THERAPIX BIOSCIENCES LTD.

CHAPTER C - INTERIM FINANCIAL STATEMENTS

THERAPIX BIOSCIENCES LTD.
(Formerly: NasVax Ltd.)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2014

UNAUDITED

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Auditors' review report to the shareholders of
Therapix Biosciences Ltd. (formerly: NasVax Ltd.)

Introduction

We have reviewed the accompanying financial information of Therapix Biosciences Ltd. (formerly: NasVax Ltd.) and subsidiaries ("the Group"), which comprises the consolidated balance sheet as of September 30, 2014 and the related condensed consolidated statements of profit or loss, comprehensive income (loss), changes in equity and cash flows for the nine and three months periods then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for these periods in accordance with IAS 34, "Interim Financial Reporting" and are responsible for the preparation of this interim financial information in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

In addition to the abovementioned, based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not comply, in all material respects, with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Without qualifying our above conclusion, we draw attention to the matter discussed in Note 1c to the financial statements. The Company has accumulated losses totaling NIS 5,468 thousand in the nine months period ended September 30, 2014 and has negative cash flows from operating activities totaling NIS 6,234 thousand in the period 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. 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
November 30, 2014

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

CONSOLIDATED BALANCE SHEETS

	September 30,		December 31,
	2014	2013	2013
	Unaudited		Audited
	NIS in thousands		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	767	4,402	5,122
Restricted cash	371	*) 327	*) 327
Accounts receivable	332	*) 558	*) 122
	1,470	5,287	5,571
NON-CURRENT ASSETS:			
Investment in associate (Note 5g)	1,865	-	-
Property, plant and equipment	84	353	318
Financial derivatives (Note 5g)	350	-	-
	2,299	353	318
	3,769	5,640	5,889

*) Reclassified.

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

CONSOLIDATED BALANCE SHEETS

	September 30,		December 31,
	2014	2013	2013
	Unaudited		Audited
	NIS in thousands		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Trade payables	1,069	1,378	1,556
Other accounts payable	265	496	343
Commitment to invest in associate (Note 5g)	1,625	-	-
Warrants	-	-	396
	2,959	1,874	2,295
NON-CURRENT LIABILITIES:			
Liability for Government grants	147	179	128
Employee benefit liabilities	12	7	-
	159	186	128
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Share capital	1,711	1,305	1,410
Share premium	80,272	76,922	78,276
Warrants	4,650	4,377	4,377
Reserve from share-based payment transactions	15,183	15,044	15,071
Reserve from financial statements of foreign operation	(29)	-	-
Reserve from transactions with non-controlling interests	941	-	941
Accumulated deficit	(101,793)	(94,068)	(96,384)
	935	3,580	3,691
Non-controlling interests	(284)	-	(225)
Total equity	651	3,580	3,466
	3,769	5,640	5,889

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

November 30, 2014			
Date of approval of the financial statements	Uri Ben-Or CFO	Jan Turek CEO	Asher Shmulevitz Chairman of the Board

CONSOLIDATED STATEMENTS PROFIT OR LOSS

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2014	2013	2014	2013	2013
	Unaudited				Audited
	NIS in thousands (except per share data)				
Research and development expenses, net	(1,695)	(3,710)	(561)	(1,322)	(4,649)
General and administrative expenses	(4,008)	(2,445)	(1,523)	(1,101)	(3,919)
	(5,703)	(6,155)	(2,084)	(2,423)	(8,568)
Other income, net	116	7,225	83	7	7,246
Operating income (loss)	(5,587)	1,070	(2,001)	(2,416)	(1,322)
Finance income	585	1,527	193	38	1,603
Finance expenses	(215)	(74)	(171)	(25)	(72)
Group's share of losses of associate	(251)	-	(251)	-	-
Net income (loss)	(5,468)	2,523	(2,230)	(2,403)	209
Attributable to:					
Equity holders of the Company	(5,409)	2,523	(2,191)	(2,403)	207
Non-controlling interests	(59)	-	(39)	-	2
	(5,468)	2,523	(2,230)	(2,403)	209
Basic and diluted net earnings (loss) per share attributable to equity holders of the Company (in NIS)	(0.34)	*) 0.27	(0.14)	*) (0.19)	0.02

*) Retroactively adjusted to capital consolidation effected on January 1, 2014, see Note 5a.

