THERAPIX
BIOSCIENCES

Therapix Biosciences Ltd.

Annual Report | 2015

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As of the report date, Therapix Biosciences Ltd. ("the Company") is a "small corporation" in accordance with the conditions stipulated in Regulation 5c to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970 ("the Regulations"). According to the decision of the Company's Board, the Company adopts and applies (to the extent that such application is relevant or irrelevant to the Company) several exemptions prescribed in the Regulations as follows:

1. **Increasing the materiality threshold in connection with the attachment of valuations to 20%[1];**
2. **Increasing the minimum requirement for attachment of financial statements of material associates to interim financial statements to 40% (the materiality threshold for attaching annual financial statements is (remains) 20%[2];**
3. **Exemption from adopting the provisions of the Second Addendum to the Regulations regarding (details of the exposure to market risks and their management (the Galai Report))[3];**
4. **Cancelling the duty to issue a report on internal control and an auditors' report on internal control thereby allowing the Company to attach only letters of representation that are limited in scope[4].**

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1 Regulation 5d(b)(1) to the Regulations. Pursuant to the ISA Staff legal resolution SLB 105-23, as last updated on July 16, 2014, regarding parameters for testing the materiality of valuations (and the interpretation of this legal position as last updated on December 27, 2015), "a very material valuation in a small corporation" is defined as a valuation:

(a) whose subject matter represents at least 20% of the Company's total assets; **or**

(b) whose effect of the change in value on the net income or comprehensive income, as applicable, represents at least 20% of total net income or comprehensive income, respectively, **and** the effect of said change represents at least 10% of the Corporation's equity.

2 Regulation 5d(b)(2) to the Regulations.

3 Regulation 5d(b)(3) to the Regulations.

4 Regulation 5d(b)(4) to the Regulations.

Therapix Biosciences Ltd.

Chapter A - Description of the Corporation's Business

We are hereby pleased to present a description of the operations of Therapix Biosciences Ltd. ("**the Company**") and the developments in its business in the reporting period and as of the date of this report in conformity with the Regulations.

Therapix Biosciences Ltd.

Date: March 22, 2016

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Description of the Corporation's Business

Chapter A - Description of the Corporation's Business

Since the Company is engaged in the research and development of medical products and in view of the uncertainty involving the successful development of any of the Company's various technologies and/or the ability to quickly enter the relevant market, in the event of unsuccessful development of any of the Company's technologies and/or failure to obtain the required approvals from the relevant regulatory authorities for marketing and selling any of the above technologies and/or introducing them in the relevant market, the Company's investment in the development of any of the above technologies may be lost. Moreover, as an R&D company, the Company is required to raise capital to create permanent positive cash flows from the sale of its technologies in order to finance its expenses and is at a risk of not being able to raise the funds needed for its continued R&D activities. See also Note 1c to the financial statements.

This chapter includes estimates, forecasts and evaluations whose materialization is uncertain and not under the control of the Company. In view of the nature of the Company's business activities, there is a risk underlying the Company's expectations and forecasts regarding its activities. Given the Company's line of business, it wishes to stress that there is no certainty that the Company will be successful in developing and/or commercializing and/or achieving significant sales of its various developed products and might not be able to obtain the financing needed for the continued development of its various technologies and/or might not obtain certain or any of the approvals for its products and/or might not be able to market them as scheduled or at all. Moreover, the Company cannot guarantee whether or to what extent certain results will occur as anticipated and/or projected by the Company and/or that it will be able to raise capital for continuing to promote its research and/or development activities of its invested and/or owned technologies. See also Note 1a to the financial statements.

Definitions

For convenience sake, following is a glossary of the main terms used in this chapter:

Anti-CD3 technology	- An immunotherapy technology (based on a sublicense from Hadasit, the Technology Transfer Company of Hadassah Medical Organization) which is based on the oral or nasal administration of an antibody for treating autoimmune diseases (CD3). See details of the technology in paragraph 8 below. See details of the sublicense agreement in paragraph 19 below.
Cannabinoids	- A class of diverse chemical compounds that act on cannabinoid receptors in the body (CB1 and CB2). This family is found in the molecules derived from the cannabis plant (phytocannabinoids), the most known ones being THC and CBD, and molecules which are naturally produced in the human and animal body (endocannabinoids) such as AEA and 2-AG. Dozens of molecules have been identified as part of the cannabinoid family and participate in a large number of physiological processes and used to treat a large variety of medical conditions.
Clinical trial	- A trial that is conducted on humans and is designed to test the efficacy or safety of drugs and medical devices.
Dollar	- The US Dollar.
Drug	- A chemical or biological substance that is designed to improve a patient's medical condition.
EMEA (European Medicines Agency)	- The European authority that controls and regulates pharmaceutical development and registration in Europe.
Endocannabinoids	- Molecules of the cannabinoid family which are naturally produced in the body of humans and animals such as AEA and 2-AG.
Entourage technology/effect	A technology according to a license agreement signed with Dekel Pharmaceuticals Ltd. (also referred to as the entourage effect) which is based on a combination of cannabinoids or cannabinoid analogs with existing drugs. The technology is designed to improve the treatment of a variety of medical indications by reducing generally practiced drug dosages while enhancing the technology's efficacy and safety profile. See details of the technology in paragraph 8 below. See details of the license agreement in paragraph 18 below.
FDA (Food and Drug Administration)	- The authority in the United States that controls and regulates pharmaceutical development and registration in the US.
GMPs (Good Manufacturing Practices)	- Part of the quality system that controls manufacturing and reviews the pharmaceutical, food and medical device industry. GMPs are the guidelines for manufacturing and testing stages that affect the quality of the end product. GMPs are designed to assure the quality of the medical product in order to protect the health of the end consumer.
Immunotherapy	- Treatment method used to achieve the desired effect by activating the immune system.
Medical device	- A device, instrument, accessory or substance used for medical treatment or diagnosis of humans that does not act as a drug.

NIS	- New Israeli Shekel.
Orimmune	- Orimmune Bio Ltd. (formerly: Protea Vaccine Technologies Ltd.), a private subsidiary of the Company incorporated under the laws of the State of Israel.
Orphan drug	- Drug recognized by a certified authority as an orphan drug in accordance with the directives of the US Orphan Drug Act, the provisions of European Parliament and Council Regulation (EC) No 141/2000 on orphan medicinal products or similar legal directives.
OTC (Over-the-Counter)	- Over-the-Counter trading of securities in the United States (OTCQB) where the Company's ADRs (Level 1) are listed for trade.
PCT (The Patent Cooperation Treaty)	- International convention that defines an identical process to protect intellectual property rights in a large number of countries.
Phase I clinical trial	- Clinical trial of a drug on humans which is mainly designed to test the safety of the drug. A Phase I clinical trial is sometimes conducted simultaneously with a Phase II clinical trial.
Phase II clinical trial	- Clinical trial of a drug on humans which is mainly designed to serve as an initial test of the drug's efficacy parameters as well as the drug's various doses. This trial phase is sometimes divided into two sub-phases: Phase IIa and Phase IIb. Phase IIa is specifically designed to test the required dosage and Phase IIb is designed to obtain information regarding efficacy.
Phase III clinical trial	- Clinical trial of a drug on humans which is mainly designed to test the efficacy of the drug compared to existing drugs and therapies.
Phytocannabinoids	- Molecules of the cannabinoid family that occur naturally in the cannabis plant, the most known of which are THC and CBD.
Preclinical trial	- A trial that is not conducted on human subjects.
Synthetic cannabinoids	- Synthesized cannabinoid molecules, of which the most widely used of which, to the best of the Company's knowledge, is the Dronabinol (the synthetic analog of the THC phytocannabinoid) that had been approved for medicinal use by the FDA.
The balance sheet date	- December 31, 2015.
The Chief Scientist	- The Chief Scientist at the Ministry of Economy.
The Companies Law	- The Companies Law, 1999, as will be amended from time to time.
The Company	- Therapix Biosciences Ltd.
The Financial Statement Regulations	- The Securities Regulations (Annual Financial Statements), 2010.
The financial statements	- The Company's audited annual consolidated financial statements which are hereby attached to this report.
The Group	- The Company and the subsidiary.
The ISA	- The Israel Securities Authority.

The report date	-	March 22, 2016.
The reporting period	-	The 12-month period ended December 31, 2015.
The Reporting Regulations	-	The Securities Regulations (Periodic and Immediate Reports), 1970.
The Securities Law	-	The Securities Law, 1968, as will be amended from time to time.
The TASE	-	The Tel-Aviv Stock Exchange Ltd.
Ultralow dose technology	-	A technology (based on a license agreement signed with Ramot at Tel-Aviv University Ltd., the Tel-Aviv University's Technology Transfer Company) for treating mild cognitive impairment (MCI) using an ultralow dose of cannabinoids. See details of the technology in paragraph 8 below. See details of the license agreement in paragraph 18 below.

The various descriptions of the Company's activities may include data that are based on surveys, studies and/or essays. The Company is not responsible for the contents of those surveys, studies and/or essays.

Chapter A (the Description of the Corporation's Business) to the periodic report should be read in conjunction with the other parts of the periodic report, including the notes to the financial statements.

1. The Corporation's activities and description of its business development

The Company was incorporated in Israel on August 23, 2004 as a private company in compliance with the Companies Law under the name of NasVax Ltd. On December 26, 2005, the Company's securities began trading on the TASE. On November 14, 2013, the Company's name was changed to its current name, Therapix Biosciences Ltd.

In keeping with the Company's business strategy for identifying and investing in promising bio-pharma technologies, effective from August 2015 and as of the report date, the Company is a specialty pharmaceutical company which focuses its business strategy on developing drugs based on cannabinoid molecules for their approval by a certified regulatory authority.

Developments in the Company's business strategy

In late March 2014, the Company reported its new business strategy according to which it will focus on identifying and investing in promising bio-pharma technologies while emphasizing technologies based on a known biological mechanism[5]. The Company's intentions were to use its capabilities and experience in developing immunotherapy technologies in order to help these technologies in achieving a significant milestone within a relatively short timeframe (a few years) in a manner that will allow their commercialization and/or the introduction of strategic partners, all while continuing to promote the Company's existing technologies[6].

Starting from August 2015 and as of the report date, the Company concentrates its business activity on creating and enhancing a portfolio of technologies and assets based on cannabinoid therapeutics. Therefore, as of the report date, the Company is about to complete the preclinical phase of developing a formulation based on the entourage technology and is preparing to conduct clinical trials on a cannabinoid-based medical product with an indication for Tourette syndrome[7] (by itself and/or through collaborating with third parties). The Company is also preparing to begin the formulation of the ultralow dose technology in the context of the preclinical phase of developing a cannabinoid-based medical product with an indication for mild cognitive impairment (MCI) (including Alzheimer's)[8].

In addition, in connection with the Anti-CD3 technology which is not the focus of the Company's activities, the Company continues to identify potential business development collaborations, strategic investments or other transactions and is also looking into terminating this program under mutual consent[9].

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5 Until March 2014, the Company mainly focused on developing several innovative immunotherapy products and owns patents in this area. In the context of the Company's planned internal restructuring, throughout 2013 until early 2014, the Company took steps for the structural segregation of the activities on which it focused until March 2014 as above in the context of which the Anti-CD3 operation was scheduled to be transferred to Orimmune as part of AceBright's planned investment. See details of the investment agreement in paragraph 21 below. See also the Company's immediate report of March 17, 2013 (TASE reference: 2013-01-006508). As of the report date, the technology has not yet been transferred to Orimmune and the Company continues to promote the Anti-CD3 technology, including the scientific aspect and the business development thereof towards identifying prospective collaborations or investments in this technology. The Company has also been studying the agreed termination of this program.

6 The Company's investment strategy was based on the following parameters: (1) building an investment portfolio of 2-5 technological companies; (2) providing solutions for major medical needs that are currently unavailable; (3) choosing portfolio companies whose technology is past the proof of concept stage; (4) choosing portfolio companies with proven and familiar method of operation; (5) achieving a significant milestone through an investment of up to US$ 2 million; (6) achieving significant returns; (7) carrying the investment over a limited number of years based on predetermined milestones (to minimize risks). See the Company's immediate report of March 30, 2014 (TASE reference: 2014-01-029448) and the Company's presentation to the capital market in the Company's immediate report of May 8, 2014 (TASE reference: 2014-01-059022).

7 Tourette syndrome is a neurological disorder with onset in childhood (first diagnosed between ages 3 and 9) characterized by multiple physical (motor) tics and at least one vocal (phonic) tic. See details in the Company's immediate report of August 4, 2015 (TASE reference: 2015-01-088677).

8 See the Company's immediate report of June 28, 2015 (TASE reference: 2015-01-057522).

9 See more information on the Company's strategic focuses in the Company's immediate report of August 4, 2015 (TASE reference: 2015-01-088677). See a description and information of the Company's operations before the business strategy restructuring in March 2014 in Chapter A (Description of the Corporation's Business) to the Company's Periodic Report for 2013 issued on March 27, 2014 (TASE reference: 2014-01-026091) which is the last annual report prior to the Company's business strategy restructuring ("**the previous annual report**"). See also paragraph 22 below for an opposition raised in connection with the patent underlying the technology.

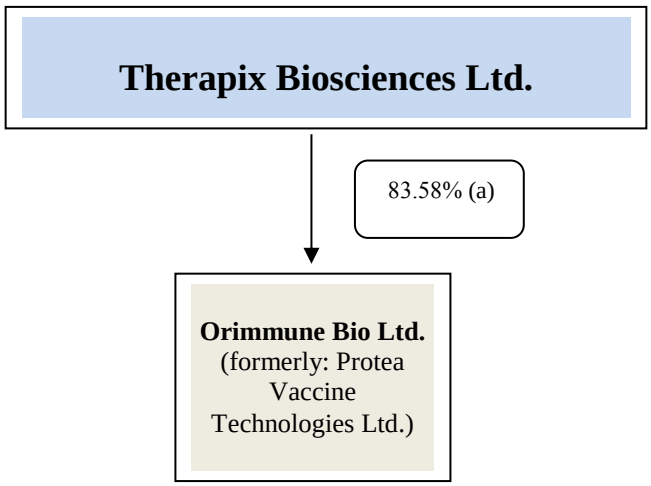
The technologies invested or owned by the Company as of the report date

1.1 The entourage technology - see details of the technology and the license agreement signed with Dekel Pharmaceuticals Ltd. ("**Dekel**") in paragraphs 8 and 20 below.

1.2 The ultralow dose technology - see details of the technology and the license agreement signed with Ramot at Tel-Aviv University Ltd., the Tel-Aviv University's Technology Transfer Company ("**Ramot**") in paragraphs 8 and 20 below.

1.3 The Anti-CD3 technology - see details of the technology and the sublicense agreement signed with Hadasit, the Technology Transfer Company of Hadassah Medical Organization, in paragraphs 8 and 20 below.

The Group's holding structure on the report date[10]



(a) The holding rate in Orimmune as of the report date (83.58%) is based on the provisions of an investment agreement signed in September 2013, as described in paragraph 21.9 below. This holding rate is expected to increase to 90% following the completion of the transfer of the operation to Orimmune based on the investment agreement. See more details in paragraph 20 below.

10 The Company also has interests in wholly-owned subsidiaries which are inactive as of the report date (Brain Bright Ltd. and NasVax Inc.). The Company also holds about 11% of the issued and outstanding share capital of Lara-Pharm Therapeutics Ltd. ("**Lara-Pharm**"). It should be noted that that according to the agreement with Lara-Pharm, the Company's interests in Lara-Pharm's issued and outstanding share capital (26%) will be reduced if the Company fails to deliver the remaining payments on the predetermined dates pro rata to the amounts that will be delivered. As stated above, as of the report date, only the first payment (of US$ 250 thousand) has been made whereas the other due payments (in an aggregate of US$ 550 thousand) have not yet been made to Lara-Pharm based on the terms of the agreement (which does not represent a violation of the agreement). However, according to the agreement, Lara-Pharm has the right to reduce (forfeit) the Company's interests in its shares pro rata to the amounts that will be paid in such a manner that as of the report date, if Lara-Pharm exercises such right, the Company's interests will be reduced to 11% only. Moreover, Lara-Pharm has a bring-along right to obligate the Company to sell its entire interests in the event that Lara-Pharm forfeits the Company's shares as discussed above in order to sell them to a third party. It should be noted that as of the report date, the Company has not made any follow-up investments in Lara-Pharm as above and the parties are currently holding negotiations for signing a separation agreement under mutual consent. See information of the terms of the Company's investment in Lara-Pharm and of the proceedings for the termination of the investment according to the agreement and the terms of separation in paragraphs 20 and 21 below.

2. The areas of activity

As mentioned above, the Company is a specialty pharmaceutical company which focuses on developing approved drugs based on cannabinoid molecules. As of the report date, the Company is developing a cannabinoid-based drug for treating Tourette syndrome based on the entourage effect and is preparing to develop a cannabinoid-based drug for treating MCI (including Alzheimer's) based on the ultralow dose technology.

3. The investments in the Company's capital and transactions in its shares

Following are details of the investments in the Company's capital and other material share transactions carried out by interested parties in the Company in the two years before the report date:

3.1 Raising capital from the public

On May 8, 2014, the Company issued a shelf offering report[11] by way of uniform unit price auction to the public (each unit consisting of 100 shares, 100 options (series 3) and 100 options (series 4)) and on the same date the Company completed a capital raising of 30,094 units (at the predetermined price of NIS 95 per share). In the offering, the Company raised a (gross) total of approximately NIS 2.86 million[12]. The proceeds were designed to promote the investment in a related company, investigate new projects and expand the portfolio, promote the Company's existing technologies and finance its operating activities, all based on the Board's resolutions as they will be from time to time. On May 15, 2014, pursuant to a shelf offering report, the Company issued 406,269 options (series 4) in a private placement to resellers as part of their commission[13].

3.2 Private placements

3.2.1 According to a private placement agreement of November 2014 and in keeping with the completion of the investment of an aggregate of NIS 0.65 million by three separate private investors, on December 21, 2014, the Company issued 1,300,000 Ordinary shares of the Company and 2,600,000 options of the Company to three private investors at a price of NIS 0.5 per share and an exercise price of NIS 0.5 per option that vests immediately, whose exercise period was extended to June 19, 2015, and NIS 0.65 per contingent option allocated according to the investment agreement which were exercised for their exercise price in a total of approximately NIS 1.5 million[14].

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11 For details of the Company's shelf offering report, see the Company's immediate report of May 8, 2014 (TASE reference: 2014-01-059028).

12 For details of the results of the offering, see the Company's immediate report of May 8, 2014 (TASE reference: 2014-01-059742).

13 For details, see the Company's immediate report of May 15, 2014 (TASE reference: 2014-01-064788).

14 For details, see the Company's immediate report of December 21, 2014 (TASE reference: 2014-01-226122) and an immediate report on the extension of the vesting date of the options that vest immediately of March 15, 2015 (TASE reference: 2015-01-050608). See details of the exercise of the options in an immediate report of May 18, 2015 (TASE references: 2015-01-051154 and 2015-01-051157). See details of the expiration of the options in an immediate report of May 10, 2015 (TASE reference: 2015-01-016461).

3.2.2 According to a private placement agreement of February 2015 and in keeping with the completion of the investment of an aggregate of NIS 0.25 million by two separate private investors, on March 15, 2015, the Company issued 500,000 Ordinary shares of the Company and 1,000,000 options of the Company to two private investors (one of whom participated in the private placement described in paragraph 3.2.1 above) at a price of NIS 0.5 per share and an exercise price of NIS 0.65 per option that vests immediately and NIS 1.10 per contingent option allocated according to the investment agreement, which as of the report date were not exercised when scheduled and expired[15].

3.2.3 In the context of said private placement, the Company also allocated 40,000 options to another third party (broker) at an exercise price of NIS 0.5 per share, which were exercised for their exercise price[16].

3.2.4 According to a private placement agreement of March 30, 2015, on April 29, 2015, Jesselson Investments Ltd. (which is as of the report date an interested party in the Company by virtue of its interests, through Jay's Thera Ltd.) completed its investment of approximately NIS 2.2 million in the Company's share capital in return for 4,400,000 Ordinary shares of the Company at a price of NIS 0.5 per share[17].

3.2.5 As part of the license agreement signed with Dekel (as discussed in paragraph 21 below), the Company offered Dekel 3,876,000 options that vest immediately at a price of NIS 0.5 per option to be exercised by November 19, 2015, which were exercised for their exercise price in a total of approximately NIS 1.9 million, and 11,926,154 contingent options at a price of NIS 0.65 per option to be exercised by November 19, 2016[18], which were partly exercised as od the report date[19].

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15 For details, see the Company's immediate report of March 15, 2015 (TASE references: 2015-01-051154 and 2015-01-051157). See details of the expiration of the options in an immediate report of May 10, 2015 (TASE reference: 2015-01-016461).

16 See more details in the Company's (amended) private placement report of February 25, 2015 (TASE reference: 2015-01-038902). See derails of the exercise of the options in an immediate report of December 24, 2015 (TASE reference: 2015-01-188898).

17 See more details in the Company's immediate reports of March 30, 2015 (TASE reference: 2015-01-065656), April 7, 2014 (TASE references: 2015-01-075517 and 2015-01-002034) and April 29, 2015 (TASE reference: 2015-01-008361).

18 See details in the Company's immediate report of August 19, 2015 (TASE reference: 2015-01-100422).

19 On October 12, 2015, Dekel sold 789,756 options that vest immediately and 2,369,270 contingent options in an off-market transaction at a price of NIS 0.1375 per option. Out of the sold options, 188,125 options that vest immediately and 564,375 contingent options were sold to Jesselson Investments Ltd. ("**Jesselson**"), an interested party in the Company, for NIS 0.01375 per option. In addition, on November 18, 2015, Dekel sold 1,514,244 options that vest immediately in an off-market transaction to a subsidiary of Jesselson for NIS 0.03 per option. All the options allocated to Dekel that vest immediately were exercised into Company shares during the reporting period. In return for the exercises of all the options that vest immediately and some of the contingent options in the reporting period, the Company received proceeds in an aggregate of NIS 3.5 million. See more details in the Company's immediate reports of August 19, 2015 (TASE reference: 2015-01-100422), October 14, 2015 (TASE reference: 2015-01-134517), October 14, 2015 (TASE reference: 2015-01-134523) and November 19, 2015 (TASE reference: 2015-01-158571).

3.2.6 On October 11, 2015, the Company closed an investment round in which it signed investment agreements with several new private investors and an existing interested party in the Company in connection with private placements of the Company's Ordinary shares. According to the private placements, the investors each separately undertook to invest in the Company an aggregate of approximately NIS 3.3 million in return for the Company's Ordinary shares (at a price of NIS 1.05 per share), representing about 11.4% of the Company's issued and outstanding share capital immediately following and subject to the completion of the investment (about 6.7% on a fully diluted basis)[20]. The completion of the private placements was subject to the fulfillment of several suspending conditions within a period of 45 days from the closing date of the investment round as discussed above, including obtaining the necessary regulatory approvals (among others, the TASE's approval for listing the securities offered in the investment round for trade)[21]. On November 20, 2015, the Company issued an extraordinary private placement report to all the private investors[22] and on November 25, 2015, the Company allocated the above securities to the investors, thereby completing the investment round[23].

3.2.7 In its ordinary course of business, the Company examines borrowing alternatives for financing its operating and business activities, among others, as part of the Company's plans to expand the accessibility of additional (local and/or foreign) investors to the Company's operations and technologies under development. The Company occasionally examines its available financing options and alternatives, including by raising private and/or public capital, all based on the Company's needs and the decisions of its Board[24].

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20 Simultaneously with closing the private placement agreements, Dekel informed the Company that it had sold (or it acting to sell) to each of the other individual investors options that vest immediately and contingent options that were held by Dekel by virtue of the license agreement (as discussed in paragraph 3.2.5 above) at a scope that (assuming their exercise by the other investors and the exercise of more of Dekel's options by Dekel itself) will represent another 12.4% of the Company's issued and outstanding share capital (about 9.1% on a fully diluted basis), representing an additional investment of approximately NIS 2.3 million in the Company's share capital.

21 It should be emphasized that as of the date of issuing this report, there is no certainty that the suspending conditions underlying the completion of the investment agreements in the Company will be met and/or will be net within the predetermined timeframe. For details of the investment round, see the Company's immediate report of October 13, 2015 (TASE reference: 2015-01-133341).

22 See the Company's immediate report of November 20, 2015 (TASE reference: 2015-01-159387).

23 See the Company's immediate report of November 25, 2015 (TASE reference: 2015-01-164421).

24 In this context it should be noted that on March 22, 2016, the Company's Board authorized the Company's management to explore additional potential private capital raising under predetermined master principles. It should be clarified that as of the report date, there is no possibility of verifying whether the Company's management will be able to execute such capital raising rounds, if at all, or with which factors and under which terms.

3.2.8 The following table presents information of private placements made by the Company from the beginning of 2014 through the report date (see also allocation of options to officers, employees and consultants according to the Company's option plan in paragraph 14 below):

Type of optionee	Date of allocation	Type of security	Quantity	No. of optionees	Consideration		Company value after the money derived from the allocation (if relevant) (NIS'000)
					Consideration in cash (NIS'000)	Other consideration	
Private investors	12/2014	Shares	1,300,000	3	650	---	8,560
		Options	2,600,000			---	
Private investors	2/2015	Shares	500,000	2	250	---	9,210
		Options	1,000,000			---	
Private investor	3/2015	Shares	4,400,000	1	2,200	---	12,222
Interested party - Dekel	8/2015	Shares	200,000[25]	1	---	Part of the consideration according to the license agreement with the optionee (Dekel)	---
		Options that vest immediately	3,876,000				
		Contingent options	11,926,154				
Private investors and interested party	11/2015	Shares	3,159,025	8	3,316	---	36,053

3.3 On May 10, 2015, the Company's listed options (series 4) expired[26].

3.4 Transactions by interested parties (off-market)

3.4.1 On June 7, 2015, Universal Link Ltd. ("**Universal**") sold 390,000 shares of the Company in an off-market transaction at a price of NIS 0.65 per share[27]. On October 19, 2015, Universal sold 300,000 shares of the Company in an off-market transaction at a price of NIS 0.90 per share and also exercised 310,000 options of the Company owned by it for a price of NIS 0.9561 per share[28]. On October 27, 2015, Universal sold 52,301 additional shares for NIS 0.9561 per share[29]. On December 10, 2015, Universal sold 110,000 additional shares for NIS 0.90 per share and also exercised 190,000 options of the Company owned by it for a price of NIS 0.65 per share[30].

3.4.2 On September 10, 2015, Dr. Ascher Shmulewitz sold 200,000 shares of the Company in an off-market transaction for a price of NIS 0.90 per share[31].

25 As of the report date, not yet allocated in practice and no TASE approval obtained in their respect. See an immediate report on the private placement of February 25, 2016 (TASE reference: 2016-01-035353).

26 See more details in the Company's immediate reports of April 12, 2015 (TASE reference: 2015-01-076618) and May 10, 2015 (TASE reference: 2015-01-016461).

27 See more details in the Company's immediate report of July 1, 2015 (TASE reference: 2015-01-062217).

28 See more details in the Company's immediate report of October 20, 2015 (TASE reference: 2015-01-137961).

29 See more details in the Company's immediate report of October 28, 2015 (TASE reference: 2015-01-144321).

30 See more details in the Company's immediate report of December 14, 2015 (TASE reference: 2015-01-178827).

31 See more details in the Company's immediate report of September 11, 2015 (TASE reference: 2015-01-119403).

3.5 Listing the Company's ADRs OTC in the US[32]

As part of the Company's plan to enhance the accessibility of foreign investors to the Company's activities and in keeping with its new business strategy, in early October 2014, the Company completed the process of listing its Level 1 ADRs on the OTCQB in the US. As of the report date, each ADR is comprised of 20 Ordinary shares of the Company which are traded OTC in the US under the symbol of THXBY[33].

3.6 Capital consolidation

On January 12, 2014, the Company completed a process of capital consolidation of its shares according to which each 10 Ordinary shares of NIS 0.01 par value of the Company's authorized and issued share capital were consolidated to a single share of NIS 0.01 par value of the Company[34].

4. Dividend distribution

Since its establishment, the Company has not distributed any dividends to its shareholders.

5. Financial information on the Company's areas of activity

See details of the Company's financial results and balance sheets in the financial statements hereby attached to this report. See explanations of developments in the financial data in connection with the Company's areas of activity, including adjustments to certain amounts in the financial statements and their nature in the Report of the Board of Directors in Chapter B to the periodic report.

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32 ADRs (American Depository Receipts) are negotiable certificates (securities) issued by a US bank (which serves as the depository) representing a specified number of shares (or one share) in a foreign stock that is traded on a US exchange.

33 See the Company's immediate reports of May 28, 2014 (TASE reference: 2014-01-075777) and July 20, 2014 (TASE reference: 2014-01-117225). See also link to the OTCQB's website at http://www.otcmarkets.com/stock/THXBY/quote.

34 See details in the Company's immediate reports of January 1, 2014 (TASE reference: 2014-01-001165), January 2, 2014 (TASE reference: 2014-01-003034) and January 13, 2014 (TASE reference: 2014-01-014011).

6. The general environment and the effect of outside factors on the Company's operations

The Company's business opportunities and the risks underlying its operations mainly arise from general, industrial and specific factors that are characteristic of the Company's operations as detailed in paragraph 23 below. Nevertheless, there are certain macroeconomic factors that are liable to affect the Company's operations as follows:

6.1 Developments in global markets

6.1.1 The impact of the global and local economies on the Company's business strategy

The developments in global markets are liable to affect the implementation of the Company's strategy and the development and/or expansion of the scope of technologies owned by it. During economic slowdowns, the budgets dedicated to R&D activities in life sciences and innovative technologies are minimized. Financial crises (such as the global financial crisis in 2008 whose impact is still being felt) are liable to affect, among others, health system budgets in different regions and the ability to purchase products, drugs and/or innovative technologies. Moreover, the future technologies that are planned to be integrated in the Company's activities might be owned by companies in need of external financial resources which, given the right circumstances, will offer a business opportunity that corresponds to the Company's strategy whereas local and global economic downturns are likely to affect both the Company's ability to finance the purchase of such technologies and/or the continued development of its own technologies as well as its ability to profit from such business opportunities. In the event that the required financing is not obtained, the Company might suffer the loss of such business opportunities and/or cease its support of the development of existing technologies, which will significantly impair the Company's return on its investments, its business results, its equity and the value of its assets and their divestiture as well as its ability to recruit investors in the different local and foreign markets for the continued investments in its activities and business.

6.1.2 The effect of the economy on the development of medical products

a) Recession will lead to reduced demands for purchasing new technologies and medical products in struggling markets and to a decline in the prices which buyers will be willing to pay for such technologies and products, all of which will impair the Company's profits and business results.

b) Some of the technologies being developed by the Company are subject to regulatory requirements and approvals for the sale of medical products in the various markets (US, Europe etc.). The global financial crisis which erupted in 2008 (whose effects are still witnessed today) is likely to continue to adversely affect the Company's ability to market its products in the different markets and/or the time to market of these technologies.

c) Economic crises in emerging markets might affect the Company's ability to achieve its future business development targets in these countries and/or by investors in these markets.

d) For the purpose of the continued research and/or development of the Company's invested and/or owned technologies and/or for the purpose of the continued investment in additional/innovative technologies based on the Company's strategy, the Company is required to raise significant amounts of capital. Any slowdown in global and/or local economy and/or negative trends in the field of investments in life sciences are liable to have an adverse effect on the Company's ability to raise significant amounts as stated above under reasonable and/or any terms.

6.1.3 Merger of operations of companies in the area of activity - in recent years, the global markets in which the Company operates have been experiencing a process of mergers of companies operating in this industry. On the one hand, this trend obligated large companies to identify and purchase products under development that have high marketing potential and/or companies that develop attractive products and on the other hand, the trend led to the birth of large business rivals in the industry. With the advancement of clinical trials, pharmaceutical companies tend to enter into license or collaboration agreements for manufacturing, marketing and/or commercializing their products.

6.2 Exchange rate fluctuations - the Company's operations, including costs of raw materials, preclinical and clinical trials and various regulatory processes, may be conducted outside of Israel and therefore the Company's financial results may be affected by fluctuations in the exchange rates of the currencies in the countries in which the Company operates and/or in which its products under development will be marketed in the future, if at all.

6.3 Israeli identity - the sale of the Company's technologies might be affected by Israel's international status. In some cases, the Israeli identity contributes to sales (in view of the recognition of Israel's technological advantages) whereas in other cases it may prove to be a hindrance and might even lead to cancellation of transactions. As of the report date, the Company is not aware of any event in which the Company's Israeli identity affected the considerations of potential buyers of products under development and/or potential investors.

6.4 The political-security situation - the Middle East has been experiencing strong political instability in recent years. As of the report date, the Company is unable to estimate the impact of the recent political and social turmoil on the global economy but it is likely that political tumults and/or any aggravation in the homeland security situation in Israel will affect the local financial markets, the prices of commodities and natural resources and the prices of imports and/or exports as well as affect the Company's value and the value of its quoted assets which are and/or will be traded in local and/or other exchanges.

6.5 OTC trade in the US - the OTC trading of the Company's ADRs (Level 1) in the US is likely to expose the Company and its technologies to a larger public of investors abroad (including exposure to new markets and/or additional foreign stock exchanges) but also to greater liability and responsibility towards those investors.

7. General information about the areas of activity

The Company's principal areas of activity as of the report date are as follows:

- Development of cannabinoid-based and related drugs.

7.1 The structure of the Company's areas of activity and changes therein

See details of the implications of the structure of the Company's areas of activity and the changes therein arising from certain trends, events and developments in the Company's macroeconomic environment in paragraph 6 above.

7.2 Specific limitations, legislations, regulations and restrictions applicable to the Company's activities

See details of restrictions and supervision imposed on the Company's activities in paragraph 20 below.

7.3 Developments in the markets of the Company's areas of activity and changes in the composition of customers

The Company is of the opinion that the prominent trends and indicators underlying its technologies as of the report date are as follows:

- High growth rate compared to other segments in the pharmaceutical industry;
- Massive growth in investments by large manufacturers, financial investors, non-profit organizations and governments;
- Proliferation of licensing, collaboration, merger and acquisition transactions.

The Company estimates that as of the report date, the medical world is in need of new medications designed for the populations of patients which are addressed by the Company's technologies.

