

Vaxil Bio Ltd.

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

For the year ended December 31, 2024

The following is a discussion and analysis of the activities, consolidated results of operations and financial condition of Vaxil Bio Ltd. (“Vaxil”, “we”, “our”, “us”, or the “Company”) for the year ended December 31, 2024, which has been prepared on the basis of information available up until April 24, 2025. This Management’s Discussion and Analysis (“MD&A”) should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2024 and 2023 together with the notes thereto.

All monetary amounts are reported in thousands of Canadian dollars and in accordance with IFRS unless otherwise noted. This MD&A is dated April 24, 2025.

Forward-Looking Statements

This MD&A (including, without limitation, the sections discussing the Company’s Financial Conditions and Results of Operations) contains certain forward-looking statements. All statements other than statements of historical fact that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “contemplate”, “target”, “believe”, “plan”, “estimate”, “expect” and “intend” and statements that an event or result “may”, “will”, “can”, “should”, “could” or “might” occur or be achieved and other similar expressions. These statements are based upon certain assumptions and analyses made by management in light of their experience and perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. However, whether actual results and developments will conform with management’s expectations is subject to a number of risks and uncertainties, including the considerations discussed herein and in other documents filed from time to time by the Company with Canadian security regulatory authorities, general economic, market or business conditions, the opportunities (or lack thereof) that may be presented to and pursued by management, competitive actions by other companies, changes in laws or regulations and other factors, many of which are beyond the Company’s control. These factors may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements and there can be no assurance that the actual results or developments anticipated by management will be realized or, even if substantially realized, that they will have the expected results on the Company. All of the forward-looking statements made herein are qualified by the foregoing cautionary statements. The Company expressly disclaims any obligation to update or revise any such forward-looking statements.

Business overview and Significant Developments

Corporate Structure

Name and Incorporation

The Company is listed on the TSX Venture Exchange under the symbol “VXL”. The Company's head office is located at 559 Briar Hill Avenue, Toronto, ON M5N 1N1, Canada.

Significant developments during the period

The Company has operated as a biotechnology company and had focused on a novel drug discovery and development platform based on Signal Peptides (“SPs”) to fight infectious diseases and cancer. In recent years, the Company has been more focused on P-Esbp-DOX.

On August 2, 2023, the Company announced that, given the need for additional investment, it was exploring new sources of capital and potential partners to support continued development of this platform. In parallel, the board of directors began 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.

On January 10, 2024 the Company entered into a non-binding letter of intent (“CB LOI”) with Copper Bullet Mines Inc., (“CBMI”), to complete a business combination or other similarly structured transaction which would have constituted a reverse take-over of the Company. On March 4, 2024, the Company received a notice of termination of the CB LOI from CBMI.

As part of the Company transition, and following the August 2, 2023 announcement regarding the Esbp-DOX work together with Prof. Ayelet David, from Ben-Gurion University of the Negev (“BGU“), on November 17, 2024, the Company advised BGU that it has terminated the license agreement and related agreements, effective immediately.

Definitive Agreement in Respect of a Proposed Reverse Takeover

On May 25, 2024, the Company entered into a non-binding letter of intent (the “LOI”), pursuant to which the Company and Green Data Center Real Estate Inc (“Green Data Centers”) intended to complete a business combination or other similarly structured transaction which will constitute a reverse take-over of the Company (the “Transaction”). On August 20, 2024, the Company and Green Data Centers signed an amalgamation agreement, pursuant to the terms of the LOI. It was intended that the Transaction will be an arm’s length “Reverse Takeover” of the Company as that term is defined in Policy 5.2 of the Corporate Finance Manual of the TSXV.

Pursuant to the terms of the LOI, on June 4, 2024, and on June 27, 2024, the Company advanced Green Data Centers \$25 thousand and \$225 thousand, respectively, and on June 24, 2024, Green Data Centers issued the Company an unsecured promissory note (“Unsecured Note”) in the amount of \$25 thousand and a secured promissory note (“Secured Note”) in the amount of \$225 thousand (Unsecured Note and Secured Note, together, the “Notes”).

The Notes bear interest at 12% per annum and may be repaid by Greed Data Centers at any time, but no later than six months from the termination of the LOI.

The principal amount and any accrued interest on the Secured Note is secured by a general security agreement provided by the Green Data Centers in favor of the Company over all of the present and after-acquired property of Green Data, including all of the assets, and undertakings, of whatever nature or kind and wheresoever situated and all proceeds thereof.

