VAXIL BIO LTD.

Consolidated Financial Statements
As of
December 31, 2015

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Crowe Horwath™

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Report of Independent Accountants
To the Board of Directors and shareholders of Vaxil Bio Ltd.

We have audited the accompanying consolidated financial statements of Vaxil Bio Ltd. and its subsidiary company (hereinafter - "the Company"), comprised consolidated statements of financial position as at December 31, 2015 and 2014 and consolidated statements of comprehensive loss, Changes in Shareholders' Equity (capital deficiency) and cash flows for each of the two years ended on December 31, 2015 and a summary of significant accounting policies and other explanatory information.

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Vaxil Bio Ltd and its subsidiary as at December 31, 2015, and2014, and their financial performance and their cash flows for each of the two years ended on December 31, 2015 in accordance with International Financial Reporting Standards.

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Without modifying our opinion, we draw attention to the following issues:

1. As discussed in Note 1c to the consolidated financial statements, the Company's field of operations, therapeutic vaccine development, is exposed to substantial hazard and uncertainty elements; therefore, the Company's ability to continue and achieve its R&D goals and research and development plan is not guaranteed.

2. As discussed in Note 1d to the consolidated financial statements, the Company has accumulated losses of CAD 7,902 thousands and CAD 6,838 thousands as at December 31, 2015 and 2014, respectively, and it is expected to accumulate further losses from research and development activity of its subsidiary company, which will be expressed in negative cash flows from operating activity. Hence the continuation of development depends on raising the required financing resources, which are not guaranteed at this point.

3. As discussed in Note 9f to the consolidated financial statements, a lawsuit was served in the Tel Aviv Court against the Company's subsidiary and key management personnel of the Company, demanding payment in the amount of CAD 282 thousands for consulting and brokerage services allegedly rendered with regard to acquiring the control in the Company, inter alia, with regard to the merger with the Company's subsidiary. Management of the Company is of the opinion, based on its legal advisors opinion, that it is more reasonable that the Court will not decide in favor of Plaintiffs.

4. The above factors raise substantial doubt about the Company's ability to continue as a "going concern". The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might be required should the Company be unable to continue as a going concern. The Company is currently seeking to raise financing for its activities via a reverse merger into a shell company, which is publicly traded on the Toronto Venture Stock Exchange (TSXV). In the event that this transaction is completed, the Company's shareholders will receive publicly tradable shares in the Canadian company for their shares in Vaxil. The transaction is subject to certain substantial closing conditions, some of which met subsequent to the balance sheet date, see Note 1b and 18.

"Crowe Horwath (Israel)"

Crowe Horwath (Israel)

April 26, 2016

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Vaxil Bio Ltd.

Consolidated Statements of Financial Position

(Canadian Dollars In Thousands, see Note 2d)

	Note	December 31,	
		2015	2014
ASSETS			
Current assets:			
Cash and cash equivalents	3	12	157
Short-term deposit		-	1
Accounts receivable and prepaid expenses	4	25	54
Deferred issuance costs	5	230	-
Total current assets		267	212
Non-current assets:			
Fixed assets, net	6	23	28
Total non-current assets		23	28
TOTAL ASSETS		**290**	**240**
LIABILITIES AND CAPITAL DEFICIENCY			
Current liabilities			
Trade payable		39	26
Other accounts payable and accrued liabilities	7	468	767
Total current liabilities		507	793
Contingent liabilities and commitments	9		
CAPITAL DEFICIENCY:	10		
Share capital*		-	-
Share Premium		5,577	4,322
Receipts on account of shares		-	40
Receipts on account of warrants		435	464
Receivable from shareholders		-	(7)
Capital surplus in respect of transactions with shareholders		1,712	1,439
Foreign currency translation reserve		(39)	27
Accumulated deficit		(7,902)	(6,838)
Total capital deficiency		**(217)**	**(553)**
TOTAL LIABILITIES' NET OF CAPITAL DEFICIENCY		**290**	**240**

(*)with no par value

April 26, 2016	**"Gadi Levin"**	**"Lior Carmon"**
Date of approval of the financial statements	Gadi Levin Chief Financial Officer	Lior Carmon Director

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

Vaxil Bio Ltd.

Consolidated Statements of Comprehensive Loss

(Canadian Dollars in Thousands, see Note 2d)

	Note	For the year ended December 31, 2015	2014
Research and development expenses, net	11	345	436
General and administrative expenses	12	725	1,237
Operating loss		**1,070**	**1,673**
Financial expenses	13	3	179
Financial income	14	-	(1)
Financial expenses, net		**3**	**178**
Loss before taxation		**1,073**	**1,851**
Taxation	15	-	-
		1,073	**1,851**
Other comprehensive loss (income)			
Currency translation adjustment		66	(18)
Net comprehensive loss		**1,139**	**1,833**
Basic and diluted net loss per share		**(0.04)**	**(0.13)**
Weighted average number of ordinary shares used in computing basic and diluted net loss per share		**24,762,973**	**14,072,643**

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

Vaxil Bio Ltd.

Consolidated Statements of Changes in Equity (Capital deficiency)

(Canadian Dollars in Thousands, see Note 2d)

	Ordinary share capital		Receipt on account of shares	Share premium	Receipt on account of warrants	Receivable from shareholder	Capital surplus in respect of transactions with shareholders	Foreign currency translation reserve	Accumulated deficit	Total equity (Capital Deficiency)
	No. of shares (*)	Amount								
Balance - January 1, 2014	**10,729,492**	-	-	**3,224**	**349**	-	**1,439**	**9**	**(5,191)**	**(170)**
Exercise of unlisted options	1,658,013	-	-	301	(48)	(**)(7)	-	-	-	246
Shares issued, net	4,383,900	-	-	754	47	-	-	-	-	801
Receipts on account of shares, net of issue expenses	-	-	40	-	-	-	-	-	-	40
Share based compensation	712,756	-	-	-	-	-	-	-	204	204
Settlement of liabilities by way of issuance of shares	125,454	-	-	43	116	-	-	-	-	159
Net comprehensive loss	-	-	-	-	-	-	-	18	(1,851)	(1,833)
Balance - December 31, 2014	**17,609,615**	-	**40**	**4,322**	**464**	**(7)**	**1,439**	**27**	**(6,838)**	**(553)**

(*) with no par value
(**) See Note 10e

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

Vaxil Bio Ltd.

Consolidated Statements of Changes in Equity (Capital deficiency)

(Canadian Dollars in Thousands, see Note 2d)

	Ordinary share capital		Receipts on account of shares	Share premium	Receipts on account of warrant	Receivable from shareholder	Capital surplus in respect of transactions with shareholders	Foreign currency translation reserve	Accumulated deficit	Total Equity (Capital Deficiency)
	Number of shares(*)	Amount								
Balance - January 1, 2015	**17,609,615**		**40**	**4,322**	**464**	**(7)**	**1,439**	**27**	**(6,838)**	**(553)**
Shares issued, net of issuance expenses	6,497,165	-	(40)	481	-	-	-	-	-	441
Exercise of unlisted options	122,007	-	-	13	-	7	-	-	-	20
Cancellation of options	-	-	-	250	(250)	-	-	-	-	-
Share based compensation(**)	-	-	-	192	-	-	110	-	9	311
Deferred issuance cost (**)	-	-	-	(192)	-	-	(35)	-	-	(227)
Settlement of liabilities by way of shares and options	2,356,359	-	-	511	221	-	198	-	-	930
Net comprehensive loss for the year	-	-	-	-	-	-	-	(66)	(1,073)	(1,139)
Balance - December 31, 2015	**26,585,146**	**-**	**-**	**5,577**	**435**	**-**	**1,712**	**(39)**	**(7,902)**	**(217)**

(*) With no par value
(**) Services rendered in respect of the RTO, see Note 18d.

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

Vaxil Bio Ltd.

