



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

*For the Interim Period Ended December 31, 2024*

## APPILI THERAPEUTICS INC.

The following Management's Discussion and Analysis ("MD&A") of Appili Therapeutics Inc. ("Appili", the "Company", "we", "us" or "our") is prepared as of February 14, 2025, and provides information concerning the Company's financial condition and results of operations. This MD&A should be read in conjunction with our audited annual consolidated financial statements for the fiscal years ended March 31, 2024 and 2023, including the related notes thereto. The preparation of financial information included in the MD&A has been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, unless otherwise noted. Unless stated otherwise, all references to "\$" are to Canadian dollars ("CAD").

### FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements or forward-looking information (collectively, "forward-looking statements") under applicable Canadian securities legislation including, without limitation, statements containing the words "believe," "may," "plan," "will," "estimate," "continue," "anticipate," "intend," "expect," "predict," "project," "potential," "continue," "ongoing" or the negative or grammatical variations of these terms or other comparable terminology, although not all forward-looking statements contain these words and similar expressions. Forward-looking statements are necessarily based on estimates and assumptions made by us based on our experience and perception of historical trends, current conditions and expected future developments, as well as the factors we believe are appropriate. Forward-looking statements in this MD&A include, but are not limited to, statements relating to:

- our ability to continue as a going concern;
- our ability to maintain the listing of the Company's Class A common shares (the "Common Shares") on the Toronto Stock Exchange (the "TSX");
- our strategy;
- the sufficiency of our financial resources to support our activities;
- potential sources of funding;
- our deployment of resources;
- our ability to obtain necessary funding on favourable terms or at all;
- our expected expenditures and accumulated deficit level;
- the ability of our partner, Saptalis, to successfully engage a commercial partner to support the sales and distribution of LIKMEZ;
- expectations relating to successfully closing the proposed transaction with Aditxt, Inc. ("Aditxt") in a timely manner
- our outcomes from ongoing and future research and research collaborations;
- our exploration of opportunities through collaborations, strategic partnerships, and other transactions with third parties;
- our plans for the research and development ("R&D") of certain product candidates;
- the continued existence of priority review voucher ("PRV") programs and the eligibility of certain of our programs for a PRV;
- our ability to obtain funding from the US Department of Defense ("USDOD") and US Air Force Academy ("USAFA") at all and in a timely manner;
- our intention to secure certain regulatory designations, such as Fast-Track status, for our development programs;
- expectations relating to the timing of future milestone payments from Saptalis (as defined herein);
- our strategy for protecting our intellectual property;
- our ability to identify licensable products or research suitable for licensing and commercialization;
- our ability to obtain licences on commercially reasonable terms;
- our plans for generating revenue;
- our plans for future clinical trials;
- our ability to hire and retain skilled staff; and
- our intention with respect to updating any forward-looking statements after the date on which such statement is made or to reflect the occurrence of unanticipated events.

Such statements reflect our current views with respect to future events, are subject to risks and uncertainties and are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Appili as of the date of such statements,

are inherently subject to significant medical, scientific, business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements. In making the forward-looking statements included in this MD&A, the Company has made various material assumptions, including but not limited to (i) our ability to continue to partner with the USDOD and USAFA with respect to the funding of ATI-1701; (ii) the availability of financing on reasonable terms; (iii) the Company's ability to initiate and complete its proposed clinical trials in a timely manner; (iv) the Company's ability to enter into the requisite clinical trial agreements relating to any proposed clinical trials; (v) obtaining positive results of clinical trials; (vi) obtaining regulatory approvals; (vii) general business and economic conditions; (viii) the Company's ability to successfully out-license or sell its current products and in-license and develop new products; (ix) the Company's ability to attract and retain skilled staff; (x) market competition; (xi) the products and technology offered by the Company's competitors; (xii) the Company's ability to protect patents and proprietary rights; and (xiii) the company's ability to secure the requisite level of patient and site enrollment; .

In evaluating forward-looking statements, current and prospective shareholders should specifically consider various factors, including risks related to:

- working capital and capital resources, including the Company's ability to secure the full anticipated funding from USAFA for its ATI-1701 program;
- limited operating history and early stage of development;
- identifying, developing and commercializing product candidates;
- regulatory risks;
- market competition;
- the Company's dependence on third parties;
- clinical trial risks;
- third party manufacturing and supplier risks;
- the Company's potential redeployment of resources;
- the ownership and protection of intellectual property;
- litigation and product liability risks;
- the Company's ability to meet certain debt obligation covenants;
- employee matters and managing growth;
- ownership of the Company's securities;
- the possibility of the US government shutting down for some period of time which could affect the timing of reimbursements;
- the possibility of the US government permanently or temporarily suspending payments for existing funding contracts as the Department of Government Efficiency and the US government considers changes to spending priorities;
- ability to attract and retain key personnel;
- the Company's existing credit facility with Long Zone Holdings ("LZH");
- ability to complete the proposed transaction with Aditxt in a timely manner or at all;
- implementation and development delays;
- product deficiencies;
- volatility of share price; and
- the other risks discussed under the heading "*Risk Factors*" in the Company's annual information form dated June 25, 2024.

Should one or more of these risks or uncertainties, or a risk that is not currently known to us, materialize, or should assumptions underlying those forward-looking statements prove incorrect, actual results may vary materially from those described herein. These forward-looking statements are made as of the date of this MD&A and we do not intend, and do not assume any obligation, to update these forward-looking statements, except as required by applicable securities laws. Investors are cautioned that forward-looking statements are not guarantees of future performance and are inherently uncertain. Accordingly, investors are cautioned not to put undue reliance on forward-looking statements.

## MARKET DATA

Certain market and industry data (including study results) used in this MD&A were obtained from market research, publicly available information and industry publications. Appili believes that these sources are generally reliable, but the accuracy and completeness of this information is not guaranteed. Appili has not independently verified this information and does not make any representation or warranty as to the accuracy of this information.

## BUSINESS OVERVIEW

Appili is a pharmaceutical company focused on the acquisition and development of novel treatments targeting unmet needs in infectious disease. Since incorporation in 2015, the Company has been focused on building and advancing a diverse portfolio of anti-infective programs. Key activities have included the acquisition and development of novel technologies, the development of strategic partnerships, targeted hiring and building out drug development capabilities, securing intellectual property, and raising funds through equity capital raises and non-dilutive funding mechanisms.

The Company's anti-infective product development portfolio currently includes three programs, described below: LIKMEZ™ (ATI-1501), ATI-1701 and ATI-1801.

Subject to the renewal of certain legislation, Appili expects that two of its programs (ATI-1801 and ATI-1701) may be eligible for a PRV if approved by the United States Food and Drug Administration ("FDA"). The PRV program was developed to incentivize drug development in US government priority areas including tropical disease and medical countermeasures. Once issued, a PRV can be used by its holder to accelerate the review of a subsequent drug or biologic license application. PRVs are transferrable and the secondary market for PRVs is well established with over 35 transactions reported publicly with recent transactions typically yielding around or exceeding US\$100 million.

### *LIKMEZ™ (ATI- 1501)*

LIKMEZ (ATI-1501) is Appili's most advanced commercial stage asset, a liquid oral taste-masked reformulation of the antibiotic metronidazole, which has been licensed to Saptalis Pharmaceuticals LLC ("Saptalis") for commercialization in the U.S., and other selected territories.

Metronidazole is a front-line antibiotic for the treatment of anaerobic bacterial and parasitic infections (Quintiles 2016, Solomkin 2010, Flagyl® FDA Label 2018). In many jurisdictions, including the United States and Canada, the only approved oral metronidazole products are in solid dose formats. Elderly and pediatric patients with difficulty swallowing typically crush the tablets to ingest them. Metronidazole has a strong bitter and metallic taste that is exacerbated by crushing and can reduce patient adherence to treatment. LIKMEZ is aimed at making it easier for patients with difficulties swallowing and sensitivity to taste to take metronidazole, improving patient adherence to therapy and clinical outcomes.