The medicinal cannabis market

The medicinal cannabis market is an important and evolving segment in global medical therapy. The growing awareness of the medicinal benefits of the active cannabinoids in the plant and its use for improving the quality of life of patients with numerous and diverse indications (oncological patients, chronic pain conditions etc.) as well as the global trends of regulatory changes relating to the use of the plant and of cannabinoids have all led to a rapid growth in this market. The recent changes in the perception of medicinal cannabis and the scientific and medical acknowledgement of its benefits have created a growing need for more efficient drugs with an improved tolerance profile. The market for medicinal cannabis (and its medical substitutes) is estimated at approximately US$ 2 billion a year in the US alone[35] and is expected to continue showing a significant growth in the coming years. The main disadvantages of the use of the plant stem from the lack of uniformity in the dosage of the cannabinoids in each portion which are liable to materially affect its therapeutic effect and create side effects. Another disadvantage if the method of administration of the cannabis since smoking it is not necessarily suitable for all patients. In addition to the use of cannabis for medical needs, there are several medical products that are based on cannabinoids (botanical or synthetic).

35 http://www.ibisworld.com/industry/medical-marijuana-growing.html, http://www.mpp.org/assets/pdfs/library/SeeChange_MedMarijuanaMkts.pdf.

These products have specific benefits such as uniform dosage, predefined efficacy and safety profile and controlled manufacturing processes. The Company focuses on improving these medical products to make them more efficient and safer and obtain a share of the medicinal cannabis market for a variety of therapeutic indications.

The Company estimates that the principal risks underlying the medicinal cannabis activity at this stage are as follows:

(1) The ability to obtain regulatory approvals in a timely manner;
(2) The ability to deal with growing competition in the market and maintain a vanguard position in terms of technology and medical needs; and
(3) The ability to simultaneously retain the developed IP.

7.4 Critical success factors in the Company's operations and changes therein

There are several critical success factors that affect the Company's operations and success:

a. Completion of product development and successful completion of clinical trials in treatment in various indications.

b. Successful completion of preclinical trials to prove safety and efficacy in animals;

c. Obtaining regulatory approvals to market its products (see paragraph 20 below);

d. Contractual arrangements with entities (pharmaceutical manufacturers) that will work with the company to finance research and development and/or incorporation of the Company's technologies in their products;

e. Development of other products based on technologies in the Company's possession;

f. Obtaining approvals for patent applications to protect intellectual property;

g. Contractual arrangements in agreements to commercially manufacture the products under competitive conditions;

h. Commercial manufacturing capacity for products developed by the company;

i. Ability to raise sufficient funds and financing for company operations, including research and development, protection of intellectual property, compliance with standards and obtaining approvals from the regulatory authorities, including by way of collaborations, development agreements with major manufactures, grants from the Chief Scientist, etc.

7.5 Changes in the supply and raw material system

See paragraph 15 below.

7.6 Main barriers to entry in the Company's areas of activity and changes therein

The Company's operations are largely based on licenses granted to it for use of intellectual property on which the products that the Company is developing is based. In addition, the Company is working to expand the technological base and products.

The following barriers to entry affect the Company's ability to enter its area of activity:

a. The existence of clinical, technological and business knowledge needed for developing the technologies in the Company's areas of activity;

b. The existence of knowledge of and acquaintance with regulatory and licensing mechanisms needed to comply with the standards of the relevant regulatory authorities pertaining to the manufacturing and marketing of the Company's products in various countries in which the Company chooses to market the products, once they reach the commercial stage;

c. Familiarity and experience with the required regulatory and approval mechanisms for clinical trials in order to obtain the approvals on time and within a relatively short period of time;

d. The existence of clinical, technological and scientific knowledge needed to plan clinical trials in a manner that will allow obtaining conclusive results and information to be obtained to the extent possible while reducing costs and conducting a relatively small number of clinical trials;

e. Familiarity with international pharmaceutical manufacturers and access to these companies that would allow them the possibility of collaborating with regards to the Company's technologies;

f. Acquaintance with the companies, investigators and research institutions both in Israel and around the world needed to identify new, attractive technologies;

g. The ability to raise significant funds to promote research and development, protect intellectual property, comply with standards and obtain approvals from the regulatory authorities;

h. The knowledge underlying the licenses granted to the Company for its technologies that are detailed above, which constitutes patent-protected intellectual property and/or in patent applications.

7.7 Alternative products to the products being developed by the Company and changes therein

As for cannabinoid-based therapy, the existing alternative products consist of using the cannabis plant for medicinal purposes as well as drugs that contain cannabinoids, as discussed in paragraph 10 below.

8. Technologies in which the Company has invested or has rights therein

8.1 General

The following table summarizes the main information regarding the Company's principal technologies:

Name of product in development	Disease/s for which the product is being developed	Advantages over existing therapies	Stage of development (status) as of the report date	Company rights in the product	Projected milestones over the next 12 months	Nearest milestone and milestone due date	Estimated cost for completing nearest milestone	Size and scale of annual funds of product's target market (in US dollars)[36]	Corporate assessment regarding start date for marketing the medical product under development	Corporate assessment regarding projected market share assuming marketing approval is obtained
Entourage effect based drug	Tourette syndrome[37]	To the best of the Company's knowledge, there is no designated medicinal therapy for Tourette patients. To the best of the Company's knowledge, the side effect profile of existing market therapies for TS is characterized by severe side effects that strongly affect patients' lives	The Company is completing the technology's preclinical development phase and preparing to conduct clinical trials	License agreement, see paragraph 20.1 below	- Completion of formulation development - Beginning of clinical trial and recruiting preliminary patients	Subject to finalizing the preparations as above and completion of formulation development, the Company estimates that a Phase I clinical trial and recruiting preliminary patients will commence in the second half of 2016	Approx. US$ 1 million	The US target market accounts for about 1% of all adolescents (TS is defined as an orphan disease among adults with less than 200,000 patients with a severe expression of the disorder)[38]	As of the report date and in view of the product's development stage, the Company is unable to assess when the marketing of the product under development will begin	As of the report date and in view of the product's development stage, the Company is unable to assess the expected market share of the product under development

36 Source of assessment listed in the above table regarding size of potential market for the products under development is publications by entities outside the Company that the Company has reasonable grounds to believe are reliable (references to these publications are found in the footnotes to the table or in the footnotes to paragraph 7 to the report). For the most part, these publications assess the market size on later dates in 2013, but include, for the most part, the projected annual growth rate. In order to assess market size in 2013, the Company's calculation was based on projections from said publications for later years and from which the projected annual growth rate was deducted for 2013 and thereafter.

37 Tourette syndrome is a neurological disorder with onset in childhood (first diagnosed between ages 3 and 9) characterized by multiple physical (motor) tics and at least one vocal (phonic) tic. See details in the Company's immediate report of August 4, 2015 (TASE reference: 2015-01-088677).

38 http://www.fda.gov/RegulatoryInformation/Legislation/SignificantAmendmentstotheFDCAct/OrphanDrugAct/default.htm.

Name of product in development	Disease/s for which the product is being developed	Advantages over existing therapies	Stage of development (status) as of the report date	Company rights in the product	Projected milestones over the next 12 months	Nearest milestone and milestone due date	Estimated cost for completing nearest milestone	Size and scale of annual funds of product's target market (in US dollars)	Corporate assessment regarding start date for marketing the medical product under development	Corporate assessment regarding projected market share assuming marketing approval is obtained
Ultralow dose technology-based drug	Mild Cognitive Impairment (MCI)[39]	To the best of the Company's knowledge, there is no efficient medicinal treatment for this indication (in the context of development, the Company will use a significantly lower dose of an approved drug to allow minimizing the expected side effects of the drug)	The Company is preparing to begin the formulation phase in the context of the preclinical development phase	License agreement, see paragraph 20.2 below	- Formulation development - Conducting preclinical trial for initial proof of concept	Completion of formulation development of several variations for expected clinical proof of concept towards the end of Q4 2016	Approx. US$ 1 million	The main target markets (including the US) account for 10% to 20% of total population over 65 (more than 30 million MCI patients in the major markets) with a global monetary scope of up to US$ 9.5 billion in 2017[40]	As of the report date, no complete product clinical development plan has been formulated and therefore it is too early to assess when the marketing of the product under development will begin	As of the report date and in view of the product's development stage, the Company is unable to assess the expected market share of the product under development

39 MCI is a transitional stage between normal cognitive impairment associated with aging and a more severe form of cognitive impairment which represents dementia. It may involve problems relating to memory, language, thought processing and judgment which all have a greater impact on everyday life than normal cognitive impairment associated with age. See more information in the Company's immediate report of August 4, 2015 (TASE reference: 2015-01-088677).

40 Mild Cognitive Impairment: An Off-Label Market with Significant Unmet Need and High Prevalence Carries Substantial Opportunity, DecisionBase 2008 report, by Decision Resources; P.-J. Lin and P.J. Neumann / Alzheimer's & Dementia 9 (2013) 58–62, BCC Research.

Name of product in development	Disease/s for which the product is being developed	Advantages over existing therapies	Stage of development (status) as of the report date	Company rights in the product	Projected milestones over the next 12 months	Nearest milestone and milestone due date	Estimated cost for completing nearest milestone	Size and scale of annual funds of product's target market (in US dollars)	Corporate assessment regarding start date for marketing the medical product under development	Corporate assessment regarding projected market share assuming marketing approval is obtained
Anti-CD3 (antibody)	NASH	Change to oral administration (PO) of the antibody, which activates a unique mechanism of the immune system and causes the desired therapeutic effect. Prevents large-scale suppression of the immune system that occurs when the antibody is administered by injection	Phase IIa clinical trial ended successfully in 2011[41]. As of the report date, the Anti-CD3 technology is not at the focus of the Company's operations	License agreement – see paragraph 20.8 below	As of the report date, the Anti-CD3 technology is not at the focus of the Company's operations (*) [(*) It should be clarified that as of the report date, the Company continues to try to identify potential business development collaborations, strategic investments or other transactions for this technology and is even examining the potential agreed termination of the program]	---	---[42]	The target market for NASH in 2017 is expected to total US$ 1.3 billion[43]	---	---
	Ulcerative colitis/IBD)		Phase IIa clinical trial began in 2014[44]. As of the report date, the Anti-CD3 technology is not at the focus of the Company's operations					The target market in 2022 is expected to reach approximately US$ 3.6 billion[45]		

41 See the Company's immediate reports of August 22, 2010 (TASE reference: 2010-01-593637), September 12, 2010 (TASE reference: 2010-01-616743), March 21, 2011 (TASE reference: 2011-01-085731), August 7, 2011 (TASE reference: 2011-01-246567) and October 27, 2011 (TASE reference: 2011-01-309405). Regarding the results of the clinical trial, see the Company's immediate report of October 2, 2012 (TASE reference: 2012-01-246915).

42 This without taking into account costs of retaining the IP underlying the licensed technology and of ongoing project maintenance which might add up to approximately US$ 0.25 million a year.

43 OpportunityAnalyzer: Nonalcoholic Steatohepatitis (NASH) - Opportunity Analysis and Forecasts to 2017 - Event-Driven Update, March 2014, GlobalData.

44 See the Company's immediate report of May 18, 2014 (TASE reference: 2014-01-065805).

45 Decision Resources – Ulcerative colitis report, October 2013.

- For details of the Anti-CD3 clinical trial for the Hepatitis C indication and its results, see paragraph 8 to Chapter A to the previous annual report.

- It should be emphasized that the Anti-CD3 technology's development stage, consisting of the successful Phase IIa clinical trial of the NASH indication and the beginning of the clinical trial for the ulcerative colitis indication, addresses the OKTS non-humanized antibody which originates from mice whose production has been discontinued. The Company estimates that in order to be able to continue the development of the drug based on this antibody (against CD3), the Company must continue the development (a process which was completed) and production of a humanized antibody that will require conducting Phase I clinical trials.

Forward-looking information warning - the information in the table above includes projections, assessments and estimates, which represent forward-looking information, as defined in the Securities Law, whose materialization is not guaranteed and whose materialization depends, inter alia, on factors that are outside the Company's control, such as developments in the treatment of diseases that the Company's developments were designed to treat, competitors' developments, position and involvement of the Company's business partners and/or license owners on various developments and their business and strategic decisions with regards to these developments, the Company's ability to raise financial resources to conduct additional preclinical and clinical trials, developing appropriate formulations and/or molecules and/or on earlier dates, the Company's ability to take the developed products to market on time, the Company's ability to enter contractual arrangements with major business partners, the availability and willingness of patients to participate in clinical trials, the results of preclinical and/or clinical trial, the need to conduct additional preclinical and clinical trials on products being developed by the Company based on the technologies and/or the requirements to conduct repeated trials and/or the prolongation of existing trials past schedules and additional special and/or stricter requirements imposed by medical institutions and centers where the clinical trials are and/or will be conducted, acceptance of the Company's developments by the medical community, etc. and any other risk factors applicable to the Company and its operations as detailed in paragraph 24 below.

8.2 The entourage effect

Cannabinoids are a diverse group of chemical compounds that operate on specific receptors in the body (CB1 and CB2). This family includes molecules that are derived from the cannabis plant (phytocannabinoids) (the most known ones being THC and CBD) and molecules that are naturally produced in the human and animal body (endocannabinoids) (such as AEA and 2-AG). Dozens of molecules have been identified as part of the cannabinoid family. Cannabinoids participate in a large number of physiological processes and are used for treating a wide range of medical conditions. Cannabinoids have been proven as pain relievers and anti-inflammatory, prevent nausea and enhance appetite and are therefore widely used among cancer patients who undergo chemotherapy. Other uses include mental health and psychological conditions such as posttraumatic stress disorder and anxiety. These compounds were also found to be effective in treating epilepsy, Parkinson's, cancer and MS. In 1998, Prof. Raphael Mechoulam, Israel Prize laureate, described the "entourage effect" which explains how an allegedly inactive compound synergizes with an active cannabinoid. One of the most studied cannabinoids in entourage effect research is the palmitoylethanolamide (PEA), part of the endocannabinoid family derived from fatty acids. PEA has extensive pharmacological benefits such as relieving pain and inflammation. Despite being part of the endocannabinoid system, PEA does not bind to the CB1 and CB2 receptors. Dekel's entourage effect technology and knowhow consist of synergizing compounds like PEA with other cannabinoids and drug families such as opiates and steroids in order to increase the drug's effect thereby allowing the use of smaller doses and preventing undesired side effects. Several past clinical trials conducted in this context have demonstrated the synergy between PEA and other painkillers such as opiates and anti-epileptic drugs that are given for neuropathic pain. When combined with opiates, PEA significantly mitigates the dependency on morphine and doubles the number of days of the drug's efficacy without causing dependency. To the best of the Company's knowledge, Dekel's entourage effect has demonstrated enhanced steroid activity using PEA, mainly for dermatologic use.

8.3 The ultralow dose technology

Studies conducted in recent years by Prof. Yosef Sarne at the Tel-Aviv University Faculty of Medicine found that an ultralow dose of THC, the main mind-altering ingredient found in the Cannabis plant, protects the brain from different degrees of long-term cognitive impairment which is liable to occur as a result of lack of oxygen supply, seizures or use of drugs. In previous studies, researchers injected a high dose of THC within a very short period of time - up to four hours - before or after the damage to the brain. Prof. Sarne's research of preclinical models demonstrated that an ultralow dose of THC injected to small animals three to seven days before the injury to the brain can prevent the development of damage. Treatment with an ultralow dose triggers defense mechanisms in the brain such as enhanced production of nerve growth factors (NGFs) that protect the brain's nerve cells and retain long-term cognitive capabilities. The research conducted by Prof. Sarne and his colleagues revealed that ultralow doses of tetrahydrocannabinol can affect brain cell signals, prevent cell death and encourage growth factors. In additional studies conducted on the preclinical model in small animals, the researchers injected an ultralow dose of THC before or after exposure to brain damage whereas the control group sustained brain damage without administering THC. Tests performed revealed that animals that received ultralow dose of THC did better in behavioral tests that measure learning and memory skills. Biochemical tests showed the existence of a larger amount of substances known to protect brain cells such as NGFs[46].

46 https://www.tau.ac.il/research/THC; http://www.forbes.co.il/news/new.aspx?Pn6VQ=ED&0r9VQ=JDEG.

8.4 The Anti-CD3 technology

This technology is based on patents that are jointly owned by Hadasit and Harvard University Health Services and based on a license obtained by Hadasit to use these patents. The innovation in the Company's developed therapy based on the license received from Hadasit lies in the method of administration of the antibody - orally, which is expected to prevent the widespread immune suppression and allow treating various inflammatory and autoimmune diseases with the required safety. This technology was tested in clinical trials conducted by the Company. The technology focuses on development of a unique immunotherapy of inflammatory and autoimmune diseases with a monoclonal antibody to CD3 that is administered orally (per os). The antibody affects lymphatic tissue in the lining of the digestive system by induction of regulatory T-cells that bind to the disease sites and suppress the activity of other T-cells that attack specific organs in the patient. In the first clinical trial, treatment successfully complied with the safety criteria and immunological changes were measured that might indicate the efficacy of the treatment in controlling and inhibiting inflammatory processes. In preclinical trials in accepted models of the disease, oral administration of the Anti-CD3 antibodies was shown to prevent progression of the disease in a range of inflammatory and autoimmune diseases including jaundice related to the immune system, fatty liver (NASH), Type 1 diabetes, Type 2 diabetes, Multiple Sclerosis (MS) model, Lupus (SLE), ulcerative colitis (UC), prevention of graft versus host disease, psoriasis and atherosclerosis. It should be clarified that as of the report date, the Anti-CD3 technology is not at the center of the Company's operations and the Company continues to attempt to identify business development collaborations, strategic investments or other transactions and is even examining the possible agreed termination of the program.

9. Existing and prospective customers

9.1 As of the report date, the Company does not have any regular or fixed customers that make commercial purchases and therefore does not have an order backlog.

9.2 As discussed above, as of the report date, the Company has been developing a cannabinoid-based drug for treating Tourette syndrome based on the entourage effect and is also preparing to develop a cannabinoid-based drug to treat MCI (including Alzheimer's) based on the ultralow dose technology[47].

[47] Also in connection with the Anti-CD3 technology, the Company continues its efforts to identify potential business development partners, strategic investors or other transactions and even contemplating agreed termination of the program.

10. Competition

The entourage effect and the ultralow dose technologies

As of the report date, the Company has examined several possible indications for the development and application of its technologies, including in connection with pain and chemotherapy-induced nausea and vomiting (CINV). As of the report date, following examination, the Company decided to focus on the entourage effect with an indication for Tourette syndrome as an orphan drug and with an indication for MCI (age dependent) using the ultralow dose technology. To the best of the Company's knowledge, there is no designated medicinal treatment for Tourette patients whereas the side effect profile of existing TS therapies in the relevant market is characterized by severe side effects that impair the quality of life of the patients. Also, to the best of the Company's knowledge, there is no efficient medicinal treatment for MCI which is considered the early stage of Alzheimer's. With respect to Alzheimer's, there are several medicinal treatments for Alzheimer's in common medical practice such as acetylcholinesterase inhibitors whose efficacy in treating MCI is yet uncertain. In the context of the Company's development activity, it seeks to use a significantly lower dose of an approved drug, Dronabinol, to identify a potential solution for MCI and minimize the expected side effects of alternative medicinal treatment.

In general, it may be argued that the medicinal cannabis market offers therapeutic solutions that are distinguished according to FDA control and consumption. To the best of the Company's knowledge, the highest selling FDA controlled and approved synthetic cannabis product is Marinol (and its generic products) whose US sales are estimated at approximately US$ 350 million a year whereas the more widely consumed medicinal cannabis reaches total sales of some US$ 2 billion in the US every year and is expected to grow to approximately US$ 8 billion in the coming years. The benefits of the entourage effect and ultralow dose technologies lie in the potential improvement/empowerment of an existing market drug while reducing side effects and creating a medicinal alternative for medical cannabis (which is currently not recognized as a medical product by the various regulatory authorities around the world and is not characterized by measurable therapeutic quality contrary to prescription drugs)[48].

The Anti-CD3 technology

To the best of the Company's knowledge, there is currently no development which uses similar mechanisms to those of the Company's technology which is in competition with the Company's Anti-CD3 technology (for the NASH indication). To the best of the Company's knowledge, there are currently no approved drugs for the treatment of NASH. The Company considers the NASH indication as the leading indication for the Anti-CD3 technology.

It should be clarified that as of the report date, the Anti-CD3 technology is not at the center of the Company's operations and the Company continues its attempts to recruit potential business development partners and strategic investors as well as other transactions and is even examining the potential termination of the program with the parties' consent.

48 To the best of the Company's knowledge and estimate there are currently several pharma companies that develop non-cannabinoid drugs for treating MCI such as Actinogen Limited, Avraham Pharmaceuticals Ltd., Boehringer Ingellheim GmbH, CereSpir Incorporated, Eisai Ltd., Eli Lilly and Company, Co., Sage Therapeutics and Sanofi. The benefit of the Company's development, among others and as opposed to the medicinal developments of these companies, is that the Company is not developing a new medicinal molecule and therefore the potential time to market and development costs are significantly more advantageous than developing a drug based on a new molecule, as above.

11. Research and development

11.1 The Company intends to act for the development of the entourage effect based technology with the Tourette syndrome indication and the development of the ultralow dose technology with the MCI indication. The Company intends to continue developing these technologies by itself and/or by introducing partners and/or strategic investors and by granting sublicenses and/or selling the Company's rights in the technology to third parties.

11.2 The Company also continues to attempt to recruit business development partners, strategic investors and other transactions for its Anti-CD3 technology and possibly the termination of the program with the parties' consent.

11.3 The following table presents the technologies being developed by the Company as of the report date:

Trial/product name	Indication of medical product	Trial type	Clinical trial objective (if applicable)	Trial's development stage (if applicable)	Target population	Trial deadlines	Participating centers	Estimated expected overall cost of trial	Accumulated cost from date of initiating trial through the report date	Clinical trial results (if applicable)
THX-TP01	Tourette syndrome	Clinical trials have not yet commenced, preclinical phase completed	Clinical trials have not yet commenced	Clinical trials have not yet commenced	Patients with acute Tourette syndrome	Clinical trials have not yet commenced	Clinical trials have not yet commenced	Up to approx. US$ 1 million	Clinical trials have not yet commenced	Clinical trials have not yet commenced
THX-ULD01	MCI	Clinical trials have not yet commenced, the preclinical phase has been launched	Clinical trials have not yet commenced	Clinical trials have not yet commenced	Patients over 50 with mild cognitive impairment	Clinical trials have not yet commenced	Clinical trials have not yet commenced	At this stage, the Company cannot make an assessment	Clinical trials have not yet commenced	Clinical trials have not yet commenced
TRX-318	Nonalcoholic steatohepatitis (NASH)	Clinical	As of the report date, the development is not at the focus of the Company's operations							
	Inflammatory bowel disease (IBD)	Clinical								

11.4 In the past, the Company financed its R&D investments in its various technologies from its own resources, from grants received from the Chief Scientist and from raising capital from private and public resources in return for the allocation of securities of the Company and/or its subsidiaries, as discussed below.

11.5 Below is a summary of the grants received by the Company and that were invested in R&D in the last three years and the balance of grants received (on an accumulated basis) by the Company as of the report date, classified according to the various projects (NIS in thousands):

Project name	Grant received in 2013	Grant received in 2014	Grant received in 2015 and as of the report date	Balance of grants received from the Chief Scientist as of the report date	Terms of repayment of the grants and timetables	Special stipulations established by the Chief Scientist with regards to grants and/or their repayment
Therapix/Anti-CD3	402	---	---	4,134	Royalties from sales	Payment of royalties of 3%
Therapix/Alzheimer's	84	---	---	640	Royalties from sales	Payment of royalties of 3%
EU/Orimmune (formerly: Protea)	---	---	---	---	No repayment of grants	No repayment of grant
Chief Scientist/ Orimmune (formerly: Protea)	---	---	---	1,239	The Company decided to terminate the program	Payment of royalties of 3%
Total grants - Therapix and Orimmune (formerly: Protea)	486	---	---	6,013		

12. Intangible assets

In most cases, the life of an approved patent is 20 years from the date of the patent application, excluding cases in which a patent term extension is granted based on local laws. The patent renewal dates differ in each country. In certain countries, a maintenance fee is levied on patent applications.

As of the report date, the Company's technologies detailed above consist of the licensed use of the entourage effect technology for enhancement of the activity of known molecules in combination with N-acylethanolamines in the context of the technology license agreement signed with Dekel and the licensed use of ultralow dose of THC for the prevention and/or treatment of MCI in the context of the technology license agreement signed with Ramot (see details in paragraph 20 below).

As of the report date, the Company also holds a license for the oral use of Anti-CD3 for treating inflammatory, autoimmune and other diseases relating to immune system disorders in the context of a technology license agreement signed with Hadasit (see paragraph 20 below).

Following are details of the patents underlying the development of the Company's technologies and other operations. For information on the license agreements underlying technology rights granted to the Company, see paragraph 20 below.

The entourage effect technology

The Company has rights to use the patents in connection with the entourage effect technology based on the license agreement signed with Dekel[49].

The ultralow dose technology

The Company has rights to use the patents in connection with the ultralow dose technology based on the license agreement signed with Ramot[50].

The Anti-CD3 technology

The Company has development and commercialization rights in this technology in accordance with the licensing agreement (see paragraph 20 below). The current developments of the Company with regards to the Anti-CD3 technology primarily rely on the patents and patent applications listed below:

Patent name and number	Patent description	Company rights in the patent	Countries in which they are approved	Projected expiration date of patent
Methods of modulating immunity *	Treatment with Anti-CD3 Antibody for autoimmune diseases, administered orally (patent for use)	Usage and commercializati on license from Hadasit	US (7883703) US divisional patent application (14/535,693) Europe ** (1687066) Europe divisional patent application (2397189) *** Australia (2004291107) Canada (2545806) Japan (5027512) Hong Kong (1098085)	11/2024

* In October 2010, approval was obtained in the United States for the "methods of modulating immunity" patent that focuses on the oral administration (per os) of the Anti-CD3 antibody to treat various inflammatory and autoimmune diseases. The approval that was given includes the following indications: diabetes, multiple sclerosis, psoriasis, rheumatoid arthritis, SLE, lupus, graft-versus-host disease, inflammatory bowel disease and uveitis. For more information about said approval, see the immediate report published by the Company on October 5, 2010 (TASE reference: 2010-01-636270). See details of a patent opposition proceeding in paragraph 21 below.

** Includes the following countries in Europe: Switzerland, Germany, Denmark, Spain, France, the UK, Ireland, Italy, the Netherlands, Poland and Sweden.

*** Includes the following countries in Europe: Germany, France and the UK. Following the approval of the divisional patent by the European Patent Office (EPO), a notice of opposition was filed by an anonymous entity before the window of filing oppositions allocated by the EPO was closed.

49 As of the report date, some are in the provisory stage.

50 As of the report date, some are in the provisory stage.

Patent name and number	Patent description	Company rights in the patent	Priority date	Patent application deadline	Countries in which an application was submitted
Combination therapy of beta-glycolipids and antibodies for the treatment of immune-related disorders	Combination use of beta-glycolipids such as GC (Glucosyl Ceramide0 with Anti-CD3 antibody for immune-related disorders (patent on use)	Usage and commercialization license from Hadasit	January 18, 2008	January 18, 2009	US (14/183,248) Israel (207030)
Methods and compositions for treating and/or preventing hepatitis with anti-CD3 immune molecule therapy	Use of the Anti-CD3 molecule to treat or prevent jaundice, including viral, and fatty liver disease (NASH) (patent on use)	NasVax rights	April 29, 2010	April 29, 2011	US (13/635119) India (CHENP/2012/10006) Brazil (BR 11 2012 027531 3) Korea (10-2012-7031085)
Methods and Compositions for treating an orphan indication	Treatment with Anti-CD3 antibody for orphan disease, administered orally or nasally (mucous)	NasVax rights	02/2012	02/2013	PCT (can be submitted – international) (PCT/IL2013/050158) US (14381585)
Humanized antibodies to cluster of differentiation 3	Humanized Anti-CD3 antibody	NasVax rights	06/2012	03/2013	National Phase (final filing in select countries) China (2013800431415) Europe (13730641.1) US (14/408128)

The BBS technology

Regarding patents relating to the BBS technology, the Company is in the process of returning the patents to Ramot as part of the agreement for the recovery of the license to Ramot, as described in paragraph 20 below.

13. Fixed assets, real estate and facilities

Starting from August 2014, the Company is subleasing from an unrelated third party spaces in an office building in Tel-Aviv which are used as the Company's offices and headquarters. The lease fees are immaterial to the Company. To secure the Company's obligations under the sublease agreement the Company provided the lessor a bank guarantee in an immaterial amount. The lease agreement is in effect until June 30, 2016 (unless it is extended with the parties' consent and under predetermined terms).

14. Human capital

14.1 In 2014 and 2015, the Company's C-suite was replaced as part of a trend that began in 2013. Starting from March 2014, the Company initiated steps for the restructuring of its Board in order to improve its operation (including through the subsidiaries). As of the report date, the Company continues to exercise its efforts to strengthen and stabilize its senior management while focusing on its business strategy. In 2014 and 2015, several executive officers in the Company were replaced and as of the report date the Company operates with a small number of senior officers. In addition, the Company has an auxiliary R&D Committee that advises the Board on issues of preclinical and clinical trials[51].

14.2 As of the report date, senior management consists of five employees (about 3.2 positions in position terms) including active Chairman, CEO, Finance Director and Secretary, Chief Strategy Officer and CTO.

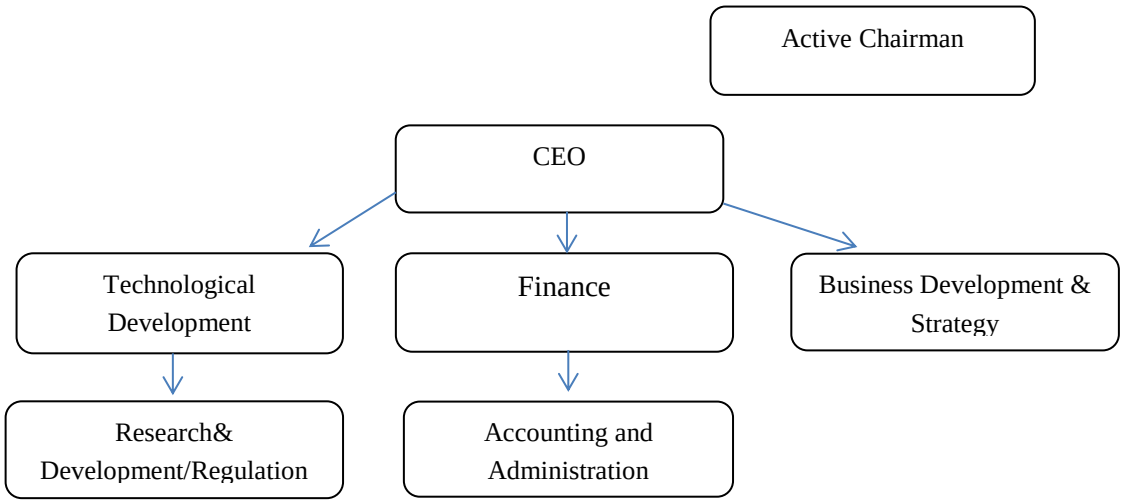
14.3 The Company also has a limited number of permanent employees, consultants and service providers and does not hire any subcontractors.

14.4 The following table presents the headcount of the Company's full-time employees as of December 31, 2015 and 2014 and as of the report date:

Area of activity	No. of employees/service providers as of the report date	No. of employees/service providers as of December 31, 2015	No. of employees/service providers as of December 31, 2014
Senior management	2	2	2
Business development	1	1	1
Finances and administration	3	3	3
Research and development	2	1	1
Total	**8**	**7**	**7**

14.5 Organizational structure

Below is a diagram of the Company's organizational structure:



51 The Company's Board decided to establish an R&D Committee that will advise the Board on preclinical and clinical trials and will include members from the Company's management and Board. See the Company's immediate report of June 16, 2015 (TASE reference: 2015-01-097044).

14.6 Employment agreements

As of the report date, the Company's entire employees/consultants are employed under personal employment agreements and/or consulting/service agreements. These agreements include clauses pertaining to non-disclosure and non-compete and exclusivity and protection of the Company's IP rights against third parties. The terms of employment consist of paid vacation, recreation and other social benefits pursuant to applicable law. The employment and consulting/service agreements are normally signed for an indefinite term whereby each party may terminate the agreement by providing an advance notice of 30 days, excluding irregular cases that provide for immediate termination as set forth in the agreements.

14.7 Officers and senior management

The Company's senior officers and key management personnel are also employed under the terms prescribed in personal contracts (whether employment agreements or consulting/service agreements). The engagements with senior officers include non-disclosure, non-compete and IP third party and exclusivity protection clauses. The terms of employment generally include participation in car expenses, paid vacation and recreation and other social benefits pursuant to applicable law and related benefits. The employment agreements are normally signed for an indefinite term whereby each party may terminate the agreement by providing an advance notice of 30 to 90 days, as applicable, excluding irregular cases that provide for immediate termination.

See details of the main engagements between the Company and senior officers in the Company in conformity with Regulation 21 to the Reporting Regulations in Chapter D (Additional Information about the Corporation) to this report.

As of the report date, the Company believes that it is not dependent on any of its employees and/or senior officers.

All the Company's directors and senior officers are covered by a directors' and officers' professional liability insurance policy through an Israeli insurance company. See details in Regulation 29a to Chapter D (Additional Information about the Corporation) to this report.

In addition, the Company grants standard letters of indemnity and quittance to the officers in the Company and/or in the subsidiaries, as they will be from time to time, during their service as officers in related companies, and to officers who are controlling shareholders or their relatives.

14.8 Officer remuneration policy

Based on the provisions of Amendment No. 20 to the Companies Law, on January 23, 2014, the Company adopted an officer remuneration policy ("**the remuneration policy**")[52]. The objective of the remuneration policy is to describe and specify the Company's officer remuneration policy. The remuneration policy serves as a tool for the Company to provide incentives and rewards to officers.

52 See the Company's immediate report of January 23, 2014 (TASE reference: 2014-01-023434).

When signing new employment and/or consulting agreements and/or renewing or revising existing agreements, the Company aspires to assimilate and implement the remuneration policy, provided that it retains the right to make certain adjustments as needed and pursuant to applicable law.

