

Appili Therapeutics Inc.

Interim Condensed Consolidated Financial
Statements
(Unaudited)

December 31, 2025

February 12, 2026

Management’s Responsibility for Financial Reporting

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

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

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

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

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

Appili Therapeutics Inc.

Interim Condensed Consolidated Statements of Financial Position

(Unaudited)

As at December 31, 2025 and March 31, 2025

	December 31 2025 \$	March 31, 2025 \$
Assets		
Current Assets		
Cash	212,754	1,228,244
Accounts receivable (note 4)	165,359	1,658,373
Investment tax credit receivable	13,800	12,500
Prepaid expenses and deposits	143,690	114,514
	<u>535,603</u>	<u>3,013,631</u>
Non-Current Assets		
Property and equipment	12,310	19,043
Total Assets	<u>547,913</u>	<u>3,032,674</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	4,447,016	4,106,126
Current portion of long-term debt (note 7)	11,723,679	11,558,317
Corporate taxes payable	25,361	29,471
	<u>16,196,056</u>	<u>15,693,914</u>
Non-Current liabilities		
Long-term debt (note 7)	736,800	736,100
Total Liabilities	<u>16,932,856</u>	<u>16,430,014</u>
Shareholders' equity	(16,384,943)	(13,397,340)
Total Liabilities and Shareholder's Equity	<u>547,913</u>	<u>3,032,674</u>
Going concern (note 1)		
Contingencies (note 12)		
Subsequent event (note 13)		

Approved by the Board of Directors

Signed "Prakash Gowd"
Director

Signed "Theresa Matkovits"
Director

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

Appili Therapeutics Inc.

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

For the nine months ended December 31, 2025 and 2024

	Share Capital \$ (note 8)	Contributed Surplus \$ (note 9)	Warrants \$ (note 10)	Deficit \$	Total \$
Balance- March 31, 2024	42,323,359	12,869,975	2,975,003	(69,093,116)	(10,924,779)
Expired Warrants Share Based Compensation	-	1,795,965	(1,795,965)	-	-
Fair value of related party loan	-	107,114	-	-	107,114
Net loss and comprehensive loss for the period	-	43,528	-	-	43,528
	-	-	-	(2,852,742)	(2,852,742)
Balance- December 31, 2024	42,323,359	14,816,582	1,179,038	(71,945,858)	(13,626,879)
Expired Warrants Share Based Compensation	-	-	-	-	-
Fair value of related party loan	-	10,688	-	-	10,688
Net loss and comprehensive loss for the period	-	(9,199)	-	-	(9,199)
	-	-	-	228,050	228,050
Balance- March 31, 2025	42,323,359	14,818,071	1,179,038	(71,717,808)	(13,397,340)
Shares issued	163,300	-	-	-	163,300
Expired Warrants Share Based Compensation	-	614,604	(614,604)	-	-
	-	40,770	-	-	40,770
Warrants issued	-	(61,705)	61,705	-	-
Warrants issuance costs	-	3,663	(3,663)	-	-
Net loss and comprehensive loss for the period	-	-	-	(3,191,673)	(3,191,673)
Balance- December 31, 2025	42,486,659	15,415,403	622,476	(74,909,481)	(16,384,943)

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

Appili Therapeutics Inc.

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

(Unaudited)

For the nine months ended December 31, 2025 and 2024

	Three months ended		Nine months ended	
	December 31		December 31	
	2025	2024	2025	2024
	\$	\$	\$	\$
Income				
Revenue (note 4)	114,981	108,359	218,916	113,049
Interest income	-	36	-	36
	<u>114,981</u>	<u>108,395</u>	<u>218,916</u>	<u>113,085</u>
Expenses and other				
Research and development	575,336	1,721,529	2,369,143	5,796,256
General and administrative	256,956	443,261	1,480,417	1,861,447
Business development	-	6,422	5,519	6,448
Financing costs	378,193	522,022	645,819	2,283,416
Government assistance (note 4)	9,613	(2,559,925)	(764,338)	(7,422,066)
Foreign exchange loss/(gain)	(165,433)	509,388	(390,352)	449,131
	<u>1,054,665</u>	<u>642,697</u>	<u>3,346,208</u>	<u>2,974,632</u>
Loss before income taxes	(939,684)	(534,302)	(3,127,292)	(2,861,547)
Provision for income taxes	9,818	(9,965)	64,381	(8,805)
Net loss and comprehensive loss for the year	<u>(949,502)</u>	<u>(524,337)</u>	<u>(3,191,673)</u>	<u>(2,852,742)</u>
Basic and diluted loss per share	<u>(0.01)</u>	<u>(0.004)</u>	<u>(0.02)</u>	<u>(0.02)</u>
Weighted-average shares outstanding	<u>128,366,120</u>	<u>121,266,120</u>	<u>128,366,120</u>	<u>121,266,120</u>

