MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Interim Period Ended September 30, 2022

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 10, 2022, provides information concerning the Company's financial condition and results of operations. This MD&A should be read in conjunction with our audited annual consolidated financial statements for the fiscal years ended March 31, 2022, and 2021 and our unaudited interim condensed consolidated financial statements for the six months ended September 30, 2022, and 2021, 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 ("**IFRS**") 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 in light of 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 maintain the listing of the Company's Class A common shares (the "**Common Shares**") on the Toronto Stock Exchange (the "**TSX**");
- our strategy;
- our ability to continue as a going concern;
- the sufficiency of our financial resources to support our activities;
- potential sources of funding;
- the effect of the coronavirus disease 2019 ("**COVID-19**") on the Company's business and operations;
- our deployment of resources;
- our ability to obtain necessary funding on favourable terms or at all;
- our expected expenditures and accumulated deficit level;
- 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 eligibility of certain of our programs for a priority review voucher ("**PRV**");
- our ability to obtain funding from the Joint Science and Technology Office of the US Defense Threat Reduction Agency ("**DTRA**");
- our intention to secure certain regulatory designations, such as Fast-Track status, for our development programs;
- our strategy for protecting our intellectual property;
- our ability to identify licensable products or research suitable for licensing and commercialization;
- our ability to obtain licences on commercially reasonable terms;
- our plans for generating revenue;
- our plans for future clinical trials;
- our ability to hire and retain skilled staff; and
- our intention with respect to updating any forward-looking statements after the date on which such statement is made or to reflect the occurrence of unanticipated events;

Such statements reflect our current views with respect to future events, are subject to risks and uncertainties and are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Appili as of the date of such statements, are inherently subject to significant medical, scientific, business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements. In making

the forward-looking statements included in this MD&A, the Company has made various material assumptions, including but not limited to (i) the Company's ability to initiate and complete its proposed clinical trials in a timely manner; (ii) the Company's ability to enter into the requisite clinical trial agreements relating to any proposed clinical trials; (iii) obtaining positive results of clinical trials; (iv) obtaining regulatory approvals; (v) general business and economic conditions; (vi) the Company's ability to successfully out-license or sell its current products and in-license and develop new products; (vii) the availability of financing on reasonable terms; (viii) the Company's ability to attract and retain skilled staff; (ix) market competition; (x) the products and technology offered by the Company's competitors; (xi) the Company's ability to protect patents and proprietary rights; (xii) the effect of COVID-19 infections on the Company's business and operations; and (xiii) the Company's ability to secure the full anticipated funding from DTRA.

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

- limited operating history and early stage of development;
- identifying, developing and commercializing product candidates;
- regulatory risks;
- market competition;
- the Company's dependence on third parties;
- clinical trial risks;
- third party manufacturing and supplier risks;
- the effect of COVID-19 on the Company's business and operations;
- the Company's potential redeployment of resources;
- the ownership and protection of intellectual property;
- litigation and product liability risks;
- employee matters and managing growth;
- ownership of the Company's securities;
- working capital and capital resources, including the Company's ability to secure the full anticipated funding from DTRA;
- ability to attract and retain key personnel;
- 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 29, 2022.

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

MARKET DATA

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

BUSINESS OVERVIEW

Appili is a pharmaceutical company focused on the acquisition and development of novel treatments targeting unmet needs in infectious disease. Since incorporation in 2015, the Company has been focused on building and advancing a diverse portfolio

of anti-infective programs. Key activities have included the acquisition and development of novel technologies, the development of strategic partnerships, targeted hiring and building out drug development capabilities, securing intellectual property, and raising funds through equity capital raises and non-dilutive funding mechanisms.

Going forward the Company's product development portfolio will include three programs, described below: ATI-1701, ATI-1801, and ATI-1501. The Company will discontinue development of its remaining portfolio programs ATI-2307 and ATI-1503 as part of its strategic review and reprioritization. The Company had also been engaged in a global partnership to develop COVID-19 antiviral candidate REEQONUS™/Avigan®/favipiravir ("**favipiravir**"), however, activities related to this program were discontinued in November 2021.

Appili expects that one of its programs (ATI-1701) may be eligible for a PRV if approved by the United States Food and Drug Administration ("**FDA**"). The Company also believes that ATI-1801 may be eligible for a PRV and is actively evaluating its eligibility. The PRV program was developed to incentivize drug development in US government priority areas including tropical disease and medical countermeasures. Once issued, a PRV can be used by its holder to accelerate the review of a subsequent drug submission. PRVs are transferrable and the secondary market for PRVs is well established with over 20 transactions reported publicly and recent transactions often exceeding US$100 million.

