MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Interim Period Ended June 30, 2026

APPILI THERAPEUTICS INC.

The following Management's Discussion and Analysis ("**MD&A**") of Appili Therapeutics Inc. ("**Appili**", the "**Company**", "**we**", "**us**" or "**our**") is prepared as of August 14, 2026, and provides information concerning the Company's financial condition and results of operations. This MD&A should be read in conjunction with our unaudited interim consolidated financial statements for the three months ended June 30, 2026, including the related notes thereto. The preparation of financial information included in the MD&A has been prepared in accordance with International Financial Reporting Standards (the "**IFRS Accounting Standards**") as issued by the International Accounting Standards Board, unless otherwise noted. Unless stated otherwise, all references to "$" are to Canadian dollars ("**CAD**").

FORWARD-LOOKING STATEMENTS

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

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

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

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

- working capital and capital resources (including sufficiency of which to maintain the listing of its Common Shares),
- the Company's ability to identify and source additional non-dilutive funding opportunities;
- the ability of the Company to complete any further tranches of the Private Placement (as defined herein);
- limited operating history and early stage of development;
- identifying, developing, licensing and commercializing product candidates;
- regulatory risks;
- market competition;
- the Company's dependence on third parties;
- clinical trial risks;
- third party manufacturing and supplier risks;
- the Company's potential redeployment of resources;
- the ownership and protection of intellectual property;
- litigation and product liability risks;
- the Company's ability to meet certain debt obligation covenants;
- employee matters and managing growth;
- ownership of the Company's securities;
- the possibility of the US government permanently or temporarily suspending payments for existing funding contracts as the Department of Government Efficiency and the US government considers changes to spending priorities;
- ability to attract and retain key personnel;
- the Company's existing credit facility with Long Zone Holdings ("**LZH**");
- the ability of the Company to receive the Termination Fees (as defined herein) from Aditxt, Inc. ("**Aditxt**")
- implementation and development delays;
- product deficiencies;
- volatility of share price; and
- the other risks discussed under the heading "*Risk Factors*" in the Company's annual information form dated June 26, 2026.

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

MARKET DATA

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

BUSINESS OVERVIEW

Appili 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.

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

Subject to the renewal of certain legislation, Appili expects that two of its programs (ATI-1801 and ATI-1701) may be eligible for a PRV if approved by the United States Food and Drug Administration ("**FDA**"). The PRV program was developed to incentivize drug development in US government priority areas including tropical diseases . Once issued, a PRV can be used by its holder to accelerate the review of a subsequent drug or biologic license application. PRVs are transferrable and the secondary market for PRVs is well established with over 50 transactions reported publicly with recent transactions exceeding US$200 million.

ATI-1801

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

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

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

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

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

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

Due to the nature of the Company's business and stage of operations, there is no assurance that ATI-1801 will successfully complete the remaining development activities, achieve regulatory approval, or qualify for a PRV, and there can be no assurance with respect to the time or resources that may be required. Please refer to the *"Risks and Uncertainties*" for further information.

LIKMEZ® (ATI- 1501)

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

Patients who have difficulty swallowing, including pediatric and elderly populations, often resort to crushing tablets, which can negatively impact palatability due to metronidazole's strong bitter and metallic taste and may reduce treatment adherence. LIKMEZ is the first and only FDA-approved ready-to-use oral suspension of metronidazole, designed to improve ease of administration, support patient adherence, and enhance treatment outcomes.

Metronidazole is a front-line antibiotic for the treatment of anaerobic bacterial and parasitic infections (Quintiles 2016, Solomkin 2010, Flagyl® FDA Label 2018). In many jurisdictions, including the United States and Canada, approved oral metronidazole products are limited to solid dose formats. Patients who have difficulty swallowing, including the elderly and pediatric populations often resort to crushing tablets, which can negatively impact palatability due to metronidazole's strong bitter and metallic taste and may reduce treatment adherence.

