BioCanCell Ltd.

Condensed Consolidated Interim Financial Statements
As of March 31, 2018
(Unaudited)

This English translation is provided for the reader's convenience. The Hebrew financial statements are the authoritative version.

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BioCanCell Ltd.

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Review Report to the Shareholders of BioCanCell Ltd.

Introduction

We have reviewed the accompanying financial information of BioCanCell Ltd. and its subsidiaries ("the Group"), which includes the condensed consolidated interim statement of financial position as of March 31, 2018 and the related condensed consolidated interim statements of income, other comprehensive loss, changes in equity (deficit) and cash flows for the three-month period then ended. The Board of Directors and Management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 "*Interim Financial Reporting*" and are also responsible for the preparation of financial information for this interim period in accordance with Section 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 Standard on Review Engagements 1, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Institute of Certified Public Accountants in Israel. 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 accounting principles 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 financial information was not prepared, in all material respects, in accordance with IAS 34.

In addition to that mentioned in the previous paragraph, 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 Section D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Without qualifying our above opinion, we draw attention to Note 1C to the condensed consolidated interim financial statements, regarding the fact that the Group is in the stages of research and development, and the continuation of the development stages and the disposal of the assets related to the planned activities depend on future events, including raising of additional capital and achieving operating profit in the future. These factors, together with the other factors described in this Note, raise substantial doubt about the Group's ability to continue as a going concern.

Somekh Chaikin
Certified Public Accountants (Isr.)
A Member Firm of KPMG International

May 14, 2018

Condensed Consolidated Interim Statements of Financial Position as of

	March 31, 2018	March 31, 2017	December 31, 2017
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands
Assets			
Cash and cash equivalents	**2,349**	12,517	5,040
Other receivables	**2,271**	2,951	1,388
Total current assets	**4,620**	15,468	6,428
Long-term prepaid expenses	**389**	32	37
Long-term pledged deposits	**212**	-	-
Asset for employee benefits, net	**11**	10	11
Property and equipment, net	**865**	783	760
Total non-current assets	**1,477**	825	808
Total assets	**6,097**	16,293	7,236
Liabilities			
Trade payables	**2,033**	2,577	559
Other payables	**10,237**	8,090	8,254
Short-term employee benefits	**524**	766	536
Loan from a controlling shareholder (see Note 4)	**7,036**	-	-
Total current liabilities	**19,830**	11,433	9,349
Total liabilities	**19,830**	11,433	9,349
Equity			
Share capital	**9,613**	7,400	9,613
Share premium	**219,280**	203,499	219,280
Capital reserve for translation differences	**(122)**	260	(133)
Capital reserve for share-based payments	**7,840**	4,998	7,183
Accumulated deficit	**(250,344)**	(211,297)	(238,056)
Total equity (deficit)	**(13,733)**	4,860	(2,113)
Total liabilities and equity	**6,097**	16,293	7,236

Lawrence Howard	Frank Haluska	Jonathan Burgin
Chairman of the Board	Chief Executive Officer and Director	Chief Operating Officer & Chief Financial Officer

Approval date of the financial statements: May 14, 2018

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

Condensed Consolidated Interim Statements of Income

	For the 3-month period ended		Year ended
	March 31, 2018	**March 31, 2017**	**December 31, 2017**
	(Unaudited)	**(Unaudited)**	**(Audited)**
	NIS thousands	**NIS thousands**	**NIS thousands**
Research and development expenses	**8,606**	4,638	22,340
General and administrative expenses	**3,205**	2,898	11,374
Loss from ordinary operations	**11,811**	7,536	33,714
Financing income	**-**	(1)	(5)
Financing expense	**262**	727	365
Financing expenses, net	**262**	726	360
Loss before taxes	**12,073**	8,262	34,074
Taxes on income	**215**	210	1,157
Loss for the period attributable to : shareholders of the Company	**12,288**	8,472	35,231
Loss per ordinary share (NIS):			
Basic and diluted loss	**0.13**	0.11	0.39
Weighted average number of shares used to calculate loss per share (thousands of shares)	**96,131**	73,997	90,248

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

Condensed Consolidated Interim Statements of Income and Other Comprehensive Loss

	For the 3-month period ended		Year ended
	March 31, 2018	**March 31, 2017**	**December 31, 2017**
	(Unaudited)	**(Unaudited)**	**(Audited)**
	NIS thousands	**NIS thousands**	**NIS thousands**
Loss for the period	**12,288**	8,472	35,231
Other comprehensive loss (income) items that after initial recognition in comprehensive income will be transferred to profit or loss			
Foreign currency translation differences for foreign operations	**(11)**	(271)	122
Total comprehensive loss for the period attributable to shareholders of the Company	**12,277**	8,201	35,353

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

Condensed Consolidated Interim Statements of Changes in Equity (deficit)