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*, which causes tularemia, is a Category A pathogen which can be aerosolized and is over 1,000 times more infectious than anthrax (PHAC PSDS Anthrax 2011, PHAC PSDS Tularemia 2011). Category A pathogens are those organisms/biological agents that according to the National Institutes of Health ("**NIH**") pose the highest risk to National Security and public health (NIH website). The signs, symptoms, and prognosis of tularemia depends on the route of infection. Pneumonic tularemia, caused by inhalation of *F. tularensis*, is among the most severe forms of tularemia, causing respiratory issues and difficulty breathing in patients and can be fatal if untreated, (CDC 2018, WHO 2007). Since it is a highly infectious pathogen capable of causing severe illness, medical counter measures for *F. tularensis* are a top biodefense priority for the United States and governments around the world. There is currently no approved vaccine for the prevention of tularemia in the United States 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 out to 1 year post-vaccination (Conlan 2010; Shen 2010). Drug manufacturing activities have been initiated and additional animal work commenced in 2019. Preliminary data from a recently completed non-human primate study showed a protective effect from ATI-1701 when animals were challenged with a lethal dose of *F. tularensis* 28 days after vaccination, and complete (100% survival) protection from lethal challenge 90 days after vaccination. The Company previously 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. The Company expects to better understand the timing for starting Phase 1 studies once DTRA contracting discussions are finalized as described immediately below.

ATI-1701 activities have been, and are continuing to be, funded with Appili's current resources and grant funding received from DTRA. In February 2022, the Joint Science and Technology Office of DTRA selected the Company's proposal for additional funding to advance ATI-1701. The new funding is designed to replace and expand upon a prior contract awarded to one of the Company's development partners. The Company will serve as a contractor overseeing a comprehensive development program for ATI-1701 that includes nonclinical, manufacturing, and regulatory activities to support an investigational new drug ("**IND**") submission to the FDA. The expected total funding amount of over US$10 million will fund this expanded scope of work. The award is subject to successful negotiations of definitive documentation governing the grant, with the total funding amount to be confirmed upon contract execution.

ATI-1801

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

ATI-1801 is a novel topical formulation of paromomycin (15% w/w) under advanced clinical development for the treatment of cutaneous leishmaniasis, a disfiguring infection of the skin that affects hundreds of thousands of people around the world annually and is characterized by the formation of lesions and ulcers that often lead to scarring, disfigurement, disability, and stigmatization of the infected individual (CDC 2020. WHO 2022, Okwor 2016). The disease is a serious impediment to socioeconomic development and a priority for governments and non-governmental organizations ("**NGOs**") around the word (NIAID 2021, DNDi 2021). Current treatments are often invasive, toxic and/or require hospitalization, limiting clinical utility. (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. Appili has 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 (82% vs 58%; p-value < 0.001).

Appili plans to meet with the FDA later this year to discuss the previously generated Phase 3 data and agree on the necessary registration package to support a new drug application ("**NDA**") submission, which the Company expects will include available nonclinical, manufacturing, and clinical data generated to date. 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 help complete the remaining development work. The Company is actively engaged in discussions with prospective manufacturing partners to support development and commercialization.

ATI-1801 has received an ODD from the FDA for the treatment of certain forms of cutaneous leishmaniasis.

ATI- 1501

ATI-1501 is a taste-masked liquid oral suspension formulation of an antibiotic, metronidazole. Metronidazole is a front-line antibiotic for the treatment of anaerobic bacterial and parasitic infections (Quintiles 2016, Solomkin 2010, Flagyl® FDA Label 2018). In many jurisdictions including the United States and Canada, the only approved oral metronidazole products are in solid dose formats. Elderly and pediatric patients with difficulty swallowing typically have to crush the tablets to ingest them. Metronidazole has a strong bitter and metallic taste that is exacerbated by crushing and can reduce patient adherence to treatment. ATI-1501 is aimed at making it easier for patients with difficulties swallowing and sensitivity to taste to take metronidazole, supporting adherence and clinical outcomes.

In December 2019, Appili entered into a development and commercialization agreement with Saptalis Pharmaceuticals LLC ("**Saptalis**") for the manufacturing development and commercialization of ATI-1501. Under the terms of the agreement Appili is eligible to receive multiple milestone and royalty payments on the development and sale of ATI-1501 in the United States. In addition, Saptalis is responsible for overseeing the regulatory review, manufacturing and preparation for the filing of an NDA with the FDA, as well as the anticipated commercialization of ATI-1501 in the United States, which are the next major development milestones for ATI-1501. Upon signing the commercialization agreement with Saptalis, the Company received the initial upfront payment of US$150,000 that was recognized as revenue in December 2019. As of November 2020, Saptalis requested and obtained several Type C meetings with the FDA to discuss potential adjustments to the formulation. The FDA accepted the changes in the formulation on condition of characterization in an additional bioequivalence study, which per the terms of the licence agreement will be partially funded by the Company. The study has completed and the suspension formulation is bioequivalent to the solid oral dosage form in both fasted and fed conditions, supporting a 505 (b)(2) pathway NDA submission later in the year. Appili recently invoiced a milestone payment of USD $100,000 for the successful manufacture and stability of ATI-1501 registration batches and expects to receive additional development milestone payments in 2022 based on Saptalis' proposed NDA submission timeline. The Company anticipates the FDA approval by end of 2023.