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

Appili Therapeutics Inc.

Interim Condensed Consolidated Statements of Cash Flows

(Unaudited)

For the nine months ended December 31, 2025 and 2024

	31-Dec 2025	31-Dec 2024
	\$	\$
Cash provided by (used in)		
Operating activities		
Net loss and comprehensive loss for the period	(3,191,673)	(2,852,742)
Changes to operations not involving cash:		
Amortization of property and equipment	6,860	10,252
Non-cash finance costs	705,833	2,248,196
Share-based compensation	40,770	107,114
Unrealized gain from changes in foreign currency	(275)	(4,560)
Unrealized foreign exchange translation- long-term debt	(406,401)	351,682
	<u>(2,844,886)</u>	<u>(140,058)</u>
Net changes in non-cash operating working capital		
(Increase) decrease in amounts receivable	1,493,014	(592,241)
Decrease in investment tax credits receivable	(1,300)	6,100
Decrease (increase) in prepaids expenses and deposits	(29,176)	66,661
Increase (decrease) in accounts payable and accrued liabilities	336,781	494,119
	<u>(1,045,567)</u>	<u>(165,419)</u>
Financing activities		
Proceeds from the issuance of units (Note 8)	177,500	-
Share and Warrants issuance costs	(14,200)	-
Proceeds from long-term debt	-	400,000
Repayment of long-term debt	(59,954)	(96,960)
Interest payment	(73,544)	(48,148)
	<u>29,802</u>	<u>254,892</u>
Investing activities		
Additions to property and equipment	-	(2,360)
	<u>-</u>	<u>(2,360)</u>
Net change in cash during the period	<u>(1,015,765)</u>	<u>87,113</u>
Cash - Beginning of period	1,228,244	94,493
Changes due to foreign exchange	275	4,560
Cash - End of period	<u>212,754</u>	<u>186,166</u>

Appili Therapeutics Inc.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For the nine months ended December 31, 2025 and 2024

1 Nature of operations and liquidity risk

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

Aditxt Transaction

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

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

On May 19, 2025, Appili announced that Aditxt, Inc. has delivered notice (the “Termination Notice”) purporting to terminate the Arrangement Agreement such termination to be effective as of May 31, 2025.

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

As at 30 June 2025, the Company recognized an impairment loss of \$1,364,300 (US\$1million) in relation to Aditxt Waiver Fee and Termination Fee. During the quarter ended September 30, 2025 and December 31, 2025, an additional impairment loss of \$35,060 and \$16,735 was recognized relating to interest accrued on the termination fees.

As at February 12, 2026, the Company has recovered US\$250,000 of the previously impaired amount.

Appili Therapeutics Inc.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For nine months ended December 31, 2025 and 2024

1 Nature of operations and liquidity risk (Continued)

Going concern

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

For the period ended December 30, 2025, the Company reported a loss of \$3,191,672 (December 30, 2024 - \$2,852,742) and an accumulated deficit of \$74,909,479 (December 31, 2024 - \$71,945,858). In addition to repaying or refinancing the Company’s debt facilities that mature in the next twelve months and funding its ongoing working capital requirements, the Company must secure sufficient funding through financing activities to cover research and development expenditures to advance the programs in its pipeline that are planned for the next twelve months. These circumstances lend significant doubt as to the ability of the Company to fund planned expenditures and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

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

The Company’s ability to continue as a going concern is dependent on its ability to raise funding to satisfy its debt and working capital requirements and fund its research and development programs. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2 Basis of preparation

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

These unaudited interim condensed consolidated financial statements have been prepared in accordance with IFRS Accounting Standards applicable to the preparation of interim condensed consolidated financial statements, including IAS 34, International Accounting Standards 34 “Interim Financial Reporting”. Accordingly, certain information normally included in annual consolidated financial statements prepared in accordance with IFRS Accounting Standards, have been omitted or condensed. The unaudited interim condensed consolidated financial statements should be read in conjunction with the Company’s annual audited financial statements for the year ended March 31, 2025. The accounting policies used are consistent with those used in the audited financial statements.

