly Emerge Resources Corp.) ability to continue as a going concern.

MNP LLP

Mississauga, Ontario
April 30, 2018

Chartered Professional Accountants
Licensed Public Accountants

MNP

VAXIL BIO LTD.
(formerly Emerge Resources Corp.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Thousands of Canadian Dollars, except per share data)

		December 31, 2017		December 31, 2016
ASSETS				
Current assets				
Cash and cash equivalents (Note 6)	**$**	**169**	$	1,023
Amounts receivables and prepaid expenses (Note 7)		**23**		29
Total current assets		**192**		1,052
Equipment, net (Note 8)		**118**		165
Total Assets	**$**	**310**	$	1,217
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable (Note 13)		**438**		370
Advance subscription (Note 20)		**150**		-
Other accounts payable and accrued liabilities (Note 9, 10)		**160**		107
Total current liabilities		**748**		477
Long-term liabilities				
Long-term portion of capital lease (Note 10)		**49**		84
Total liabilities		**797**		561
Shareholders' equity				
Share capital (Note 11)		**10,139**		9,807
Shares to be issued (Note 19b)		**41**		43
Warrant reserve (Note 11)		**1,376**		1,547
Contributed surplus (Note 11)		**2,224**		1,761
Foreign currency transaction reserve		**(28)**		(61)
Accumulated deficit		**(14,239)**		(12,441)
Total shareholders' equity		**(487)**		656
Total liabilities and shareholders' equity	**$**	**310**	$	1,217

Nature and continuance of operations and going concern (Note 1)
Commitments (Note 16)
Contingencies (Note 19)
Subsequent event (Note 20)
Approved and authorized by the Board on April 30, 2018

"Gadi Levin" Director — *"Isaac Maresky"* Director
Gadi Levin — Isaac Maresky

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

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

	Year ended December 31, 2017		Year ended December 31, 2016	
Expenses				
Research and development costs, net (Note 17)	**$**	**838**	$	585
General and administration costs (Notes 11b(iii), 18)		**673**		905
Share based compensation (Note 11c(i))		**292**		260
Transaction costs		**-**		324
Listing costs (Note 2)		**-**		2,475
Total Expenses		**1,803**		4,549
Operating Loss		**(1,803)**		(4,549)
Financial Expenses		**(5)**		(10)
Net loss for the year		**(1,798)**		(4,539)
Other Comprehensive Loss				
Foreign currency translation adjustment		**33**		(22)
Net loss and comprehensive loss for the year	**$**	**(1,765)**	$	(4,561)
Basic and Fully Diluted Loss Per Share	**$**	**(0.04)**	$	(0.12)
Weighted Average Number Of Shares Outstanding		**50,355,466**		39,410,407

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

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

	Year ended December 31,	
	2017	**2016**
Cash flows from operating activities		
Net loss for the year	**$ (1,798)**	$ (4,539)
Items not affecting cash:		
Depreciation (Note 8)	**47**	22
Listing costs	**-**	2,475
Interest on loan	**17**	260
Share-based compensation (Note 11c(i))	**292**	-
Shares issued on settlement (Note 19b)	**41**	-
Changes in non-cash working capital:		
Amounts receivable and prepaid expenses	**6**	(617)
Deferred issuance costs	**-**	223
Accounts payable	**370**	314
Other accounts payable and accrued liabilities	**24**	364
	(1,001)	(1,498)
Cash flows from investing activities		
Purchase of equipment	**-**	164
Cash acquired in reverse take over	**-**	1
	-	165
Cash flows from financing activities		
Loan repayment	(35)	-
Advance subscription	150	-
Proceeds from the exercise of warrants and options	**-**	222
Proceeds from private placement net	**-**	2,104
	115	2,326
Decrease in cash and cash equivalents	**(886)**	993
Effect of changes in foreign exchange rates	**32**	18
Cash and cash equivalents, beginning of year	**1,023**	12
Cash and cash equivalents, end of year	**$ 169**	$ 1,023