In December 2019, Appili entered into a development and commercialization agreement with Saptalis for the manufacturing, development, and commercialization of LIKMEZ. Under the terms of the agreement, Appili is eligible to receive multiple milestone and royalty payments on the development and sale of LIKMEZ in the United States. In February 2022, Appili announced an amendment to its licence with Saptalis to expand the territories in which Saptalis will commercialize LIKMEZ to include Europe and Latin America. Under the terms of the amended agreement, Saptalis assumes all responsibilities related to the development and commercialization of LIKMEZ for European and Latin American markets and Appili is eligible to receive royalties on sales for a specified term.

In May 2023, the United States Patent and Trademark Office published patent claims for ATI-1501 under the US Application No. 18/072,154 filed on November 30, 2022, and titled "*Oral Formulations of Metronidazole and Methods of Treating an Infection Using Same*". Subsequently, in April 2025, additional patents were published in the US and Mexico, further strengthening the composition and preparation methods for the LIKMEZ through 2039. The U.S. patent has been listed in the FDA's Approved Drug Products with Therapeutic Equivalence Evaluations (Orange Book), providing comprehensive protection for LIKMEZ's unique taste-masked composition and therapeutic applications.

In September 2023, Saptalis received approval from the FDA for Metronidazole Oral Suspension 500mg/5mL (ATI-1501) in the United States. The FDA also approved LIKMEZ as the brand name for ATI-1501. In November 2023, Saptalis launched LIKMEZ to patients and doctors in the United States. Appili is entitled to receive additional sales-based milestone payments and royalties from Saptalis based on sale of the product.

Saptalis continues to commercialize LIKMEZ, the first and only FDA-approved liquid oral formulation of metronidazole. Since the re-launch in May 2025, LIKMEZ has demonstrated sales growth, reflecting clinician and patient interest in the product.

Due to the nature of the Company's business and stage of operations, there is no assurance that LIKMEZ commercial sales targets will grow as anticipated or that expected milestone and royalty payments will be received. Please refer to the *"Risks and Uncertainties"* section for more information.

ATI-1701

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

ATI-1701 is a novel, live-attenuated vaccine for *Francisella tularensis* ("***F. tularensis***"). F. tularensis is classified as a Category A pathogen by the U.S. National Institutes of Health ("**NIH**") due to its high infectivity, potential for aerosolization, and significant risk to national security and public health. There is currently no approved vaccine for tularemia in the U.S. or other major global markets.

Preliminary studies in mice conducted by the NRC and colleagues have demonstrated 100% survival of ATI-1701-immunized mice compared to no survival in unvaccinated mice after lethal challenge with *F. tularensis* (Conlan 2010, Shen 2010). Vaccine manufacturing activities have been initiated and animal work commenced in 2019. A non-human primate ("**NHP**") study showed that vaccination with ATI-1701 provided >88% survival protection when animals were challenged with a lethal dose of *F. tularensis* at either 28 or 90 days after vaccination. Some of the NHP data have been replicated by a second laboratory, with 87.5% of NHPs surviving a lethal dose of *F. tularensis* 28 days after vaccination. The Company disclosed results from the last cohort of animals challenged 365 days after vaccination, with survival rates of 29% (n = 2/7) reported in the ATI-1701 vaccinated cohort, compared to 0% (n = 0/5) in mock vaccinated controls. Ongoing potency assay development studies have found that as few as 6 colony forming units of ATI-1701 can provide 100% protection against intradermal challenge in mice.

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

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

In December 2023, Appili announced the issuance of a US patent for ATI-1701 to protect against tularemia. This patent covers the composition and preparation methods for ATI-1701 through 2039. Furthermore, NRC received a notice of allowance from Innovation, Science and Economic Development Canada for patent application 3,094,404. The patent has not yet been published.

Appili's development activities for ATI-1701 have been funded through its current resources and support from the U.S. Department of Defense ("**USDOD**"). In May 2023, the Company entered into a cooperative agreement with the United States Air Force Academy ("**USAFA**"), in collaboration with the Defense Threat Reduction Agency (DTRA) (the "**USAFA Cooperative Agreement**").

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 USAFA Cooperative Agreement. USAFA has advised that additional funds will not be allocated to this program at the current time. During the fiscal year ended March 31, 2026, Appili received reimbursements for eligible costs, including internal labor, subcontractors, and other direct and indirect expenses. The period of performance under the USAFA Cooperative Agreement has been extended to August 31, 2026.

