Appili Therapeutics Inc.

Interim Condensed Consolidated Financial Statements
(Unaudited)
June 30, 2026

August 14, 2026

Management’s Responsibility for Financial Reporting

The accompanying unaudited interim condensed consolidated financial statements of Appili Therapeutics Inc. (the “Company”) are the responsibility of management and have been approved by the Board of Directors. The unaudited interim condensed consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The unaudited interim condensed 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 preparation of the unaudited interim condensed consolidated financial statements. The Board of Directors reviewed and approved the Company’s unaudited interim condensed consolidated financial statements.

These financial statements have not been reviewed by the external auditor of the Company.

(signed) “*Don Cilla*”
President & Chief Executive Officer

(signed) “*Kenneth Howling*”
Acting Chief Financial Officer

Appili Therapeutics Inc.

Interim Condensed Consolidated Statements of Financial Position
(Unaudited)

As at June 30, 2026 and March 31, 2026

	June 30, 2026	March 31, 2026
	$	$
Assets		
Current Assets		
Cash	138,680	40,003
Accounts receivable (note 5)	942,148	1,790,854
Investment tax credit receivable	14,700	11,000
Prepaid expenses and deposits	190,106	120,603
	1,285,634	**1,962,460**
Non-Current Assets		
Property and equipment	9,608	10,959
Total Assets	**1,295,242**	**1,973,419**
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	6,920,200	6,303,898
Current portion of long-term debt (note 8)	12,685,982	12,264,765
Corporate taxes payable	73,175	64,746
	19,679,357	**18,633,409**
Non-Current Liabilities		
Long-term debt (note 8)	640,300	671,500
Total Liabilities	**20,319,657**	**19,304,909**
Shareholders' Equity	**(19,024,415)**	**(17,331,490)**
Total Liabilities and Shareholders' Equity	**1,295,242**	**1,973,419**

Going concern (note 1)
Contingencies (note 13)
Subsequent event (note 14)

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.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity
(Unaudited)

For the three months ended June 30, 2026 and 2025

	Share Capital	Contributed Surplus	Warrants	Deficit	Total
	$	$	$	$	$
	(note 9)	(note 10)	(note 11)		
Balance- March 31, 2025	**42,323,359**	**14,818,071**	**1,179,038**	**(71,717,808)**	**(13,397,340)**
Share Based Compensation	-	18,096	-	-	18,096
Net loss and comprehensive loss for the period	-	-	-	(1,249,581)	(1,249,581)
Balance- June 30, 2025	**42,323,359**	**14,836,167**	**1,179,038**	**(72,967,389)**	**(14,628,825)**
Balance- March 31, 2026	**42,491,274**	**15,484,065**	**651,719**	**(75,958,548)**	**(17,331,490)**
Share Based Compensation	-	6,540	-	-	6,540
Net loss and comprehensive loss for the period	-	-	-	(1,699,465)	(1,699,465)
Balance- June 30, 2026	**42,491,274**	**15,490,605**	**651,719**	**(77,658,013)**	**(19,024,415)**

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

Appili Therapeutics Inc.

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss
(Unaudited)

For the three months ended June 30, 2026 and 2025

	Three months ended June 30	
	2026	**2025**
	$	**$**
Income		
Revenue (note 4)	117,894	-
	117,894	**-**
Expenses and other		
Research and development	704,183	960,973
General and administrative (note 5)	1,027,524	642,469
Financing costs	251,939	486,066
Government assistance (note 5)	(364,611)	(550,886)
Foreign exchange loss/(gain)	191,154	(319,900)
	1,810,189	**1,218,722**
Loss before income taxes	**(1,692,295)**	**(1,218,722)**
Provision for income taxes	7,170	30,859
Net loss and comprehensive loss for the period	**(1,699,465)**	**(1,249,581)**
Basic and diluted loss per share	**(0.01)**	**(0.01)**
Weighted-average shares outstanding	**132,366,120**	**121,266,120**

Appili Therapeutics Inc.