In the event the Transaction was completed, the unpaid principal amounts of the Notes and all interest accrued thereon would be permanently, irrevocably and unconditionally forgiven by the Company and Green Data Centers shall be released from its obligations to make any payments in respect of the Notes.

On January 16, 2025, the Company and Green Data Centers mutually agreed to terminate the Definitive Agreement. Pursuant to the Definitive Agreement, Green Data Centers will repay the loan and interest it received from the Company, by July 9, 2025.

As consideration for the covenants and agreements of the Company, Green Data shall issue to the Company, shares of Green Data Centers having an aggregate value of US\$50,000 at an issue price equal to US\$15.00 per Green Data Centers share.

On April 3, 2025, the Company announced that the TSXV has placed the Company on a 90-day notice to transfer to the NEX board of the TSX Venture Exchange.

Business of the Company

The Company is an Israeli immunotherapy biotech company that was focused on its novel approach to targeting prominent cancer markers and infectious diseases. Its lead product ImMucin™ completed a Phase 1/2 clinical trial in multiple myeloma for which it received orphan drug status from the FDA and EMA. During 2024, the Company began evaluating whether to continue to develop ImMucin™ or to pursue other business, which may or may not be in the biotechnology industry, in order to enhance shareholder value.

On April 3, 2025, the Company advised its shareholders that in order to preserve its cash resources, the Company would close its Israeli subsidiaries and cease to renew core patents.

Intellectual Property

The Company currently has three patent families, including 8 granted patents:

- The first patent family relates to the ImMucin™ product, a MUC1 SP-based vaccine. This patent family includes patents in the US, relating to the ImMucin™ vaccine and methods for using ImMucin™ such as for treating cancer and T-cell enrichment.
- The second patent family relates to immunogenic composition, specifically against a pathogen (e.g., tuberculosis, malaria, toxoplasma, EBV, HIV, herpes virus, and influenza). This patent family includes patents in the US.
- The third patent family relates to the antibodies produced by MUC1 SPs, and diagnostic and therapeutic methods using these antibodies. This patent family includes granted patents in the US and Israel.

As disclosed above, the Company will cease to renew these patents.

Capital Expenditures and Divestitures

During the year ended December 31, 2024, the Company incurred \$nil (2023 - \$nil) of capital expenditures. The Company estimates capital expenditures for the next twelve months will be approximately \$10 thousand.

Additional Disclosure for Venture Issuers without Significant Revenues (In thousands of CAD):

	Year ended December 31,	
	2024	2023
General and administration costs	\$ 179	\$ 120
Research and development costs	12	114
	<u>\$ 191</u>	<u>\$ 234</u>

Discussion of Operations (In thousands of CAD):

The following is a discussion of the results of operations which have been derived from the consolidated financial statements of the Company for the year ended December 31, 2024

	Year ended December 31,	
	2024	2023
Expenses:		
General and administration costs	\$ 179	\$ 120
Research and development costs	12	114
Share based compensation	5	20
Total Expenses	196	254
Operating Loss	(196)	(254)
Interest income	18	-
Net loss for the year	(178)	(254)
Other Comprehensive Loss		
Foreign currency translation adjustment	(2)	(11)
Net loss and comprehensive loss for the year	\$ (180)	\$ (265)

Year ended December 31, 2024, compared to the year ended December 31, 2023

Research and Development costs

For the year ended December 31, 2024, research and development costs amounted to \$12 thousand as compared to \$114 thousand for the year ended December 31, 2023. Research and development expenses are lower than in the previous period, as the Company's research programs are all suspended, and the Company only maintains the existing core patents.

General and Administrative costs

For the year ended December 31, 2024, general and administrative costs amounted to \$179 thousand as compared to \$120 thousand for the year ended December 31, 2023. General and administration costs increased in 2024 due to an increase in professional fees.

Share based compensation

For the year ended December 31, 2024, share based compensation charges amounted to \$5 thousand as compared to \$20 thousand for the year ended December 31, 2023. The charges in 2024 and 2023 relate to the fair value of the stock options issued and vested during these years.

Net Losses

The Company reported a net loss for the year ended December 31, 2024 of \$180 thousand as compared to a net loss of \$265 thousand for the year ended December 31, 2023. The decrease in net loss in 2024 is due to a reduction in research and development expenses during the year.

Inflation

During the years ended December 31, 2024 and 2023, inflation has not had a material impact on our operations.