The Company does not expect to be in a position to submit an Investigational New Drug (IND) application for ATI-1701 without additional funding.

In April 2026, Dr. Carl Gelhaus presented at the U.S. Medical CBRN Defense Consortium (“MCDC”) Annual Membership Meeting. As a member of the MCDC (with over US$7B in awarded project funding to date), Appili can actively engage with government stakeholders, collaborate with industry partners and continue to pursue new funding opportunities aligned with DOD objectives.

Appili achieved a key operational milestone with the successful GMP manufacture of ATI-1701 drug substance and drug product at the Walter Reed Army Institute of Research. The GMP drug substance and GMP drug product met all release specifications, and the finished drug product may be formally dispositioned for use in future clinical studies, supporting the planned Phase 1 clinical trial.

Due to the nature of the Company's business and stage of operations, there is no guarantee that ATI-1701 will successfully complete the remaining nonclinical and clinical development required under the FDA’s Animal Rule, achieve regulatory approval, or qualify for a PRV, and uncertainties remain regarding the required time and resources. Please refer to the "*Risks and Uncertainties*" section for further information.

VXV-01

Appili, in collaboration with Vitalex Biosciences, was advancing VXV-01, a novel, dual-antigen vaccine targeting invasive *Candida* infections, which if approved could have been the first vaccine available to prevent fungal infections. A vaccine to prevent *Candida* infections remains a significant unmet medical need due to an increase in cases of resistance to antifungal drugs, and the burden that hospitals face in having to treat such patients. VXV-01 combines the *Candida albicans* surface proteins Als3 and Hyr1 with a proprietary adjuvant to provide broad-spectrum protection against both *Candida albicans* and *C. auris*, both of which are commonly found to be resistant to antifungals.

Recent nonclinical studies demonstrate that immunization with VXV-01 protects against lethal and mucosal *Candida* infections, building upon the safety and efficacy shown for Vitalex’s single component Als3-based NDV-3A vaccine in prior clinical trials. The innovative design of VXV-01, targeting antigens present on multiple pathogenic fungi, is intended to provide robust immunity and represents a substantial advancement in the prevention of serious fungal diseases.

In September 2025, Appili was awarded a contract by NIAID, part of the National Institutes of Health, valued at up to US$40 million. 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 IND submission and Phase 1 clinical trials. Appili served as the prime contractor, overseeing program execution, compliance, and reporting, while Vitalex, in its role as a subcontractor, contributed asset development and scientific expertise. In May 2026, NIAID issued a temporary Stop Work Order while conducting a review of certain contract activities, supporting documentation, associated costs and related invoices. In July 2026, NIAID subsequently terminated the contract for convenience in accordance with the applicable federal acquisition regulations. As a result, future activities under the contract have ceased, and Appili is working with NIAID to complete the contract close-out process, including the settlement of outstanding costs and reimbursement of eligible amounts incurred prior to termination.

Our Business Strategy

The Company was founded to acquire, develop, and commercialize novel therapeutics addressing infectious diseases and biodefense priorities. Our strategic focus is driven by the significant unmet medical and public health need for innovative countermeasures against naturally occurring and emerging infectious diseases, antimicrobial resistance, and biological threats, as well as the expanding regulatory, procurement, and non-dilutive funding mechanisms available to support development.

These opportunities are increasingly supported by U.S. Government agencies, allied governments, and international organizations seeking resilient biodefense and health security capabilities.

The Company has assembled an experienced team of drug development, biodefense, government contracting, regulatory, and commercialization professionals to:

(i) identify, acquire, and advance high-value therapeutic, vaccine, diagnostic, surveillance, and enabling technology assets aligned with commercial markets and national biodefense priorities;

(ii) establish strategic partnerships with biotechnology, pharmaceutical, academic, and government organizations possessing complementary technologies, development capabilities, or manufacturing expertise to accelerate product development and secure non-dilutive funding;

(iii) leverage available regulatory pathways, procurement programs, public-private partnerships, and domestic and international funding opportunities to reduce development risk, accelerate commercialization, and create shareholder value;

(iv) maximize market access, reimbursement, strategic alliances, licensing opportunities, and government procurement channels to expand commercial reach and generate long-term stakeholder value; and

(v) build an integrated portfolio of medical countermeasures and enabling technologies supporting biodefense, pandemic preparedness, force health protection, global health security, and infectious disease treatment.