	Ordinary share capital	Share premium	Translation reserve from foreign operations	Capital reserve for share-based payment	Accumulated deficit	Total equity (deficit)
				(NIS thousands)		
For the three-month period ended March 31, 2018						
Balance as of January 1, 2018	**9,613**	**219,280**	**(133)**	**7,183**	**(238,056)**	**(2,113)**
Share-based payment	**-**	**-**	**-**	**657**	**-**	**657**
Other comprehensive income for the period	**-**	**-**	**11**	**-**	**-**	**11**
Loss for the period	**-**	**-**	**-**	**-**	**(12,288)**	**(12,288)**
Balance as of March 31, 2018	**9,613**	**219,280**	**(122)**	**7,840**	**(250,344)**	**(13,733)**
For the three-month period ended March 31, 2017						
Balance as of January 1, 2017	7,400	203,015	(11)	5,094	(202,825)	12,673
Share-based payment	-	-	-	388	-	388
Expiry of options	-	484	-	(484)	-	-
Other comprehensive income for the period	-	-	271	-	-	271
Loss for the period	-	-	-	-	(8,472)	(8,472)
Balance as of March 31, 2017	7,400	203,499	260	4,998	(211,297)	4,860
Balance of as January 1, 2017	7,400	203,015	(11)	5,094	(202,825)	12,673
Issue of shares	2,213	15,728	-	-	-	17,941
Expiry of options	-	537	-	(537)	-	-
Share-based payment	-	-	-	2,626	-	2,626
	2,213	16,265	-	2,089	-	20,567
Other comprehensive loss for the year	-	-	-	-	(35,231)	(35,231)
Loss for the year	-	-	(122)	-	-	(122)
Balance as of December 31, 2017	9,613	219,280	(133)	7,183	(238,056)	(2,113)

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

Condensed Consolidated Interim Statements of Cash Flows

	For the 3-month period ended		Year ended
	March 31, 2018	March 31, 2017	December 31, 2017
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands
Cash flows from operating activities			
Loss for the period	**(12,288)**	(8,472)	(35,231)
Financing expenses, net	**71**	1,058	933
Depreciation of property and equipment	**44**	44	185
Share-based payments	**657**	388	2,626
Taxes on income	**215**	210	1,157
Change in other receivables	**(580)**	383	735
Change in trade payables	**1,473**	2,170	157
Change in other payables	**1,476**	(160)	165
Change in provisions and employee benefits	**(12)**	229	(7)
Change in long-term prepaid expenses	**(352)**	(7)	(12)
Taxes paid	-	-	(1,303)
Interest received	1	1	8
Net cash used in operating activities	**(9,295)**	(4,156)	(30,587)
Cash flows from investing activities			
Long-term pledged deposits	**(212)**	**-**	-
Purchase of property and equipment	**(148)**	(7)	(121)
Net cash used in investing activities	**(360)**	(7)	(121)
Cash flows from financing activities			
Loan from a controlling shareholder	**6,983**	-	-
Proceeds from the issuance of share capital	**-**	-	20,696
Issuance costs	**-**	-	(1,545)
Net cash provided by financing activities	**6,983**	-	19,151
Decrease in cash and cash equivalents	**(2,672)**	(4,163)	(11,557)
Cash and cash equivalents balance at beginning of period	**5,040**	17,550	17,550
Effect of currency exchange rate on cash and cash equivalents	**(19)**	(870)	(953)
Cash and cash equivalents at end of period	**2,349**	12,517	5,040

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

Note 1 – General

A. The Company was incorporated and registered in Israel on September 22, 2011, under the Israel Companies Law, 1999 ("the Companies Law"), as a private company limited by shares named BioCancell Ltd. ("the Company") and its official address is 1/3 High-Tech Village, Edmond J. Safra Campus, Givat Ram, Jerusalem. The controlling shareholder of the Company is Clal Biotechnology Industries Ltd. ("CBI") of the Access Industries Group (the ultimate parent company), which holds 36.20% of the Company's capital and voting rights as of the approval date of the financial statements (which holdings are expected to change following the private equity investment described in Note 5 below).

B. Definitions

In these financial statements –

(1) The Company – BioCanCell Ltd.

(2) Subsidiaries – The Company's subsidiaries, BioCanCell Therapeutics Israel Ltd. and its subsidiary BioCanCell USA, Inc., whose financial statements are fully consolidated with those of the Company and which are wholly owned and controlled by the Company.

(3) The Group – BioCanCell Ltd. and its subsidiaries.

C. Reporting entity

The condensed consolidated interim financial statements of the Company as of March 31, 2018 include those of the Company, and of its wholly-owned subsidiaries, BioCanCell Therapeutics Israel Ltd. and BioCanCell USA Inc.

The Group is engaged in research and development of drugs for the treatment of cancer. The Group's products are in the research and development stage. Therefore, there is no certainty regarding the Group's ability to complete the product's development, obtain regulatory permits, and achieve marketing success. The continuation of the stages of development and disposal of assets related to the planned activities depend on future events, including additional equity financing and achieving operational profitability in the future. The Group is working to raise the capital required for its continuing operations, although as of the balance sheet date, there is significant doubt as to the Group's ability to continue operating as a going concern. As of the signing date of the financial statements, and based on the Group's assessments, the Group's financial resources available to it today (including a bridge loan of approximately $1 million received during the second quarter of 2018) are expected to suffice until June 2018. If and when the private equity investment of $22.8 million is completed, as described in Note 5 below, the Group's financial resources are expected to suffice until the second quarter of 2019.
These financial statements do not include any measurement or presentation adjustments for assets and liabilities that would be required if the Group does not continue operating as a going concern.

