VAXIL BIO LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

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INDEX

Independent Auditor's Report

To the Shareholders of Vaxil Bio Ltd.:

Opinion

We have audited the consolidated financial statements of Vaxil Bio Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has incurred losses from inception, 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. As stated in Note 1, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management’s Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Patrycja Anna Kajda.

MNP LLP

Mississauga, Ontario
April 22, 2019

Chartered Professional Accountants
Licensed Public Accountants

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

	Note	December 31 2018	December 31 2017
ASSETS			
Current assets			
Cash and cash equivalents	**5**	**$ 753**	$ 169
Amounts receivables and prepaid expenses	**6**	**75**	23
Total current assets		**828**	192
Equipment, net	**7**	**62**	118
Total Assets		**$ 890**	$ 310
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable	**12**	**335**	438
Advanced subscription		**-**	150
Other accounts payable and accrued liabilities	**8,9**	**120**	160
Total current liabilities		**455**	748
Long-term liabilities			
Long-term accounts payable	**9**	**-**	49
Total liabilities		**455**	797
Shareholders' equity			
Share capital	**10**	**11,234**	10,139
Shares to be issued		**-**	41
Warrant reserve	**10**	**1,910**	1,376
Contributed surplus	**10**	**2,425**	2,224
Foreign currency transaction reserve		**(26)**	(28)
Accumulated deficit		**(15,108)**	(14,239)
Total shareholders' equity		**435**	(487)
Total liabilities and shareholders' equity		**$ 890**	$ 310

Nature and continuance of operations and going concern (Note 1)

Commitments and Contingencies (Note 15)

Approved and authorized by the Board on April 22, 2019:

"Gadi Levin" Director *"Ari Kellen"* Director
Gadi Levin Ari Kellen

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

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

	Note	Year ended December 31 2018	Year ended December 31 2017
Expenses:			
Research and development costs	**16**	**$ 575**	$ 838
General and administration costs	**17**	**371**	673
Share based compensation	**10**	**95**	292
Total Expenses		**1,041**	1,803
Operating Loss		**(1,041)**	(1,803)
Financial expenses (income)		**6**	(5)
Net loss for the year		**(1,047)**	(1,798)
Other Comprehensive Loss			
Foreign currency translation adjustment		**2**	33
Net loss and comprehensive loss for the year		**$ (1,045)**	$ (1,765)
Basic and Fully Diluted Loss Per Share		**$ (0.01)**	$ (0.04)
Weighted Average Number Of Shares Outstanding- Basic and diluted		**85,139,177**	50,355,466

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

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

	Year ended December 31	
	2018	**2017**
Cash flows from operating activities		
Net loss for the year	**$ (1,047)**	$ (1,798)
Items not affecting cash:		
Depreciation	**56**	47
Interest on loan	**2**	17
Share-based compensation	**95**	292
Shares issued on settlement	**-**	41
Changes in non-cash working capital:		
Amounts receivable and prepaid expenses	**(52)**	6
Accounts payable	**(103)**	370
Other accounts payable and accrued liabilities	**106**	24
	(943)	(1,001)
Cash flows from financing activities		
Loan repayment	**(32)**	(35)
Advance subscription	**-**	150
Proceeds from the exercise of warrants	**3**	-
Proceeds from private placement net	**1,554**	-
	1,525	115
Increase (decrease) in cash and cash equivalents	**582**	(886)
Effect of changes in foreign exchange rates	**2**	32
Cash and cash equivalents, beginning of year	**169**	1,023
Cash and cash equivalents, end of year	**$ 753**	$ 169

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

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

	Share capital		Shares to be issued	Warrant reserve	Contributed surplus	Foreign currency transaction reserve	Accumulated deficit	Total Equity (Capital Deficiency)
	Number of shares	Amount						
Balance - January 1, 2018	**50,624,350**	**$ 10,139**	**$ 41**	**$ 1,376**	**$ 2,224**	**$ (28)**	**$ (14,239)**	**$ (487)**
Private Placement (Note 10(b)(iii))	36,200,000	885	-	819	-	-	-	1,704
Exericse of warrants (Note 10(b)(iv))	63,000	4	-	(4)	3	-	-	3
Shares issued in respect of settlement of liabilities recorded in the prior year (Note 10(b)(v))	2,042,097	206	(41)	-	-	-	-	165
Share based compensation (Note 10(c)(i))	-	-	-	-	95	-	-	95
Cancelation of options (Note 10(c)(ii))	-	-	-	-	(178)	-	178	-
Expiration of warrants (Note 10(d)(i))	-	-	-	(281)	281	-	-	-
Net comprehensive loss for the year	-	-	-	-	-	2	(1,047)	(1,045)
Balance - December 31, 2018	**88,929,447**	**$ 11,234**	**$ -**	**$ 1,910**	**$ 2,425**	**$ (26)**	**$ (15,108)**	**$ 435**