Interim Condensed Consolidated Statements of Cash Flows
(Unaudited)
For the three months ended June 30, 2026 and 2025

	30-Jun 2026	30-Jun 2025
	$	$
Cash provided by (used in)		
Operating activities		
Net loss and comprehensive loss for the period	(1,699,465)	(1,249,581)
Changes to operations not involving cash:		
Amortization of property and equipment	1,352	3,616
Non-cash finance costs	251,939	473,570
Share-based compensation	6,540	18,096
Unrealized loss from changes in foreign currency	34,851	54,558
Unrealized foreign exchange loss/(gain) translation- long-term debt	156,304	(373,948)
	(1,248,479)	(1,073,689)
Net changes in non-cash operating working capital		
Decrease in amounts receivable	848,705	1,164,685
Increase in investment tax credits receivable	(3,700)	(9,100)
Increase in prepaids expenses and deposits	(69,503)	(129,864)
Increase in accounts payable and accrued liabilities	436,005	41,612
	(36,972)	(6,356)
Financing activities		
Related party advances (note 7)	175,000	-
Repayment of long-term debt	(4,500)	(29,298)
Interest payment	-	(12,985)
	170,500	(42,283)
Net change in cash during the period	133,528	(48,639)
Cash - Beginning of period	40,003	1,228,244
Changes due to foreign exchange	(34,851)	(54,556)
Cash - End of period	138,680	1,125,049

1 Nature of operations and going concern risk

Appili Therapeutics is building a National Security Healthcare company that develops, acquires, and advances medical technologies to protect military personnel, strengthen national resilience, and address critical healthcare needs. Guided by a force health protection framework, Appili is building a portfolio spanning infectious disease, physiological readiness, diagnostics, biosurveillance, and protection against chemical, biological, radiological, and nuclear threats. The Company emphasizes dual-use technologies with applications across defense, government, and commercial healthcare markets. Appili's current portfolio includes programs addressing biological threats, serious infections, and other urgent unmet medical needs.

Going concern

These unaudited interim condensed 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 period ended June 30, 2026, the Company reported a loss of $1,699,465 (June 30, 2025 - $1,249,581) and an accumulated deficit of $77,658,013 (June 30, 2025 - $72,967,389). 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.

The Company's ability to continue as a going concern is dependent on its ability to raise funding to satisfy its debt and working capital requirements and fund its research and development programs. 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 Basis of preparation

The Company prepares its unaudited interim condensed consolidated financial statements in accordance with IFRS Accounting Standards and Part I of the Chartered Professional Accountants of Canada Handbook – Accounting.

These unaudited interim condensed consolidated financial statements have been prepared in accordance with IFRS Accounting Standards applicable to the preparation of interim condensed consolidated financial statements, including IAS 34, International Accounting Standards 34 "Interim Financial Reporting". Accordingly, certain information normally included in annual consolidated financial statements prepared in accordance with IFRS Accounting Standards, have been omitted or condensed. The unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's annual audited financial statements for the year ended March 31, 2026. The accounting policies used are consistent with those used in the audited financial statements.

The policies applied in these unaudited interim condensed consolidated financial statements are based on IFRS Accounting Standards issued and outstanding as of August 14, 2026, the date the Board of Directors approved the unaudited interim condensed consolidated financial statements.

3 Critical accounting estimates and judgments

These unaudited interim condensed consolidated financial statements for the three months ended June 30, 2026 have been prepared using the same policies and methods as the annual audited consolidated financial statements of the Company. Refer to note 3 of the Company's annual audited consolidated financial statements for the year ended March 31, 2026 for more information on accounting estimates and judgements applied.

4 Revenue

During the three months ended June 30, 2026, the Company earned $117,894 (June 30, 2025 - $nil) from royalties earned on the sale of ATI-1501 drugs.