Consolidated Statements of Cash Flows

(Canadian Dollars in Thousands, see Note 2d)

	For the year ended December 31	
	2015	**2014**
Cash flows from operating activities:		
Net loss	(1,073)	(1,851)
Non-cash items:		
Depreciation and amortization	8	257
Share based compensation	84	149
Changes in financial liabilities	-	57
Changes in operating assets and liabilities items:		
Decrease in account receivable and prepaid expenses	35	101
Increase (decrease) in trade payables	8	(4)
Increase in other payables and accrued liabilities	314	617
Total adjustments	449	1,177
Net cash used for operating activities	**(624)**	**(674)**
Cash flows from investing activities		
Short term deposit	1	(1)
Net cash provided by (used in) investing activities	**1**	**(1)**
Cash flows from financing activities:		
Proceeds from issuance of shares and options	441	928
Proceeds from exercise of warrants	20	245
Loan repayment (Note 8b)	-	(379)
Payment of commission in respect of fundraising agreement	-	(53)
Net cash provided by financing activities	**461**	**741**
Exchange differences on balances of cash and cash equivalents	17	(6)
Increase (decrease) in cash and cash equivalents	**(145)**	**60**
Cash and cash equivalents at beginning of year	**157**	**97**
Cash and cash equivalents at end of year	**12**	**157**

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

Note 1 – General Information

a. Vaxil Bio Ltd. (the Company") was incorporated as a privately held company in Israel on June 13, 1982 and is defined as an Israel resident company and has been trading on the Tel Aviv Stock Exchange ("TASE") since August 1982. The company, through its 100% owned subsidiary, Vaxil Biotherapeutics Ltd, an Israeli private company, has been involved in the development of the ImMucin vaccine to treat cancer since 2006.

On August 6, 2015, the Tel Aviv Stock Exchange announced that the Company does not comply with minimum shareholder equity capital requirements and as of August 10, 2015 the Company's securities were transferred to the Restricted List. Subsequent to the balance sheet date, and following the completion of the RTO (as defined below), the Company's shares ceased to trade on the TASE, see also Note 18e.

The Company's registered address is P.O. Box 4058 Nes Ziona 7414001.

b. Reverse Take Over

On April 20, 2015, the Company signed an initial non-binding agreement with a Canadian Investment Bank ("Canadian Bank")**.** The agreement provides that the Canadian Bank will identify a shell company traded on the TSX Venture Exchange (TSXV) in Toronto into which the Company can complete a Reverse Take Over ("RTO") merger and the resulting issuer can raise funds by issuing shares traded on the TSXV.

On May 26, 2015, and following the approval of the Company's Board of Directors, the Company signed a non-binding letter of intent to carry out an RTO ("Letter of Intent") with Emerge Resources Corp., a shell company traded on the TSXV (the "Canadian Shell" or "Emerge"). According to the Letter of Intent, in the event that the Canadian Shell raises at least $3,000, the Company's shareholders will be issued shares equivalent to approximately 55% of the Canadian Shell post the RTO and the fundraising.

Completion of the RTO is dependent on various conditions being met, as follows:

- Signing of a definitive merger agreement between the Canadian Shell and the Company.
- Receipt of the necessary regulatory approvals for both parties, including those of the appropriate courts.
- Receipt of the requisite approvals of shareholders from both the Canadian Shell and the Company.
- Raising capital of at least $2,700 (excluding any funds that Vaxil may raise in Fund Raising (as defined below).

On August 15, 2015, and following approval of the Company's Board of Directors, the Company signed a definitive Agency Agreement ("the Agency Agreement") with the Canadian Bank which provides that the Canadian Bank can sell Investment Units, by way of private placement, for between $2,600 and $5,000 for the purposes of providing capital to the Company following an RTO between the Company and the Canadian Shell (the "Fund Raising").

Note 1 – General Information (continued)

b. Reverse Take Over (continued)

Each investment unit can be exercised at no additional cost for one share in the Canadian Shell and one warrant to acquire one share in the Canadian Shell. This will occur upon the following conditions being met ("RTO Closing Conditions"):

1. The Company signing a definitive RTO agreement with the Canadian Shell;
2. The Canadian Bank, or parties on its behalf, investing at least $300 to purchase Investment Units;
3. The Company will have raised sufficient working capital to fund its activities until completion of the RTO;
4. Receipt of approval from the Canadian Bank that its due diligence on the company and its activities has been satisfactory;
5. Receipt of all necessary regulatory and other approvals in Canada and in Israel; and
6. Receipt of all necessary approvals from the shareholders of the Canadian Shell and of the Company.

In consideration for its role in raising funds, the Canadian Shell will on completion of the RTO, pay the Canadian bank the following:

1. A refund of expenses of $30 incurred by the Canadian Bank in retaining the services of another Canadian investment banker.
2. A commission of 8% of the gross receipts of the Fund Raising.
3. Warrants of the Canadian Shell equivalent to 8% of the Investment Units sold in the fundraising for a period of exercise of three years and at the strike price fixed in the Agency Agreement. In addition, the Canadian Bank will be reimbursed for legal and due diligence expenses not to exceed $65.

The Agency Agreement provides that the monies received from the Fund Raising will be deposited in escrow and will be returned to the holders of the Investment Units if the closing conditions have not been met by October 31, 2015, or another date that the Canadian Bank shall determine but not later than December 31, 2015. The Agency Agreement provides that the funds received in the Fund Raising shall be used to meet the research and development goals of the Company and for general corporate purposes. In addition, the Company and the Canadian Shell are committed to making all commercially reasonable efforts to ensure that the Canadian Shell will continue to be a reporting entity under Canadian Securities Law and that its shares will continue to be publicly traded.

On November 30, 2015, the Company and the Canadian Shell signed a definitive share exchange agreement ("Merger Agreement"). In Terms of the Merger Agreement, Emerge is to acquire all of the issued and outstanding shares of Vaxil by way of an RTO. Pursuant to the terms of the Merger Agreement, Emerge will acquire all of the issued and outstanding Vaxil shares for an aggregate purchase price of $5,750, which is to be satisfied by the issuance of approximately 25,000,000 Emerge shares (following the completion of a 2:1 reverse share consolidation) by Emerge (to be adjusted according to certain circumstances). Following the completion of the RTO, the RTO will be treated from an accounting perspective as a Reverse Acquisition i.e. that the Company is in fact the acquirer of the Canadian Shell.

Note 1 – General Information (continued)

b. Reverse Take Over (continued)

The Agency Agreement also provides for restrictions on trading of the shares of the Canadian Shell and the Company including post-RTO, for periods set out in the Agreement, without the approval of the Canadian Bank.

The Agency Agreement also contains additional provisions such as representations and warranties of both the Company and the Canadian Shell to the Canadian Bank and the purchasers of the Investment Units, including indemnification provisions and provisions for early termination of the Agreement.

Subsequent to the balance sheet date, on March 2, 2016, all the Closing conditions set forth in the Agency Agreement were met and the Company and Emerge completed the RTO Transaction. Emerge issued the shareholders of the Company 22,473,688 shares (as described above) and all the options and warrants of the Company were cancelled. In addition, the Company's shares ceased to trade on the TASE and the Company received final approval from the Israeli Tax Authorities ("Vaxil Tax Ruling") in respect of the taxation regime under which the shareholder of the Company will be taxed. Under the Vaxil Tax Ruling, the shares in the Canadian Shell to be received by Vaxil shareholders as part of the RTO will be taxed in accordance with section 104(8) of the Income Tax ordinance.

c. The Group's Activity

The Group's development activity includes the development of the ImMucin vaccine to treat cancer, the MTbuVax vaccine to treat tuberculosis and the SPmAb antibody for the diagnosis and treatment of cancer. All the products under development are derived from a unique proprietary technology developed by Vaxil, called VaxHit. VaxHit is a technology to identify sequences which can potentially be used to develop vaccines or antibodies capable of generating a specific and comprehensive immune response to treat cancer and a variety of infectious diseases.

Vaxil has filed several patent applications to protect its Intellectual Property: a) "Antigen Specific Multi Epitope Vaccines", which cover the VaxHit technology and specific sequences to be used as anti-cancer vaccines. Patents have been granted in Israel and Australia and are pending in the US, European Union, Canada and India b) "Antigen Specific Multi Epitope Based Anti-Infective Vaccines", relating to VaxHit-derived vaccines against infectious diseases especially tuberculosis. A patent has to date been issued in South Africa and is pending in India, the US and the European Union c) "Use of signal peptides and anti-signal peptides antibodies as diagnostic and therapeutic tools" which covers other applications of the VaxHit technology including antibodies for diagnostic and therapeutic uses in cancer and infectious diseases.