The remuneration components to which the officers are entitled will only be the components that have been specifically approved by the Company's qualified entities and subject to the provisions of applicable law. The adoption of the remuneration policy by the Company does not grant its officers any rights whatsoever. According to the provisions of the remuneration policy, the Company may adopt an annual target-based remuneration plan according to which, among others, considerable weight is placed on meeting targets that are derived from the Company's annual and multiannual work plan and/or from its strategic plan. These targets will include KPIs that reflect the Company's objectives and strategies in the short, medium and long term to establish mutual interests between the Company, the shareholders and the officers and promote the achievement of the Company's objectives and strategies.

The Company's remuneration policy became effective from the date of its approval by the general meeting on March 24, 2014 and will remain in effect for a period of three years (until March 24, 2017), unless it is adjusted and/or modified before that, all in keeping with the provisions of the Companies Law and the regulations published thereunder, as amended from time to time. The principles of the Company's remuneration policy were made public[53].

14.9 The Company's option plan

(a) In December 2015, the Company's Board decided to adopt a new option plan for the Company in the context of which unlisted options for the purchase of up to 5,000,000 Ordinary shares of NIS 0.1 par value each of the Company will be allocated to officers, employees and consultants of the Company (or anyone whose services are deemed valuable by the Company's Board) ("**the new option plan**"). The new option plan is a continuation of the Company's option plan from 2005 which expired in 2015 ("**the old option plan**").

(b) As of the report date, the Company granted 4,018,285 options according to the old option plan, of which 3,385,891 options were granted to officers in the Company, and also granted 2,320,000 options according to the new option plan, of which 1,900,000 options were granted to officers in the Company.

53 See Appendix A to the Company's (revised) immediate report of February 6, 2014 (TASE reference: 2014-01-034204 and an immediate report of March 24, 2014 (TASE reference: 2014-01-022311).

(c) The following table presents information of options granted under the option plan to employees, officers and consultants of the Company in the two years preceding the report date and as of the report date (categorized according to the type of optionee):

Type of optionee	Allocation date	No. of optionees	Amount of offered options	Consideration	Corporate value after the money derived from the allocation (if applicable)
CEO[54]	April 23, 2014[55]	1	266,242	Options granted at no consideration (at the determined exercise price)	-
Chairman of the Board	January 27, 2014[56]	1	423,037	Options granted at no consideration (at the determined exercise price)	-
Former CEO	May 20, 2015	1	400,000	Options granted at no consideration (at the determined exercise price)	-
CEO[57]	May 20, 2015	1	140,000	Options granted at no consideration (at the determined exercise price)	-
Former CEO	June 10, 2015	1	800,000	Options granted at no consideration (at the determined exercise price)	-
CEO	February 16, 2016	1	700,000	Options granted at no consideration (at the determined exercise price)	-
Chairman of the Board	February 16, 2016	1	250,000	Options granted at no consideration (at the determined exercise price)	-
Directors (including former directors)	February 16, 2016	2	100,000	Options granted at no consideration (at the determined exercise price)	-
Officers, employees and consultants (other than the CEO or directors)	February 16, 2016	7	1,220,000	Options granted at no consideration (at the determined exercise price)	-

(d) In accordance with the new option plan, the options to officers and employees, including directors but excluding controlling shareholders in the Company, will be allocated in accordance with Section 102 of the Income Tax Ordinance, and the options to consultants and service providers in the Company will be allocated in accordance with Section 3(i) of the Income Tax Ordinance.

The options that will be allocated in accordance with the option plan will be held by a trustee during a capping period as defined in the Income Tax Ordinance. The trustee will act in compliance with the trust agreement to be signed, inter alia, between the trustee and the Company.

The Company's Board has the authority to amend the terms of the option plan.

54 Said person did not serve as CEO on the relevant allocation date.

55 See the Company's immediate report of April 23, 2014 (TASE reference: 2014-01-049038).

56 See the Company's immediate report of January 27, 2014 (TASE reference: 2014-01-024814).

57 Said person did not serve as CEO on the relevant allocation date.

The options can be exercised in one portion or in several portions over the exercise period.

Each optionee is entitled to receive the options and/or the shares deriving from the exercise of the options ("**the exercise shares**"), provided that on the date of receipt of the options and/or exercise shares, the optionee is an employee or service provider of the Company.

The options can be exercised until the earlier of the date set forth in the agreement between the optionee and the Company or the end of any extended period as stipulated below ("**the exercise period**").

Upon termination of the employee's employment by the Company and/or termination of the contractual arrangement between the service provider and the Company ("**the optionee's contractual arrangement with the Company**" and "**the date of termination of the contractual arrangement**", as applicable), the options allocated to that optionee will expire. The optionee will be entitled to exercise the options granted to it even after the date of termination of the contractual arrangement under the circumstances prescribed in the option plan.

Adjustments

Subject to the discretion of the Board and the provisions of the new option plan, the options will be subject to adjustments as specified below:

- Transaction - in the event of a transaction, as defined below in this paragraph, the options will be assigned to the receiving company or swapped with shares of the receiving company, in accordance with the consideration that will be given to the Company's shareholders, including consideration in shares of the receiving company, consideration in cash or any other form of consideration. In said circumstances, the exercise price will be adjusted, as set forth by the Company's Board. The Company will inform the optionees of said transaction at least 10 days prior to the record date of the transaction. If the Company chooses not to act as specified, and subject to the provisions of the agreements that were signed with the optionees, the exercise period may be accelerated, the options will be considered as exercised and each optionee will be entitled to sell the exercise shares to the Company, which will be required to purchase them at market price, as defined in the plan. "**Transaction**" is defined as a merger, acquisition or restructuring of the Company that will result in the dissolution of the Company or the sale of all or most of the Company's assets.

- Liquidation - in the event of voluntary liquidation of the Company prior to the end of the exercise period of the options, the Company will inform the optionees of said liquidation and the optionees will be entitled to exercise the options within 10 days from date of said notice. Options that are not exercised within said 10 days will expire.

- Capital consolidation or split - if any change occurs in the Company's issued capital by way of dividend in shares (bonus shares), stock split, consolidation or exchange of shares, a change in the Company's capital structure or any other similar event, the number and type of shares that will derive from the options as part of the plan and the exercise price of each option will be proportionally adjusted in order to proportionally maintain the number of exercise shares, without any change in the cumulative exercise price. In said case, the cumulative type and number of shares that can be issued as part of the exercise of the options by virtue of the plan, in relation to the options that have not yet been exercised, will be similarly adjusted, as will be determined by the Company's Board.

- If the Company consolidates the Ordinary shares in its issued share capital to shares with a larger par value or splits them or subdivides them to shares with a smaller par value ("**the share reorganization**"), the number of exercise shares that will be allocated due to the exercise of the offered options following the share reorganization date will be increased or decreased respectively. Optionees may not allocate part of a single exercise share and the share fractions that will result from the share reorganization will be treated as dictated by the Company's Board in keeping with the Company's articles of association and applicable law.

- Adjustments arising from bonus share distribution - if the Company distributes bonus shares, the exercise price of the offered options will not be modified and will also apply to the bonus shares to which the exercise shares would be entitled had the offered options been exercised before the distribution of the bonus shares as above. In such event, the optionees will be allocated bonus shares pro rata to the entire number of exercise shares allocated to them following each exercise of the offered options by the optionees and the number of exercise shares that the optionees may exercise will increase or decrease accordingly. Optionees will not be entitled to allocate part of the bonus shares as discussed above but each bonus share fraction that results from the allocation and accumulated to whole shares will be sold on the TASE by a trustee appointed for that purpose by the Company and the net proceeds (after deducting the selling expenses and mandatory fees and levies) will be divided among the eligible parties. No single check below NIS 50 will be provided to a registered eligible party. The proceeds will be made available to the eligible parties at the Company's offices on standard working days and hours. Eligible parties who fail to collect their proceeds within twelve (12) months from the date of sale will lose their entitlement; the Company will refrain from distributing bonus shares if such distribution is liable to lead to the allocation of exercise shares at a price below their par value.

- Adjustments arising from share rights issues - if the Company executes any share rights issues, no other shares or securities will be added to the exercise shares and the exercise price of the offered options will not be modified. The Company will offer the securities to the optionees under the same terms as offered to the Company's shareholders and the optionees will be viewed as having exercised them before the record date of the rights issue.

- Cash dividends - upon the distribution of cash dividends of any type or kind to the Company's shareholders, the exercise price of the unexercised options will be reduced ("**the new exercise price**") to equal the result of multiplying the exercise price by the ratio of the ex-dividend base rate to the Company's share's closing rate on the TASE on the latest trading day before the ex-dividend date (but in any event not below the par value of the Company's Ordinary share). In addition, it was clarified that no adjustment will be made in respect of the offered options in the event of distribution, as this term is defined in the Companies Law, which is not a cash dividend distribution, not event by adjustment of the exercise price or number of the exercise shares.

14.10 The Company's Scientific Advisory Board

The Company has a Scientific Advisory Board that discusses the scientific issues relating to the Company, whose members as of the report date include Prof. Howard Weiner and Prof. Raphael Mechoulam.

14.11 Benefits and nature of employment agreements

See details relating to the Company's officers in Regulation 21 to Chapter D to this report.

15. Raw materials and suppliers

The Company's main suppliers are the owners of the knowledge from which the Company acquires and/or receives a license to develop, use, market and commercialize its technologies, as described below.

Each supplier is an exclusive supplier of the relevant technology. Nonetheless, in light of the nature of the licensing agreements, the Company believes that it does not have an absolute dependency on any of the said suppliers, since its rights are derived from the usage agreement that, barring a fundamental breach of contract by the Company, entitles the Company to continue its activity in accordance with the terms of the licensing agreement. The Company has several agreements with other suppliers that are used by the Company for outsourcing. These suppliers include companies that specialize in research and development, conducting animal testing, clinical trials, regulation etc. The Company believes that working with these suppliers does not pose a real risk, based on the reputation of these suppliers, experience with working with them and the availability of alternative suppliers.

As for a term sheet signed with Rhodes Technologies, see paragraph 20 below.

16. Working capital

As of December 31, 2015, the Company has excess current assets over current liabilities totaling approximately NIS 4.5 million (current ratio of 3.2) compared to a deficit of approximately NIS 0.6 million (current ratio of 0.6) last year.

17. Financing

The Company finances its operations with funds from the private and public offerings it carried out (see, for example, paragraph 3 above) and from grants from the Chief Scientist as specified in paragraph 11.4 above.

The Company's financial statements include a going concern notice and from time to time, the Company's Board examines various options for the Company's continued funding, including private placements and capital raisings (rights issues).

18. Taxation

For information about taxation, see Note 14 to the financial statements.

19. Restrictions and regulations underlying the Company's operations

19.1 The Law for the Encouragement of Industrial Research and Development, 1984 ("**the R&D Law**")

The R&D Law establishes a series of requirements with which the applicant of the R&D grants must comply. Although the R&D Law establishes that the parties entitled to benefits in accordance with the Law will pay the State Treasury royalties from any revenue deriving from or generated by the product developed in the program, including ancillary services to the product or that involve it, the Company is not required to pay royalties. In addition, the R&D Law requires that the product to be developed as a result of the research and development will be manufactured solely in Israel unless approval is issued by the Ministry of Industry, Trade and Labor's Research Committee to transfer manufacturing rights of the product to outside of Israel.

On April 7, 2005, Amendment No. 3 to the R&D Law was published ("**the Amendment**"). The Amendment allows, inter alia, the transfer or sale of knowledge whose development was supported by the grants of the Chief Scientist's Office to third parties outside of Israel, in consideration for a certain part (according to a defined formula) of the consideration from the transfer or sale of the knowledge, or consideration for receipt of knowledge from third parties or participation in research and development. In accordance with its provisions, the Amendment became effective in June 2005 and also applies retroactively to programs approved before that date, including research and development programs for which the Company received a letter of approval.

19.2 Regulatory approvals for the stages of development

Approval for marketing medical products is subject to stringent regulations around the world. The regulatory process in obtaining the necessary approvals is composed of various stages, each of which requires the Company to comply with certain conditions and criteria. Once the Company has successfully passed all of the trial phases, it can submit an application for approval to register the medical product by the relevant regulatory authorities, such as the FDA in the United States, or EMEA in Europe, or the Ministry of Health in Israel.

The Company will apply for product development approvals from the health authorities in Israel and in other countries in which it decides to operate, based on the calculations listed below that are required for continued development and later for commercial marketing of its products, or will partner with a manufacturer that will obtain said approvals. The work involved in obtaining approvals and licenses in various countries for the use of the products development by the Company ("**the product**") requires an enormous financial investment.

All of the procedures involving the product's clinical trials, tests, manufacturing, labeling, publication, sales promotion, export and marketing are subject to the supervision of regulatory authorities in the different countries. The Company believes that the strategy of granting licenses for using some of the Company's technologies is preferable in that a large percentage of the later activities (advanced clinical trials, licensing, marketing, etc.) will be carried out by the partner in receiving the license in the said stages.

The development stages required to obtain approval for marketing and manufacturing the product include, inter alia,

a. Preclinical trials on laboratory animals;

b. Development of adequate and controlled manufacturing conditions that are approved by the various health authorities;

c. Meticulously controlled clinical trials that provide proof of the efficacy and safety of the product;

d. Submission of the product's registration file to the regulatory authorities in various countries;

e. Review of the product's registration file by the health authorities in various countries;

f. Obtaining marketing approval;

g. Studies after the start of marketing, if necessary.

All of the trial and approval procedures are time-consuming and require tremendous effort and significant financial investment, with no guarantee that any approval will be granted at the end of a reasonable amount of time or at all.

Preclinical trials include a laboratory review of the product and animal trials. These trials are designed to test the product's potential efficacy and safety for use. The results of the preclinical trials, along with the information on product manufacturing methods and analytical properties (composition, stability of the chemical components, etc.) are submitted to the authorities and reviewed as part of the review process required to obtain approval to begin clinical trials in human subjects.

During the clinical trial stage, the investigational product is given to healthy or sick human beings under the supervision of the doctor – investigator qualified to regulate trials in human subjects. Every clinical trial must undergo an audit and receive prior approval from an independent institutional ethics committee in the institution where the trial is being conducted and from the Ministry of Health if necessary. According to the Helsinki Covenant, the committee supervising clinical trials considers granting said approval, inter alia, the ethical foundations related to the trial, product safety for use and exposure to tort suits against the institution carrying out the trial for the planned trial.

The number of subjects in each of the trials is established in conjunction with the qualified licensing authorities. In principle, clinical trials are conducted in three phases that can sometimes overlap. In the first phase, during which the product is first administered to human subjects, safety is primarily tested (adverse events), the subject's tolerability of the dosage. In addition, specific biomarkers are tested during blood tests for the preparation's safety.

In the second phase, clinical trials are conducted on a defined population of patients in order to determine the safety and efficacy of the product used to treat a defined indication, to establish tolerance to different dosages and the optimal dosage as well as identify adverse events and health risks. In the third phase, trials are conducted on a larger scale, for additional and broader proof of the product's efficacy and safety in a large number of subjects and study sites.

Once the product has been approved, Phase IV clinical trials are occasionally conducted to accumulate more information on treatment results in the approved indication, and to examine the benefit to patients if the product has passed an accelerated licensing stage (approval in an accelerated process is primarily carried out for life-saving drugs). The applicant for the approval must complete Phase IV clinical trials if and when they are instructed to do so. Failure to comply with any of the stipulations in the approval process might result in a revocation of the product license.

The results of the preclinical and clinical studies, along with the information specified on the product vehicle and its method of manufacturing, are submitted to the health authorities by the approval applicant. The health authorities are entitled to delay approval of the license if all of the required conditions have not been met or if additional trials are needed. In addition, the health authorities are entitled to condition approval on the conducting of Phase IV trials, in order to monitor product efficacy and large-scale safe use. There is no guarantee that the product that is in registration proceedings will receive approval in a reasonable period of time, if at all. Even if approval is granted, it might be limited and restricted.

As previously mentioned, the Company's products will be subject to existing laws in various countries in which the products (by the Company or by parties that will be granted licenses to its technologies) will be marketed, in accordance with the requirements of the health authorities in each of those countries. Licensing in the various countries must be obtained uniquely before marketing of the product begins in each country. The licensing procedure differs in each country.

19.3 Ministry of Health

The Company's operations in Israel are subject to a permit from the Ministry of Health for conducting trials in human subjects, and to approval from the Helsinki Committee, as specified below.

19.4 Public Health Regulations (Clinical Trials in Human Subjects, 1980 ("**the Regulations**") and Procedure No. 14 of the Pharmaceutical Administration in the Ministry of Health – Clinical Trials in Human Subjects

The regulations and procedure establish the steps for approval for conducting a clinical trial and trial on medical equipment. According to the procedure, every clinical trial is subject to the Regulations, to the provisions of the procedure, to the provisions of the Harmonized Tripartite Guideline for Good Clinical Practice ICH-GCP (E6) and to the provisions of the standard for Clinical Investigation of Medical Devices for Human Subjects (AMAR). The Regulations establish that a clinical trial in a human subject will not be approved until after the Helsinki Committee (see below) of the hospital that is planning to conduct the trial has approved the trial and has issued written notice of this to the medical director of the hospital in which the trial will be conducted and the director of the hospital was convinced that the trial does not violate the Helsinki Declaration and with Regulations. In certain cases, an opinion is required from the higher Helsinki Committee for Clinical Trials in Human Subjects in order for the trial to be approved.

"Helsinki Committee" will not approve a trial unless it has been convinced to its satisfaction that the following conditions have been met, including: anticipated benefits to the trial participant and to the group justify the risk and the discomforts involved in participation in the trial and that the medical and scientific information that exists justifies conducting the requested clinical trial.

20. Material agreements

20.1 License agreement with Dekel[58]

On January 11, 2015, following negotiations held between the Company[59] and Dekel Pharmaceuticals Ltd.[60] ("**Dekel**", collectively with the Company - "**the parties**") and after the approval of the Audit Committee, the Company's Board approved the signing of a binding term sheet with Dekel which provides the principles of a final and specific agreement for licensing Dekel's entourage effect technology and IP ("**the license agreement**" and "**Dekel's technology**", respectively) and also includes an option for Dekel to invest in the Company (by itself and/or through others) ("**the approved outline**"). The purpose of the license agreement is to allow the Company to develop Dekel's technology in the context of a final and specific license agreement and simultaneously raise the capital it needs. The approved outline was presented for the approval of the general meeting of the Company's shareholders which approved the terms of the approved outline and the principal terms of the license agreement (as summarized below) on June 10, 2015. Also, on August 19, 2015, all the suspending conditions underlying the license agreement were met and it became effective.

Following are the principal terms of the license agreement:

1. Agreement for licensing Dekel's technology - Dekel grants the Company an irrevocable global exclusive royalty-bearing license which can be sub-licensed for using Dekel's entourage effect technology for research and development, manufacturing, sale, distribution, marketing and commercialization of drugs which are derived from this technology (including sublicenses).

2. Suspending conditions underlying the license agreement - the license agreement will become effective provided that the following conditions are met, at the later ("**the effective date**"):

   2.1 Receipt of relevant approvals - receipt of the approvals of the parties' relevant entities, including the approval of the general meeting of the Company's shareholders[61].

   2.2 Regulatory approvals - receipt of the relevant regulatory approvals for the completion of the approved outline, including the TASE's approval (and the ISA's and OTC's approvals, if needed).

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58 See the Company's immediate reports of May 21, 2015 (TASE reference: 2015-01-024585) and August 19, 2015 (TASE reference: 2015-01-100422).

59 The Company appointed a special committee whose members consisted of the former CEO, an external director and the former VP of Business Development and Strategy to hold the negotiations with Dekel's representatives. It should be clarified that Dr. Ascher Shmulewitz, who as of the report date serves as Chairman of the Company's Board and is an interested party therein, is also a shareholder in Dekel.

60 To the best of the Company's knowledge, Dekel is a privately-held company incorporated in Israel that is mainly engaged in the research and development of medical products based on cannabinoid substances (active ingredients in cannabis and synthesized endocannabinoids) for treating chronic pain and inflammation. In addition, to the best of the Company's knowledge, Dekel holds the IP rights to a disposable, patent-protected dose-controlled inhalation device, which can be used in the delivery of steroids and/or cannabinoids

61 The approval of the general meeting has not yet been obtained as of the report date. In this context it should be noted that in view of the formulation of the terms of the license agree by the parties, the Company will act to postpone the general meeting of shareholders which is scheduled for late May 2015 to allow the shareholders the time to review the terms of the license agreement before its approval. The Company will announce the postponement of the meeting and the new date in a separate immediate report.

2.3 Investment - completing an investment in the Company both by Dekel and by others in one or several transactions in a cumulative total of at least US$ 350 thousand[62].

3. The license consideration

3.1 Advance - on the effective date, the Company will pay Dekel an amount of NIS 100 thousand (in the Company's shares at a value of NIS 0.5 per Ordinary share) as an advance on account of future royalties ("**the advance**"). The advance will be returned to the Company by offsetting it from any future royalties based on the license agreement until the entire advance is offset.

3.2 Immediate option for investment in the Company ("**the immediate option**") - on the effective date and for a period of three months therefrom, Dekel will have an option to invest in the Company's share capital an amount of up to US$ 0.5 million (at a price of NIS 0.5 per Ordinary share).

3.3 Contingent option for investment in the Company ("**the contingent option**") - subject to the exercise of the immediate option mentioned above, Dekel will have another option to invest in the Company's share capital an amount of up to US$ 2 million such that for each immediate option exercised, Dekel will receive four options for Ordinary shares of the Company (at an exercise price of NIS 0.65 per option) for a period of 12 months from the expiration of the immediate option[63].

3.4 Royalties

3.4.1 Royalties on sales - the Company will pay Dekel direct royalties on net revenues (at a high single-digit rate) or indirect royalties on sublicenses (at a median double-digit rate).

3.4.2 Milestone payments - for the grant of the license, the Company will pay Dekel amounts based on the following milestones:

3.4.2.1 Upon the success of preclinical trials in Dekel's technology - US$ 25 thousand (at the Company's discretion, in cash and/or in share capital (at a price of NIS 0.5 per Ordinary share of the Company) ("**cash and/or equity-settled payments**"));

3.4.2.2 Upon the success of Phase I/IIa clinical trials in Dekel's technology - US$ 75 thousand in cash and/or equity-settled payments;

3.4.2.3 Upon the generation of revenues (in the amount determined in the approved outline) from the commercialization of products that are based on Dekel's technology by Dekel and/or a third party, or FDA/EMA approval of the drug that is based on Dekel's technology - US$ 75 thousand in cash and/or equity-settled payments.

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62 It should be clarified that this condition has been met given the scope of capital raised by the Company in the past few months in the context of private placements to several private investors.

63 That is, about 15 months from the effective date.

4. Development obligation - at its expense, the Company will lead, manage and finance the entourage effect technology's R&D, including in connection with conducting preclinical trials, GMP-based development and clinical tests with a predetermined minimum annual investment or based on the approved annual work plan and budget that will include dates and milestones as will be determined in the future under agreement between the parties.

5. The license period and the license's cancellation - the license agreement will remain in effect as long as it is not cancelled by either of the parties and under the following circumstances - if it is cancelled by the Company without cause by providing an advance notice of 60 days; if it is cancelled by both parties due to a material violation of the license agreement by any of the parties that is not rectified within 120 days or in the event of one of the parties' insolvency. If in the first year any of the payments owed to Dekel as described above is not made (including the Company's R&D obligation), the license will be revoked and Dekel's IP under the license will be recovered to Dekel, excluding the IP that is generated by the Company's research and development activity in the technology. If after the first year any of the payments owed to Dekel as described above is not made (including the Company's R&D obligation), the license will be revoked and the entire IP developed under the license will be recovered to Dekel, including the IP that is generated by the Company's research and development activity in the technology.

6. Assignment of the immediate option and/or the contingent option to third parties - Dekel may assign its right (or part thereof) in the immediate option and/or contingent option to a third party provided that the third party fully secures its investment pursuant to the option and/or additional option. In the event that following the exercise of the option in the context of such assignment the assignee will be granted 25% or more of the Company's entire voting rights, the assignment will require the approval of the Company's Audit Committee. For the purpose of this paragraph, the percentage of "voting rights" will be calculated on a cumulative basis along with any assignee's other holdings in the Company immediately prior to the assignment and collectively with any other previous assignment as prescribed in this paragraph. In addition, any exercise of the option and/or the additional option (or part thereof) will be governed by the provisions of applicable law regarding purchase offers, under the circumstances.

Forward-looking information warning - the Company's information and evaluations discussed above in connection with the completion of the approved outline and the signing of a final and binding agreement, the fulfillment of any of the abovementioned milestones, the integration of Dekel's activity in the Company's activities and its contribution to the Company, including forecasts, dates, evaluations and/or plans of the Company in connection therewith all represent forward-looking information, as this term is defined in the Securities Law, which involves a great degree of uncertainty and is based, among others, on outside factors (including information received from Dekel) and numerous variables which are not necessarily under the Company's control and therefore, the completion of the transaction and the fulfillment of the other suspending conditions and milestones and/or their expected costs, dates and relevant schedules might not materialize in practice and/or might not materialize in full and/or might materialize in a manner that is materially different from that originally evaluated or anticipated.

Among the factors that are liable to cause the Company's information and evaluations not to materialize as expected we should mention the discovery of material scientific data that will significantly modify the terms and/or viability of the engagement, failure to reach a final and binding detailed agreement (subject to the approval of the general meeting of the Company's shareholders), failure to complete the R&D process of the entourage effect technology (including in the context of preclinical and/or clinical trials or non-compliance with such preclinical and/or clinical trial targets) and/or demands for repeating clinical trials on products developed based on the entourage effect technology, failure to obtain the necessary regulatory approvals from the authorities in a timely manner and/or at all, or potential disputes with regulatory authorities and the related consequences, change and/or aggravation of the approval policy of regulatory authorities with respect to developed products, failure to obtain the additional financing required for completion of development and/or entering into strategic collaboration agreements for completing the development of Dekel's products, entry of other competitors for Dekel's products into the market, change in the structure of the competition in the target markets of Dekel's products and the realization of any of the risk factors detailed in paragraph 24 below. It should also be emphasized that there is no certainty that preclinical and/or clinical trials of products developed on the basis of the entourage effect technology will yield successful results, which in turn might require making adjustments to the Company's R&D plans, budgets and timetables and that the Company is exposed to additional risk factors, as described in paragraph 24 below, which might significantly affect the Company's evaluations as above either jointly or severally.

20.2 License agreement regarding Ramot's technology for treating cognitive deficits (including Alzheimer's)[64]

On February 14, 2016, the Company and Ramot at Tel-Aviv University Ltd., the Tel-Aviv University's Technology Transfer Company ("**Ramot**", collectively with the Company in this paragraph - "**the parties**"), signed a binding and final agreement for conducting research and for the grant of an R&D and commercialization license regarding Ramot's cannabinoid-based[65] technology for treating cognitive deficits using ultralow doses of tetrahydrocannabinol (THC)[66] (in this paragraph - "**the technology**" and "**the license agreement**" or "**the agreement**", respectively).

64 See the Company's immediate reports of June 28, 2015 (TASE reference: 2015-01-057522) and February 15, 2016 (TASE reference: 2016-01-027988).

65 Cannabinoids are a class of diverse chemical compounds that act on cannabinoid receptors in the body (CB1 and CB2). This family is found in the molecules derived from the cannabis plant (phytocannabinoids), the most known ones being THC and CBD, and molecules which are naturally produced in the human and animal body (endocannabinoids) such as AEA and 2-AG. Dozens of molecules have been identified as part of the cannabinoid family and participate in a large number of physiological processes and used to treat a large variety of medical conditions. See more information in paragraph 8 to Chapter A (Description of the Corporation's Business) to the Company's annual report for 2014 of March 31, 2015 (TASE reference: 2015-01-069427) ("**the annual report**").

66 The technology is based on the lab research of Prof. Yosef Sarne of the Tel-Aviv University Medicine-Sackler Faculty who also serves as the project's chief researcher ("**the chief researcher**").

The principal terms of the license agreement are as follows:

1. The license agreement - Ramot will grant the Company an exclusive international royalty-bearing license, which can be sublicensed, to use the technology (including the yields of the research project as defined below) for research, development, manufacture, use, commercialization, sublicensing, sale and import of products based on the technology (in this report - "**the products**").

   1.1 The Company will manage and finance (on its own and/or through third parties) the technology's R&D processes for the development and manufacture of medical products based on the development stages and milestones determined in the agreement (which can be modified and updated as stipulated in the agreement).

   1.2 The development stages include, among others, the development of the formulations for the different products and the preparation of proof of concept clinical trials and early phase clinical trials for the purpose of filing applications and obtaining regulatory drug and/or product marketing approvals ("**the development plan**").

   1.3 Failure to meet any of the milestones underlying the products as set forth in the development plan and/or failure to finance the development plan based on the terms stipulated in the agreement will allow Ramot to cancel the agreement (according to the terms set forth therein)[67].

2. IP - the core technology is owned by Ramot and the products of the auxiliary research project (as defined below) will all be owned by Ramot. Their use will be in accordance with the provisions of the license agreement. Any other IP designed, created, developed, produced, registered or incurred not in connection with and/or due to the involvement of the TAU's staff or Ramot's staff (during their employment in the project) will be exclusively owned by the Company. Ramot will be responsible for handling and maintaining the patents in consultation with the Company whereas the Company will bear the underlying patent expenses based on the method and terms determined in the agreement. The license agreement includes certain exceptions regarding the Company's liability to bear expenses and mechanisms to allow such exceptions. The agreement also provides IP protection mechanisms and regulates the payment of the underlying expenses.

3. Royalties - the Company will pay Ramot royalties on sales of the products at a low single-digit rate[68] for a period until the later of 15 years from the date of first commercial sale (of a certain product in a certain country) or the date of expiration of the last patent underlying the technology and the research program (in a certain country).

4. Additional payments - according to the agreement, the Company has an obligation to pay additional future non-recurring amounts to Ramot, among others, after meeting material milestones in connection with the development of the first product (such as meeting a clinical and/or regulatory milestone)[69], for the grant of sublicenses and when reaching certain product sales targets.

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67 As of the report date, the Company is preparing to begin clinical trials, including filing an IND application to the FDA. The Company is simultaneously taking steps to obtain FDA approval under Section 505(b)(2).

68 Subject to deductions, reductions and/or increases under certain circumstances stipulated in the agreement such as payment of royalties to a third party, filing a patent opposition etc.

69 The milestones underlying the auxiliary research project include, among others, diagnosis, profiling and control of the research products, pharmacological and biochemical tests and preclinical trials. The budget approved by the parties is in the amount of approximately NIS 240 thousand to be paid in installments based on the milestones underlying the auxiliary research project.

5. Auxiliary research project - the license agreement also consists of an auxiliary research project in respect of the technology (to be conducted by the chief researcher) in the TAU whose principal aim is to test the method of operation of preclinical models in a controlled manned using pharmacological and biochemical parameters for the administration of ultralow doses of THC for treating MCI which is liable to deteriorate to Alzheimer's. The Company will bear the costs of the research program[70].

6. Agreement expiration/early termination - the license agreement will expire once the Company completes all the payments pursuant to the agreement (following which the license will no longer be exclusive) or if it is terminated early due to one of the predetermined causes (and based on the predetermined mechanisms), among others due to failure to meet the milestones set forth in the development plan and/or material violation of the agreement by any of the parties (which is not rectified within the predetermined timeframe).

7. The license agreement also contains other standard provisions that are practiced in this type of agreement regarding confidentiality, indemnity and insurance, information rights, supervision and control reporting, assignment rights to licensed parties etc.

Forward-looking information warning - the Company's information and evaluations discussed above in connection with the R&D plans, the research project, the products under development and their intended uses, including the success of their development, the estimated deadlines and costs of the performance and/or completion of the milestones expected in the coming year and/or at all, the size of the target markets and/or medical indications and/or relevant regulatory tracks underlying product development, including the Company's forecasts, deadlines, evaluations and/or plans in connection therewith all represent forward-looking information, as this term is defined in the Securities Law, which involves a great degree of uncertainty and is based, among others, on outside factors and various variables which are not necessarily under the Company's control and therefore it is possible that the execution of the license agreement and/or the completion of the development of a medical product thereunder, the compliance with milestones and/or their expected costs, the dates and deadlines underlying the completion of development, the assessments of relevant market sizes and/or obtaining regulatory product marketing approvals will not materialize in practice and/or will not materialize in full and/or will materialize in a manner that is materially different from that originally evaluated or anticipated. Among the factors that are liable to cause the Company's information and evaluations not to materialize as expected we should mention the failure to complete the development of a medical product (including in the context of preclinical and/or clinical trials) and/or the requirements to conduct repeated trials, the failure to obtain the necessary regulatory approvals in a timely manner and/or at all, disagreements with regulatory authorities regarding the results of clinical trials, change and/or aggravation of regulatory approval policies for medical products under development, the failure to obtain the needed additional financing to complete product development and/or failure to reach strategic collaboration agreements for the completion of the medical product development (including through the grant of sublicenses), noncompliance with predetermined preclinical and/or clinical trial targets, failure to obtain the required financing at the time and scope needed for continued development, the arrival of new competitors in the market of the medical product under development, change in the structure of competition in the medical product's target market and the realization of any of the risk factors described in paragraph 24 below. It should also be emphasized that there is no guarantee that preclinical and/or clinical trials will be successful and their failure might require revising R&D programs, budgets and deadlines which exposes the Company to other risk factors as described in paragraph 24 below, all of which are liable to materially affect the Company's evaluations, severally and jointly.

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70 Such as beginning of pivotal clinical trial, beginning of Phase II clinical trials, obtaining FDA product approval and obtaining initial regulatory product marketing approval as stated above.