In February 2022, Appili announced an amendment to its licence with Saptalis to expand the territories in which Saptalis will commercialize ATI-1501 to include Europe and Latin America. Under the terms of the amended agreement, Saptalis will assume all responsibilities related to the development and commercialization of ATI-1501 for European and Latin American markets and Appili will be eligible to receive royalties on sales for a specified term.

ATI-1503

The ATI-1503 program objectives included the development of a new class of Gram-negative targeting antibiotics. The ATI-1503 program was building off the molecular structure of negamycin, a naturally occurring compound that can kill Gram-negative bacteria, with multiple attractive drug-like properties that support its development. The Company intends to discontinue development of this program as part of its strategic review and reprioritization.

ATI-2307

Appili acquired the novel antifungal product candidate ATI-2307 (formerly T-2307) from FUJIFILM Toyama Chemical Co., Ltd. ("**FFTC**") in November 2019. Appili holds worldwide rights to the program with the exception of Japan, which was licensed back to FFTC as part of the asset purchase agreement entered into between the Company and FFTC dated November 21, 2019.

ATI-2307 is a novel small molecule antifungal with a highly differentiated mechanism of action and broad-spectrum activity against fungal pathogens, including *Candida*, *Aspergillus*, and *Cryptococcus* (Mitsuyama et al., 2008). ATI-2307 interferes with fungal mitochondria, making it cidal (deadly) against *Cryptococcus* (Mitsuyama et al., 2008; Nishikawa et al., 2017; Shibata et al., 2012). The compound has demonstrated *in vivo* efficacy in multiple animal models of fungal infection, including 100% survival in a lethal mouse lung *Cryptococcus* infection model.

The Company intends to discontinue development of this program as part of its strategic review and reprioritization.

Our Business Strategy

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

RECENT DEVELOPMENTS

Overall Performance

The Company has no product revenues, so its ability to ensure continuing operations is dependent on obtaining the necessary financing to complete the development of the Company's product development portfolio, which includes three active programs (ATI-1701, ATI-1801, and ATI-1501) and two additional programs which will be discontinued as part of the Company's strategic review and reprioritization (ATI-1503 and ATI-2307).

The Company had the following recent key developments and achievements during and after Q2 2023:

- On August 2, 2022, Appili presented an update on the effectiveness and safety of the topical formulation of paromomycin ATI-1801 in the treatment of cutaneous leishmaniasis.

- On September 9, 2022, Appili presented an update on non-clinical data for ATI-2307 during the MSGERC biannual meeting in New Mexico

- On October 20, 2022, Appili presented a poster on the efficacy and pharmacokinetics-pharmacodynamics of ATI-2307 in a rabbit model of cryptococcal meningoencephalitis during ID Week in Washington, D. C.

- On November 10, 2022, Appili announced plans to focus its resources on advancing its portfolio of infectious disease and biodefense assets, including ATI-1701, ATI-1801 and ATI-1501. The Company will discontinue development of its remaining portfolio programs ATI-2307 and ATI-1503.

SELECTED FINANCIAL INFORMATION

		Three Months ended September 30, 2022 ($)	Three Months ended September 30, 2021 ($)
Net loss and comprehensive loss for the period		(1,638,216)	(11,176,662)
Basic and diluted loss per share		(0.01)	(0.18)

		As at September 30, 2022	As at March 31, 2022
Cash and short-term investments		2,425,254	6,664,855
Total assets		3,906,586	8,281,726
Long-term liabilities		5,414,137	4,978,683

RESULTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022 ("Q2 2023"), COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 2021 ("Q2 2022")

	Three Months ended September 30, 2022 $	Three Months ended September 30, 2021 $
Income		
Interest income	9,085	4,937
	9,085	4,937
Expenses		
Research and development (R&D")	215,928	10,028,364
General and administrative ("G&A")	894,669	1,129,778
Business development ("BD")	84,375	191,498
Financing costs	200,356	136,182
Government assistance	(20,800)	(297,823)
Exchange gain/loss	287,954	(14,901)
	1,662,482	11,173,098
Loss before Income taxes	(1,653,397)	(11,168,161)
Income tax expense	(15,181)	8,501
Net loss and comprehensive loss for the period	(1,638,216)	(11,176,662)

Income

i. Interest income

Interest income increased by $4,148 to $9,085 during Q2 2023 as compared to $4,937 in Q2 2022, due to a higher interest rates in Q2 2023.

Operating expenses

Overall operating expenses decreased by $9,510,616 to $1,662,482 during Q2 2023 compared to $11,173,098 in Q2 2022 due mainly to a decrease of $9,812,436 in R&D costs due to the completion of the favipiravir clinical trial in November 2021, a decrease of $107,123 in BD costs due to lower salaries and stock based compensation expense, a decrease of $277,023 in government assistance due to lower R&D expense resulting in lower investment tax credits and a decrease of $235,109 in G&A cost due to lower employment cost partially offset by higher general expenses. This was offset by an increase of $64,174 in financing costs and $302,855 in foreign exchange loss. Explanations of the nature of costs incurred, along with explanations for those changes in costs are discussed below.

i. R&D expenses

The Company's R&D expenses have related primarily to costs incurred in performing research and development activities that include non-clinical, clinical manufacturing, regulatory and clinical trial expenses of its product candidates. The R&D expenses for the period relate to costs incurred for the development of four, out of five, product candidates, including ATI-1501, ATI-1503, ATI-1701, ATI-2307, and general R&D. The R&D expenses have been favourably impacted by a reduction in estimated costs associated with the favipiravir clinical study. During the quarter, the Company updated its estimate of close-out costs associated with the trial based on actual costs invoiced and reduced previously recorded accruals for investigator grants and pass-through costs by $768,535. This amount is recorded as a reduction of R&D expenses in the quarter.