5 Amounts receivable

	June 30 2026 $	March 31, 2026 $
Sales tax receivable	46,010	41,431
NIAID Receivable	712,940	1,601,171
Other receivable	183,198	148,252
	942,148	**1,790,854**

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 was 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 were recorded as government assistance in the statement of loss and comprehensive loss.

For the three months ended June 30, 2026, the Company recognized the reimbursement of costs of $364,611 (June 30, 2025 - $550,886) as government assistance.

On July 3, 2026, the Company received a notice of termination from NIAID, terminating the agreement with the Company (note 14). The notice of termination gives rise to uncertainty regarding the recoverability of amounts receivable from NIAID as at June 30, 2026. In accordance with the Company's accounting policy, the Company assessed these receivables for impairment based on an evaluation of the counterparty's response to the claim.

As a result, the Company recognized an impairment loss of $493,464 during the quarter, which is included in general and administrative expenses within the statement of profit or loss.

NIAID receivable, gross	1,206,404
Less: impairment	(493,464)
NIAID receivable, net	**712,940**

6 Amounts due to directors

During the period ended June 30, 2026, the Company incurred $88,750 (June 30, 2025- $105,523) 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 June 30, 2026, $266,250 (June 30, 2025- $105,523) 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

For the period ended June 30, 2026, the Company received cash advances of $175,000 (March 31, 2026 - $nil) from Bloom Burton & Co., a related party. The advances are non-interest bearing, unsecured and have no specified repayment terms. The amounts are separate from the Company's existing promissory note arrangements and are classified as current liabilities within accounts payable and accrued liabilities.

As at June 30, 2026, the principal and interest outstanding under the original bridge loan and the secured bridge loan was $813,176 (March 31, 2026 - $799,451) and the carrying amount of the bridge loans was $700,000 (March 31, 2026 - $700,000), included in the current portion of long-term debt. Interest on loan has been added to accounts payable and not capitalized.

8 Long-term debt

	June 30 2026 $	March 31, 2026 $
ACOA Business Development Program interest-free loan with a maximum contribution of $500,000 repayable in 120 monthly payments beginning April 1, 2018. As at June 30, 2026, the principal outstanding was $154,834 (March 31, 2026- $156,334) and has been recorded at an effective interest rate of 12%.	127,300	125,000
ACOA Business Development Program interest-free loan with a maximum contribution of $500,000 repayable in 84 monthly payments beginning January 1, 2019. As at June 30, 2026, the principal outstanding was $62,004 (March 31, 2026- $63,504) and has been recorded at an effective interest rate of 12%.	55,600	55,400
ACOA Business Development Program interest-free loan with a maximum contribution of $474,839 repayable in 120 monthly payments beginning March 1, 2020. As at June 30, 2026, the principal outstanding was $238,200 (March 31, 2026- $239,700) and has been recorded at an effective interest rate of 12%.	175,100	171,500
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 June 30, 2026, the amount drawn down on the loan is $2,628,316 (March 31, 2026- $2,766,648) and has been recorded at an effective interest rate of 26.8%.	396,900	390,200
LZH revised first tranche secured loan of US$5,619,692 (CAD$7,985,584), outstanding as at June 30, 2026 (March 31, 2026- $7,683,110). See details of the loan disclosed below.	7,985,584	7,683,110
LZH revised second tranche secured loan of $3,885,798 outstanding as at June 30, 2026 (March 31, 2026- $3,811,055). See details of loan disclosed below.	3,885,798	3,811,055
Bloom Burton unsecured second bridge loan bearing an interest rate of 10% per annum and matures the earlier of September 30, 2026 or the occurrence of the change in control of the company. As at June 30, 2026, the principal and interest outstanding was $494,877 (March 31, 2026- $482,733) Accrued interest of $96,459 (March 31, 2026- $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% (2026 - 2%) and matures the earlier of September 30, 2026 or closing of the transaction. As at June 30, 2026, the principal and interest outstanding was $318,300 (March 31, 2026- $316,718)	300,000	300,000
	13,326,282	**12,936,265**
Less: Current Portion	(12,685,982)	(12,264,765)
	640,300	**671,500**

ACOA Loans

Total contributions received, less amounts that have been repaid as at June 30, 2026 for ACOA loans, were $3,083,353 (March 31, 2026 - $3,226,185). 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 June 30, 2026 the loans have passed the original maturity date and a waiver was received from the lender extending maturity to September 30, 2026.

