

**VAXIL BIO LTD**

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

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023**

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**NOTICE OF NO AUDITOR REVIEW OF THE  
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 - *Continuous Disclosure Obligations*, of the Canadian Securities Administrators, the Company (as defined herein) discloses that its auditors have not reviewed the accompanying unaudited condensed interim consolidated financial statements.

The accompanying unaudited condensed interim consolidated financial statements of Vaxil Bio (“Vaxil”, the “Company”) for the three and nine months ended September 30, 2023 have been prepared by and are the responsibility of the Company’s management and have not been reviewed by the Company’s auditors.

**VAXIL BIO LTD****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Unaudited)

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

	Note	September 30, 2023	December 31, 2022
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 1,009	\$ 1,510
Amounts receivable and prepaid expenses		41	31
<b>Total current assets</b>		<b>\$ 1,050</b>	<b>\$ 1,541</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 190	\$ 405
<b>Total current liabilities</b>		<b>190</b>	<b>405</b>
<b>Shareholders' equity</b>			
Share capital	4	16,074	16,074
Warrant reserve	4	324	324
Equity reserves	4	3,925	3,911
Accumulated other comprehensive income		(80)	(70)
Accumulated deficit		(19,383)	(19,103)
<b>Total shareholders' equity</b>		<b>860</b>	<b>1,136</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 1,050</b>	<b>\$ 1,541</b>

**Nature and continuance of operations** (Note 1)**Commitments and contingencies** (Note 7)

Approved and authorized by the Board on November 13, 2023:

\_\_\_\_\_  
"Gadi Levin"  
Gadi Levin, Director

\_\_\_\_\_  
"Ari Kellen"  
Ari Kellen, Director

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

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

	Note	Three months ended		Nine months ended	
		September 30,		September 30,	
		2023	2022	2023	2022
<b>Expenses:</b>					
Research and development costs	5	\$ 1	\$ 89	\$ 92	\$ 254
General and administration costs	6	24	40	179	145
Share based compensation	4	8	10	14	12
<b>Total Expenses</b>		<b>33</b>	<b>139</b>	<b>285</b>	<b>411</b>
<b>Operating Loss</b>		<b>(33)</b>	<b>(139)</b>	<b>(285)</b>	<b>(411)</b>
Gain on sale of equipment		5	-	5	-
<b>Net loss for the period</b>		<b>(28)</b>	<b>(139)</b>	<b>(280)</b>	<b>(411)</b>
<b>Other comprehensive loss</b>					
Foreign currency translation adjustment		(7)	(3)	(10)	1
<b>Comprehensive loss for the period</b>		<b>\$ (35)</b>	<b>\$ (142)</b>	<b>\$ (290)</b>	<b>\$ (410)</b>
<b>Basic and fully diluted loss per share</b>		<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of shares outstanding</b>		<b>136,978,973</b>	<b>136,978,973</b>	<b>136,978,973</b>	<b>136,978,973</b>

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

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

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	<b>Nine months ended</b>	
	<b>September 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities</b>		
Net loss for the period	\$ (280)	\$ (411)
Items not affecting cash:		
Depreciation	-	2
Share-based compensation	14	12
Changes in non-cash working capital:		
Amounts receivable and prepaid expenses	(11)	6
Accounts payable and accrued liabilities	(215)	(160)
<b>Net cash flows used in operating activities</b>	<b>(492)</b>	<b>(551)</b>
	<b>(492)</b>	<b>(551)</b>
<b>Net decrease in cash before effect of exchange rate changes</b>		
Effect of changes in foreign exchange rates	(9)	(5)
Net decrease in cash	(501)	(556)
Cash, beginning of period	1,510	2,241
Cash, end of period	<b>\$ 1,009</b>	<b>\$ 1,685</b>