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

CONSOLIDATED STATEMENTS COMPREHENSIVE INCOME (LOSS)

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2014	2013	2014	2013	2013
	Unaudited				Audited
	NIS in thousands				
Net income (loss)	(5,468)	2,523	(2,230)	(2,403)	209
Other comprehensive income (loss):					
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	(29)	-	(29)	-	-
Total other comprehensive loss	(29)	-	(29)	-	-
Total comprehensive income (loss)	(5,497)	2,523	(2,259)	(2,403)	209
Attributable to:					
Equity holders of the Company	(5,438)	2,523	(2,220)	(2,403)	207
Non-controlling interests	(59)	-	(39)	-	2
	(5,497)	2,523	(2,259)	(2,403)	209

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital reserve from share-based payment transactions	Adjustments arising from translating financial statements of foreign operations	Warrants	Capital reserve from transactions with non-controlling interests	Accumulated deficit	Total	Non-controlling interests	Total equity
	Unaudited									
	NIS in thousands									
Balance at January 1, 2014 (audited)	1,410	78,276	15,071	-	4,377	941	(96,384)	3,691	(225)	3,466
Loss	-	-	-	-	-	-	(5,409)	(5,409)	(59)	(5,468)
Total other comprehensive loss	-	-	-	(29)	-	-	-	(29)	-	(29)
Total comprehensive loss	-	-	-	(29)	-	-	(5,409)	(5,438)	(59)	(5,497)
Issue of shares *)	301	1,996	18	-	273	-	-	2,588	-	2,588
Cost of share-based payment	-	-	94	-	-	-	-	94	-	94
Balance at September 30, 2014	1,711	80,272	15,183	(29)	4,650	941	(101,624)	1,027	(284)	743
Balance at January 1, 2013 (audited)	478	69,947	15,141	-	3,616	-	(96,591)	(7,409)	-	(7,409)
Total comprehensive income	-	-	-	-	-	-	2,523	2,523	-	2,523
Issue of shares **)	799	6,463	-	-	963	-	-	8,225	-	8,225
Exercise of warrants into shares	28	512	-	-	(202)	-	-	338	-	338
Cost of share-based payment	-	-	(97)	-	-	-	-	(97)	-	(97)
Balance at September 30, 2013	1,305	76,922	15,044	-	4,377	-	(94,068)	3,580	-	3,580

*) Less issue expenses of NIS 271 thousand.

**) Less issue expenses of NIS 775 thousand.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital reserve from share-based payment transactions	Adjustments arising from translating financial statements of foreign operations	Warrants	Capital reserve from transactions with non-controlling interests	Accumulated deficit	Total	Non-controlling interests	Total equity
	Unaudited									
	NIS in thousands									
Balance at July 1, 2014	1,711	80,272	15,153	-	4,650	941	(99,602)	3,125	(245)	2,880
Loss	-	-	-	-	-	-	(2,191)	(2,191)	(39)	(2,230)
Total other comprehensive loss	-	-	-	(29)	-	-	-	(29)	-	(29)
Total comprehensive loss	-	-	-	(29)	-	-	(2,191)	(2,220)	(39)	(2,259)
Cost of share-based payment	-	-	30	-	-	-	-	30	-	30
Balance at September 30, 2014	1,711	80,272	15,183	(29)	4,650	941	(101,793)	935	(284)	651
Balance at July 1, 2013	946	74,177	14,929	-	3,414	-	(91,665)	1,801	-	1,801
Total comprehensive loss	-	-	-	-	-	-	(2,403)	(2,403)	-	(2,403)
Issue of shares *)	359	2,745	-	-	963	-	-	4,067	-	4,067
Cost of share-based payment	-	-	115	-	-	-	-	115	-	115
Balance at September 30, 2013	1,305	76,922	15,044	-	4,377	-	(94,068)	3,580	-	3,580

*) Less issue expenses of NIS 533 thousand.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company								
	Share capital	Share premium	Capital reserve from share-based payment transactions	Warrants	Capital reserve from transactions with non-controlling interests	Accumulated deficit	Total	Non-controlling interests	Total equity
	Audited								
	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 *)	904	7,817	84	963	-	-	9,768	-	9,768
Exercise of warrants into shares	28	512	-	(202)	-	-	338	-	338
Issue of shares to non-controlling interests	-	-	-	-	941	-	941	(227)	714
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