The Appili team has developed a diversified portfolio through internal innovation, strategic acquisitions, and collaborative partnerships and continues to evaluate opportunities across antivirals, antibacterials, antifungals, antiparasitics, vaccines, biologics, medical countermeasures, and next-generation biodefense technologies. The Company also seeks opportunities in adjacent areas, including biosurveillance, biosecurity, pathogen detection, antimicrobial resistance, and other dual-use technologies that enhance preparedness for emerging biological threats while addressing significant commercial healthcare needs

The Company intends to apply a disciplined, stage-gated portfolio management and capital allocation framework in evaluating these opportunities. Programs will be prioritized based on strategic alignment, unmet medical or public health need, technical and regulatory feasibility, access to non-dilutive or partner funding, time and capital required to achieve meaningful value-inflection points, commercial or procurement potential, and expected risk-adjusted returns. Depending on the characteristics of each program, the Company may pursue internal development, co-development, licensing, government-funded development, product procurement, royalties, milestone-based arrangements, or other capital-efficient commercialization structures.

RECENT DEVELOPMENTS

Overall Performance

The Company has no direct sales, though Appili is entitled to royalties and milestone payments from Saptalis for LIKMEZ sales. Accordingly, its ability to ensure continuing operations is dependent on obtaining the necessary financing to complete the development or commercial support of the Company's product portfolio, which includes three active programs (LIKMEZ (ATI-1501), ATI-1701, and ATI-1801) and one collaborated product, VXV-01.

The Company had the following recent key developments and achievements since April 1, 2026:

- On July 1, 2026, the Company granted a total of 985,000 stock options to directors, officers, and employees under the Company's stock option plan, at an exercise price of $0.025 per Common Share and an expiry date of July 1, 2036. Of these options, 500,000 vested immediately on grant, and 485,000 vest over three years, with one-third vesting on each of July 1, 2026, 2027, and 2028.

- On July 03, 2026, the Company announced receipt from NIAID of a Notice of Termination for Convenience of the Contract for the VXV-01 Program.

SELECTED FINANCIAL INFORMATION

		Three Months June 30, 2026 ($)	Three Months June 30, 2025 ($)
Net loss and comprehensive loss for the period		(1,699,465)	(1,249,581)
Basic and diluted loss per share		(0.01)	(0.01)

		As at June 30, 2026	As at March 31, 2026
Cash and short-term investments		138,680	40,003
Total assets		1,295,242	1,973,419
Long-term liabilities		13,326,282	12,936,265

RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2026 ("Q1 2027"), COMPARED TO THE THREE MONTHS ENDED JUNE 30, 2025 ("Q1 2026").

	Three months ended June 30, 2026 $	Three months ended June 30, 2025 $
Income		
Revenue	117,894	-
	117,894	-
Expenses		
Research and development costs ("**R&D**")	704,183	960,973
General and administrative ("**G&A**")	1,027,524	642,469
Financing costs	251,939	486,066
Government assistance	(364,611)	(550,886)
Exchange (gain)/loss	191,154	(319,900)
	1,810,189	1,218,722
Loss before Income taxes	(1,692,295)	(1,218,722)
Income tax expense	7,171	30,859
Net loss and comprehensive loss for the period	(1,699,465)	(1,249,581)

Income

i. **Revenue**

Revenue reported of $117,894 in Q1 2027, compared to $nil in Q1 2026, which includes from royalties earned on the sale of ATI-1501 drugs.