Specifically, the Company's R&D expenses for ATI-2307 includes clinical manufacturing costs, clinical and non-clinical consultants and Phase 2 clinical trial preparation activities. For ATI-1701, expenses include licence fees, patent costs, stability testing, clinical manufacturing costs and regulatory costs. For ATI-1503, R&D expenses include non-clinical costs which include laboratory materials, chemicals and supplies, pre-clinical biological studies, out-sourced manufacturing, and costs for optimizing the pre-clinical manufacturing process. Finally, the ATI-1501 R&D activities include intellectual property management costs. R&D costs also include the salaries and benefits and stock-based compensation expenses of the CDO, CMO and the regulatory, clinical, preclinical, manufacturing and research staff. General R&D includes consulting fees paid to various independent contractors with specific research and development expertise required by the Company, as well as rental of laboratory facilities, insurance and non-material research projects.

R&D expenses consist of the following:

	Three Months ended September 30, 2022 ($)	Three Months ended September 30, 2021 ($)
Favipiravir expenses	(655,289)	9,129,950
ATI-2307 expenses	107,499	172,617
ATI-1701 expenses	203,128	67,616
ATI-1503 expenses	-	26,637
ATI-1501 expenses	104,066	3,224
General R&D expenses	15,547	17,839
Amortization of property and equipment	312	1,836
Salaries and benefits	393,223	475,690
Stock-based compensation	47,442	132,955
Total	**215,928**	**10,028,364**

The decrease in R&D expenses of $9,812,436 from $10,028,364 in Q2 2022 to $215,928 in Q2 2023 is mainly attributable to a $9,785,239 decrease in the favipiravir clinical trials, , a decrease of $2,292 in general R&D expenses, a decrease of $82,467 in salaries and benefits, a decrease of $85,513 in stock based compensation, a $65,118 decrease in ATI-2307 program expenses, a decrease of $26,637 in ATI-1503 expenses and an immaterial decrease in depreciation of property and equipment. These decreases were offset by a $100,842 increase in ATI-1501 program expenses and, a $135,512 increase in the ATI-1701 program expenses.

Favipiravir

The decrease in favipiravir expenses is due to the completion of the Phase 3a clinical trial in November 2021 and as a result, overall program expense has decreased. Expenses in Q2 2023 relates to closing out the program and preparing final reports.

ATI-2307

The decrease in ATI-2307 expenses is due to decreased non-clinical and clinical expense and other related costs in Q2 2023 as compared to Q2 2022. The Company intends to discontinue development of this program as part of its strategic review and reprioritization.

ATI-1701

The increase in expenses related to the ATI-1701 program is due to increased consultant costs, and regulatory costs in Q2 2023 in comparison to Q2 2022. This is offset by decrease in clinical manufacturing and IP management costs.

ATI-1503

The decrease in expenses related to the ATI-1503 program is due to decreased research chemicals and testing costs in Q2 2023 comparison to Q2 2022. The Company intends to discontinue development of this program as part of its strategic review and reprioritization.

ATI-1501

The increase in expenses related to the ATI-1501 program is due to increased Phase1 clinical study costs, IP management costs and regulatory costs.

General R&D Expenses

The decrease in expenses related to general R&D expenses is due to decreased related party consulting cost, R&D rent, and R&D conferences in Q2 2023 in comparison to Q2 2022. This is offset by an increase in R&D travel cost.

Salaries and Benefits and Stock-based compensation

Decrease in salaries and benefits and stock-based compensation in Q2 2023 are mainly due to staff changes.

ii. G&A expenses

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

G&A expenses consist of the following:

	Three Months ended September 30, 2022 ($)	Three Months ended September 30, 2021 ($)
G&A expenses, excluding salaries	662,653	499,224
Salaries and benefits	107,411	213,045
Stock-based compensation	123,371	416,131
Amortization of property and equipment	1,234	1,378
Total	**894,669**	**1,129,778**

G&A expenses decreased by $235,109 from $1,129,778 in Q2 2022 to $894,669 in Q2 2023 due to a decrease of $105,634 in salaries and benefits and a decrease of $292,760 in stock-based compensation given the reduction in headcount, and a decrease of $144 in depreciation of property and equipment, offset by an increase of $163,429 in other G&A expenses.

Stock-based compensation

The decrease in stock-based compensation in Q2 2023 by $292,760 in comparison to Q2 2022 is due to staff changes in Q2 2023.