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

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

	Number of shares	Share Capital	Shares to be issued	Wararnt reserve	Contributed surplus	Foreign currency transaction reserve	Accumulated deficit	Total Equity (Capital Deficiency)
Balance - January 1, 2017	**47,798,578**	**$ 9,807**	**$ 43**	**$ 1,547**	**$ 1,761**	**$ (61)**	**$ (12,441)**	**$ 656**
Shares issued in respect of settlement of liabilities recorded in the prior period (Note 11b(xii))	2,630,772	289	-	-	-	-	-	289
Shares issued in respect of settlement of liabilities recorded in the prior period (Note 11b(xiii))	195,000	43	(43)	-	-	-	-	-
Share based compensation (Note 11c(i))	-	-	-	-	292	-	-	292
Shares issued on settlement (Note 19b)	-	-	41	-	-	-	-	41
Expiration of warrants (Note 11d(i))	-	-	-	(171)	171	-	-	-
Net comprehensive loss for the year	-	-	-	-	-	33	(1,798)	(1,765)
Balance - December 31, 2017	**50,624,350**	**$ 10,139**	**$ 41**	**$ 1,376**	**$ 2,224**	**$ (28)**	**$ (14,239)**	**$ (487)**

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

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

	Number of shares	Share Capital	Shares to be issued	Warrant reserve	Contributed surplus	Foreign currency transaction reserve	Accumulated deficit	Total Equity (Capital Deficiency)
Balance - January 1, 2016	**21,749,528**	**$ 5,376**	**$ 201**	**$ 435**	**$ 1,712**	**$ (39)**	**$ (7,902)**	**$ (217)**
Shares issued in private placement, net of issuance expenses (Note 11(b)(i))	672,253	103	-	-	-	-	-	103
Settlement of liabilities by issuance of shares (Note 11(b)(ii))	807,356	179	-	-	-	-	-	179
Shares issued in respect of settlement of liabilities recorded in the prior period (Note 11(b)(iii))	1,254,760	263	(201)	-	-	-	-	62
Share based compensation (Note 11(b)(iii))	106,354	23	-	-	-	-	-	23
Shares issued to former warrant holders of Vaxil Israel ((Note 11(b)(iv))	135,836	435	-	(435)	-	-	-	-
Acquisition of Emerge Resources Corp. (Note 11(b)(v))	7,538,043	1,508	-	780	76	-	-	2,364
Shares issued in private placement, net of issuance expenses (Note 11(b)(vi))	11,403,565	1,275	-	726	-	-	-	2,001
Share issue costs related to the private placement (Note 11(b)(vi))	1,000,000	-	-	142	-	-	-	142
Shares issued as a retention fee (Note 11b(vii))	1,300,000	260	-	-	-	-	-	260
Shares issued for services (Note 11b(viii))	834,883	149	-	-	-	-	-	149
Shares issued in respect of settlement of liabilities recorded in the prior period (Note 11(b)(ix))	65,000	14	43	-	-	-	-	57
Exercise of options (Note 11b(x))	150,000	42	-	-	(27)	-	-	15
Exercise of warrants (Note 11b(xi))	781,000	180	-	(101)	-	-	-	79
Net comprehensive loss for the year	-	-	-	-	-	(22)	(4,539)	(4,561)
Balance - December 31, 2016	**47,798,578**	**$ 9,807**	**$ 43**	**$ 1,547**	**$ 1,761**	**$ (61)**	**$ (12,441)**	**$ 656**

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

1. NATURE AND CONTINUANCE OF OPERATIONS AND GOING CONCERN

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 consolidated financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business for the foreseeable future. The Company has incurred losses from inception of $14,239, 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 December 31, 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 consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company not be able to continue as a going concern.

These consolidated financial statements were authorized for issue by the Board of Directors on April 30, 2018.

2. REVERSE TAKE OVER

On February 29, 2016, the Company entered into a Share Exchange Agreement with Vaxil Israel whereby the Company acquired all the outstanding equity interests of Vaxil Israel, in a exchange for 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 prior to the RTO on a 2:1 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 2:1 basis. All periods presented have been retroactively adjusted to reflect this reverse split.