On July 6, 2015, the Company signed a research and development cooperation agreement, for a two-year period, with Prof. Sandra Gengler and Dr. Peter Cohen from the "Mayo Clinic" medical center in the US. The cooperation, which will be financed by "Mayo Clinic" medical center, shall examine the combining between Vaxil's ImMucin products in the development of T-cell based immunotherapy against cancer.

Note 1 – General Information (continued)

c. The Group'S Activity (continued)

Vaxil received Orphan Drugs Status for ImMucin as a treatment for Multiple Myeloma from both the FDA (July 2015) and the EMA (February 2015). Orphan status is aimed to offer incentives to those developing drugs for Rare or Orphan Diseases where the target population is relatively small. The FDA defines an Orphan Disease as one which affects less than 200,000 persons in the United States, or affects more than 200,000 in the United States and for which there is no reasonable expectation that the cost of developing and making available in the United States a drug for such disease or condition will be recovered from sales in the United States of such drug. In Europe, the EMA defines an Orphan disease as a disease where there is no more than an incidence of 5 in 10,000 or it must be unlikely that marketing of the medicine would generate sufficient returns to justify the investment needed for its development.

Receipt of Orphan Status from both the FDA and EMA is highly significant to Vaxil's development plans. It will provide in regulatory assistance in the development process, reduced fees, and some potential tax advantages. If and when ImMucin is ever approved as a treatment for Multiple Myeloma, it will provide periods of marketing exclusivity (7 years in the US under FDA rules; 10 years in the EU under the EMA).

On April 9, 2013, Vaxil reported to the Company the successful results of its VAXIL-001 clinical trial in fifteen multiple myeloma patients, which were treated with the ImMucin vaccine. All the patients who participated in the trial were in a state of gradually returning disease, after a period of remission following an autologous transplant. The results of the study indicated a high safety profile. A strong and specific immune response to the vaccine was observed amongst all patients. In addition, most of the patients derived a clinical benefit.

It is important to note that there is no certainty that any future clinical trial involving ImMucin vaccine shall be successful, safe or demonstrate efficacy. Furthermore, there is no certainty that Vaxil shall be able to complete the development of any of its products and/or to receive the required approvals from the relevant regulators in any or all specific jurisdiction/s to register and market the product. In addition, there is no certainty that Vaxil shall have the required financing for continuing and/or completing the development and/or registration and/or marketing of any of its products.

On October 21, 2013, the Company reported that Vaxil received approval to perform a Phase I/II clinical trial using ImMucin to treat patients with metastatic breast cancer (VAXIL-010). This clinical trial will examine the safety, immunogenicity (the body’s immune system reaction), and clinical potential of the ImMucin vaccine in metastatic breast cancer patients who are also being treated with hormonal therapy.

Note 1 – General Information (continued)

c. The Group's Activity (continued)

All the patients that will be recruited to this study must have MUC-1 positive tumors.

On November 10, 2013, the Company reported that Vaxil was granted funding for research purpose of 104,000 Euros from Aditec. Aditec is a European Union consortium that aims to accelerate the development of novel and powerful immunization technologies. The research will test in animal models the immune response induced by MTBuVax vaccine in various dosages and regimens. It will also test the synergy of vaccination with MTbuVax along with other medicinal treatments against tuberculosis. The funding sum will not be paid to the Company in cash but shall be transferred directly to research institutions giving services to the Company in installments. As at the reporting date, the Company has finalized the first phase of the research program and is now evaluating the transition to the second (and last) phase (see Note 9g).

b. Risks and Uncertainty Disclosure

The Company's field of operations, therapeutic vaccine development, is subject to local and international regulatory requirements and standards. The Company is in a preliminary development phase and its success depends on several factors including, among others: the knowledge and technology it has with comparison to its competitors, compliance with regulatory and standard requirements, dependence on professional and key personnel, fund raising for R&D activity and finding a strategic partner for penetrating the global market. Some of the Company's competitors or potential competitors may have greater or better knowledge, technology, financial resources, and business experience. Therefore, the Company's ability to continue and achieve its R&D goals and plan is not guaranteed.

The Company's activity is affected by the various supervisory authorities' policy to approve its products. Delayed or refused approval to develop and market products by the Company will negatively affect further development and the progression to the next development phase. Hence the field of therapeutic vaccine combines varied and numerous uncertainties. Even at a very late stage of development, the product may not perform as expected or may fail to meet various regulatory criteria. Consequently, development may cease with a loss of the vast resources invested prior thereto.

e. The Group has accumulated losses of $7,902 and $6,838 as of December 31, 2015 and 2014, respectively and negative cash flows from operating activities of $624 and $674 for the years then ended, respectively. The Group is expected to accumulate further losses from Vaxil's research and development activity, which will create negative cash flows from operating activities. Therefore, the continuation of development depends on raising suitable resources, which are not guaranteed at this point.

These factors cast significant doubts concerning the Group's ability to continue as a "Going Concern". The Group's management is advancing various plans to raise capital through public offerings or any other means. The Group's ability to continue its operations in its current manner depends on successfully accomplishing these plans. The financial statements do not include adjustments in respect of assets and liabilities, or their classification, which might be required if the Group is unable to continue its operations as a going concern.

Note 1 – General Information (continued)

c. Definitions

The Company-	Vaxil Bio Ltd.
Vaxil -	Vaxil Bio Therapeutics Ltd., a wholly owned subsidiary of the Company.
The Group -	The Company and Vaxil
Related parties -	As defined in IAS 24.
Index -	Consumer price index publicized by the Israeli Central Bureau of Statistics
Dollar ($)-	The Canadian Dollar (CAD).
Euro -	The currency of the European Union.
US Dollar (US$)	The currency of the United States of America.
NIS -	Israeli New Shekels – the currency of the State of Israel

Note 2 – Reporting Basis and Accounting Policy

a. Financial Statements Reporting Basis

The Company's financial statements for December 31, 2015 and 2014 and for each of the two years ended December 31, 2015, have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") including related interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The accounting policies herein were consistently implemented with regard to all of the presented periods except when otherwise indicated.

The financial statements were recorded in accordance with the historical cost convention, subject to adjustments of financial obligations (including financial derivatives).

b. Financial Statements Preparation Basis

The Company's Consolidated Statements of Comprehensive Loss are based on nature of expenses classification; the classification of assets and liabilities in the Consolidated Statements of Financial Position is based on division into current assets and liabilities, for time frame of no more than one year, and non-current assets and liabilities for periods over one year; the Group working capital cycle does not exceed one year.

c. Accounting Estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the company management to exercise its judgment in the

Note 2 - Reporting basis and Accounting Policy (continued)

c. Accounting Estimates (continued)

process of applying the accounting policies which are detailed below. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

The main key estimates and underlying assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are as follows:

(1) The fair value of hybrid financial instruments (including hosting contracts and convertible warrants) to share capital that meet the definition of embedded derivatives (see also Note 8b).
(2) The fair value of options granted to the Company's employees and service providers, including research and development consultants, while using the Black–Scholes model. Calculation of options' fair value involves assumptions regarding the current price of the Company's share, risk-free interest rates and anticipated lifespan of options. These estimates involve material uncertainty due to the assumptions used to evaluate the options (see also note 10).
(3) The amortization of deferred expenses due to a RTO.

d. Functional and Foreign Currencies

(1) Functional and Presentation Currency

Items included in the financial statements of the Company are measured in Israeli New Shekel (NIS), the currency of the primary economic environment in which the entity operates ('the functional currency'). Other currencies are referred to hereafter as foreign currencies. Commencing January 2014, these financial statements are presented in Canadian Dollars (CAD), which is the Company's newly adopted presentation currency. The translation is performed using the current rate method, in which amounts in the statements of financial position are translated to the presentation currency using the rates of exchange prevailing on the statements of financial position date, while income statement amounts are translated using the period's average exchange rates. Net exchange gains or losses resulting from the translation of foreign currency financial statements are accumulated and included in other comprehensive income.

(2) Transactions and Balances in Foreign Currencies

Transactions in foreign currencies are converted into the respective functional currency on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognized in profit or loss.