Operating expenses

Net operating expenses increased by $591,467 to $1,810,189 in Q1 2027 compared to $1,218,722 in Q1 2026. The net increase in operating expenses was driven by (i) an increase in G&A of $385,055, (ii) a $186,275 reduction in government assistance due to the end of the contract with USAFA, which is partially offset by the current contract for the NIAID program, and (iii)

an increase in foreign exchange losses of $511,054, offset by (iv) a $256,790 decrease in R&D costs related to the ATI-1701 program, which is currently non-operational, and (v) a $234,127 decrease in financing costs related to LZH secured loans and the fair value modification of LZH loans. Explanations of the nature of costs incurred, along with explanations for those changes in costs, are discussed below

i. **R&D expenses**

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

R&D expenses consist of the following:

	Three Months June 30, 2026 ($)	**Three Months June 30, 2025 ($)**
NIAID expenses	197,692	-
ATI-1701 expenses	25,172	354,811
ATI-1501 expenses	(1,650)	11,759
General R&D expenses	10,388	3,904
Amortization of property and equipment	1,245	1,355
Salaries and benefits	466,479	582,473
Stock-based compensation	4,857	6,671
Total	**704,183**	**960,973**

The decrease in R&D expenses of $256,790 from $960,973 in Q1 2026 to $704,183 in Q1 2027 is mainly attributable to (i) a decrease of $329,639 in ATI-1701 program expenses due to the program currently being non-operational, (ii) a decrease of $115,994 in salaries and benefits, (iii) a decrease of $13,409 in ATI-1501 program expenses, and (iv) immaterial decreases in stock-based compensation of $1,814 and amortization. These decreases were offset by (i) an increase of $197,692 in NIAID program expenses, as it is currently the only active program, and (ii) an increase of $6,484 in general R&D expenses.

NIAID

The increase in NIAID program expenses is due to increased activity in expenses, to support the planned activity under the NIAID agreement, for the FY 2027. Part of these expenses are being reimbursed by NIAID as part of the agreement and recorded as government assistance.

ATI-1701

The decrease in ATI-1701 program expenses is due to decreased activity in expenses, to support the planned activity under the USAFA Cooperative Agreement, for the Q1-2027 in comparison to Q1-2026. These are primarily being reimbursed by USAFA as part of the agreement and recorded as government assistance.

LIKMEZ (ATI-1501)

During Q1 2027, the Company recorded a recovery of reimbursable IP expenses that offset against regulatory charges, resulting in a credit balance of $1,650 compared to $11,759 in Q1 2026.

General R&D Expenses

The increase in general R&D expenses is due to an increase in ATI-1801 expenses related to pre-clinical activity and R&D-related travel activity in Q1 2027 in comparison to Q1 2026.

Salaries and Benefits and Stock-based compensation

Decrease in salaries and benefits are mainly due to lesser R&D related activity ongoing in Q1 2027 compared to Q1 2026.

ii. **G&A expenses**

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

G&A expenses consist of the following:

	Three Months June 30, 2026 ($)	**Three Months June 30, 2025 ($)**
G&A expenses, excluding salaries	969,927	580,744
Salaries and benefits	55,808	48,040
Stock-based compensation	1,683	11,425
Amortization of property and equipment	106	2,260
Total	**1,027,524**	**642,469**

G&A expenses increased by $385,055 from $642,469 in Q1 2026 to $1,027,524 in Q1 2027 due to (i) an increase of $389,183 in G&A expenses, excluding salaries, and (ii) a small increase of $7,768 in salaries and benefits. These increases were offset by (i) a decrease of $9,742 in stock-based compensation given the reduction in value of options issued and (ii) a decrease of $2,154 in depreciation of property and equipment.

G&A expenses, excluding salaries

G&A expenses, excluding salaries, for Q1 2027 increased mainly due to (i) recognition of impairment loss related to NIAID invoices of $493,464 (ii) an increase in legal fees (iii) an increase in foreign exchange and (iv) an increase in interest and bank charges.

These increases are offset by a decrease in transaction cost related to Aditxt, insurance D&O, BOD fees, IR firms, audit fees, advertising & promotion and travel related charges.

Stock-based compensation

The decrease in stock-based compensation in Q1 2027 by $9,742 in comparison to Q1 2026, is due to fewer options with lower values.