20.3 Term sheet signed with Rhodes Technologies

On December 20, 2015, a nonbinding term sheet was signed between the Company and Rhodes Technologies, of the Purdue Pharma Group and one of the leading manufacturers of synthetic THC in the US, in connection with the R&D of a cannabinoid tablet which contains an ultralow dose of THC for treating mild cognitive impairment ("**the term sheet**", "**Rhodes**", "**the raw material**" and "**the product under development**", respectively). According to the term sheet, the parties will act towards signing a final and binding agreement within four months from the date of signing the term sheet (or at a later date as agreed between the parties) ("**the final agreement**") according to which, among others, Rhodes will provide the Company, at Rhodes' expense, the raw material for the product's R&D activity in return for exclusiveness in manufacturing the raw material of the finished product and the right to hold preliminary negotiations for the product's marketing and commercialization in the US. As of the report date, the parties are still holding negotiations for formulating the outline of their cooperation under the final agreement (including the expansion of their cooperation for the product under development). As of the report date, the Company estimates that as long as the final agreement is not signed before the date established in the term sheet, the parties will extend the term sheet and/or agree on other measures until the final agreement is designed and signed. It should be noted that as of the report date there is no certainty that the parties will indeed sign a final and binding agreement and/or what the terms of such agreement will be.

Forward-looking information warning - the Company's information and evaluations discussed above in connection with the signing of a final and binding agreement based on the term sheet and/or the terms of the final agreement and its implications on the Company, including the Company's forecasts, deadlines, evaluations and/or plans in connection therewith all represent forward-looking information, as this term is defined in the Securities Law, which involves a great degree of uncertainty and is based, among others, on outside factors and various variables which are not necessarily under the Company's control and therefore it is possible that such information and evaluations will not materialize in practice and/or will not materialize in full and/or will materialize in a manner that is materially different from that originally evaluated or anticipated. Among the factors that are liable to cause the Company's information and evaluations not to materialize as expected we should mention the failure to complete the negotiations between the Company and the US corporation and/or failure to reach understandings regarding the terms of a final and binding agreement to the satisfaction of both parties, the failure to obtain the necessary regulatory and/or government approvals, the absence of the necessary funding for conducting and/or completing the product's R&D activity, the failure of the preclinical and/or clinical trials of the product under development, the aggravation of regulatory approval policies in the market of the product under development, disagreements with authorities regarding the required regulatory outline of the product under development and/or prolongation of the process of obtaining regulatory approvals and the realization of any of the risk factors described in paragraph 24 below.

20.4 A nonbinding term sheet for strategic collaboration regarding the Anti-CD3 technology signed with a Chinese corporation

On December 18, 2014, a nonbinding term sheet ("**the term sheet**") was signed between Orimmune Bio Ltd., the Company's subsidiary[71], and Nanjing BioSciKin Co. ("**the Chinese corporation**"), a private Chinese company which to the best of the Company's knowledge acts as the investment vehicle of Simcere Pharmaceutical Group[72], in connection with strategic collaboration for developing and manufacturing the Company's Anti-CD3 antibody ("**the antibody**") and commercializing it in the Chinese market (China, Taiwan, Hong Kong and Macau) ("**the region**"). As of the report date, the term sheet expired and no binding agreement has been signed between the parties. Moreover, there has been no progress in the negotiations with the Chinese corporation in this context.

71 Orimmune Bio Ltd. (formerly: Protea Vaccine Technologies Ltd.) is a subsidiary that is controlled by the Company ("**Orimmune**"). As of the report date, the Company holds about 90% of Orimmune's issued and outstanding share capital (about 90% on a fully diluted basis).

72 To the best of the Company's knowledge, Simcere is traded on the NYSE.

20.5 Agreement for investment in Lara-Pharm Ltd.[73]

On June 15, 2014, a final investment agreement was signed between the Company and Lara-Pharm Ltd., an Israeli company which provides pharmaceutical solutions for replacing medical marijuana and has developed a cannabinoid-based synthetic formulation to be administered by an inhaler ("**the medical product**", "**Lara**", and collectively with the Company - "**the parties**", and "**the agreement**", respectively) according to which, subject to the fulfillment of several prerequisites[74], the Company will transfer to Lara an initial investment amount of US$ 800 thousand (based on the schedules and dates determined in the agreement, of which the first installment only in the amount of US$ 250 thousand has been paid to Lara) against shares that will represent about 26% of Lara's issued and outstanding share capital (on a fully diluted basis) ("**the initial stage**")[75]. The agreement also stipulates that the overall amount that the Company will invest in Lara will be US$ 1.5 million (including the initial investment amount), subject to the fulfillment of certain milestones[76] and according to predetermined timetables. Assuming that Lara successfully meets all the milestones determined in the agreement and the Company invests the entire investment amount as above, the Company will hold 49% of Lara's issued and outstanding share capital (on a fully diluted basis).

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73 See the Company's immediate reports of April 2, 2014 (TASE reference: 2014-01-035922), June 16, 2014 (TASE reference: 2014-01-091608) and June 23, 2014 (TASE reference: 2014-01-097152). Lara was engaged in developing cannabinoid-based prescription drugs as a medical product intended to replace the use of medical cannabis for various indications. Based on this development, to the best of the Company's knowledge based on information received from Lara, the first product in the series of products which Lara intended to develop was synthetic cannabinoid with a unique formulation to be administered using an inhaler and aimed at serving as a medicinal alternative for medicinal marijuana. The inhaler was designed according to an innovative technology which meets the medical need for the use of medicinal marijuana in treatment of various diseases and/or medical conditions by licensing the technology and marketing it as a prescription drug to the large pharma companies. Lara aspired to develop the inhaler-based product so that it will serve as a viable market alternative for existing medical solutions which do not provide an adequate response to the medical needs of millions of patients worldwide. In such cases, the product would have served as a medicinal alternative which operates similarly to medicinal marijuana but us advantageous to cannabinoid-based drugs administered orally. According to Lara's technology and development, the active ingredients are more efficiently absorbed in the lungs using the inhaler than by swallowing them. This improved absorption of active ingredients will potentially allow reducing the required dose for achieving the sought effects and will most likely minimize the side effects associated with these ingredients. Lara's R&D activity in connection with the inhaler-based medical product initially focused on developing the formulation towards beginning preclinical trials. See more details of Lara and its business operations, market structure, developed products and R&D activity in the Company's immediate report of August 11, 2014 (TASE reference: 2014-01-131130).

74 Among others, these prerequisites include the completion of related agreements and the completion of various operating, monetary and commercial information and data and additional background studies of Lara to the Company's satisfaction.

75 It should be noted that according to the agreement, the percentage of the Company's holdings in Lara's shares as mentioned above (26%) will be reduced pro rata to the amounts that will be transferred if the Company fails to provide the remaining payments on the predetermined dates. As discussed above, as of the report date, only the first instalment has been paid and the other installments which are due have not yet been paid to Lara. According to the provisions of the agreement, Lara has the right to reduce the Company's holding rate in Lara's shares pro rata to the amounts that will be transferred in a manner that as of the report date, insofar as Lara exercises its right, the Company will hold about 11% only.

76 Among others, the milestones include obtaining an expert's approval for the medical product's successful compliance with biotechnological criteria determined both in the context of a simulator test and in preclinical trials (animal testing).

On August 10, 2014 ("**the initial consummation date**"), all the prerequisites for completing the initial stage in the Lara share purchase transaction were met[77].

Negotiations for agreed separation

In keeping with the negotiations held between the Company and Lara's management, on August 13, 2015, the latter informed the Company of the unilateral cancellation of the agreement, among others, arguing that the Company has no intention of continuing to invest additional funds in Lara[78]. It should be clarified that as per the Company's position, it is not obligated to invest additional funds in Lara unless certain conditions and/or milestones as predetermined in the investment agreement are met which have not been met as of the report date (and which the Company has no certainty will be met in the future and/or at all). The Company objected to the unilateral cancellation of the agreement and continues to act to protect its material interests in Lara, including defending its legal rights according to agreement and its investment in Lara, among others by insisting on negotiating a mutual separation agreement[79].

As of the report date, the Company continues to hold shares of Lara[80] and retains its material rights pursuant to the investment agreement. The parties are holding negotiations regarding their mutual separation. There is no certainty whether, when and/or under which terms such agreement will be signed[81].

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77 See additional details of Lara and its business affairs, including a description of its market structure, developed products and R&D stage in the Company's immediate report of August 11, 2014 (TASE reference: 2014-01-167559). As discussed above, the Company delivered to Lara a sum of approximately US$ 250 thousand of the initial investment amount whereas the remaining initial investment amount was not delivered on the predetermined date. According to the agreement, failure to deliver the remaining initial investment amount by the Company will not represent breach of the agreement although Lara will have the right to reduce (forfeit) the Company's holdings in its shares pro rata to the amounts that are delivered, as stipulated in the agreement, and in certain cases Lara will also be able to exercise a tag-along right and force the Company to sell its interests in Lara in the event of such forfeiture of shares for the purpose of selling Lara's shares to a third party. Also according to the agreement, upon the fulfillment of the first milestone within the predetermined timeframe from the initial consummation date (a summary report of compliance with the target of reaching a specific range of particles of powder using the inhaler through simulator tests and its approval by an expert), Lara will allocate the Company shares that will confer it a cumulative holding of 39.2% of the shares in Lara (on a fully diluted basis) in return for US$ 400 thousand. Moreover, upon the fulfillment of the second milestone within a timeframe that exceeds the predetermined date from the initial consummation date (a summary report of compliance with the target of reaching a specific range of particles of powder using the inhaler through animal testing and its approval by an expert), Lara will allocate the Company shares that will confer it a cumulative holding of 49% of the shares in Lara (on a fully diluted basis) in return for US$ 300 thousand. In this context it should be clarified that to the best of the Company's knowledge and as of the report date, none of the abovementioned milestones has been met.

78 Lara's announcement followed several meetings initiated by the Company with Lara's management in order to promote Lara's R&D work in the backdrop of what appeared to be a stalemate in the formulation stage of the product which Lara was supposed to develop.

79 It should be noted that as of the report date, the Company has invested in Lara a total of approximately US$ 250 thousand.

80 As of the report date, the Company holds about 48% of Lara's issued and outstanding share capital, although Lara retains the right according to the agreement to reduce the Company's interests pro rata to the investment amounts that will be transferred in such a manner that as of the report date, if Lara exercises this right, the Company will hold only about 11%.

81 It should be clarified that as per the Company's estimate, even the unilateral cancellation of the agreement (which, as discussed above, the Company categorically rejects) has no material impact on the Company's continued operating activities or on its R&D activity underlying cannabinoid-based medical products, among others, since the Company has different effective alternatives for the continued development of improved cannabinoid-based products apart from Lara's technology.

<u>Forward-looking information warning</u> - the Company's information and evaluations discussed above in connection with the implications of the notice of cancelation of the agreement, the ability to retain the Company's material interests according to the agreement, the availability of other options for the continued development of improved cannabinoid-based drugs and the Company's ability to continue expanding its technological portfolio and its R&D activity in its operating segments, including forecasts, dates, evaluations and/or plans of the Company in connection therewith all represent forward-looking information, as this term is defined in the Securities Law, which involves a great degree of uncertainty and is based, among others, on outside factors and various variables which are not necessarily under the Company's control and therefore it is possible that the Company's evaluations and expectations as above will not materialize in practice and/or will not materialize in full and/or will materialize in a manner that is materially different from that originally evaluated or anticipated. Among the factors that are liable to cause the Company's information and evaluations not to materialize as expected we should mention the failure to identify technologies and/or finalize agreements with other entities for similar enhanced developments, failure to protect the Company's interests according to the agreement (also by applying to the appropriate tribunals) and the realization of any of the risk factors described in paragraph 24 below.

20.6 <u>Agreement for the return of the VaxiSome® technology to the technology owners</u>

Until May 2013, the Company owned an adjuvant technology for the improvement of preventive vaccinations and enhancement of their efficacy for developing a vaccine adjuvant (agent that helps increase the immune response and improve antibody production in the human body) that is delivered either by injection or through the intranasal route. On May 21, 2013, the Company signed an agreement on the transfer of rights to the technology with Yissum Research Development Company of the Hebrew University of Jerusalem ("**Yissum**") and Bio-Lev Ltd. ("**Bio Lev**"), the owners of the technology ("**the technology owners**"), for no immediate consideration, whereby the Company will be eligible for future payments from the commercialization of the technology. According to said agreement, subject to obtaining the approval of the Chief Scientist (on July 11, 2013, the Chief Scientist approved the transfer of the technology rights), the VaxiSome® technology will be transferred to the technology owners for no immediate consideration and the Company will be entitled to 25% of future revenues from commercialization of the technology, less the technology owners' expenses, up to a total amount of US$ 12.5 million. It was further agreed that if the license is given to Novartis or to a related company thereto, the rate of payments will be 50% (instead of 25%) and the ceiling of payments to the Company will be US$ 25 million (instead of US$ 12.5 million). According to the agreement, payments that will need to be delivered to the Chief Scientist for grants the Company received with regards to the technology will be paid by the technology owners. The agreement includes a provision according to which the parties release each other from claims and allegations with regards to the original license agreement signed between them in March 2005[82].

82 See the Company's immediate report of May 22, 2013 (TASE reference: 2013-01-067867).

20.7 License agreement with Ramot - the BBS technology[83]

In January 2014, the Company announced that it has received a letter from Ramot at Tel-Aviv University Ltd., the Tel-Aviv University's technology transfer company ("**Ramot**"), in which Ramot announces its intention to terminate the license and research agreement in connection with the BBS technology (the Alzheimer's drug). The Company's position was (and remains) that Ramot's announcement is illegitimate and groundless[84]. The parties negotiated the disputes between them in order to promote a mutual solution, including on issues that pertain to the Chief Scientist. In early May 2014 (and then in October 2014), the parties agreed on an outline whereby the Company will return the license to Ramot and grant Ramot an exclusive license for the use and commercialization of the assets and knowhow accumulated in the Company during the license period ("**the Company's assets and knowhow**") in return for future royalties (based on the scope, rates and conditions determined in said outline)[85] on the future commercialization of the Company's assets and knowhow ("**the agreed outline**").

Once the agreed outline becomes effective, the parties agreed that the license agreement will become null and void as well as any other monetary and/or other liability outstanding between the parties, including the Company's obligation to finance the registration and/or maintenance of the patents effective from the date of cancellation and thereafter, and Ramot will bear those payments from then onwards[86]. The agreed outline will become effective once the approvals of the Chief Scientist and the Tmura Fund are obtained[87] for the agreed outline and for the parties' obligations and agreements[88], in conformity with the R&D Law and its regulations.

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83 See a condensed description of the license from Ramot in paragraph 18.2 to Chapter A (Description of the Corporation's Business) to the Company's annual report for 2013.

84 See the Company's immediate reports of January 13, 2014 (TASE reference: 2014-01-013072) and of January 29, 2014 (TASE reference: 2014-01-026068).

85 The agreed outline consists, among others, of the payment of royalties by Ramot to the Company based on Ramot's receipts from the commercialization of the Company's assets and knowhow and limitation of the scope of royalties to a predetermined cumulative amount (which in any event will not exceed US$ 9.5 million, depending on the date of commercialization) and at a varying rate (which will be reduced pro rata to the prolongation of the commercialization date).

86 For the removal of doubt it should be clarified that the Company's obligation towards a third party (a supplier) in connection with the payment of future royalties for services rendered by that supplier at the rate agreed upon between the Company and the supplier remains in effect and will continue to apply even after the license agreement is cancelled. Furthermore, according to the agreement, Ramot is expected to pay the Company an immaterial amount of approximately NIS 135 thousand for the return of the license.

87 Tmura – the Israeli Public Service Venture Fund at the Office of the Chief Scientist regulates issues of royalties and operates by virtue of the Encouragement of Industrial Research and Development (Rate of Royalties and Rules for the Payment thereof) Regulations, 1996 ("**the Tmura Fund**").

88 An approval in principle has been received from the Chief Scientist for the agreed outline on November 2, 2014 and was signed by the Company on December 3, 2014.

In keeping with the Chief Scientist's approval in principle for the agreed outline from early December 2014, on March 3, 2015, the Chief Scientist approved that the Company is in compliance with the terms of the approval stipulated by the research committee and accordingly, the agreed outline between Ramot and the Company became effective. The Company and Ramot will act in accordance with the agreed outline for transferring the Company's developments based on the license agreement from the Company to Ramot (including the transfer of the patents and other necessary issues for completing the transfer of the license back to Ramot) and the license agreement shall become null and void[89].

As of the report date, the parties are continuing to act in keeping with the agreed outline to transfer the Company's developments according to the license agreement from the Company to Ramot (including the transfer of the patents and the other issues that will be required for the completion of the recovery of the license to Ramot). As of the report date, the parties are acting to complete the agreed outline.

20.8 The license agreement with Hadasit - the Anti-CD3 technology

On March 25, 2010, the Company entered into an exclusive global royalty-bearing license agreement with Hadasit Medical Research Services & Development Ltd., the Technology Transfer Company of Hadassah University Hospitals ("**Hadasit**") for the research, development and commercialization of the immunotherapy treatment that uses the oral Anti-CD3 antibody to treat inflammatory, autoimmune and other diseases involving immune control disorders. In consideration for said rights, the Company undertook to finance the patent maintenance with regards to the technology, including for past expenses, and to pay, beginning from the third year of the license, the annual fixed license fees, all in amounts that are immaterial to the Company.

In addition, according to the agreement, the Company will practice reasonable commercial diligence in developing and commercializing the products based on the technology. Without derogating from the aforementioned, according to the agreement, the Company must meet certain development milestones, including commencing Phase IIa clinical trials of any of the technology-based products within a period of 12 months from the date of signing, Phase IIb clinical trials of any of the technology-based products within a period of four years from the date of signing and additional Phase IIb or Phase III clinical trials of any of the technology-based products within a period of seven years from the date of signing. In addition, the Company has undertaken to invest, by itself and/or through sub-licensees, an amount of US$ 1.5 million in developing technology-based products in the first two years from the date of signing in order to achieve the above milestones.

It was also determined that the Company will pay royalties from the sale of products that are based on the technology in varying percentages based on the sold product, to the IP rights and accordingly to the sum of the net revenues, at a rate between 2.25% and 4.5% of the sum of the net annual revenues. "Net revenues" are defined in the agreement as sums to be actually received by the Company, its related entities or holders of sublicenses, from the sale of products based on the technology, following offset of accepted discounts, reimbursements, tax, insurance and shipping costs.

89 See the Company's immediate report of March 4, 2015 (TASE reference: 2015-01-044713). It should be noted that the parties amended the agreed outline in a late amendment of February 2016 according to which the parties' mutual outstanding debts were offset against each other in amounts that are immaterial to the Company and Ramot's outstanding debt to the Company according to the license agreement will be paid from Ramot's first receipts from the commercialization of the joint patent and the Company's developments for third parties (excluding research funds and reimbursement of the joint patent expenses), if any.

20.8.1 The Company may grant sublicenses to partners in the research and development of the technology and will pay Hadasit 30% of all revenues it will generate from the grant of the sublicense provided that this amount is not higher than 5% of the net revenues of the holders of the sublicense or lower than a percentage that ranges between 0.75% and 2.5% of its net sales (depending on the territory in which the sales are made). The Company is entitled to withdraw the license at any time before the launch of the drug, without having any additional obligations imposed on it. In addition, it is hereby agreed that the Company will sign a consulting agreement with scientists who spearheaded the development of the technology according to which they will oversee the project with the Company in return for consulting fees in a sum that is immaterial to the Company[90].

20.8.2 Accordingly, in April 2010, the Company entered into consulting agreements with Hadasit and with Prof. Howard Weiner for receiving consulting services in connection with this project according to which they will advise the Company with regards to the project, oversee and plan the clinical trials, etc. in consideration for allocation of the Company's stock options.

20.8.3 In August 2010, the Company entered into an agreement with Centocor Ortho Biotech ("**Centocor**"), manufacturers of the Anti-CD3 antibodies, according to which Centocor will supply the Company with the antibodies under preferential commercial conditions over market prices, for use by the Company for clinical trials that the Company carried out and whose results were published by the Company on March 21, 2011 (for trial results, see paragraph 8.3 below). In consideration, the Company granted Centocor exclusive rights for several months, beginning on the date on which the Company delivers to Centocor the results of the aforementioned clinical trial, to negotiate with the Company ahead of the license agreement and/or partnership agreement with regards to the Anti-CD3 technology. The results of the trial were delivered to Centocor shortly after their date of publication by the Company. A similar procedure is expected to be in place with regards to the results of the HCV trial. On July 9, 2012, the Company reported that it completed the development of the humanized monoclonal Anti-CD3 antibody ("**the antibody**"), for which the Company submitted a patent application.

20.8.4 It should be clarified that as of the report date the Company has not yet begun Phase IIb clinical trials as discussed above and is currently acting in full transparency and cooperation with Hadasit regarding the project. To the best of the Company's knowledge, as of the report date, the Anti-CD3 technology is not at the center of the Company's operations and it continues its attempts to recruit business development partners or strategic investors and conduct other transactions, including the examination of the possible termination of the program with the parties' consent. See details of the patent underlying this license agreement in paragraph 21 below.

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90 For a description of this agreement, see the Company's immediate report of March 28, 2010 (TASE reference: 2010-01-432594).

20.9 Engagement in agreements with Acebright

20.9.1 On September 2, 2013, the Company entered into certain investment agreements and a memorandum of understandings with Acebright with a view to signing a license agreement, as explained below:

The investment agreements

According to the investment agreements, Acebright will invest an overall sum of approximately US$ 1 million in the Company and its subsidiaries, in a manner that a sum of US$ 450 thousand will be invested in the Company against allocation of 10,507,500 Company shares (approximately 8% of the issued capital of the Company) and a sum of US$ 550 thousand will be invested in the Company's subsidiaries to which the Company's Anti-CD3 technology and BBS technology will be transferred, against allocation of 10% of each subsidiary's issued capital[91]. In addition, according to the agreement, Acebright will be allocated options for 12 months to purchase up to 26,268,750 additional Company shares against an additional investment of up to US$ 1,125 thousand in the Company[92]. In addition, Acebright will be allocated options for the same period for investment of up to US$ 1,375 thousand in the Company's subsidiaries, and all at the same exercise prices as the original investment price in each company.

Completion of recruitment according to the allocation agreements was conditioned on several suspending conditions, including the TASE's approval of the allocation of Company shares and options as specified above and approval of the Chief Scientist.

As of the report date, the funds of the investment were transferred to the Company and Acebright was allocated shares and options of the Company and of the subsidiary Orimmune (formerly Protea), as specified in the immediate reports of December 23, 2013 (TASE reference: 2013-01-104890) and December 25, 2013 (TASE reference: 2013-01-107896).

As of the report date, the Company continues to take steps for the transfer of the Anti-CD3 technology to the subsidiary (Orimmune), as determined in the investment agreements, yet the process has not yet been completed.

It should be clarified that as of the report date the Anti-CD3 technology is not at the center of the Company's operations and the Company continues its attempts to recruit business development partners or strategic investors and conduct other transactions, including the examination of the possible termination of the program with the parties' consent[93].

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91 It should be noted that Acebright ultimately invested according to the agreement a total of US$ 750 thousand in such a manner that the investment according to the agreement did not include the BBS technology. See also the Company's immediate report of December 23, 2013 (TASE reference: 2013-01-104890).

92 As of the report date, these options expired. See the Company's immediate report of May 10, 2015 (TASE reference: 2015-01-016461).

93 See details of the possible expansion of the collaboration with Prof. Howard Weiner in connection with the nasally administered Anti-CD3 antibody for treating advanced MS and juvenile diabetes which as of the report date did not materialize and of a clinical trial regarding the use of the Anti-CD3 antibody in ulcerative colitis patients sponsored by the Company in paragraph 19.9 to the previous annual report.

20.9.2 The memorandum of understandings for license agreement for development and commercialization ("**MOU**")

In addition to said investment agreements, on September 2, 2013, the Company entered into a non-binding MOU with Acebright that specifies the main terms of the license agreement which the parties plan on entering. According to the MOU, the Company will grant Acebright an exclusive license for developing a product and for conducting clinical trials with the Company's Anti-CD3 technology in the NASH indication only in defined territories in the Far East, including China, Hong Kong, India, Korea, the Philippines, Thailand and others (not including Japan) and for the commercialization of said technology in these territories.

In consideration for the license, Acebright will pay the Company royalties at a rate equivalent to 10% of total net sales of products based on the Company's Anti-CD3 technology made by Acebright in each country in the above territories in the first three years, and 5% of sales after the said period. The final license agreement will establish minimum sums for periodic royalties to be paid to the Company.

Development by Acebright will be performed in accordance with a development plan to be approved by the Company and in compliance with predetermined quality requirements. Acebright will bear all clinical trial costs and costs involved in compliance with regulatory requirements in said territories.

The Company will own the intellectual property rights related to the Anti-CD3 technology. Acebright will be granted a license for using the intellectual property that will be developed based on said technology for other indications as well. Certain IP rights relating to formulation of the oral administration of Anti-CD3 will be assigned to Acebright but the Company will be granted exclusive license for said technology and Acebright will be prevented from granting the license for said technology to any third party. It should be noted that as of the report date, the MOU did not materialize into a binding agreement and no active dialog is being held between the Company and Acebright in connection with the draft agreement which the Company had delivered to it in the past in this context.

20.10 Private placement agreement of January 2013

According to a private placement agreement the Company signed with Dr. Ascher Shmulewitz and Mr. Avi Meizler[94] (or companies controlled by them) ("**the investment agreement**" and "**the optionees**", respectively), the two will invest in the Company's share capital a cumulative amount of NIS 4 million in equal parts against the allocation of shares that will confer each of them (on the date of allocation) about 22.78% of the Company's equity and voting rights. On February 19, 2013, the Company allocated to Dr. Shmulewitz and Mr. Meizler 25,000,000 Ordinary shares of the Company pursuant to the investment agreement. On April 3, 2013, the Company allocated to Dr. Shmulewitz and Mr. Meizler another 7,500,000 Ordinary shares of the Company[95].

94 Both of whom serve as directors in the Company as of the report date (Dr. Shmulewitz as active Chairman of the Board).

95 See details in the Company's immediate reports of February 3, 2013 (TASE reference: 2013-01-028422), February 11, 2013 (TASE reference: 2013-01-035217) and March 24, 2013 (TASE reference: 2013-01-017665).

It should be noted that in the context of the transaction report issued regarding the approval of the investment agreement it was determined, among others, that although the Company believed that the approval of the investment agreement and the private placements will not result in a change in the Company's financial position since to the best of the Company's knowledge the Company does not have a controlling shareholder then the Company undertook that as long as there is no change in status as occurred after the private placements were executed, as discussed in the report on conflicts of interests which is the subject of the investment agreement, any material transaction which the Company will seek to conduct in which either of the optionees has a personal interest (excluding decisions regarding indemnification, directors' fees, insurance etc. which uniformly apply to all directors) will be studied by the ISA Staff regarding the appropriate approval of the transaction.

20.11 Agreements for the payment of royalties

Below is a list of royalties that the Company is required to pay[96]:

Identity of the recipient of royalties	Cause for eligibility for royalties	Means of payment	Range of the consideration
Ramot	License for BBS technology	Royalties from sales	1% to 4% of net annual revenues – for more information, see above
Antitope	License for BBS-related technology	Royalties from sales and sublicenses	Approximately 0.5% of net annual revenues up to £ 6.375 million
Hadasit	License for Anti-CD3 technology	Royalties from sales and sublicenses	Between 2.25% and 4.5% of net annual revenues; 30% of the sums to be received for the sublicenses – for more information , see above
Antitope	License for Anti-CD3-related technology	Royalties from sales and sublicenses	Approximately 0.5% of net annual revenues

96 In addition, the Company is required to pay the former shareholders of Protea certain amounts, subject to compliance with certain milestones or as a percentage of certain revenues that the Company will generate from the Protea technology. For more information – see the Company's immediate report regarding the Protea acquisition transaction of January 19, 2009, whose content was included in this report by way of reference.

21. Legal proceedings

21.1 In keeping with the Company's previous reports from early 2014 in connection with Ramot's notification to the Company[97] that it intends to cancel the license granted to the Company for Ramot's BBS technology ("**the Ramot case**")[98], the Company reported that to the best of its knowledge, the ISA is holding an administrative inquiry apparently regarding the dates for reporting the Ramot case to the public and the quality of the disclosure provided by the Company in connection with the technology's development status in the relevant periods before Ramot issued said cancellation notice and that the Company has fully cooperated with the ISA in this context[99]. As of the report date, the Company has no information of the stage of the inquiry and/or cannot assess its outcome, if any. See details of the license agreement in paragraph 20 above and in Note 15a to the financial statements.

21.2 On February 3, 2016, the Company received a notice of opposition ("**the notice of opposition**") from the European Patent Office (EPO) in connection with a European divisional patent application underlying the Anti-CD3 technology ("**the patent**" and "**the technology**", respectively). The patent was included in the group of patents whose rights were licensed to the Company pursuant to an exclusive international license for Hadasit's technology, as discussed in paragraph 20 above[100]. The notice of opposition was filed anonymously. According to the notice of opposition, the holders of the patent rights may respond to the opposition by the end of May 2016 (with a possible two-month extension). It should be clarified that the opposition was raised in connection with the divisional patent only and in Europe only. Other patents pertaining to the technology and included in the license agreement (based on which the Company had previously conducted additional R&D activity) are also registered in other territories, including the US, Europe, Japan, Australia and Canada and their window of filing oppositions has ended)[101]. The Company is currently studying the patent opposition and intends to consult its professional advisors on its options for handling the opposition process. It should be noted that as of the report date, this technology is not at the focus of the Company's business operations and the Company has long been attempting to recruit potential collaborations and/or investments for this technology[102]. Accordingly, the Company estimates that the patent opposition in itself (as opposed to the need to protect the patent rights such as in counter-opposition processes and the related costs) will not have a material effect on the Company's operations.

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97 Ramot at Tel-Aviv University Ltd., the Tel-Aviv University's technology transfer company.

98 For details of Ramot's cancellation notification in the Company's immediate reports of January 13, 2014 (TASE reference: 2014-01-013072) and January 29, 2014 (TASE reference: 2014-01-026068); see details of an agreement for settling the disputes between the parties in the Ramot case in the Company's immediate reports of December 3, 2014 (TASE reference: 2014-01-214758 and its amendment 20140-01-214758) and of March 4, 2015 (TASE reference: 2015-01-044713).

99 See the Company's immediate report of March 15, 2015 (TASE reference: 2015-01-051955).

100 For details of the patent, see no. 1 in the table of patent applications in paragraph 12 above.

101 See details of the patents underlying the license agreement in the tables in paragraph 12 above.

102 For more information see also paragraph 1 above.

<u>Forward-looking information warning</u> - the Company's evaluations regarding the chances of the notice of opposition to the European patent to prevail and the effect of the opposition process on the Company's operations (including the related costs involving the defense of patent rights) represent forward-looking information, as this term is defined in the Securities Law, whose materialization is uncertain. In practice, there is no guarantee that the European Patent Office will accept the notice of opposition, among others, following a thorough investigation of the existing evidence in the opposition case and the decision that the grounds for the opposition are not sufficient for cancelling the European patent for policy or other considerations.

21.3 For details of the investment agreement with Lara and the separation process, see paragraph 20.5 above.

22. <u>Business strategy and targets</u>

Below is a review of Company targets with regards to its activity in ensuing years:

Product name and indication	Development stage as of the report date	2016	2017	2018
Capital raisings	The Company has a going concern notice in its financial statements	Raising capital of at least US$ 1.5 million	Raising capital of at least US$ 1 million	Raising capital of at least US$ 1 million
Expansion of the Company's portfolio of cannabinoid pharmaceutical technologies (including in connection with drug delivery systems (DDS)	The Company holds a license for two innovative clinical application technologies based on the use of THC (entourage effect technology and ultralow dose technology)	Expanding at least one additional synergetic cannabinoid pharmaceutical technology (including DDS)	Expanding at least one additional synergetic cannabinoid pharmaceutical technology (including DDS)	Expanding at least one additional synergetic cannabinoid pharmaceutical technology (including DDS)
Upgrading and development of existing medicinal cannabis related technologies	The Company holds a license for two innovative clinical application technologies based on the use of THC (entourage effect technology and ultralow dose technology)	- Developing proprietary formulations to prepare for clinical trials - Commencing clinical trials of the entourage effect technology - Signing a strategic collaboration agreement	- Developing proprietary formulations - Continuing the clinical trial phase - Signing a strategic collaboration agreement	- Developing proprietary formulations - Continuing the clinical trial phase - Beginning technological commercialization and/or achieving strategic collaboration
Anti-CD3 (antibody for treating inflammatory and autoimmune diseases)	As of the report date, the Anti-CD3 technology is not at the focus of the Company's operations and the Company pursues its efforts to recruit business development partners or strategic investors or conduct other transactions and possibly terminate the program with the parties' consent	Commercial, research or technological collaboration	---	---

Forward-looking information warning - the information in the table above is forward looking information, as defined in the Securities Law, whose materialization is not guaranteed and whose materialization depends, inter alia, on factors outside the Company's control, such as developments in the vaccine markets and treatments of diseases for which the Company's development is designed, position of the Company's business partners in the various developments and their business and strategic decisions with regards to these developments, the ability to raise funds to carry out other trials and manufacture antibodies; the availability and willingness of patients to participate in trials, trial expenses, requirements of the medical institutions where the trials will be carried out, acceptance of the Company's development in the medical community, etc.

23. Expected developments in the next year

Below is a list of the plans that deviate from the ordinary course of business which the Company decided to implement in the upcoming year that might materially impact the business status and operating results:

a. Identifying new companies and/or technologies that will be synergetic to the Company's existing technological portfolio.
b. Launching the clinical trial phase for one of the technologies being developed by the Company.
c. Recruiting strategic partners for cooperation and/or investment in the Company.
d. Completing the raising of capital in the context of private placement.
e. Identifying strategic partners for potential commercial, research or technological collaboration in connection with the Anti-CD3 project (or terminating the program).

Forward-looking information warning - the Company's expected plans for the coming year represent forward looking information, as defined in the Securities Law, and constitute merely a forecast which is liable to considerably change for the worse. Moreover, actual expenses depend on various factors which involve a high degree of uncertainty such as the results of preclinical trials, the ability to obtain financing from different factors (government and/or private) and the ability to obtain the required commercial marketing approvals.

24. Risk factors

Investment in the Company's securities involves risks that characterize an investment in any new biotechnology and pharmaceutical company. As of the report date, the Company does not have any sales and there is no guarantee that the Company will be able to complete development of products that it is currently developing and market the products on a commercial basis.