(Canadian Dollars in Thousands, see Note 2d)

Note 2 - Reporting Basis and Accounting Policy (continued)

d. Functional and Foreign Currencies (continued)

(3) Rate of Exchange and Linkage

	Exchange rate NIS / CAD	Israeli CPI
December 31, 2015	2.814	221.1
December 31, 2014	3.367	223.30
Changes during the year ended December 31, 2015	(16.21%)	(1.03%)
Changes during the year ended December 31, 2014	3%	(0.22%)

e. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and short-term deposits in bank corporations, of which the original term does not exceed three months and are not restricted for use.

f. Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. The cost of an item of fixed assets 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 the asset is fully depreciated. The principal annual rates used for this purpose are:

	%
Computers and software	33
Laboratory equipment	5 – 15

The depreciation method, and the useful lives and residual values are reviewed, and adjusted if 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 pattern of consumption of the future economic benefits embodied in the items of the assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Note 2 - Reporting basis and Accounting Policy (continued)

f. Fixed assets (continued)

An item of fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on retirement or disposal is determined as the difference between any sales proceeds and the carrying amounts of the asset and is recognized in the income statement within ‘’other income / (expenses)’’.

d. Deferred Taxes

Income tax for each reporting period comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognized for all taxable temporary differences other than those resulting from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits, to the extent that it is probable that future taxable profits will be available; against which the deductible temporary differences, unused tax losses and unused tax credits can be utilized. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow deferred tax assets to be recovered.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transactions either in other comprehensive income or directly in equity.

Note 2 - Reporting basis and Accounting Policy (continued)

g. Deferred Taxes (continued)

In the reported years, no deferred tax was recognized in respect of receivable tax benefits from deductible temporary differences and tax carry forward losses, since the benefit realization is doubtful.

h. Obligations for Employees' Benefits

Short-term employees' benefits
Short term employee benefits include wages, salaries, paid annual leave, sick leave and national insurance contributions, and are recognized as expense in the period in which the associated services are rendered. A cash bonus liability or profit sharing plan can be recognized if the Group has a legal or constructive obligation to pay for service rendered in the past by an employee and the amount can be reliably estimated.

Long-term employees' benefits
The Company's contributions to defined contribution plans are recognized in profit or loss in the period to which they relate. Once the contributions have been paid, the Company has no further liability in respect of the defined contribution plans.

Liability in respect of employee rights upon retirement
Under Israeli Severance Pay Law and labor agreements, the Company is required to make severance payments to dismissed employees and employees leaving employment in certain other circumstances. The Company's severance pay liability to its employees is based upon each employee's number of service years and the latest monthly salary, and is mainly covered by payments of premiums to insurance companies for the purchase of insurance policies in the name of the Company and to pension funds. The amounts accrued with insurance companies and pension funds are not under the Company's control and therefore are not reflected in the financial statements. The Group's liability is covered by making current contributions in defined contribution plans pursuant to Section 14 to the Severance Pay Law. Under Section 14 of the Severance Pay Act, 1963 the fixed contributions paid by the Group into pension funds and/or policies of insurance companies release the Group from any additional liability to employees for whom such contributions were made. These contributions and contributions for compensation represent defined contribution plans.

The liability covered by deposits with insurance companies and pension funds is irrevocably transferred to them. Accordingly, neither the amounts accumulated with insurance companies and pension funds, nor the corresponding liabilities for severance pay are reflected in the consolidated balance sheet.

The contributions to defined contribution plans are recognized as salary expenses in the period in which the services are rendered by the employee.

Note 2 - Reporting Basis and Accounting Policy (continued)

i. Financial Instruments

Financial instruments are recognized in the statements of financial position when the Company has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instruments classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

A financial instrument is recognized initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument

On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial assets

On initial recognition, financial assets are classified as either (i) financial assets at fair value through profit or loss, (ii) held-to-maturity investments, (iii) loans and receivables financial assets, or (iv) available-for-sale financial assets, as appropriate.

Financial assets that are valued at fair value through profit and loss, include held-for-trading financial assets.

Financial assets are classified as held for trading investments if they were purchased primarily for the purpose of sale or a recurring purchase in the short term, or are part of a portfolio of identifiable financial instruments which are being collectively managed for the purpose of making a profit in the short term, or that they are not intended as a hedging instrument.

Profits or losses realized from held or trading financial assets are recognized as income of loss during the period in which the income or loss is incurred.

The Company examines the existence of an embedded derivative and the necessity of bifurcation upon the contractual provisions. Reassessment of embedded derivative is made upon change in a binding agreement which substantially affect cash flows.

Note 2 - Reporting basis and Accounting Policy (continued)

i. Financial Instruments (continued)

Loans and receivables financial assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivable financial assets. Loans and receivable financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial Liabilities

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

All financial liabilities, other than those categorised as fair value through profit or loss, are recognised initially at fair value net of directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. As at the end of each reporting period in these financial statements, there were no financial liabilities classified under this category.

The Group examines the existence of embedded derivatives and the need for separation when it initially becomes a party to a contractual arrangement. Reassessment of an embedded derivative is made upon change in binding agreement which substantially affects cash flows.

Fair value

The Company estimates fair value at a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market for the asset or liability. The valuation techniques require inputs that are categorized using a three-level hierarchy, from highest to lowest level of observable inputs, as follows: (1) significant observable inputs, including unadjusted quoted prices for identical assets or liabilities in active markets ("Level 1"), (2) significant other observable inputs, including direct or indirect market data for similar assets or liabilities in active markets or identical assets or liabilities in less active markets ("Level 2") and (3) significant unobservable inputs, including those that require considerable judgment for which there is little or no market data ("Level 3"). When multiple input levels are required for a valuation, the Company categorizes the entire fair value measurement according to the lowest level of input that is significant to the measurement even though other significant inputs that are more readily observable may have also utilized.

Note 2 - Reporting basis and Accounting Policy (continued)

i. Financial Instruments (continued)

Derecognizing financial instruments
Financial assets are de-recognized when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.
A financial liability is de-recognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of the new liability, and the difference in the respective carrying amounts is recognized in the profit or loss.

j. Government Grants

Grants from the Office of Chief Scientist, Ministry of Economy of the State of Israel ("OCS") granted as support in the Company's/ Group's research and development ("OCS grants"), are classified as "forgivable loans" as set out in IAS 20 – "Accounting for Government Grants and Disclosure of Government Assistance".

As of January 1, 2009, the Company implemented IAS 20 published in May 2008 in the framework of improvements to International Accounting Standards ("the Amendment"). According to the Amendment, government loans are recognized and measured as set out in IAS 39 – "Financial Instruments: Recognition and Measurement" ("IAS 39"). The Amendment applies to grants received from the government after January 1, 2009.

If at the time of the crystallizing of the entitlement to the OCS grant ("Entitlement Date"), the Company reached the conclusion there is no reasonable level of assurance that the grant shall not be repaid, it shall recognize the financial liability as set out in IAS 39 regarding financial liabilities measured at amortized cost. The difference between the OCS' grant received and the financial liability initially recognized at fair value is treated as a government grant, which is charged to the Consolidated Statement of Comprehensive Loss as a reduction' research and development expenses.

If during the subsequent period, the Company initially concludes that there is no reasonable assurance that the OCS grant received is not repayable, it recognizes the financial liability for the grant received on that date. The aforesaid financial liability is treated as set out in IAS 39 concerning financial liabilities measured at amortized cost.

As at the consolidated financial statements dates, the Company has not recognized any financial liabilities in respect of grants received.

Note 2 - Reporting basis and Accounting Policy (continued)

k. Loss per Share

The basic loss per share is calculated based on a weighted average of the number of outstanding shares, effectively existing through the period, while retroactively adjusted due to any rights issuance. Convertible securities converted to shares during the period, are included in the basic loss per share from the date of conversion onwards.
In the reported period diluted loss per share was not calculated since the Company has no convertible securities with diluting effect, i.e. increasing diluted loss per share from operations.

l. Share-Based Compensation Transactions

Advisors, service providers and a director employed by the Company are entitled to payments of share-based compensation in the form of the Company's equity instruments. The transaction cost is measured at the fair value of the service rendered in return for the equity instrument. In the event that the fair value of the services rendered in return for the equity instrument is not measurable, it is measured at the fair value of the granted equity instrument, using an acceptable pricing model for determining the fair value of the share based compensation.