The policies applied in these unaudited interim condensed consolidated financial statements are based on IFRS Accounting Standards issued and outstanding as of February 11, 2026, the date the Board of Directors approved the unaudited interim condensed consolidated financial statements.

Appili Therapeutics Inc.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For nine months ended December 31, 2025 and 2024

3 Critical accounting estimates and judgments

These unaudited interim condensed consolidated financial statements for the six months ended December 31, 2025 have been prepared using the same policies and methods as the annual audited consolidated financial statements of the Company. Refer to note 3 of the Company's annual audited consolidated financial statements for the year ended March 31, 2025 for more information on accounting estimates and judgements applied.

4 Accounts receivable

	December 31 2025 \$	March 31, 2025 \$
Sales tax receivable	40,506	59,040
Amounts due from USAFA	-	1,504,300
Other receivable	124,853	95,033
	<u>165,359</u>	<u>1,658,373</u>

In FY 2024, the Company entered into a contract with US Air Force Academy (“USAFA”) to fund the early-stage development and regulatory activities for ATI-1701 amounting to US\$13,966,218 (CAD\$18,752,441). Of this amount, US\$11,640,578 (CAD\$15,629,804) is allotted and currently available. As on December 5, 2025 additional funds of US\$82,694 were allotted. If additional funds are not made available by USAFA, then the agreement may be terminated, and the Company is not obligated to continue with the related research activities or incur costs in excess of the amount allotted.

Under the terms of its contract with USAFA, the Company has been reimbursed for direct costs and labour costs associated with budgeted program activities and a portion of its overhead costs. The initial contract period of performance was May 5, 2023 to September 30, 2025. On September 26, 2025 contract change was implemented to extend the period of performance from September 30, 2025 to March 31, 2026. In the event of a termination, USAFA will retain the USAFA purpose licence for the invention, copyright work, and data made or developed under the contract.

For the nine months ended December 31, 2025, the Company recognized the reimbursement of costs of \$764,342 (December 31, 2024 - \$7,422,066), as government assistance.

During the quarter, the Company identified certain receivables from Aditxt 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 financial position, payment history, and expected future cash flows. As at 30 June 2025, the Company recognized an impairment loss of \$1,364,300 in relation to these receivables. Subsequently, during the quarter ended September 30, 2025 and December 31, 2025, an additional impairment loss of \$35,060 and \$16,735 was recognized relating to interest accrued on the same receivables. As on December 31, 2025, the Company has recovered USD 250,000 of the previously impaired amount.

The impairment assessments performed for both quarters were based on the same underlying assumptions and methodology regarding counterparty's financial position, payment history, and expected future cash flows. No changes were made to the impairment assessment approach or the key inputs during the current quarter. This impairment is included in *bad debt expense* within the statement of profit or loss.

Appili Therapeutics Inc.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For nine months ended December 31, 2025 and 2024

5 Amounts due to directors

During the nine-month period ended December 31, 2025, the Company incurred \$266,250 (December 31, 2024 - \$295,260) of directors' fees earned by the independent members of the Board of Directors who are not employees, officers or are greater than 10% shareholders of the Company. As at December 31, 2025, \$88,750. (December 31, 2024 - \$75,750) was due to those individuals. These costs are included in accounts payable and accrued liabilities in the consolidated statements of financial position.

6 Due to related party and related transactions

For the period ended December 31, 2025, the Company obtained no additional loans from Bloom Burton (March 31, 2025- \$400,000). As at December 31, 2025, the principal and interest outstanding under the original bridge loan and the secured bridge loan was \$772,910 (March 31 2025 - \$747,428) and the carrying amount of the bridge loans was \$700,000 (March 31, 2025- \$700,000), included in long-term debt.

