Appili Therapeutics Inc.

Consolidated Financial Statements
March 31, 2026

June 26, 2026

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Appili Therapeutics Inc. (the "Company") are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared by management in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board. The consolidated financial statements include some amounts and assumptions based on management's best estimates, which have been derived with careful judgment.

In fulfilling its responsibilities, management has developed and maintained a system of internal accounting controls. These controls are designed to ensure that the financial records are reliable for the preparation of the consolidated financial statements. The Board of Directors reviewed and approved the Company's consolidated financial statements.

(signed) "*Don Cilla*"
President & Chief Executive Officer

(signed) "*Kenneth Howling*"
Acting Chief Financial Officer

Independent auditor's report

To the Shareholders of Appili Therapeutics Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Appili Therapeutics Inc. and its subsidiary (together, the Company) as at March 31, 2026 and 2025, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at March 31, 2026 and 2025;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to note 1 to the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Except for the matter which is described in the *Material uncertainty related to going concern* section, we have determined that there are no other key audit matters to communicate in our report.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Alexander Christianson.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants
Halifax, Nova Scotia
June 26, 2026

Appili Therapeutics Inc.

Consolidated Statements of Financial Position

As at March 31, 2026 and March 31, 2025

	March 31 2026 $	March 31, 2025 $
Assets		
Current Assets		
Cash	40,003	1,228,244
Accounts receivable (note 5)	1,790,854	1,658,373
Investment tax credit receivable	11,000	12,500
Prepaid expenses and deposits	120,603	114,514
	1,962,460	3,013,631
Non-Current Assets		
Property and equipment	10,959	19,043
Total Assets	1,973,419	3,032,674
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (note 6)	6,303,898	4,106,126
Current portion of long-term debt (note 8)	12,264,765	11,558,317
Corporate taxes payable	64,746	29,471
	18,633,409	15,693,914
Non-Current liabilities		
Long-term debt (note 8)	671,500	736,100
Total Liabilities	19,304,909	16,430,014
Shareholders' equity	(17,331,490)	(13,397,340)
Total Liabilities and Shareholder's Equity	1,973,419	3,032,674

Going concern (note 1)
Contingencies (note 17)
Subsequent events (note 18)

Approved by the Board of Directors

Signed "*Prakash Gowd*"
Director

Signed "*Theresa Matkovits*"
Director

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

Appili Therapeutics Inc.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended March 31, 2026 and 2025

	Share Capital $ (note 9)	Contributed Surplus $ (note 10)	Warrants $ (note 11)	Deficit $	Total $
Balance- March 31, 2024	42,323,359	12,869,975	2,975,003	(69,093,116)	(10,924,779)
Expired Warrants	-	1,795,965	(1,795,965)	-	-
Share Based Compensation	-	117,802	-	-	117,802
Fair value of related party loan	-	34,329	-	-	34,329
Net loss and comprehensive loss for the period	-	-	-	(2,624,692)	(2,624,692)
Balance- March 31, 2025	42,323,359	14,818,071	1,179,038	(71,717,808)	(13,397,340)
Shares issued	194,336	-	-	-	1,94,336
Share issuance costs	(26,421)				(26,421)
Warrants issued	-	-	96,470	-	96,470
Warrants issuance costs	-	-	(9,185)	-	(9,185)
Expired Warrants	-	614,604	(614,604)	-	-
Share Based Compensation	-	51,390	-	-	51,390
Net loss and comprehensive loss for the period	-	-	-	(4,240,740)	(4,240,740)
Balance- March 31, 2026	42,491,274	15,484,065	651,719	(75,958,548)	(17,331,490)

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

Appili Therapeutics Inc.

Consolidated Statements of Loss and Comprehensive Loss

For the years ended March 31, 2026 and 2025

	Year ended March 31,	
	2026	**2025**
	$	**$**
Income		
Revenue (note 4)	244,179	100,443
Interest income	-	36
	244,179	100,479
Expenses and other		
Research and development	4,288,755	7,324,458
General and administrative	2,474,750	2,853,211
Business development	5,519	7,833
Financing costs	1,013,008	3,500,882
Government assistance (note 5)	(2,703,703)	(9,894,220)
Other income (note 1)	(485,655)	(1,414,977)
Foreign exchange (gain) loss	(213,108)	329,154
	4,379,567	2,706,341
Loss before income taxes	(4,135,388)	(2,605,862)
Provision for income taxes (note 13)	105,352	18,830
Net loss and comprehensive loss for the year	(4,240,740)	(2,624,692)
Basic and diluted loss per share	(0.03)	(0.02)
Weighted-average shares outstanding	123,718,997	121,266,120

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

Appili Therapeutics Inc.