In December 2019, Appili entered into a development and commercialization agreement with Saptalis for the manufacturing, development, and commercialization of LIKMEZ. Under the terms of the agreement, Appili is eligible to receive multiple milestone and royalty payments on the development and sale of LIKMEZ in the United States. Upon signing the commercialization agreement with Saptalis, the Company received the initial upfront payment of US\$150,000 that was recognized as revenue in December 2019.

In February 2022, Appili announced an amendment to its licence with Saptalis to expand the territories in which Saptalis will commercialize LIKMEZ to include Europe and Latin America. Under the terms of the amended agreement, Saptalis will assume all responsibilities related to the development and commercialization of LIKMEZ for European and Latin American markets and Appili will be eligible to receive royalties on sales for a specified term.

Saptalis submitted a 505(b)2 new drug application ("NDA") in December 2022 and in September 2023, Saptalis received approval from the FDA for Metronidazole Oral Suspension 500mg/5mL (ATI-1501) in the United States. The FDA also approved LIKMEZ as the brand name for ATI-1501. LIKMEZ is the first and only FDA approved ready-made suspension of metronidazole for the treatment of antimicrobial infections that addresses the unmet need in patients with dysphagia to avoid risks associated with drug compounding, and discontinuation-related anti-microbial resistance. Saptalis, through a commercial partner, launched LIKMEZ in November 2023 and the product is now available to patients and doctors in the United States. Saptalis has since informed the Company that a transition to a new commercial partner is underway. The Company expects

this to have a negative impact on sales, royalties and sales-based milestones as commercial sales are only expected to resume in 2025 once the new commercial partner has been fully onboarded.

Appili earned US\$600,000 in milestone payments from Saptalis in fiscal 2024. Appili is entitled to receive sales-based milestone payments and royalties from Saptalis based on sale of the product.

In May 2023, the United States Patent and Trademark Office ("USPTO") published patent claims for ATI-1501 under the US Application No. 18/072,154 filed on November 30, 2022, and titled "*Oral Formulations of Metronidazole and Methods of Treating an Infection Using Same*". The patent covers the composition and preparation methods for the drug through 2039.

The milestones set out above are based on management's current expectations with respect to commercialization of LIKMEZ and are subject to certain underlying assumptions and general risks. Due to the nature of the Company's business and stage of operations, there is no assurance that these objectives will be achieved, and there can be no assurance with respect to the time or resources that may be required. See "*Risk Factors*".

#### *ATI-1701*

Appili licensed the exclusive worldwide rights to biodefense vaccine candidate ATI-1701 from the National Research Council of Canada ("NRC") in December 2017.

ATI-1701 is a novel, live-attenuated vaccine for *Francisella tularensis* ("**F. tularensis**"). *F. tularensis*, the bacterium which causes tularemia, is a Category A pathogen which can be aerosolized and is over 1,000 times more infectious than anthrax when inhaled (PHAC PSDS Anthrax 2011, PHAC PSDS Tularemia 2011). Category A pathogens are organisms or biological agents that, according to the U.S. National Institutes of Health ("**NIH**"), pose the highest risk to National Security and public health (NIH website). The signs, symptoms, and prognosis of tularemia depends on the route of infection. Pneumonic tularemia, caused by inhalation of *F. tularensis*, is among the most severe forms of tularemia, causing respiratory issues and difficulty breathing in patients and can be fatal if untreated, (CDC 2018, WHO 2007). Since it is a highly infectious pathogen capable of causing severe illness, medical countermeasures for *F. tularensis* are a top biodefense priority for the United States and allied governments around the world. There is currently no approved vaccine for the prevention of tularemia in the United States or other major global markets. Historical evidence of tularemia outbreaks on Eastern European battlefields suggest that tularemia may be a threat to warfighters in Ukraine.

Preliminary studies in mice conducted by the NRC and colleagues have demonstrated 100% survival of ATI-1701-immunized mice compared to no survival in unvaccinated mice after lethal challenge with *F. tularensis* (Conlan 2010, Shen 2010). Vaccine manufacturing activities have been initiated and animal work commenced in 2019. A non-human primate ("**NHP**") study showed that vaccination with ATI-1701 provided >88% survival protection when animals were challenged with a lethal dose of *F. tularensis* at either 28 or 90 days after vaccination. Some of the NHP data have been replicated by a second laboratory, with 87.5% of NHPs surviving a lethal dose of *F. tularensis* 28 days after vaccination. The Company disclosed results from the last cohort of animals challenged 365 days after vaccination, with survival rates of 29% (n = 2/7) reported in the ATI-1701 vaccinated cohort, compared to 0% (n = 0/5) in mock vaccinated controls. Ongoing potency assay development studies have found that as few as 6 colony forming units of ATI-1701 can provide 100% protection against intradermal challenge in mice. In September 2023, Appili sponsored and presented data at the 10th International Conference on Tularemia. The conference hosted the top tularemia physicians and scientists in the world, discussing topics of bacteriology, epidemiology, host immune response, human infections, pathogenesis, and vaccines. Progress on ATI-1701 was presented and was well received by the scientific community.

In August 2024, key members of Appili's management and scientific team participated and presented an update on the Appili biodefense program ATI-1701 at the Military Health System Research Symposium. The poster outlined the potential risk of a tularemia outbreak in war zones and highlighted ATI-1701 as a potentially valuable tool in protecting warfighters.

In October 2024, key members of Appili's management and scientific team participated and present an update on the Appili biodefense program ATI-1701 at IDWeek 2024™. The presentation summarized the latest findings from preclinical studies, outlined next steps for the project, and showed that a single dose of ATI-1701 provides full protection in animal models against lethal tularemia one year after vaccination.

The primary focus for commercializing ATI-1701 is targeted towards the United States market, where approval from the FDA is necessary. However, rare and severe diseases such as tularemia present unique challenges during clinical development. These challenges include the inherent risks associated with experimental infection studies in humans, and the impracticality of conducting field efficacy studies due to the low natural attack rate of the disease.

The conventional path for drug development often involves human efficacy studies, which can be impractical for rare diseases like tularemia. The FDA has provided guidance known as the "Animal Rule," (21 CFR 601.90-95) which offers a clear path to approval by relying on well-designed animal studies, potentially expediting the development and availability of this important vaccine. The Animal Rule is an alternative product development path for certain rare diseases like tularemia. According to regulatory guidance from October 2015 titled "Product Development Under the Animal Rule," the FDA may grant marketing approval based on adequate and well-controlled animal efficacy studies for drugs designed to mitigate or prevent serious or life-threatening conditions caused by exposure to toxic substances. This route becomes applicable when human efficacy studies are neither ethical nor feasible, and field trials are impractical. Under the Animal Rule, drugs must still undergo safety evaluation as per existing requirements for establishing the safety of new drugs.

Appili and its strategic partners are currently assessing the feasibility of seeking approval for ATI-1701 under the FDA Animal Rule. This assessment involves developing of appropriate experimental models to demonstrate the efficacy of ATI-1701. Appili has had interactions with the FDA in the form of a pre-IND meeting, confirming the development pathway for the majority of our efforts and is incorporating suggested changes in the development effort. Appili aims to complete the necessary preclinical and clinical testing required under the Animal Rule. The objective is to evaluate the immunogenicity, efficacy, and safety of the ATI-1701 vaccine and ultimately submit a Biological License Application to the FDA.

Appili's IND enabling activities related to ATI-1701 have been and continue to be funded through its current resources and USDOD funding. On May 5th, 2023, Appili signed a cooperative agreement with USAFA (the "**USAFA Cooperative Agreement**"), who is working in partnership with the Defense Threat Reduction Agency ("**DTRA**"). The initial funding to Appili was US\$7.3 million for the ATI-1701 program. On October 25, 2023, Appili secured a commitment for an additional stage of funding for ATI-1701 from USAFA. With this additional US\$6.6 million award Appili's ATI-1701 program has been awarded a total US\$14 million in USAFA funding commitments.