Note 2 – Basis of Presentation

A. Declaration of compliance with International Financial Reporting Standards

The condensed consolidated interim financial statements were prepared by the Group in conformity with IAS 34 Interim Financial Reporting, and do not include all the information required in full annual financial statements. They are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2017. Additionally, these statements have been prepared in accordance with the provisions in Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

The condensed consolidated interim financial statements were approved by the Board of Directors on May 14, 2018.

B. Use of estimates and judgment

The preparation of financial statements in conformity with IFRS requires the Group's management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets and liabilities, revenues and expenses. The actual results may differ from these estimates.

Management's judgment when implementing the Group's accounting policy and the key assumptions used in assessments involving uncertainty are consistent with those used in the annual financial statements.

Note 3 – Significant Accounting Principles

The Group's accounting policies in these condensed consolidated interim financial statements are the accounting policies applied in the Group's consolidated financial statements for the year ended December 31, 2017.

Except as detailed in paragraph A. below, the Group's accounting policies in these condensed interim consolidated financial statements are the accounting policies applied in the annual financial statements. The following is a description of the principal changes in the accounting policies in these condensed consolidated interim financial statements and their effect:

A. Initial implementation of new standards, amendments to standards and interpretations

As of January 1, 2018, the Group is applying the new standards and amendments to standards detailed as follows:

International Financial Reporting Standard IFRS 9 (2014), Financial Instruments.

Commencing from the first quarter of 2018, the Group is applying IFRS 9 (2014), Financial Instruments (in this section: "the Standard"), which replaced IAS 39 Financial Instruments: Recognition and Measurement. The adoption of the Standard did not have a material effect on the financial statements.

Note 4 – Significant Events during the Report Period

A. In January 2018, the Company signed a new rental agreement with Har Hotzvim Properties Ltd. in Kiryat HaMada Street in Jerusalem's Har Hotzvim neighborhood. The term of the agreement is five years, with an option for an additional five years. As part of this agreement, the Group has leased a laboratory and will also lease offices in the first half of 2018, with monthly rental fees (including management fees) of NIS 125 thousand, linked to the CPI. Under the agreement, a bank guarantee of NIS 355 thousand was provided to the property owner.

B. In the first quarter of 2018, the Company signed an agreement for a bridge loan ("the Loan Agreement") from CBI, in the aggregate amount of USD 3 million (of which an aggregate amount of USD 2 million was received in the first quarter of 2018), in accordance with Regulation 37A(5) of the Israel Securities Regulations (Periodic and Immediate Reports), 1970 and Regulation 1(2) of the Companies Regulations (Relief in Transactions with Interested Parties), 2000. Under the Loan Agreement: (1) The unpaid balance of the loan will bear annual interest at the interest rate paid on US 3-Month Treasury Bills based on 360 days a year. (2) The loan (principal and interest) will be repaid in one payment at the earliest of: (A) Four months after signing the loan agreement; (B) the date on which the Company will receive financing of any kind in the aggregate amount of USD 5 million (with the exception of loans under the Loan Agreement); (C) CBI determines, at its sole discretion, that there has been a material deterioration in the Company, as defined in the agreement. (3) The Company is entitled to make early repayment, in whole or in part, of the loan (the unpaid balance of principal and interest at that time) at any time. (4) The loan agreement contains standard grounds for the immediate repayment of the loan by CBI. The Loan Agreement was approved by the Company's audit committee and Board of Directors as an exempting transaction.

C. In March 2018, the Company's Board of Directors approved the allotment of 1,300,000 options exercisable into 1,300,000 ordinary shares of the Company in aggregate, to officers of the Company, at a total cost of NIS 1,176 thousand. The allotment is subject to the approval of the TASE.

Note 5 – Subsequent Events

A. In April 2018, the Company announced that it had signed binding agreements for a total investment of USD 22.8 million in the Company. The investment will be led by the Shavit Capital fund and will be joined by other US and Israeli investors. In addition, existing shareholders will participate in the investment, including Clal Biotechnology Industries Ltd., the controlling shareholder of the Company.
In consideration for the investment, the Company will allot 59 million shares to investors (which, after the allotment, will represent 38% of the Company's issued and paid up share capital) at a price per share of the USD equivalent of NIS 1.35 (USD 0.3842), as well as options to purchase additional shares equal to 80% of the number of shares allotted, at an exercise price of NIS 1.62 per share, which is 120% of the share price according to the investment agreements. The investors will also be granted price protections in the event of an allocation of the Company's shares in which the price does not exceed the share price of the investment (or the adjusted price per share, insofar as the price has already been adjusted) by at least 42.86%, and additional rights.
The completion of the investment is subject, among other things, to the approval of a general meeting of the Company's shareholders, and to approval of the TASE for the listing of the allotted shares and the exercise shares.

B. In April 2018, the Company received USD 1 million under the Loan Agreement described in Note 4(B) above (bringing the aggregate total to USD 3 million).