The cost of transactions paid by way of equity instruments is recognized in the Consolidated Statement of Comprehensive Loss over the service period, ending when the offerees are entitled to remuneration (vesting period). The accumulated recognized expense for transactions paid by way of equity instruments in each reporting period until the vesting period is complete, reflects the passage of vesting time and the Company's best measurement concerning the equity instruments that eventually vested. The credit or debit in profit and loss reflects the change in the accumulated expense recognized for the beginning and the end of the reported period

m. Share-based compensation transactions (continued)

The benefit value is also carried to retained earnings in the Company's equity, or reduced share premium in the case of raising equity commissions that were paid in equity instruments.

Expense in respect of grants that do not vest are not recognized, apart from grants in which vesting is dependent on market conditions, which are treated as vested grants regardless of market conditions, assuming the remaining vesting conditions are met (service and/or operation).

n. Research and Development costs

Research expenditure is recognized as an expense when it has incurred. Development expenditure is recognized as an expense except that costs incurred on development projects are capitalized as long-term assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalized if, and only if, an entity can demonstrate all of the following:

(i) Its ability to measure reliably the expenditure attributable to the asset under development;
(ii) The product or process is technically and commercially feasible;
(iii) Its future economic benefits are probable;
(iv) Its ability to use or sell the developed asset; and
(v) The availability of adequate technical, financial and other resources to complete the asset under development.

Note 2 - Reporting basis and Accounting Policy (continued)

n. Research and Development Costs (continued)

Development expenditure initially recognized as an expense is not recognized as assets in the subsequent periods.

The asset is measured at cost and presented net of accumulated amortization and impairment, if recognized. Asset amortization commences when development is completed and the asset is available for use. The asset is amortized over the period in which sales are expected. During the

development period, in which the asset is not ready for use and it is pre-amortization period, impairment is tested at the end of each financial reporting period.

As of the date of the consolidated financial statements the conditions to recognize the Company's development expenditures as an intangible asset have not yet been met, and expenses are therefore charged to the Consolidated Statement of Comprehensive Loss.

o. Transactions Between the Company and its Controlling Shareholder

Salary reductions to the controlling shareholder, who is employed by Vaxil, and the waiver of a former controlling shareholder's debt, were measured in 2012 at fair value and are presented in the Consolidated Statement of Consolidated Equity Changes as Capital surplus in respect of transactions with shareholders.

p. Provisions

Provisions as set out in IAS 37 are recognized when the Company has a present or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are measured while capitalizing expected future cash flows, discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability.

At the end of each financial reporting period, the Company reviews its legal and constructive obligation and provisions made there for.

Note 2 - Reporting Basis and Accounting Policy (continued)

q. The Effect of New IFRS Not Yet Adopted

IFRS 9 - "Financial Instruments"

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair

value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group is yet to assess IFRS 9's full impact.

IFRS 15 - "Revenue from contracts with customers"

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and early adoption is permitted. The Company is assessing the impact of IFRS 15.

(Canadian Dollars in Thousands, see Note 2d)

Note 3 - Cash and Cash Equivalents

	December 31,	
	2015	**2014**
Consist of:		
In NIS	12	109
In USD	-	48
	12	**157**

Note 4 - Accounts Receivable and Prepaid Expenses

	December 31,	
	2015	**2014**
Consist of:		
Unbilled receivables from the Israeli Chief Scientist	11	17
Prepayment for consulting services	-	6
Government institutions	14	31
	25	**54**

Note 5 - Deferred issuance costs

Consists of cost incurred during 2015 in respect of the RTO agreement, see Notes 1b and 18 d.

Note 6 - Fixed assets

	Computers and software	**Laboratory equipment**	**Total**
Cost:			
Balance - January 1, 2015	**10**	**36**	**46**
Exchange differences	-	3	3
Balance - December 31, 2015	**10**	**39**	**49**
Accrued depreciation:			
Balance - January 1, 2015	**8**	**10**	**18**
Depreciation during the year	2	6	8
Balance - December 31, 2015	**10**	**16**	**26**
Depreciated cost - December 31, 2015	**-**	**23**	**23**
Depreciated cost - December 31, 2014	**2**	**26**	**28**

(Canadian Dollars in Thousands, see Note 2d)

Note 7 - Other Account Payables and Accrued Liabilities

	December 31,	
	2015	**2014**
Consist of:		
Employee benefit and related institutions	14	547
Vacation provision	11	16
Payable expenses	437	159
Government institutions	6	-
Claim provision (Note 9 i)	-	45
	468	**767**

Note 8 - Capital Financing Agreement

a. On June 19, 2014, the Company entered into a third amendment to a capital financing agreement based on the Reverse Equity Pricing Agreement Mechanism ("REPA") with YA Global Investments, L.P., a hedge fund launched and managed by Yorkville Advisors, LLC ("Yorkville") ("the Yorkville Agreement"). According to the Yorkville Agreement, which was signed on July 10, 2013, the Company can require Yorkville to purchase new shares to be issued for between US$50,000 – US$150,000 at its sole discretion (the "Advance Request"). The size of the Advance Request shall be 20% of the cumulative daily trading volume in the Company's shares during the five days prior to the date of the Advance.

b. **Investments made by Yorkville**

1. Loan agreement between Vaxil and Yorkville

   In 2013, the Company signed an agreement with Yorkville according to which Yorkville provided the Company with a loan in the amount of $317 ("Yorkville Loan"). In 2014, in accordance with the terms of the Yorkville Loan, the Company repaid the loan, including accrued interest in the amount of $57.

2. On January 15, 2014, the Company issued Yorkville an Advance Request for the amount of $66; on that day the Company published a shelf offering prospectus and, issued Yorkville 275,485 ordinary shares, as follows:

   a. 224,517 ordinary shares at a share price of NIS 0.78 ($0.23);

   b. 50,968 ordinary shares at a share price of NIS 0.69 ($0.20);

   The proceeds of the above-mentioned allocation of $66, net of underwriting commission in the amount of $5 was recognized as Share Premium in the Consolidated Statement. The Company apportioned US$50 of the proceeds to partially repay the Yorkville Loan.

Note 8 - Capital Financing Agreement (continued)

b. **Investments by Yorkville**

3. On March 2, 2014, the Company's board of directors approved an agreement with Yorkville to issue 620,000 shares at a share price of NIS 0.70 per share ($0.22).

   On March 5, 2014, the Company issued Yorkville the above-mentioned shares in consideration for $137, which was recorded as share premium in the Consolidated Statement of Changes in Equity. Issuing expenses amounted to $22 (including the share issuance to Upswing, see Note 9e). Half of the consideration ($69) was used partially repay the Yorkville Loan.

4. On October 21, 2014, the Company issued Yorkville with an Advance Request in the amount of US$150,000. On October 22, 2014, the Company published a shelf offering prospectus and issued 514,481 shares to Yorkville at a price of NIS 1.09 per share ($0.33).

   On October 23, 2014, the Company issued the abovementioned shares to Yorkville. The total gross consideration received for the shares was $141 and issuing expenses were $26 (including the share issuance to Upswing, see note 9e.).

5. On December 9, 2014, the Company issued Yorkville with an Advance Request in the amount of US$120,000. On the same day the Company published a shelf offering prospectus to issue 846,900 shares to Yorkville at a price of NIS 0.57 per share ($0.17). On December 10, 2014, the Company issued the shares to Yorkville for the total gross consideration of $140, less underwriting commission and other expenses of $29 (including payments due to Upswing, see Note 9e).

Note 9 - Contingent Liabilities and Commitments

a. Clinical trial agreements

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

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

Note 9 - Contingent liabilities and commitments (continued)

b. Office of the Chief Scientist, Ministry of Economy of the State of Israel

On June 12, 2014, Vaxil received approval for support from the OCS for continuing its Research and Development plan of the ImMucin vaccine for treating multiple myeloma ("R&D Plan"). The approved amount for the R&D Plan budget ("the Budget") was NIS 3,000,000 (approximately $1,065), and the grant shall be 50% of the Budget. As of December 31, 2015, the Company utilized $675 out of the Budget.
The Company is committed to royalty payment for participation grant received from the Israeli Office of the Chief Scientist, commuted at a rate 3%-6% out of any proceed derived from knowhow developed with the participation of the OCS.