Appili Therapeutics Inc.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For nine months ended December 31, 2025 and 2024

7 Long-term debt

	December 31 2025 \$	March 31, 2025 \$
ACOA Business Development Program interest-free loan with a maximum contribution of \$500,000 repayable in 120 equal monthly payments of \$4,167 beginning April 1, 2018. As at December 31, 2025, the principal outstanding was \$131,200 (March 31, 2025- \$187,501) and has been recorded at an effective interest rate of 12%.	131,200	150,400
ACOA Business Development Program interest-free loan with a maximum contribution of \$500,000 repayable in 84 equal monthly payments of \$5,952 beginning January 1, 2019. As at December 31, 2025, the principal outstanding was \$65,004 (March 31, 2025- \$107,168) and has been recorded at an effective interest rate of 12%.	61,700	97,600
ACOA Business Development Program interest-free loan with a maximum contribution of \$474,839 repayable in 120 equal monthly payments of \$3,960 beginning March 1, 2020. As at December 31, 2025, the principal outstanding was \$241,200 (March 31, 2025- \$268,920) and has been recorded at an effective interest rate of 12%.	180,000	194,500
ACOA Atlantic Innovation Fund ('AIF') interest-free loan with a maximum contribution of \$2,803,148. Annual repayments, commencing December 1, 2021 are calculated as 5% of gross revenue from resulting products for the preceding fiscal year. As at December 31, 2025, the amount drawn down on the loan is \$2,766,648 (March 31, 2025- \$2,796,139) and has been recorded at an effective interest rate of 26.8%.	393,000	456,900
LZH revised first tranche secured loan of US\$5,332,023 (CAD\$7,308,072), outstanding as at December 31, 2025 (March 31, 2025- \$7,247,201). See details of the loan disclosed below.	7,308,072	7,247,199
LZH revised second tranche secured loan of \$3,686,507 outstanding as at December 31, 2025 (March 31, 2025- \$3,447,818). See details of loan disclosed below.	3,686,507	3,447,818
Bloom Burton unsecured second bridge loan bearing an interest rate of 10% per annum and matures the earlier of March 31, 2025 or the occurrence of the change in control of the company. As at December 31, 2025, the principal and interest outstanding was \$470,983 (March 31, 2025- \$436,976)	400,000	400,000
Bloom Burton unsecured original bridge loan bearing an interest rate of 1% per annum for the first month increasing to 2% thereafter (average rate during the period was 2% (2024 - 2%) and matures the earlier of March 31, 2025 or closing of the transaction. As at December 31, 2025, the principal and interest outstanding was \$315,161 (March 31, 2025- \$310,452)	300,000	300,000
	<u>12,460,479</u>	<u>12,294,417</u>
Less: Current Portion	<u>(11,723,679)</u>	<u>(11,558,317)</u>
	<u>736,800</u>	<u>736,100</u>

Appili Therapeutics Inc.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For nine months ended December 31, 2025 and 2024

7 Long-term debt (continued)

ACOA Loans

Total contributions received, less amounts that have been repaid as at December 31, 2025 for ACOA loans, were \$3,230,685 (March 31, 2025 - \$3,359,727). Certain ACOA loans require approval by ACOA before the Company can pay dividends or other distributions, or before there is any change in ownership of the Company.

Bloom Burton unsecured bridge loan

On June 28, 2023 (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 29, 2025, September 30, 2025), the Company obtained an unsecured bridge loan (the "Bridge Loan") from Bloom Burton, a related party (see note 8) amounting to \$300,000. The Bridge Loan bears interest at 1% per annum for the first month increasing to 2% thereafter and matures March 31, 2026. Prior to the maturity date, interest accrued under the Bridge Loan is added to the principal amount.

On April 26, 2024, the Company obtained a second bridge loan from Bloom Burton amounting to \$300,000 (the "Additional Bridge Loan"). This bears an interest at 10% per annum and is due on December 31, 2025. On June 28, 2024, the Company and Bloom Burton agreed to advance an additional \$100,000 and increase the principal outstanding on the Additional Bridge Loan to \$400,000.

The Additional Bridge Loan was recorded at fair value at inception. The fair value was calculated using the discounted cashflow method using a discount rate of 24% based on the estimated market interest rate of comparable debt. The fair value for the Additional Bridge Loan was determined to be \$365,671 and the discount of \$34,329 has been accounted for as a transaction with a shareholder and credited to equity as contributed surplus.