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

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 consisted 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 and 988,568 broker warrants as well as reimbursement of Agent expenses and 1,000,000 common shares.

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
Total Purchase Price	**$**	**2,364**
Cash and cash equivalents	$	1
Accounts receivable and prepaid expenses		2
Accounts payable and accrued liabilities		(114)
Excess attributed to the Listing costs	**$**	**2,475**

3. BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

Basis of Presentation

The consolidated financial statements are presented in Canadian dollars which is the Company's reporting currency. A summary of the significant accounting policies is provided in Note 4. Standards and guidelines not effective for the current accounting period are described in Note 5.

Basis of Measurement

Theses consolidated financial statements have been prepared on a historical cost basis, except for financial instruments which have been measured at fair value.

Basis of Consolidation

These consolidated financial statements include the accounts of Vaxil and its wholly-owned subsidiaries Vaxil Israel, and Vaxil Biotherapeutics Ltd. (Israel) ("Vaxil Biotherapeutics"). All intercompany balances and transactions have been eliminated on consolidation.

4. SIGNIFICANT ACCOUNTING POLICIES

Cash

Cash includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Translation of Foreign Currencies

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

Translation gains or losses resulting from the translation of the financial statements of Vaxil Israel and Vaxil Biotherapeutics into Canadian dollars for presentation purposes 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.

Research and Development

Research and development costs are expensed as incurred.

Expenditures during the development phase are deferred as intangibles if the Company can demonstrate each of the following criteria: (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale, (ii) its intention to complete the intangible asset and to then either use or sell it, (iii) its ability to use or sell the intangible asset, (iv) how the intangible asset will generate probable future economic benefits, (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and (vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development; otherwise, they are expensed as incurred.

Impairment of Long-lived Assets

The Company's equipment and intangibles with finite lives are reviewed for an indication of impairment at the end of each reporting period. If indication of impairment exists, the asset's recoverable amount is estimated. The recoverable amount is the greater of the asset's fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equipment

Equipment is stated at cost less accumulated depreciation and impairment losses, if any. The cost of an item is initially recognized as its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless is fully depreciated. The principal rates used for this purpose are:

Computers and software	33%
Laboratory equipment	5-15%

The depreciation method, and the useful lives and residual values are received and adjusted is appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected patter of consumption of the future economic benefits embodied in the items of the assets.

Financial Instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in the consolidated statements of loss and comprehensive loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the consolidated statements of loss and comprehensive loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in the consolidated statements of loss and comprehensive loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at the end of each reporting period. Financial assets are impaired when there is any objective evidence that the cash flows related to a financial asset or group of financial assets have been negatively impacted. Different criteria to determine impairment are applied for each category of financial assets described above.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (Continued)

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the corresponding asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in the consolidated statements of loss and comprehensive loss.

Other financial liabilities - This category includes accounts payables and accrued liabilities, all of which are recognized at amortized cost.

The Company’s financial instruments consist of the following:

Financial assets:	Classification:
Accounts receivable (excluding for HST)	Loans and receivables

Financial liabilities:	Classification:
Accounts payable, other accounts payable and accrued and accrued liabilities	Other financial liabilities
Other long-term liabilities	Other financial liabilities

Financial instruments recorded at fair value in the consolidated statements of financial position are classified according to a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three levels of fair value hierarchy are as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- Level 3 - Inputs for assets or liabilities that are not based on observable market data.

Financial assets measured at fair value on a recurring basis include the following:

	FAIR VALUE	**As at December 31, 2017**		As at December 31, 2016	
	INPUT LEVEL	**CARRYING AMOUNT**	**ESTIMATED FAIR VALUE**	CARRYING AMOUNT	ESTIMATED FAIR VALUE
Financial Assets:					
Cash and cash equivalents	1	$ 169	$ 169	$ 1,023	$ 1,023

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government Grants

The Company is eligible for grants from the Office of Chief Scientist, Ministry of Economy of the State of Israel ("OCS") granted as support in Vaxil Biotherapeutics' research and development ("OCS grants"). The Company classified these grants as "forgivable loans" as set out in IAS 20 – "Accounting for Government Grants and Disclosure of Government Assistance". The accounting treatment for the grant depends on the Company's ability to obtain FDA approval of which it may go into production in the future. Accordingly, the grant is recorded against research and development costs. Credit related to grants recognized against research and development costs are recorded at fair value which there is reasonable assurance that they will be received, and the Company will comply with the condition associated with the credits.