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

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

	<b>Number of Shares</b>		<b>Warrant Reserve</b>		<b>Equity Reserves</b>		<b>Accumulated Other Comprehensive Income</b>		<b>Accumulated Deficit</b>		<b>Total Shareholders Equity</b>
<b>Balance - January 1, 2023</b>	<b>136,978,973</b>	<b>\$ 16,074</b>	<b>\$ 324</b>	<b>\$ 3,911</b>	<b>\$ (70)</b>	<b>\$ (19,103)</b>	<b>\$ 1,136</b>				
Share based compensation	-	-	14	-	-	14					
Net loss and comprehensive loss for the period	-	-	-	(10)	(280)	(290)					
<b>Balance - September 30, 2023</b>	<b>136,978,973</b>	<b>\$ 16,074</b>	<b>\$ 324</b>	<b>\$ 3,925</b>	<b>\$ (80)</b>	<b>\$ (19,383)</b>	<b>\$ 860</b>				
<b>Balance - January 1, 2022</b>	<b>136,978,973</b>	<b>\$ 16,074</b>	<b>\$ 358</b>	<b>\$ 3,860</b>	<b>\$ (73)</b>	<b>\$ (18,519)</b>	<b>\$ 1,700</b>				
Share based compensation	-	-	-	12	-	12					
Net loss and comprehensive loss for the period	-	-	-	-	1	(411)	(410)				
<b>Balance - September 30, 2022</b>	<b>136,978,973</b>	<b>\$ 16,074</b>	<b>\$ 358</b>	<b>\$ 3,872</b>	<b>\$ (72)</b>	<b>\$ (18,930)</b>	<b>\$ 1,302</b>				

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

1. **NATURE AND CONTINUANCE OF OPERATIONS AND GOING CONCERN**

The Company is listed on the TSX Venture Exchange (“TSX-V”) under the symbol VXL. The Company is an Israeli biotechnology company that is focused on a novel drug discovery and development platform based on Signal Peptides (“SPs”) to fight infectious diseases and cancer. On August 2, 2023, the Company announced that, given the need for additional investment, the Company is exploring new sources of capital and potential partners to support continued development of this platform. In parallel, the board of directors is actively exploring strategic options for maximizing shareholder value from the Company’s assets, which may not be a continuation of the business in its current form.

Vaxil’s common shares (the “Common Shares”) trade on the TSX-V 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 condensed interim 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 \$19,383, 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 of September 30, 2023, the Company had not yet achieved profitable operations and expects to incur further losses in the development of its products, all of which may cast significant doubt about the Company’s ability to continue as a going concern. These condensed interim consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company not be able to continue as a going concern.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 13, 2023.

2. **BASIS OF PREPARATION**

**Statement of Compliance**

These condensed interim consolidated financial statements, including comparatives, 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”) with an effective date of September 30, 2023.

These condensed interim consolidated financial statements should be read in conjunction with the Company’s annual financial statements for the year ending December 31, 2022. Certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS are not included in these condensed interim consolidated financial statements.

**Basis of Presentation**

The condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. All dollar amounts presented in thousands and are in Canadian dollars unless otherwise specified.

## 2. BASIS OF PREPARATION (CONTINUED)

### **Basis of Consolidation**

These condensed interim consolidated financial statements include the accounts of Vaxil and its wholly-owned subsidiary (Vaxil Israel Ltd), which in turn owns 100% of Vaxil Biotherapeutics Ltd. Control exists where the parent entity has power over the investee and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are consolidated from the date control commences until the date control ceases. All inter-company balances and transactions, have been eliminated upon consolidation.

