

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Interim Period Ended September 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 November 12, 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 and six months ended September 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 NEX Board of the TSX Venture Exchange (the "NEX"), following the transfer of the listing from 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, USDOW 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, and the Company's ability to identify and source additional non-dilutive funding opportunities;
- the ability of the Company to complete all 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 repositioning itself as a National Security Healthcare company focused on acquiring and advancing medical technologies that protect military personnel, strengthen national resilience, and address critical healthcare needs. The Company's strategy builds upon its experience in infectious disease, medical countermeasure development, government-funded programs, and public-private partnerships while expanding its focus into adjacent areas relevant to defense and health security.

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

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. 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 ended on August 31, 2026, and all scientific research objectives under the agreement have been met and delivered. The agreement is currently undergoing closeout, including final financial reconciliation and submission of required reports.

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 May 2025, Appili Director of Non-Clinical Research, Dr. Carl Gelhaus, Ph.D., together with researchers from the USAFA, and other U.S. based researchers published the manuscript, "*The Immune Response to Francisella tularensis*". The review consolidates recent findings on the immune system response to F. tularensis infections and suggests various means by which infections can be controlled. By examining diverse *F. tularensis* strains and animal models, the authors outline promising pathways for effective tularemia vaccine development.

In August 2025, Dr. Carl Gelhaus and researchers from leading biodefense institutions in the U.S., Canada, and Sweden, published a manuscript in the journal "*Vaccine*", highlighting key findings from multiple preclinical studies. The manuscript, titled, "*Vaccination with a novel live attenuated strain of Francisella tularensis subsp. tularensis protects cynomolgus macaques against aerosol F. tularensis infection*," details studies showing robust and durable protection from lethal tularemia exposure in both rat and non-human primate models.

In September 2025, Dr. Carl Gelhaus presented at the NATO Chemical, Biological, Radiological and Nuclear Conference, in Switzerland. The presentation included updates on Appili's biodefense vaccine program, highlighting ATI-1701, a potential first-in-class tularemia vaccine, and underscored its potential to address a critical gap in global biodefense preparedness.

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

Appili Therapeutics is repositioning itself as a National Security Healthcare company focused on acquiring and advancing medical technologies that protect military personnel, strengthen national resilience, and address critical healthcare needs. The Company's strategy builds upon its experience in infectious disease, medical countermeasure development, government-funded programs, and public-private partnerships while expanding its focus into adjacent areas relevant to defense and health security.

The Company uses force health protection as its operating framework and prioritizes dual-use technologies that may serve defense, government, and commercial healthcare markets. Its areas of interest include infectious disease, physiological readiness, diagnostics, biosurveillance and protection against chemical, biological, radiological, and nuclear threats.

The Company intends to pursue this strategy by:

(i) identifying, and acquiring, developing, and commercializing medical technologies that address priority defense, public health, and commercial healthcare needs, with an emphasis on assets that have achieved meaningful technical validation and can reach significant development, regulatory, procurement or commercial milestones within a capital-efficient timeframe,
(ii) building a portfolio of dual-use therapeutics, vaccines, biologics, diagnostics, medical countermeasures, biosurveillance technologies and other healthcare solutions capable of protecting military personnel and civilian populations,
(iii) establishing partnerships with biotechnology and pharmaceutical companies, academic institutions, government agencies, manufacturers and other organizations possessing complementary technologies, infrastructure, or development capabilities,
(iv) pursuing non-dilutive government funding, public-private partnerships, procurement programs, and other sources of capital intended to reduce the Company's direct development expenditures and share program risk,
(v) applying regulatory, government-contracting and commercialization expertise to advance selected programs toward regulatory authorization, government procurement, commercial partnering, or other value-creating transactions; and
(vi) generating value through a combination of internal development, co-development, licensing, royalties, milestone payments, government-funded development, procurement contracts, and strategic transactions.

Appili intends to operate through a streamlined internal leadership structure supported, as appropriate, by external scientific, technical, regulatory, manufacturing and government-contracting specialists. This operating model is intended to provide the Company with efficient and cost-effective access to program-specific expertise while maintaining organizational and capital flexibility.