Consolidated Statements of Cash Flows

For the years ended March 31, 2026 and 2025

	31-Mar 2026 $	31-Mar 2025 $
Cash provided by (used in)		
Operating activities		
Net loss and comprehensive loss for the year	(4,240,740)	(2,624,692)
Changes to operations not involving cash:		
Amortization of property and equipment	8,084	13,460
Non-cash finance costs	960,984	3,418,329
Share-based compensation	51,390	117,802
Unrealized gain from changes in foreign currency	1,978	(73,611)
Unrealized foreign exchange translation- long-term debt	(215,085)	243,720
	(3,433,389)	1,095,008
Net changes in non-cash operating working capital		
Increase in amounts receivable	(132,481)	(500,338)
Decrease in investment tax credits receivable	1,500	2,800
(Increase) decrease in prepaids expenses and deposits	(6,089)	77,919
Increase in accounts payable and accrued liabilities	2,233,047	193,427
	(1,337,412)	868,816
Financing activities		
Proceeds from the issuance of units	277,500	-
Issuance costs	(22,300)	-
Proceeds from long-term debt	-	400,000
Repayment of long-term debt	(57,378)	(141,816)
Interest payment	(46,673)	(64,501)
	151,149	193,683
Investing activities		
Additions to property and equipment	-	(2,360)
	-	(2,360)
Net change in cash during the period	(1,186,263)	1,060,139
Cash - Beginning of period	1,228,244	94,493
Changes due to foreign exchange	(1,978)	73,612
Cash - End of period	**40,003**	**1,228,244**

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

1 Nature of operations and going concern risk

Appili Therapeutics Inc. (the "Company" or "Appili") is a biopharmaceutical company dedicated to advancing the global fight against infectious diseases by matching clearly defined patient needs with drug development programs that provide solutions to existing challenges patients, doctors and society face. Appili has one wholly owned subsidiary, Appili Therapeutics Inc. USA. The Company is domiciled in Halifax, Nova Scotia. The Company exists under the Ontario Business Corporations Act, and its Class A common shares ("common shares") are listed for trading on the Toronto Stock Exchange ("TSX") under the symbol "APLI". The Company also trades in the United States on the OTCPink Exchange. The address of its principal place of business is #21-1344 Summer Street, Halifax, Nova Scotia, Canada.

Aditxt Transaction

On April 1, 2024 (as amended on July 1, 2024 and further amended on July 17, 2024), the Company entered into a definitive arrangement agreement (the "Arrangement Agreement") pursuant to which Aditxt, through its wholly-owned subsidiary, Adivir, Inc. ("Adivir" or the "Buyer"), agreed to acquire all of the issued and outstanding Class A common shares of the Company by way of a court-approved plan of arrangement under the Ontario Business Corporations Act (the "Transaction").

The Company, Aditxt and Adivir entered into a mutual waiver on December 15, 2024, a further mutual waiver effective January 31, 2025, a further mutual waiver effective February 28, 2025, a further mutual waiver effective April 2, 2025 and a further mutual waiver effective April 30, 2025. In connection with each waiver, Aditxt agreed to pay the Company US$250,000 as partial compensation for such waiver as additional expenses incurred due to the delay (each, a "Waiver Fee"), provided that in the event a Termination Fee (as defined in the Arrangement Agreement) becomes payable by Aditxt or Adivir to Appili, the amount payable shall be reduced by the actual amount paid on account of the Waiver Fees payable under the mutual waivers effective February 28, 2025, April 2, 2025 and April 30, 2025.

On May 19, 2025, Appili announced that Aditxt, Inc. has delivered notice (the "Termination Notice") purporting to terminate the arrangement agreement dated April 1, 2024 and such termination to be effective as of May 31, 2025.

Under the Arrangement Agreement, the Company is entitled to a termination fee (the "Termination Fee") in the amount of USD$1,250,000 payable by Aditxt upon termination of the Arrangement Agreement in certain circumstances. This Termination Fee is to be reduced by certain amounts previously paid to the Company by Aditxt to extend the outside date under the Arrangement Agreement. At the time of the termination, the amount of US$1,000,000 was payable to Appili on account of the Termination Fee.

An impairment loss was recognized during the year for the entire amount of $1,437,548 (USD $1,052,549) in relation to Aditxt waiver and termination fees and interest accrued thereon. During the period, USD $350,000 has been collected to date and recognized as other income in the consolidated statement of net loss and comprehensive loss.

Going concern

These consolidated financial statements have been prepared using International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due.

For the year ended March 31, 2026, the Company reported a loss of $4,240,740 (March 31, 2025 - $2,624,692) and an accumulated deficit of $75,958,548 (March 31, 2025 - $71,717,808). In addition to repaying or refinancing the Company's debt facilities that mature in the next twelve months and funding its ongoing working capital requirements, the Company must secure sufficient funding through financing activities to cover research and development expenditures to advance the programs in its pipeline that are planned for the next twelve months.

These circumstances lend significant doubt as to the ability of the Company to fund planned expenditures and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

The ability of the Company to repay or refinance its debt facilities and fund working capital requirements to advance its programs in its pipeline is dependent on successfully raising additional financing through equity and/or non-dilutive funding and/or partnerships. There can be no assurance that additional financing will be available on acceptable terms or at all. If the Company is unable to obtain additional financing when required, Appili may have to substantially reduce or eliminate planned expenditures. Management is evaluating alternatives to secure additional financing so that the Company can continue to operate as a going concern. Nevertheless, there is no assurance that these initiatives will be successful.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2 Material accounting policies and basis of preparation

Basis of presentation

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

The policies applied in these consolidated financial statements are based on IFRS Accounting Standards issued and outstanding as of June 26, 2026, the date the Board of Directors approved the consolidated financial statements.

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

Consolidation

The financial statements of the Company consolidate the accounts of Appili Therapeutics Inc. and its subsidiary. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation. There are no non-controlling interests, therefore, all loss and comprehensive loss is attributable to the shareholders of the Company.

Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

Foreign currency translation

i) Functional and presentation currency

Items included in the consolidated financial statements of each consolidated entity of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Primary and secondary indicators are used to determine the functional currency (primary indicators have priority

2 Material accounting policies and basis of preparation (continued)

over secondary indicators). The primary indicator that applies to the Company is the currency that mainly influences revenues and expenses. Secondary indicators include the currency in which funds from financing activities are generated. The Company operates one subsidiary with a functional currency of US dollars. An assessment of the primary and secondary indicators for the subsidiary is performed to determine the functional currency of the subsidiary, which is then translated into Canadian dollars, the Company's presentation currency. The financial statements of the consolidated entity that has a functional currency other than Canadian dollars ("foreign operations") are translated into Canadian dollars as follows:

a) assets and liabilities – at the closing rate at the date of the consolidated balance sheet; and

b) income and expenses – at the transaction date.

All resulting exchange differences are recognized in other comprehensive income (loss) as foreign currency translation adjustments.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of these transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than the Company's functional currency are recognized in the consolidated statements of loss and comprehensive loss, within general and administrative expenses.

Investment tax credits

The benefits of investment tax credits ("ITCs") for scientific research and experimental development ("SR&ED") expenditures are recognized in the year the qualifying expenditure is made providing there is reasonable assurance of recoverability. The ITCs recorded are based on management's estimates of amounts expected to be recovered and are subject to audit by taxation authorities. The ITCs are recorded as government assistance in the consolidated statements of loss and comprehensive loss.

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset, and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

Recognition of financial instruments at fair value

The fair value of a financial instrument at initial recognition is often the transaction price, unless there is evidence that the fair value of the instrument is different when compared with other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets. Such financial instruments are initially recognized at the transaction price, which is the best indicator of fair value, although the market value derived by independent valuers may differ. The difference between the

2 Material accounting policies and basis of preparation (continued)

Financial instruments (continued)

transaction price and the market value, is not recognized immediately for accounting purposes in the consolidated statements of loss and comprehensive loss and is instead recognized through the consolidated statements of loss and comprehensive loss progressively as the instrument is settled. Any subsequent measurement of the instrument excludes the balance of the deferred day one gain or loss.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized as the proceeds received, net of direct issue costs.

Compound instruments

The component parts of loan arrangements entered by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar instrument. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished.

Transaction costs that relate to obtaining the loan are allocated to the liability and compound instruments in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

Classification and subsequent measurement

Financial instruments are classified into the following specified categories: amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The classification depends on the nature and purpose of the financial instrument and is determined at the time of initial recognition. Financial instruments do not include amounts due to or from government entities.

Derivatives embedded in contracts where the host is a financial liability are separated from the host debt contract and accounted for separately at FVOCI, unless an election is made to account for the whole debt instrument at FVTPL or if they are not closely related to the host contract.

2 Material accounting policies and basis of preparation (continued)

Classification and subsequent measurement (continued)

The Corporation has implemented the following classifications:

- Cash, and amounts receivable are classified as amortized cost. After their initial fair value measurement, they are measured at amortized cost using the effective interest method; and accounts payable and accrued liabilities, deferred credit and certain long-term debt are classified as amortized cost.
- The secured loans are measured and recorded at fair value through profit and loss ("FVTPL") at the end of the reporting period.

Impairment of financial assets

The Company applies the simplified method of the expected credit loss model required under IFRS Accounting Standards 9. Under this method, the Company estimates a lifetime expected loss allowance for all receivables. Receivables are written off when there is no reasonable expectation of recovery.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

Income tax

Income tax is comprised of current and deferred income tax. Income tax is recognized in the consolidated statements of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred income tax is recognized in respect of temporary differences including non-refundable ITCs arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the consolidated statements of financial position dates and are expected to apply when the deferred income tax asset or liability is settled. Deferred income tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

2 Material accounting policies and basis of preparation (continued)

Share-based compensation

The Company grants equity-settled share options periodically to certain employees, directors, officers and advisors.

The majority of the stock options vest over 3 years and have a contractual life of ten years. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes valuation model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately in the consolidated statements of loss and comprehensive loss.

Share capital and warrants

Common shares and warrants are classified as equity. Incremental costs directly attributable to the issuance of common shares and warrants are recognized as a reduction from the proceeds in equity in the period that the transaction occurs.

The Company has adopted a relative fair value method with respect to the measurement of shares and warrants issued as public offering units. The relative fair value method allocates value to each component on a pro rata basis, based on the fair value of the components calculated independently of one another. The Company measures the fair value of the warrant component of the unit using the Black-Scholes valuation model. The unit value is then allocated, pro rata, between the two components.

Research and development

All research costs are expensed in the period incurred. Development costs are expensed in the period incurred, unless they meet the criteria for capitalization, in which case they are capitalized and then amortized over the useful life. Development costs are written off when there is no longer an expectation of future benefits. No development costs have been capitalized to date.

2 Material accounting policies and basis of preparation (continued)

Government grants and assistance

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received, and the Company will comply with all attached conditions. All grants are recorded as government assistance in the consolidated statements of loss and comprehensive loss.

Loans received from government entities are recognized initially at fair value and subsequently recognized at amortized cost, with the difference between the fair value of the loan and the amount received, being recorded as government assistance in the consolidated statements of loss and comprehensive loss to the extent that the loan reimburses previously incurred expenses.

Revenue recognition

In general, when applicable, revenues will be recognized as the Company satisfies its performance obligations under the terms of the contract. Performance obligations are considered to be satisfied when the customer obtains control of the related asset. Revenue streams may include: (i) milestone payments generated on entering into potential contractual partnerships and achieving development and sales milestones; (ii) future royalties or profit share generated from the eventual commercialization of the Company's products; and (iii) amounts generated for providing formulation and research support services related to existing licencing and research agreements with partners.