Government loans are recognized and measured as set out in IAS 37 – "Provisions, Contingent Liabilities and Contingent Assets" ("IAS 37"). No liability has been recognized during the period, as it is not reasonable that a provision shall be recognized. A government grant that becomes repayable shall be accounted for as a change in accounting estimate.

Share-based Payments

Equity-settled share based payments for directors, officers and employees are measured at fair value at the date of grant and recorded as compensation expense with a corresponding increase to share-based payment reserve in the consolidated financial statements.

The fair value determined at the grant date of equity-settled share based payments is expensed using the graded vesting method over the vesting period based on the Company's estimate of shares that will eventually vest. Upon exercise of the stock options, consideration paid by the option holder together with the amount previously recognized in share-based payment reserve is recorded as an increase to share capital. Upon expiry, the amounts recorded for share-based compensation are transferred to the deficit from the share-based payment reserve. Shares are issued from treasury upon the exercise of equity-settled share based instruments.

Compensation expense on stock options granted to non-employees is measured at the earlier of the completion of performance and the date the options are vested using the fair value method and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a Black-Scholes valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

Share Capital

Common shares are classified as equity. Proceeds from unit placements are allocated between shares and warrants issued using the relative fair value method. Costs directly identifiable with share capital financing are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as non-current deferred assets. Share issuance costs related to uncompleted share subscriptions are charged to operations in the period they are incurred.

Warrant Reserve

The fair value of warrants is determined upon their issuance either as part of unit private placements or in settlement of share issuance costs and finders' fees, using the Black-Scholes model. All such warrants are classified in a warrant reserve within equity. If the warrants are converted, the value attributable to the warrants is transferred to common share capital. Upon expiry, the amounts recorded for expired warrants is transferred to the deficit from the warrant reserve. Shares are issued from treasury upon the exercise of share purchase warrants.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent they relate to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized, and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in profit or loss and comprehensive income (loss) or equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At the end of each reporting period, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all of part of the asset to be recovered.

Basic and Diluted Loss per Share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock.

The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method. Diluted amounts are not presented when the effect of the computations are anti-dilutive. Accordingly, at present, there is no difference in the amounts presented for basic and diluted loss per share.

Significant Accounting Judgments and Estimates

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

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

- 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 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.
- The determination that the RTO constituted an asset acquisition and not a business combination (Note 2).
- The fair value of the share consideration deemed issued to acquire Vaxil Israel (Note 2).

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

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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. Management assesses that the adoption of IFRS 9 will not have a significant impact to the consolidated financial statements.

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 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.

6. CASH

	December 31,	
	2017	**2016**
In US dollars	**$ 11**	$ 22
In Canadian dollars	**155**	983
In new Israeli shekels ("NIS")	**3**	18
	$ 169	$ 1,023

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

7. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	December 31, 2017	December 31, 2016
Government institutions	$ 11	$ 18
Prepayments	10	3
Other	2	8
	$ 23	$ 29

8. EQUIPMENT, NET

	Computers and software	Laboratory equipment	Total
Cost:			
Balance - January 1, 2017	17	196	213
Balance - December 31, 2017	17	196	213
Accumulated depreciation:			
Balance - January 1, 2017	11	37	48
Depreciation during the year	1	46	47
Balance - December 31, 2017	12	83	95
Depreciated cost - December 31, 2017	5	113	118
Depreciated cost - December 31, 2016	6	159	165