Portfolio Strategy

Appili's existing portfolio provides a foundation of experience in infectious disease, biodefense, and medical countermeasure development. The Company intends to evaluate opportunities that expand this foundation into the broader National Security Healthcare market, including:

- medical countermeasures addressing chemical, biological, radiological, and nuclear threats.
- therapeutics and vaccines for infectious diseases relevant to military and civilian populations,
- diagnostics that support exposure assessment, patient stratification, and treatment decisions,
- biosurveillance and pathogen-detection technologies,
- technologies supporting physiological readiness and operational medicine,
- domestic manufacturing and supply-chain capabilities relevant to national preparedness; and
- other dual-use healthcare technologies with both government and commercial applications.

The Company may acquire or access these opportunities through licensing, option agreements, asset purchases, corporate transactions, joint ventures, research collaborations, or other strategic arrangements. Appili may also seek to combine complementary technologies into integrated solutions - for example, pairing diagnostics with medical countermeasures or linking product-development capabilities with domestic manufacturing and government procurement pathways.

Portfolio Management and Capital Allocation

Leveraging AI tools, the Company intends to apply a disciplined, stage-gated portfolio-management and capital-allocation framework. Potential programs and transactions will be evaluated based on factors that include:

(i) alignment with identified defense, force health protection, public health, or commercial healthcare priorities.
(ii) the magnitude of the unmet need and the differentiation of the proposed solution,
(iii) the maturity and quality of the supporting technical, non-clinical and clinical evidence,
(iv) regulatory and technical feasibility,
(v) eligibility for non-dilutive funding, government procurement, or partner financing,
(vi) the amount of time and capital required to achieve meaningful value-inflection points,
(vii) access to intellectual property, manufacturing capacity, and specialized development capabilities,
(viii) potential government and commercial markets,
(ix) competitive positioning; and
(x) expected risk-adjusted returns.

Programs that do not continue to meet the Company's strategic, technical, financial, or commercial criteria may be deprioritized, partnered, licensed or discontinued. This approach is intended to effectively concentrate Appili's resources on opportunities with the strongest combination of strategic relevance, external funding potential, capital efficiency, and prospective stakeholder value.

Government-Funded Development Experience

Appili and its development partners have previously been selected for government funding awards with an aggregate announced potential value of approximately US$66 million. These awards demonstrate the Company's experience developing government-focused proposals, assembling collaborative program teams, and managing medical countermeasure development activities.

The announced potential value of government awards may include unfunded option periods, future milestones or amounts payable to development partners and therefore should not be interpreted as funding received by, or revenue attributable to, Appili. Future government funding and procurement opportunities will remain subject to competitive selection processes, available appropriations, contractual requirements, and the exercise of government discretion.

The Company intends to apply this experience to identify and pursue future government-funded development, procurement, and public-private partnership opportunities consistent with its National Security Healthcare strategy.

RECENT DEVELOPMENTS

Overall Performance

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

The Company had the following recent key developments and achievements since April 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 3, 2026, the Company announced receipt from NIAID of a Notice of Termination for Convenience of the Contract for the VXV-01 Program, effective July 2, 2026. NIAID had previously issued a stop-work order under the contract on May 21, 2026.

- On August 31, 2026, the period of performance under the USAFA Cooperative Agreement ended. During the quarter, the Company completed a true-up of amounts claimed under the agreement using final indirect cost rates, which indicated that the Company had been reimbursed US$220,228 in excess of allowable costs.

- On September 8, 2026, the Company entered into amending agreements with the holders of the stock options granted on July 1, 2026 to increase the exercise price to $0.05 per Common Share, effective upon the listing of the Common Shares on the NEX, as required by the NEX.

- On September 30, 2026, Bloom Burton and LZH agreed to extend the maturity of the Bloom Burton Loan and the LZH Loan to October 31, 2026.