The Company currently has a licence agreement that includes an upfront payment, milestone payments and royalty payments. The Company also has a collaboration, development and supply agreement, in which the Company will receive a profit share on Canadian and US commercial sales for a specified term and is eligible to receive royalties on the rest of world sales. Revenues associated with those multiple element arrangements are allocated to the various elements based on each unit's fair value or using the residual method, and the applicable revenue recognition criteria are applied to each of the separate units.

Licence fees representing non-refundable payments received on the execution of licence agreements are recognized as revenue on execution of the licence agreements when the Company has no significant future performance obligations and collectability of the fees is assured.

3 Critical accounting estimates and judgments

The Company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results.

The following estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Ability to continue as a going concern

In order to assess whether it is appropriate for the Company to continue as a going concern, management is required to apply judgment and make estimates with respect to future cash flow projections.

In arriving at this judgment, there are a number of assumptions and estimates involved in calculating these future cash flow projections. This includes making estimates regarding the timing and amounts of future expenditures and the ability and timing of raising additional financing.

3 Critical accounting estimates and judgments (continued)

Calculation of carrying amounts of long-term debt

Atlantic Canada Opportunities Agency ("ACOA") Atlantic Innovation Fund ("AIF") loan

The Company has an interest-free AIF government loan from ACOA with a maximum contribution of $2,943,305. The annual repayments, commencing December 1, 2022, until the advances are repaid, are calculated as 5% of gross revenue from a specific product for the preceding fiscal year. As at March 31, 2026, $45,200 (2025- $40,880) is included in current liabilities in the consolidated statement of financial position.

The initial fair value of the ACOA AIF loan is determined by using a discounted cash flow analysis for the loan, which requires a number of assumptions. The difference between the face value and the initial fair value of the ACOA AIF loan is recorded in the consolidated statements of loss and comprehensive loss as government assistance. The carrying amount of the ACOA AIF loan requires management to adjust the long-term debt to reflect actual and revised estimated cash flows whenever revised cash flow estimates are made or new information related to market conditions 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. Any adjustments are recognized in the consolidated statements of loss and comprehensive loss as accreted interest after initial recognition.

The significant assumptions used in determining the discounted cash flows include estimating the amount and timing of future revenue for the Company and the discount rate. The Company's estimates of future revenues are derived from several significant assumptions including estimated time to market, expected future selling price, potential target market, estimated market penetration, the product's shelf-life, returns provision, number of years of exclusivity and estimated royalty rate.

As the ACOA AIF loan is repayable based on a percentage of gross revenue from the Company's product, ATI-1501, if any, the determination of the amount and timing of future revenue significantly impacts the initial fair value of the loan, as well as the carrying value of the ACOA AIF loan at each reporting date. The Company is still in the development stage for this infectious disease product and accordingly, determination of the amount and timing of revenue, if any, requires significant judgment by management. Management's estimates of future revenues assume revenue over the next five years.

The discount rate determined on initial recognition of the ACOA AIF loan is used to determine the present value of estimated future cash flows expected to be required to settle the debt. In determining the appropriate discount rates, the Company considered the weighted average cost of capital for the Company, risk adjusted based on the development risks of the Company's product. The ACOA AIF loan is repayable based on a percentage of gross revenue from the Company's product, ATI-1501, if any; accordingly, finding financing arrangements with similar terms is difficult. Management used a discount rate of 26.8% to discount the ACOA AIF loan.

3 Critical accounting estimates and judgments (continued)

Calculation of carrying amounts of long-term debt (continued)

The Company signed a licence agreement for the US development and commercialization rights for ATI-1501 with pharmaceutical company Saptalis Pharmaceuticals Inc. ("Saptalis") in December 2019, which included an upfront payment, future milestone payments and future royalty payments. The Company performed the following sensitivity analysis on the basis that each change in the assumption being analyzed is made assuming the other assumptions remain the same.

- If the forecasted revenue was 10% higher or lower, the carrying value of the long-term debt would be $34,900 higher or $34,900 lower, respectively.

- If the total forecasted revenue were reduced to $nil, no amounts would be forecast to be repaid on the ACOA AIF loan and the ACOA AIF loan payable at March 31, 2026 would be recorded at $nil, which would be a reduction in the ACOA AIF loan payable of $390,200.

- If the timing of the receipt of forecasted future revenue was earlier or later by one year, the carrying value of the long-term debt at March 31, 2026 would have been an estimated $88,000 higher or $76,200 lower, respectively.

Any changes in the amounts recorded on the consolidated statements of financial position for the ACOA AIF loan result in an offsetting charge to accreted interest after initial recognition in the consolidated statements of loss and comprehensive loss.

Equity-settled share-based compensation

The Company estimates the cost of equity-settled share-based compensation using the Black-Scholes valuation model. The model takes into account the estimate of the expected life of the option, the current price of the underlying share, the expected volatility, an estimate of future dividends on the underlying common share, the risk-free rate of return expected for an instrument with a term equal to the expected life of the option and the expected forfeiture rate.

4 Revenue

During the year ended March 31, 2026, the Company earned $244,179 (2025 - $95,033) from royalties earned on the sale of ATI-1501.

