BioCancell Ltd.

Consolidated Condensed Interim Financial Statements
As of March 31, 2017
(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 (hereinafter – "the Group") comprising of the condensed consolidated interim statement of financial position as of March 31, 2017 and the related condensed consolidated interim statements of operations, comprehensive income, changes in equity 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 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 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.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in note 1C to the consolidated financial statements, the Company has suffered recurring losses from operations that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in note 1C. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty respectfully,

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

May 11, 2017
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Condensed Consolidated Interim Statements of Financial Position (Unaudited) as of

	March 31, 2017	March 31, 2016	December 31, 2016
	NIS thousands	NIS thousands	NIS thousands
Current assets			
Cash and cash equivalents	**12,517**	3,938	17,550
Other investments	**-**	285	-
Receivables and other current assets	**2,951**	3,855	3,336
Total current assets	**15,468**	8,078	20,886
Long-term prepaid expenses	**32**	27	25
Asset for employee benefits, net	**10**	-	10
Property and equipment, net	**783**	738	821
Total non-current assets	**825**	765	856
Total assets	**16,293**	8,843	21,742
Current liabilities			
Trade accounts payable	**2,577**	518	410
Other payables	**8,090**	2,140	8,117
Short-term employee benefits	**766**	662	542
Total current liabilities	**11,433**	3,320	9,069
Non-current liabilities			
Liability for employee benefits, net	**-**	147	-
Total non-current liabilities	**-**	147	-
Total liabilities	**11,433**	3,467	9,069
Stockholders' equity			
Share capital	**7,400**	4,889	7,400
Additional paid-in capital	**203,499**	184,015	203,015
Capital reserve for translation differences	**260**	-	(11)
Capital reserve for share-based payments	**4,998**	4,123	5,094
Accumulated deficit	**(211,297)**	(187,651)	(202,825)
Total shareholders' equity	**4,860**	5,376	12,673
Total liabilities and stockholders' equity	**16,293**	8,843	21,742

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

Approval date of the financial statements: May 11, 2017

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

Condensed Consolidated Interim Statements of Profit or loss (Unaudited)

	For the 3-month period ended		Year ended
	March 31, 2017	March 31, 2016	December 31, 2016
	NIS thousands	NIS thousands	NIS thousands
Research and development expenses	**4,638**	2,046	9,142
General and administrative expenses	**2,898**	902	8,642
Operating loss	**7,536**	2,948	17,784
Finance income	**(1)**	(1)	(164)
Finance expense	**727**	47	25
Finance expense (income), net	**726**	46	(139)
Loss before taxes	**8,262**	2,994	17,645
Taxes on income	**210**	-	523
Loss attributed to : **Shareholders of the Company**	**8,472**	2,994	18,168
Ordinary loss per share (in NIS):			
Basic and diluted loss	**0.11**	0.06	0.33
Number of shares used to compute loss per share (thousands of shares)	73,997	48,892	54,334

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

Statements of Condensed Consolidated Interim Comprehensive Income (Unaudited)

	For the 3-month period ended		Year ended
	March 31, 2017	March 31, 2016	December 31, 2016
	NIS thousands)	NIS thousands)	NIS thousands)
Loss for the period	**8,472**	2,994	18,168
Other comprehensive income items that after initial recognition in comprehensive income will be transferred to profit or loss			
Foreign currency translation differences for foreign operations	(271)	-	11
Total other comprehensive loss for the period attributed to the Company's shareholders	**8,201**	2,994	18,179

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

Condensed Consolidated Interim Statements of Changes in Equity (Unaudited)