Below is information on the risk factors that might materially affect the Company's operations and business results:

24.1 Development of the Company's products

The Company has not yet completed development of any product and there is no guarantee that the Company will be able to complete development of any of its projects and products and if and when they will be developed or that they will be effective and safe for use. In addition, there is no guarantee that the Company will successfully complete development of its products within the timeframe and/or within the budget it set for itself. A delay in the timetable or a deviation from the budget might result in the Company incurring additional expenses with regards to product development and might even prevent completion of their development.

In addition, the Company's products that are being development based on the licensed technologies have yet to be tested in clinical trials. There is therefore no guarantee that the developments that showed promising results in preclinical trials and/or for which there is medical scientific validation in professional literature will present similar results in human subjects as well.

24.2 Demand for the Company's products and product prices

There is no guarantee that the Company's products will have a demand that justifies their commercial production and marketing. In addition, the Company has no guarantees with regards to demand for its products, with regards to product pricing it suggests and the cost of production of said products.

24.3 Uncertainty regarding the receipt of patents

There is no guarantee that the patent registration applications that were submitted by the Company with regards to the Company's technologies will result in patent registration. In the event of failure to complete patent registration, the Company's developments will not be proprietary, which might allow other entities to manufacture the Company's products and compete with them.

24.4 IP protection

A third party might challenge the measures adopted by the Company to protect its IP. Failure by the Company to protect its IP might hinder its ability to effectively compete and might negatively impact its business.

24.5 Company operations based on third party licenses

The Company's development activity is based on licenses from third parties to develop additional drugs in specific areas related to the Company's operating segments.

24.6 Technological changes

The pharmaceutical market is characterized by steady developments. The results of the Company's operations depend on its ability to constantly develop new generations of products. There is no guarantee that the Company's R&D activity will produce results and that it can conduct research and development at the level required to successfully compete with competing products.

Once regulation has been completed with regards to the Company's products, the third parties might develop alternative products in which they introduce a technological modification that would allow them to bypass the Company's patent-protected rights. In this case, the third parties might develop competing products to the Company's products and not violate any patent-protected rights. This would increase competition against Company products and lower the Company's projected profit.

24.7 Changes in regulations, permits and international standardization; regulatory changes and stricter medicinal cannabis policies

The Company's operations are subject to the relevant standards in the countries in which the Company plans to operate (including European, American, Israeli and other standards). Subsequently, the Company might be affected by regulatory developments. Changes in the regulatory environment with regards to pharmaceutical marketing, including changes and/or failure to comply by the Company and its manufacturers with the said regulatory provisions, might result in various restrictions on imposed on the Company's operations, including on the future grant of approvals for its products. For information about the standards and regulations that apply to the Company's operations, see paragraph 17 above.

24.8 Delay in obtaining the necessary permits for marketing the Company's products, failure to obtain permits and resulting expenses

Marketing of the Company's products is subject to regulatory approvals (as also specified in paragraph 19 above). Obtaining said approvals might be time-consuming, which might delay marketing of the Company's products and result in additional expenses for the Company with regards to obtaining permits to market the Company's products on a commercial basis. Furthermore, there is no guarantee that the Company will receive the necessary approvals to market its products. Without these approvals, the Company will not be able to market its products.

24.9 Limited financial resources

As a company that is engaged in research and development of medical products and in view of the uncertainty that involves the success of development of any of the Company's various technologies and/or introducing them into the relevant market, in the event of failure of the development of any of the technologies and/or failure to obtain the required approvals for marketing and selling any of the Company's technologies from the regulatory authorities and/or introducing them into the relevant market, the Company's investment in the development of any of the technologies might be lost. Moreover, as an R&D company, the Company is required to raise capital to create permanent positive cash flows from the sale of any of its medical products in order to finance its expenses. The Company records a going concern notice in its financial statements and there is no guarantee that it will have the financial resources needed for realizing its strategic targets.

24.10 Failure to sign collaboration agreements with leading pharma companies

Failure by the Company to sign significant collaboration agreements with leading pharma companies or failure of such agreements to result in commercial engagements with such pharma companies will on the one hand limit the Company's ability to develop and market its products and core technologies and on the other hand force the Company to invest far more resources in developing and marketing its products that will probably not be available to it.

24.11 Lack of additional funding resources to complete the R&D

The limited funding sources available to the Company might not be sufficient to finance the operating costs and complete the R&D of products under development by the Company. The Company's financing needs might materially change, due to results of the R&D and clinical trials, competition, technological developments in the field as well as expenses incurred from additional requirements from various regulatory authorities.

There is no way of guaranteeing that the Company will manage to raise additional funds, if and when it is required to do so. The lack of suitable funding might result in the suspension of Company operations.

24.12 Projected lack of profits over the next several years

The Company is currently in the development stage. It has no source of revenue from product sales, manufacturing or R&D activity. There is no guarantee that it can develop these types of sources of income, or that the activity will become profitable even if its products are manufactured on a commercial basis.

24.13 Competition

The Company expects to be exposed to competition due to development of new therapeutic methods and due to the introduction of new competition into the market.

24.14 Below is a table breaking down the risk factors that might impact the Company's operations and business results and the Company's assessment of the degree of impact of these risk factors on its entire operations:

	The degree of the impact of the risk factor on the Company's entire operations		
	Tremendous impact	**Moderate impact**	**Slight impact**
Specific risks			
Development of the Company's products	√		
Demand for the Company's products and their prices		√	
Company operations based on third party license		√	
Changes in regulations, permits and international standardization		√	
Delay in obtaining permits required to market the Company's products, failure to obtain permits and resulting expenses	√		
Limited financial resources	√		
Failure to sign collaboration agreements with leading pharma companies	√		
Absence of additional financial resources for completion of R&D activity	√		
Expected absence of profits in the coming years		√	
Industry risks			
Uncertainty regarding patent approval		√	
Protection of intellectual property		√	
Technological changes		√	
Competition	√		

THERAPIX BIOSCIENCES LTD.

CHAPTER B

BOARD OF DIRECTORS' REPORT
ON THE STATE OF THE CORPOTATION'S AFFAIRS
AS OF DECEMBER 31, 2015

THERAPIX BIOSCIENCES LTD.

CHAPTER B - BOARD OF DIRECTORS' REPORT ON THE STATE OF THE CORPOTATION'S AFFAIRS

We are hereby pleased to present the Board of Directors' report on the state of affairs of Therapix Biosciences Ltd. ("**the Company**") for 2015 ("**the reporting year**"), prepared in conformity with the Israeli Securities Regulations (Periodic and Immediate Reports), 1970 ("**the report**"). The Board of Directors' report is attached to the Company's annual financial statements ("the annual financial statements") under the assumption that the readers have the annual financial statements at their disposal.

a. The Board's explanations for the Company's financial position, operating results, equity and cash flows

1. Material changes in the Company's operations and business and financial statement data in the fourth quarter of 2015 and in 2015

1.1 Main results for the period of three months ended December 31, 2015 ("**Q4 2015**")

1.1.1 Net cash used in operating activities in Q4 2015 amounted to approximately NIS 1.6 million, compared with net cash used in operating activities in the amount of approximately NIS 1.1 million in the corresponding quarter of 2014. The change in net cash used in operating activities in Q4 2015 mainly arises from timing differences relating to making payments between the quarters.

1.1.2 The comprehensive loss in Q4 2015 amounted to approximately NIS 1.9 million, similarly to the corresponding quarter of 2014.

1.2 Main results in 2015

1.2.1 Net cash used in operating activities in 2015 amounted to approximately NIS 5.2 million, compared with approximately NIS 7.4 million in 2014. The decrease in net cash used in operating activities in 2015 mainly arises from the decrease in development and administrative expenses.

1.2.2 The comprehensive loss in 2015 amounted to approximately NIS 10.2 million, compared with approximately NIS 7.3 million in 2014. The increase in loss in the reporting year stems from a (non-cash) non-recurring expense of approximately NIS 3.9 million as a result of the amortization of an intangible asset recorded in respect of the Dekel transaction and the allocation of options, this offset by the decrease in operating expenses (without other expenses).

2. The financial position

2.1 Following are explanations for the changes in the Company's financial position (presented in a table format):

Item	December 31, 2015	December 31, 2014	Explanations
	NIS in thousands		
Current assets	6,459	760	The increase mainly arises from the increase in cash balances received from the issue of shares and the exercise of options in 2015 totaling approximately NIS 10.7 million, offset by cash used in operating activities totaling approximately NIS 5.2 million.
Non-current assets	42	257	The decrease in non-current assets derives mainly from derecognition of the investment in the subsidiary, Lara, in a total of approximately NIS 187 thousand in 2014.
Total assets	**6,501**	**1,017**	
Current liabilities	1,314	1,994	The increase in current liabilities mainly arises from the increase in trade payables and provisions.
Non-current liabilities	-	156	The decrease in non-current liabilities stems from the derecognition of a liability in respect of Government grants from the OCI in connection with the Anti-CD3 project due to uncertainty involving potential sales in the foreseeable future.
Equity (deficit) attributable to equity holders of the Company	5,114	(143)	The increase in equity attributable to equity holders of the Company results from the issue of shares and the exercise of options, offset by the loss for the period.
Non-controlling interests	(607)	(310)	The increase in non-controlling interests arises from the losses of the subsidiary, Orimmune.
Total equity (deficit)	**4,507**	**(453)**	

* Negative figures are presented in parenthesis.

3. Operating results

The Company is a development stage company which does not generate sales.

3.1 Following are explanations for the changes in the Company's operating results (presented in a table format):

Item	2015	2014	Explanations
	NIS in thousands		
Research and development expenses, net	931	1,800	The decrease in research and development expenses arises from reduced R&D operations which mainly consisted of maintaining the Anti-CD3 project (not the Company's core business segment) and the initiation of cannabinoid projects.
General and administrative expenses	5,297	5,238	Mainly includes salary and related expenses, share-based payment and professional services.
Other expenses (income), net	3,734	(115)	Other expenses, net in the reporting year mainly derive from share-based payment of approximately NIS 3.9 million for options allocated to Dekel as part of the license agreement terms. This amount represents the value of the options as of August 19, 2015 (the date of completion of the license agreement) based on a valuation performed according to IFRS 2.
Operating loss	**9,962**	**6,923**	
Finance expenses, net	15	26	Finance expenses, net in the reporting year mainly derive from the revaluation of a liability for Chief Scientist grants.
Group's share of losses of company accounted for at equity, net	197	343	Company's share of losses of an investee, LaraPharm Ltd.
Net loss	**10,174**	**7,292**	

* Negative figures are presented in parenthesis.

4. Liquidity, cash flows and financial resources

Since its inception, the Company financed its activities using the capital raised from the public, private placements and grants received from the Chief Scientist. The capital was mainly used in the Company's research and development and operating activities.

The Company's cash flows provided from financing activities in 2015 amounted to approximately NIS 10.7 million, resulting from the issue of capital and the exercise of options. The Company's cash flows provided from financing activities in 2014 amounted to approximately NIS 3.2 million, arising from the issue of shares and the exercise of options.

The liquid financial assets available to the Company as of December 31, 2015 comprise cash and cash equivalents totaling NIS 6,136 thousand. The majority of the funds are deposited in NIS and some in dollars.

As of December 31, 2015, the Company has a working capital of approximately NIS 4.5 million, compared with a negative working capital of approximately NIS 0.6 million as of December 31, 2014.

5. Remuneration of interested parties and senior officers

In general and pursuant to the ISA Staff's position, the examination of the remuneration in terms of its conditions, reasonableness and its correlation to the senior officers' and interested parties' contribution to a company in conformity with the criteria in Regulation 21 to the Securities Regulations (Periodic and Immediate Reports), 1970 ("**the officers**", "**the Reporting Regulations**" and "**Regulation 21**", respectively) is performed for each officer separately and is specifically discussed and approved by the Company's Board based on the data presented to it which consists, among others, of details and data of the relevant experience of each officer, their education, base salary, terms of employment and tenure, various bonuses received from the Company in the reporting year, including grants and rewards in the Company's securities, the degree of complexity of their position, the nature of their responsibilities, the efforts invested by them in the period, the Company's profits and financial results, the scope and complexity of the Company's business and the personal contribution of each officer to the success of the Company's business. In addition, the Board receives comparative data of the salaries of similar officers in other public companies with similar business scopes and/or areas of activity to those of the Company. The Company has examined the employment terms of the officers and found them to be in compliance with the remuneration policy's principles and provisions.

In March 2014, the Company's shareholders approved the remuneration policy for the Company's officers in effect for a period of three years ("**the remuneration policy**").

Based on the above data, the Board held meetings to discuss the tenure and remuneration terms of the Company's officers and interested parties in keeping with Regulation 21 to the Reporting Regulations. The Company's Board believes that each officer's remuneration in the reporting year, as specified in Regulation 21 to Chapter D (Additional Information about the Corporation) to this report properly reflects the officer's individual contribution to the Company and is reasonable and fair and in compliance with the remuneration policy's principles and provisions. In this context it should be noted that the remuneration to the Company's external and independent directors and the related expenses are provided in accordance with the Israeli Companies Regulations (Rules of Remuneration and Expenses to External Director), 2000 and even coincide with the Company's remuneration policy as issued. The other directors, excluding the Chairman of the Board, are not entitled to remuneration for their service as directors.

In this context see also Note 20 to the financial statements and Regulation 21 to Chapter D (Additional Information about the Corporation) to this report.

b. Corporate governance aspects

6. Details of directors with accounting and financial expertise

6.1 The Company's Board has stipulated that the minimum number of directors with accounting and financial expertise in the Company in accordance with Article 92(a)(12) to the Israeli Companies Law, 1999 ("**the Companies Law**") will be one ("**the minimum number**"). This stipulation was based, among others, on the Company's size, scope of activity, areas of activity and degree of complexity of its financial reporting framework. The Company believes that the minimum number is adequate and will allow the Company's Board to meet its obligations pursuant to applicable law and the Company's articles of association and fulfill its responsibility for inspecting the Company's financial position and prepare and approve the financial statements.

6.2 As of the date of the periodic report, the Company is meeting the minimum number as above. After evaluating the education, experience, qualifications and knowledge of the members of the Board regarding accounting and financial statement issues, the Board members who are viewed by the Board as possessing accounting and financial expertise are Mr. Amit Berger and Mr. Zohar Heiblum.

6.3 See more details of the above directors in Regulation 26 to Chapter D (Additional Information about the Corporation) to this report.

7. Details of independent directors

7.1 The Company did not adopt in its articles of association the directive regarding the rate of independent directors as defined Article 219(e) to the Companies Law.

7.2 As of the date of this periodic report, the Company has three independent directors, of whom two external directors. As of the date of this report, the independent directors represent half of the members of the Board.

8. Details of the Company's internal auditor

8.1 Name of the internal auditor - Mr. Daniel Shapira.

8.2 Date of beginning of tenure - March 29, 2006.

8.3 The Company's internal auditor meets all the requirements of Articles 3(a) and 8 to the Israeli Internal Audit Law, 1992 ("**the Internal Audit Law**") as well as the provisions of Article 146(b) to the Companies Law; the internal auditor is not an interested party in the Company or a relative of any interested party or officer in the Company and does not serve as or on behalf of the Company's external auditor; the internal auditor does not hold any securities of the Company or of a related entity thereto; the internal auditor does not fill any other position in the Company in addition to the internal audit position and to the nest of the Company's knowledge does not fill any position outside the Company that creates or might potentially create a conflict of interests with his position as the Company's internal auditor; to the best of the Company's knowledge, other than the employment of the internal auditor and his team, the internal auditor has no other material business or other relations of any kind or type with the Company or a related entity thereto.

8.4 The internal auditor serves as a senior officer in the Company pursuant to applicable law.

8.5 The internal auditor's appointment: in its meeting of March 2006, the Company's Board approved the appointment of the internal auditor pursuant to the Internal Audit Law, based, among others, on the Company's nature, size and scope and complexity of its financial activity. The internal auditor owns an accounting firm which specializes in internal audits in a variety of industries. His firm has some 23 years of experience in internal audits of public companies. The internal auditor holds a BA in Economics and Accounting and is a CPA. He will act, among others, in keeping with the provisions of the Companies Law and the Internal Audit Law to sustain the Company's internal audit.

8.6 The officer in the Company in charge of supervising the internal auditor is the Chairman of the Board.

8.7 The method and scope of the work performed by the internal auditor and his team and their remuneration: in 2015, the internal auditor and his team provided the Company internal audit services at a scope of about 60 hours, a scope which has been deemed to reflect the level of investment needed from the internal auditor and his team for the purpose of carrying out the internal audit work in the reporting year.

8.8 The audit performance: based on information delivered to the Company's Management by the internal auditor, the audit is performed according to generally accepted professional internal audit standards, guidelines and policies, as approved and issued by the IIA and pursuant to the Internal Audit Law. The Board has relied on the internal auditor's reports of his compliance with said professional standards which underlie the internal audit.

8.9 Access to information: the internal auditor has constant and direct access to the Company's documents and IT systems, including financial data, for the purpose of conducting his work, as described in Article 9 to the Internal Audit Law.

8.10 The internal auditor's reports: the internal auditor's written reports are filed periodically and discussed by the Company's Audit Committee and Management. In the reporting year, the internal auditor filed an internal audit report regarding recovery in emergency situations.

8.11 The Board's evaluation of the internal auditor's work: the Board believes that the nature, scope and consistency of the internal auditor's work and audit plan are reasonable under the circumstances and fulfill the Company's internal audit targets.

8.12 Remuneration: in return for the internal auditor's work in the reporting year, the Company paid the internal auditor fees based on actual labor hours. The Board believes that this remuneration is reasonable and does not affect the internal auditor's professional judgment when auditing the Company. The internal auditor did not receive any securities as part of his employment terms.

9. Details of the Company's external auditors

9.1 Details of professional fees and labor hours: on February 14, 2016, the general meeting of the Company's shareholders approved the extension of the appointment of Kost Forer Gabbay & Kasierer, CPAs (Ernst & Young Israel) as the Company's external auditors in the reporting year and authorized the management of the company to set up their professional fees.

9.2 The Company's external auditors in 2014 and 2015 are Ernst & Young Israel.

9.3 The following table lists the professional fees paid to the Company's auditors in 2014 and 2015 for audit, audit related, tax and other professional services and the actual work hours invested in these services:

	2015	2014
Total expenses in respect of audit and tax services (NIS)	201,500	210,000
Total expenses in respect of other services (NIS)	-	25,000
Total audit and tax hours	1,185	1,654
Total hours in respect of other services	-	40

10. Details of the financial statement approval process

10.1 The Company's Board is in charge of entity-level controls in the Company and of the approval of the financial statements.

10.2 The Board members as of the report date are: Dr. Ascher Shmulewitz, Mr. Avraham Meizler, Mr. Amit Berger, Mr. Zohar Heiblum, Mr. Micha Jesselson and Dr. Yafit Stark.

10.3 See details of the Board members as of the report date in Chapter D (Additional Information about the Corporation) to this report.

10.4 Based on the provisions of the Companies Regulations (Provisions and Conditions underlying the Financial Statement Approval Process), 2010 ("**the Financial Statement Approval Regulations**"), the Company appointed a Financial Statement Review Committee (in this section - "**the Committee**"). As of the report date, the Committee consists of three members: (1) Mr. Zohar Heiblum, external director and Chairman of the Committee, (2), Mr. Amit Berger, external director, and (3) Dr. Yafit Stark, independent director.

10.5 All the members of the Committee have the ability to read and understand financial statements. Mr. Berger and Mr. Heiblum have accounting and financial expertise. Prior to their appointment, all the members signed on the declaration that is required in the Financial Statement Approval Regulations. See details of the members of the Committee who have accounting and financial expertise, including their qualifications, education, experience and knowledge based on which the Company considers them as having the ability to read and understand financial statements in Regulation 26 to Chapter D (Additional Information about the Corporation) to this report.

10.6 The approval of the financial statements involved two meetings as follows: (1) a meeting of the Committee, which took place prior to the Board's meeting, and thoroughly discussed the material issues and formulated its recommendations on the financial statement approval process to the Board; (2) the Board's meeting which discussed the recommendations of the Committee and the financial statements and approved them.

10.7 The Committee's meeting of March 17, 2016 which discussed and provided recommendations regarding the approval of the financial statements for the reporting year was also attended, in addition to all the Committee members, by the Company's external auditors, officers and other holders of positions in the Company. The draft financial statements were delivered to the Committee's members to their review a reasonable timeframe before the meeting. In its meeting, the Committee reviewed, among others, the small corporation exemptions applied by the Company and their implications, the evaluations and estimates used in connection with the financial statements for the reporting year, the integrity and adequacy of disclosures in the financial statements for the reporting year, the accounting policies adopted and the accounting treatment of the Company's material affairs, including in connection with subsidiaries and related companies, the lack of need to attach the financial statements of associates and any valuations (and their underlying assumptions and estimates) which served as a basis for data in the financial statements for the reporting year. The Committee also examined various aspects of control and risk management, both those reflected in the financial statements for the reporting year and those that affect the reliability of the financial statements through the detailed presentation of these issues by officers and other holders of positions in the Company, including the CEO and CFO, and the external auditors addressed those issues. A discussion was held by the Committee regarding the accounting policies and the method of presentation and disclosure in the financial statements. The Committee's recommendation to the Board members to approve the Company's financial statements was provided on March 17, 2016 with no special recommendations or material changes.

10.8 In its meeting of March 22, 2016, the Board discussed the Committee's recommendations, reviewed the Company's financial position, operating results and cash flows and received information of the Company's activities compared to previous periods. The Board estimates that the Committee's recommendation which was delivered to the Board three business days before the Board's meeting was delivered within a reasonable timeframe, among others given the data in the financial statements, the various issues relating to the financial statements and the Committee's recommendations thereto. The Company's Management was asked to deliver the related materials to the meetings of the Committee and the Board in advance. The Board meeting was attended by all Board members. In this meeting, the Company's CEO analyzed the Company's business operations and the CFO reviewed the financial statements, including the balance sheets, operating results, cash flows and financial position, the scope and balances of available cash and addressed material events in the reporting period, the going concern notice included in the financial statements and the auditors' drawing of attention, as used in the financial statements. Following said discussion and the examination of the Committee's comments, after making additional adjustments to the financial statements as required in the course of the meeting, and after having been reassured that the financial statements properly reflect the Company's business position and operating results, the Board unanimously adopted the Committee's recommendation and approved the financial statements for the reporting year.

c. Disclosure of the Company's financial reporting framework

11. Disclosure of events after the reporting date

To the best of the Company's knowledge, there have been no material events after the reporting date as mentioned in the periodic report and in the annual financial statements. See more details in Note 22 (events after the reporting date) to the annual financial statements.

12. Critical accounting estimates

As of the report date, there are no critical accounting estimates.

See details of a valuation performed for Dekel's options which has not changed compared to the reporting date in an appendix to the Company's report for the third quarter of 2015 [TASE reference: 2015-01-166299].

13. Significant gaps in estimates and forecasts underlying valuations

As of the report date, there are no significant gaps between the critical assumptions, estimates and forecasts underlying valuations, including professional opinions (as this term is defined in the Securities Regulations (Private Placement of Securities in a Listed Company), 2000 or in the Securities Regulations (Transaction between a Company and the Controlling Shareholder therein), 2001) which were attached to the Company's reports in the three years that precede the report date, and their actual realization.

See details of critical accounting estimates used in the annual financial statements in Note 3 to the annual financial statements.

d. Repurchases

14. In the reporting period and as of the report date, the Company has no plans to repurchase its securities nor has it reported any such repurchase plans, based on the definition of the term "purchase" in Regulation 10(b)(2)(i) to the Regulations.

The Company's Board wishes to thank the Company's employees and managers for their contribution to promoting the Company.

Dr. Ascher Shmulewitz Chairman of the Board	Dr. Elran Haber CEO

Date: March 22, 2016

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THERAPIX BIOSCIENCES LTD.
(Formerly: NasVax Ltd.)

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2015

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Building a better working world

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AUDITORS' REPORT

To the Shareholders of

THERAPIX BIOSCIENCES LTD.
(Formerly: NasVax Ltd.)

We have audited the accompanying consolidated statements of financial position of Therapix Biosciences Ltd. (formerly: NasVax Ltd.) ("the Company") as of December 31, 2015 and 2014, and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including those prescribed by the Auditors' Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2015 and 2014, and the results of their operations, changes in their equity and cash flows for each of the three years in the period ended December 31, 2015, in conformity with International Financial Reporting Standards (IFRS) and with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

Without qualifying our above opinion, we draw attention to the matter discussed in Note 1c to the financial statements. For the year ended December 31, 2015, the Company incurred losses totaling NIS 10,174 thousand and negative cash flows from operating activities totaling NIS 5,162 thousand for the year then ended. These factors, along with other factors detailed in that Note, raise substantial doubt as to the Company's ability to continue as a going concern. Management's plans with respect to these matters are discussed in Note 1c. The financial statements do not include any adjustments to the carrying amounts and classifications of assets and liabilities that would result if the Company was unable to continue as a going concern.

Haifa, Israel
March 22, 2016

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2015	December 31, 2014
		NIS in thousands	
ASSETS			
CURRENT ASSETS:			
Cash	5	6,136	614
Restricted cash	15d	44	44
Accounts receivable	6	279	102
		6,459	760
NON-CURRENT ASSETS:			
Investment in company accounted for at equity	8	-	187
Property, plant and equipment	7	42	70
		42	257
		6,501	1,017

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2015	December 31, 2014
		NIS in thousands	
LIABILITIES AND EQUITY (DEFICIT)			
CURRENT LIABILITIES:			
Trade payables	9	1,779	1,182
Other accounts payable	10	215	132
		1,994	1,314
NON-CURRENT LIABILITIES:			
Liabilities for Government grants	11	-	156
EQUITY (DEFICIT) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:	16		
Share capital		3,540	1,841
Share premium		95,772	80,460
Share options		-	4,981
Reserve from share-based payment transactions		18,309	15,215
Capital reserve from financial statements of foreign operation		20	10
Reserve from transactions with non-controlling interests		941	941
Accumulated deficit		(113,468)	(103,591)
		5,114	(143)
Non-controlling interests		(607)	(310)
Total equity (deficit)		4,507	(453)
		6,501	1,017

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

March 22, 2016			
Date of approval of the financial statements	Asher Shmulewitz Chairman of the Board	Elran Haber CEO	Guy Goldin CFO

CONSOLIDATED STATEMENTS PROFIT OR LOSS

	Note	Year ended December 31, 2015	2014	2013
		NIS in thousands (except per share data)		
Research and development expenses, net	18a	(931)	(1,800)	(4,649)
General and administrative expenses	18b	(5,297)	(5,238)	(3,919)
		(6,228)	(7,038)	(8,568)
Other income (expenses), net	18d	(3,734)	115	7,246
Operating loss		(9,962)	(6,923)	(1,322)
Finance income	18c	20	401	1,603
Finance expenses	18c	(35)	(427)	(72)
Group's share of losses of company accounted for at equity, net		(197)	(343)	-
Net income (loss)		(10,174)	(7,292)	209
Attributable to:				
Equity holders of the Company		(9,877)	(7,207)	207
Non-controlling interests		(297)	(85)	2
		(10,174)	(7,292)	209
Basic and diluted net earnings (loss) per share attributable to equity holders of the Company (in NIS)	19	(0.43)	(0.45)	0.02

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

CONSOLIDATED STATEMENTS COMPREHENSIVE INCOME

	Year ended December 31,		
	2015	**2014**	**2013**
	NIS in thousands		
Net income (loss)	(10,174)	(7,292)	209
Amounts that will be reclassified or that are reclassified to profit or loss when specific conditions are met:			
Adjustments arising from translating financial statements of foreign operations	10	10	-
Total other comprehensive income	10	10	-
Total comprehensive income (loss)	(10,164)	(7,282)	209
Attributable to:			
Equity holders of the Company	(9,867)	(7,197)	207
Non-controlling interests	(297)	(85)	2
	(10,164)	(7,282)	209

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
	Share capital	Share premium	Reserve from share-based payment transactions	Capital reserve from financial statements of foreign operation	Share options	Reserve from transactions with non-controlling interests	Accumulated deficit	Total	Non-controlling interests	Total equity
	NIS in thousands									
Balance at January 1, 2013	478	69,947	15,141	-	3,616	-	(96,591)	(7,409)	-	(7,409)
Total comprehensive income	-	-	-	-	-	-	207	207	2	209
Allocation of shares (3)	904	7,817	84	-	963	-	-	9,768	-	9,768
Exercise of options into shares	28	512	-	-	(202)	-	-	338	-	338
Issue of shares to non-controlling interests	-	-	-	-	-	941	-	941	(227)	741
Cost of share-based payment	-	-	(154)	-	-	-	-	(154)	-	(154)
Balance at December 31, 2013	1,410	78,276	15,071	-	4,377	941	(96,384)	3,691	(225)	3,466
Loss	-	-	-	-	-	-	(7,207)	(7,207)	(85)	(7,292)
Other comprehensive income	-	-	-	10	-	-	-	10	-	10
Total comprehensive loss	-	-	-	10	-	-	(7,207)	(7,197)	(85)	(7,282)
Issue of shares and share options (2)	431	2,184	-	-	604	-	-	3,219	-	3,219
Cost of share-based payment	-	-	144	-	-	-	-	144	-	144
Balance at December 31, 2014	1,841	80,460	15,215	10	4,981	941	(103,591)	(143)	(310)	(453)
Loss	-	-	-	-	-	-	(9,877)	(9,877)	(297)	(10,174)
Other comprehensive income	-	-	-	10	-	-	-	10	-	10
Total comprehensive loss	-	-	-	10	-	-	(9,877)	(9,867)	(297)	(10,164)
Issue of shares (3)	806	4,858	-	-	-	-	-	5,664	-	5,664
Exercise of options into shares	893	6,134	(1,344)	-	(661)	-	-	5,022	-	5,022
Expiration of share options	-	4,320	-	-	(4,320)	-	-	-	-	-
Cost of share-based payment	-	-	4,438	-	-	-	-	4,438	-	4,438
Balance at December 31, 2015	3,540	95,772	18,309	20	-	941	(113,468)	5,114	(607)	4,507

(1) Less issuance expenses of NIS 775 thousand.
(2) Less issuance expenses of NIS 290 thousand.
(3) Less issuance expenses of NIS 84 thousand.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2015	**2014**	**2013**
	NIS in thousands		
Cash flows from operating activities:			
Net income (loss)	(10,174)	(7,292)	209
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Adjustments to the profit or loss items:			
Depreciation and amortization	11	146	170
Loss (gain) from sale of property, plant and equipment	19	(116)	(40)
Change in employee benefit liabilities, net	-	-	(20)
Cost of share-based payment	4,438	144	(154)
Write down of liability to the Chief Scientist	(191)	-	(7,206)
Decrease (increase) in outstanding liability to the Chief Scientist (including amounts recorded in research and development expenses)	-	28	(1,805)
Finance expenses (income), net	35	(5)	(20)
Group's share of losses of company accounted for at equity	197	343	-
Change due to decrease in value of share options	-	(396)	(47)
Change in fair value of financial derivatives	-	350	-
	4,509	494	(9,122)
Changes in operating asset and liability items:			
Decrease (increase) in accounts receivable	(177)	20	53
Increase (decrease) in trade payable	597	(374)	(612)
Increase (decrease) in other accounts payable	83	(211)	(91)
	503	(565)	(650)
Cash received during the year for:			
Interest received	-	5	20
Net cash used in operating activities	(5,162)	(7,358)	(9,543)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2015	**2014**	**2013**
	NIS in thousands		
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment	2	220	45
Movement in restricted cash, net	-	283	-
Purchase of property, plant and equipment	(4)	(2)	(4)
Investment in financial derivatives	-	(350)	-
Investment in company accounted for at equity	-	(520)	-
Net cash provided by (used in) investing activities	(2)	(369)	41
Cash flows from financing activities:			
Issue of share capital and share options (less issuance expenses)	5,664	3,219	10,211
Issue of shares to non-controlling interests	-	-	714
Exercise of options into shares	5,022	-	338
Receipt of grants from the Chief Scientist	-	-	486
Net cash provided by financing activities	10,686	3,219	11,749
Increase (decrease) in cash	5,522	(4,508)	2,247
Cash at the beginning of the year	614	5,122	2,875
Cash at the end of the year	6,136	614	5,122

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

NOTE 1:- GENERAL

a. Therapix Biosciences Ltd. (formerly: NasVax Ltd.) was incorporated in Israel and commenced its operations on August 23, 2004. Until March 2014, the Company acted mainly in developing several innovative immunotherapy products and it owns patents in the immunotherapy field.

In August 2015, the Company revised its business strategy according to which it will focus on developing approved drugs based on cannabinoid molecules.

The Company is a pharmaceutical company specializing in developing approved drugs based on cannabinoid molecules. The Company is developing a cannabinoid based medical product for the Tourette syndrome using the entourage technology and is preparing to develop a cannabinoid based medical product for cognitive impairment (including the Alzheimer's disease) using the low dose technology.

b. Definitions:

In these financial statements:

The Company	-	Therapix Biosciences Ltd.
The Group	-	the Company and its subsidiaries.
Subsidiaries	-	companies that are controlled by the Company (as defined in IFRS 10) and whose accounts are consolidated with those of the Company: Orimmune Bio Ltd. (formerly: Protea Vaccine Technologies Ltd.) ("Orimmune ") and NasVax Inc. (inactive).
Related parties	-	as defined in IAS 24.
Interested parties and controlling shareholders	-	as defined in the Israeli Securities Regulations (Annual Financial Statements), 2010.
Dollar		U.S. dollar.

c. For the year ended December 31, 2015, the Company incurred losses totaling NIS 10,174 thousand and negative cash flows from operating activities totaling NIS 5,162 thousand for the year then ended. Also, the Company had accumulated deficit totaling NIS 113,468 thousand and recurring operating losses. As discussed in Note 1a above, the Company's business strategy is to focus on identifying and investing in promising bio-pharma technologies in the field of cannabinoid based treatments and, at the same time, to develop the existing technologies. These activities involve, among others, continuous development efforts and pertinent regulatory approvals. Also, from the date of commencement of operation, the Company did not generate cash flows from the sale of its products to sustain its activities.

NOTE 1:- GENERAL (Cont.)

Accordingly, the Company's continued operation is dependent on its ability to raise external funding sources. The Company's management believes that this dependency will continue until the Company will be able to finance its operation by selling its products or commercializing the technology it owns.

The balance of cash at the Company's hands may not be sufficient to finance its operating activities. These factors raise substantial doubt as to the Company's ability to continue as a "going concern".