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

9. OTHER ACCOUNTS PAYABLE AND ACCURED LIABILITIES

	December 31	
	2017	**2016**
Employee benefit and related institutions	$ **12**	$ 13
Accrued payroll	**30**	-
Vacation provision	**12**	-
Government institutions	**11**	12
Current portion of capital lease (Note 10)	**29**	75
Other accruals	**66**	7
	$ **160**	$ 107

10. OTHER LONG-TERM LIABILITIES

Other long-term liabilities consist of a capital lease of $138 signed on September 4, 2016, in respect of the purchase of a Fluorescence-activated cell sorting ("FACS") Instrument (Note 8). The net carrying value of the new capital lease obligation was $78 at December 31, 2017 (December 31, 2016 - $101). Once all payments are made the ownership of the equipment will pass to the Company. At December 31, 2017, the future minimum lease payments under the capital lease are:

2018:	$ 29
2019 and thereafter:	49
Total	$ 78

11. SHARE CAPITAL AND RESERVES

a) Authorized share capital

As at December 31, 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.

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 2:1 basis. All periods presented have been retroactively adjusted to reflect this consolidation.

11. SHARE CAPITAL AND RESERVES (CONTINUED)

b) Issued share capital:

(i) On January 21, 2016, the Company completed a non-brokered private placement of 388,019 shares for gross proceeds of $57 at $0.15 per share (NIS 0.43) and on February 29, 2016, the Company completed a second non-brokered private placement of 245,432 shares at $0.21 (NIS 0.61) per share for gross proceeds of $53. Issuance costs paid in cash for both private placements in the amount of $7 were charged against share capital in the statements of changes in shareholders' equity. In addition, the Company issued 38,802 shares to a third party as a finders' fee.

(ii) On January 21, 2016, the Company issued 92,719 shares at $0.21 per share (NIS 0.61) in order to settle liabilities $23 as of December 31, 2015 and on February 29, 2016, Vaxil Israel issued 54,541 shares, at $0.25 per share (NIS 0.73) and 660,096 shares were issued at $0.21 per share (NIS 0.61) in order to settle liabilities of $78 as of December 31, 2015 and to pay for $78 of consulting services incurred during the first quarter of 2016. $101 was charged against accounts payable in the consolidated statements of financial position, $78 was charged to the consolidated statements of loss and comprehensive loss and $179 was credited to share capital in the statements of changes in shareholders' equity.

(iii) On February 29, 2016, Vaxil Israel issued 1,254,760 shares in respect of liabilities that were settled in 2015 and were recorded in the statements of changes in shareholders' equity as of December 31, 2015 as shares to be issued. The fair value of the shares to be issued was $263 on the date of issuance and it was recorded as share capital in the statements of changes in shareholders' equity with a $62 loss on settlement in the consolidated statements of loss and comprehensive loss. On the same date, the Company also issued 106,354 shares at $0.21 per share (NIS 0.61) to a consultant that facilitated the settlement of liabilities. The fair value of the shares issued was $23 and it was recorded as share capital in the statements of changes in shareholders' equity with a corresponding charge to the consolidated statements of loss and comprehensive loss.

(iv) As part of the RTO Closing, the Company issued 135,836 shares valued at $435 to Vaxil Israel warrant holders as consideration for the cancellation of their warrants.

(v) On February 29, 2016, the Company and Vaxil Israel completed the RTO transaction. Under the RTO accounting, Vaxil Israel is considered to have issued 7,538,043 common shares, 6,652,024 warrants, and 465,064 options to the former shareholders, warrant holders and option holders of the Company to acquire the net assets and public listing status of the Company.

The fair value of the 7,538,043 common shares issued of $1,508 was charged to Share Capital in the statements of changes in shareholders' equity was determined by reference to the share price at the time of the RTO.