Interest on the second bridge loan is accrued monthly commencing May 31, 2024. Prior to the maturity date, interest accrued under the loan is added to the principal amount.

LZH Secured Loans

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

- The first tranche of the loan, including all fees and accrued interest thereon, will be repayable in two lump sum payments:
 - A payment of US\$2,100,132 was due on the closing of the Transaction with Aditxt if the transaction is closed by June 30, 2024. In the event the transaction closes after that date the payment will increase by a late payment fee of US\$1,553 per day until the payment is made.
 - A payment of US\$2,047,216 was due on was due on December 31, 2024 if the transaction is closed by June 30, 2024.

Appili Therapeutics Inc.

Notes to Interim Condensed Consolidated Financial Statements

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For nine months ended December 31, 2025 and 2024

7 Long-term debt (continued)

- 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 consent and waiver agreement provided the requisite consent to the Transaction (see note 1) and agreed to waive the requirement to secure additional funding and maintain a minimum cash balance of US\$360,000 until March 31, 2025, or in the event that the Transaction does not close.
- With respect to the interest payment due on March 31, 2024, of \$191,545 relating to the first tranche and \$96,610 relating to the second tranche, LZH agreed to capitalize the interest and add it to the principal of the loans.
- The Company agreed to pay LZH legal costs associated with the amendment amounting to \$54,000, which has been recorded as an expense in the interim condensed consolidated statements of loss and comprehensive loss for the period.
- An additional payment of \$72,000 and \$54,000 is payable not later than 3 business days following the receipt of the amount US\$250,000 from Aditxt pursuant to the waiver dated April 2, 2025 and April 30, 2025 respectively.
- On May 19, 2025, Appili announced that Aditxt, Inc. has terminated the Arrangement Agreement , such termination 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 3-month extension to the amounts due under each of (1) the amended and restated secured loan agreement with Long Zone Holdings Inc. (the “LZH Loan”), and (2) the unsecured promissory notes with Bloom Burton & Co. Inc. (the “Bloom Burton Loan”). Pursuant to the terms of such extensions, all amounts owing under the LZH Loan and the Bloom Burton Loan, together with all accrued and unpaid interest, will be due on August 31, 2025.
- On September 30, 2025 , per new waiver, the lender has agreed to extend the outstanding obligation for LZH loan to October 31, 2025 unless the Borrower completes an equity financing with minimum gross proceeds of at least CAD\$750,000 by October 31, 2025, in which case this waiver shall continue in full force and effect until December 31, 2025.
- On December 31, 2025 , per new waiver, the lender has agreed to extend the outstanding obligation for LZH loan to January 31, 2026 unless the Borrower completes an equity financing with minimum gross proceeds of at least CAD\$450,000 by January 31, 2026, in which case this waiver shall continue in full force and effect until March 31, 2026.

The Long zone loan valuation based on the Lender Agreement and Waiver dated December 31, 2025 represents management’s best estimate.

The Company has accounted for this arrangement as an extinguishment of the initial two tranches. The Company

Appili Therapeutics Inc.

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For nine months ended December 31, 2025 and 2024

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.

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

LZH secured loan - March 31, 2025	10,695,019
Interest added to principal	932,276
Late Payment fees	187,678
Change in fair value of loans	(413,991)
Unrealized foreign exchange gain	(406,401)
	<u>10,994,579</u>
LZH secured loan - December 31, 2025	<u>10,994,579</u>

Minimum annual repayments of long-term debt over the next five years (listed below), do not include potential ACOA Atlantic Innovation Fund repayments beyond 2025, since these are not determinable at this time:

Year ending March 31, 2026	11,809,824
March 31, 2027	6,315
March 31, 2028	77,681
March 31, 2029	99,521
March 31, 2030	51,338
	<u>12,044,679</u>

Net debt reconciliation

	December 31 2025	March 31, 2025
	\$	\$
Balance - Beginning of period	12,294,417	8,184,857
Accreted interest, cash	(73,543)	(64,502)
Accreted interest		140,757
Unrealized foreign exchange translation (LZH)	(406,401)	243,722
Net proceeds from Bridge Loan	-	400,000
Interest added to principal (LZH)	1,119,951	1,588,620
Change in fair value of loans	-	1,429,193
Fair value adjustment recorded of LZH loans	(413,991)	547,914
Fair value adjustment recorded of bridge loans	-	(34,328)
Repayment of debt	(59,954)	(141,816)
Balance - End of period	<u>12,460,479</u>	<u>12,294,417</u>

Appili Therapeutics Inc.