5 Amounts receivable

	March 31 2026 $	March 31, 2025 $
Sales tax receivable	41,431	59,040
Amounts due from USAFA	-	1,504,300
NIAID Receivable	1,601,171	-
Other receivable	148,252	95,033
	1,790,854	1,658,373

Under the USAFA Cooperative Agreement, ATI-1701 has been awarded approximately US$14 million, of which only US$11.7 million has been allotted to pay for services under the agreement. For the year ended March 31, 2026, the Company recognized the reimbursement of costs of $869,646 (2025 - $9,878,583), as government assistance.

In September 2025, Appili was awarded a contract by National Institute of Allergy and Infectious Diseases ("NIAID"), part of the National Institutes of Health. The contract is structured as a five-year program with an initial US$3.6 million base period and additional options to support development through Investigational New drug ("IND") submission and Phase 1 clinical trials, valued at up to US $40 million. Appili serves as the prime contractor, overseeing program execution, compliance, and reporting. The amounts received from NIAID under this contract are recorded as government assistance in the statement of loss and comprehensive loss.

6 Amounts due to directors

During the year ended March 31, 2026, the Company incurred $354,262 (2025 - $386,161) of directors' fees earned by the independent members of the Board of Directors who are not employees, officers or are greater than 10% shareholders of the Company. As at March 31, 2026, $177,500 (2025 - $88,750) was due to those individuals. These costs are included in accounts payable and accrued liabilities in the consolidated statements of financial position.

7 Due to related party and related transactions

As at March 31, 2026, the principal and interest outstanding under the original bridge loan and the secured bridge loan was $799,451 (2025 - $747,428) and the carrying amount of the bridge loans was $700,000 (2025- $700,000), included in long-term debt. Interest on loan has been added to accounts payable and not capitalized.

8 Long-term debt

	March 31 2026 $	March 31, 2025 $
ACOA Business Development Program interest-free loan with a maximum contribution of $500,000 repayable in 120 equal monthly payments of $4,167 beginning April 1, 2018. As at March 31, 2026, the principal and interest outstanding was $156,334 (March 31,2025- $187,501) and has been recorded at an effective interest rate of 12%.	125,000	150,400
ACOA Business Development Program interest-free loan with a maximum contribution of $500,000 repayable in 84 equal monthly payments of $5,952 beginning January 1, 2019. As at March 31, 2026, the principal and interest outstanding was $63,504 (March 31,2025- $107,168) and has been recorded at an effective interest rate of 12%.	55,400	97,600
ACOA Business Development Program interest-free loan with a maximum contribution of $474,839 repayable in 120 equal monthly payments of $3,960 beginning March 1, 2020. As at March 31, 2026, the principal and interest outstanding was $239,700 (March 31,2025- $268,920) and has been recorded at an effective interest rate of 12%.	171,500	194,500
ACOA Atlantic Innovation Fund ('AIF') interest-free loan with a maximum contribution of $2,803,148. Annual repayments, commencing December 1, 2021 are calculated as 5% of gross revenue from resulting products for the preceding fiscal year. As at March 31, 2026, the amount drawn down on the loan is $2,766,648 (March 31,2025- $2,796,139) and has been recorded at an effective interest rate of 26.8%.	390,200	456,900
LZH revised first tranche secured loan of US$5,511,951 (CAD$7,683,110), outstanding as at March 31, 2026 (March 31, 2025- $7,247,199). See details of the loan disclosed below.	7,683,110	7,247,199
LZH revised second tranche secured loan of $3,811,055 outstanding as at March 31, 2026 (March 31, 2025- $3,447,818). See details of loan disclosed below.	3,811,055	3,447,818
Bloom Burton unsecured second bridge loan bearing an interest rate of 10% per annum and matures the earlier of March 31, 2026 or the occurrence of the change in control of the company. As at March 31, 2026, the principal outstanding was $482,733 (March 31,2025- $436,976). Accrued interest of $82,733 has been recorded in accounts payable.	400,000	400,000
Bloom Burton unsecured original bridge loan bearing an interest rate of 1% per annum for the first month increasing to 2% thereafter (average rate during the period was 2% (2025 - 2%) and matures the earlier of March 31, 2026 or closing of the transaction. As at March 31, 2026, the principal outstanding was $300,000 (March 31,2025- $310,452). Accrued interest of $16,718 has been recorded in accounts payable.	300,000	300,000
	12,936,265	12,294,417
Less: Current Portion	(12,264,765)	(11,558,317)
	671,500	736,100

8 Long-term debt (continued)

ACOA Loans

Total contributions received, less amounts that have been repaid as at March 31, 2026 for ACOA loans, were $3,226,185 (March 31, 2025 - $3,359,727). Certain ACOA loans require approval by ACOA before the Company can pay dividends or other distributions, or before there is any change in ownership of the Company.

Bloom Burton unsecured bridge loans

As of the March 31, 2026 the loans have passed the original maturity date and a waiver was received from the lender extending maturity to June 30, 2026.

LZH *Secured Loans*

On April 1, 2024, the Company and the lender, LZH, entered into a consent and waiver agreement (as amended July 17, 2024, and as further amended on September 30, 2024, December 15, 2024, January 31, 2025, February 28, 2025, April 2, 2025, and April 30, 2025) which restructured the terms of the two loan arrangements:

- The first tranche of the 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 Transaction with Aditxt if the transaction is closed by June 30, 2024. In the event the transaction closes after that date the payment will increase by a late payment fee of US$1,553 per day until the payment is made.
    - A payment of US$2,047,216 was due on December 31, 2024 if the transaction is closed by June 30, 2024.