The Company's management is focusing on securing the Company's financial stability, among others, by exploring the alternative of raising capital from private investors by issuing the Company's securities including from existing shareholders.

The financial statements do not include any adjustments to the carrying amounts and classifications of assets and liabilities that would result if the Company was unable to continue as a going concern.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

a. Basis of presentation of the financial statements:

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Furthermore, the financial statements have been prepared in conformity with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

The Company's financial statements have been prepared on a cost basis.

The Company has elected to present the profit or loss items using the function of expense method.

b. The operating cycle:

The operating cycle of the Company is one year.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c. Consolidated financial statements:

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

The financial statements of the Company and of the subsidiaries are prepared as of the same dates and periods. The accounting policies applied in the financial statements of the subsidiaries are uniform and consistent with the policies applied in the financial statements of the Company. Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

Non-controlling interests in subsidiaries represent the equity in subsidiaries not attributable, directly or indirectly, to a parent. Non-controlling interests are presented in equity separately from the equity attributable to the equity holders of the Company. Losses are attributed to non-controlling interests even if they result in a negative balance of non-controlling interests in the consolidated statement of financial position.

d. Functional currency and foreign currency:

1. Functional currency and presentation currency:

The financial statements are presented in NIS since the Company believes that financial statements in NIS provide more relevant information to the investors and users of the financial statements who are located in Israel. The Group determines the functional currency of each Group entity, including companies accounted for at equity. The functional currency of the Company is the NIS.

2. Transactions, assets and liabilities in foreign currency:

Transactions denominated in foreign currency (other than the functional currency) are recorded upon initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at each reporting date into the functional currency at the exchange rate at that date. Exchange rate differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currency and measured at cost are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

e. Investments in associates:

Associates are companies in which the Group has significant influence over the financial and operating policies without having control. The investment in an associate which was written down during the year was accounted for using the equity method.

f. Investments accounted for using the equity method:

The Group's investment in associate is accounted for using the equity method.

Losses of an associate in amounts which exceed its equity are recognized by the Company to the extent of its investment in the associate.

Under the equity method, the investment in the associate is presented at cost with the addition of post-acquisition changes in the Group's share of net assets, including other comprehensive income of the associate. Gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

Goodwill relating to the acquisition of an associate is presented as part of the investment in the associate, measured at cost and not systematically amortized. Goodwill is evaluated for impairment as part of the investment in the associate as a whole.

The financial statements of the Company and of the associate are prepared as of the same dates and periods. The accounting policies applied in the financial statements of the associate or the joint venture are uniform and consistent with the policies applied in the financial statements of the Group.

g. Financial instruments:

1. Financial assets:

Financial assets within the scope of IAS 39 are initially recognized at fair value plus directly attributable transaction costs.

After initial recognition, the accounting treatment of financial assets is based on their classification as follows:

Receivables:

The Group has receivables that are financial assets (non-derivative) with fixed or determinable payments that are not quoted in an active market. After initial recognition, receivables are measured at amortized cost using the effective interest method taking into account directly attributable transaction costs, if any. Gains and losses are recognized in the statement of comprehensive income when the receivables are derecognized or impaired as well as through the systematic amortization process.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

2. Financial liabilities:

Financial liabilities are initially recognized at fair value. Loans and other liabilities measured at amortized cost are presented less direct transaction costs.

After initial recognition, the accounting treatment of financial liabilities is based on their classification as follows:

a) Financial liabilities at amortized cost:

After initial recognition, loans and other liabilities are measured based on their terms at amortized cost less directly attributable transaction costs using the effective interest method.

b) Financial liabilities at fair value through profit or loss:

Financial liabilities at fair value through profit or loss include financial liabilities classified as held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on liabilities held for trading are recognized in profit or loss.

3. Offsetting financial instruments:

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position if there is a legally enforceable right to set off the recognized amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The right of set-off must be legally enforceable not only during the ordinary course of business of the parties to the contract but also in the event of bankruptcy or insolvency of one of the parties. In order for the right of set-off to be currently available, it must not be contingent on a future event, there may not be periods during which the right is not available, or there may not be any events that will cause the right to expire.

4. Issue of a unit of securities:

The issue of a unit of securities involves the allocation of the proceeds received (before issuance expenses) to the securities issued in the unit based on the following order: financial derivatives and other financial instruments measured at fair value in each period. Then fair value is determined for financial liabilities that are measured at amortized cost. The proceeds allocated to equity instruments are determined to be the residual amount. Issue costs are allocated to each component pro rata to the amounts determined for each component in the unit.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

5. Derecognition of financial instruments:

   a) Financial assets:

      A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or the Company has transferred its contractual rights to receive cash flows from the financial asset or assumes an obligation to pay the cash flows in full without material delay to a third party and has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

   b) Financial liabilities:

      A financial liability is derecognized when it is extinguished, that is when the obligation is discharged or cancelled or expires. A financial liability is extinguished when the debtor (the Group) discharges the liability by paying in cash, other financial assets, goods or services; or is legally released from the liability.

6. Impairment of financial assets:

   The Group assesses at each reporting date whether there is any objective evidence of impairment of a financial asset or group of financial assets as follows:

   Financial assets carried at amortized cost:

   Objective evidence of impairment exists when one or more events that have occurred after initial recognition of the asset have a negative impact on the estimated future cash flows. The amount of the loss recorded in profit or loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. If the financial asset has a variable interest rate, the discount rate is the current effective interest rate. In a subsequent period, the amount of the impairment loss is reversed if the recovery of the asset can be related objectively to an event occurring after the impairment was recognized. The amount of the reversal, up to the amount of any previous impairment, is recorded in profit or loss.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Investment in associate or joint venture:

After application of the equity method, the Company determines whether it is necessary to recognize any additional impairment loss with respect to the investment in associates or joint ventures. The Company determines at each reporting date whether there is objective evidence that the carrying amount of the investment in the associate or the joint venture is impaired. The test of impairment is carried out with reference to the entire investment, including the goodwill attributed to the associate or the joint venture.

h. Leases:

The criteria for classifying leases as finance or operating leases depend on the substance of the agreements and are made at the inception of the lease in accordance with the following principles as set out in IAS 17.

The Group as lessee - operating lease:

Leases in which substantially all the risks and rewards of ownership of the leased asset are not transferred to the Group are classified as operating leases. Lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

i. Property, plant and equipment:

Property, plant and equipment are measured at cost, including direct acquisition costs, less accumulated depreciation, accumulated impairment losses and any related investment grants and excluding day-to-day servicing expenses. Cost includes spare parts and auxiliary equipment that are used by plant and equipment.

Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates as follows:

	%
Lab equipment	15
Computers	33
Office furniture and equipment	6

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term (including the extension option held by the Group and intended to be exercised) and the expected life of the improvement.

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate. As for testing the impairment of property, plant and equipment, see k below.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

j. Research and development expenditures:

Research expenditures are recognized in profit or loss when incurred.

The conditions enabling capitalization of development costs as an asset have not yet been met and, therefore, all development expenditures are recognized in profit or loss when incurred.

k. Impairment of non-financial assets:

The Company evaluates the need to record an impairment of the carrying amount of non-financial assets (property, plant and equipment) whenever events or changes in circumstances indicate that the carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use.

l. Government grants:

Government grants are recognized when there is reasonable assurance that the grants will be received and the Company will comply with the attached conditions.

Government grants received from the Office of the Chief Scientist in Israel are recognized upon receipt as a liability if future economic benefits are expected from the research project that will result in royalty-bearing sales.

A liability for the loan is first measured at fair value using a discount rate that reflects a market rate of interest. The difference between the amount of the grant received and the fair value of the liability is accounted for as a Government grant and recognized as a reduction of research and development expenses. After initial recognition, the liability is measured at amortized cost using the effective interest method. Royalty payments are treated as a reduction of the liability. If no economic benefits are expected from the research activity, the grant receipts are recognized as a reduction of the related research and development expenses. In that event, the royalty obligation is treated as a contingent liability in accordance with IAS 37.

In each reporting date, the Company evaluates whether there is reasonable assurance that the liability recognized, in whole or in part, will not be repaid (since the Company will not be required to pay royalties) based on the best estimate of future sales and using the original effective interest method and, if so, the appropriate amount of the liability is derecognized against other income.

Amounts paid as royalties are recognized as settlement of the liability.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

m. Taxes on income:

Current or deferred taxes are recognized in profit or loss, except to the extent that they relate to items which are recognized in other comprehensive income or equity.

1. Current taxes:

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

2. Deferred taxes:

Since there is no expectation that the Company will generate taxable income in the future, no deferred tax assets were recognized in the financial statements in respect of carryforward tax losses and other temporary differences. In each reporting date, temporary differences (such as carryforward tax losses) for which deferred tax assets had not been recognized are reviewed and a respective deferred tax asset is recognized to the extent that their utilization is probable.

n. Share-based payment transactions:

The Company's employees and other service providers are entitled to remuneration in the form of equity-settled share-based payment transactions ("equity-settled transactions").

Equity-settled transactions:

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments at grant date. The fair value is determined using an acceptable option pricing model, see additional information in Note 17. In estimating fair value, the vesting conditions (consisting of service conditions and performance conditions other than market conditions) are not taken into account. The only conditions taken into account in estimating fair value are market conditions and non-vesting conditions.

As for other service providers, the cost of the transactions is measured at the fair value of the goods or services received as consideration for equity instruments granted.

The cost of equity-settled transactions is recognized in profit or loss together with a corresponding increase in equity, during the period which the performance or service conditions are to be satisfied, ending on the date on which the relevant employees become fully entitled to the award ("the vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. No expense is recognized for awards that do not ultimately vest.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

o. Employee benefit liabilities:

The Group has several employee benefit plans:

1. Short-term employee benefits:

Short-term employee benefits are benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. These benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan is recognized when the Group has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

2. Post-employment benefits:

The plans are normally financed by contributions to insurance companies and classified as defined contribution plans or as defined benefit plans.

The Group has defined contribution plans pursuant to section 14 to the Severance Pay Law under which the Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods. Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense when contributed concurrently with performance of the employee's services.

p. Revenue recognition:

The Group has not yet generated any revenues from the sale of goods or from the rendering of services.

q. Finance income and expenses:

Finance income comprises interest income on amounts invested and exchange rate gains. Interest income is recognized as it accrues using the effective interest method.

Finance expenses comprise changes in the fair value of financial liabilities measured at fair value through profit or loss and exchange rate losses. Borrowing costs are recognized in profit or loss using the effective interest method.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

r. Earnings (loss) per share:

Earnings (loss) per share is calculated by dividing the net income (loss) attributable to equity holders of the Company by the weighted number of Ordinary shares outstanding during the period.

Basic loss per share only includes shares that were outstanding during the period.

Potential Ordinary shares are only included in the computation of diluted loss per share when their conversion increases loss per share from continuing operations.

NOTE 3:- SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

In the process of applying the significant accounting policies, the Group has made the following judgments which have the most significant effect on the amounts recognized in the financial statements:

a. Judgments:

- Classification of leases:

  In order to determine whether to classify a lease as a finance lease or an operating lease, the Company evaluates whether the lease transfers substantially all the risks and rewards incidental to ownership of the asset. In this respect, the Company evaluates such criteria as the existence of a bargain purchase option, the lease term in relation to the economic life of the asset and the present value of the minimum lease payments in relation to the fair value of the asset.

- Determining the fair value of share-based payment transactions:

  The fair value of share-based payment transactions is determined upon initial recognition by an acceptable option pricing model. The inputs to the model include share price and exercise price and assumptions regarding expected volatility, expected life of share option, expected dividend and risk-free interest rate.

b. Estimates and assumptions:

The preparation of the financial statements requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. Changes in accounting estimates are reported in the period of the change in estimate.

NOTE 3:- SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS (Cont.)

The key assumptions made in the financial statements concerning uncertainties at the reporting date and the critical estimates computed by the Group that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- Grants from the Chief Scientist:

  Government grants received from the Chief Scientist at the Ministry of Industry, Trade and Labor ("the Chief Scientist") are recognized as a liability if future economic benefits are expected from the research and development activity that will result in royalty-bearing sales. There is uncertainty regarding the estimated future cash flows and estimated discount rate used to measure the amount of the liability.

NOTE 4:- DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION

a. Amendments to IAS 7, "Statement of Cash Flows", regarding additional disclosures of financial liabilities:

   In January 2016, the IASB issued amendments to IAS 7, "Statement of Cash Flows", ("the amendments") which require additional disclosures regarding financial liabilities. The amendments require disclosure of the changes between the opening balance and the closing balance of financial liabilities, including changes from cash flows from financing activities, changes arising from obtaining or losing control of subsidiaries, changes in foreign exchange rates and changes in fair value.

   The amendments are to be applied for annual periods beginning on or after January 1, 2017. Comparative information for periods prior to the effective date of the amendments is not required. Early adoption is permitted.

   The Company will include the necessary disclosures in the financial statements when applicable.

b. IFRS 16, "Leases":

   In January 2016, the IASB issued IFRS 16, "Leases" ("the new Standard"). According to the new Standard, a lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

NOTE 4:- DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION (Cont.)

According to the new Standard:

- Lessees are required to recognize an asset and a corresponding liability in the statement of financial position in respect of all leases (except in certain cases) similar to the accounting treatment of finance leases according to the existing IAS 17, "Leases".

- Lessees are required to initially recognize a lease liability for the obligation to make lease payments and a corresponding right-of-use asset. Lessees will also recognize interest and depreciation expenses separately.

- Variable lease payments that are not dependent on changes in the Israeli CPI or interest rates, but are based on performance or use (such as a percentage of revenues) are recognized as an expense by the lessees as incurred and recognized as income by the lessors as earned.

- In the event of change in variable lease payments that are CPI-linked, lessees are required to remeasure the lease liability and the effect of the remeasurement is an adjustment to the carrying amount of the right-of-use asset.

- The new Standard includes two exceptions according to which lessees are permitted to elect to apply a method similar to the current accounting treatment for operating leases. These exceptions are leases for which the underlying asset is of low value and leases with a term of up to one year.

- The accounting treatment by lessors remains substantially unchanged, namely classification of a lease as a finance lease or an operating lease.

The new Standard is to be applied for annual periods beginning on or after January 1, 2019. Early adoption is permitted provided that IFRS 15, "Revenue from Contracts with Customers", is applied simultaneously.

For leases existing at the date of transition, the new Standard permits lessees to use either a full retrospective approach, or a modified retrospective approach, with certain transition relief whereby restatement of comparative data is not required.

The Company believes that the new Standard is not expected to have a material impact on the financial statements.

NOTE 4:- DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION (Cont.)

c. IFRS 9, "Financial Instruments":

In July 2014, the IASB issued the final and complete version of IFRS 9, "Financial Instruments" ("IFRS 9"), which replaces IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 mainly focuses on the classification and measurement of financial assets and it applies to all assets in the scope of IAS 39.

According to IFRS 9, all financial assets are measured at fair value upon initial recognition. In subsequent periods, debt instruments are measured at amortized cost only if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect the contractual cash flows.

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent measurement of all other debt instruments and financial assets should be at fair value. IFRS 9 establishes a distinction between debt instruments to be measured at fair value through profit or loss and debt instruments to be measured at fair value through other comprehensive income.

Financial assets that are equity instruments should be measured in subsequent periods at fair value and the changes recognized in profit or loss or in other comprehensive income (loss), in accordance with the election by the Company on an instrument-by-instrument basis. If equity instruments are held for trading, they should be measured at fair value through profit or loss.

According to IFRS 9, the provisions of IAS 39 will continue to apply to derecognition and to financial liabilities for which the fair value option has not been elected.

According to IFRS 9, changes in fair value s of financial liabilities which are attributable to the change in credit risk should be presented in other comprehensive income. All other changes in fair value should be presented in profit or loss.

IFRS 9 also prescribes new hedge accounting requirements.

IFRS 9 is to be applied for annual periods beginning on January 1, 2018. Early adoption is permitted.

The Company is evaluating the possible impact of IFRS 9 but is presently unable to assess its effect, if any, on the financial statements.

NOTE 5:- CASH

	December 31,	
	2015	2014
	NIS in thousands	
Cash for immediate withdrawal - in NIS	4,197	593
Cash for immediate withdrawal - in foreign currency	1,939	21
	6,136	614

NOTE 6:- ACCOUNTS RECEIVABLE

	December 31,	
	2015	2014
	NIS in thousands	
Prepaid expenses	147	27
VAT	132	73
Other receivables	-	2
	279	102

NOTE 7:- PROPERTY, PLANT AND EQUIPMENT

2015:

	Computers	Lab equipment	Office furniture and equipment	Total
	NIS in thousands			
Cost:				
Balance at January 1, 2015	212	272	66	550
Additions during the year	3	1		4
Disposals during the year	(142)	(229)	(19)	(390)
Balance at December 31, 2015	73	44	47	164
Accumulated depreciation:				
Balance at January 1, 2015	187	262	31	480
Additions during the year	-	7	4	11
Disposals during the year	(117)	(240)	(12)	(369)
Balance at December 31, 2015	70	29	23	122
Depreciated cost at December 31, 2015	3	15	24	42

NOTE 7:- PROPERTY, PLANT AND EQUIPMENT (Cont.)

2014:

	Computers	Lab equipment	Office furniture and equipment	Leasehold improvements	Total
	NIS in thousands				
Cost:					
Balance at January 1, 2014	310	857	161	374	1,702
Additions during the year	-	-	2	-	2
Disposals during the year	(98)	(585)	(97)	(374)	(1,154)
Balance at December 31, 2014	212	272	66	-	550
Accumulated depreciation:					
Balance at January 1, 2014	246	808	60	270	1,384
Additions during the year	19	34	8	85	146
Disposals during the year	(78)	(580)	(37)	(355)	(1,050)
Balance at December 31, 2014	187	262	31	-	480
Depreciated cost at December 31, 2014	25	10	35	-	70

NOTE 8:- INVESTMENT IN ASSOCIATE

a. Movement in investment during the year:

	December 31,	
	2015	2014
	NIS in thousands	
Cost of shares	520	520
Post-acquisition losses	(540)	(343)
Foreign currency translation reserve	20	10
Balance at December 31,	-	187

b. Additional information:

In furtherance to an investment agreement dated June 15, 2014 (as amended) between the Company and LaraPharm Ltd. ("Lara") and in furtherance to meetings held between the Company and Lara, on August 13, 2015, the latter informed the Company on unilateral cancellation of the agreement, among others, because Lara argues that the Company does not plan on continuing to invest more money in Lara.

NOTE 8:- INVESTMENT IN ASSOCIATE (Cont.)

The Company clarifies that it is not required to invest more money in Lara unless conditions and/or milestones that had been predetermined in the investment agreement occur, it opposes the unilateral cancellation of the agreement and it has even officially informed Lara that. As of the reporting date, the Company continues to hold shares of Lara and a director acting on its behalf serves on Lara's Board.

NOTE 9:- TRADE PAYABLES

	December 31,	
	2015	2014
	NIS in thousands	
Open accounts	433	296
Accrued expenses	1,346	886
	1,779	1,182

NOTE 10:- OTHER ACCOUNTS PAYABLE

	December 31,	
	2015	2014
	NIS in thousands	
Employees and payroll accruals	132	101
Accrued vacation	83	31
	215	132

NOTE 11:- LIABILITIES FOR GOVERNMENT GRANTS

	December 31,	
	2015	2014
	NIS in thousands	
Balance at January 1,	156	128
Amounts carried to financing in the statement of profit or loss	35	57
Write down of liability to the Chief Scientist	(191)	(29)
Balance at December 31,	-	156
Presented in the consolidated statements of financial position in:		
Non-current liabilities	-	156

NOTE 11:- LIABILITIES FOR GOVERNMENT GRANTS (Cont.)

The Group received research and development participation grants from the Chief Scientist and, in return, undertook to pay the Chief Scientist royalties at the rates prescribed by law and the Regulations for Encouragement of Industrial Research and Development (Rate of Royalties and Tools for their Implementation), 1996 and the procedures of the Industrial Research and Development Administration (at a rate of 3% in the first three years and 3.5% from the fourth year on sales of products resulting from the sponsored research and development as above), all until the full repayment of the grant. The grant is linked to the dollar and bears interest according to the Chief Scientist's terms. As of December 31, 2015, the Company does not anticipate repaying the grant in respect of the Anti-CD3 project and, accordingly, it recorded the remaining liability in the item other income.

Total grants received from the Chief Scientist through December 31, 2015 amounted to NIS 15,394 thousand. No royalties have been paid yet.

NOTE 12:- FINANCIAL INSTRUMENTS

a. Classification of financial assets and financial liabilities:

The financial assets and financial liabilities in the balance sheet are classified by groups of financial instruments pursuant to IAS 39:

	December 31,	
	2015	2014
	NIS in thousands	
Financial assets:		
Cash and restricted cash	6,180	658
Financial liabilities:		
Financial liabilities carried at amortized cost	1,994	1,314

b. Financial risk factors:

The Group's activities expose it to various financial risks such as market risks (foreign currency risk and interest risk), credit risk and liquidity risk. The Group's comprehensive risk management plan focuses on activities that reduce to a minimum any possible adverse effects on the Group's financial performance.

Risk management is performed by management in accordance with the policies approved by the Board. The Board establishes written principles for the overall risk management activities as well as specific policies with respect to certain exposures to risks such as exchange rate risk, credit risk and the investments of surplus funds.

NOTE 12:- FINANCIAL INSTRUMENTS (Cont.)

1. Market risks:

Foreign currency risk:

The Group is exposed to exchange rate risk resulting from the exposure to different currencies, mainly the dollar. Exchange rate risk arises from recognized liabilities that are denominated in a foreign currency other than the functional currency.

2. Credit risks:

All cash and cash equivalents are held in three banks in Israel which are considered financially solid.

3. Liquidity risk:

The Group monitors the risk of a shortage of funds on a regular basis and acts to raise funds to satisfy its liabilities.

The table below presents the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (including interest payments):

December 31, 2015:

	Less than one year	Over four years	Total
	NIS in thousands		
Trade payables	1,779	-	1,779
Other accounts payable	215	-	215
	1,994	-	1,994

December 31, 2014:

	Less than one year	Over four years	Total
	NIS in thousands		
Trade payables	1,182	-	1,182
Other accounts payable	132	-	132
Liability for Government grants	-	4,254	4,254
	1,314	4,254	5,568

The carrying amounts of cash, accounts receivable, trade payables, other accounts payable and the liability to the Chief Scientist approximate their fair value.

NOTE 13:- EMPLOYEE BENEFIT LIABILITIES

Employee benefits consist of short-term benefits and post-employment benefits.

Post-employment benefits:

According to the labor laws and Severance Pay Law in Israel, the Company is required to pay compensation to an employee upon dismissal or retirement or to make current contributions in defined contribution plans pursuant to section 14 to the Severance Pay Law, as specified below. The Company's liability is accounted for as a post-employment benefit. The computation of the Company's employee benefit liability is made in accordance with a valid employment contract based on the employee's salary and employment term which establish the entitlement to receive the compensation.

The post-employment benefits are normally financed by contributions classified as defined benefit plans or as defined contribution plans as detailed below.

Defined contribution plans:

Section 14 to the Severance Pay Law, 1963 applies to a substantial part of the compensation payments, pursuant to which 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 said contributions were made. These contributions and contributions for compensation represent defined contribution plans.

	Year ended December 31,		
	2015	2014	2013
	NIS in thousands		
Expenses in respect of defined contribution plans	69	114	176

NOTE 14:- TAXES ON INCOME

a. Tax rates applicable to the Company:

The Israeli corporate tax rate was 25% in 2013 and 26.5% in 2015 and 2014.

A company is taxable on its real (non-inflationary) capital gains at the corporate tax rate in the year of sale.

In August 2013, the "Knesset" (Israeli parliament) issued the Law for Changing National Priorities (Legislative Amendments for Achieving Budget Targets for 2013 and 2014), 2013 ("the Budget Law"), which consists, among others, of the taxation of revaluation gains effective from August 1, 2013.

NOTE 14:- TAXES ON INCOME (Cont.)

The provisions regarding revaluation gains will become effective only after the publication of regulations defining what should be considered as "retained earnings not subject to corporate tax" and regulations that set forth provisions for avoiding double taxation of foreign assets. As of the date of approval of these financial statements, these regulations have not been issued.

On January 4, 2016, the "Knesset" plenum approved the second and third readings the Bill for Amending the Income Tax Ordinance (No. 217) (Reduction of Corporate Tax Rate), 2015, which consists of the reduction of the corporate tax rate from 26.5% to 25%.

The Company believes that the change in the tax rates should not affect the financial statements.

b. Tax assessments:

The assessments of the Company are deemed final through the 2011 tax year.

c. Carryforward tax losses and other temporary differences:

The Company has carryforward tax losses totaling approximately NIS 70 million as of December 31, 2015.

No deferred tax asset relating to carryforward losses and to other temporary differences has been recognized because its utilization in the foreseeable future is not probable.

d. Theoretical tax:

The gap between the tax and other temporary differences calculated in respect of the pre-tax loss at the regular corporate tax rate applicable to the Company and the tax amount recorded in the statement of comprehensive income in all reporting periods (zero) mainly arises from losses for tax purposes for which no deferred taxes were recognized because their utilization in the foreseeable future is not probable.

NOTE 15:- CONTINGENT LIABILITIES, COMMITMENTS AND CHARGES

a. Commitments - BBS technology:

In January 2014, the Company reported that it received a letter from Ramot at Tel-Aviv University Ltd. ("Ramot"), the Tel-Aviv University's technology transfer company, in which Ramot announces its intention to terminate the license and research agreement in connection with the BBS technology (the Alzheimer's drug). The Company's position was (and still is) that Ramot's announcement is illegitimate and groundless. The parties are negotiating the disputes between them in order to reach an agreed solution including in matters related to the Chief Scientist at the Ministry of Economics.

At the beginning of October 2014, the parties reached agreements on an outline according to which the Company will return the license to Ramot, including the exclusive license to use and commercialize the assets and knowhow gained at the Company during the period of the license ("the Company's assets and knowhow") and, in return, if the Company's assets and knowhow are being commercialized, the Company will receive royalties in the future (in the scope, percentages and conditions as determined) ("the agreed outline"). After the agreed outline became effective, the parties agree that the license agreement will become null and void and that any monetary and/or another liability between the parties will become null and void including the Company's undertaking to bear the costs of registration and/or maintaining the patents effective from the cancellation date as above and thereafter in such a manner that Ramot will be responsible for such debts.

In furtherance to the in-principle approval of the Chief Scientist at the Ministry of Economics to the agreed outline at the beginning of December 2014, the Company and Ramot will act according to the agreed outline to transfer the Company's developments under the license agreement from the Company to Ramot (including the transfer of patents and all necessary to return the license to Ramot) and the license agreement will become null and void.

On March 15, 2015, the Company reported that to the best of its knowledge the Securities Authority is conducting an administrative clarification in connection with the Company reports regarding the BBS technology and the intention to cancel Ramot's license to the technology. Based on an estimate of the Company's legal counsel, a provision was recorded in the accounts for any potential monetary sanction.

On June 28, 2015, the Company entered into a memorandum of understanding with Ramot for the use of Ramot technology in research and licensing the use of low dose of cannabinoid type THC as a treatment for cognitive impairment including the Alzheimer's disease.

According to the memorandum of understanding, the agreement will consist of an agreed research plan which will last 12 month from the date of approval of the agreement and it will include, among others, granting an exclusive right to develop products based on the technology. The Company will support the research project according to a research budget to be approved by the parties. The outcome of the research project, including the joint intellectual property that will be developed under the research project, will be jointly owned by the parties.

NOTE 15:- CONTINGENT LIABILITIES, COMMITMENTS AND CHARGES (Cont.)

b. Commitment - Dekel Pharmaceuticals Ltd.:

On January 11, 2015, the Company's Board approved to enter into a binding term sheet with Dekel Pharmaceuticals Ltd. (a private company controlled by the Company's chairman, Mr. Asher Shmulewitz) ("Dekel", together with the Company, "the parties") which outlines the key elements of signing a final and detailed license agreement regarding Dekel's technology and IP consisting also of an option of Dekel's equity investment (by itself and/or others) ("the approved outline" and "the license agreement", respectively) of US$ 0.5 million at the exercise price of NIS 0.5 per share. Dekel was also granted the option to make an equity investment of US$ 2 million at the exercise price of NIS 0.65 for a 15-month period effective from the closing of the license agreement, provided that the options (or some of the options) at the exercise price of NIS 0.5 per share have been exercised. The options expire 90 days after the effective date of the license agreement (unless the options have been exercised). On May 20, 2015, the Company's Board approved the license agreement and on June 10, 2015, the Company's general meeting approved the license agreement which sets a combined outline of the conditions for granting the Company the license to Dekel's technology (the entourage technology) and the conditions for Dekel's equity investment (by itself and/or others), as above. Further, the license agreement consists of payments to Dekel based on the achievement of milestones, royalties amounting to 8% of net sales and 35% of sub-licenses and, on the date of closing the license agreement, a payment of advance to Dekel of NIS 100 thousand (payable by 200,000 Ordinary shares of the Company at the price of NIS 0.5 per share to be offset against future royalties).

On August 19, 2015, the TASE approved the above allocation of options to Dekel as equity investment in the Company. Yet, as of the date of these financial statements, the approval of the TASE to the allocation of 200,000 shares associated with the payment of the advance of NIS 100 thousand under the license agreement has not been obtained and Dekel and the Company agreed that the receipt of the approval of the TASE to the allocation of shares as advance, as above, would not constitute a condition to completing the license agreement. Accordingly, all the preliminary conditions for the entry into force of the license agreement have been fulfilled and, on August 19, 2015, the license agreement became effective. It is clarified that Dekel's consent that receiving the approval of the TASE be a suspending condition for the entry into force of the license agreement does not include a waiver of issuing 200,000 shares, as above. Accordingly, the advance of NIS 100 thousand is expected to be repaid by issuing Company's shares, as above, if the approval of the TASE is obtained or in any other way agreed upon between the parties.

The fair value of the 3,876,000 options allocated to Dekel at the grant date was estimated at approximately NIS 3,906 thousand, calculated using the Black & Scholes model based on the exercise prices indicated above, standard deviation of 83% at the grant date, a price per share of NIS 0.897 at the grant date, risk-free interest rate of 0.1% a year, life of 0.25 years and non-marketability premium was taken into account.

Accordingly, an expense of NIS 3,906 thousand was recognized in the statement of profit or loss in the item other expenses.

NOTE 15:- CONTINGENT LIABILITIES, COMMITMENTS AND CHARGES (Cont.)

c. Operating lease commitments:

The Company signed an agreement with a third party for the lease of offices in Azrieli towers with area of 100 sq.m. through June 30, 2016 for lease fees of approximately NIS 18.3 thousand per month, linked to the Israeli CPI.

Future minimum lease payments under the existing lease contracts as of December 31, 2015 total NIS 110 thousand for 2016.

d. Charges:

To secure the Company's liabilities for the lease of the building, the Company provided a bank guarantee of NIS 44 thousand in favor of the lessor. To secure the bank guarantee, a lien was recorded on this amount in the Company's bank account.

NOTE 16:- EQUITY

a. Composition of share capital:

	December 31, 2015		December 31, 2014	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding
	Number of shares			
Ordinary shares of NIS 0.1 par value each	100,000,000	35,399,152	100,000,000	18,410,648

Capital consolidation:

On January 1, 2014, a special meeting approved to consolidate the authorized share capital and the issued and outstanding share capital such that any existing 10 Ordinary shares of NIS 0.01 par value each in the authorized share capital and the issued and outstanding share capital of the Company will be consolidated into one Ordinary share of the Company of NIS 0.1 par value. The number of the share options that exist in the Company's equity was adjusted accordingly.

NOTE 16:- EQUITY (Cont.)

b. Movement in share capital:

Issued and outstanding share capital:

	Number of shares	NIS par value
Balance at January 1, 2014	141,012,488	1,410,125
Consolidation of share capital	(126,911,240)	-
Issue of share capital	4,309,400	430,940
Balance at December 31, 2014	18,410,648	1,841,065
Issue of share capital	16,988,504	1,698,850
Balance at December 31, 2015	35,399,152	3,539,915

c. Rights attached to shares:

1. Voting rights at the general meeting, right to dividends, rights upon liquidation of the Company and right to nominate the directors in the Company.

2. Quoted on the Tel-Aviv Stock Exchange.

d. Capital management in the Company:

The Company's capital management objectives are to preserve the Group's ability to ensure business continuity thereby creating a return for the shareholders, investors and other interested parties.

The Group is not under any minimal equity requirements nor is it required to attain a certain level of capital return.

e. Issue of shares:

1. On May 8, 2014, the Company raised approximately NIS 2.9 million (gross) in the issuance of 3,009,400 Ordinary shares, 3,009,400 share options (series 3) and 3,009,400 share options (series 4) of the Company pursuant to a shelf offering report that the Company published on May 8, 2014 and a shelf prospectus of August 8, 2012. On May 15, 2014, the Company allocated 406,269 share options (series 4) to Clal Finance Underwriting Ltd. as part of raising costs.

NOTE 16:- EQUITY (Cont.)

2. On November 19, 2014, the Company entered into a private placement agreement according to which 1,300,000 Ordinary shares of NIS 0.1 par value each, 1,300,000 fully vested options and 1,300,000 conditional options were offered. The fully vested options are exercisable at 1 to 1 ratio for the exercise price of NIS 0.5 from the date of allocation over a period of three months. The conditional options are exercisable at 1 to 1 ratio subject to the exercise of the fully vested options. The fair value of the options was estimated at approximately NIS 3 thousand.

   The total gross proceeds from the offered securities were NIS 650 thousand (net proceeds - NIS 631 thousand).

3. On February 19, 2015, the Company raised NIS 250 thousand in consideration of 500,000 Ordinary shares of NIS 0.1 par value each, 1,000,000 immediate options and 1,000,000 contingent options. The immediate options may be exercised into shares on a 1:1 basis in consideration of the exercise price of NIS 0.65 from the date of allocation during 45 days. The contingent options may be exercised into shares on a 1:1 basis together with and subject to the exercise of the immediate options in consideration of the exercise price of NIS 1.10 during 24 months. Also, 40,000 options were allocated to the Company's consultant as the investment broker. The fair value of the options granted to the consultant was estimated at NIS 2 thousand.

   On April 30, 2015, the immediate and contingent options expired without being exercised.