Appili will continue to oversee a comprehensive development program for ATI-1701, which includes nonclinical studies, CMC/manufacturing, clinical preparatory, and regulatory activities to support an IND submission in 2025. Under the terms of the agreement with USAFA, Appili will be reimbursed for the subcontractor and vendor costs necessary to carry out the technical tasks. Additionally, Appili will be reimbursed for direct labour costs associated with budgeted program activities, and a portion of its overhead costs. Appili successfully completed a knowledge transfer and a technology transfer for the ATI-1701 drug substance manufacturing process to our Phase 1 contract manufacturing organization. Engineering batches were manufactured in 2024 and IND-enabling GMP batches are planned for 2025.

It is important to note that the milestones mentioned are based on management's current expectations regarding the development and advancement of ATI-1701. However, they are subject to certain assumptions and general risks. Due to the nature of the company's business and stage of operations, there is no guarantee that these objectives will be achieved, and uncertainties remain regarding the required time and resources. Please refer to the "*Risk Factors*" section for further information.

#### *ATI-1801*

Appili licensed the exclusive worldwide rights to topical antiparasitic product ATI-1801 from the US Army Medical Materiel Development Activity ("**USAMMDA**") in August 2019.

ATI-1801 is a novel topical formulation of paromomycin (15% w/w) under advanced clinical development for the treatment of cutaneous leishmaniasis, a disfiguring infection of the skin that affects hundreds of thousands of people around the world annually and is characterized by the formation of lesions and ulcers that often lead to scarring, disfigurement, disability, and stigmatization of the infected individual (CDC 2020, WHO 2022, Okwor 2016). The disease is a serious impediment to socioeconomic development, especially for women, and a priority for governments and non-governmental organizations ("**NGOs**") around the world (NIAID 2021, DNDi 2021). Current treatments are often invasive, toxic and/or require hospitalization, limiting access. (Aronson 2016, DNDi 2018).

ATI-1801 has the potential to significantly reduce the burden of the disease by providing patients with a safe and effective therapy that can be used at home. ATI-1801's active ingredient, paromomycin, disrupts protein synthesis within *Leishmania* parasites, effectively stopping their growth and multiplication. Appili licensed the full clinical dossier for ATI-1801 from USAMMDA, including the results of a randomized, vehicle-controlled Phase 3 study which evaluated the safety and efficacy of ATI-1801 for the treatment of cutaneous leishmaniasis in Tunisia. The study met its primary endpoint, with ATI-1801 administered topically once daily for 20 days demonstrating a significant improvement in the rate of clinical cure of the index lesion compared to vehicle at 6 months (82% vs 58%; p-value < 0.0001).

In response to Appili's recent Type B meeting request, the FDA agreed with the Company's proposed strategy to establish a scientific bridge between previous clinical trial material and new drug product batches. This approach includes developing an appropriately validated in-vitro release test ("IVRT") method and manufacturing a new reference standard to use in IVRT studies to support the scientific bridge to products used in prior studies. This will allow completion and submission of an NDA much sooner than if additional clinical data were required.

Appili expects to pursue non-dilutive funding and partnership opportunities with NGOs and government agencies which share the Company's focus on tropical diseases to implement the agreed-upon strategy and complete remaining development work.

ATI-1801 has received an Orphan Drug Designation ("ODD") from the FDA for the treatment of certain forms of cutaneous leishmaniasis.

The milestones set out above are based on management's current expectations with respect to the development and advancement of ATI-1801 and are subject to certain underlying assumptions, future funding requirements and general risks. Due to the nature of the Company's business and stage of operations, there is no assurance that these objectives will be achieved, and there can be no assurance with respect to the time or resources that may be required. See "Risk Factors".

## **Our Business Strategy**

The Company was founded to acquire, develop and commercialize novel therapeutics in the area of infectious disease. The strategic decision to focus on infectious disease was driven by the large unmet clinical need in the therapeutic area, as well as the increasing number of regulatory and financial incentives available to support anti-infective R&D. The Company has recruited a team of experienced drug development and commercialization professionals to, among other things: (i) identify high value commercial and R&D anti-infective assets, (ii) leverage available incentive programs to accelerate development, and (iii) maximize market access, reimbursement, and partnerships and alliances to realize stakeholder value. The Appili team has built a portfolio of anti-infective assets through internal innovation and acquisition from partners, and is constantly searching for additional antiviral, antibacterial, antifungal, antiparasitic and vaccine assets for acquisition or partnership.

## **RECENT DEVELOPMENTS**

### **Overall Performance**

The Company has no direct sales, though Appili is entitled to royalties and milestone payments from Saptalis for LIKMEZ sales. Accordingly, its ability to ensure continuing operations is dependent on obtaining the necessary financing to complete the development or commercial support of the Company's product portfolio, which includes three active programs (LIKMEZ (ATI-1501), ATI-1701, and ATI-1801).

The Company had the following recent key developments and achievements since October 2024:

- On October 17, 2024, the Company presented an update on ATI-1701 at IDWeek™ 2024.
- On October 31, 2024, the Company announced the FDA provided positive feedback regarding the development strategy for ATI-1801 and agreed on the necessary registration package to support an NDA.
- On November 6, 2024, the Company announced shareholders overwhelmingly voted in favour of a special resolution approving the arrangement (the "Arrangement") pursuant to which Aditxt, Inc. ("NASDAQ:ADTX") ("Aditxt"),

through its wholly-owned subsidiary, Adivir, Inc., will acquire all of the issued and outstanding Class A common shares of the Company (the “**Transaction**”).

- On November 11, 2024, Appili, Aditxt, and Adivir agreed, among other things, to waive the outside date for the Arrangement from November 19, 2024 to December 15, 2024 to allow Aditxt to satisfy certain financing closing conditions. In connection with such waiver, Aditxt paid to Appili the amount of US \$115,000 to partially compensate Appili for the additional expenses associated with the delay.
- On November 19, 2024, Appili announced receipt of the final order of the Ontario Superior Court of Justice (Commercial List) for the plan of the Arrangement.
- On December 15, 2024, the Company, Aditxt, and Adivir agreed, among other things, to waive the Outside Date for the Arrangement from December 15, 2024 to January 31, 2025 to allow Aditxt to satisfy the Financing prior to such date. In connection with such waiver, Aditxt agreed to pay the Company the amount of US \$250,000 in December 2024 and an additional US\$250,000 in January 2025 to partially compensate the Company for the additional expenses associated with the delay.
- On January 31, 2025, the Company, Aditxt, and Adivir agreed, among other things, to waive the Outside Date for the Arrangement from January 21, 2025 to February 28, 2025 to allow Aditxt to satisfy the Financing prior to such date. In connection with such waiver, Aditxt agreed to pay the Company the amount of US \$250,000 in February 2025 to partially compensate the Company for the additional expenses associated with the delay.