The liability to the OCS is limited to the received participation by grant plus interest at US$ LIBOR rate. As of December 31, 2015, the total liability for royalties to OCS accumulated to $675

c. Consulting Agreement with Upswing Ltd.

1. On July 18, 2012, the company entered into a consulting agreement with Upswing Ltd. ("the consultant") in connection with the Transaction.

2. Subject to finalizing the Transaction, the consultant shall provide the Group with consulting services concerning capital raising until the Company or Vaxil shall raise an accumulated sum of at least NIS 10 million (approximately $3,550) in return for:

    a. Monthly payment of NIS 100,000 (approximately $36) for 10 months, commencing from the date the transaction is finalized, from issue receipts as defined in the agreement.

    b. In addition, Vaxil and/or the Company shall pay the consultant 20% of accumulated fundraising proceeds, over NIS 5,000,000 (approximately $1,776).

    c. The total, amounts that the consultant is entitled to receive from the Company pursuant to clauses a. and b. above shall not exceed NIS 2,645,000 (approximately $939).

    d. At the end of the 10 months, unpaid advisory fees shall convert to debt to the consultant, and the consultant shall be entitled to convert the debt to the Company's shares, constituting 12% of the Company's issued share capital on a fully diluted basis.

Note 9 - Contingent Liabilities and Commitments (continued)

c. Consulting Agreement with Upswing Ltd. (continued)

3. On December 26, 2013, following the board's approval, the Company signed a new agreement with Upswing, amending the previous agreement as follows:
   a. The advisory fees to Upswing shall be reduced by NIS 150,000 (approximately $53), such that the accumulated amounts for consulting services received by Upswing shall not exceed NIS 1,454,970 (approximately $516).

   b. Vaxil and/or the Company shall pay Upswing 10% of the accumulated fundraising proceeds, in excess of NIS 5,000,000 (approximately $1,776) (received by the Company through February 15, 2015, and 15% of fundraising proceeds received by the Company from February 16, 2015, onwards).

      With regards to private placements to be carried out by the Company/Vaxil – at the Company's / Vaxil's discretion, Upswing shall be entitled to: (a) payment of 10% or 15% of the private placement proceeds in cash (according to the date of the placement); or (b) allocation of securities (in terms and amounts equivalent to those in the private placement).

      With regards to share issuances to Yorkville, until Yorkville's loan to the Company is repaid, Upswing is entitled to 7.5% of the proceeds from the share issuances made through to February 15, 2015, and 10% of share issuances made from November 16, 2015.

   c. In return for Upswing's reduction of the advisory fees (as aforementioned in clause 3a) and its consent to reduce the percentage that it receives from future share issuances made by Vaxil and/or the Company (as mentioned above in clause 3b), the Company allocated to Upswing 500,000 ordinary shares ("Upswing's shares").

4. In accordance with the amended consulting agreement and as a result of private placements made during 2014, Upswing received payments in cash, shares and warrants, as follows:
   a. On January 8, 2014, the Company issued 500,000 shares to Upswing with the value of $120 based on the Company's share price as traded on the TASE on that day. The consideration was charged to financial expenses in the Consolidated Statement of Comprehensive Loss in 2014 due to amendments to the consulting agreements and changes in payment terms.

   b. 62,000 shares with a value of $13 were issued to Upswing and $23 was paid in cash following investments made by Yorkville (see Note 8).

   c. Following private placements detailed in Notes 10b and 10c – the Company issued Upswing 150,756 shares and 150,756 warrants, with a value of $38.

   d. Following the financing by way of a shelf offering, detailed in Note 10h, the Company paid Upswing an amount of $58.

   The issuance expenses and commission payments specified in clauses 4b and 4c totaled $74, were charged against share premium in the consolidated statements.

With respect of settlement agreement and issuance of shares to Upswing, see Note 18c.

Note 9 - Contingent Liabilities and Commitments (continued)

d. European Financing for Para-Clinical Trials Through Siena University

As at the financial statement date, the Company has utilized €62,000 ($90) of its €104,000 ($151) budget granted by the ADITEC consortium of the European Union for pre-clinical studies on animals for a tuberculosis vaccine (MTBUVAX). These studies have been carried out on the Company's behalf by the University of Siena (UNISI) in Italy.

e. Tax Authority's Decision re Shareholders Holding Dilution

During 2014, and in order to continue to raise funds to fund the Company, the Company applied to the Israeli tax authorities with a request to receive the status of a Research and Development Company in accordance with Section 103 of the Income Tax Ordinance. This was in order to change the restriction of diluting the Company's controlling shareholders (as defined in the Pre-ruling prior to the merger Transaction of July 12, 2012). On April 24, 2014, the Company received clarification from the Tax Authorities allowing the controlling shareholders to be diluted below 51% to 35%. The restrictions laid down by the ruling ended on the December 31, 2014 and in the Company's opinion, the Company has not breached this dilution.

f. Lawsuits Against the Company

On June 26, 2014, lawsuits were served in the Tel Aviv Magistrate Court against Vaxil, Julian Levy and Lior Carmon, as key management personnel at Vaxil (together: "the Defendants"). The lawsuit was served by service providers ("the plaintiffs") claiming they did not receive their full compensation for consulting and brokerage services provided to the Company with respect to acquiring control in the public company shell in the Transaction. The plaintiffs demanded an amount of approximately $282 for the above-mentioned services – $245 for fees (constituting 3.5% of the Company's share value as at the lawsuit date, allegedly agreed upon by an oral agreement), and an additional $37 for reputational damage. The Company is not aware of any assistance rendered by the plaintiffs in the Transaction. Due to the uncertainty involved in this process, currently the Company's legal advisors on the basis of what is known at this stage, believe that it is more reasonable that the Court will not decide in favour of the Plaintiffs. Consequently, their opinion is that the Company will not be obliged to pay any amounts under this claim and therefore, no provision has been included for the Company's financial statements.

Note 10 - Share capital

a. The Company's authorized share capital is comprised of 100 million ordinary no-par value shares.

Note 10 - Share Capital (Continued)

b. Private Placement of Shares and Warrants in April 2014

On April 23, 2014, the Company approved a private placement of 1,118,762 shares and 1,169,615 unlisted warrants, as follows:

1. 508,527 unlisted Series A warrants (April 2014), 508,527 unlisted Series B warrants (April 2014) and 1,017,056 shares, were issued to six investors on equal terms for total proceeds of $229. The investors' shares constitute 7.43% of voting equity rights in the Company after the issuance, and 5.09% of voting equity rights on a fully diluted basis.

   Issuance expenses totaled $36, of which $25 was a share based payment as specified in the clauses 2 and 3 below, and $11 was a commission to the broker involved in the transaction.

2. 101,706 shares, 50,853 unlisted series A warrants (April 2014) and 50, 853 unlisted series B warrants (April 2014), for total proceeds of $23 were issued to Upswing (see Note 9e and 4c).

   Upswing's shares constitute approximately 0.74% of the Company's voting equity rights following the issuance, and approximately 0.51% of the voting equity right on a fully diluted basis.

3. The Company also issued 25,426 unlisted Series B warrants (April 2014) and 25,427 unlisted Series B warrants (April 2014) to an additional third party, who provided the Company with consulting and brokerage services.

4. The terms of the warrants are as follows:

   a. Unlisted Series A warrants (April 2014) are exercisable within a 12-month period commencing from the date of issuance, at a price of ILS 1.00 ($0.32) for each warrant, to be paid upon the exercise of the warrant.
   b. Unlisted Series B warrants (April 2014) can be exercised within a 24-month period commencing from the date of issuance, at a price of NIS 1.58 ($0.50) for each warrant, to be paid upon the exercise of the warrant.

   The shares and warrants, together, under the assumption that all the warrants are exercised, constitute 16.71% of the voting equity right; and 11.45% of the voting equity right on a fully diluted basis.

   The fair value of the Series A warrant (April 2014) and the Series B warrant (April 2014) is NIS 0.13 ($0.04) and NIS 0.12 ($0.04), respectively. This was calculated according to the Black-Scholes option pricing model, using the following parameters: share price: NIS 0.785 ($0.25); expiration date for the Series A and Series B warrants is April 21, 2015 and 2016, respectively; standard deviation of 62.7%; and dividend yield 0%.