G&A expenses, excluding salaries

G&A expenses, excluding salaries, for Q2 2023 increased mainly due to an increase in business advisory costs, insurance D&O, accounting services, interest charges, audit fees, legal fees, and travel related charges. These increases are offset by a decrease in advertising & promotion, regulatory fees, public relation firms, investor relation firms and information technology related charges.

Salaries and Benefits

Salaries and benefits decreased in Q2 2023 mainly due to staffing changes.

iii. BD expenses

BD expenses consist of new program acquisition research costs and business development office rent. BD expenses decreased by $107,123 in Q2 2023 as compared to Q2 2022 due to decreased stock-based compensation, and BD salaries, as a result of staffing changes and a decrease in program acquisition costs in Q2 2023 as compared to Q2 2022.

iv. Financing costs

Financing costs relate to the valuation of zero interest bearing government loans which are repayable based on a percentage of future gross revenue or are repayable over 84 or 120 months.

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

The increase of financing costs by $64,174 in Q2 2023 is due mainly to the accretion of the Long Zone Holdings Inc. secured loan ('**LZH Loan**'), as well as the accretion of the ACOA loans.

v. Government assistance

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

Government assistance decreased by $277,023 in Q2 2023. This is due mainly to decreased R&D costs incurred in Q2 2023, which has decreased the value of the investment tax credits, as well as completion of Peer Reviewed Medical Research Program ("**PRMRP**') grant, compared to Q2 2022.

vi. Income tax expense

Income tax expense is due on profits recognized in the US subsidiary, which was created on October 8, 2020. The income tax credit in Q2 2023 relates to refund of taxes received in the period.

vii. Net loss and comprehensive loss

The net loss and comprehensive loss were $1,638,216 for Q2 2023, a difference of $9,538,446 compared to the net loss and comprehensive loss of $11,176,662 for Q2 2022.

RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2022, COMPARED TO THE SIX MONTHS ENDED SEPTEMBER 30, 2021

		Six Months ended September 30, 2022 ($)	Six Months ended September 30, 2021 ($)
Net loss and comprehensive loss for the period		(3,962,977)	(18,545,854)
Basic and diluted loss per share		(0.04)	(0.30)

	Six Months ended September 30, 2022 $	Six Months ended September 30, 2021 $
Income		
Interest income	13,926	21,436
	13,926	21,436
Expenses		
R&D	1,223,028	16,129,809
G&A	1,971,832	2,268,458
BD	63,933	572,160
Financing costs	373,414	160,973
Government assistance	(76,026)	(570,991)
Exchange gain/loss	425,340	(22,718)
	3,981,521	18,537,691
Loss before Income taxes	(3,967,595)	(18,516,255)
Income tax expense	(4,618)	29,599
Net loss and comprehensive loss for the period	(3,962,977)	(18,545,854)

Income

i. Interest income

Interest income decreased by $7,510 to $13,926 during the six months ended September 30, 2022 compared to $21,436 in the six months ended September 30, 2021, due to a lower cash balance during the six months ended September 30, 2022.

Operating expenses

Overall operating expenses decreased by $14,556,170 to $3,981,521 during the six months ended September 30, 2022 compared to $18,537,691 in the six months ended September 30, 2021, due mainly to a decrease of $14,906,781 in R&D costs, due to the completion of the favipiravir clinical trial in November 2021, a decrease of $508,227 in BD costs due to lower salaries and stock based compensation expense, a decrease of $494,965 in government assistance due to lower R&D expense resulting in lower investment tax credits and a decrease of $296,626 in G&A cost due to lower employment cost partially offset by higher general expense. This was offset by a increase of $212,442 in financing costs and an increase of $448,058 to foreign exchange loss. Explanations of the nature of costs incurred, along with explanations for those changes in costs are discussed below.

i. R&D expenses

The Company's R&D expenses have related primarily to costs incurred in performing research and development activities that include non-clinical, clinical manufacturing, regulatory and clinical trial expenses of its product candidates. The R&D expenses for the period relate to costs incurred for the development of four, out of five, product candidates, including ATI-1501, ATI-1503, ATI-1701, ATI-2307, and general R&D. The R&D expenses have been favourably impacted by a reduction in estimated costs associated with the favipiravir clinical study. During Q2 2023, the Company updated its estimate of close-out costs associated with the trial based on actual costs invoiced and reduced previously recorded accruals for investigator grants and pass-through costs by $768,535. This amount is recorded as a reduction of R&D expenses in the quarter.

R&D expenses consist of the following:

	Six Months ended September 30, 2022 ($)	**Six Months ended September 30, 2021 ($)**
Favipiravir expenses	(429,228)	14,407,286
ATI-2307 expenses	349,494	321,329
ATI-1701 expenses	322,048	90,643
ATI-1503 expenses	19,119	24,044
ATI-1501 expenses	104,066	4,223
General R&D expenses	38,935	65,462
Amortization of property and equipment	624	3,671
Salaries and benefits	740,719	995,818
Stock-based compensation	77,251	217,333
Total	**$1,223,028**	**$16,129,810**

The decrease in R&D expenses of $14,906,782 from $16,129,810 in the six months ended September 30, 2021 to $1,223,028 in the six months ended September 30, 2022 is mainly attributable to a $14,836,514 decrease in the favipiravir clinical trials, a decrease of $26,526 in general R&D expenses, a decrease of $255,100 in salaries and benefits, a decrease of $140,082 in stock based compensation, a decrease of $4,925 in ATI-1503 expenses and an immaterial decrease in depreciation of property and equipment. These decreases were offset by a $99,842 increase in ATI-1501 program expenses, a $28,165 increase in ATI-2307 program expenses, a $231,405 increase in the ATI-1701 program expenses.