4. On April 29, 2015, the Company raised NIS 2,200 thousand from Jesselson Investments Ltd. (unrelated to the Company). In consideration of this funding, the Company issued a total of 4,400,000 Ordinary shares of NIS 0.1 par value each at the price of NIS 0.5 per share. As a result of the issuance, Jesselson Investments holds about 18.87% of the Company's shares.

5. On October 11, 2015, the Company completed a round of financing according to which it signed investment agreements with several new private investors to make private placements against 3,159,025 Ordinary shares of the Company and to which also two existing interested parties of the Company joined. In the framework of the private placements, the investors (each one independently) undertook to make an equity investment of an aggregate of approximately NIS 3.3 million against Ordinary shares of the Company (at the price of NIS 1.05 per share), which will constitute about 11.4% of the Company's issued and outstanding share capital immediately after and subject to the completion of the investment (about 6.7% on a fully diluted basis).

NOTE 16:- EQUITY (Cont.)

Simultaneously, with the closing of the private placement agreements, Dekel informed the Company that it sold (or that that it is acting to sell) to any of the other investors (independently) immediate options and contingent options that Dekel holds by virtue of the license agreement in a scope that will constitute (assuming exercise by other investors and exercise of additional amount of Dekel's options by Dekel itself) about additional 12.4% of the Company's issued and outstanding share capital (about 9.1% on a fully diluted basis). Assuming exercise, the implication is that the additional equity investment is a further amount of approximately NIS 2.3 million. The completion of the private placements is subject to the fulfillment of several suspending conditions which must be met within 45 days of the closing of the round of financing, as above, including the receipt of necessary regulatory approvals. During October 2015, the investors exercised the options purchased from Dekel. The total proceeds from the exercise of the options were approximately NIS 1.5 million.

f. Share options:

1. On February 1, 2015, the Company's share options (series 2) expired.

2. On May 10, 2015, 3,415,669 options (series 4) of the Company expired, 1,850,000 options which had been allocated in December 2013 expired and 1,000,000 immediate options expired.

3. On June 9 and 15, 2015, 1,300,000 options, which had been granted under a private placement dated November 19, 2014, were exercised into Ordinary shares of NIS 0.1 par value each at the exercise price of NIS 0.5 per share. The total proceeds from the exercise of the shares were NIS 650 thousand.

4. Between October 18 and November 18, 2015, the remaining immediate options of Dekel and some of the contingent options were exercised (a total of 6,245,270 options). The total proceeds from the exercise of the options were approximately NIS 2 million.

5. On October 20, 2015, 310,000 options were exercised into Ordinary shares of NIS 0.1 par value each at the exercise price of NIS 0.65 per share. The total proceeds from the exercise of the options were approximately NIS 201 thousand.

6. On November 1, 2015, 300 options which had been allocated to the Company's employees in 2009 expired.

7. On December 6 and 13, 2015, 990,000 options were exercised into Ordinary shares of NIS 0.1 par value each at the exercise price of NIS 0.65 per share. The total proceeds from the exercise of the shares were NIS 644 thousand.

NOTE 16:- EQUITY (Cont.)

8. On December 23, 2015, 40,000 options were exercised into Ordinary shares of NIS 0.1 par value each at the exercise price of NIS 0.5 per share. The total proceeds from the exercise of the shares were NIS 20 thousand.

9. On December 31, 2015, 33,333 options were exercised into Ordinary shares of NIS 0.1 par value each at the exercise price of NIS 0.5 per share. The total proceeds from the exercise of the shares were NIS 17 thousand.

NOTE 17:- SHARE-BASED PAYMENT TRANSACTIONS

a. The expense recognized in the financial statements:

The expenses (income) recognized in the Group's financial statements for services received from employees and consultants are shown in the following table:

	Year ended December 31,		
	2015	2014	2013
	NIS in thousands		
Equity-settled share-based payment plans	532	144	(154)

The share-based payment transactions that the Company granted to its employees and consultants are described below. There have been no modifications or cancellations to any of the employee benefit plans during 2013 to 2015.

Also, an expense of NIS 3,906 thousand was recognized in respect of the license agreement with Dekel in the item other expenses. See additional information in Note 15b.

b. Share-based payment transactions with the Company's employees:

1. In furtherance to Note 16a, on March 26, 2010, the Company entered into a license agreement with Hadasit. As part of the payment for the license, Hadasit and Prof. Howard Weiner were allocated 345,000 unlisted options of the Company (172,500 options each) that are exercisable into 345,000 Ordinary shares of the Company of NIS 0.1 par value each for an exercise price of NIS 0.1 per share. The options vest in three equal portions after the fulfillment of each of the following milestones: the beginning of Phase 2A, the beginning of Phase 2B and the beginning of Phase 3 for using the Anti-CD3.

   The options will expire at the end of 15 years from the grant date. Any options that are not exercised by the expiration date mentioned above will expire and not confer any rights whatsoever.

   As of the reporting date, the first portion of 115,000 options may be exercised immediately for an exercise price of NIS 0.1 per share.

NOTE 17:- SHARE-BASED PAYMENT TRANSACTIONS (Cont.)

2. On March 24, 2014, the general meeting of shareholders approved payment of compensation to the Company's Chairman: (1) for September-December 2013 - monthly payment of US$ 10 thousand (2) from January 8, 2014 - monthly payment of NIS 50 thousand (3) allocation of 423,037 unlisted share options of the Company at exercise price of not less than the share market price in the 30 days before the allocation plus 10%. The options vest over three years in equal portions on a quarterly basis. Also, the Company's remuneration policy was approved by the general meeting. The options were allocated on April 1, 2014. The fair value at the grant date was estimated at approximately NIS 181 thousand. The compensation was calculated using the binomial model based on expected share price volatility of 71.44% at the grant date, a price per share of NIS 0.791 at the grant date, exercise price of NIS 0.789 per share, risk free interest rates of 0.7%-5.74% per year computed at the grant date and a forfeiture rate of 0%.

3. On May 4, 2014, in furtherance to the decision of the Company's Board, the Company allocated to the VP of Strategic and Business Development 266,242 unlisted options that are exercisable into 266,242 Ordinary shares of the Company. The options vest over a period of four years from the date of allocation in equal portions on a quarterly basis. The fair value at the grant date was estimated at approximately NIS 149 thousand. The compensation was calculated using the binomial model based on expected share price volatility of 72.47% at the grant date, a price per share of NIS 0.978 at the grant date, exercise price of NIS 0.99 per share that represents the average share market price in the 30 days before the allocation plus 10%, risk free interest rates of 3.69% computed at the grant date and a forfeiture rate of 0%.

4. On June 10, 2015, the general meeting approved to grant 800,000 options for immediate exercise by the retiring CEO, Mr. Jan Turek, relating to his consulting services to the Company as CEO, of which 400,000 options into Ordinary shares are at the exercise price of NIS 0.5 per option and 400,000 options into Ordinary shares are at the exercise price of NIS 0.8 per option.

   The fair value at the grant date was estimated at approximately NIS 144 thousand, calculated using the Black & Scholes model based on the exercise prices indicated above, standard deviation of 68.78% at the grant date, a price per share of NIS 0.721 at the grant date, risk-free interest rate of 0.11% a year and life of 0.47 years.

   Total share-based payment expenses recorded during the period in respect of the retiring CEO were NIS 144 thousand.

   On November 27, 2015, the options which had been granted to Mr. Jan Turek expired.

NOTE 17:- SHARE-BASED PAYMENT TRANSACTIONS (Cont.)

5. On May 20, 2015, the Company's Board approved to grant 540,000 options to the CEO and CFO and VP Business and Strategy with vesting terms of three years. Each option is exercisable at the exercise price of NIS 0.5. The fair value at the grant date was estimated at approximately NIS 165 thousand, calculated using the Black & Scholes model based on the exercise price of NIS 0.5 per share, standard deviation of 74.34% at the grant date, a price per share of NIS 0.403 at the grant date, risk-free interest rate of 2.11% a year and life of 10 years.

   Total share-based payment expenses recorded during the period in respect of this grant were NIS 72 thousand. At the beginning of October 2015, the employment of the CEO and CFO of the Company, Mr. Jonathan Berger, was terminated and the unvested options have been forfeited thereby reducing the expense by NIS 37 thousand so that the net expense recorded in respect of this grant totaled NIS 35 thousand.

6. On May 20, 2015, the Company's Board decided to grant, subject to the approval of the general meeting of the Company's shareholders, 250,000 options to the Company's chairman, Dr. Asher Shmulewitz, with vesting terms of three years. Each option is exercisable at the exercise price of NIS 0.5. The option grant was approved by the general meeting on February 14, 2016. The fair value of the options at the end of the reporting period was estimated at approximately NIS 192 thousand. Total share-based payment expenses recorded during the period in respect of this grant were approximately NIS 99 thousand.

7. On May 20, 2015, the Company's Board decided to grant, subject to the approval of the general meeting of the Company's shareholders, 50,000 options to a former director and another director each, with vesting terms of three years. Each option is exercisable at the exercise price of NIS 0.5. The option grant was approved by the general meeting on February 14, 2016. The fair value of the options at the end of the reporting period was estimated at approximately NIS 80 thousand. Total share-based payment expenses recorded during the period in respect of this grant were approximately NIS 40 thousand.

8. On February 16, 2016, the Company's Board approved to grant to the Company's consultant 120,000 options. The options vest over two years in four semi-annual portions effective November 17, 2015. Each option is exercisable at the exercise price of NIS 0.995. The fair value of the options at the end of the reporting period was estimated at approximately NIS 87 thousand. Total share-based payment expenses recorded during the period in respect of this grant were approximately NIS 11 thousand.

NOTE 17:- SHARE-BASED PAYMENT TRANSACTIONS (Cont.)

9. On February 16, 2016, the Company's Board approved to grant 300,000 options to two officers of the Company with vesting terms of three years effective November 25, 2015. Each option is exercisable at the exercise price of NIS 0.995. The fair value of the options at the end of the reporting period was estimated at approximately NIS 219 thousand. Total share-based payment expenses recorded during the period in respect of this grant were approximately NIS 25 thousand.

10. As for options granted to the Company's CEO, see Note 21e.

c. Movement during the year:

The following table lists the number of share options, the weighted average exercise prices of share options and modifications in employee and consultants option plans during the current year:

	2015		2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		NIS		NIS
Share options outstanding at beginning of year	1,210,443	4.39	8,019,255	0.73
Consolidation of options as a result of capital consolidation	-	-	(7,217,329)	0.73
Share options granted during the year	1,340,000	0.59	689,279	0.86
Share options exercised during the year	(33,333)	0.5	-	-
Share options forfeited or expired during the year	(1,179,957)	0.63	(280,762)	13.62
Share options outstanding at end of year	1,337,153	4.00	1,210,443	4.39
Share options exercisable at end of year	623,890	3.52	377,914	5.45

d. The weighted average remaining contractual life of the share options outstanding as of December 31, 2015 was 7.89 years (December 31, 2014 - 8.64 years).

e. The weighted average fair value of the share options granted in 2015 was NIS 0.23 (2014 - NIS 0.86).

f. The range of exercise prices of share options as of December 31, 2015 was NIS 0.1-NIS 44.58 as on December 31, 2014.

NOTE 18:- ADDITIONAL INFORMATION TO THE ITEMS OF PROFIT OR LOSS

		Year ended December 31,		
		2015	2014	2013
		NIS in thousands		
a.	Research and development expenses, net:			
	Wages and related expenses	183	506	1,759
	Materials	31	25	95
	Share-based payment	6	8	66
	Consultants and subcontractors	441	582	1,594
	Depreciation	6	49	131
	Patents	243	284	598
	Other expenses	21	375	684
	Grants from the Chief Scientist	-	(29)	(278)
		931	1,800	4,649
b.	General and administrative expenses:			
	Wages, salaries and related expenses	1,412	1,581	1,789
	Share-based payment	526	136	(220)
	Professional services including business development	2,035	2,562	1,247
	Insurance and directors' fees	214	244	334
	Depreciation	6	100	39
	Office maintenance and rent and other	1,104	615	730
		5,297	5,238	3,919
c.	Finance income (expenses):			
	Finance income:			
	Interest income on bank deposits	-	5	20
	Change in fair value of share options	-	396	47
	Finance income from liability to the Chief Scientist	-	-	1,527
	Exchange rate differences	20	-	9
		20	401	1,603

NOTE 18:- ADDITIONAL INFORMATION TO THE ITEMS OF PROFIT OR LOSS (Cont.)

	Year ended December 31,		
	2015	2014	2013
	NIS in thousands		
Finance expenses:			
Finance expenses from interest and commissions	-	13	28
Finance expenses from liability to the Chief Scientist	35	56	-
Exchange rate differences	-	8	44
Impairment of financial instrument	-	350	-
	35	427	72

d. Other income (expenses):

Share-based payment (see Note 15b)	3,906	-	-
Write down of liability to the Chief Scientist (Note 11)	(191)	-	7,206
Capital gain from sale of property, plant and equipment	19	115	40
	3,734	115	7,246

NOTE 19:- EARNINGS (LOSS) PER SHARE

a. Details of the number of shares and income (loss) used in the computation of earnings (loss) per share:

	Year ended December 31,					
	2015		2014		2013	
	Weighted number of shares	Loss	Weighted number of shares	Loss	Weighted number of shares	Net income
	In thousands	NIS in thousands	In thousands	NIS in thousands	In thousands	NIS in thousands
Number of shares and income (loss) used in the computation of basic and diluted earnings (loss) per share	23,853	(10,174)	16,072	(7,292)	10,178	209

NOTE 19:- EARNINGS (LOSS) PER SHARE (Cont.)

b. The computation of diluted earnings (loss) per share did not include the following convertible securities since their inclusion would decrease the diluted earnings (loss) per share compared to the basic net earnings (loss) per share (anti-dilutive effect):

1. Options to employees, officers and consultants.
2. Marketable share options (series 1).
3. Non-marketable share options (series 4).
3. Non-marketable share options to investor.

c. Earnings per share in 2013 was adjusted retroactively for consolidation of shares that took effect in 2014 (see Note 16a).

NOTE 20:- OPERATING SEGMENTS

The Company applies the principles of IFRS 8 regarding operating segments. The segment reporting is based on internal management reports of the Company's management which are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated and assess performance ("the management approach"). According to the principles of IFRS 8, management determined that the Company has one reportable segment: developing drugs based on cannabinoid molecules to be approved by an official regulatory authority.

NOTE 21:- TRANSACTIONS AND BALANCES WITH INTERESTED AND RELATED PARTIES

a. Balances with interested and related parties:

December 31, 2015:

	Key management personnel	Interested and other related parties
	NIS in thousands	
Other accounts payable	21	58

December 31, 2014:

	Key management personnel	Interested and other related parties
	NIS in thousands	
Other accounts payable	120	84

NOTE 21:- TRANSACTIONS AND BALANCES WITH INTERESTED AND RELATED PARTIES (Cont.)

b. Benefits to key management personnel (including directors) who are not employed by the Company:

	Year ended December 31,		
	2015	2014	2013
	NIS in thousands		
Short-term benefits	1,752	1,321	1,391
Share-based payment (see Note 17)	462	111	(239)
	2,214	1,462	1,152

c. Benefits to key management personnel who are employed by the Company:

	Year ended December 31,		
	2015	2014	2013
	NIS in thousands		
Short-term benefits	1,047	844	2,424
Share-based payment (see Note 17)	82	17	(201)
	1,129	861	2,223
Number of individuals to whom the salary and benefits relate:			
Interested parties and directors who are not employed by the Company	7	12	10
Related and interested parties who are employed by or on behalf of the Company	2	2	2
	9	14	12

d. Material agreements signed with interested and related parties:

1. On January 8, 2014, the Company's Board appointed Mr. Asher Shmulewitz as active Chairman of the Company's Board.

2. On February 16, 2014, the Company and the CEO, Mr. Ari Aminetzah, reached understandings regarding the termination of his tenure as the Company's CEO at the end of March 2014. During April-May 2014 Mr. Aminetzah rendered business development services to the Company.

NOTE 21:- TRANSACTIONS AND BALANCES WITH INTERESTED AND RELATED PARTIES (Cont.)

3. On March 24, 2014, the general meeting of shareholders approved payment of compensation to the Company's Chairman: (1) for September-December 2013 - monthly payment of US$ 10 thousand (2) from January 8, 2014 - monthly payment of NIS 50 thousand (3) allocation of 423,037 unlisted share options of the Company at exercise price of not less than the share market price in the 30 days before the allocation plus 10%. The options vest over three years in equal portions on a quarterly basis. Also, the Company's remuneration policy was approved by the general meeting. The options were allocated on April 1, 2014.

4. As for a license agreement with a company owned by the Company's chairman, Mr. Asher Shmulewitz, see Note 15b.

5. On April 2, 2015, the Company reported that Jonathan Berger, CPA, was appointed as the Company's CFO and on that date the Company reported that the Company's former CFO, Uri Ben-Or, CPA, and the former comptroller, Dov Weinberg, CPA, are leaving the Company.

6. On April 5, 2015, the Company reported that the Company's CEO, Mr. Jan Turek, is leaving the Company effective May 31, 2015. On May 21, 2015, the Company reported that Jonathan Berger, CPA, was appointed as the Company's CEO in addition to his role as the Company's CFO. On August 31, 2015, the Company reported that Jonathan Berger, CPA, terminated his role as the Company's CEO and CFO effective October 1, 2015.

7. At the beginning of October 2015, the employment of the CEO and CFO of the Company, Mr. Jonathan Berger, was terminated.

8. On November 19, 2015, the Company reported that Guy Goldin, CPA, was appointed as the Company's CFO effective November 1, 2015.

9. On November 25, 2015, the Company reported that Dr. Elran Haber was appointed as the Company's CEO. On February 14, 2016, the general meeting of shareholders approved his employment contract effective November 1, 2015. According to the terms of the contract, the CEO is entitled to a monthly salary of NIS 45 thousand, to an annual bonus of up to 6 monthly salaries subject to a target plan set by the Board and to receive 700,000 options at the exercise price of NIS 0.995 per share. The options vest over three years from the date of allocation in equal portions every quarter. Total expense recorded in respect of these options during the reporting period was approximately NIS 52 thousand.

NOTE 22:- EVENTS AFTER THE REPORTING DATE

a. On February 2, 2016, the Company reported that 161,875 options which had been granted to consultants expired.

b. In furtherance to the stated in Note 17b(6), (7) and (8), on February 16, 2016, the Company's Board approved to grant 1,050,000 options to the Company's CEO (700,000 options), to the Company's chairman (250,000 options), to a director (50,000 options) and to a former director (50,000 options). The grant of options was approved by the Board pursuant to the approval of the general meeting of February 14, 2016. The fair value at the grant date was estimated at approximately NIS 789 thousand (fair value of options granted to the CEO, chairman and each director - NIS 510 thousand, NIS 199 thousand and NIS 40 thousand, respectively), calculated using the Black & Scholes model based on the exercise price determined for each optionee, standard deviation of 74.07% at the grant date, a price per share of NIS 0.94 at the grant date, risk-free interest rate of 1.97% a year and life of 10 years.

c. On February 16, 2016, the Company's Board approved to grant 1,220,000 options to three officers (800,000 options), to three employees (300,000 options) and to a consultant (120,000 options). The options vest over three years except 120,000 options that were granted to consultant with vesting terms of two years. Each option is exercisable at the exercise price of NIS 0.995-NIS 1.061. The fair value at the grant date was estimated at approximately NIS 882 thousand, calculated using the Black & Scholes model based on the exercise price determined for each optionee, standard deviation of 74.07% at the grant date, a price per share of NIS 0.94 at the grant date, risk-free interest rate of 1.97% a year and life of 10 years.

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THERAPIX BIOSCIENCES LTD.

FINANCIAL DATA FROM THE CONSOLIDATED FINANCIAL STATEMENTS

ATTRIBUTABLE TO THE COMPANY

AS OF DECEMBER 31, 2015

THERAPIX BIOSCIENCES LTD.

FINANCIAL DATA FROM THE CONSOLIDATED FINANCIAL STATEMENTS

ATTRIBUTABLE TO THE COMPANY

AS OF DECEMBER 31, 2015

INDEX

Kost Forer Gabbay & Kasierer
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Haifa 33095, Israel

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To
The Shareholders of Therapix Biosciences Ltd. (formerly: NasVax Ltd.)

Dear Sirs/ Mmes.,

Re: **Special auditors' report regarding separate financial information in accordance with Regulation 9c to the Securities Regulations (Periodic and Immediate Reports), 1970**

We have audited the separate financial information presented pursuant to regulation 9c to the Securities Regulations (Periodic and Immediate Reports), 1970 of Therapix Biosciences Ltd. (formerly: NasVax Ltd.) ("the Company") as of December 31, 2015 and 2014 and for each of the three years, the last of which ended December 31, 2015, which was included in the Company's periodic report. The Company's board of directors and management are responsible for the separate financial information. Our responsibility is to express an opinion on the separate financial information based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Israel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the separate financial information. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall separate financial information presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the separate financial information referred to above is prepared, in all material respects, in conformity with Regulation 9c to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

Without qualifying our above opinion, we draw attention to the matter discussed in a to the additional information to the financial data and separate financial information attributable to the Company itself out of the Group's consolidated financial statements. For the year ended December 31, 2015, the Company incurred losses totaling NIS 9,877 thousand and negative cash flows from operating activities totaling NIS 5,163 thousand for the year then ended. These factors raise substantial doubt as to the Company's ability to continue as a going concern. Management's plans with respect to these matters are discussed in the above paragraph. The financial data and separate financial information attributable to the Company itself out of the Group's consolidated financial statements do not include any adjustments to the carrying amounts and classifications of assets and liabilities that would result if the Company was unable to continue as a going concern.

Haifa, Israel
March 22, 2016

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

Special Report in accordance with Regulation 9c

Financial Data and Financial Information from the

Consolidated Financial Statements Attributable to the Company

Below is financial data and separate financial information attributable to the Company itself from the Group's consolidated financial statements as of December 31, 2015, published as part of the periodic reports ("the consolidated financial statements"), presented in accordance with Regulation 9c to the Securities Regulations (Periodic and Immediate Reports), 1970.

The significant accounting policies applied in presenting this financial information are elaborated in Note 2 to the consolidated financial statements.

Investees - as defined in Note 1 to the consolidated financial statements.

Financial Data from the Consolidated Statements of Financial Position Attributable to the Company

	December 31,	
	2015	2014
	NIS in thousands	
ASSETS		
CURRENT ASSETS:		
Cash	6,115	594
Restricted cash	44	44
Accounts receivable	271	98
	6,430	736
NON-CURRENT ASSETS:		
Receivables from subsidiaries	5,525	4,680
Investment in associate	-	187
Property, plant and equipment	42	69
	5,567	4,936
	11,997	5,672
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Trade payables	1,540	973
Other accounts payable	215	132
	1,755	1,105
NON-CURRENT LIABILITIES:		
Government grants	-	156
Liabilities less assets attributable to subsidiaries, net	5,128	4,554
	5,128	4,710
EQUITY ATTRIBUTABLE TO THE COMPANY	5,114	(143)
	11,997	5,672

The accompanying additional information is an integral part of the financial data and separate financial information.

March 22, 2016			
Date of approval of the financial statements	Guy Goldin CFO	Elran Haber CEO	Asher Shmulewitz Chairman of the Board

Financial Data from the Consolidated Statements of Profit or Loss and Other Comprehensive Income Attributable to the Company

	Year ended December 31,		
	2015	**2014**	**2013**
	NIS in thousands		
Research and development expenses	443	914	4,632
General and administrative expenses	5,185	4,910	3,903
	5,628	5,824	8,535
Other expenses (income), net	3,733	(109)	(7,240)
Operating loss (income)	9,361	5,715	(1,295)
Finance income	(276)	(333)	(1,831)
Finance expenses	22	433	67
Company's share of losses of investees (including impairment of goodwill), net	770	1,392	(262)
Loss (income) attributable to the Company	9,877	7,207	(207)

The accompanying additional information is an integral part of the financial data and separate financial information.

Financial Data from the Consolidated Statements of Cash Flows
Attributable to the Company

	Year ended December 31,		
	2015	**2014**	**2013**
	NIS in thousands		
Cash flows from the Company's operating activities:			
Income (loss) attributable to the Company	(9,877)	(7,207)	207
Adjustments to reconcile income (loss) to net cash used in the Company's operating activities:			
Adjustments to the Company's profit and loss items:			
Depreciation and amortization	11	67	160
Loss (gain) from sale of property, plant and equipment	19	(38)	(34)
Change in employee benefit liabilities, net	-	-	(20)
Cost of share-based payment	4,438	144	(154)
Change due to decrease in value of share options	-	(81)	(30)
Decrease (increase) in outstanding liability to the Chief Scientist (including amounts recorded in research and development expenses)	-	28	(1,805)
Write down of liability to the Chief Scientist	(191)	-	(7,206)
Finance expenses (income), net	34	(5)	(20)
Company's share of losses of investees, net	770	1,392	262
Change in fair value of financial derivatives	-	350	-
	5,081	1,857	(8,847)
Changes in the Company's asset and liability items:			
Decrease (increase) in accounts receivable	(1,017)	52	(143)
Increase (decrease) in trade payable	567	(243)	(177)
Increase (decrease) in other accounts payable	83	(211)	(53)
	(367)	(402)	(373)
Cash received by the Company during the year for:			
Interest received	-	5	20
Net cash used in the Company's operating activities	(5,163)	(5,747)	(8,993)

The accompanying additional information is an integral part of the financial data and separate financial information.

Financial Data from the Consolidated Statements of Cash Flows Attributable to the Company

	Year ended December 31,		
	2015	**2014**	**2013**
	NIS in thousands		
Cash flows from the Company's investing activities:			
Proceeds from sale of property, plant and equipment	2	201	34
Purchase of property, plant and equipment	(4)	(2)	(6)
Movement in restricted cash, net	-	283	-
Investment in company accounted for at equity	-	(870)	-
Net cash provided by (used in) the Company's investing activities	(2)	(388)	28
Cash flows from the Company's financing activities:			
Exercise of options into shares	5,664	-	338
Issue of share capital and share options (less issuance expenses)	5,022	3,219	9,879
Receipt of grants from the Chief Scientist	-	-	486
Net cash provided by the Company's financing activities	10,686	3,219	10,703
Increase (decrease) in cash	5,521	(2,916)	1,738
Cash at the beginning of the year	594	3,510	1,772
Cash at the end of the year	6,115	594	3,510

The accompanying additional information is an integral part of the financial data and separate financial information.

a. General

For the year ended December 31, 2015, the Company had negative cash flows from operating activities totaling NIS 5,163 thousand and accumulated deficit totaling NIS 113,241 thousand and recurring operating losses.

The balance of cash at the Company's hands may not be sufficient to finance its operating activities in the period beyond 12 months after the date of the approval of the financial statements.

These factors raise substantial doubt as to the Group's ability to continue as a "going concern".

The Company is a pharmaceutical company specializing in developing approved drugs based on cannabinoid molecules. The Company finances its operations by raising capital from private and institutional sources and by collaborating with leading multinational corporations in the industry. The Company's management is focusing on securing the Company's financial stability, among others, by exploring one or more of the above alternatives.

The financial data and separate financial information attributable to the Company itself out of the Group's consolidated financial statements do not include any adjustments to the carrying amounts and classifications of assets and liabilities that would result if the Company was unable to continue as a going concern.

b. Balance of cash attributable to the Company (excluding amounts in respect of investees):

December 31, 2015:

	Unlinked	Total
	NIS in thousands	
Cash equivalents	6,115	6,115

December 31, 2014:

	Unlinked	Total
	NIS in thousands	
Cash equivalents	594	594

c. Disclosure of financial assets attributable to the Company (excluding amounts in respect of investees):

1. Details of material investments attributable to the Company by groups of financial assets pursuant to IAS 39:

	December 31,	
	2015	2014
	NIS in thousands	
Cash and cash equivalents	6,115	594
Restricted cash	44	44

The expected date of realization of accounts receivable is up to one year. Accounts receivable and cash are unlinked.

2. Liquidity risk attributable to the Company:

The table below presents the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (including interest payments):

December 31, 2015:

	Less than one year	Over four years	Total
	NIS in thousands		
Trade payables	1,540	-	1,540
Other accounts payable	215	-	215
	1,755	-	1,755

December 31, 2014:

	Less than one year	Over four years	Total
	NIS in thousands		
Trade payables	973	-	973
Other accounts payable	132	-	132
Government grants	-	4,254	4,254
	1,105	4,254	5,359

d. Disclosure of balances of deferred tax assets and liabilities attributable to the Company (excluding amounts in respect of investees) and disclosure of tax income or expense attributable to the Company (excluding amounts in respect of investees):

Taxes on income attributable to the Company:

1. Tax laws applicable to the Company:

   As for the tax laws applicable to the Company, see Note 14a to the consolidated financial statements.

2. Tax assessments attributable to the Company:

   The assessments of the Company are deemed final through the 2011 tax year.

3. Carryforward tax losses and other temporary differences attributable to the Company:

   The Company has tax losses in Israel that can be carried forward indefinitely totaling approximately NIS 70 million.

   No deferred tax assets relating to carryforward business losses and other temporary differences have been recognized because their utilization in the foreseeable future is not probable.

e. Material loans, balances and commitments with investees:

Balances and transactions with investees:

1. Balances with investees:

	December 31,	
	2015	2014
	NIS in thousands	
Receivables from subsidiaries	5,525	4,680

e. Material loans, balances and commitments with investees: (Cont.)

2. Transactions with investees:

	Year ended December 31,		
	2015	2014	2013
	NIS in thousands		
Participation in investees' expenses	785	133	262

3. Commitments:

a) On June 27, 2007, the Company founded NasVax Inc., a U.S. subsidiary ("the subsidiary") whose main activity is to provide business and marketing consulting services to the parent company. Therapix Biosciences Ltd. (formerly: NasVax Ltd.) and the subsidiary signed a service agreement which determines the following:

1) The subsidiary will provide Therapix Biosciences Ltd. (formerly: NasVax Ltd.) services as specified in the agreement.

2) The subsidiary has no authority to bind the Company by any contractual obligations to third parties.

3) All the rights and assets in the subsidiary or generated by it are exclusively owned by the Company.

As of the reporting date, the subsidiary has no activity and it has no employees.

b) Payment for services:

In consideration for the services, Therapix Biosciences Ltd. (formerly: NasVax Ltd.) will pay its subsidiary for the costs of rendering the services specified in the agreement plus a 5% margin of total costs (cost + 5%).

c) Shareholders' loan:

NasVax Inc. will pay the Company annual interest of 5.25% on shareholders' loan.

d) On July 12, 2009, the Company acquired the entire issued share capital of Orimmune Bio Ltd. (formerly: Protea Vaccine Technologies Ltd.) ("Orimmune "). In September 2013, as part of the investment agreement, the Company allocated to the Chinese company, Acebright Holding Limited, 16.4% of the issued and outstanding capital of Orimmune.

e. Material loans, balances and commitments with investees: (Cont.)

e) On October 13, 2013, the Company founded Brain Bright Ltd. As of the reporting date, the subsidiary has no activity and it has no employees.

f) As for information regarding the investment agreement between the Company and LaraPharm Ltd., see Note 8b to the consolidated financial statements.

g) As for information regarding a binding term sheet between the Company and Dekel Pharmaceuticals Ltd., see Note 15b to the consolidated financial statements.

f. Events after the reporting date

See Note 22 to the consolidated financial statements.

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THERAPIX BIOSCIENCES LTD.

Additional Information about the Corporation

Name of Corporation:	Therapix Bioscience Ltd. ("**Therapix**" or "**the Company**")
Corporation number at the Registrar of Companies:	513581652
Registered address:	5 Azrieli Center, Square Tower, 27th Florr, Tel-Aviv 6702501
Telephone:	03-6167055
Fax:	03-6167056
E-mail:	info@therapixbio.com
Website:	www.therapixbio.com
Reporting year:	2015
Statement of financial position date:	December 31, 2015
Date of periodic report:	March 22, 2016

(Regulation 1)

Regulation 8b(i): **Material or Very Material Valuation performed by the Company**

During the reporting period, the Company used a material or very material valuation for determining the fair value of options allocated to Dekel based on the license agreement.

See details of the valuation, which has not changed compared to the reporting date, in an appendix to the Company's report for the third quarter of 2015 [TASE reference: 2015-01-166299].

Regulation 9b: **Report of Effectiveness of Internal Control over Financial Reporting and Disclosure**

The Company does not attach an annual report on the assessment of the Board and Management of the effectiveness of internal control to the periodic report in accordance with the "small corporation" exemption prescribed in Regulation 5d(4) to the Regulations.

Regulation 9c: The Corporation's Separate Financial Information

The Company includes the separate financial information of the Company in addition to the financial statements since the additional information in the separate financial information may be material to the Company's consolidated financial statements.

Regulation 9d: Report of the Status of Liabilities according to Maturity Dates

The Company's report of the status of its liabilities according to maturity dates is hereby attached to this report as an integral part thereof. See details in the Company's immediate report regarding the status of liabilities hereby attached to this report and the ISA's website at http://www.magna.isa.gov.il.

Regulation 10a: Condensed Statements of Profit or Loss for 2015 (NIS in thousands)

	Three months ended				Year ended December 31, 2015
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015	
	(Unaudited)				(Audited)
	NIS in thousands				
Research and development expenses, net	230	247	143	311	931
General and administrative expenses	1,152	1,304	1,042	1,799	5,297
Other expenses (income), net	19	-	3,907	(190)	3,734
Finance expenses (income), net	17	(13)	19	(8)	15
Group's share of losses of company accounted for at equity	110	87	-	-	197
Net loss	1,528	1,625	5,110	1,911	10,174
Loss attributable to equity holders of the Company	1,505	1,610	5,099	1,663	9,877
Loss attributable to non-controlling interests	23	15	11	248	297

Regulation 10c: Use of Proceeds from Securities with reference to Proceeds Targets based on Prospectus

In the reporting year, the Company did not raise capital according to a prospectus[1].

[1] On May 8, 2014, the Company completed the issue of Ordinary shares and two series of share options (series 3 and 4) of the Company based on a shelf prospectus of August 8, 2012 and a shelf offering report of May 8, 2014. The issue proceeds amounted to approximately NIS 2,859 thousand (gross) and were used by the Company to finance its operating activities, all in keeping with the Board's resolutions as they will be from time to time. In the reporting year, the Company completed several capital raising rounds through private placements to private investors which whose proceeds were also used to finance operating activities in keeping with the Board's resolutions as they will be from time to time while focusing the efforts on raising additional capital as needed for the Company's operating activities and developing the Company's business based on its business strategy.