LZH *Secured Loans*

The company secured several additional waivers during the year from its lenders, most recently on June 30, 2026 where the lender agreed to extend the outstanding obligation for the LZH loans to August 31, 2026 unless the Borrower completes an equity financing with minimum gross proceeds of at least CDN$350,000 by August 31, 2026 (the "Financing") in which case this waiver shall continue in full force and effect until September 30, 2026.

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

LZH secured loan - March 31, 2026	11,494,165
Interest added to principal	391,352
Change in fair value of loans	(170,439)
Unrealized foreign exchange loss	156,304
LZH secured loan - June 30, 2026	11,871,382

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

Year ending March 31, 2027	12,799,159
March 31, 2028	115,295
March 31, 2029	103,206
March 31, 2030	51,299
March 31, 2031	56,749
	13,125,708

Net debt reconciliation	**June 30 2026**	**March 31, 2026**
	$	**$**
Balance - Beginning of period	12,936,265	12,294,417
Accreted interest	17,300	46,673
Unrealized foreign exchange translation (LZH)	156,304	(215,085)
Interest added to principal (LZH)	391,352	1,618,006
Changes in fair value and modification gain	(170,439)	(703,695)
Repayment of debt	(4,500)	(104,051)
Balance - End of period	13,326,282	12,936,265
Less: Current Portion	(12,685,982)	(12,264,765)
Non-current portion	640,300	671,500

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 and June 30, 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 and June 30, 2026	**132,366,120**	**42,491,274**

10 Contributed surplus

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

Balance- March 31, 2025	**14,818,071**
Vesting of stock options	18,096
Balance- June 30, 2025	**14,836,167**
Vesting of stock options	33,294
Warrants expired	614,604
Balance- March 31, 2026	**15,484,065**
Vesting of stock options	6,540
Balance- June 30, 2026	**15,490,605**

11 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:

	June 30, 2026		March 31, 2026	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	$	$	$	$
Cash	138,680	138,680	40,003	40,003
Amounts Receivable	896,138	896,138	1,749,423	1,749,423
Accounts Payable and accrued liabilities	6,920,200	6,920,200	6,303,898	6,303,898
Long-term debt	13,326,282	13,326,282	12,936,265	12,936,265

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 June 30, 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 unaudited interim condensed consolidated statements of financial position dates. At June 30, 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.

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 June 30, 2026:

	Total	Year 1	Years 2 to 3	Years 4 to 5	After 5 Years
	$	$	$	$	$
Accounts payable and accrued liabilities	6,920,200	6,920,200	-	-	-
Long-term debt	15,767,912	12,831,002	274,372	227,964	2,434,574
	22,688,112	19,751,202	274,372	227,964	2,434,574

12 Contingencies

The Company received a demand letter from a former employee for wrongful termination 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.

13 Subsequent Events

On July 3, 2026, the Company announced that it received a Notice of Termination for Convenience NIAID, part of the National Institutes of Health, relating to the Company's contract supporting development of the VXV-01 fungal vaccine candidate. The contract, awarded in October 2025, consisted of a five-year term comprising a base period and twelve option periods, of which a 22-month base period totaling US$3.6 million had been awarded. As at the date of these financial statements, the Company is assessing the scope and potential implications of the termination notice.

Subsequent to quarter-end, on July 1, 2026, the Company granted a total of 985,000 stock options to directors, officers, and employees under the Company's third amended and restated stock option plan, at an exercise price of $0.025 per common share and an expiry date of July 1, 2036. Of these options, 635,000 vest over three years (, and 350,000 vested immediately on grant.