*) Less issue expenses of NIS 775 thousand.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2014	2013	2014	2013	2013
	Unaudited				Audited
	NIS in thousands				
Cash flows from operating activities:					
Net income (loss)	(5,468)	2,523	(2,230)	(2,403)	209
Adjustments to reconcile net income (loss) to net cash used in operating activities:					
Adjustments to the profit or loss items:					
Depreciation and amortization	145	136	92	39	170
Gain from sale of property, plant and equipment	(116)	(19)	(83)	(7)	(40)
Change in employee benefit liabilities, net	12	(13)	12	(9)	(20)
Cost of share-based payment	94	(97)	30	115	(154)
Write down of liability to the Chief Scientist	-	(1,477)	-	5	(7,206)
Erosion of outstanding liability to the Chief Scientist (including amounts recorded in research and development expenses)	19	(7,206)	2	-	(1,805)
Finance income, net	(5)	(15)	(1)	(8)	(20)
Company's share of losses of associate	251	-	251	-	-
Decrease in value of warrants (series 1) and (series 2)	(396)	-	(7)	-	(47)
	4	(8,671)	296	135	(9,122)
Changes in operating asset and liability items:					
Decrease (increase) in accounts receivable	(210)	(174)	(10)	(184)	53
Increase (decrease) in trade payable	(487)	(790)	(147)	50	(612)
Increase (decrease) in other accounts payable	(78)	62	36	67	(91)
	(775)	(902)	(121)	(67)	(650)
Cash paid and received during the period for:					
Interest received	5	15	1	8	20
Net cash used in operating activities	(6,234)	(7,055)	(2,054)	(2,327)	(9,543)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2014	2013	2014	2013	2013
	Unaudited				Audited
	NIS in thousands				
Cash flows from investing activities:					
Proceeds from sale of property, plant and equipment	207	23	174	7	45
Movement in restricted cash	(44)	-	(44)	-	-
Purchase of property, plant and equipment	(2)	(4)	(2)	(3)	(4)
Investment in associate	(870)	-	(870)	-	-
Net cash provided by (used in) investing activities	(709)	19	(742)	4	41
Cash flows from financing activities:					
Issue of share capital and warrants (less issue expenses)	2,588	8,225	-	4,067	10,211
Issue of shares to non-controlling interests	-	-	-	-	714
Exercise of warrants into shares	-	338	-	-	338
Receipts from the Chief Scientist	-	-	-	-	486
Net cash provided by financing activities	2,588	8,563	-	4,067	11,749
Increase (decrease) in cash and cash equivalents	(4,355)	1,527	(2,796)	1,744	2,247
Cash and cash equivalents at the beginning of the period	5,122	2,875	3,563	2,658	2,875
Cash and cash equivalents at the end of the period	767	4,402	767	4,402	5,122
(a) Significant non-cash transactions:					
Commitment to invest in associate	1,625	-	1,625	-	-

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

NOTE 1:- GENERAL

a. These financial statements have been prepared in a condensed format as of September 30, 2014 and for the nine and three months periods then ended ("interim consolidated financial statements"). These financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2013 and for the year then ended and accompanying notes ("annual consolidated financial statements").

b. Therapix Biosciences Ltd. (formerly: NasVax Ltd.) was incorporated in Israel and commenced its operations on August 23, 2004. On March 30, 2014, the Company decided to revise its business strategy. As of the reporting date, the Company will focus on identifying and investing in promising technologies in the bio-pharma field and, at the same time, it will accelerate the existing technologies. The Company owns an exclusive license for a series of patents for the orally administered Anti-CD3 antibody. The Company's main product portfolio focuses on the orally administered antibody (Anti-CD3) used to treat inflammatory, autoimmune diseases as well as other immune-related disorders. The Company also has rights to an antibody to treat Alzheimer's disease.

c. The Company has accumulated losses totaling NIS 5,468 thousand in the nine months period ended September 30, 2014 and has negative cash flows from operating activities totaling NIS 6,234 thousand in the nine months period then ended. The balance of cash available to the Company may not be sufficient to finance its operating activities beyond the 12-month period from the date of the approval of the financial statements. These factors raise substantial doubt as to the Company's ability to continue as a "going concern". 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 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

a. Basis of preparation of the interim consolidated financial statements:

The interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" and in accordance with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

b. New standards, interpretations and amendments applied for the first time by the Company:

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements, except as noted below.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

1. Amendments to IAS 32, "Financial Instruments: Presentation" regarding offsetting financial assets and financial liabilities:

   The IASB issued amendments to IAS 32 ("the amendments to IAS 32") regarding the offsetting of financial assets and financial liabilities. The amendments to IAS 32 clarify, among others, the meaning of "currently has a legally enforceable right of set-off" ("the right of set-off"). Among others, the amendments to IAS 32 prescribe that 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. The amendments to IAS 32 also state that 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.

   The effect of the adoption of the amendments on the Company was immaterial

2. Investments in associate:

   The Group's investments in associates are accounted for using the equity method.

   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. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate or in the joint venture.

   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 financial statements of the associate have been prepared pursuant to IL GAAP. Below are the effects of the reconciliation between the financial statements of the associate and IFRS from the associate's acquisition date.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

On the statements of financial position:

	Israeli GAAP	Reconciliation	IFRS
		NIS in thousands	
As of September 30, 2014 (unaudited):			
Loan from controlling shareholder	789	(307)	482
Total equity	(440)	307	(133)
As of December 31, 2013 (audited):			
Loan from controlling shareholder	789	(438)	351
Total equity	(760)	438	(322)
As of September 30, 2013 (unaudited):			
Loan from controlling shareholder	764	(467)	297
Total equity	(737)	467	(270)

On the statements of comprehensive income:

	Israeli GAAP	Reconciliation	IFRS
		NIS in thousands	
Nine months ended September 30, 2014 (unaudited):			
Finance expenses	3	132	135
Total comprehensive loss	403	132	535
Three months ended September 30, 2014 (unaudited):			
Finance expenses	3	43	46
Total comprehensive loss	392	43	435

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

	Israeli GAAP	Reconciliation	IFRS
		NIS in thousands	
Nine months ended September 30, 2013 (unaudited):			
Finance expenses	-	88	88
Total comprehensive loss	52	88	140
Three months ended September 30, 2013 (unaudited):			
Finance expenses	-	29	29
Total comprehensive loss	1	29	30
Year ended December 31, 2013 (audited):			
Finance expenses	16	117	133
Total comprehensive loss	74	117	191

NOTE 3:- DISCLOSURE OF NEW IFRS STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION

a. Amendments to IAS 16 and IAS 38 regarding acceptable methods of depreciation and amortization:

In May 2014, the IASB issued amendments to IAS 16 and IAS 38 ("the amendments") regarding the use of a depreciation and amortization method based on revenue.

According to the Amendments, a revenue-based method is not considered to be an appropriate manifestation of consumption since revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

As for intangible assets, the revenue-based amortization method can only be applied under certain circumstances such as when it can be demonstrated that revenue and the consumption of economic benefits of the intangible asset are highly correlated.

The amendments will be applied prospectively in the financial statements for annual periods beginning on or after January 1, 2016. Early application is permitted.

NOTE 3:- DISCLOSURE OF NEW IFRS STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION (Cont.)

b. IFRS 9, "Financial Instruments":

In keeping with the matters discussed in Note 2 to the annual financial statements as of December 31, 2013 regarding disclosure of new IFRS in the period prior to their adoption in the issue of IFRS 9, in July 2014, the IASB issued the final and complete version of IFRS 9, "Financial Instruments" ("the final Standard") which includes the following elements: classification and measurement, impairment and hedge accounting.

The main changes between the final Standard and the previously published phases of the Standard are:

Classification and measurement:

The final version of IFRS 9 includes another category for the classification and measurement of financial assets that represent debt instruments. Financial assets classified in this category will be measured at fair value through other comprehensive income ("FVOCI") and the differences previously carried to other comprehensive income as above will be reclassified to profit or loss under specific conditions such as when the asset is derecognized. Finance income, exchange rate differences and impairment losses on financial assets, however, will be recognized in profit or loss. The classification in this category is allowed for debt instruments that meet the following tests on a cumulative basis:

- Based on the financial asset's contractual terms and on specific dates, the entity is entitled to receive cash flows that represent solely principal payments and interest payments on the principal balance.