Summary of Quarterly Results

	Quarter ended			
	31-Dec-24	30-Sept-24	30-Jun-24	31-Mar-24
	Canadians dollars in thousands, except per share data			
Net loss	\$ (22)	\$ (49)	\$ (49)	\$ (58)
Net loss and comprehensive loss	\$ (21)	\$ (50)	\$ (50)	\$ (59)
Net loss per share	\$ (0.01)	\$ (0.00)	\$ (0.00)	\$ (0.00)

	Quarter ended			
	31-Dec-23	30-Sept-23	30-Jun-23	31-Mar-23
	Canadians dollars in thousands, except per share data			
Net profit (loss)	\$ 26	\$ (28)	\$ (127)	\$ (125)
Net profit (loss) and comprehensive profit (loss)	\$ 25	\$ (35)	\$ (126)	\$ (129)
Net profit (loss) per share	\$ 0.01	\$ (0.00)	\$ (0.01)	\$ (0.01)

The loss per quarter and related net loss per share is a function of the level of research and development activity that took place during that quarter. In 2023, the losses per quarter included work performed on the Company's research and development program. However, since August 2023, following the suspension of the program, expenditures were reduced, which has led to a decline in losses in subsequent quarters.

Liquidity

Liquidity is a measure of a company's ability to meet potential cash requirements. The Company has historically met its capital requirements through the issuance of common shares.

The Company has an accumulated deficit of \$19,535 thousand as of December 31, 2024 (\$19,357 thousand as of December 31, 2023), and the Company had negative cash flows from operations of \$240 thousand for the year ended December 31, 2024 (negative cash flows of \$561 thousand during the year ended December 31, 2023). The Company is an early-stage biotech company and has not earned any revenues to date. The ability of the Company to continue as a going concern depends upon the ability of the Company to obtain financing to seek alternate business activities.

Year ended December 31, 2024, compared to the year ended December 31, 2023

During the year ended December 31, 2024, the Company's overall position of cash decreased by \$490 thousand. This decrease can be attributed to the following activities:

The Company's net cash used in operating activities during the year ended December 31, 2024 was \$240 thousand as compared to \$561 thousand for the year ended December 31 2023. The decrease in 2024 is primarily due to the decrease in activity during the year ended December 31, 2024, as compared to 2023.

Cash flow from investing activities during the year ended December 31, 2024 was \$250 thousand as compared to \$nil thousand for the year ended December 31, 2023. The amount in 2024 relates to the loan granted to Green Data Centers.

Capital Resources

As of December 31, 2024, the Company's cash balance was \$448 thousand (December 31, 2023- \$938 thousand). The majority of this balance is held in CAD Dollars.

As at December 31, 2024, the Company had short term notes receivable of \$266 thousand.

The Company's working capital at December 31, 2024 was \$716 thousand as compared to \$891 thousand at December 31, 2023.

Commitments

The Company has no commitments to disclose.

Disclosure of Outstanding Share Data

As of the date of this report, the Company has 136,978,973 ordinary shares outstanding, and 1,800,000 options granted. Each warrant and option entitle the right of the holder thereof to acquire one ordinary share.

Management of Capital

The Company was incorporated as a biotechnology company. The Company's primary source of funds comes from the issuance of share capital. The Company does not use other sources of financing that require fixed payments of interest and principal and is not subject to any externally imposed capital requirements.

The Company defines its capital as share capital plus warrants. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget to manage its costs and commitments.

The Company's capital management objective is to maximize investment returns to its equity-linked stakeholders within the context of relevant opportunities and risks associated with the Company's operations. Achieving this objective requires management to consider the underlying nature of research and development activities, the availability of capital, the cost of various capital alternatives and other factors. Establishing and adjusting capital requirements is a continuous management process.

In order to carry out its originally planned research and development activities and pay for administrative costs, the Company recognized that it would need to raise additional funds. As the Company has not been able to achieve this, the Company is accordingly seeking alternate business activities.

Off-Balance Sheet arrangements

See "Commitments" above.

Transactions with Related Parties

The following are the expenses incurred with related parties for the year ended December 2024 and 2023 and the balances owing as of December 31, 2024 and 2023:

For the year ended December 31, 2024 (in thousands of CAD)

	Directors Fees	Consulting Fees, professional fees and laboratory experiments	Share based awards	Total	Amounts owing at December 31, 2024
Gadi Levin, Director and CEO	\$ -	\$ 36	\$ 1	\$ 37	\$ 3
Alan Rootenberg, CFO	-	21	2	23	2
Daniel Bloch, Director	-	14	1	15	-
Ari Kellen, Director	-	-	-	-	-
Shawn Langer, Director	-	-	-	-	-
Total	\$ -	\$ 71	\$ 4	\$ 75	\$ 5

For the year ended December 31, 2023 (in thousands of CAD)