#### SELECTED FINANCIAL INFORMATION

	<b>Three Months ended December 31, 2024</b>	<b>Three Months ended December 31, 2023</b>
	(\$)	(\$)
Net loss and comprehensive loss for the period	(524,337)	(152,336)
Basic and diluted loss per share	(0.00)	(0.00)

	<b>As at December 31, 2024</b>	<b>As at March 31, 2024</b>
Cash and short-term investments	186,166	94,493
Total assets	2,093,664	1,490,403
Long-term liabilities	11,284,254	8,184,857



**RESULTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2024 (“Q3 2025”), COMPARED TO THE THREE MONTHS ENDED DECEMBER 31, 2023 (“Q3 2024”)**

	<b>Three months ended December 31, 2024</b>	<b>Three months ended December 31, 2023</b>
	<b>\$</b>	<b>\$</b>
<b>Income</b>		
Revenue	108,359	478,397
Interest income	36	5,578
	<u>108,395</u>	<u>483,975</u>
<b>Expenses</b>		
Research and development costs (“R&D”)	1,721,529	1,773,316
General and administrative (“G&A”)	443,261	564,705
Business development (“BD”)	6,422	60,000
Financing costs	522,022	438,623
Government assistance	(2,559,925)	(2,069,116)
Exchange (gain)/loss	509,388	(137,306)
	<u>642,697</u>	<u>630,222</u>
<b>Loss before Income taxes</b>	(534,302)	(146,247)
Income tax expense	(9,965)	6,089
<b>Net loss and comprehensive loss for the period</b>	<u>(524,337)</u>	<u>(152,336)</u>

**Income**

**i. Revenue**

Revenue income decreased by \$370,038 to \$108,359 in Q3 2025 in the absence of milestone revenue in this quarter, compared to \$478,397 in Q3 2024. The \$108,359 recorded in Q3 2025 represents royalty income associated with Metronidazole Oral Suspension (ATI-1501 program).

**ii. Interest income**

\$36 in interest income was recorded for Q3 2025. This represented a decrease of \$5,542 as compared to Q3 2024, due to a lower cash balance during Q3 2025.

**Operating expenses**

Overall operating expenses increased by \$12,475 to \$642,697 during Q3 2025 as compared to \$630,222 in the Q3 2024, due mainly to (i) an increase of \$83,399 in financing costs mainly due to revised terms and fair value adjustments relating to the revised LZH loans and (ii) an increase of \$646,694 in exchange gain. These increases were offset by (i) a decrease of \$51,787 in R&D costs mainly due to reduced R&D salaries, (ii) a decrease of \$121,444 in G&A cost due to lower employment cost, (iii) an increase of \$490,809 in government assistance due to reimbursement stemming from the contract with USAFA to support the ATI-1701 program and (iv) a decrease of \$53,578 in BD costs due to no consulting charges in Q3 2025. Explanations of the nature of costs incurred, along with explanations for those changes in costs are discussed below.

**i. R&D expenses**

The Company’s R&D expenses have related primarily to costs incurred in performing research and development activities that include non-clinical, clinical manufacturing, regulatory and clinical trial expenses of its product candidates. The R&D expenses for the period relate to costs incurred for the development of the two product candidates, ATI-1701 and LIKMEZ (ATI-1501) and general R&D.

R&D expenses consist of the following:

	<u>Three months ended December 31, 2024</u> (S)	<u>Three months ended December 31, 2023</u> (S)
ATI-1701 expenses	1,000,108	974,982
ATI-1501 expenses	12,729	29,770
General R&D expenses	24,549	40,910
Amortization of property and equipment	1,440	1,454
Salaries and benefits	675,855	721,891
Stock-based compensation	6,848	4,309
<b>Total</b>	<u><b>1,721,529</b></u>	<u><b>1,773,316</b></u>

The decrease in R&D expenses of \$51,787 from \$1,773,316 in Q3 2024 to \$1,721,529 in Q3 2025 is mainly attributable to (i) a decrease of \$17,041 in ATI-1501 program expense, (ii) a decrease of \$16,361 in general R&D expense, (iii) a decrease of \$46,036 in salaries and benefits and an immaterial decrease in amortization of equipment. These decreases were offset by (i) a \$25,126 increase in the ATI-1701 program expenses, and an immaterial increase in stock based compensation of \$2,539.

#### *ATI-1701*

The increase in ATI-1701 program expenses is due to an increase in consultant expenses (as compared to Q3 2024), to support the planned activity under the USAFA agreement. These are primarily being reimbursed by USAFA as part of the agreement and recorded as government assistance.

#### *LIKMEZ (ATI-1501)*

During Q3 2025, the regulatory expenses related to the program were lower compared to Q3 2024.

#### *General R&D Expenses*

The decrease in expenses related to general R&D expenses is due to decreased R&D consultant, employee benefits, and R&D rent in Q3 2025 as compared to Q3 2024.

#### *Salaries and Benefits and Stock-based compensation*

The decrease in salaries and benefits is primarily due to the Company dedicating more time to specific programs, mainly ATI-1701, compared to Q3 2024. The increase in stock-based compensation is largely attributed to recent staff changes.

## **ii. G&A expenses**

The Company's G&A expenses include salaries and benefits of the senior executive team and the finance and administrative staff, stock-based compensation expenses, professional fees including legal, auditing and tax, costs associated with the public listing on the TSX, regulatory, investor relations and public relations costs, travel expenses, office rent, operating and information technology costs, director compensation, and directors' and officers' insurance premiums.

G&A expenses consist of the following:

	<b>Three months ended December 31, 2024</b>	<b>Three months ended December 31, 2023</b>
	<b>(\$)</b>	<b>(\$)</b>
G&A expenses, excluding salaries	409,345	513,486
Salaries and benefits	25,293	35,885
Stock-based compensation	5,987	13,395
Amortization of property and equipment	2,636	1,939
<b>Total</b>	<b>443,261</b>	<b>564,705</b>

G&A expenses decreased by \$121,444 from \$564,705 in Q3 2024 to \$443,261 in Q3 2025 due to (i) a decrease of \$10,592 in salaries and benefits, (ii) a decrease of \$7,408 in stock-based compensation given the reduction in headcount and (iii) a decrease of \$104,141 in G&A expenses, excluding salaries.

*G&A expenses, excluding salaries*

G&A expenses, excluding salaries, for Q3 2025 decreased mainly due to (i) a decrease in insurance D&O, regulatory fees, (ii) a decrease in business advisory fees, (iii) a decrease in travel related charges, (iv) a decrease in IR conferences and (v) an increase in transaction cost reimbursement from Aditxt. These decreases are offset by (i) an increase in legal fees, (ii) an increase in subscription fees, (iii) an increase in audit fees and (iv) an increase in accounting services.

*Salaries and Benefits and Stock based compensation*

Salaries and benefits and stock-based compensation decreased in Q3 2025 mainly due to staffing changes.

**iii. BD Expenses**

BD expenses consist of new program acquisition research costs and business development office rent. BD expenses decreased by \$53,578 in Q3 2025 as compared to Q3 2024, due to decreased consulting charges.

**iv. Financing costs**

Financing costs relate to the valuation of zero interest bearing government loans, LZH secured loans and bridge loans from Bloom Burton & Co (“**Bloom Burton**”).

Under IFRS Accounting Standards, the zero-interest bearing government loans from the Atlantic Canada Opportunities Agency (“**ACOA**”) must be initially valued at fair value and the difference between the fair value of the loans and the contribution received must be treated as government assistance. These loans are then accreted to their original value over time. For the loan repayable on a percentage of future gross revenue from ATI-1501, management is required to revise the estimated cash flows whenever new information related to ATI-1501 and its potential market, including time of entry, market size, etc., is made available. Management recalculates the carrying amount by computing the present value of the estimated future cash flows at the original effective interest rate, and any adjustments are recognized in the statements of loss and comprehensive loss as accreted interest after initial recognition.

The increase in financing costs of \$83,399 in Q3 2025 as compared to Q3 2024, is mainly due to revised terms and fair value adjustments relating to the revised LZH loans, and the accretion of Bloom Burton bridge loans and ACOA loans.

**v. Government assistance**

Government assistance consists of investment tax credits, conditionally repayable government loans, repayable government loans and government grants.

Government assistance increased by \$490,809 in Q3 2025 as compared to Q3 2024, mainly due to the cost reimbursement from the USAFA Cooperative Agreement to support the development of ATI-1701 and a G&A rate true-up reimbursement billed to USAFA for the Q3 2025.

**vi. Income tax expense**

Income tax expense is due on profits recognized in the US subsidiary.