	Share capital		Shares to be issued	Warrant reserve	Contributed surplus	Foreign currency transaction reserve	Accumulated deficit	Total Equity (Capital Deficiency)
	Number of shares	Amount						
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 year (Note 10(b)(i))	2,630,772	289	-	-	-	-	-	289
Shares issued in respect of settlement of liabilities recorded in the prior year (Note 10(b)(ii))	195,000	43	(43)	-	-	-	-	-
Share based compensation (Note 10(c))	-	-	-	-	292	-	-	292
Shares issued on settlement	-	-	41	-	-	-	-	41
Expiration of warrants (Note 10(d))	-	-	-	(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.

1. NATURE AND CONTINUANCE OF OPERATIONS AND GOING CONCERN

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. Vaxil is an Israeli immunotherapy biotech company focused on its novel approach to targeting prominent cancer markers. Its lead product ImMucin™ successfully completed a Phase 1/2 clinical trial in multiple myeloma and received orphan drug status from the FDA and EMA. The Company is also developing a tuberculosis vaccine / treatment that has demonstrated promising preliminary results with further preclinical evaluation underway at a top US academic and research institution. Additional indications and mAb candidates are under evaluation as immuno-oncology and infectious disease treatments alone and in combination with other treatments. The Company trades on the TSX Venture under the symbol "VXL.V". The Company's head office is located at 3400 One First Canadian Place, ON, M5X 1A4, Toronto, Ontario.

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 $15,108, 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, 2018, 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 22, 2019.

2. 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 3. Standards and guidelines not effective for the current accounting period are described in Note 4.

Basis of Measurement

These 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 Bio Ltd. (an Israeli entity) ("Vaxil Israel"), and Vaxil Biotherapeutics Ltd. (Israel) ("Vaxil Biotherapeutics"). All intercompany balances and transactions have been eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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.

3. 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	12 - 33%

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

In July 2014, the IASB published IFRS 9 which replaces IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces improvements which include a logical model for classification and measurement of financial instruments, a single, forward-looking "expected credit loss" impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 was effective for annual reporting periods beginning on or after January 1, 2018.

As a result of the adoption of IFRS 9, the Company has changed its accounting policy for financial instruments retrospectively, for ones that were recognized at the date of application, which was January 1, 2018. The change did not impact the carrying value of any financial instruments on this date.

a) Classification

In implementing IFRS 9, the Company updated the financial instruments classification within its accounting policy. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial asset/liability	**Classification under IAS 39**	**Classification under IFRS 9**
Cash and cash equivalents	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Long-term accounts payable	Other financial liabilities	Amortized cost

The Company determines the classification of financial assets at initial recognition. The classification of its instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading (including all equity derivative instruments) are classified as fair value through profit and loss ("FVTPL"). For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them at fair value through other comprehensive income ("FVTOCI"). Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

b) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of net income (loss) in the period in which they arise. Where Company has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

c) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company recognizes an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

	FAIR VALUE	**As at December 31, 2018**		As at December 31, 2017	
	INPUT LEVEL	**CARRYING AMOUNT**	**ESTIMATED FAIR VALUE**	CARRYING AMOUNT	ESTIMATED FAIR VALUE
Financial Assets:					
Cash and cash equivalents (note 5)	1	$ 753	$ 753	$ 169	$ 169

3. 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.

3. 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 loss and comprehensive 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 consolidated 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 other comprehensive loss. If the Company determined that settlement of these amounts was planned or likely in the foreseeable future, the resultant foreign exchange gains and losses would be recorded through profit or loss.

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

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The IASB issued new standards and amendments not yet effective.