- On October 2, 2026, following the termination of the NIAID contract, the Company laid off three employees, and effective October 15, 2026, its Chief Development Officer stepped down.

- On October 5, 2026, the listing of the Common Shares was transferred from the TSX to the NEX.

- On October 31, 2026, LZH agreed to extend the maturity of the LZH Loan to November 30, 2026 and to waive the requirement that the Common Shares remain listed on the TSX, conditional on the Common Shares continuing to be listed on the NEX.

- On November 3, 2026, the Company submitted a Request for Equitable Adjustment (the "REA") to NIAID in the amount of US$144,470 for costs incurred as a result of the stop-work order.

SELECTED FINANCIAL INFORMATION

		Three Months September 30, 2026 ($)	Three Months September 30, 2025 ($)
Net loss and comprehensive loss for the period		(1,839,330)	(989,065)
Basic and diluted loss per share		(0.01)	(0.01)

		As at September 30, 2026	As at March 31, 2026
Cash		398,533	40,003
Total assets		1,613,696	1,973,419
Long-term debt		13,632,974	12,936,265

RESULTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2026 ("Q2 2027"), COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 2025 ("Q2 2026").

	Three months ended September 30, 2026 $	**Three months ended September 30, 2025 $**
Income		
Revenue	23,118	103,935
	23,118	103,935
Expenses		
Research and development costs ("**R&D**")	713,094	832,833
General and administrative ("**G&A**")	719,019	564,228
Business development ("BD")	-	5,519
Financing costs	334,557	(218,439)
Government assistance	105,343	(223,069)
Exchange (gain)/loss	(8,556)	96,962
	1,863,457	1,058,034
Loss before Income taxes	(1,840,339)	(954,099)
Income tax expense (recovery)	(1,009)	34,966
Net loss and comprehensive loss for the period	(1,839,330)	(989,065)

Income

i. **Revenue**

Revenue of $23,118 in Q2 2027, compared to $103,935 in Q2 2026, consists of royalties earned on sales of LIKMEZ (ATI-1501) by Saptalis. Q2 2027 revenue represents royalties accrued for sales in the quarter, whereas Q2 2026 revenue included royalties for both the first and second quarters of fiscal 2026.

Operating expenses

Net operating expenses increased by $805,423 to $1,863,457 in Q2 2027 compared to $1,058,034 in Q2 2026. The increase was driven by (i) an increase of $552,996 in financing costs, mainly due to interest accreted on the LZH secured loans in Q2 2027 compared to a recovery in Q2 2026 from the reversal of prepayment penalties on the LZH secured loans, (ii) a decrease of $328,412 in government assistance, mainly due to a charge of $312,460 related to a revision in USAFA overhead recovery rates ("USAFA True-Up"), and (iii) an increase of $154,791 in G&A expenses, mainly due to higher legal fees. These increases were partially offset by (i) a decrease of $119,739 in R&D expenses, mainly due to lower ATI-1701 program activity as the USAFA Cooperative Agreement came to a close, (ii) a favourable change of $105,518 in foreign exchange, from a loss of $96,962 in Q2 2026 to a gain of $8,556 in Q2 2027, mainly due to the effect of a slightly stronger Canadian dollar on the US dollar-denominated LZH secured loan, and (iii) a decrease of $5,519 in BD expenses. 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), VXV-01 under the NIAID contract, and general R&D.

R&D expenses consist of the following:

	Three Months September 30, 2026 ($)	**Three Months September 30, 2025 ($)**
NIAID expenses	6,311	-
ATI-1701 expenses	39,741	176,890
ATI-1501 expenses	9,559	8,707
General R&D expenses	(618)	10,781
Amortization of property and equipment	1,246	1,440
Salaries and benefits	650,203	627,889
Stock-based compensation	6,652	7,126
Total	**713,094**	**832,833**

The decrease in R&D expenses of $119,739 from $832,833 in Q2 2026 to $713,094 in Q2 2027 is mainly attributable to (i) a decrease of $137,149 in ATI-1701 program expenses as the USAFA Cooperative Agreement came to a close, and (ii) a decrease of $11,399 in general R&D expenses. These decreases were primarily offset by (i) an increase of $22,314 in salaries and benefits and (ii) NIAID program expenses of $6,311.