Salaries and Benefits

Salaries and benefits increased slightly in Q1 2027 mainly due to headcount changes.

iii. **Financing costs**

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

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

The decrease of financing costs by $234,127 in Q1 2027 as compared to Q1 2026, is due mainly to the fair value modification of LZH loans that are lower than Q1 2026 fair value modification cost.

iv. **Government assistance**

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

Government assistance decreased by $186,275 in Q1 2027 as compared to Q1 2026, mainly due to the completion of contract from the USAFA Cooperative Agreement to support the development of ATI-1701 for Q1 2027 which is offset by the current cost reimbursable contract for NIAID program.

v. **Income tax expense**

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

vi. **Net loss and comprehensive loss**

The net loss and comprehensive loss was $1,699,465 for Q1 2027, an increase of $449,884 compared to the net loss and comprehensive loss of $1,249,581 for Q1 2026.

CASH FLOWS

As at June 30, 2026, the Company had cash of $138,680 and negative working capital of $18,393,723 compared to a cash balance of $40,003 and negative working capital of $16,670,949, as at March 31, 2026.

To date, operations have been financed through the issuance of equity securities, debt, interest income on funds available for investment, government loans and assistance, waiver fees in connection with Arrangement Agreement with Aditxt and tax credits..

Operating activities

During the three month period ended June 30, 2026, $36,972 was used in operating activities, including a reported net loss of $1,699,465 prior to being adjusted for add-backs of $251,939 (non-cash finance costs), $6,540 (stock-based compensation), $156,304 (unrealized foreign exchange translation (LZH)), $1,352 (amortization of property and equipment), $34,851 (unrealized loss from changes in foreign currency) and a net increase of $1,211,507 in cash as a result of changes in working capital.

Financing activities

During the three months ended June 30, 2026, the Company made a cash repayment of $4,500 of long-term debt and received $175,000 in cash advances from a related party, Bloom Burton & Co.

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

At June 30, 2026, the Company had approximately $1.1 million of existing and identified potential sources of cash including:

- cash of $0.1 million; and
- amounts receivable and investment tax credits receivable of $1 million.

In September 2025, Appili was awarded a contract by NIAID, part of the National Institutes of Health, valued at up to US$40 million. 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 IND submission and Phase 1 clinical trials. Appili serves as the prime contractor, overseeing program execution, compliance, and reporting, while Vitalex, in its role as a subcontractor, contributes asset development and scientific expertise.

During the quarter, the Company identified certain receivables from NIAID with a significant risk of non-recovery. In accordance with the Company's accounting policy, these receivables were assessed for impairment based on an evaluation of the counterparty's response to the claim. As at June 30, 2026, the Company recognized an impairment loss of $493,464 in relation to these receivables. This impairment is included in general and administrative expenses within the statement of profit or loss.

Going Concern

While the Company has potential sources of cash of approximately $1.1 million as at June 30, 2026, as well as potential access to the NIAID receivable, management does not believe these resources will be sufficient to fund operations and current working capital requirements, for the next twelve months, unless further financing is obtained in the near term.

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.

Any failure on Appili's part to raise additional funds on terms favourable or at all may require the Company to significantly change or curtail the current or planned operations in order to conserve cash until such time, if ever, that sufficient proceeds from operations are generated, and could result in the Company not taking advantage of business opportunities, the termination or delay of clinical trials for our products, curtailment of product development programs. Such adjustments or delays could be material

RELATED PARTY TRANSACTIONS

For the three month 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 Current portion of long-term debt. Interest on loan has been added to accounts payable and not capitalized.

CONTRACTUAL OBLIGATIONS

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, April 30, 2025, May 30, 2026, June 30, 2026 and July 31, 2026) 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 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.

On May 19, 2025, Appili announced that Aditxt terminated the arrangement agreement dated April 1, 2024 between the Company, Aditxt, and its wholly-owned subsidiary, Adivir, Inc. ("**Adivir**") (as amended on July 1, 2024 and further amended on July 17, 2024 and as further amended on August 20, 2024, the "Arrangement Agreement"), such termination was to be effective as of May 31, 2025. In connection with the termination of the Arrangement Agreement, 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. 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 June 30, 2026 Bloom Burton agreed to extend the Company's obligation to pay all amounts owing under the Bloom Burton Loan, together with all accrued and unpaid interest, to September 30, 2026 and LZH agreed to extend the outstanding obligation for the LZH loans to August 31, 2026 unless Appili completes an equity financing with minimum gross proceeds of at least $350,000 by August 31, 2026, in which case the extension will continue in full force until September 30, 2026. In connection with such extension, the Company agreed to pay LZH certain waiver fees.