   $167 of the net proceeds of $193, are presented as Share Premium in the Consolidated Statement of Changes in Equity, and $26 are recorded as Receipts on Account of Warrants in the Consolidated Statement of Changes in Equity, based on the relative fair value of the warrants and shares. $55 was used to partially repay the Yorkville loan.

Note 10 - Share Capital (Continued)

c. Private Placement of Shares and Warrants in September 2014

On September 15, 2014, the Company approved a private placement of 539,550 shares and 539,550 unlisted warrants ("September 2014 Private Placement"), as follows:

1. 245,250 unlisted Series A warrants (September 2014); 245,250 unlisted Series B warrants (September 2014) and 490,500 shares to a related party and an additional investor, on identical terms, for total proceeds of $157.

   The issue expenses totaled $22, including the allocation of deferred issue expenses of $6 and $16 as specified in clause 2 below, which were recorded in the Consolidated Statement of Changes in Equity as a deduction from the proceeds on the issue of shares.

2. 49,050 shares, 24,525 unlisted Series A warrants (September 2014) and 24,525 unlisted Series B warrants (September 2014) were issued to Upswing for total proceeds of $16 (see Note 9e4c).

3. The warrant terms are as follows:

   a. unlisted Series A warrants (September 2014) are excusable within a 9-month period commencing on the date of issuance, at an exercise price of NIS 1.25 ($0.38) per warrant, to be paid upon exercise of the warrant.

   b. unlisted Series B warrants (September 2014) are exercisable within an 18-month period commencing from the date of issuance, at an exercise price of NIS 1.60 ($0.49) per warrant, to be paid upon exercise of the warrant.

      The allocation of the proceeds and the fair value of the securities issued in the September 2014 Private Placement, was evaluated by an external appraiser. The fair value of the Series A warrants (September 2014) and Series B warrants (September 2014) is NIS 0.14 ($0.04) and NIS 0.19 ($0.06), respectively, based on the following parameters: the risk free interest rate on the Series A warrants (September 2014) and Series B warrants (September 2014) is 0.28% and 0.35%, respectively; the expiration date of the Series A warrants and Series B warrants is June 15, 2015 and March 15, 2016, respectively; a standard deviation of 80.18%; a dividend yield of 0%. The issue of securities in the September 2014 Private Placement reflects a discount of approximately 20% as derived from the warrant value and share price value on the TASE.

      $114 of the net proceeds of $135 were presented as Share Premium in the Consolidated Statement of Changes in Equity and $21 as receipts on account of warrants based on the relative fair value of the shares and warrants.

      On November 5, 2014, following receiving approval from the TASE, the Company issuethe shares and warrants to the two investors.

Note 10 - Share Capital (Continued)

d. Allocation of Shares and Options to Service Providers

1. On May 15, 2014, the Company approved the issuance of 455,000 options to service providers and a consultant of the Company. They were issued in lieu of and for the settlement of cash payment obligations for services rendered to the Company through to the issuance date. An additional 60,000 unlisted options were issued to a consulting Company based on an agreement for brokerage services for raising capital from private investors in August 2012 for which issue expenses were previously recognized as a share based payment.

   The options are exercisable for a 48-month period from the issuance date, at an exercise price of NIS 0.10 ($0.03) per option. The total fair value of the options according to the Black-Scholes option pricing model is 156$ based on the following parameters: share price of NIS 1.057($0.33); expiration period 48 months; standard deviation 62.7%; dividend yield 0%.

   $118 of the above share based payment was recorded as repayment of a consulting fee liability, and $19 was recorded as a repayment in respect of services provided subsequent to the issuance date and through to September 30, 2014.

2. On September 15, 2014, the Company completed a private placement of 125,454 shares to a consulting services company at a price of NIS 1.10 ($0.33) per share and for a total consideration of 43$. The proceeds from the private placement were used to settle in full the amount owing to the service company. These services included, amongst others, strategic advice and recruitment of potential investors, and were provided to the Company during the period July 2013 through November 2014.

   On November 5, 2014, the Company received approval from the TASE whereupon it issued the above shares and warrants.

3. On November 8, 2015, the Company decided on a private placement of 1,002,000 ordinary shares (no par value) in settlement of liabilities to service providers. which amounted to $198 as at September 30, 2015.

   Law Firms and Patent Attorneys received 792,000 ordinary shares. A corporate finance agent received 50,000 shares and the CFO of the Company received 160,000 shares.

e. Allocation of Shares and Options to Officers of the Company

1. On September 15, 2014, and in accordance of Mr. Levy's employment agreement with the Company the Company issued Mr. Julian Levy, President, director and CFO of the Company, 223,712 shares and 212,789 unlisted options which can be exercised to 212,789 shares.

   On November 5, 2014, the Company received approval from the TASE whereupon it issued the above shares and options to the officer of the Company at a price of NIS 0.10 ($0.03) per share, which was paid post year end.

Note 10 - Share Capital (Continued)

e. Allocation of Shares and Options to Officers of the Company (Continued)

2. On December 15, 2014, the Company's board of directors approved the issuance of 196,359 shares to a service provider of the Company. This was in settlement of the Company's liability to the service provider accrued through December 31, 2014 in respect of consulting services provided to the Company. The total value of the shares issued was $28 and included an additional payment of $5 (20%) which was due for applying a share based payment as opposed to a cash payment. The shares were issued in January 2015.

3. On August 12, 2015, the Company issued the Company's former CEO 1,182,820 unlisted options that can be exercised into 1,182,820 shares ("realization shares") as a settlement of the Company's liability in the amount of $301 relating to salaries and bonuses to the former CEO, based on his employment agreement amounted to $301.

   These options can be realized on 36-month period, commencing from the issuance date at an exercise price of $0.1 for each option which will be paid on the exercise day.

   The amount of these options was calculated on basis of the Company's share value derived from the Company's agreement with a Canadian shell company (see Note 18c)

4. On August 12, 2015, the Company issued 1,158,000 shares ("issued shares") at 1.00 NIS per share ($0.30), as a full and final settlement of Company's liability to one of its directors in respect of services provided from July 18, 2012 through to July 5, 2015 (as the president and CFO of the company) in the amount of $383. The fair value of these shares on issuance date, based on the company's share price on the Tel Aviv stock exchange, was $243. Based on the agreement, the remaining liability of $14 shall be repaid in cash.

5. With respect of events subsequent to the balance sheet date in respect of share allocations to meet RTO requirements, a private placement and settlement of obligations to directors, CFO and lawyers see Note 18.

f. Extension of Realization Period of Unlisted Warrants

On June 17, 2014, the board of directors decided to extend the exercise period of 326,350 unlisted warrants series 08/12 issued to third parties in August 2012, to August 29, 2015. There was no change in the exercise price of NIS 3.2 payable in cash).

g. Decision to Reduce Realization Price of Unlisted Warrants

On October 26, 2014, the board of directors approved reducing the exercise price of the unlisted warrants series 08/12 (issued in August 2012), from NIS 3.20 (0.95$) per warrant to NIS 1.35 ($0.40).

(Canadian Dollars in Thousands, see Note 2d)

Note 10 - Share Capital (Continued)

h. Rights Issue

On December 18, 2014, the Company published a shelf offering prospectus, according to which 7,362,670 shares were offered to the Company's shareholders and warrant and option holders (as defined in the Company's Shelf Prospectus). In total, the Company issued 7,116,669 ordinary shares for a total gross consideration of $627, as detailed below. Issue expenses totaled $113 (including the commission to Upswing, which totaled $58).

Through to December 31, 2014, the Company received requests to purchase 1,164,132 shares in return for $104, net of issue expenses of $20.

619,505 shares were issued through to December 31, 2014 and 544,627 shares were issued in January 2015. The Company recorded $44 as Share Premium and $40 as Receipts on Account of Shares in the Consolidated Statement of Changes in Equity.