NIAID

NIAID program expenses of $6,311 in Q2 2027 relate to limited close-out costs following the stop-work order issued by NIAID on May 21, 2026 and the termination of the contract for convenience on July 2, 2026.

ATI-1701

The decrease in ATI-1701 program expenses reflects the completion of activities under the USAFA Cooperative Agreement, whose period of performance ended on August 31, 2026. Q2 2027 costs relate mainly to intellectual property management and other close-out costs. Q2 2026 included consultant and pre-clinical study costs, which were reimbursed by USAFA and recorded as government assistance.

LIKMEZ (ATI-1501)

During Q2 2027, the Company incurred regulatory expenses of $9,559 related to the program, compared to $8,707 in Q2 2026.

General R&D Expenses

General R&D expenses were a recovery of $618 in Q2 2027 compared to an expense of $10,781 in Q2 2026. The recovery reflects a credit to R&D employee benefits, partially offset by ATI-1801 pre-clinical manufacturing costs.

Salaries and Benefits and Stock-based compensation

Salaries and benefits increased by $22,314, mainly due to the effect of a stronger US dollar on US dollar-denominated salaries. Stock-based compensation was consistent with Q2 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 September 30, 2026 ($)	**Three Months September 30, 2025 ($)**
G&A expenses, excluding salaries	652,977	514,858
Salaries and benefits	56,884	42,921
Stock-based compensation	9,145	4,449
Amortization of property and equipment	13	2,000
Total	**719,019**	**564,228**

G&A expenses increased by $154,791 from $564,228 in Q2 2026 to $719,019 in Q2 2027 due to (i) an increase of $138,119 in G&A expenses, excluding salaries, (ii) an increase of $13,963 in salaries and benefits, and (iii) an increase of $4,696 in stock-based compensation. These increases were offset by a decrease of $1,987 in amortization of property and equipment.

G&A expenses, excluding salaries

G&A expenses, excluding salaries, for Q2 2027 increased mainly due to (i) higher legal fees related to the NIAID contract termination and the REA, the lender waivers and the transfer of the listing to the NEX, (ii) higher regulatory filing fees, and (iii) higher board of directors' fees. These increases were offset by lower audit and tax fees, lower directors' and officers' insurance premiums and lower currency exchange charges.

Stock-based compensation

The increase in stock-based compensation of $4,696 in Q2 2027 in comparison to Q2 2026 is due to the stock options granted on July 1, 2026, of which 500,000 vested immediately.

Salaries and Benefits

Salaries and benefits increased in Q2 2027 mainly due to higher US payroll taxes.

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.

Financing costs increased by $552,996 to $334,557 in Q2 2027 from a recovery of $218,439 in Q2 2026. Q2 2027 financing costs consist mainly of interest of $398,581 accreted on the LZH secured loans, partially offset by a modification gain of $88,985 on the extension of the LZH secured loans, together with accretion on the ACOA and Bloom Burton loans. The recovery in Q2 2026 was due mainly to the reversal of prepayment penalties on the LZH secured loans and the fair value modification of the LZH loans.

iv. **Government assistance**

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

Government assistance was a net charge of $105,343 in Q2 2027 compared to a recovery of $223,069 in Q2 2026, a decrease of $328,412. Q2 2027 includes a charge of $312,460 (US$220,228) for the USAFA True-Up, partially offset by $204,975 (US$144,470) recognized for the Request for Equitable Adjustment ("REA") submitted to NIAID and investment tax credits of $2,700. Q2 2026 reflected cost reimbursements under the USAFA Cooperative Agreement to support the development of ATI-1701.

v. **Income tax expense**

Income tax was a recovery of $1,009 in Q2 2027 compared to an expense of $34,966 in Q2 2026. Income tax relates to profits recognized in the US subsidiary.

vi. **Net loss and comprehensive loss**

The net loss and comprehensive loss was $1,839,330 for Q2 2027, an increase of $850,265 compared to the net loss and comprehensive loss of $989,065 for Q2 2026.

RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2026 ("YTD 2027"), COMPARED TO THE SIX MONTHS ENDED SEPTEMBER 30, 2025 ("YTD 2026").

	Six months ended September 30, 2026 $	Six months ended September 30, 2025 $
Income		
Revenue	141,012	103,935
	141,012	103,935
Expenses		
Research and development costs ("**R&D**")	1,417,277	1,793,807
General and administrative ("**G&A**")	1,746,543	1,206,697
Business development ("BD")	-	5,519
Financing costs	586,496	267,627
Government assistance	(259,268)	(773,954)
Exchange (gain)/loss	182,598	(222,938)
	3,673,646	2,276,758
Loss before Income taxes	(3,532,634)	(2,172,823)
Income tax expense (recovery)	6,161	65,824
Net loss and comprehensive loss for the period	(3,538,795)	(2,238,647)

Income

i. **Revenue**

Revenue increased by $37,077 to $141,012 in YTD 2027 compared to $103,935 in YTD 2026. Revenue consists of royalties earned on sales of LIKMEZ (ATI-1501) by Saptalis. The increase reflects higher LIKMEZ sales following the re-launch of the product in May 2025.

Operating expenses

Net operating expenses increased by $1,396,888 to $3,673,646 in YTD 2027 compared to $2,276,758 in YTD 2026. The increase was driven by (i) an increase of $539,846 in G&A expenses, mainly due to the impairment of $492,700 recognized on NIAID receivables in the first quarter of fiscal 2027 and higher legal fees, (ii) a decrease of $514,686 in government assistance, mainly due to lower cost reimbursements following the completion of the USAFA Cooperative Agreement and the USAFA True-Up of $312,460, partially offset by NIAID reimbursements and the REA, (iii) an unfavourable change of $405,536 in foreign exchange, from a gain of $222,938 in YTD 2026 to a loss of $182,598 in YTD 2027, mainly due to the effect of a weaker Canadian dollar on the US dollar-denominated LZH secured loan, and (iv) an increase of $318,869 in financing costs. These increases were partially offset by a decrease of $376,530 in R&D expenses, mainly due to lower ATI-1701 program activity, and a decrease of $5,519 in BD expenses. 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), VXV-01 under the NIAID contract, and general R&D.

R&D expenses consist of the following:

	Six Months September 30, 2026 ($)	Six Months September 30, 2025 ($)
NIAID expenses	204,003	-
ATI-1701 expenses	64,913	531,701
ATI-1501 expenses	7,909	20,466
General R&D expenses	9,770	14,685
Amortization of property and equipment	2,491	2,796
Salaries and benefits	1,116,682	1,210,362
Stock-based compensation	11,509	13,797
Total	**1,417,277**	**1,793,807**

The decrease in R&D expenses of $376,530 from $1,793,807 in YTD 2026 to $1,417,277 in YTD 2027 is mainly attributable to (i) a decrease of $466,788 in ATI-1701 program expenses as the USAFA Cooperative Agreement came to a close, (ii) a decrease of $93,680 in salaries and benefits, (iii) a decrease of $12,557 in ATI-1501 program expenses and (iv) a decrease of $4,915 in general R&D expenses. These decreases were offset by NIAID program expenses of $204,003.

NIAID

NIAID program expenses of $204,003 relate mainly to work performed by Vitalex and other subcontractors under the base period of the NIAID contract before the stop-work order issued on May 21, 2026. Part of these expenses were reimbursed by NIAID and recorded as government assistance. There were no NIAID program expenses in YTD 2026, as the contract was awarded on September 30, 2025.

ATI-1701

The decrease in ATI-1701 program expenses reflects the completion of activities under the USAFA Cooperative Agreement, whose period of performance ended on August 31, 2026. YTD 2026 included consultant and pre-clinical study costs, which were reimbursed by USAFA and recorded as government assistance.