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 will adopt IFRS 16 on January 1, 2019. The lease described in Note 15 will be subject to assessment under IFRS 16. As the lease will be short term on the date of adoption, management has assessed that there will be no significant impact on the consolidated financial statements.

5. CASH AND CASH EQUIVALENTS

	December 31,	
	2018	**2017**
In US dollars	**$ 477**	$ 11
In Canadian dollars	**272**	155
In new Israeli shekels ("NIS")	**4**	3
	$ 753	$ 169

6. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	December 31,	
	2018	**2017**
Government institutions	**$ 57**	$ 11
Prepayments	**18**	10
Other	**-**	2
	$ 75	$ 23

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

7. EQUIPMENT, NET

	Computers and software	Laboratory equipment	Total
Cost:			
Balance - January 1, 2018	**$ 17**	**$ 196**	**$ 213**
Balance -December 31, 2018	**$ 17**	**$ 196**	**$ 213**
Accumulated depreciation:			
Balance - January 1, 2018	**$ 12**	**$ 83**	**$ 95**
Depreciation during the year	3	53	56
Balance -December 31, 2018	**$ 15**	**$ 136**	**$ 151**
Depreciated cost - December 31, 2018	**$ 2**	**$ 60**	**$ 62**
Depreciated cost - December 31, 2017	**$ 5**	**$ 113**	**$ 118**

8. OTHER ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31	
	2018	**2017**
Employee benefit and related institutions	**$ 1**	$ 12
Accrued payroll	**33**	30
Vacation provision	**12**	12
Government institutions	**5**	11
Current portion of capital lease	**49**	29
Accruals	**20**	66
	$ 120	$ 160

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

9. OTHER LONG-TERM LIABILITIES

Other long-term liabilities consisted of a capital lease of $138, in respect of the purchase of a Fluorescence-activated cell sorting ("FACS") Instrument. The net carrying value of the capital lease obligation was $49 at December 31, 2018 (December 31, 2017 - $78) and included in other accounts payable and accrued liabilities. Once all payments are made the ownership of the equipment will pass to the Company. At December 31, 2018, the future minimum lease payments under the capital lease are:

2019:	$ 49
Total	**$** 49

10. SHARE CAPITAL AND RESERVES

a) Issued and authorized share capital

As at December 31, 2018, 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. As at December 31, 2018, the Company had 88,929,447 (2017 – 50,624,350) common shares issued and outstanding and 532,864 (2017 – 1,598,582) common shares held in escrow.

b) Transactions:

(i) On January 23, 2017, the Company issued 2,630,772 shares in respect of the settlement of certain liabilities. The fair value of the shares issued was $289 and was recorded as share capital in the consolidated statement of changes in shareholders' equity (deficiency) and was charged against accounts payable in the consolidated statements of financial position.

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

(iii) On January 26, 2018, the Company completed a non-brokered private placement resulting in gross proceeds of $1,810. The non-brokered private placement involved the sale of 36,200,000 units at a price of $0.05 per unit (the "Non-Brokered Units"). Each Non-Brokered Unit comprised one common share and one common share purchase warrant (the "Non-Brokered Warrant"). Each Non-Brokered Warrant entitles the holder thereof to acquire one additional common share for a period of 36 months from at an exercise price of $0.10.

The Company incurred issuance costs of $106 and issued 1,143,849 compensation warrants (the "Compensation Warrants") in connection with this non-brokered private placement. Each Compensation Warrant is exercisable into one Common Share in of the Company for a period of 24 months at a price of $0.05.

The total fair value of the Non-Brokered Warrants and Compensation Warrants was $819 and was determined using the Black Scholes option pricing model and the following assumptions:

Non-Brokered Warrants: share price - $0.085; exercise price - $0.10; expected life – 3 years; annualized volatility – 124%; dividend yield – 0%; risk free rate – 1.93%.

Compensation Warrants: share price - $0.085; exercise price - $0.05; expected life – 2 years; annualized volatility – 124%; dividend yield – 0%; risk free rate – 1.81%. This amount was charged against warrant reserve in the consolidated statement of changes in consolidated shareholders' equity (deficiency).