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

11. SHARE CAPITAL AND RESERVES (CONTINUED)

b) Issued share capital (continued):

(v) The fair value of the 6,652,024 warrants issued of $780, which was charged to warrant reserve in the statements of changes in shareholders' equity and was determined using the Black-Scholes option pricing model and the following assumptions:

Number of Warrants	178,571	2,380,953	1,992,500	2,100,000
Share price	$ 0.20	$ 0.20	$ 0.20	$ 0.20
Exercise price	$ 1.40	$ 1.40	$ 0.10	$ 0.10
Expected life (years)	2.36	2.36	0.78	1.06
Annualized Volatility	162%	162%	95%	123%
Dividend yield	-	-	-	-
Risk free rate	0.64%	0.64%	0.64%	0.64%

The fair value of the 465,064 options issued of $76 which was charged to Contributed surplus in the consolidated statements of changes in shareholders' equity and was determined using the Black-Scholes option pricing model and the following assumptions:

Number of Options	90,064	375,000
Share price	$ 0.20	$ 0.20
Exercise price	$ 1.40	$ 0.10
Expected life (years)	1.80	4.05
Annualized Volatility	242%	151%
Dividend yield	-	-
Risk free rate	0.64%	0.64%

(vi) As noted in Note 2, on February 29, 2016 and concurrent with the RTO Closing, the Company closed a non-brokered private placement of 11,403,565 units at a price of $0.23 per unit for gross proceeds of $2,621,870.

Each unit consisted of one common share and one common share purchase warrant ("Private Placement Warrant"). Each common share purchase warrant entitles the holder to purchase 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. In addition, the Company issued 1,000,000 shares to the Agent.

11. SHARE CAPITAL AND RESERVES (CONTINUED)

b) Issued share capital (continued):

(vi) The Agents received a corporate finance fee and cash commission of $177 and 988,568 brokers warrants ("Private Placement Broker Warrant") as well as reimbursement of their expenses and 1,000,000 common shares.

The fair value of each Private Placement Warrant and Broker Warrant was determined using the Black Scholes option pricing model and the following assumptions: share price - $0.10; exercise price - $0.36; expected life – 3 years; annualized volatility – 220%; dividend yield – 0%; risk free rate – 0.64%.

(vii) On the date of the RTO, the Company issued 1,300,000 shares as a retention fee to two directors, the fair value of the shares of $260 was charged to share based compensation in the consolidated statements of loss and comprehensive loss.

(viii) During the year ended December 31, 2016, the Company issued 834,883 shares, for services provided in the amount of $149. Of this amount, $25 was in order to settle accounts payable. $124 was charged to general and administration costs in the consolidated statements of loss and comprehensive loss, with a corresponding charge to share capital in the consolidated statements of changes in shareholders' equity.

(ix) During the year ended December 31, 2016, the Company authorized to issue 260,000 shares to a former director in order to settle accounts payable of $57. As at December 31, 2016, the 65,000 common shares were issued and 135,000 are included in shares to be issued in the statements of changes in shareholders' equity.

(x) During the year ended December 31, 2016, 150,000 options were exercised for gross proceeds of $15. The fair value of the options of $27 were reclassified from contributed surplus to share capital in the consolidated statements of changes in shareholders' equity.

(xi) During the year ended December 31, 2016, 781,000 warrants were exercised for a gross amount of $79. The fair value of the warrants of $101 were reclassified from warrant reserve to share capital in the consolidated statements of changes in shareholders' equity.

(xii) 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 was $289 and was recorded as share capital in the statement of changes in shareholders' equity (deficiency) and was charged against accounts payable in the consolidated statements of financial position.

(xiii) 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.

(xiv) As at December 31, 2017, 1,598,582 (December 31, 2016 – 2,664,300) shares were held in escrow.

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

11. SHARE CAPITAL AND RESERVES (CONTINUED)

c) Stock options

The Company's stock option plan provides that the Board of Directors may from time to time, in its discretion, and in accordance with the TSX requirements, grant to directors, officers, employees and technical consultants of the Company, non-transferable options to purchase the Company's shares, provided that the aggregate number of shares of the Company's capital stock issuable pursuant to options granted under the Plan may not exceed 10% of the issued and outstanding common shares at the time of grant. Options granted under the Plan may have a maximum term of ten (10) years. The exercise price of options granted under the Plan will not be less than, the last closing market price of the Company's shares on the last day shares are traded prior to the grant date less any discount permitted by the TSX-V. Stock options granted under the Plan vest immediately subject to vesting terms which may be imposed at the discretion of the Directors, however, options issued to investor relations persons must vest in stages over 12 months with no more than one-quarter of the options vesting in any three-month period.