**RESULTS FOR NINE MONTHS ENDED DECEMBER 31, 2024 (“Q3 2025”), COMPARED TO NINE MONTHS ENDED DECEMBER 31, 2023 (“Q3 2024”)**

	<b>Nine Months ended December 31, 2024</b>	<b>Nine Months ended December 31, 2023</b>
	<b>\$</b>	<b>\$</b>
<b>Income</b>		
Revenue	113,049	815,710
Interest income	36	16,250
	<u>113,085</u>	<u>831,960</u>
<b>Expenses</b>		
R&D	5,796,256	4,031,371
G&A	1,861,447	2,229,650
BD	6,448	188,189
Financing costs	2,283,416	1,248,087
Government assistance	(7,422,066)	(4,056,473)
Exchange loss/(gain)	449,131	(192,041)
	<u>2,974,632</u>	<u>3,448,783</u>
<b>Loss before Income taxes</b>	(2,861,547)	(2,616,823)
Income tax expense	(8,805)	60,626
<b>Net loss and comprehensive loss for the period</b>	<u>(2,852,742)</u>	<u>(2,677,449)</u>

**Income**

**i. Revenue**

Revenue income decreased by \$702,661 to \$113,049 during the nine months ended December 31, 2024 due to absence of milestone revenue in this quarter, compared to \$815,710, during the nine months ended December 31, 2023. The \$113,049 recorded for the nine months ended December 31, 2024 represents royalty income associated with LIKMEZ.

**ii. Interest income**

\$36 in interest income was recognized during the nine months ended December 31, 2024. A decrease of \$16,214 as compared to nine months ended December 31, 2023, due to a lower cash balance during nine months ended December 31, 2024.

**Operating expenses**

Overall operating expenses decreased by \$474,151 to \$2,974,632 as compared to \$3,448,783 in Q3 2024, due mainly to (i) a decrease of \$368,203 in G&A cost due to lower employment cost, (ii) an increase of \$3,365,593 in government assistance due to reimbursement stemming from the contract with USAFA to support the ATI-1701 program and (iii) a decrease of \$181,741 in BD costs due to no consulting charges. These decreases were offset by (i) an increase of \$641,172 in foreign exchange gain, (ii) an increase of \$1,764,885 in R&D costs mainly due to ATI-1701 program cost, and (iii) an increase of \$1,035,329 in financing costs mainly due to a loss recognized on extinguishment of LZH original loans (with replacement of revised loans at revised terms) and fair value adjustments relating to the revised LZH loans. Explanations of the nature of costs incurred, along with explanations for those changes in costs are discussed below.

**i. R&D expenses**

The Company's R&D expenses have related primarily to costs incurred in performing activities that include non-clinical, clinical manufacturing, regulatory and clinical trial expenses of its product candidates. The R&D expenses for the period relate to costs incurred for the development of the two product candidates, ATI-1701 and LIKMEZ (ATI-1501) and general R&D.

R&D expenses consist of the following:

The increase in R&D expenses of \$1,764,885 from \$4,031,371 during the nine months ended December 31, 2023 to \$5,796,256 during nine months ended December 31, 2024 is mainly attributable to (i) to a \$1,999,557 increase in the ATI-1701 program expenses. This increase was offset by (i) a decrease of \$59,147 in general R&D expenses, (ii) a decrease of \$107,487 in salaries and benefits, (iii) a decrease of \$26,419 in stock based compensation, (iv) a \$36,972 decrease in ATI-2307 program expenses due to discontinuation and (v) a \$2,869 decrease in favipiravir program expenses due to discontinuation and (vi) a decrease of \$1,728 in the ATI-1501 program.

	<b>Nine Months ended December 31, 2024</b>	<b>Nine Months ended December 31, 2023</b>
	<b>(\$)</b>	<b>(\$)</b>
Favipiravir expenses	-	2,869
ATI-2307 expenses	-	36,972
ATI-1701 expenses	3,678,707	1,679,150
ATI-1501 expenses	50,203	51,931
General R&D expenses	116,526	175,673
Amortization of property and equipment	4,313	4,363
Salaries and benefits	1,926,964	2,034,451
Stock-based compensation	19,543	45,962
<b>Total</b>	<b>\$5,796,256</b>	<b>\$4,031,371</b>

### *ATI-1701*

The increase in ATI-1701 program expenses for the nine months ended December 31, 2024 (as compared to the nine months ended December 31, 2023) is due to an increase in consultant expenses, to support the planned activity under the USAFA agreement. These are primarily being reimbursed by USAFA as part of the USAFA Cooperative Agreement and recorded as government assistance.

### *LIKMEZ (ATI-1501)*

Regulatory expenses related to the program increased during the nine months ended December 31, 2024 as compared to the nine months ended December 31, 2023.

### *General R&D Expenses*

The decrease in expenses related to general R&D expenses for the nine months ended December 31, 2024 (as compared to the nine months ended December 31, 2023) is due to a decrease in consultant charges and employee benefits. These decreases were offset by an increase in R&D rent and insurance.

### *Salaries and Benefits and Stock-based compensation*

Decrease in salaries and benefits and decrease in stock-based compensation are mainly due to staff changes.

## **ii. G&A expenses**

The Company's G&A expenses include salaries and benefits of the senior executive team and the finance and administrative staff, stock-based compensation expenses, professional fees including legal, auditing and tax, costs associated with the public listing on the TSX, regulatory, investor relations and public relations costs, travel expenses, office rent, operating and information technology costs, director compensation, and directors' and officers' insurance premiums.

G&A expenses consist of the following:

	<b>Nine Months ended December 31, 2024</b>	<b>Nine Months ended December 31, 2023</b>
	<b>(\$)</b>	<b>(\$)</b>
G&A expenses, excluding salaries	1,642,021	1,912,904
Salaries and benefits	125,915	175,500
Stock-based compensation	87,571	135,333
Amortization of property and equipment	5,940	5,913
<b>Total</b>	<b>1,861,447</b>	<b>2,229,650</b>

G&A expenses decreased by \$368,203 from \$2,229,650 during the nine months ended December 31, 2023 to \$1,861,447 during nine months ended December 31, 2024 due to (i) a decrease of \$49,585 in salaries and benefits, (ii) a decrease of \$47,762 in stock-based compensation given the reduction in headcount and (iii) a decrease of \$270,883 in G&A expenses, excluding salaries.

### *G&A expenses, excluding salaries*

G&A expenses, excluding salaries, for the nine months ended December 31, 2024 decreased mainly due to (i) a decrease in insurance D&O costs, (ii) a decrease in regulatory fees, (iii) a decrease in business advisory fees, (iv) a decrease in travel related charges, (v) a decrease in IR conferences and (vi) an increase in cost reimbursement from Aditxt. These decreases are offset by (i) an increases in legal fees, (ii) an increases in subscription fees, (iii) an increases in audit fees, (iv) an increases in accounting services, and (v) an increase in information technology related charges.

### *Salaries and Benefits and Stock based compensation*

Salaries and benefits and stock-based compensation decreased mainly due to staffing changes.

#### **iii. Financing costs**

Financing costs relate to the valuation of zero interest bearing government loans, LZH secured loans and bridge loans from Bloom Burton.

Under IFRS Accounting Standards, the zero-interest bearing government loans from the Atlantic Canada Opportunities Agency (“ACOA”) must be initially valued at fair value and the difference between the fair value of the loans and the contribution received must be treated as government assistance. These loans are then accreted to their original value over time. For the loan repayable on a percentage of future gross revenue from ATI-1501, management is required to revise the estimated cash flows whenever new information related to ATI-1501 and its potential market, including time of entry, market size, etc., is made available. Management recalculates the carrying amount by computing the present value of the estimated future cash flows at the original effective interest rate and any adjustments are recognized in the statements of loss and comprehensive loss as accreted interest after initial recognition.