Favipiravir

The decrease in favipiravir expenses is due to the completion of a clinical trial in November 2021 and as a result, overall program expense has decreased along with reduced clinical manufacturing cost.

ATI-2307

The increase in ATI-2307 program expenses is due to increased pre-clinical manufacturing costs and consultant costs in the six months ended September 30, 2022 as compared to the six months ended September 30, 2021. This is offset by a decrease in clinical manufacturing costs and other related costs. The Company intends to discontinue development of this program as part of its strategic review and reprioritization.

ATI-1701

The increase in expenses related to the ATI-1701 program is due to increased pre-clinical manufacturing, consultant costs, and regulatory costs, offset by a decrease in clinical manufacturing and IP management costs, in the six months ended September 30, 2022, in comparison to the six months ended September 30, 2021.

ATI-1503

The decrease in expenses related to the ATI-1503 program in the six months ended September 30, 2022, in comparison to the six months ended September 30, 2021, is due to decreased testing costs. This is offset by an increase in research chemical cost. The Company intends to discontinue development of this program as part of its strategic review and reprioritization.

ATI-1501

The increase in expenses related to the ATI-1501 program is due to Phase1 clinical study expenses, IP management costs and regulatory costs, in the six months ended September 30, 2022, in comparison to the six months ended September 30, 2021.

General R&D Expenses

The decrease in expenses related to general R&D expenses is due to decreased related party consulting cost and rent in the six months ended September 30, 2022. This is offset by an increase in travel and conference costs.

Salaries and Benefits and Stock-based compensation

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

ii. G&A expenses

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

	Six Months ended September 30, 2022 ($)	**Six Months ended September 30, 2021 ($)**
G&A expenses, excluding salaries	1,387,221	1,022,795
Salaries and benefits	254,249	495,656
Stock-based compensation	307,070	747,354
Amortization of property and equipment	23,292	2,653
Total	**1,971,832**	**2,268,458**

G&A expenses decreased by $296,626 from $2,268,458 in the six months ended September 30, 2021, to $1,971,832 in the six months ended September 30, 2022, due to a decrease of $241,407 in salaries and benefits and a decrease of $440,284 in stock-based compensation given the reduction in headcount, offset by an increase of $364,426 in G&A expenses and an increase of $20,639 in depreciation of property and equipment.

Stock-based compensation

The decrease in stock-based compensation in the six months ended September 30, 2022, by $440,284 in comparison to the six months ended September 30, 2021, is due to staff changes in the six months ended September 30, 2022.
G&A expenses, excluding salaries

G&A expenses, excluding salaries, for the six months ended September 30, 2022, increased mainly due to an increase in business advisory costs, insurance D&O, accounting services, interest charges, audit fees, legal fees, and travel related charges. These increases are offset by a decrease in advertising & promotion, regulatory fees, public relation firms, IR conferences, investor relation firms and information technology related charges.

Salaries and Benefits

Salaries and benefits decreased in the six months ended September 30, 2022, mainly due to staffing changes.

iii. BD expenses

BD expenses consist of new program acquisition research costs and business development office rent. BD expenses decreased by $508,227 in the six months ended September 30, 2022, as compared to the six months ended September 30, 2021 due to decreased stock based compensation, and BD salaries, as a result of staffing changes and a decrease in program acquisition costs in the six months ended September 30, 2022 as compared to the six months ended September 30, 2021.This is offset by an increase in BD consulting costs payable to a related party.

iv. Financing costs

Financing costs relate to the valuation of zero interest bearing government loans which are repayable based on a percentage of future gross revenue or are repayable over 84 or 120 months.

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

The increase of financing costs by $212,441 in the six months ended September 30, 2022, is due mainly to the accretion of the LZH loan, as well as the accretion of the ACOA loans.

v. Government assistance

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

Government assistance decreased by $494,965 in the six months ended September 30, 2022. This is due mainly to decreased R&D costs incurred in the six months ended September 30, 2022, which has decreased the value of the investment tax credits, as well as completion of the PRMRP Grant compared to the six months ended September 30, 2021.

vi. Income tax expense

Income tax expense is due on profits recognized in the US subsidiary, which was created on October 8, 2020. The income tax credit in the six-months ended September 30, 2022, relates to refund of taxes received in the period.

vii. Net loss and comprehensive loss

The net loss and comprehensive loss were $3,962,977 for the six months ended September 30, 2022, a difference of $14,582,877 compared to the net loss and comprehensive loss of $18,545,854 for the six months ended September 30, 2021.