	Share capital	Additional paid-in capital	Translation reserve from foreign operations	Capital reserve for share-based payment	Accumulated deficit	Total Shareholders equity
				(NIS thousands)		
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**
Other comprehensive profit for the period	**-**	**-**	**271**	**-**	**-**	**271**
Expiry of options	**-**	**484**	**-**	**(484)**	**-**	**-**
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**
For the three-month period ended March 31, 2016						
Balance as of January 1, 2016	4,889	183,935	-	4,179	(184,657)	8,346
Share-based payment	-	80	-	(56)	-	24
Loss for the period	-	-	-	-	(2,994)	(2,994)
Balance as of March 31, 2016	4,889	184,015	-	4,123	(187,651)	5,376
Balance of as January 1, 2016	4,889	183,935	-	4,179	(184,657)	8,346
Issuance of stock	2,511	18,957	-	-	-	21,468
Expiry of options	-	123	-	(123)	-	-
Share-based payment	-	-	-	1,038	-	1,038
Loss for the year	-	-	-	-	(18,168)	(18,168)
Other comprehensive loss for the year	-	-	(11)	-	-	(11)
Balance as of December 31, 2016	7,400	203,015	(11)	5,094	(202,825)	12,673

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, 2017	**March 31, 2016**	**December 31, 2016**
	NIS thousands	**NIS thousands**	**NIS thousands**
Cash flows from operating activities			
Loss for the period	**(8,472)**	(2,994)	(18,168)
Finance expenses, net	**1,058**	44	213
Depreciation of property and equipment	**44**	20	156
Share-based payments	**388**	24	1,038
Taxes on income	**210**	-	523
Change in receivables and other current assets	**383**	(72)	447
Change in trade accounts payable	**2,170**	(1,776)	(1,884)
Change in other payables	**(160)**	(137)	3,610
Change in employee benefits	**229**	47	(230)
Change in long-term prepaid expenses	**(7)**	-	2
Interest received	**1**	1	2
Net cash used in operating activities	**(4,156)**	(4,843)	(14,291)
Cash flows from investing activities			
Change in other investments	**-**	304	589
Purchase of property and equipment	**(7)**	(72)	(291)
Net cash provided by (used in) investing activities	**(7)**	232	298
Cash flows from financing activities			
Proceeds from issuance of stock	**-**	-	24,854
Issuance costs	**-**	-	(1,679)
Net cash provided by financing activities	**-**	-	23,175
Increase in (decrease) cash and cash equivalents	**(4,163)**	(4,611)	9,182
Cash and cash equivalents balance at beginning of period	**17,550**	8,595	8,595
Effect of currency exchange rate on cash and cash equivalents	**(870)**	(46)	(227)
Cash and cash equivalents at end of period	**12,517**	3,938	17,550

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 Israeli Companies Law, 1999 (henceforth: the "Companies Law"), as a private company limited by shares named BioCancell Ltd. (henceforth: the "Company"), and its official address is Pavilion 1.3, Edmond J. Safra Campus, Givat Ram, Jerusalem. The Company is a direct subsidiary of Clal Biotechnology Industries Ltd. (henceforth: "CBI") and its ultimate parent company is Access Industries Group, which holds 44.09% of the Company as of the financial statements' approval date.

B. Definitions

In these financial statements –

(1) The Company – BioCancell Ltd.

(2) Consolidated Companies – The Company's subsidiaries, BioCancell Therapeutics Israel Ltd. and 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 consolidated subsidiaries.

C. Reporting entity

The condensed consolidated interim financial statements of the Company as of March 31, 2017 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 development stage. Therefore, there is no certainty regarding the Group's ability to complete the product's development, receipt of regulatory permits, and success of its marketing. The continuation of the stages of development and the realization 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 needed for its continuing operations, although, as of the Balance Sheet date, there is significant doubt as to the Company'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 are expected to suffice until September 2017. (See Note 5 - Subsequent Events.)

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 Financial Statement Presentation

A. Declaration of Compliance with International Financial Reporting Standards

The consolidated 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, 2016.

The condensed consolidated interim financial statements were approved for issuance by the Board of Directors on May 11, 2017.

B. Use of estimates and judgment

The preparation of financial statements in conformity with IFRS requires the Group's management to use judgment in its assessments, estimates and assumptions that affect the implementation of 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 policies applied in the Group's consolidated financial statements for the year ended December 31, 2016.