Regulation 11: List of Investments in Subsidiaries and Related Companies

As of December 31, 2015:

Subsidiaries	Number and class of shares	Total overall par value of shares	Par value of shares held	% of issued share capital, % of voting rights and % of authority to appoint directors	Adjusted cost on the purchase date (NIS'000)	Adjusted carrying amount as of December 31, 2015 (NIS'000)
NasVax Inc.	100 Ordinary shares	Less than NIS 1	Less than NIS 1	100%	-	(1,976)
Orimmune Bio Ltd. (formerly: Protea Vaccine Technologies Ltd.)	113,199 Ordinary shares	NIS 1,132	NIS 0.01	84%	13,720	(3,759)
Brain Bright Ltd.	1,000 Ordinary shares	-	No par value	100%	-	-
Lara-Pharm Therapeutics Ltd.	10,000,000 Ordinary shares of NIS 0.01 par value each	100,000	3,358	11%	870	-

Regulation 12: Changes of Investments in Subsidiaries and Related Companies during the Reporting Period

For information about the Company's investment in Lara-Pharm in the amount of NIS 870 thousand in the course of 2014 and the possible forfeiture of holdings in the event of failure to make certain investments based on an investment agreement between the parties, see the Company's immediate report of April 2, 2014 [TASE reference: 2014-01-035922] and paragraph 19.1 to Chapter A to this report.

Regulation 13: Income of Subsidiaries and the Company's Income therefrom as of the Balance Sheet Date

The following table presents the comprehensive income (loss) of each subsidiary or material related company of the Company in the latest reporting year ended on or before the statement of financial position date, adjusted to the statement of financial position date, and a breakdown of the Company's income therefrom (in NIS in thousands):

Company name (**)	Income (loss) for the period	Dividend (*)	Income from management fees (*)	Income from nominal interest (*)
NasVax Inc.	(265)	-	-	265
Orimmune Bio Ltd. (formerly: Protea Vaccine Technologies Ltd.)	(605)	-	-	-

(*) Income from dividends, interest and management fees received or receivable by the Company from each of its subsidiaries or related companies in the reporting year and payments for subsequent periods, including payment dates.

(**) The Company recorded a loss from its share in an immaterial investee (Lara-Pharm Therapeutics Ltd.) of NIS 197 thousand.

Regulation 20: **Trade on the Tel-Aviv Stock Exchange ("the TASE")**

[Securities listed for trade in the reporting period]

1. Public offerings - in the reporting period, the Company did not perform any public offering of securities.

2. Private placements - in the reporting period, the Company offered to private investors and listed to trade the following securities:

   2.1 On December 19, 2014, as part of a private placement to several private investors, the Company issued, 1,300,000 shares and listed them for trade on the TASE[2].

   2.2 On March 12, 2015, as part of a private placement to several private investors, the Company issued, 500,000 shares and listed them for trade on the TASE[3].

   2.3 On April 26, 2015, as part of a private placement to a private investor, the Company issued 4,400,000 shares and listed them for trade on the TASE[4].

   2.4 On August 19, 2015, the Company completed a private placement to Dekel Therapeutics Ltd. in which the Company offered Dekel, 200,000 shares (as a down payment), 3,876,000 options that vest immediately and 11,926,154 contingent options[5]. Of said securities, as of the report date, the shares which used as down payment have not yet been listed for trade[6].

   2.5 On November 25, 2015, as part of a private placement to several private investors, the Company issued 3,159,025 shares and listed them for trade on the TASE[7].

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2 See details in an immediate report of December 21, 2014 [TASE reference: 2014-01-226122].
3 See details in an immediate report of March 15, 2015 [TASE reference: 2015-01-051157].
4 See details in an immediate report of April 29, 2015 [TASE reference: 2015-01-008361].
5 See details in an immediate report of August 19, 2015 [TASE reference: 2015-01-100422].
6 See details in an immediate report of March 15, 2016 [TASE reference: 2016-01-051157].
7 See details in an immediate report of November 25, 2015 [TASE reference: 2015-01-164421].

3. Exercise of share options - in the reporting year and as of the report date, share options of the Company were exercised as follows:

   3.1 1,300,000 options that vest immediately and 1,300,000 contingent options which were issued to several private investors (as discussed in paragraph 2.1 above) were exercised into Ordinary shares of the Company.

   3.2 3,876,000 options that vest immediately and 2,369,270 contingent options, some of which granted to Dekel and some sold to several private investors by Dekel (as discussed in paragraph 2.4 above) were exercised into Ordinary shares of the Company.

   3.3 40,000 options granted to a consultant and 33,333 options granted to the former CEO and CFO were exercised into Ordinary shares of the Company.

4. To the best of the Company's knowledge, in the reporting period, the trade of the Company's securities was not discontinued (other than predetermined trading intervals due to the issuance of financial statements or other material reports).

Regulation 21: Remuneration of Senior Officers

(1) The following table provides details of the remuneration paid in the reporting year to each of the five highest paid senior officers in the Company in connection with their service in the Company (NIS in thousands):

Details of remuneration recipients				Remuneration for services (NIS in thousands)							Other remuneration * (NIS in thousands)			
Name	Position	Scope of position	Effective stake in the Corporation	Salary	Bonus	Share-based payment **	Management fees	Consulting fees	Commission	Other	Interest	Rental fees	Other	Total
Dr. Ascher Shmulewitz	Chairman of the Board	60%	1.89%	-	-	158	-	598	-	-	-	-	-	756
Dr. Elran Haber	Company CEO from November 2015 [former VP Business Strategy & Innovation from March 2014]	100%	-	595	-	124	-	-	-	-	-	-	-	719
Jan Turek	Former CEO [from September 2014 to May 2015]	5%0	-	-	-	144	-	245	-	-	-	-	-	389
Jonathan Berger	CEO and former CFO [from April 2015 to September 2015]	%100	-	177	-	10	-	-	-	-	-	-	15	187
Uri Ben-Or	Former CFO [from October 2014 to April 2015]	5%0	-	-	-	-	-	88	-	-	-	-	-	88

* The remuneration amounts are presented in terms of cost to the Company.

** The amount stated in the "share-based payment" column represents the expense recorded by the Company pursuant to IFRS 2 for the grant of options.

(2) For details of the remuneration paid to interested parties who are not featured in the table in (1) above (whose remuneration was paid by the Company or by a company controlled by it in connection with services rendered by the interested parties as holders of positions in the Company or in a company controlled by it, whether in the context of employer-employee relations or not), see subparagraph (c) below.

(3) Below are details of the employment terms of the Company's senior officers pursuant to the provisions of the Sixth Addendum to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970:

(a) Dr. Ascher Shmulewitz - active Chairman of the Board[8]

Dr. Ascher Shmulewitz has been serving as active Chairman of the Board of the Company since January 2014. On February 14, 2016, following the approval of the general meeting of the Company's shareholders, an agreement was signed for settling the terms of service of Dr. Ascher Shmulewitz as active Chairman of the Board of the Company which consists of the following principles:

Job description: provision of active Chairman of the Board services.
Scope of consulting services: minimum 60% position.
Monthly consulting fees: NIS 50 thousand plus VAT as required by law against a legal tax invoice.
Early notice: each party will be entitled to terminate the agreement by providing an advance notice of 90 days (subject to possible earlier termination under specific circumstances stipulated in the agreement).
Compensation, insurance and/or exemption: Dr. Shmulewitz is entitled to insurance, compensation and exemption arrangements based on the standard format and terms practiced in the Company with respect to directors and officers.
Annual bonus: the Chairman is entitled to an annual bonus of up to six [6] times the monthly consulting fees, subject to an annual target plan as determined by the Company's Board and to meeting the predetermined targets.

The agreement stipulates additional conditions as customary in thus type of agreements such as non-compete, IP protection and non-disclosure provisions.

In addition, as part of the Company's general directors' and officers' remuneration plan, following the approval of the Company's Remuneration Committee and Board, on February 14, 2016, the general meeting of the Company's shareholders decided to grant the Chairman of the Board 250,000 (unregistered) options which are each exercisable into one Ordinary share for an exercise price of NIS 0.5 per option (subject to adjustments). The options vest equally on a quarterly basis over a period of three years[9].

No remuneration has been paid after the reporting year and prior to the date of filing this report in connection with Dr. Shmulewitz's service or employment in the reporting year which has not been recognized in the financial statements for the reporting year.

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8 See details of Dr. Ascher Shmulewitz's tenure terms as active Chairmen of the Company's Board in the Company's (amended) meeting notification report of January 29, 2016 [TASE reference: 2016-01-019615].

9 See more details in the Company's immediate reports of May 21, 2015 [TASE reference: 2015-01-025020] and November 26, 2015 [TASE reference: 2015-01-166275].

(b) Dr. Elran Haber, CEO[10]

Dr. Elran Haber has served as the Company's CEO since November 1, 2015. He previously served as the Company's VP Business Strategy & Innovation from March 1, 2014. On February 15, 2016, the employment agreement settling Dr. Haber's employment as the Company's CEO was signed, consisting of the following main provisions[11]:

Job description: Company CEO.
Scope of position: 100%.
Date of commencement of tenure as CEO: November 1, 2015[12].
Monthly salary: NIS 45 thousand[13].
Social and related benefits: as prescribed by applicable laws (annual vacation of 20 days, sick leave and recreation pay). He is also entitled to contributions to an advanced study fund, pension (through an executive insurance policy and/or pension fund) and occupational disability insurance under standard terms. The CEO will receive reimbursement for cellular phone and travel and gas expenses under standard terms against invoices.
Annual bonus: an annual bonus of up to six monthly salaries, subject to an annual target plan as determined by the Company's Board and to meeting the predetermined targets.
Early notice: each party may terminate the agreement by providing an advance notice of three months (subject to possible earlier termination under specific circumstances stipulated in the agreement).
Compensation, insurance and/or exemption: the CEO is entitled to insurance, compensation and exemption arrangements based on the standard format and terms practiced in the Company with respect to other officers.
The employment agreement is also subject to the Company's standard service and employment stipulations for senior officers such as IP protection, non-compete and non-disclosure provisions.
Share-based payment: following the approval of the Company's Remuneration Committee and Board, on February 14, 2016, the general meeting of the Company's shareholders decided to grant the new CEO 700,000 (unregistered) options which are each exercisable into one Ordinary share.

10 See details of Dr. Elran Haber's tenure terms as the Company's CEO in the Company's (amended) meeting notification report of January 29, 2016 [TASE reference: 2016-01-019615].

11 See updated details of Dr. Elran Haber's tenure terms as the Company's CEO in the Company's (amended) meeting notification report of January 29, 2016 [TASE reference: 2016-01-019615] and in Regulation 21 below. See details of Dr. Haber's service as VP Business Strategy & Innovation in Regulation 21 to Chapter D (Additional Information about the Corporation) to the previous annual report.

12 Dr. Haber's tenure as CEO is in succession to his tenure as VP in the Company.

13 It should be clarified that before October 31, 2015, Dr. Haber's monthly salary as VP was NIS 36 thousand.

The offered options will be allocated to the optionee based on the new option plan and are exercisable for an exercise price of NIS 0.995 per option (subject to adjustments) (the exercise of the offered options will also be allowed on a cashless basis). The options vest equally on a quarterly basis over a period of three years and expire according to the terms of the Company's 2015 option plan and option agreement signed with the CEO.

No remuneration has been paid after the reporting year and prior to the date of filing this report in connection with Dr. Haber's employment in the reporting year which has not been recognized in the financial statements for the reporting year.

(c) Directors' remuneration

The Company's acting directors as of the report date, excluding the external and independent directors, are not entitled to annual remuneration, participation fees or reimbursement of expenses for their participation in Board meetings.

Nevertheless, Dr. Ascher Shmulewitz is entitled to remuneration based on his service and tenure terms in the Company (as discussed in subparagraph (a) above and Mr. Avraham Meizler has been granted options for the Company's Ordinary shares.

The remuneration paid to external and independent directors in the Company in the reporting period, according to the annual remuneration and the participation fees based on the amounts prescribed in the Second and Third Addendums to the Companies Regulations (Rules of Remuneration and Expenses to External Directors), 2000 amounted to NIS 138 thousand.

No remuneration has been paid after the reporting year and prior to the date of filing this report in connection with their service or employment in the reporting year which has not been recognized in the financial statements for the reporting year.

Option plan

For more information of the Company's 2015 option plan and of options granted to Company directors, officers, employees and consultants, see paragraph 14.9 to Chapter A to this report.

(d) Approval of the remuneration policy for the Company's officers

On January 23, 2014, the general meeting approved the Company's remuneration policy pursuant to Article 267a to the Companies Law, 1999, after the remuneration policy and all the issues that required attention therein had been discussed by the Company's Board based on the Remuneration Committee's recommendations and approved by it.

The remuneration policy is not designed to govern the employment agreements that had been signed in the Company prior to the policy's adoption; however, pursuant to applicable law and the ISA's guidelines, the Board will annually examine the reasonableness of such employment agreements and the Remuneration Committee will periodically examine the need to adjust the remuneration policy. Moreover, the renewal and adjustment of existing agreements with officers will be governed by the Company's remuneration policy.

The Company's Board meeting of March 22, 2016 decided that the employment agreements of the Company's acting officers are in compliance with the Company's remuneration policy.

See more details of the remuneration policy in paragraph 14.8 to Chapter A to this report.

Regulation 21a: The Controlling Shareholder in the Corporation

To the best of the Company's knowledge, as of the report date, the Company does not have an individual or an entity which is defined as a "controlling shareholder" based on the definition of this term in the Securities Law, 1968.

Notwithstanding the aforementioned, it should be noted that as explained in an amended report regarding a private placement of the Company's shares issued by the Company on February 3, 3013 [TASE reference: 2013-01-028422] ("**the offering report**"), the Company undertook that as long as there is no material change in the holding status that will prevail after the private placement to each of the parties as defined in the offering report[14], each material transaction which the Company wishes to sign in which any of the parties has a personal interest (excluding decisions regarding indemnification, directors' fees, insurance etc. that uniformly apply to all directors) will be studied by the ISA Staff for the transaction's proper approval.

Regulation 22: Transactions with Controlling Shareholder

To the best of the Company's knowledge, the Company does not have a controlling shareholder.

Notwithstanding the aforementioned, see details of the Company's engagement in a consulting service agreement with the Chairman of the Board and of the remuneration paid to the Company's directors in Regulation 21 above and Regulation 29 below.

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14 This provision mainly refers to Dr. Avi Meizler and Dr. Ascher Shmulewitz who as of the report date serve as director and Chairman of the Board in the Company, respectively. It should be clarified that according to the offering report, the optionees were Gilbood Trading S.A., an interested party in the Company, in which, to the best of the Company's knowledge, the director Dr. Avi Meizler is a controlling shareholder, and Incumed SPV, a company that was then in the process of registration for trade abroad, in which, to the best of the Company's knowledge, Dr. Ascher Shmulewitz is a controlling shareholder (in the offering report "**the optionees**").

Regulation 24: Holdings of Interested Parties and Senior Officers

See details of holdings of interested parties in the Company as of the report date in an immediate report of February 17, 2016 [TASE reference: 2016-01-029398].

Regulation 24a: Authorized Share Capital, Issued Share Capital and Convertible Securities

For data about the Company's authorized and issued share capital and convertible securities as of the report date, see Note 16 to the financial statements.

Regulation 24b: Registrar of the Company's Shareholders

To the best of the Company's and its managers' knowledge, the Registrar of the Company's shareholders as of the report date is as follows:

Registrar of Shareholders			
Name of shareholder	**I.D. No. / company No.**	**Israeli Address**	**No. of shares**
Mizrahi Tefahot Registration Company Ltd.	510422249	7 Jabotinsky Street, Ramat Gan	34,867,902
Hadasit Medical Research Services and Development Ltd.	51115685-3	P.O.B 12000 Ein Karem, Jerusalem	103,520
Dr. Shmuel Kabili	01006893-0	13 Em Kol Hai Street, Gedera	163,880
Prof. Yechezkel Barenholz	8243016	18 Neve Shaanan Street, Jerusalem	263,850
Total			**35,399,152**

Regulation 26: The Company's Directors

(1)	**Director name:**	**Dr. Ascher Shmulewitz, Chairman of the Board**
	I.D. number:	54228374
	Birth date:	October 22, 1956
	Domicile for service of judicial documents:	20 Yoav Street, Tel-Aviv
	Citizenship:	Israeli
	Member on Board committees:	R&D and Clinical Trials Committee
	External director:	No
	Independent director:	No
	Possesses accounting and financial expertise or professional competence:	No
	Employee of the Company, a subsidiary, a related company or an interested party therein:	No
	Date of beginning of tenure as director:	February 21, 2013
	Education:	MD from Technicon Medical School and PhD in Engineering from Tel-Aviv University.
	Main occupations in the last five years:	Chairman of Medgenesis Partners for 11 years
	Serves as director in:	Medgenesis Partners, Medgenesis Ventures, V-Wave, Clearfarma Industries, Innosense, Sipnose, Cast, Obiner, Dekel Pharma
	Family relative of another interested party in the Corporation (if any):	No
	Director viewed as possessing accounting and financial expertise for compliance with the minimum number established by the Board pursuant to Article 92(a)(12) to the Companies Law:	No

(2)	**Director name:**	**Avraham Meizler, Director**
	I.D. number:	YA327556
	Birth date:	January 1, 1952
	Domicile for service of judicial documents:	Two Pen Center, Suite 200, Philadelphia, PA, USA Additional domicile in Israel: c/o Zysman, Aharoni, Gayer & Co, 41-45 Rothschild Blvd., Tel-Aviv
	Citizenship:	Israeli
	Member on Board committees:	No
	External director:	No
	Expert external director:	No
	Possesses accounting and financial expertise or professional competence:	No
	Employee of the Company, a subsidiary, a related company or an interested party therein:	No
	Date of beginning of tenure as director:	February 21, 2013
	Education:	
	Main occupation in the last five years:	President of Meizler Biopharma S.A., co-founder and CEO of Advantech Bioscience Pharmaceutical Ltd.
	Serves as director in:	No
	Family relative of another interested party in the Corporation:	No
	Director viewed as possessing accounting and financial expertise for compliance with the minimum number established by the Board pursuant to Article 92(a)(12) to the Companies Law:	No

(3)	**Director name:**	**Zohar Heiblum, External Director**
	I.D. number:	53291043
	Birth date:	March 21, 1955
	Domicile for service of judicial documents:	32 Magal Street, Savyon
	Citizenship:	Israeli
	Member on Board committees:	Audit Committee, Financial Statement Review Committee, Remuneration Committee
	External director:	Yes
	Possesses accounting and financial expertise or professional competence:	Yes - accounting and financial expertise
	Expert external director:	Yes
	Employee of the Company, a subsidiary, a related company or an interested party therein:	No
	Date of beginning of tenure as director:	August 26, 2013
	Education:	B.Sc. in Engineering, Industry and Management, MA in Business Administration, Tel-Aviv University
	Main occupation in the last five years:	Chairman of the Board of Directors, Z. Roth Industries Ltd; Managing Partner in Momentum Management; Deputy CEO and CFO in Celltro Communications Ltd; Manager in Daniron Consulting and Investments Ltd; Director at Widemed Ltd.
	Serves as director in:	Widemed Ltd; Daniron Consulting and Investments Ltd.; Z. Roth Industries Ltd.
	Family relative of another interested party in the Corporation:	No
	Director viewed as possessing accounting and financial expertise for compliance with the minimum number established by the Board pursuant to Article 92(a)(12) to the Companies Law:	Yes

(4)	**Director name:**	**Amit Berger, External Director**
	I.D. number:	059100529
	Birth date:	September 23, 1964
	Domicile for service of judicial documents:	22 Hadekel Street, Savyon
	Citizenship:	Israeli
	Member on Board committees:	Audit Committee, Financial Statement Review Committee, Remuneration Committee
	External director:	Yes
	Possesses accounting and financial expertise or professional competence:	Yes - accounting and financial expertise
	Independent director:	Yes
	Employee of the Company, a subsidiary, a related company or an interested party therein:	No
	Date of beginning of tenure as director:	August 21, 2014
	Education:	BA in Economics from the Tel-Aviv University, owns a portfolio management license
	Main occupation in the last five years:	Chairman and CEO of Dolphin 1 Investments Ltd., Director
	Serves as director in:	Mega-Or Holdings Ltd., E.T. Finances E.E. Investments Ltd. (Independent Director), Hamashbir 365 Holdings Ltd. (External Director), Polar Investments Ltd., Ortam Sahar Engineering Ltd. (Independent Director), N.R. Spantech Industries Ltd. (External Director), Dolphin 1 Investments Ltd., Berger Capital Markets Ltd., Amit Berger Holdings Ltd., Amit Berger Investments Ltd., Amit Berger Management and Consulting Ltd.
	Family relative of another interested party in the Corporation:	No
	Director viewed as possessing accounting and financial expertise for compliance with the minimum number established by the Board pursuant to Article 92(a)(12) to the Companies Law:	Yes

(5)	**Director name:**	**Micha Jesselson, Director**
	I.D. number:	038087177
	Birth date:	November 21, 1985
	Domicile for service of judicial documents:	52 Menachem Begin Rd., Tel-Aviv
	Citizenship:	Israeli
	Member on Board committees:	No
	External director:	No
	Possesses accounting and financial expertise or professional competence:	No
	Independent director:	No
	Employee of the Company, a subsidiary, a related company or an interested party therein:	Yes. Jesselson Investments Ltd. (interested party in the Company by virtue of its indirect holdings through Jay's Thera Ltd.)
	Date of beginning of tenure as director:	June 10, 2014
	Education:	Bachelor of Business degree from the Interdisciplinary Center (IDC), Herzliya
	Main occupation in the last five years:	Investment management at Jesselson Investments Ltd.
	Serves as director in:	Psifas Fund in memory of Eliezer Gluberman and Yosef Goodman
	Family relative of another interested party in the Corporation:	Yes
	Director viewed as possessing accounting and financial expertise for compliance with the minimum number established by the Board pursuant to Article 92(a)(12) to the Companies Law:	No

(6)	**Director name:**	**Dr. Yafit Stark, Independent Director**
	I.D. number:	51919959
	Birth date:	June 24, 1953
	Domicile for service of judicial documents:	Company offices, Square Tower 5, Azrieli Center, Tel-Aviv 6702501
	Citizenship:	Israeli
	Member on Board committees:	Audit Committee, Financial Statement Review Committee, Remuneration Committee, R&D and Clinical Trials Committee
	External director:	No
	Possesses accounting and financial expertise or professional competence:	No
	Independent director:	Yes
	Employee of the Company, a subsidiary, a related company or an interested party therein:	No
	Date of beginning of tenure as director:	June 10, 2015
	Education:	PhD degree in Pathology from the Tel-Aviv University and a Post-Doctorate in Immuno-Histopathology from Tel-Aviv University and the Weizmann Institute of Science
	Main occupation in the last five years:	Vice President, Chief Clinical Officer and Head of Innovative R&D Division at Teva Pharmaceutical Industries Ltd.
	Serves as director in:	PolyPid Ltd., Eximore Ltd.
	Family relative of another interested party in the Corporation:	No
	Director viewed as possessing accounting and financial expertise for compliance with the minimum number established by the Board pursuant to Article 92(a)(12) to the Companies Law:	No

Regulation 26a: **Senior Officers**

Details of acting senior officers in the Company who are not directors as of the report date:

(1)	**Officer name:**	**Dr. Elran Hillel Haber**
	I.D. / passport number:	040092702
	Birth date:	May 15, 1980
	Date of beginning of tenure as officer:	November 1, 2015 (previously served as VP from March 1, 2014)
	Position filled in the Company, a subsidiary or an interested party therein:	**CEO** Member of the Company's R&D and Clinical Trials Committee
	Main occupation in the last five years:	VP Business Strategy & Innovation in the Company, VP Business Strategy & Innovation in ClearPharma Industries Ltd., director in various companies
	Education:	Ph.D. in Pharmaceutical Science from the Hebrew University of Jerusalem; MBA in Finance & Financial Engineering from the Hebrew University of Jerusalem; BA in Pharmaceutical Science from the Hebrew University of Jerusalem
	Interested party in the Company or family relative of another senior officer or interested party in the Company:	No

(2)	**Officer name:**	**CPA Guy Goldin**
	I.D. / passport number:	029410768
	Birth date:	April 23, 1972
	Date of beginning of tenure as officer:	November 1, 2015
	Position filled in the Company, a subsidiary or an interested party therein:	**CFO and Company Secretary**
	Main occupation in the last five years:	CFO at BSP - Biological Signal Processing Ltd., CFO at Petro-Group Ltd., Controller at Metis Capital Ltd.
	Education:	MBA from Tel-Aviv University, BA in Accounting and Economics from Tel- Aviv University
	Interested party in the Company or family relative of another senior officer or interested party in the Company:	No

(3)	**Officer name:**	**Doron Ben-Ami**
	I.D. / passport number:	57690653
	Birth date:	May 10, 1952
	Date of beginning of tenure as officer:	December 1, 2015
	Position filled in the Company, a subsidiary or an interested party therein:	**Chief Strategy Officer**
	Main occupation in the last five years:	Senior Consultant at Harel Consulting, Founder and CEO of Triticum Ltd., Associate Vice President of the Eastern Europe and Israel region at Merck & Co., Inc. MSD, Managing Director of Merck & Co., Inc. MSD Israel.
	Education:	Master of Health Systems Administration (M.H.A.) from Tel-Aviv University, Bachelor of Science degree in Physical Therapy from Ben-Gurion University of the Negev
	Interested party in the Company or family relative of another senior officer or interested party in the Company:	No

(4)	**Officer name:**	**Dr. Adi Zuloff-Shani**
	I.D. / passport number:	023823818
	Birth date:	July 12, 1968
	Date of beginning of tenure as officer:	February 8, 2016
	Position filled in the Company, a subsidiary or an interested party therein:	**Chief Technology Officer** [Substitute Member of the Company's R&D and Clinical Trials Committee]
	Main occupation in the last five years:	Vice President Development at Macrocure Ltd., Product Export and Head of New Initiatives at Macrocure Ltd.
	Education:	PhD in Human Biology and Immunology from the Bar-Ilan University, BSc in Biology from the Bar- Ilan University
	Interested party in the Company or family relative of another senior officer or interested party in the Company:	No

(5)	**Officer name:**	**Daniel Shapira**
	I.D. / passport number:	052755998
	Birth date:	July 21, 1954
	Date of beginning of tenure as officer:	March 29, 2006
	Position filled in the Company, a subsidiary or an interested party therein:	**Internal Auditor**
	Main occupation in the last five years:	Internal auditor in public companies
	Education:	Economics and Accounting from the Bar-Ilan University
	Interested party in the Company or family relative of another senior officer or interested party in the Company:	No

Details of former senior officers in the Company who are not directors whose tenure was terminated in the reporting period through the date of issuance of this report:

Name:	**Tami Kfir**	**Ahmed Alimi**	**Jan Turek**	**Uri Ben-Or**	**Jonathan Berger**	**Dov Weinberg**
I.D.:	023579352	028300887	488764876 US	027867753	012196408	51542199
Date of beginning of tenure:	March 21, 2013	June 10, 2015	September 22, 2014	October 5, 2014	April 1, 2015	October 1, 2014
Date of termination of tenure:	February 14, 2016	February 4, 2016	May 31, 2015	April 1, 2015	October 1, 2015	April 1, 2015
Position filled in the Company, a subsidiary thereof, a related company thereof or an interested party therein:	Director	Director	CEO	CFO	CEO and CFO	CFO

Regulation 26b: Company Signatories

The Company has no independent signatories, as this term is defined in the Securities Law and in the ISA's guidelines.

Regulation 27: The Corporation's Auditors

EY Israel (Kost Forer Gabbay & Kasierer, CPAs) of 2 Pal-Yam Blvd., Haifa 33095, Israel.

To the best of the Company's knowledge, the auditors or their partners are not interested parties in the Company or family relatives of interested parties or of officers in the Company.

Regulation 28: Changes in Memos or in the Articles of Association

In the reporting period there was no change in the Company's articles of association.

Regulation 29: Recommendations and Resolutions by the Board of Directors and Special Meetings

a. In the reporting period, no resolutions were accepted in the general meeting against the Board's recommendation.

b. On March 24, 2014, the general meeting of the Company's shareholders approved the payment of remuneration to Dr. Ascher Shmulewitz who serves as active Chairman of the Board for services rendered by him to the Company and for his service as active Chairman of the Board in the Company. On February 14, 2016, the general meeting approved the written terms of the Company's engagement with Dr. Shmulewitz as active Chairman of the Board (including the grant of a share-based payment award) under certain conditions that are in contrast to the Company's remuneration policy. See full details of said resolution of the general meeting in the Company's (amended) meeting notification report of January 28, 2016 [TASE reference: 2016-01-019615] and a report on the meeting's results of February 14, 2016 [TASE reference: 2016-01-027946].

c. See details of the approval of the service and employment terms of the Company's former CEO in the Company's (amended) meeting notification report of June 2, 2015 [TASE reference: 2015-01-038442] and a report on the meeting's results of June 10, 2015 [TASE reference: 2015-01-045570].

d. See details of the Company's Board's approval of the deferral of the date of exercise of the options granted to several private investors that vest immediately in the Company's immediate report of March 15, 2015 [TASE reference: 2015-01-050605]. See details of the grant of options to two directors in the Company as part of the Company's overall option plan (under certain conditions that are in contrast to the Company's remuneration policy) in the Company's (amended) meeting notification report of January 28, 2016 [TASE reference: 2016-01-019615] and a report on the meeting's results of February 14, 2016 [TASE reference: 2016-01-027946].

e. See details of the Board's recommendation to the general meeting to appoint two new directors on the Board in the Company's immediate report of March 15, 2014 [TASE reference: 2015-01-050605].

f. See details of the Board's approval (and recommendation to the general meeting) for reappointing acting directors for an additional term (under the same service, insurance, exemption and compensation terms) in the Company's (amended) meeting notification report of January 28, 2016 [TASE reference: 2016-01-019615] and a report on the meeting's results of February 14, 2016 [TASE reference: 2016-01-027946].

g. See details of the Company's engagement in a license agreement with Dekel Pharmaceuticals Ltd. whose controlling shareholder is Dr. Ascher Shmulewitz, the Chairman of the Company's Board, in the Company's conflict of interests and (amended) meeting notification reports of June 2, 2015 [TASE reference: 2015-01-038487 and TASE reference: 2015-01-038442] and a report on the meeting's results of June 10, 2015 [TASE reference: 2015-01-045570].

h. See details of the approval of the service and employment terms of the Company's current CEO (including the grant of a share-based payment award) under certain conditions that are in contrast to the Company's remuneration policy in the Company's (amended) meeting notification report of January 28, 2016 [TASE reference: 2016-01-019615] and a report on the meeting's results of February 14, 2016 [TASE reference: 2016-01-027946].

Regulation 29a: **Decisions made by the Company**

a. See details of letters of indemnification and exemption granted to acting directors (and other officers of the Company) that are in effect and of the approval of the Company's engagement in a directors' and officers' liability insurance policy (including according to a master transaction) in the Company's immediate reports of September 23, 2014 [TASE reference: 2014-01-163026] and July 13, 2014 [TASE reference: 2014-01-112761], an (amended) meeting notification report of January 28, 2016 [TASE reference: 2016-01-019615] and a report on the meeting's results of February 14, 2016 [TASE reference: 2016-01-027946].

b. See also Regulation 29 above.

Therapix Biosciences Ltd.

Date: March 22, 2016

Names of signatories:	Position:
Dr. Ascher Shmulewitz	Chairman of the Board
Dr. Elran Haber	CEO
CPA Guy Goldin	CFO

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THERAPIX BIOSCIENCES LTD.

CHAPTER E - OFFICERS' CERTIFICATION

Chief Executive Officer's Certification:
Pursuant to Regulation 5d(4)(b)-(c) and Regulation 9b(d)(1) to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970

Officer's Certification

Chief Executive Officer's Certification

I, Dr. Elran Haber, hereby certify that:

(1) I have reviewed the periodic report of Therapix Biosciences Ltd. ("**the Company**") for 2015 ("**the reports**");

(2) To my knowledge, the reports do not contain any misrepresentation of any material facts and do not omit any representation of any material facts that are needed in order for the representations included therein, in view of the circumstances under which such representations were included, not to be misleading with reference to the period of the reports;

(3) To my knowledge, the financial statements and any other financial information included in the reports reflect properly, in all material respects, the financial position, operating results and cash flows of the Company as of the dates and for the periods addressed in the reports;

(4) I have disclosed to the Company's auditor, to the Company's Board of Directors and to the Board's Audit Committee (which also serves as the Financial Statement Review Committee) any fraud, whether material or not, that involves the CEO or the direct subordinates thereto or that involves other employees with a significant role in internal control over financial reporting and disclosure.

There is nothing in the aforesaid to derogate from my responsibility or the responsibility of anyone else, pursuant to any law.

Date: March 22, 2016

Dr. Elran Haber, CEO

Chief Financial Officer's Certification:
Pursuant to Regulation 5d(4)(b)-(c) and Regulation 9b(d)(2) to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970

Officer's Certification

Chief Financial Officer's Certification

I, Guy Goldin, hereby certify that:

(1) I have reviewed the periodic report of Therapix Biosciences Ltd. ("**the Company**") for 2015 ("**the reports**");

(2) To my knowledge, the reports do not contain any misrepresentation of any material facts and do not omit any representation of any material facts that are needed in order for the representations included therein, in view of the circumstances under which such representations were included, not to be misleading with reference to the period of the reports;

(3) To my knowledge, the financial statements and any other financial information included in the reports reflect properly, in all material respects, the financial position, operating results and cash flows of the Company as of the dates and for the periods addressed in the reports;

(4) I have disclosed to the Company's auditor, to the Company's Board of Directors and to the Board's Audit Committee (which also serves as the Financial Statement Review Committee) any fraud, whether material or not, that involves the CEO or the direct subordinates thereto or that involves other employees with a significant role in internal control over financial reporting and disclosure.

There is nothing in the aforesaid to derogate from my responsibility or the responsibility of anyone else, pursuant to any law.

Date: March 22, 2016

CPA Guy Goldin, CFO
Senior Officer in Charge of Finance