The increase of financing costs by \$1,035,329 during the nine months ended December 31, 2024 in comparison to nine months ended December 31, 2023, is mainly due to a loss recognized on extinguishment of LZH original loans on replacement of revised loans at revised terms and fair value adjustments relating to the revised LZH loans, and the accretion of Bloom Burton bridge loans and ACOA loans.

#### **iv. Government assistance**

Government assistance consists of investment tax credits, conditionally repayable government loans, repayable government loans and government grants.

Government assistance increased by \$3,365,593 during the nine months ended December 31, 2024 in comparison to nine months ended December 31, 2023, mainly due to the cost reimbursement from the USAFA Cooperative Agreement to support the development of ATI-1701.

#### **vii. Income tax expense**

Income tax expense is due on profits recognized in the US subsidiary.

## **CASH FLOWS**

As at December 31, 2024, the Company had cash of \$186,166 and negative working capital of \$12,837,729 compared to a cash balance of \$94,493 and negative working capital of \$10,079,721, as at March 31, 2024.

To date, operations have been financed through the issuance of equity securities, debt, interest income on funds available for investment, government loans and assistance and tax credits.

### *Operating activities*

During the nine months ended December 31, 2024, \$165,419 was used in operating activities, including a reported net loss of \$(2,852,742) prior to being adjusted for add-backs of \$2,248,196 (non-cash finance costs), \$107,114 (stock-based compensation), \$351,682 (unrealized foreign exchange translation (LZH)), \$10,252 (amortization of property equipment), \$(4,560) (unrealized gain from changes in foreign currency) and a net decrease of \$25,361 in cash as a result of changes in working capital.



### *Financing activities*

During the nine months ended December 31, 2024, the Company received \$400,000 from unsecured bridge loan, which was offset by repayment of long-term debt of \$96,960 and \$48,148 for the payment of accreted interest involving cash.

### **LIQUIDITY AND CAPITAL RESOURCES**

The Company prepares and updates the cash flow forecasts on a regular basis to manage the Company's liquidity, ensuring that the Company has sufficient cash to meet operational needs.

The Company aims to maintain adequate cash and cash resources to support planned activities which include: supportive activities for pre-IND and IND-enabling activity costs for ATI-1701 including regulatory, manufacturing and non-clinical activities; other early-stage R&D activities on other exploratory programs; business development costs incurred relating to assessing and evaluating new drug product candidates that fit within the Company's strategic focus; administration costs, and intellectual property maintenance and expansion.

It is common for early-stage biotechnology companies to require additional funding to further develop product candidates until successful commercialization of at least one product candidate. Appili's product candidates are still in the development stage of the product cycle and therefore are not generating revenue to fund operations. The Company continuously monitors its liquidity position, the status of its development programs, including those of its partners, cash forecasts for completing various stages of development, the potential to license or co-develop each product candidate, and continues to actively pursue alternatives to raise capital, including the sale of its equity securities, debt and non-dilutive funding.

At December 31, 2024, the Company had approximately \$2. million of existing and identified potential sources of cash including:

- cash of \$0.2 million; and
- amounts receivable and investment tax credits receivable of \$1.8 million.

Appili's activities related to ATI-1701 have been and continue to be funded through its current resources and government funding. On May 5, 2023, Appili signed the USAFA Cooperative Agreement for initial funding to Appili of US\$7.3 million for the ATI1701 program. On October 23, 2023, Appili secured a further commitment for ATI-1701 from USAFA, who is working in partnership with DTRA. With this additional US\$6.6 million award, Appili's ATI-1701 program has been awarded a total of US\$14 million in USAFA commitments. As progress is made, Appili plans to engage USAFA for additional funding tranches to continue development through IND submission.

Under the terms of the USAFA Cooperative Agreement, Appili will be reimbursed for direct costs and labour associated with budgeted program activities and will recover a portion of its overhead costs. FY 2024 and Q3 2025, Appili submitted invoices for such costs amounting to US\$8,884,417 and have been reimbursed for US\$8,417,381 as at December 31, 2024.

USAFA serves as the prime contractor to DTRA for this program as USDOD agency. The USAFA Cooperative Agreement establishes Appili as the top-tier performer responsible for managing development activities through the IND stage. The anticipated total program budget is expected to be approximately US\$14 million, depending on US federal budget funding activities. The initial funding tranche of US\$3.4 million was authorized by the contract. On January 23, 2024, an additional US\$7.5 million funding tranche was authorized resulting in a total of US\$10.9 million of funds being authorized by the contract. These funds, along with other planned funding tranches, are expected to advance the ATI-1701 program toward an IND submission to the FDA in 2025. Appili oversees a comprehensive development program for ATI-1701, which includes nonclinical studies, manufacturing, and regulatory activities to support the IND submission.

### **Going Concern**

While the Company has potential sources of cash of approximately \$2. million as at December 31, 2024, as well as potential access to the remaining USAFA funding, management does not believe these resources will be sufficient to fund operations and current working capital requirements, for the next twelve months, unless further financing is obtained in the near term. The ability of the Company to continue as a going concern and finance its current working capital requirements in the near term is dependent upon successfully closing the Arrangement or raising additional capital to fund the Company's R&D activities,

general and administration expenses, and any expansion of operations through equity financings, non-dilutive funding, and partnerships. As there can be no assurance that the Company will be successful in its efforts to raise additional financing or secure alternative funding on terms satisfactory to the Company, there is substantial doubt about the Company's ability to continue as a going concern. The Company is currently analyzing financing alternatives that could include equity and/or debt financings, government, or other non-dilutive funding and/or new strategic partnership agreements to fund some or all costs of development. There can be no assurance that the Company will be able to obtain capital sufficient to meet any or all of its needs, including accessing all expected USDOD funding pursuant to the USAFA Cooperative Agreement in a timely manner or at all. The availability of equity or debt financing will be affected by, among other things, R&D activity, the Company's ability to obtain regulatory approvals, the market acceptance of the Company's products, the state of the capital markets generally, strategic alliance agreements and other relevant commercial considerations. In addition, if the Company raises additional funds by issuing equity securities, the existing security holders will likely experience dilution, and any incurring of indebtedness would result in increased debt service obligations and could require the Company to agree to operating and financial covenants that would restrict the Company's operations. There can be no assurance that the Company will have sufficient capital to fund its ongoing operations, develop or commercialize any products without future financings. Any failure on Appili's part to raise additional funds on terms favourable or at all may require the Company to significantly change or curtail the current or planned operations in order to conserve cash until such time, if ever, that sufficient proceeds from operations are generated, and could result in the Company not taking advantage of business opportunities, the termination or delay of clinical trials for our products, curtailment of product development programs. Such adjustments or delays could be material.

In addition, the Company is expending significant resources in connection with the Arrangement. There can be no assurance that such transaction will be completed in a timely manner or at all. In the event that the Arrangement is not completed as currently contemplated, the Company's ability to continue as a going concern will be materially and adversely impacted.

## **RELATED PARTY TRANSACTIONS**

The Company's Chair of the Board of Directors (formerly Chief Executive Officer) is a partner of Bloom Burton & Co., which is an indirect principal shareholder of the Company. For the nine months ended December 31, 2024, the Company accrued \$39,000 (December 31, 2023 - \$nil) in directors fees for services performed as the Chair. As at December 31, 2024, \$39,000 (December 31, 2023 - \$nil) is included in accounts payable and accrued liabilities owing to the Chair and \$nil (December 31, 2023 - \$nil) owing to the former Chief Executive Officer in accordance with his employment contract, which was terminated on November 12, 2022 due to his change in role. The Company granted 200,000 options (December 31, 2023 - 975,000) to the former Chief Executive Officer during the nine months ended December 31, 2024.