LIKMEZ (ATI-1501)

During YTD 2027, the Company incurred regulatory expenses of $19,483, partially offset by a recovery of reimbursable IP expenses of $11,574, resulting in net program expenses of $7,909 compared to $20,466 in YTD 2026.

General R&D Expenses

The decrease in general R&D expenses is mainly due to a credit to R&D employee benefits in YTD 2027, partially offset by ATI-1801 pre-clinical manufacturing costs and R&D-related travel.

Salaries and Benefits and Stock-based compensation

The decrease in salaries and benefits of $93,680 is mainly due to lower R&D activity following the completion of the USAFA Cooperative Agreement and the stop-work order under the NIAID contract.

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, 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:

	Six Months September 30, 2026 ($)	Six Months September 30, 2025 ($)
G&A expenses, excluding salaries	1,622,904	1,095,602
Salaries and benefits	112,692	90,961
Stock-based compensation	10,828	15,874
Amortization of property and equipment	119	4,260
Total	**1,746,543**	**1,206,697**

G&A expenses increased by $539,846 from $1,206,697 in YTD 2026 to $1,746,543 in YTD 2027 due to (i) an increase of $527,302 in G&A expenses, excluding salaries, and (ii) an increase of $21,731 in salaries and benefits. These increases were offset by (i) a decrease of $5,046 in stock-based compensation and (ii) a decrease of $4,141 in amortization of property and equipment.

G&A expenses, excluding salaries

G&A expenses, excluding salaries, for YTD 2027 increased mainly due to (i) the impairment loss of $492,700 recognized on NIAID receivables following the termination of the NIAID contract, (ii) higher legal fees related to the NIAID contract termination and the REA, the lender waivers and the transfer of the listing to the NEX, and (iii) higher regulatory filing fees.

These increases were offset by lower transaction costs related to Aditxt, lower audit and tax fees, lower directors' and officers' insurance premiums, lower investor relations costs and lower currency exchange charges.

Stock-based compensation

The decrease in stock-based compensation of $5,046 in YTD 2027 in comparison to YTD 2026 is due to fewer options with lower values vesting in the period.

Salaries and Benefits

Salaries and benefits increased in YTD 2027 mainly due to higher US payroll taxes.

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.

Financing costs increased by $318,869 to $586,496 in YTD 2027 from $267,627 in YTD 2026. YTD 2027 financing costs consist mainly of interest of $789,934 accreted on the LZH secured loans, partially offset by modification gains of $259,424 on the extensions of the LZH secured loans, together with accretion on the ACOA and Bloom Burton loans. YTD 2026 financing costs were reduced by the reversal of prepayment penalties on the LZH secured loans.

iv. **Government assistance**

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

Government assistance decreased by $514,686 to $259,268 for the six months ended September 30, 2026 versus $773,954 for the six months ended September 30 2025. Government assistance for the six months ended September 30, 2026 consists of cost reimbursements from NIAID of $360,353, the REA of $204,975 and investment tax credits of $6,400, less the USAFA True-Up of $312,460. Government assistance for the six months ended September 30, 2025 consisted mainly of cost reimbursements under the USAFA Cooperative Agreement to support the development of ATI-1701.

v. **Income tax expense**

Income tax expense decreased to $6,161 for the six months ended September 30, 2026 from $65,824 for the six months ended September 30, 2025. Income tax relates to profits recognized in the US subsidiary.

vi. **Net loss and comprehensive loss**

The net loss and comprehensive loss was $3,538,795 for the six months ended September 30, 2026, reflecting an increase of $1,300,148 compared to the net loss and comprehensive loss of $2,238,647 for the six months ended September 30, 2025.

CASH FLOWS

As at September 30, 2026, the Company had cash of $398,533 and negative working capital of $20,247,498 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 six months ended September 30, 2026, $786,472 was used in operating activities, including a reported net loss of $3,538,795 prior to being adjusted for add-backs of $585,995 (non-cash finance costs), $22,337 (stock-based compensation), $147,600 (unrealized foreign exchange translation (LZH)), $2,609 (amortization of property and equipment), $34,998 (unrealized loss from changes in foreign currency) and a net increase of $1,958,784 in cash as a result of changes in working capital. The changes in working capital include an increase of $1,243,140 in accounts payable and accrued liabilities and collections that reduced amounts receivable by $762,859.