CASH FLOWS

As at September 30, 2022, the Company had cash of $2,425,254 and positive working capital of $2,246,297 compared to $6,664,855 and $1,570,339, respectively as at March 31, 2022.

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

Operating activities

During the six months ended September 30, 2022, $8,031,299 was used in operating activities, including a reported net loss of $3,962,977 prior to being decreased by $303,097(stock-based compensation), $3,095 (amortization), $21,045 (loss on disposal of assets), $130,765 (unrealized loss from changes in foreign currency), and $389,253 (revaluation of LZH loan based on changes in the US dollar exchange rate). This was offset by a net decrease of $4,914,029 in cash due to changes in working capital.

Financing activities

During the six months ended September 30, 2022, the Company raised $4,500,000 through the issue of shares and warrants less issuance costs of $621,955. This is offset by $42,966 and $41,598 for the payment of accreted interest involving cash and the repayment of long- term debt, respectively for Q2 2023.

Investing activities

During the six months ended September 30, 2022, the Company received proceeds of $3,500 from the sale of lab equipment.

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, 2022, the Company had approximately $3.5 million of existing and identified potential sources of cash including:

- cash of $2.4 million; and
- amounts receivable and investment tax credits receivable of $1.1 million.

The Company was previously granted a three-year U.S. PRMRP award for up to USD$3.2 million to fund the Company's ATI-1503 program, of which the Company had only drawn down approximately USD$0.894 million as of June 30, 2022, which was the last period the Company could draw funds from this grant. The Company has also been selected to receive over US$10 million DTRA grant (subject to finalizing definitive documentation governing the terms of the grant), which will fund the development costs for the ATI-1701 program. The DTRA grant is currently in the process of being moved to a new contract

and development manufacturing organization and the Company has submitted a new statement of work. As of September 30, 2022, the Company had drawn down USD$0.076 million of the previously announced funding.

Going Concern

While the Company has cash resources of $3.5 million as at September 30, 2022, as well as access to potentially the remaining DTRA grant, management does not believe these resources will be sufficient to fund operations and current working capital requirements, for the next twelve months, unless further financing is obtained in the near term. The ability of the Company to continue as a going concern and finance its current working capital requirements in the near term is dependent upon raising additional capital to fund the Company's R&D activities, general and administration expenses and any expansion of operations through equity financings, non-dilutive funding and partnerships. As there can be no assurance that the Company will be successful in its efforts to raise additional financing on terms satisfactory to the Company, there is substantial doubt about the Company's ability to continue as a going concern. The Company is currently analyzing financing alternatives that could include equity and/or debt financings, and/or new strategic partnership agreements to fund some or all costs of development. There can be no assurance that the Company will be able to obtain the capital sufficient to meet any or all of the Company needs. The availability of equity or debt financing will be affected by, among other things, R&D activity, the Company's ability to obtain regulatory approvals, the market acceptance of the Company's products, the state of the capital markets generally, strategic alliance agreements and other relevant commercial considerations. In addition, if the Company raises additional funds by issuing equity securities, the existing security holders will likely experience dilution, and any incurring of indebtedness would result in increased debt service obligations and could require the Company to agree to operating and financial covenants that would restrict the Company's operations. There can be no assurance that the Company will have sufficient capital to fund its ongoing operations, develop or commercialize any products without future financings. Any failure on Appili's part to raise additional funds on terms favourable or at all may require the Company to significantly change or curtail the current or planned operations in order to conserve cash until such time, if ever, that sufficient proceeds from operations are generated, and could result in the Company not taking advantage of business opportunities, in the termination or delay of clinical trials for our products, in curtailment of the product development programs designed. Such adjustments or delays could be material. In addition, failure to secure additional financing as required to fund current working capital requirements may result in the Company defaulting under its existing long term debt arrangements, which may result in the acceleration of obligations under such arrangements.

RELATED PARTY TRANSACTIONS

The Company's Chief Executive Officer is a partner of Bloom Burton & Co., which is a principal shareholder of the Company. For the six months ended September 30, 2022, the Company was charged $189,157 (September 30, 2021 - $171,743) for services performed by the Chief Executive Officer. The Company has not granted any stock options (September 30, 2021– 500,000) to the Chief Executive Officer during the six months ended September 30, 2022.

During the six months ended September 30, 2022, the Company was charged $84,192 (September 30, 2021 - $nil) for consulting services in relation to business development activities by Bloom Burton Securities Inc. Also, During the six months ended September 30, 2022 the Company issued 1,189,579 (September 30, 2021 - 280,777) compensation warrants valued at $46,666 (September 30, 2021 - $166,625) and paid $315,000 (September 30, 2021- $294,395) in cash commissions to Bloom Burton Securities Inc., an affiliate of Bloom Burton, resulting from the May 2022 public offering.

As at September 30, 2022, the Company owed $nil (September 30, 2021- $7,946) to a member of the Board of Directors and during the six months ended September 30, 2022 the Company was charged $nil (September 30, 2021- $57,898) for consulting services by the Board member in relation to research and development activities.