Second tranche of the 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 Transaction with Aditxt if the transaction 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.
- A payment of $1,383,116 was due on was due on December 31, 2024 if the transaction closed by June 30, 2024.

The Company has accounted for this arrangement as an extinguishment of the initial two tranches. The Company has elected to account for the new tranches at fair-value through profit and loss ("FVTPL") at inception and has valued the instruments based on the new terms under the consent and waiver agreement. The instruments will subsequently be measured at fair value at each balance sheet date, with changes in value being recognized in net income (loss). A discount rate of 24% was applied to the estimated cashflows in determining the fair value.

In connection with the termination of the Arrangement Agreement (note 1), and subsequent to the end of the year, Appili secured a 3-month extension to the amounts due under each of (1) the amended and restated secured loan agreement with Long Zone Holdings Inc. (the "LZH Loan"), and (2) the unsecured promissory notes with Bloom Burton & Co. Inc. (the "Bloom Burton Loan"). Pursuant to the terms of such extensions, all amounts owing under the LZH Loan and the Bloom Burton Loan, together with all accrued and unpaid interest, was to be due on August 31, 2025. The company secured several additional waivers during the year from its lenders, most recently on March 31, 2026 where the lender agreed to extend the outstanding obligation for the LZH loans to April 30, 2026 unless the Borrower completes an equity financing with minimum gross proceeds of at least CDN$350,000 by April 30, 2026, in which case this waiver shall continue in full force and effect until May 31, 2026. Subsequent to year end, the lender agreed and additional waiver to further extend the outstanding obligation (Note 18).

8 Long-term debt (continued)

The fair value of the LZH secured loan is as follows:

	$
LZH secured loan - March 31, 2025	10,695,019
Interest added to principal	1,430,328
Late Payment fees	187,678
Change in fair value of loans	(603,775)
Unrealized foreign exchange loss	(215,085)
LZH secured loan - March 31, 2026	11,494,165

Minimum annual repayments of long-term debt over the next five years (listed below), do not include potential ACOA Atlantic Innovation Fund repayments beyond 2027 since these are not determinable at this time:

	$
Year ending March 31, 2027	12,364,215
March 31, 2028	25,371
March 31, 2029	115,295
March 31, 2030	103,206
March 31, 2031	51,229
	12,659,386

Net debt reconciliation

	March 31 2026 $	March 31, 2025 $
Balance - Beginning of period	12,294,417	8,184,857
Accreted interest	46,673	140,757
Unrealized foreign exchange translation (LZH)	(215,085)	243,722
Net proceeds from Bridge Loan	-	400,000
Interest added to principal (LZH)	1,618,006	1,588,620
Changes in fair value and modification gain	(703,695)	1,942,779
Repayment of debt	(104,051)	(206,318)
Balance - End of period	12,936,265	12,294,417
Less: Current Portion	(12,264,765)	(11,558,317)
Non-current portion	671,500	736,100

Financing costs consist of the following for the year ended March 31:

	2026 $	2025 $
Interest expense	1,716,703	2,952,968
Changes in fair value and modification gains	(703,695)	547,914
	1,013,008	3,500,882

9 Share Capital

Authorized

Unlimited number of Class A common shares
Unlimited number of Class B non-voting common shares (nil outstanding)
Unlimited number of preferred shares (nil outstanding)

Issued

Class A common shares

	Number of Shares	Amount $
Balance - March 31, 2025	121,266,120	42,323,359
Issued for cash	11,100,000	194,336
Less: share issuance costs	-	(26,421)
Balance -March 31, 2026	132,366,120	42,491,274

On December 18, 2025, the Company issued and sold 7,100,000 units of the Company (the "Units") at a price of C$0.025 per Unit. Each Unit issued pursuant to the Private Placement consists of one Class A common share of the Company (a "Common Share") and one-half of one Common Share purchase warrant of the Company (each whole warrant, a "Warrant") (Note 11).

On February 18, 2026, the Company issued and sold 4,000,000 units of the Company (the "Units") at a price of C$0.025 per Unit. Each Unit issued pursuant to the Private Placement consists of one Class A common share of the Company (a "Common Share") and one-half of one Common Share purchase warrant of the Company (each whole warrant, a "Warrant") (Note 11).

10 Contributed surplus

The change in contributed surplus as presented in the consolidated statements of changes in shareholders' equity is as follows:

	Amount $
Balance- March 31, 2024	12,869,975
Vesting of stock options	117,802
Warrants expired	1,795,965
Fair value of related party loan	34,329
Balance- March 31, 2025	14,818,071
Vesting of stock options	51,390
Warrants expired	614,604
Balance- March 31, 2026	15,484,065

10 Contributed surplus (continued)

The Board of Directors of the Company has established a stock option plan (the "Plan") under which options to acquire common shares of the Company are granted to directors, employees and other advisors of the Company. The maximum number of common shares issuable under the Plan shall not exceed 10% of the issued and outstanding common shares at the date of the grant. If any option expires or otherwise terminates for any reason without having been exercised in full, or if any option is exercised in whole or in part, the number of shares in respect of which option is expired, terminated or was exercised shall again be available for the purposes of the Plan.

Stock options are granted with an exercise price determined by the Board of Directors, which is the market price of the shares on the day preceding the award. The term of the option is determined by the Board of Directors, not to exceed ten years from the date of grant. The vesting of the options is determined by the Board and is typically 33 1/3% every year after the date of grant.