Subsequent to the balance sheet date and through January 8, 2015, which was the final date for the exercise of the rights, the Company received requests to purchase 5,952,537 shares of the Company.

j. Data Concerning Warrants , Options and Rights for Shares as at December 31, 2015

Issue/ grant date	No. of options/ warrants	Exercise price per share in $	Type
October,31 2012	1,442,533	0.52	Series 1
July 25, 2013	430,000	0.52	Series 1
July 18, 2012	77,473	2.97	Un listed 04.12
July 18, 2012	23,109	2.37	Un listed 04.12
July 18, 2012	41,309	0.03	Un listed 04.12
July 18, 2012	288,362	According to agreement	Un listed 04.12
August 30, 2012	326,350	0.95	Un listed 08.12
August 30, 2012 (*)	212,789	0.88	Un listed warrants 09.14b
December 17, 2012	321,726	0.91	Unlisted 12.12
April 11, 2013	2,151,622	-	Rights for shares (2nd milestone)
April 9, 2013	20,698	0.03	Unlisted 05.13
April 23, 2014	172,922	0.29	Unlisted 04.14
April 23, 2014	404,809	0.45	Unlisted 04.14
May 15, 2014	60,000	0.03	Unlisted 05.14
September 15, 2014	269,775	0.37	Unlisted 09.14
September 15, 2014	269,775	0.47	Unlisted 09.14
July 20, 2015 (*)	1,182,020	0.20	Unlisted 10.15
Total	**7,695,272**		

(*) Related party

(Canadian Dollars in Thousands, see Note 2d)

Note 11 - Research and Development Expenses, net

	For the Year Ended December 31,	
Consist of:	**2015**	**2014**
Wages, salaries and related Expenses	269	391
Consultants and sub-contractors	78	166
Lab – rental fees	57	31
Development materials	-	11
Patent registration	75	71
Depreciation	7	4
Others	15	7
	501	**681**
Less:		
Support and grants		
Office of the Israeli Chief Scientist	(156)	(155)
ADITEC (Note 9)	-	(90)
	(156)	(245)
	345	**436**

Note 12 - General and Administrative Expenses

	For the Year Ended December 31,	
	2015	**2014**
Consist of:		
Wages, salaries and related expenses	265	395
Professional services	375	754
Car maintenance	-	11
Office – rent and maintenance	35	4
Travel expenses	-	13
Depreciation	2	2
Others	48	58
	725	**1,237**

Note 13 - Financial Expenses

	For the Year Ended December 31,	
	2015	**2014**
Consist of:		
Interest and commissions to banking institution	3	4
Interest and commission Convertible loans	-	57
Upswing consulting		118
	3	**179**

(Canadian Dollars in Thousands, see Note 2d)

Note 14 - Financial Income

	For the Year Ended December 31,	
	2015	**2014**
Consist of:		
Exchange rate differences	**1**	**1**

Note 15 - Income Taxes

a. Tax Rates

Tax rate applicable to the Company in 2015 and 2014 is 26.5% (25% in 2013).

Effective as of January 1, 2016, the corporate tax rate will decrease from 26.5% to 25%. This change has no effect on the Company's financial statements, as the Company does not record deferred tax on losses carryforwards as their future realization in the foreseeable future, is uncertain.

b. Carry Forward Losses

The estimated carry forward tax losses for the Company and Vaxil as of December 31, 2015 were totals $2,100 and $5,900, respectively.

c. Tax Assessment

The Company's and Vaxil's tax assessments until and including 2012 tax year are considered final.

Note 16 - Related Party Disclosure

The remuneration of key management, which comprises members of the board of directors, the Company's CEO, and the Company's President and CFO, is set out below for each of the categories specified in IAS 24 'Related Party Disclosures'.
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 follows:

a. Balances with related parties

	December 31,	
	2015	**2014**
Salaries payable	210	530

b.

	For the Year Ended December 31,	
	2015	**2014**
Payroll costs to related parties	493	623
Non-executive director	36	53

See Note 18d regarding the settlement of liabilities to related parties.

(Canadian Dollars in Thousands, see Note 2d)

Note 17 - Financial Instruments

a. Financial Risks

The Company is at research and development stage and has no income to date; therefore, it is exposed to liquidity risks, considering the required cash flows to finance the research and development activity.

b. Financial Instruments' Fair Value

The Company's financial instruments include: non-derivative assets (cash and cash equivalents, account receivables) and non-derivative liabilities (account payables and other liabilities), which are presented within the working capital and debt component of loans convertible to shares presented at depreciated cost.

Due to their nature, the carrying amount of financial instruments' presented within working capital, as aforesaid, approximates their fair value. The Company estimates that the debt component' fair value is not materially different from its value as presented in the accounts.

c. Linkage Terms of Financial Balances

	December 31, 2015			
	Linked to foreign currency	**Linked to consumer price index**	**Un linked**	**Total**
Current assets:				
Cash and cash equivalent	-	-	12	12
Account receivable (net of prepaid expenses)	-	-	25	25
	-	-	**37**	**193**
Current liabilities:				
Suppliers and service providers	-	-	39	39
Other accounts payable and accrued liabilities	-	-	770	770
	-	-	**809**	**809**

(Canadian Dollars in Thousands, see Note 2d)

Note 17 - Financial Instruments (continued)

d. Linkage Terms of Financial Balances (continued)

	December 31, 2014			
	Linked to foreign currency	Linked to consumer price index	Un linked	Total
Current assets:				
Cash and cash equivalent	47	-	110	157
Account receivable (net of prepaid expenses)	-	-	48	48
	47	**-**	**158**	**205**
Current liabilities:				
Account payables	-	-	26	26
Other accounts payable and accrued liabilities	-	-	767	767
	-	**-**	**793**	**793**

Note 18 - Subsequent Events

a. January 2016 Private Placement

On January 11, 2016, the Company approved a private placement of 474,287 shares to third party investors at NIS 0.35 ($0.12) per share for total proceeds of $59. There were no issue expenses in this private placement.

b. Ordinary Share Allocation to a Service Provider in January 2016

On January 11, 2016, the Company's board of directors approved the issuance of 166,763 shares to a service provider of the Company as a full and final settlement of Company's liabilities as of December 31, 2015 in the amount of $36.

c. Settlement Agreement with Upswing

Subsequent to the balance sheet date, on February 22, 2016, the Company signed a settlement agreement with Upswing Capital ("Upswing Settlement Agreement"). Within the framework of the Upswing Settlement Agreement, the Company and Upswing agreed to waive all present and future claims against each other and accordingly the Company issued to Upswing 982,000 shares at NIS 0.55 ($0.20) per share represent approximately $192 are reflected in the as Deferred Issuance Costs in the Consolidated Statements of Financial Position and a related charge to Share Premium in the Consolidated Statements of Changes in Equity.

Note 18 - Subsequent Events (continued)

d. Settlement of Obligations to Directors, CFO and Lawyers

On February 22, 2016, the Company issued the following shares to reduce certain liabilities as of December 31, 2015:

(i) 177,256 shares to directors at NIS 0.50 ($0.18) per share in settlement of the Company's liability to directors in respect of directors' fees in the amount of $31.

(ii) 188,000 shares to the Company's CFO at NIS 0.50 ($0.18) per share in settlement of the Company's liability in the amount of $33.

(iii) 460,000 shares to the Company's lawyers at NIS 0.50 ($0.18) per share in settlement of the Company's liability in the amount of $92.

e. Share Allocations to Meet RTO Requirements

On February 29, 2016, following approval by the court to complete the RTO in terms of section 350 and 351 of the Companies Law, and in order for the Company to meet certain terms of the RTO, including levels of liabilities of the Company at the time of the Closing of the RTO, the Company issued the following shares to reduce certain liabilities' as of December 31. 2015:

(i) 600,000 shares to the Company's chairman and CEO at NIS 0.60 ($0.21) per share for a total consideration of $128, of which 383,333 shares represented approximately $82 for past services rendered to the Company through December 31, 2015 and were charged to expenses; and 50,000 shares which represented approximately $11 for providing services to the Company during 2016. 166,667 shares represented approximately $35 and were considered as an RTO success bonus.

As of December 31, 2015, management determined that the chances of meeting of the RTO success conditions is probable and therefore the related cost of $35 was recorded as Deferred Issuance Costs in the Consolidated Statements of Financial Position .

(ii) 100,000 shares to a third party consultant at NIS 0.50 ($0.18) per share for the settlement of the Company's liability for services rendered by him through December 31, 2015, in the amount of $18.

(iii) 30,000 shares to the Company's legal advisors at NIS 0.50 ($0.18) per share for the settlement of the Company's liability for services rendered by them through December 31, 2015, in the amount of $15.