- The asset is held in the context of a business model whose aim is both to collect the contractual cash flows generated from the asset and to dispose of the asset.

Impairment:

The final version of IFRS 9 addresses the issue of impairment of financial assets by introducing the expected credit loss impairment model to replace the incurred loss model prescribed in IAS 39. The expected credit loss model applies to debt instruments measured at amortized cost or at FVOCI and to trade receivables. The model introduces a general and simpler approach for measuring impairment:

- General approach - credit losses due to default which are expected to occur in the subsequent 12-month period will be recognized provided that there has not been a significant increase in credit risk since the date of initial recognition of the instrument. On the other hand, if there has been a significant increase in credit risk since the date of initial recognition of the instrument, a provision should be recognized for credit losses that are expected to occur over the remaining life of the exposure in respect of said instrument.

NOTE 3:- DISCLOSURE OF NEW IFRS STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION (Cont.)

- A simpler approach (applies in certain cases and for certain groups of assets only, including trade receivables) - according to this approach, the credit losses that are expected to occur over the remaining life of the exposure in respect of said instrument should be recognized, regardless of the occurrence of credit risk changes since the date of initial recognition of said instrument.

The final Standard will be applied retrospectively, subject to certain exemptions stipulated therein, in the financial statements for annual periods beginning on or after January 1, 2018. Early application is permitted.

NOTE 4:- ATTACHING THE FINANCIAL STATEMENTS OF AN ASSOCIATE

a. The Company has attached to its financial statements for the first time the accounts of LaraPharm Ltd. which is accounted for at equity, see Notes 2b and 5g.

b. LaraPharm is developing a synthesized formulation that is based on cannabinoids (active components found in the cannabis plant) to be administered through an inhaler.

c. Below is condensed information from the statement of financial position and statement of comprehensive income of LaraPharm for each of the reporting periods:

	September 30,		December 31,
	2014	2013	2013
	Unaudited		Audited
	NIS in thousands		
Current assets	529	28	36
Non-current assets	13	2	-
Current liabilities	982	768	796
Deficit attributable to equity holders of the Company	(440)	(738)	(760)

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2014	2013	2014	2013	2013
	Unaudited				Audited
	NIS in thousands				
Comprehensive loss	403	52	392	1	74

NOTE 4:- ATTACHING THE FINANCIAL STATEMENTS OF AN ASSOCIATE (Cont.)

d. Details of investment:

	September 30, 2014
	Unaudited
	NIS in thousands
Movement in investment:	
Cost of shares	2,144
Post-acquisition losses	(250)
Adjustments arising from translating financial statements of foreign operations	(29)
	1,865

NOTE 5:- EVENTS DURING THE REPORTING PERIOD

a. 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 warrants that existed in the Company's equity was be adjusted accordingly.

b. At the beginning of January 2014, the Company received a letter from Ramot in which Ramot announces its intention to bring to an end the license and research agreement that the parties signed on February 23, 2009 in connection with the BBS technology. The Company's position is that Ramot announcement is illegitimate and groundless. The parties are negotiating the issue.

c. On January 8, 2014, the Company's Board named Mr. Asher Shmulevitz as active Chairman of the Company's Board.

d. 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.

On May 14, 2014, following the termination of the role of Mr. Ari Aminetzah as the CEO, 112,500 warrants were forfeited.

e. On August 24, 2014, the Company's Board authorized Mr. Abraham Meizler to sign the financial statements.

NOTE 5:- EVENTS DURING THE REPORTING PERIOD (Cont.)

f. 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 warrants of the Company at exercise price of not less than the share market price in the 30 days before the allocation plus 10%. The warrants vest during 3 years in equal portions on a quarterly basis. Also, the general meeting approved the Company's remuneration policy. The warrants were allocated on April 1, 2014. The grant date fair value was estimated at approximately NIS 181 thousand.

The compensation was computed using the binomial model based on expected share price volatility of 71.44% computed at the grant date, grant date share price of NIS 0.791 per share, 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%.

g. On April 2, 2014, the Company entered into a master investment agreement with LaraPharm Ltd. ("Lara"), an Israeli company that operates in the field of medical cannabis and is developing a synthesized formulation that is based on cannabinoids (active components found in the cannabis plant) to be administered through an inhaler. On June 15, 2014, a final investment agreement was signed between the parties which determines, among others, that the Company will invest in Lara up to a total of US$ 1.5 million, subject to the fulfillment of several prerequisites (completion of related agreements and the completion of various operating, monetary and commercial etc.). The Company will transfer to Lara an initial investment amount of US$ 800 thousand against shares that will represent about 48% of Lara's issued and outstanding share capital (26% on a fully diluted basis including warrants to employees and consultants).