In the event that the option holder should die while he or she is still a director, employee or other advisor of the Company, the expiry date shall be one (1) year from the date of death of the option holder, not to exceed the original expiry date of the option. In the event that the option holder ceases to be a director, employee or other advisor of the Company other than by reason of death or termination, the expiry date of the option shall be three (3) months following the date the option holder ceases to be a director, employee or other advisor of the Company, not to exceed the original expiry date of the option.

On June 30, 2025, the Company granted 1,000,000 stock options under Appili's Stock Option Plan. The stock options will be exercisable at $0.015 per share and will have a term of ten years. 500,000 options vest immediately and 500,000 will vest over a period of three years.

The fair value of stock options is estimated using the Black-Scholes valuation model. Due to the absence of company specific volatility rates, the Company determined the expected volatility of these stock options using the average volatility of biotechnology companies traded on the Toronto Stock Exchange and the TSX Venture Exchange.

	31-Mar-26	**31-Mar-25**
Risk-free interest rate	3.01%	3.75%
Expected volatility	120%	120%
Expected life (years)	10	10
Dividend yield	-	-

Option activity for the year ended March 31, 2026 and March 31, 2025 were as follows:

	March 31, 2026		**March 31, 2025**	
	Number #	**Weighted average exercise price $**	**Number #**	**Weighted average exercise price $**
Outstanding - Beginning of period	10,910,281	0.06	7,957,000	0.06
Granted	1,000,000	0.02	3,563,281	0.04
Expired	-	-	(610,000)	0.08
Outstanding - End of period	11,910,281	0.05	10,910,281	0.06

10 Contributed surplus (continued)

The weighted average exercise price of options exercisable at March 31, 2026, is $0.05 (2025 - $0.08). As at March 31, 2026, the following options were outstanding:

Exercise price	Opening	Issued	Exercised	Closing	Exercisable	Expiry	Average remaining
0.02	10,910,281	1,000,000	-	11,910,281	9,453,844	June 27, 2035	10.00

During the year ended March 31, 2026, stock options 1,000,000 (2025–3,563,281) with a weighted average exercise price of $0.015 (2025 - $0.04) and a term of 10 years (2025 – 10 years) were granted to the employees. The value of these stock options was estimated at $15,000 (2025 - $142,531) which is a weighted average grant date value per option of $0.015 (2025 - $0.04) using the Black -Scholes valuation model and the following weighted average assumptions:

11 Warrants

Warrant activity for the year ended March 31, 2026 and March 31, 2025 were as follows:

	Number #	Weighted average exercise price $
Outstanding - March 31, 2024	44,856,874	0.25
Expired	(7,717,000)	0.64
Outstanding - March 31, 2025	37,139,874	0.17
Issued	6,438,000	0.05
Expired	(2,209,874)	0.95
Outstanding - March 31, 2026	41,368,000	0.11

On December 18, 2025, the Company issued 3,550,000 common share purchase warrants for a term of three years at an exercise price of $0.05 per share, valued at $53,195 on December 18, 2025 (note 10). The Company also issued 568,000 common share purchase warrants as broker warrants for a term of two years at an exercise price of $0.028 per share, valued at $8,511 on December 18, 2025.

On February 18, 2026, the Company issued 2,000,000 common share purchase warrants for a term of three years at an exercise price of $0.05 per share, valued at $29,969 on February 18, 2026 (note 10). The Company also issued 320,000 common share purchase warrants as broker warrants for a term of two years at an exercise price of $0.028 per share, valued at $4,795 on February 18, 2026.

12 Income taxes

Income tax expense differs from the tax recovery amount that would be obtained by applying the statutory income tax rate to the respective year's net loss before income taxes as follows:

	2026 $	2025 $
Net Loss before income taxes	(4,135,388)	(2,605,862)
Recovery based on combined federal and provincial rate of 28%	(1,171,555)	(737,181)
Change in deferred tax assets not recognized	1,374,345	774,422
Tax rate change on opening unrecognized deferred tax asset	26,533	(83,639)
Non-deductible share-based compensation	14,557	33,325
Other non-deductible items	(138,528)	13,073
Net income tax expense	105,352	18,830

Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profit is probable. The Company did not recognize deferred tax assets that can be carried forward against future taxable income.

The following reflects the balance of temporary differences of which no deferred income tax asset has been recognized:

	2026 $	2025 $
Property and equipment	14,660	13,601
Non-capital losses	59,149,595	56,347,273
Share Issuance Costs	300,246	1,010,991
Scientific research and experimental development expenditures	11,766,057	11,731,270
Restricted interest and financing fees (RIFE)	4,404,880	2,649,828
Unpaid bonus	1,412,515	864,642
Long-term debt	4,102,292	118,998
Net deferred tax assets	81,150,245	72,736,603

Permanent differences are primarily comprised of non-refundable tax credits and deductible finance fees not recorded in the consolidated statements of loss and comprehensive loss offset by non-deductible share-based compensation expense.

The Company has non-capital loss carry-forwards of $59,149,595 at March 31, 2026 (2025 - $56,347,273), that expire in varying amounts from 2037 to 2046.

The Company has restricted interest, and financing fees carry-forward of $4,404,880 (2025- $2,649,828).