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Less: Current Portion	(11,723,679)	(11,558,317)
Non-current portion	<u>736,800</u>	<u>736,100</u>

8 Share capital

On December 17, 2025, the Company closed the first tranche of a previously announced private placement of up to approximately 30,000,000 units of the Company at a price of \$0.025 per unit (the “Units”) for aggregate gross proceeds of up to approximately \$750,000 (the “Private Placement”). Each Unit consists of one Common Shares and one-half of one Common Share purchase warrant (each whole warrant, a “Warrant”). Subject to receipt of shareholder approval, each Warrant entitles the holder to acquire one Common Share at a price of \$0.05 per Common Share for 36 months from the closing date of the Private Placement (the “Closing Date”). Pursuant to the requirements of the TSX, the Warrants will not be exercisable until such time as the Company obtains requisite shareholder approval (which excludes the votes of holders of Warrants), such approval to be sought no later than the next Annual General Meeting of the Company’s shareholders. In connection with the closing of the first tranche of the Private Placement, the Company issued an aggregate of 7,100,000 Units for gross proceeds of \$177,500, paid certain finders an aggregate of \$14,200 and issued an aggregate of 568,000 broker warrants to purchase Common Shares (the “Broker Warrants”). Subject to receipt of shareholder approval, each Broker Warrant entitles the holder to acquire one Common Share at a price of not less than C\$0.02834 per Common Share until the date that is two years from the Closing Date. Pursuant to the requirements of the TSX, the Broker Warrants will not be exercisable until such time as the Company obtains requisite shareholder approval (which excludes the votes of holders of Broker Warrants), such approval to be sought no later than the next Annual General Meeting of the Company’s shareholders.

Authorized

Unlimited number of Class A common shares

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

Unlimited number of preferred shares (nil outstanding)

Issued

Class A common shares

Balance - March 31, 2023	121,266,120	42,323,359
Issued for cash	7,100,000	177,500
Less: share issuance costs	-	(14,200)
Balance -December 31, 2025	<u>128,366,120</u>	<u>42,486,659</u>

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9 Contributed surplus

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

	Amount
	\$
Balance- March 31, 2024	12,869,975
Vesting of stock options	94,280
Warrants expired	140,000
Fair value of related party loan (see note 9)	43,528
Balance- December 30, 2024	13,147,783
Vesting of stock options	23,522
Warrants expired	1,655,965
Fair value of related party loan (see note 9)	(9,199)
Balance- March 31, 2025	14,818,071
Vesting of stock options	40,770
Warrants issued	(61,705)
Issuance costs of Warrants	3,663
Warrants expired	614,604
Balance- December 31, 2025	15,415,403

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

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9 Contributed surplus (continued)

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

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

On April 29, 2024, the Company granted 3,563,281 stock options under Appili's Stock Option Plan. The stock options will be exercisable at \$0.04 per share and will have a term of ten years. 1,779,000 options vest immediately and 1,784,281 will vest over a period of three years.

On June 27, 2025, the Company granted 1,000,000 stock options under Appili's Stock Option Plan. The stock options will be exercisable at \$0.02 per share and will have a term of ten years. 500,000 options vest immediately and 500,000 will vest over a period of three years.

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

Option activity for the nine months ended December 31, 2025 and December 31, 2024 were as follows:

	December 31, 2025		December 31, 2024	
	Number	Weighted average exercise price	Number	Weighted average exercise price
	#	\$	#	\$
Outstanding - Beginning of period	10,910,281	0.06	7,957,000	0.06
Granted	1,000,000	0.02	3,563,281	0.04
Outstanding - End of period	11,910,281	0.05	11,520,281	0.06

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For nine months ended December 31, 2025 and 2024