The agreement also stipulates that the percentage of the Company's holdings in Lara's shares (48% of the issued and outstanding share capital) 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. The agreement further stipulates that the total 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 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). On August 10, 2014, all the prerequisites for completing the initial stage, as aforementioned, were met. As of September 30, 2014, the Company holds 3,538 shares that represent about 48.21% of Lara's issued and outstanding share capital (26.13% on a fully diluted basis). The Company paid US$ 250 thousand and is committed to pay additional US$ 550 thousand.

NOTE 5:- EVENTS DURING THE REPORTING PERIOD (Cont.)

As aforementioned, as of the reporting date, only the first payment was made and the date for the second payment has arrived but not yet paid to Lara. According to the provisions of this agreement, Lara has the right to reduce the percentage of the Company's holdings in Lara's shares pro rata to the amounts that will be transferred in such a manner that at the date of these financial statements, if Lara realizes its right, the Company will be diluted.

The Company accounts for its investment in Lara at equity (one-third of the Board's members are the Company's representatives). The purchase consideration was determined by an external appraiser to be NIS 2,494 thousand and comprised a cash payment of approximately NIS 695 thousand and present value of amount due of approximately NIS 1,799 thousand. Also, an amount of approximately NIS 350 thousand of the purchase consideration was attributed to a financial instrument to increase the percentage of the Company's holdings at a fixed price subject to Lara's fulfillment of milestones as determined in the agreement. The excess of cost arising on acquisition totaled approximately NIS 2,342 thousand of which approximately NIS 1,644 thousand was attributed to in-process research and development asset and approximately NIS 698 thousand to goodwill.

h. 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 warrants which are exercisable into 266,242 Ordinary shares of the Company. The warrants vest over a period of four years from the date of allocation on a quarterly basis in equal portions. The grant date fair value was estimated at approximately NIS 149 thousand. The compensation was computed using the binomial model based on expected share price volatility of 72.47% computed at the grant date, grant date share price of NIS 0.978 per share, 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%.

i. 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 warrants (series 3) and 3,009,400 warrants (series 4) of the Company under a shelf offering report that the Company published on May 8, 2014 and a shelf prospectus from August 8, 2012. On May 15, 2014, the Company allocated 406,269 warrants (series 4) to Clal Finance Underwriting Ltd. as part of raising costs.

j. On September 22, 2014, the Company's Board named Mr. Jan Turek as the Company's CEO.

NOTE 5:- EVENTS DURING THE REPORTING PERIOD (Cont.)

k. On September 30, 2014, the Company signed a non-binding term sheet for the acquisition of the entire share capital of Dekel Pharmaceuticals Ltd. ("Dekel") in return for the allocation of shares in the Company. Dekel is a privately-held company incorporated in Israel that is mainly engaged in the research and development of drug therapies based on synthetic cannabinoid substances 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 drug compounds, including steroids and/or cannabinoids. Dekel's shareholders include Dr. Asher Shmulevitz, who also serves as Chairman of the Company's Board and an interested party therein as of the date of these financial statements.

NOTE 6:- EVENTS AFTER THE REPORTING DATE

a. Based on the Company Board's decision of May 2014, the Company completed the process of registering its Level 1 American Depository Receipts ("ADRs") for over-the-counter (OTC) trade in the United States, as detailed below. The ADRs are aimed at exposing the Company's securities to US and other foreign investors. Each ADR consists of 20 Ordinary shares of the Company. The OTC trade of the ADRs in the US began in October 2014.

b. On November 9, 2014, the Company's warrants (series 3) expired.

c. On November 19, 2014, the Company entered into a private placement agreement where 1,300,000 Ordinary shares, 1,300,000 fully vested warrants and 1,300,000 conditional warrants were offered. The total net proceeds from the offered securities were NIS 650 thousand. As of November 27, 2014, an amount of NIS 300 thousand was received.

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