### **Significant Accounting Judgments and Estimates**

The preparation of these condensed interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed interim consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates 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 required in applying accounting policies that have the most significant effect on the amounts recognized in the condensed interim 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.
- Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.
- Management assesses the fair value of options and warrants granted in accordance with the accounting policy disclosed in share-based payments. The fair value of stock options granted is measured using the Black-Scholes option valuation model. The same model is used by the Company in order to arrive at a fair value for the issuance of warrants.
- Management expenses the costs directly associated with research and development activities. Indirect costs are estimated using management's calculation of the amount of the activity that is deemed to be associated with research and development.
- In order to assess whether it is appropriate for the company to continue as a going concern, management is required to apply judgment and make estimates with respect to future cash flow projections. In arriving at this judgment, there were a number of assumptions and estimates involved in calculating these future cash flow projections. This includes making estimates regarding the timing and amounts of future expenditures and the ability and timing to raise additional financing.

### 3. RELATED PARTY TRANSACTIONS

The following are the expenses incurred key management for the period ended September 30, 2023 and 2022 and the balances owing as of September 30, 2023 and 2022:

For the period ended September 30, 2023

	Directors Fees	Consulting Fees	Share based awards	Total	Amounts owing at September 30, 2023
Gadi Levin, Director and CEO*	\$ -	\$ 42	\$ 1	\$ 43	\$ 3
Alan Rootenberg, CFO **	-	4	2	6	2
Yuval Avnir, former CEO ***	-	35	-	35	-
Daniel Bloch, Director	-	5	1	6	5
Ari Kellen, Director	-	-	-	-	-
Shawn Langer, Director	-	-	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ 86</b>	<b>\$ 4</b>	<b>\$ 90</b>	<b>\$ 10</b>

(\*) Mr. Gadi Levin was appointed as the CEO effective July 31, 2023. He was previously the CFO.

(\*\*) Mr. Alan Rootenberg was appointed as the CFO effective July 31, 2023.

(\*\*\*) Through to July 31, 2023

For the period ended September 30, 2022

	Directors Fees	Consulting Fees	Share based awards	Total	Amounts owing at September 30, 2022
Gadi Levin, Director and CFO	\$ -	\$ 36	\$ -	\$ 36	\$ 6
Yuval Avnir, CEO	-	33	-	33	6
Daniel Bloch, Director	-	-	-	-	-
Ari Kellen, Director	-	-	-	-	-
Shawn Langer, Director	-	-	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ 69</b>	<b>\$ -</b>	<b>\$ 69</b>	<b>\$ 12</b>

#### 4. SHARE CAPITAL AND RESERVES

a) Issued and authorized share capital:

As at September 30, 2023, the authorized share capital of the Company comprises an unlimited number of common shares without par value. All issued shares, consisting only of common shares are fully paid (the “Common Shares”). As of September 30, 2023, the Company had 136,978,973 (December 31, 2022 – 136,978,973) Common Shares issued and outstanding.

b) Transactions during the period:

There were no changes to the Common Shares during the nine months ended September 30, 2023.

c) Stock options

(i) Stock option transactions during the year ended December 31, 2022 and the nine months ended September 30, 2023 are summarized as follows:

	Options Issued	Average Exercise Price
<b>Balance outstanding at December 31, 2021</b>	<b>6,632,199</b>	<b>\$ 0.10</b>
Expired	(585,727)	0.13
Expired	(5,246,472)	0.09
Issued	800,000	0.05
<b>Balance outstanding at December 31, 2022</b>	<b>1,600,000</b>	<b>\$ 0.09</b>
Issued (ii)	1,100,000	0.05
<b>Balance outstanding at September 30, 2023</b>	<b>2,700,000</b>	<b>\$ 0.07</b>

(ii) On August 2, 2023, the Company granted 1,100,000 stock options to directors, officers and consultants of Vaxil. The options are exercisable at \$0.05 per share and vest in four equal quarterly instalments over a one-year period from the grant date and expire on August 2, 2028. The fair value of the options is \$15 based on the Black-Scholes option pricing model using the following assumptions: share price - \$0.015; exercise price - \$0.05; expected life – 5 years; annualized volatility – 187%; dividend yield – 0%; risk free rate – 0.424%.