CONTRACTUAL OBLIGATIONS

On November 21, 2019, the Company signed an asset purchase agreement (the "**Asset Purchase Agreement**") with FFTC receiving exclusive worldwide rights, excluding Japan, to acquire and develop a novel broad-spectrum antifungal drug candidate, ATI-2307. Under the terms of the Asset Purchase Agreement if a payment of US$500,000 associated with the Asset Purchase Agreement is not made by January 2022 (the "**Payment Deadline**"), FFTC retains the right to terminate the Asset

Purchase Agreement. Additional payments are due on the achievement of additional milestones, including approval from the FDA and other various performance thresholds. If the Company met all of the contractual FDA approval requirements, a total of US$1,300,000 would be due under the contract prior to commercialization of the product. The parties are currently in the process of extending the Payment Deadline to December 2022, subject to finalizing the requisite legal documentation. No payments have been accrued or made to date.

On March 28, 2022, the Company executed LZH Agreement providing for a secured loan for gross proceeds of US$3,600,000 (CAD$4,500,000). Under the terms of the LZH Agreement, LZH obtained a secured loan of US$3.6 million bearing a minimum interest rate of 8.5% or the US Prime Lending rate plus 5.25% per year, compounded quarterly and paid in arrears, maturing on March 28, 2025. The loan is secured by a general security over all the assets of the Company, including intellectual property. The Agreement provides for early prepayment option and various default events which trigger a default penalty interest of an additional 5% to be paid.

On March 28, 2022, the Company entered into a licencing agreement which entitled LZH an exclusive licence to commercialize the Company's future approved products in the Territory, excluding ATI-1501 in Latin America, which was recently licensed to existing partner Saptalis. The Company will receive a supply price for products sold by LZH or its sublicencees, as well as royalties on net sales. The licence is subject to the Company obtaining certain consents. If the consents are not obtained within 9 months commencing March 28, 2022, the Company will be required to issue up to 1,500,000 additional warrants to LZH. If the Company is not able to obtain approval from the TSX for the issuance of the additional warrants, then the Company is required to pay in cash the fair value of the additional warrants.

There is no other material change in the contractual obligations of the Company since the beginning of the 2022 fiscal year. Details on the contractual obligations of the Company can be found in the financial statements and related notes in the audited annual consolidated financial statements for the year ended March 31, 2022.

OFF-BALANCE SHEET ARRANGEMENTS

The Company was not party to any off-balance sheet arrangements as of September 30, 2022.

OUTSTANDING SECURITIES

As of Novmeber 10, 2022, the Company had 121,266,120 issued and outstanding Common Shares, 8,293,040 stock options and 49,817,879 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 (including with respect to the COVID-19 pandemic), an investor should carefully consider the risks described under the heading "*Risk Factors*" in the Company's annual information form dated June 29, 2022, filed in respect of the fiscal year ended March 31, 2022. 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, 2022, 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, 2022, 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, 2022, 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 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, 2022.

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, 2022. 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, 2022.

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, 2022		March 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	$	$	$	$
Cash	2,425,254	2,425,254	6,664,855	6,664,855
Amounts Receivable	90,147	90,147	40,738	40,738
Accounts Payable and accrued liabilities	1,427,198	1,427,198	6,455,958	6,455,958
Long-term debt	5,414,137	5,414,137	4,978,683	4,978,683

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, 2022, 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 based on minimum interest rate of 8.25% or the US Prime Lending rate plus 5.25% per year, compounded quarterly and paid in arrears, repayable over 36 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 has limited exposure to foreign exchange other than the LZH secured loan of $3,600,000 denominated in US dollars. The Company performed a sensitivity analysis on the foreign exchange rate. If the foreign exchange rate as at September 30, 2022 was 5% higher or lower, LZH secured loan would be $222,000 higher or $222,000 lower, respectively.

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

Liquidity risk

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

The Company controls liquidity risk through management of working capital, cash flows and the availability and sourcing of financing. As described in note 1 of the unaudited interim condensed consolidated financial statements as at September 30, 2022, the Company's ability to accomplish all of its future strategic plans is dependent on obtaining additional financing or executing other strategic options; however, there is no assurance that the Company will achieve these objectives.

The following table outlines the contractual repayments for long-term debt, which includes loans with a set repayment schedule, as well as loans that are repayable based on a percentage of revenues, for the Company’s financial liabilities. The long-term debt is comprised of the contributions received described in note 6 of the unaudited interim condensed consolidated financial statements as at September 30, 2022:

	Total	**Year 1**	**Years 2 to 3**	**Years 4 to 5**	**After 5 Years**
	$	**$**	**$**	**$**	**$**
Accounts payable and accrued liabilities	1,427,198	1,427,198	-	-	-
Long-term debt	8,148,938	178,903	4,861,950	305,626	2,802,459
	9,576,136	1,606,101	4,861,950	305,626	2,802,459

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company’s annual information dated June 29, 2022, filed in respect of the fiscal year ended March 31, 2022, is available under the Company’s profile on SEDAR at www.sedar.com.