Gross proceeds, less issuance costs paid in cash and less the total fair value of the Non-Brokered Warrants and Compensation Warrants were charged against share capital and warrant reserve in the consolidated statements of changes in shareholders' equity (deficiency).

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

10. SHARE CAPITAL AND RESERVES (CONTINUED)

(iv) During second quarter of 2018, 63,000 Compensation Warrants were exercised at an exercise price of $0.05 for aggregate gross proceeds of $4.On July 31, 2018, the Company issued 2,042,097 shares at $0.10 per share in order to settle certain liabilities that accrued to related parties and an employee in 2018. The fair value of the shares issued was $206, of which $41 was included in Shares to be Issued in the consolidated statement of changes in shareholders' equity (deficiency) as of December 31, 2017. Therefore, $206 was recorded as share capital with a corresponding decrease in Shares to be Issued of $41, and a decrease in accruals in the consolidated statement of financial position of $165.

c. Stock options:

(i) On September 4, 2018, the Company granted 4,446,472 stock options to the CEO of the Company. The exercise price is $0.09 per share, the options granted vest quarterly in areas over the three years from the grant date. The options expire on September 3, 2023.

The fair value of the 4,446,472 stock options issued is $303. $95 was charged in 2018 to contributed surplus on the consolidated statement of changes in shareholders' equity (deficiency) representing the vested portion of the expense and was determined using the Black-Scholes option pricing model and the following assumptions: share price - $0.08; exercise price - $0.09; expected life – 5 years; annualized volatility – 130%; dividend yield – 0%; risk free rate – 2.16%.

(ii) Stock option transactions during the years ended December 31, 2018 and 2017 are summarized as follows:

	Options Issued	Average Exercise Price
Balance, January 1, 2017	315,064	$ 0.47
Granted	2,500,000	0.13
Expired	(90,064)	1.40
Balance outstanding at December 31, 2017	2,725,000	0.12
Granted	4,446,472	0.09
Cancelled (*)	(1,523,788)	0.13
Balance outstanding at December, 2018	**5,647,684**	**$ 0.10**

(*) During the year, 1,523,788 options with a fair value of $178 were cancelled.

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

10. SHARE CAPITAL AND RESERVES (CONTINUED)

c. Stock options (continued):

(iii) As at December 31, 2018, the Company had outstanding stock options, enabling the holders to acquire further common shares as follows:

Options Outstanding				Options Exercisable
Number Outstanding at December 31, 2018	**Exercise Price**		**Expiry Date**	**Exercisable at December 31, 2018**
225,000	$	0.100	March 18, 2020	225,000
976,212	$	0.125	January 3, 2022	976,212
4,446,472	$	0.090	September 3, 2023	1,392,317
5,647,684				**2,593,529**

d) Warrants

(i) Subscriber's warrant transactions for the years ended December 31, 2018 and 2017 are summarized as follows:

	Warrants Issued		**Weighted average exercise price**
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
Issued - see note 10(b)(iii)	36,200,000		0.10
Issued - see note 10(b)(iii)	1,143,849		0.10
Expired	(2,559,524)		1.32
Exercised- see note 10(b)(iv)	(63,000)		0.05
Balance at December, 2018	**49,612,501**	**$**	**0.16**

(*) During the year, 2,559,524 warrants with a fair value of $281 expired.

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

10. SHARE CAPITAL AND RESERVES (CONTINUED)

d) Warrants

(ii) As at December 31, 2018, the Company had outstanding subscriber's warrants, enabling the holders to acquire further common shares as follows:

Number of warrants outstanding as of December 31, 2018	Date of expiry	Exercise price
11,403,565	February 28, 2019	$ 0.36
928,087	February 28, 2019	$ 0.36
36,200,000	January 26, 2021	$ 0.10
1,080,849	January 26, 2020	$ 0.05
49,612,501		

11. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2017: 26.5%) to the effective tax rate for the year ended December 31, 2018 is as follows:

		2018		**2017**
Loss before recovery of income taxes	$	(1,047)	$	(1,798)
Expected income tax recovery	$	(277)	$	(476)
Difference in foreign tax rates		17		26
Prior year true-up and other adjustments		(19)		-
Share issuance costs booked through equity		(48)		-
Share based compensation and non-deductible expenses		25		76
Change in tax benefits not recognized		302		374
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:

		2018		**2017**
Deferred income tax				
Property and equipment	$	32	$	-
Capital lease obligation	$	49	$	-
Share issuance costs	$	369	$	355
Non-capital losses carried forward - Canada	$	1,834	$	1,191
Net operating loss - Israel	$	9,103	$	8,632

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

11. INCOME TAXES (CONTINUED)

The Canadian non capital loss carry forwards expire between 2036 and 2038 per the table below:

2036	$	297
2037		894
2038		643
Total	$	1,834

The Israel net operating losses carry forward indefinitely. Share issuance and financing costs will be fully amortized in 2022.