For the nine months ended December 31, 2024, the Company was charged \$nil (December 31, 2023 - \$188,189) for consulting services in relation to business development activities performed by Bloom Burton Securities Inc., an affiliate of Bloom Burton. For the three months ended December 31, 2024, the Company was charged \$nil (December 31, 2023 - \$60,000) for consulting services in relation to business development activities by Bloom Burton Securities Inc.

For the nine months ended December 31, 2024, the Company obtained an additional unsecured bridge loan from Bloom Burton amounting to \$400,000 (see note 7). As at December 31, 2024, the principal and interest outstanding under the original bridge loan and the secured bridge loan was \$734,284 (March 31, 2024 - \$300,000) and the fair value of the bridge loans were determined to be \$682,383 (March 31, 2024- \$281,687), included in long-term debt.

## **CONTRACTUAL OBLIGATIONS**

- On March 28, 2022, the Company executed the original loan agreement (the "LZH Loan Agreement") with LZH providing for a senior secured loan for gross proceeds of US\$3,600,000 (CAD\$4,500,000) ("First Tranche Loan"). The loan is secured by a general security over all the assets of the Company, including intellectual property.
- On March 28, 2022, the Company entered into a licencing agreement which entitled LZH an exclusive licence to commercialize the Company's future approved products in Latin America, Canada, and Israel, excluding ATI-1501 in Latin America, which was recently licenced to existing partner Saptalis. The Company will receive a supply price for products sold by LZH or its sublicensees, as well as royalties on net sales.

- On March 17, 2023, the Company entered into an amended and restated secured loan agreement with LZH, amending and restating the Amended LZH Loan Agreement (the “Amended LZH Loan Agreement”). Pursuant to the terms of the Amended LZH Loan Agreement, LZH provided an additional loan of \$2,500,000 (“Second Tranche Loan”) which supplements the First Tranche Loan.
- On May 5, 2023, the Company signed the USAFA Cooperative Agreement. The initial commitment was US\$7.3 million for the ATI-1701 program. On October 25, 2023, the Company secured a further commitment for ATI-1701 from USAFA. With this additional US\$6.6 million award, the Company’s ATI-1701 program has been awarded a total US\$14 million in USAFA commitments.
- On June 28, 2023, the Company obtained an unsecured bridge loan from Bloom Burton, amounting to \$300,000. The bridge loan bears interest at 1% per annum for the first month increasing to 2% thereafter and matures on July 31, 2024, subject to acceleration in connection with certain corporate events.
- On April 1, 2024, the Company and the lender, LZH, entered into a consent and waiver agreement which restructured the terms of the Amended LZH Loan Agreement:
  - The First Tranche Loan, including all fees and accrued interest thereon, will be repayable in two lump sum payments:
    - A payment of US\$ 2,100,132 was due on the closing of the Arrangement if the Arrangement closed by June 30, 2024. In the event the Arrangement closes after that date, the payment will increase by a late payment fee of US\$1,553 per day until the payment is made. The Company currently expects the Arrangement to close in the first quarter of calendar 2025, subject to satisfaction (or waiver, as applicable) of all closing conditions;
    - A payment of US\$2,047,216 due on February 28, 2025;
  - The Second Tranche Loan, including all fees and accrued interest thereon, will be repayable in two lump sum payments:
    - A payment of \$1,454,121 was due on the closing of the Arrangement if the Arrangement closed by June 30, 2024. In the event the transaction closes after that date, the payment will increase by a late payment fee of \$1,062 per day until the payment is made. The Company currently expects the Arrangement to close in February, 2025, subject to satisfaction (or waiver, as applicable) of all closing conditions;
    - A payment of \$1,383,116 due on February 28, 2025;
  - The consent and waiver agreement provided the requisite consent to the Arrangement and agreed to waive the requirement to secure additional funding and maintain a minimum cash balance of US\$360,000 until February 28, 2025, or in the event that the Arrangement does not close.
  - With respect to the interest payment due on March 31, 2024, LZH agreed to capitalize interest of \$191,545 (relating to the First Tranche Loan) and \$96,610 (relating to the Second Tranche Loan) and add it to the principal of the loans.
  - The Company agreed to pay LZH legal costs associated with the amendment amounting to \$51,000, which has been recorded as an expense in the interim condensed consolidated statements of loss and comprehensive loss for the period.
- On April 1, 2024, the Company entered into the Arrangement Agreement with Aditxt. Under the terms of the Arrangement Agreement, shareholders of the Company will receive (i) 0.0000686251 of a share of common stock of Aditxt and (ii) US\$0.0467 cash for each Appili share held. In connection with the Arrangement, Aditxt also agreed to: (i) repay no less than 50% in outstanding senior secured debt at the closing of the Arrangement and to repay the remaining outstanding senior secured debt by no later than December 31, 2024; (ii) assume all of the Company’s remaining outstanding liabilities and indebtedness, and (iii) satisfy certain payables of the Company at closing of the Arrangement.

- On April 26, 2024, the Company obtained the second loan from Bloom Burton, amounting to \$300,000. The second loan bears interest at 10% per annum (to be accrued on a quarterly basis and capitalized against the principal loan amount). The loan, together with all accrued and capitalized interest, will be due on the earlier of April 26, 2025, or the closing of the Arrangement.
- On June 27, 2024, the Company and the lender, LZH, entered into a supplemental consent and waiver agreement, pursuant to which LZH agreed to capitalize the accrued interest in respect of the quarter ended June 30, 2024 and add it to the principal of the First Tranche Loan and the Second Tranche Loan.
- On June 28, 2024, the Company obtained a further advance on the second loan amounting to \$100,000 from Bloom Burton.
- On July 2, 2024, the Company and Aditxt amended certain terms of the Arrangement Agreement as follows: (a) the Outside Date (as defined in the Arrangement Agreement) was changed from July 31, 2024 to August 30, 2024; (b) the deadline to convene the Company's special shareholders' meeting was changed from June 30, 2024 to August 30, 2024; and (c) the deadline for Aditxt to complete the Financing (as defined in the Arrangement Agreement) was changed from June 30, 2024 to August 30, 2024 or such later date as the parties may agree in writing. On July 17, 2024, the Company and Bloom Burton agreed to extend the original bridge loan with principal amounting to \$300,000, together with all accrued and capitalized interest thereon, to the earlier of: (i) the date of the Arrangement is completed or (ii) September 30, 2024.
- On July 18, 2024, the Company and Aditxt further amended the Arrangement Agreement terms as follows: (a) the Outside Date (as defined in the Arrangement Agreement) was changed from August 30, 2024 to September 30, 2024, (b) the deadline to convene the Company's special shareholders' meeting was changed from August 30, 2024 to September 30, 2024, and (c) the deadline for Aditxt to complete the Financing (as defined in the Arrangement Agreement) was changed from August 30, 2024 to September 15, 2024 or such later date as the parties may agree in writing.
- On August 21, 2024, the Company and Aditxt further amended the Arrangement Agreement terms as follows, among other things, (a) the Outside Date was changed from September 30, 2024 to November 19, 2024, and (b) the deadline for Aditxt to complete the Financing was changed from September 15, 2024 to October 18, 2024 or such later date as the parties may agree in writing.
- On November 11, 2024, the Company, Aditxt, and Adivir agreed, among other things, to waive the Outside Date for the Arrangement from November 19, 2024 to December 15, 2024 to allow Aditxt to satisfy the Financing prior to such date. In connection with such waiver, Aditxt paid to the Company the amount of US \$115,000 to partially compensate the Company for the additional expenses associated with the delay. In connection with such waiver, the Company also agreed to waive certain requirements with respect to the composition of the board of directors and management team of Adivir post-closing.
- On December 15, 2024, the Company, Aditxt, and Adivir agreed, among other things, to waive the Outside Date for the Arrangement from December 15, 2024 to January 31, 2025 to allow Aditxt to satisfy the Financing prior to such date. In connection with such waiver, Aditxt agreed to pay the Company the amount of US \$250,000 in December 2024 and an additional US\$250,000 in January 2025 to partially compensate the Company for the additional expenses associated with the delay.
- On January 31, 2025, the Company, Aditxt, and Adivir agreed, among other things, to waive the Outside Date for the Arrangement from January 21, 2025 to February 28, 2025 to allow Aditxt to satisfy the Financing prior to such date. In connection with such waiver, Aditxt agreed to pay the Company the amount of US \$250,000 in February 2025 to partially compensate the Company for the additional expenses associated with the delay.