9 Contributed surplus (continued)

During the nine months ended December 31, 2025, 1,000,000 stock options (December 31, 2024– 3,563,281) with a weighted average exercise price of \$0.02 (December 31, 2024 - \$0.04) and a term of 10 years (December 31, 2024 – 10 years) were granted to the employees. The value of these stock options was estimated at \$15,000 (December 31, 2024 - \$142,531) which is a weighted average grant date value per option of \$0.02 (December 31, 2024 - \$0.04) using the Black -Scholes valuation model and the following weighted average assumptions:

	31-Dec-25	31-Dec-24
Risk-free interest rate	3.01%	3.75%
Expected volatility	120%	120%
Expected life (years)	10	10
Dividend yield	-	-

10 Warrants

Warrant activity for the three months ended December 31, 2025 and December 31, 2024 were as follows:

	Number #	Weighted average exercise price \$
Outstanding - March 31, 2024	44,856,874	0.25
Expired	(3,500,000)	0.10
Outstanding - December 31, 2024	41,356,874	0.27
Expired	(4,217,000)	0.64
Outstanding - March 31, 2025	37,139,874	0.25
Issued	4,118,000	0.05
Expired	(2,209,874)	0.95
Outstanding - December 31, 2025	39,048,000	0.12

Appili Therapeutics Inc.

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11 Financial instruments

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

	Carrying Value	Fair Value	Carrying Value	Fair Value
	\$	\$	\$	\$
Cash	212,754	212,754	1,228,244	1,228,244
Amounts Receivable	165,359	165,359	1,658,373	1,658,373
Accounts Payable and accrued liabilities	4,447,016	4,447,016	4,332,196	4,332,196
Long-term debt	<u>12,460,479</u>	<u>12,460,479</u>	<u>12,294,417</u>	<u>12,294,417</u>

Assets and liabilities, such as commodity taxes, that are not contractual and arise as a result of statutory requirements imposed by governments, do not meet the definition of financial assets or financial liabilities and are, therefore, excluded from amounts receivable and accounts payable and accrued liabilities in this table.

Fair value of items, which are short-term in nature, has been deemed to approximate their carrying value. The above-noted fair values, presented for information only, reflect conditions that existed only at December 31, 2025, and do not necessarily reflect future value or amounts, which the Company might receive if it were to sell some or all of its assets to a willing buyer in a free and open market.

The fair value of the long-term debt is estimated based on the expected interest rates for similar borrowings by the Company at the unaudited interim condensed consolidated statements of financial position dates. At December 31, 2025, the fair value is estimated to be equal to the carrying amount. The inputs into the determination of the fair value of the long-term debt, including the discount rate, are classified as Level 3 in the fair value hierarchy.

The following table outlines the contractual repayments for long-term debt, which includes loans with a set repayment schedule, as well as loans that are repayable based on a percentage of revenues, for the Company's financial liabilities. The long-term debt is comprised of the contributions received described in note 7 as at December 31, 2025:

	Total	Year 1	Years 2 to 3	Years 4 to 5	After 5 Years
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	4,447,016	4,447,016	-	-	-
Long-term debt	<u>15,011,409</u>	<u>11,983,639</u>	<u>233,806</u>	<u>221,963</u>	<u>2,572,002</u>
	<u>19,458,425</u>	<u>16,430,655</u>	<u>233,806</u>	<u>221,963</u>	<u>2,572,002</u>

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12 Contingencies

The Company is currently party to a lawsuit by a previous employee with a demand amount of US\$360,000. The Company's management believes the litigation is frivolous and does not consider the exposure to such litigation to be material, although this cannot be predicted with certainty.

13 Subsequent Events

On January 31, 2026, the lender agreed to extend the outstanding obligation for LZH loan to February 28, 2026 unless the Borrower completes an equity financing with minimum gross proceeds of at least CAD\$450,000 by February 28, 2026, in which case the extension shall continue in full force and effect until March 31, 2026.

On February 3, 2026, the Company and its partner, Saptalis Pharmaceuticals LLC submitted a response to a Paragraph IV certification filed by an unnamed generic company and intends to vigorously defend its intellectual property rights and pursue all available legal remedies.

A claim has been filed against the Company with respect to wrongful dismissal of a former employee; however, the Company has not been formally served notice of such claim. We believe these claims are baseless and without merit and will aggressively defend assuming we are formally served notice of such claim.