The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

12. RELATED PARTY TRANSACTIONS

The following are the expenses incurred key management for the year ended December 31, 2018 and 2017 and the balances owing as of December 31, 2018 and 2017:

For the year ended December 31, 2018

	Directors Fees	**Consulting Fees / Salaries**	**Share based awards**	**Total**	**Amounts owing at December 31, 2018**
David Goren, Director and CEO	$ -	$ 33	$ 95	$ 128	$ 9
Gadi Levin, Director and CFO	-	59	-	59	5
Isaac Maresky, Director	-	155	-	155	-
Saeid Babaei, Director	-	5	-	5	88
Total	$ -	$ 252	$ 95	$ 347	$ 102

For the year ended December 31, 2017

	Directors Fees	**Consulting Fees**	**Share based awards**	**Total**	**Amounts owing at December 31, 2017**
Gadi Levin, Director and CFO	$ -	$ 77	$ 23	$ 100	$ 43
Isaac Maresky, Director	-	126	46	172	96
Saeid Babaei, Director	-	186	46	232	88
Total	$ -	$ 389	115	$ 504	$ 227

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, 2018, the Company had $88 outstanding liabilities to related parties (December 31, 2017 - $215)

13. 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.

14. 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, 2018 and December 31, 2017 was $828 and $192, respectively, which consisted of $753 (December 31, 2017 - $169) in cash held in bank accounts and $75 (December 31, 2017 - $23) in accounts receivable and prepaid expenses. None of the Company's accounts receivable are overdue as at December 31, 2018.

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, 2018, the Company had cash of $753 (December 31, 2017 - $169) and accounts receivable and prepaid expenses of $75 (December 31, 2017 - $23) to settle current liabilities in the amount of $455 (December 31, 2017 - $748).

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

14. 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 research and development. 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 research and development 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.

15. COMMITMENTS AND CONTIGENIES

a. The Company has an agreement for the lease of the offices in Israel for a period ending in February 2020. The total future minimum lease payments under the operating lease is $7.

b. On November 8, 2016, a lawsuit was served in the Tel Aviv Magistrate Court against Vaxil Bio Ltd. (Israel), Vaxil Biotherapeutics Ltd. and the Vaxil Bio Ltd. (Canada) (together: the "Defendants"). The lawsuit was served by the former auditors (the "Plaintiffs") of Vaxil Bio Ltd. (Israel), Vaxil Biotherapeutics Ltd. claiming that they did not receive their full compensation for services provided to the Defendants in the past. Additionally, the Plaintiffs claim to be entitled to a termination fee in respect of future audits because, as they claim, the companies agreed to retain them as auditors for at least three years. The Plaintiffs demanded an amount of NIS 532,695 (Approximately $190) for the services.

   The Company disagrees with these claims and is defending these claims, and although it is impossible to provide any guarantee as to the outcome of the case it is the Company's assessment, based on advice from the Company's legal counsel, at this stage and based on the information known by the Company, that there is more than 50% chance that any claim in excess of NIS 100,000 ($37) will be denied.

16. RESEARCH AND DEVELOPMENT COSTS, NET

	Year ended December 31	
	2018	**2017**
Wages, salaries and related expenses	**$ 150**	$ 329
Consultants and sub-contractors	**274**	298
Development materials	**37**	114
Patent registration	**58**	50
Depreciation	**56**	47
	$ 575	$ 838

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

17. GENERAL AND ADMINISTRATION COSTS

	Year ended December 31	
	2018	**2017**
Consulting, management and directors fees	**$ 99**	$ 448
Professional fees	**223**	127
Office rental and other related expenses	**28**	74
Other	**21**	24
	$ 371	$ 673