(i) On January 4, 2017, the Company granted 2,500,000 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 2,500,000 stock options issued of $291 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: share price - $0.13; exercise price - $0.125; expected life – 5 years; annualized volatility – 144%; dividend yield – 0%; risk free rate – 1.08%.

(ii) On December 7, 2017, 90,064 options expired.

(iii) Stock option transactions during the years ended December 31, 2017 and 2016 are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Balance, December 31, 2015	-	$	-
Issued as part of the RTO (Note 11b(v))	465,064		0.36
Exercised	(150,000)		
Balance, December 31, 2016	315,064	$	0.47
Granted (Note 11c(i))	2,500,000		0.125
Expired	(90,064)		1.40
Balance, December 31, 2017	**2,725,000**	**$**	**0.12**
Options exercisable, December 31, 2017	**2,725,000**	**$**	**0.12**

As at December 31, 2017, the Company had outstanding stock options, enabling the holders to acquire further common shares as follows:

Number of Options Outstanding as at December 31, 2017	Exercise Price	Expiry Date
225,000	$0.10	March 18, 2020
2,500,000	$0.125	January 3, 2022
2,725,000		

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

11. SHARE CAPITAL AND RESERVES (CONTINUED)

d) Warrants

(i) Subscriber's warrant transactions for the years ended December 31, 2107 and 2016 are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, December 31, 2015	7,695,272	$	0.45
Cancelled (Note 2)	(7,695,272)		
Issued as part of the RTO (Note 11b(v))	6,652,024		0.58
Issued on private placement (Note 11b(vi))	11,402,565		0.31
Agent's warrants from private placement (Note 11b(vi)	1,103,658		0.31
Expired	(2,168,071)		0.10
Exercised	(781,000)		0.10
Balance, December 31, 2016	16,210,176	$	0.45
Issued	-		
Expired	(1,319,000)		0.10
Exercised	-		
Balance, December 31, 2017	**14,891,176**	**$**	**0.52**

(ii) As at December 31, 2017, the Company had outstanding subscriber's warrants, enabling the holders to acquire further common shares as follows:

Number of Warrants Outstanding as at December 31, 2017	Exercise Price	Expiry Date
2,380,953	$1.40	July 8, 2018
178,571	$0.21	July 8, 2018
928,087	$0.36	February 29, 2019
11,403,565	$0.35	February 29, 2019
14,891,176		

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

12. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% to the effective tax rate for the year ended December 31, 2017 is as follows:

		2017		2016
Income (loss) before recovery of income taxes	$	(1,798)	$	(4,539)
Expected income tax (recovery) expense	$	(476)	$	(1,203)
Difference in foreign tax rates		26		11
Timing differences carryforward on the acquisition		-		(1,652)
Share based compensation and non-deductible expenses		76		822
Change in tax benefits not recognized		374		2,022
Income tax (recovery) expense	$	-	$	-

Unrecognized Deferred Tax

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

		2017		2016
Deferred income tax				
Share issuance costs	$	355	$	492
Non-capital losses carried forward - Canada	$	1,191	$	323
Net operating loss - Israel	$	8,632	$	7,747

The Canadian non-capital loss carry-forwards expire between 2036 and 2037. The Israel net operating losses carry forward indefinitely. Share issuance and financing costs will be fully amortized in 2021.

13. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2017, the Company incurred $389, in consulting fees from one officer and two directors of the Company (year ended December 31, 2016 - $233), of which $162 was paid in cash (year ended December 31, 2016 - $137) and $227 (year ended December 31, 2016 - $96) is included in accounts payable.

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 December 31, 2017, the Company had $215 outstanding liabilities to related parties (December 31, 2016 – nil).