OFF-BALANCE SHEET ARRANGEMENTS

The Company was not party to any off-balance sheet arrangements as of June 30, 2026.

OUTSTANDING SECURITIES

As of August 14, 2026, the Company has 132,366,120 issued and outstanding Common Shares, 11,910,281 stock options and 41,368,000 warrants outstanding.

RISKS AND UNCERTAINTIES

The Company is a clinical-stage company that operates in an industry that is dependent on a number of factors that include the capacity to raise additional capital on reasonable terms, obtain positive results of clinical trials without serious adverse or inappropriate side effects, and obtain market acceptance of its product by physicians, patients, healthcare payers and others in the medical community for commercial success, etc. An investment in the Common Shares is subject to a number of risks and uncertainties. In addition to the risks set out herein, an investor should carefully consider the risks described under the heading "Risk Factors" in the Company's annual information form dated June 26, 2026, filed in respect of the fiscal year ended March 31, 2026. If any of such described risks occur, or if others occur, the Company's business, operating results and financial condition could be seriously harmed, and investors may lose a significant proportion of their investment. There are important risks which management believes could impact the Company's business.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

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

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

The CEO and the CFO of the Company are responsible for establishing and maintaining the Company's disclosure controls and procedures, including adherence to the Disclosure Policy adopted by the Company. The CEO and CFO have evaluated whether there were changes to the disclosure controls and procedures during the three month period ended June 30, 2026, that have materially affected, or are reasonably likely to materially affect, the disclosure controls and procedures. No such changes were identified through their evaluation.

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

Internal Control over Financial Reporting

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

The CEO and CFO have evaluated whether there were changes to ICFR during the three month period ended June 30, 2026, that have materially affected, or are reasonably likely to materially affect, ICFR. No such changes were identified through their evaluation. There have been no significant changes in the Company's internal controls during the three month period ended June 30, 2026, that have materially affected, or are reasonably likely to materially affect, ICFR.

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

BASIS OF PRESENTATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the IFRS as issued by the International Accounting Standards Board. The accounting policies, methods of computation and presentation applied in the consolidated financial statements are consistent with those of previous financial years. The Company's significant accounting policies are detailed in the notes to the audited consolidated financial statements for March 31, 2026.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results could differ from those estimates. Critical judgements in applying the Company's accounting policies are detailed in note 3 of the Company's annual audited consolidated financial statements for the year ended March 31, 2026. The unaudited interim condensed consolidated financial statements have been prepared using the same policies and methods as the annual audited consolidated financial statements of the Company for the fiscal year ended March 31, 2026.

FINANCIAL INSTRUMENTS

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

	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, have 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.

Risk management

The Company, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: credit risk; market risk; and liquidity risk. Management is responsible for setting acceptable levels of risk and reviewing risk management activities as necessary.

Credit risk

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

Market risk

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

Interest rate price risk

The Company has limited exposure to interest rate risk on its lending and borrowing activities. The Company has interest-free debt that is either repayable over 84 months or 120 months or becomes repayable when revenue is earned. The Company also has a secured loan of US $3.6 million based on minimum interest rate of 11% or the US Prime Lending rate plus 3.25% per year, compounded quarterly and paid in arrears, repayable over 24 months and a secured loan of $2.5 million based on minimum interest rate of 11% or the Canadian Prime Lending rate plus 4.3% per year, compounded quarterly and paid in arrears, 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 does not enter into derivative financial instruments to reduce exposure to foreign currency risk.

Liquidity risk

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

The Company controls liquidity risk through management of working capital, cash flows and the availability and sourcing of financing. As described in note 1 of the audited consolidated financial statements as at March 31, 2026, 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 of the unaudited interim condensed consolidated financial statements 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

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's annual information form dated June 26, 2026, filed in respect of the fiscal year ended March 31, 2026, is available under the Company's profile on SEDAR+ at www.sedarplus.ca.