(iii) During the three months ended September 30, 2023, the Company expensed \$8 as share based compensation in respect of current and prior period option grants (for the three months ended September 30, 2022: \$10).

(iv) During the nine months ended September 30, 2023, the Company expensed \$14 as share based compensation in respect of current and prior period option grants (for the nine months ended September 30, 2022: \$12).

(v) As of September 30, 2023, the Company had outstanding stock options, enabling the holders to acquire Common Shares as follows:

Options Outstanding			Options Exercisable	
Number Outstanding at September 30, 2023	Exercise Price	Expiry Date	Exercisable at September 30, 2023	Weighted Exercise Price
800,000	\$ 0.12	September 14, 2025	800,000	\$ 0.12
800,000	0.05	June 20, 2027	500,000	0.05
1,100,000	0.05	August 2, 2028	-	-
<b>2,700,000</b>	<b>\$ 0.07</b>		<b>1,300,000</b>	<b>\$ 0.09</b>

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

d) Warrants:

- (i) There were no warrant transactions during the year ended December 31, 2022 and nine months ended September 30, 2023.
- (ii) As of September 30, 2023, the Company had outstanding warrants, enabling the holders to acquire Common shares as follows:

Number of warrants outstanding as of September 30, 2023	Date of expiry	Exercise price
7,238,107	November 23, 2023	\$ 0.10
3,171,333	December 9, 2023	\$ 0.10
<b>10,409,440</b>		

**5. RESEARCH AND DEVELOPMENT COSTS**

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Laboratory experiments and materials	\$ -	\$ 36	\$ 67	\$ 156
Wages, salaries and related expenses	-	29	-	39
Consultants and sub-contractors	(17)	3	(15)	11
Patent registrations	18	21	40	48
	<u>\$ 1</u>	<u>\$ 89</u>	<u>\$ 92</u>	<u>\$ 254</u>

**6. GENERAL AND ADMINISTRATION COSTS**

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Professional fees	\$ 1	\$ 14	\$ 98	\$ 67
Consulting and management fees	13	18	46	54
Office rental and other related expenses	10	6	35	20
Depreciation	-	-	-	2
Other	-	2	-	2
	<u>\$ 24</u>	<u>\$ 40</u>	<u>\$ 179</u>	<u>\$ 145</u>

**7. COMMITMENTS AND CONTINGENCIES**

The Company was named as a defendant in an action commenced a former CEO in 2018, alleging constructive dismissal and seeking damages. The Company denied any wrongdoing and refuted all alleged claims. On July 21, 2023, the Company and the former CEO settled the action by way of a payment to the former CEO of an amount less than the provision provided in the financial statements.

## 8. FINANCIAL AND CAPITAL RISK MANAGEMENT

The Company is exposed in varying degrees, to a variety of financial instrument related risks:

### *Fair value*

The carrying value of due to/from related parties and accounts payable approximated their fair value because of the relatively short-term nature of these instruments. Cash, which is classified as held for trading and carried at fair value, has been determined using Level 1 inputs.

### *Foreign exchange risk*

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

### *Credit risk*

The Company's cash is largely held in large Canadian financial institutions. The Company does not have any asset-backed commercial paper. The Company maintains cash deposits with Schedule A financial institution, which from time to time may exceed federally insured limits. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk.

### *Interest rate risk*

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not hold any financial liabilities with variable interest rates. The Company does maintain bank accounts which earn interest at variable rates but it does not believe it is currently subject to any significant interest rate risk.

### *Liquidity risk*

The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances and through short-term borrowing. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

### *Capital management*

The Company defines its capital as shareholders' equity. The Company manages its capital structure and makes adjustments based on the funds available to the Company, in order to support the Company's activities. The Board of Directors have not established quantitative return on capital criteria for management, but rely on the expertise of the Company's management to sustain future development of the business. As such, the Company has historically relied on the equity markets to fund its activities. In addition, the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will need to raise additional funds. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

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