The Company has SR&ED expenditures for both 2026 and 2025 and will also have federal and provincial tax credits that will be available to be applied against federal and provincial taxes otherwise payable in future years. As at March 31, 2026, $1,360,189 (2025 -$1,352,101) of ITCs are receivable.

13 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 consolidated statements of financial position dates with relevant comparatives:

	March 31, 2026		March 31, 2025	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	$	$	$	$
Cash	40,003	40,003	1,228,244	1,228,244
Amounts Receivable	1,749,423	1,749,423	1,599,333	1,599,333
Accounts Payable and accrued liabilities	6,303,901	6,303,901	4,106,126	4,106,126
Long-term debt	12,936,265	12,936,265	12,294,417	12,294,417

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, has been deemed to approximate their carrying value. The above-noted fair values, presented for information only, reflect conditions that existed only at March 31, 2026, 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.

The fair value of the long-term debt is estimated based on the expected interest rates for similar borrowings by the Company at the consolidated statements of financial position dates. At March 31, 2026, the fair value is estimated to be equal to the carrying amount. The inputs into the determination of the fair value of the long-term debt, including the discount rate, are classified as Level 3 in the fair value hierarchy.

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.

13 Financial instruments (continued)

Interest rate price risk

The Company has 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. The Company also has a secured loan of $4,500,000 (US $3,600,000) based on minimum interest rate of 11% or the US prime lending rate plus 3.25% per year, repayable over 24 months and a secured loan of $2,500,000 based on a minimum interest rate of 11% or the Canadian prime lending rate plus 4.3% per year, repayable over 24 months.

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 purchases goods and services denominated in foreign currencies and, accordingly, is subject to foreign currency risk. As at March 31, 2026, the Company's cash included $28,155 (2025 - $846,491) denominated in United States dollars. In addition, the Company's accounts payable and accrued liabilities included $1,637,688 (2025 - $272,892) denominated in United States dollars. The Company performed a sensitivity analysis on the foreign exchange rate. If the year-end foreign exchange rate was 5% higher or lower, the Company's cash and accounts payable and accrued liabilities denominated in United States dollars would be $116,099 higher or $116,099 lower, respectively. The Company also has exposure to foreign exchange on the LZH secured loan of $3,600,000 denominated in US dollars. The Company performed a sensitivity analysis on the foreign exchange rate. If the foreign exchange rate as at March 31, 2026, was 5% higher or lower, LZH secured loan would be $384,155 higher or $384,155 lower, respectively.

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, 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 8 as at March 31, 2026:

	Total	Year 1	Years 2 to 3	Years 4 to 5	After 5 Years
	$	$	$	$	$
Accounts payable and accrued liabilities	6,303,901	6,303,901	-	-	-
Long-term debt	15,519,801	12,496,530	232,379	126,902	2,663,990
	21,823,702	18,800,431	232,379	126,902	2,663,990

14 Capital management

The Company's capital management objectives are to safeguard its ability to continue as a going concern, and to provide returns for shareholders and benefits for other stakeholders by ensuring it has sufficient cash resources to fund its research and development activities, to pursue its eventual commercialization efforts and to maintain its ongoing operations. The Company includes its share capital, deficit and long-term debt in the definition of capital.

A summary of the Company's capital structure is as follows:

	2026 $	2025 $
Common Shares	42,501,147	42,323,359
Contributed Surplus	15,484,066	14,818,071
Warrants	641,844	1,179,038
Deficit	(75,958,548)	(71,717,808)
Long-term debt	12,936,265	12,294,417
	(4,395,226)	(1,102,922)

15 Compensation of key management

Key management includes the Company's directors and senior management team. The remuneration of directors and the senior management team was as follows during the years ended March 31, 2026, and 2025:

	2026 $	2025 $
Salary and employee benefits	2,408,416	2,038,764
Share-based compensation	26,500	177,115
	2,434,916	2,215,879

16 Expenses by nature

	2026	2025
	$	$
Research and development costs	1,856,557	4,774,532
Salaries, wages and benefits	2,893,152	3,047,068
Professional and consulting fees	1,360,770	1,771,361
Stock-based compensation	51,390	117,802
Marketing, communications and investor relations	30,383	22,544
Insurance	223,143	163,076
Office and telecommunications	306,918	187,266
Lease expense	6,559	40,485
Finance costs	1,013,008	3,500,882
Depreciation and loss on disposal of property and equipment	8,083	13,460
Travel	12,207	24,933
Foreign exchange loss (gain)	(193,245)	352,129
Research and development tax credits	(8,500)	(15,637)
Government assistance	(2,695,203)	(9,878,583)
Other Income	(485,655)	(1,414,977)
	4,379,567	**2,706,341**

17 Contingencies

A claim has been filed against the Company with respect to wrongful dismissal of a former employee with a demand amount of US$400,000. The Company's management believes the claim is without merit and does not consider the exposure to such claim to be material, although this cannot be predicted with certainty.

18 Subsequent Events

On April 30, 2026 , per new waiver, the lender has agreed to extend the outstanding obligation for LZH loan to May 31, 2026 unless the Borrower completes an equity financing with minimum gross proceeds of at least CDN$350,000 by May 31, 2026, in which case this waiver shall continue in full force and effect until June 30, 2026.

On May 31, 2026 , per new waiver, the lender has agreed to extend the outstanding obligation for LZH loan to June 30, 2026 unless the Borrower completes an equity financing with minimum gross proceeds of at least CDN$350,000 by June 30, 2026, in which case this waiver shall continue in full force and effect until July 31, 2026.