There is no other material change in the contractual obligations of the Company since the beginning of the 2025 fiscal year. Details on the contractual obligations of the Company can be found in the financial statements and related notes in the audited annual consolidated financial statements for the year ended March 31, 2024.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company was not party to any off-balance sheet arrangements as of December 31, 2024.

## **OUTSTANDING SECURITIES**

As of February 14, 2025, the Company has 121,266,120 issued and outstanding Common Shares, 10,910,281 stock options and 37,139,874 warrants outstanding.

## **RISKS AND UNCERTAINTIES**

The Company is a clinical-stage company that operates in an industry that is dependent on a number of factors that include the capacity to raise additional capital on reasonable terms, obtain positive results of clinical trials without serious adverse or inappropriate side effects, and obtain market acceptance of its product by physicians, patients, healthcare payers and others in the medical community for commercial success, etc. An investment in the Common Shares is subject to a number of risks and uncertainties. In addition to the risks set out herein, an investor should carefully consider the risks described under the heading “Risk Factors” in the Company’s annual information form dated June 22, 2024, filed in respect of the fiscal year ended March 31, 2024. If any of such described risks occur, or if others occur, the Company’s business, operating results and financial condition could be seriously harmed, and investors may lose a significant proportion of their investment. There are important risks which management believes could impact the Company’s business.

## **DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

### Disclosure Controls and Procedures

Disclosure controls and procedures (“**DC&P**”) are intended to provide reasonable assurance that material information is gathered and reported to senior management to permit timely decisions regarding public disclosure and internal controls over financial reporting (“**ICFR**”) are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

The Company maintains DC&P designed to ensure that information required to be disclosed in reports filed under applicable securities laws, is recorded, processed, summarized and reported within the appropriate time periods and that such information is accumulated and communicated to the Company’s management, including the CEO and CFO, to allow for timely decisions regarding required disclosure.

The CEO and the CFO of the Company are responsible for establishing and maintaining the Company’s disclosure controls and procedures, including adherence to the Disclosure Policy adopted by the Company. The CEO and CFO have evaluated whether there were changes to the disclosure controls and procedures during the period ended December 31, 2024, that have materially affected, or are reasonably likely to materially affect, the disclosure controls and procedures. No such changes were identified through their evaluation.

In designing and evaluating the DC&P, the Company recognizes that any disclosure controls and procedures, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met, and management is required to exercise its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

### Internal Control over Financial Reporting

The Company’s management, including the CEO and the CFO, are responsible for establishing and maintaining adequate ICFR. The control framework used by the CEO and CFO of the Company to design the Company’s ICFR is the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The CEO and CFO have evaluated whether there were changes to ICFR during the period ended December 31, 2024, that have materially affected, or are reasonably likely to materially affect, ICFR. No such changes were identified through their

evaluation. There have been no significant changes in the Company's internal controls during the period ended December 31, 2024, that have materially affected, or are reasonably likely to materially affect, ICFR.

The Company's ICFR may not prevent or detect all misstatements because of inherent limitations. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because changes in conditions or deterioration in the degree of compliance with the Company's policies and procedures.

## **BASIS OF PRESENTATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES**

The unaudited interim condensed consolidated financial statements have been prepared in accordance with the IFRS Accounting standards. The accounting policies, methods of computation and presentation applied in the consolidated financial statements are consistent with those of previous financial years. The Company's significant accounting policies are detailed in the notes to the audited consolidated financial statements for March 31, 2024.

## **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results could differ from those estimates. Critical judgements in applying the Company's accounting policies are detailed in note 3 of the Company's annual audited consolidated financial statements for the year ended March 31, 2024. The unaudited interim condensed consolidated financial statements have been prepared using the same policies and methods as the annual audited consolidated financial statements of the Company for the fiscal year ended March 31, 2024.

## **FINANCIAL INSTRUMENTS**

Financial instruments are defined as a contractual right or obligation to receive or deliver cash on another financial asset. The following table sets out the approximate fair values of financial instruments as at the statement of financial position date with relevant comparatives:

	<u>December 31, 2024</u>		<u>March 31, 2024</u>	
	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash	186,166	186,166	94,493	94,493
Amounts Receivable	1,668,704	1,668,704	1,086,725	1,086,725
Accounts Payable and accrued liabilities	4,434,443	4,434,443	4,183,176	4,183,176
Long-term debt	11,284,254	11,284,254	8,184,857	8,184,857

Assets and liabilities, such as commodity taxes, that are not contractual and arise as a result of statutory requirements imposed by governments, do not meet the definition of financial assets or financial liabilities and are, therefore, excluded from amounts receivable and accounts payable and accrued liabilities in this table.

Fair value of items, which are short-term in nature, have been deemed to approximate their carrying value. The above noted fair values, presented for information only, reflect conditions that existed only at December 31, 2024, and do not necessarily reflect future value or amounts, which the Company might receive if it were to sell some or all of its assets to a willing buyer in a free and open market.

### *Risk management*

The Company, through its financial assets and liabilities, has exposure to the following risks from its use of financial

instruments: credit risk; market risk; and liquidity risk. Management is responsible for setting acceptable levels of risk and reviewing risk management activities as necessary.

*Credit risk*

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. The Company is exposed to credit risk on its cash and short-term investment balances. The Company's cash management policies include ensuring that the cash is deposited in Canadian chartered banks.

*Market risk*

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, including interest rate risk and foreign currency risk.

*Interest rate price risk*

The Company has limited exposure to interest rate risk on its lending and borrowing activities. The Company has interest-free debt that is either repayable over 84 months or 120 months or becomes repayable when revenue is earned.

*Foreign currency risk*

Foreign currency risk occurs as a result of foreign exchange rate fluctuations between the time a transaction is recorded and the time it is settled.

The Company does not enter into derivative financial instruments to reduce exposure to foreign currency risk.

*Liquidity risk*

Liquidity risk is the risk the Company will encounter difficulties in meeting its financial liability obligations as they come due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis.

The Company controls liquidity risk through management of working capital, cash flows and the availability and sourcing of financing. As described in note 1 of the unaudited interim condensed consolidated financial statements as at December 31, 2024, the Company's ability to accomplish all of its future strategic plans is dependent on obtaining additional financing or executing other strategic options; however, there is no assurance that the Company will achieve these objectives.

The following table outlines the contractual repayments for long-term debt, which includes loans with a set repayment schedule, as well as loans that are repayable based on a percentage of revenues, for the Company's financial liabilities. The long-term debt is comprised of the contributions received described in note 6 of the unaudited interim condensed consolidated financial statements as at December 31, 2024:

	<b>Total</b>	<b>Year 1</b>	<b>Years 2 to 3</b>	<b>Years 4 to 5</b>	<b>After 5 Years</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Accounts payable and accrued liabilities	4,434,443	4,434,443	-	-	-
Long-term debt	13,876,347	10,678,468	329,316	320,537	2,548,026
	<u>18,310,790</u>	<u>15,112,911</u>	<u>329,316</u>	<u>320,537</u>	<u>2,548,026</u>

## **ADDITIONAL INFORMATION**

Additional information relating to the Company, including the Company's annual information dated June 22, 2024, filed in respect of the fiscal year ended March 31, 2024, is available under the Company's profile on SEDAR at [www.sedarplus.ca](http://www.sedarplus.ca).