Financing activities

During the six months ended September 30, 2026, the Company made cash repayments of $9,000 of long-term debt and received $1,189,000 in non-interest bearing, unsecured and with no specific payment terms 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 September 30, 2026, the Company had approximately $1.4 million of existing and identified potential sources of cash including:

- cash of $0.4 million; and
- amounts receivable and investment tax credits receivable of $1.0 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. On May 21, 2026, NIAID issued a stop-work order under the contract and, on July 2, 2026, terminated the contract for convenience. On November 3, 2026, the Company submitted the REA to NIAID for US$144,470 of costs incurred as a result of the stop-work order, which has been recognized as a receivable as at September 30, 2026. The Company also intends to submit a termination settlement proposal. The amount and timing of any recoveries from NIAID remain uncertain.

During the six months ended September 30, 2026, 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. The Company recognized an impairment loss of $492,700 in relation to these receivables, which is included in general and administrative expenses within the statement of loss and comprehensive loss.

Going Concern

While the Company has potential sources of cash of approximately $1.4 million as at September 30, 2026, as well as potential recoveries from NIAID under the REA and the termination settlement proposal, 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 six months ended September 30, 2026, the Company received cash advances of $1,189,000 (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.

Bloom Burton is considered to be a "related party" of the Company, and the advances referenced above are considered to be a "related party transaction" for purposes of Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The Company is relying on exemptions from the formal valuation and minority shareholder approval requirements available under MI 61-101. The Company is exempt from the minority shareholder approval requirement in section 5.6 of MI 61-101 in reliance on section 5.7(f) of MI 61-101 as (i) the advances are not less advantageous to the issuer than loans that the Company would be obtained from arm's length persons, and (ii) the advances are not convertible into, or repayable in, equity of the Company.

As at September 30, 2026, the principal and interest outstanding under the original bridge loan and the secured bridge loan was $827,337 (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 the loans 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, July 31, 2026, September 30, 2026 and October 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 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.

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, effective September 30, 2026, Bloom Burton agreed to extend the Company's obligation to pay all amounts owing under the Bloom Burton Loan and the grid promissory note, together with all accrued and capitalized interest, to December 31, 2026, and LZH agreed to extend the outstanding obligation for the LZH loans to October 31, 2026. . A conditional waiver fee of $18,000 is payable to LZH upon completion of an equity financing with minimum gross proceeds of at least $350,000. Subsequent to period end, on October 31, 2026, LZH agreed to extend the outstanding obligation for the LZH loans to November 30, 2026 and to waive the requirement that the Common Shares remain listed on the TSX, conditional on the Common Shares continuing to be listed on the NEX, in exchange for a waiver fee of $18,000.

OFF-BALANCE SHEET ARRANGEMENTS

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

OUTSTANDING SECURITIES

As of September 30, 2026, the Company has 132,366,120 issued and outstanding Common Shares, 12,895,281 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 period ended September 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 period ended September 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 period ended September 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:

	September 30, 2026		March 31, 2026	
	Carrying Value $	Fair Value $	Carrying Value $	Fair Value $
Cash	398,533	398,533	40,003	40,003
Amounts Receivable	996,294	996,294	1,749,423	1,749,423
Accounts Payable and accrued liabilities	8,758,025	8,758,025	6,303,898	6,303,898
Long-term debt	13,632,974	13,632,974	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 September 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 September 30, 2026:

	Total	Year 1	Years 2 to 3	Years 4 to 5	After 5 Years
	$	$	$	$	$
Accounts payable and accrued liabilities	8,758,025	8,758,025	-	-	-
Long-term debt	16,078,464	13,146,054	271,372	227,787	2,433,251
	24,836,489	21,904,079	271,372	227,787	2,433,251

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.