	Directors Fees	Consulting Fees, professional fees and laboratory experiments	Share based awards	Total	Amounts owing at December 31, 2023
Gadi Levin, Director and CFO	\$ -	\$ 51	\$ 2	\$ 53	\$ 3
Alan Rootenberg, CFO	-	9	4	13	2
Yuval Avnir, CEO	-	35	-	35	-
Daniel Bloch, Director	-	6	3	9	-
Ari Kellen, Director	-	-	-	-	-
Shawn Langer, Director	-	-	-	-	-
Total	\$ -	\$ 101	\$ 9	\$ 110	\$ 5

Significant Accounting Policies

The preparation of financial statements requires management to establish accounting policies, estimates and assumptions that affect the timing and reported amounts of assets, liabilities, revenues and expenses. These estimates are based on historical experience and on various other assumptions that management believes to be reasonable under the circumstances and require judgment on matters which are inherently uncertain. Details of the Company's significant accounting policies can be found in note 2 of the Company's audited financial statements for the year ended December 31, 2024. During the year ended December 31, 2024, the Company has not made any changes in accounting policy.

Critical Accounting Policies 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.
- 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, which was created for use in estimating the fair value of freely tradable and fully transferable options. 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. 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 raising additional financing.

Litigation

None.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Management has established processes to provide it with sufficient knowledge to support representations that it has exercised reasonable diligence to ensure that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements, and (ii) the consolidated financial statements fairly present in all material respects the financial position, results of operations and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 – Certification of *Disclosure in Issuers' Annual and Interim Filings* (“NI 52-109”), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (“DC&P”) and internal control over financial reporting (“ICFR”), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- 1) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- 2) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the issuer’s GAAP (IFRS).

The issuer’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost- effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Financial Instruments and Other Instruments

The following table shows the classification of financial instruments under IFRS 9:

Financial asset/liability	Classification under
	IFRS 9
Cash and cash equivalents	Amortized cost
Amounts receivable	Amortized cost
Other accounts payable and accrued 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.

Risks and Uncertainties

Credit risk

The Company manages credit risk, in respect of cash and cash equivalents, by holding them at major Canadian and Israeli financial institutions in accordance with the Company's investment policy. Concentration of credit risk exists with respect to the Company's cash and cash equivalents, secured and unsecured promissory notes and other receivables and prepaid expenses. The Company's exposure as of December 31, 2024 and December 31, 2023 was \$733 thousand and \$976 thousand, respectively, which consisted of \$448 thousand (December 31, 2023 - \$938 thousand) in cash held in bank accounts, \$19 thousand (December 31, 2023 - \$38 thousand) in amounts receivable and prepaid expenses and \$266 thousand in secured and unsecured promissory notes. None of the Company's amounts receivable are overdue as of December 31, 2024

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, 2024, the Company had cash of \$448 thousand (December 31, 2023 - \$938 thousand), amounts receivable and prepaid expenses of \$19 thousand (December 31, 2023 - \$38 thousand) and \$266 thousand in secured and unsecured promissory notes (December 31, 2023 - \$nil thousand) to settle current liabilities in the amount of \$17 thousand (December 31, 2023 - \$85 thousand).

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of two types of risk: interest rate risk, and foreign currency risk.

(i) Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its cash equivalents.

(ii) Foreign currency risk

The Company is exposed to financial risk related to the fluctuation of foreign exchange rates. The Company has limited operations in Israel with such operations incurred in NIS, and the balance of operations being incurred in Canadian dollars. The Company has not hedged its exposure to currency fluctuations. An increase or decrease of 5% of the NIS relative to the Canadian dollar would not have a significant effect on the Company's results.

Development Stage Company

As indicated above, as a result of the Company's inability to raise the necessary funds to continue as a biotechnology entity, the directors and management of the Company are of the opinion that the optimal benefit to the Company's shareholders would not be a continuation of the business in its current form and are focused on a merger, reverse takeover or restructuring of the Company.

Future Capital Needs

The Company may not be able to fully implement and execute its business strategy without additional financing. There can be no assurance that such additional financing will be available, and if available, there can be no assurance that the cost of obtaining such financing will be on favorable or reasonable commercial terms or that it will not result in substantial dilution to its shareholders. If additional funds are raised through the issuance of equity or equity-linked debt securities, the percentage ownership in the Company of the shareholders will be reduced, and such securities may have rights, preferences, or privileges senior to or equal to those of the Company's shares held by the current shareholders, or any other securities outstanding on the date hereof.