Note 4 – Significant Event during the Report Period

On March 28, 2017, Palisade Capital Management LLC ("Palisade") and Patata Beroa LLC ("Patata Beroa"), who then held 24.95% and 6.24% of the Company's issued capital, respectively, announced that they had reached an agreement with Edgewater Partner Holdings Limited ("Edgewater" or "the Purchaser"), a company incorporated in Samoa, according to which in the second quarter of 2017, the Purchaser would acquire from Palisade its entire holdings in the Company's shares (18,461,538 ordinary shares) for a consideration of $4.8 million and acquire from Patata Beroa 769,231 ordinary shares for a consideration of $0.2 million. The shares sold, that were purchased from the Company by Palisade and Patata Beroa as part of a private placement (see Note 10b (1) of the Annual Financial Statements), are subject to the remaining lock-up periods set out in Section 15C of the Israeli Securities Law.

Concurrently, Palisade and Patata Beroa have informed the Company that they waive all their rights from the Company in respect of the investment agreements entered into with the Company and that they intend to participate in a public offering of the Company's shares, if such an offering takes place, in an aggregate amount of $5 million, provided that the price does not exceed $0.26 per share, which is the price per share in which the Company's shares were purchased in the private offering completed in October 2016 (see Note 5.1 below).

It should be noted that the Purchaser had been in advanced negotiations with the Company to make an investment in the Company, in the framework of which a sum of $5 million was deposited in the Company's account ("the Deposit") which was held in trust for the Purchaser, with the Company not able to use these funds, which were therefore not included in the Company’s assets as of December 31, 2016 or March 31, 2017. However, in light of the TASE restrictions that do not allow the execution of a private offering if it results in the public's holdings dropping below 10%, a private offering could not have been implemented, thus the investment was not brought to the approval of the Company's Board of Directors and was therefore not approved by it. In view of the above, the Company and the other parties involved examined various options that would enable the Company to raise additional capital, resulting in reaching the aforementioned agreements. As part of these agreements, the parties transferred the Deposit amounts to a dedicated trust account where they were used to finance the participation of Palisade and Patata Beroa in the aforesaid public offering of shares by the Company (see Note 5.1 below).

Note 5 – Subsequent Events

1. On April 5, 2017, the Company announced the results of a public shelf offering of shares. In the framework of the offering, the Company issued 22,134,300 ordinary shares to the public at a price per share of NIS 0.935 (approximately $0.26 according to the exchange rate at the time), for a total gross fundraising of approximately NIS 20,696 thousand (approximately $5,665 thousand). To the best of the Company’s knowledge and as reported to it, Palisade and Patata Beroa participated in the offering in the amount of $5 million. The offering costs totaled approximately NIS 2,860 thousand.

Note 5 – Subsequent Events (cont'd)

2. Further to Note 18e of the Annual Financial Statements regarding additional grants of stock options to the Company's CEO when making allocations to investors, and following recommendations of the Compensation Committee, in May 2017 the Board approved the allocation of 1,649,416 stock options to the CEO, Dr. Frank Haluska, as being consistent with the CEO's employment agreement, with an exercise price of \$0.29 (the Fair Market Value of the Company's shares on the date of the resolution) and vesting in 4 portions at the end of each year from the CEO's commencement of employment in May 2016, at an estimated total cost of 290 thousand dollars. 1,434,579 of these options will be allocated pursuant to the approval of the general meeting of shareholders of the Company of 17 November 2016, while 214,837 will be allocated subject to the approval of a new general meeting. In addition, the Compensation Committee recommended and the Board of Directors approved that the mechanism for making the aforementioned additional grants in the future will be as follows, subject to the approval of a general meeting: The Company will allocate the number of additional nonqualified stock options required to bring the CEO's holdings to 7% of the Company's share capital (post-option allocation) after the completion of each fundraising until (but not including) the earlier of a U.S. public offering or two years from the approval of the general meeting. These grants will vest in four annual tranches from the date of the CEO's commencement of employment (May 2016), and the exercise price will be the Fair Market Value of the Company's shares on the date of approval of the grant by the Board, but not less than \$0.26.

3. In May 2017, the Compensation Committee and Board of Directors of the Company approved the allocation of 1,010,000 warrants exercisable into 1,010,000 ordinary shares of the Company, to Company employees, at a total estimated cost of approximately NIS 630 thousand.