14. CAPITAL MANAGEMENT

The Company's capital comprises share capital, share-based payment reserve, warrant reserve, and accumulated other comprehensive loss. The Company manages its capital structure, and makes adjustments to it, based on the funds available to the Company in order to support the Company's business activities. The Board of Directors does not establish quantitative return on capital criteria for management; it relies on the expertise of the Company's management to sustain future development of the business.

The intellectual property in which the Company currently has an interest is in the development stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned research and development and pay for administrative costs, the Company intends to raise additional amounts as needed (Note 1).

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

15. FINANCIAL AND CAPITAL RISK MANAGEMENT

Fair value
The carrying value of account receivable and accounts payable and other accounts payable and accrued liabilities 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 is exposed to foreign currency fluctuation on it operations in Israel, which are denominated in Israel New Shekels. Sensitivity to a plus or minus 10% change in rates would not have a significant effect on the net income (loss) of the Company.

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, 2017.

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

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, 2017, the Company had cash 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).

15. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

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.

16. COMMITMENTS

a. Clinical trial agreements

The Company has an agreement to conduct clinical trials with medical institutions and entities (Hadassa Medical Center, Rambam Medical Center, and Kaplan Medical Center). In the framework of these agreements, the Company is committed to pay quarterly payments in accordance with the number of patients participating in the relevant clinical trials.

The Company is committed, under certain conditions, to indemnify and release the medical institution of any responsibility for damages and/or expenses that might be incurred as a result of the clinical trial, including in consequence of lawsuit for product warranty or third-party lawsuit or intellectual property.

b. Office of the Chief Scientist ("OCS"), Ministry of Economy of the State of Israel

On June 12, 2014, Vaxil received approval for support from the OCS for continuing its Research and Development plan of the ImMucin vaccine for treating multiple myeloma ("R&D Plan"). The approved amount for the R&D Plan budget ("the Budget") was NIS 3,000,000 (approximately $1,065), and the grant shall be 50% of the Budget. At the end of the program, on December 31, 2015, the Company had utilized $675 out of the Budget ("Grant Receipt).

The Company is a committed to royalty payment to the OCS, at a rate 3%-6% of any revenues derived from knowhow developed with the participation of the OCS. The contingent liability to the OCS is limited to the Grant Receipt plus interest at the US$ LIBOR rate. As of December 31, 2017, and 2016, the Company has not accrued a provision for the Grant Receipt.

c. Office Rental

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.

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

17. RESEARCH AND DEVELOPMENT COSTS, NET

	Year ended December 31,	
	2017	**2016**
Wages, salaries and related expenses	**$ 329**	$ 194
Consultants and sub-contractors (Note 13)	**298**	260
Development materials	**114**	58
Patent registration	**50**	46
Depreciation (Note 8)	**47**	22
Others	**-**	5
	$ 838	$ 585

18. GENERAL AND ADMINISTRATION COSTS

	Year ended December 31,	
	2017	**2016**
Consulting, management and directors fees (Note 13)	**$ 448**	$ 460
Professional fees	**127**	237
Office rental and other related expenses	**74**	81
Gain on settlement of liabilities	**-**	19
Settlement of lawsuit	**-**	41
Other	**24**	67
	$ 673	$ 905

19. CONTINGENCIES

a) 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 (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 that their claim will be successful and should the plaintiff be successful, they will be awarded an insignificant amount.

b) On February 13, 2017, the Company reached a settlement with a previous service provider ("the Plaintiffs") who had served the Company with a lawsuit in the Tel Aviv Magistrate Court. The settlement requires the Company to issue 368,663 common shares of the Company. As at December 31, 2017, the Plaintiffs have not provided the information required to issue these shares and therefore they have been included in shares to be issued in the consolidated statements of changes in shareholders' equity (deficiency).

20. SUBSEQUENT EVENT

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 (the "Warrant"). Each Warrant is exercisable into one additional common share of the Company 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. In December 2017, the Company received an advance of $150 related to this private placement. 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, the Company paid certain finders fees on a portion of funds raised. Aggregate cash commissions of $90 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.