If adequate funds are not available to satisfy ongoing capital requirements, the Company may be required to curtail its operations significantly or to obtain funds, if available, through arrangements with strategic partners or others that may require the Company to relinquish material rights to certain technologies or potential markets. There is no certainty that financing will be available in amounts or on acceptable terms, if at all.

Any failure to raise additional funds on favorable terms is likely to have a material adverse effect on the Company's liquidity and financial condition.

Dependence on Key Personnel

The Company's future success depends on its ability to retain key employees and attract, train, retain and successfully integrate new talent into its management team. The Company is dependent on the services of its senior management team. The loss of any of the members of the Company's senior management team could have a material adverse effect on the Company's results of operations, business and prospects. The Company's future success also depends, to a significant extent, on its ability to attract and retain talented personnel. Recruiting and retaining talented personnel, particularly those with the expertise required for the Company's business is vital to the Company's success and may prove difficult.

Changes in Technology and Industry Standards

The pharmaceutical and biotechnology drug development industry is susceptible to technological advances and the introduction of new technologies. Further, this industry is also subject to changing industry standards, market trends and customer preferences and to competitive pressures, which can, among other things, necessitate revisions in pricing strategies, price reductions and reduced profit margins. The success of the Company will depend, in part, on its ability to secure technological superiority in its products and operations and maintain such superiority in the face of new technologies. No assurance can be given that further modification of product offerings of the Company will not be required in order to meet demands or to make changes necessitated by developments made by competitors that might render services and operations of the Company less competitive. The future success of the Company will be influenced by its ability to continue to adapt its products. Although the Company has committed resources to research and develop its products, there can be no assurance that these efforts will be successful.

Applicability of Patents and Proprietary Technology

Competitors may have filed patent applications, or hold issued patents, relating to products or processes competitive with those the Company has developed or will in future develop. The Company's patent applications for a product may not be approved or approved as desired. The patents of the Company's competitors may impair its ability to do business in a particular area. Others may independently develop similar products or duplicate any of the Company's unpatented products or technologies. The Company's success will depend, in part, on its ability in the future to obtain patents, protect trade secrets and other proprietary information and operate without infringing the proprietary rights of others. Patent protection is uncertain and involves many complex legal, scientific and technical questions. The degree of legal protection afforded under patents is unclear. As a result, the scope of patents issued to the Company or their partners may not successfully prevent third parties from developing similar or competitive products.

The Company has and will continue to enter into confidentiality agreements with its employees, suppliers and vendors. However, these confidentiality agreements may be breached, and the Company may not have adequate remedies for such breaches. Others may independently develop substantially equivalent proprietary information without infringing upon any proprietary technology belonging to the Company. Third parties may otherwise gain access to the Company's proprietary information and adopt it in a competitive manner.

In addition, the coverage claimed in a patent application can be significantly reduced before a patent is issued. Also, the Company faces the following intellectual property risks: (i) some or all patent applications may not result in the issuance of a patent; (ii) patents issued may not provide the holder with any competitive advantages; (iii) patents could be challenged by third parties; (iv) the patents of others could impede our ability to do business; (v) competitors may find ways to design around our patented products; and (vi) competitors could independently develop products which duplicate our products.

Patent Litigation

A number of industry competitors and institutions have developed technologies, filed patent applications or received patents on various technologies that may be related to or affect our business. Claims by these companies that the Company infringes their proprietary technology may result in liability for damages or may delay the development and commercialization efforts for the Company's products. Such conflict could limit the scope of the patents, if any, that the Company may be able to obtain or result in the denial of its patent applications. In addition, if patents that cover the Company's activities are issued to other companies, there can be no assurance that the Company would be able to obtain licenses to these patents at a reasonable cost or be able to develop or obtain alternative technology. If the Company does not obtain such licenses, it could encounter delays in the introduction of products, or could find that the development, manufacture or sale of products requiring such licenses could be prohibited. In the pharmaceutical industry, it is not uncommon for competitors to advance such claims for strategic purposes. Furthermore, there can be no assurance that patent or other litigation will not arise in connection with any of the Company's or future products or product candidates. Patent litigation, with or without merit, is time-consuming and costly and may significantly impact the Company's financial condition and results of operations, even if the Company prevails. In addition, the Company could incur substantial costs in defending suits brought against it on patents it might infringe or in filing suits against others to have such patents declared invalid.

Change in Business Activities

While the management and directors of the Company endeavour to maximize shareholder value from the Company's assets and are focused on a merger, reverse takeover or restructuring of the Company, there is no indication of the length of time within which a suitable transaction can be concluded and the terms of such transaction.

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