

# **Appili Therapeutics Inc.**

Interim Condensed Consolidated Financial  
Statements  
(Unaudited)  
**September 30, 2022**

November 9, 2022

### **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.

(signed) "*Armand Balboni*"  
Chief Executive Officer

(signed) "*Kenneth Howling*"  
Acting Chief Financial Officer

# Appili Therapeutics Inc.

## Interim Condensed Consolidated Statements of Financial Position

(Unaudited)

As at September 30, 2022 and March 31, 2022

	September 30, 2022	March 31, 2022
	\$	\$
<b>Assets</b>		
<b>Current Assets</b>		
Cash	2,425,254	6,664,855
Accounts receivable (note 4)	155,486	466,678
Investment tax credit receivable	951,000	924,400
Prepaid expenses and deposits	360,239	183,546
	<u>3,891,979</u>	<u>8,239,479</u>
<b>Non-Current Assets</b>		
Property and equipment	14,607	42,247
<b>Total Assets</b>	<u>3,906,586</u>	<u>8,281,726</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	1,427,199	6,455,958
Deferred credit	117,627	117,627
Current portion of long-term debt (note 6)	100,856	95,555
	<u>1,645,682</u>	<u>6,669,140</u>
<b>Non-Current liabilities</b>		
Long-term debt (note 6)	5,313,281	4,883,128
<b>Total Liabilities</b>	<u>6,958,963</u>	<u>11,552,268</u>
<b>Shareholders' equity</b>	(3,052,377)	(3,270,542)
<b>Total Liabilities and Shareholder's Equity</b>	<u>3,906,586</u>	<u>8,281,726</u>

Going concern (note 1)

### Approved by the Board of Directors

Signed "*Ian Mortimer*"  
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 six months ended September 30, 2022 and 2021

	Share Capital	Contributed Surplus	Warrants	Deficit	Total
	\$ (note 7)	\$ (note 8)	\$ (note 9)	\$	\$
<b>Balance- March 31, 2021</b>	34,962,095	2,552,253	6,189,405	(30,950,893)	12,752,860
Issuance of warrants	-	-	614,604	-	614,604
Warrant issuance costs	-	-	(30,534)	-	(30,534)
Exercise of warrants	67,634	-	(23,913)	-	43,721
Expired Warrants	-	140,867	(140,867)	-	-
Employee share options:					
Value of services recognized	-	999,984	-	-	999,984
Net loss and comprehensive loss for the period	-	-	-	(18,545,854)	(18,545,854)
<b>Balance- September 30, 2021</b>	35,029,729	3,693,104	6,608,695	(49,496,747)	(4,165,219)
Issuance of common shares in public offering	5,344,254	-	-	-	5,344,254
Share issuance costs	(720,669)	-	-	-	(720,669)
Issuance of warrants	-	-	2,021,552	-	2,021,552
Warrant issuance costs	-	-	(218,053)	-	(218,053)
Expired Warrants	-	280,257	(280,257)	-	-
Employee share options:					
Value of services recognized	-	1,040,038	-	-	1,040,038
Net loss and comprehensive loss for the period	-	-	-	(6,572,445)	(6,572,445)
<b>Balance- March 31, 2022</b>	39,653,314	5,013,399	8,131,937	(56,069,192)	(3,270,542)
Issuance of common shares in public offering	3,214,286	-	-	-	3,214,286
Share issuance costs	(544,241)	-	-	-	(544,241)
Issuance of warrants	-	-	1,425,714	-	1,425,714
Warrant issuance costs	-	-	(217,714)	-	(217,714)
Expired Warrants	-	524,440	(524,440)	-	-
Employee share options:					
Value of services recognized	-	303,097	-	-	303,097
Net loss and comprehensive loss for the period	-	-	-	(3,962,977)	(3,962,977)
<b>Balance- September 30, 2022</b>	42,323,359	5,840,936	8,815,497	(60,032,169)	(3,052,377)

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 three and six months ended September 30, 2022 and 2021

	Three months ended September 30,		Six months ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
<b>Income</b>				
Interest income	9,085	4,937	13,926	21,436
<b>Expenses</b>				
Research and development	215,928	10,028,364	1,223,028	16,129,809
General and administrative	894,669	1,129,778	1,971,832	2,268,458
Business development	84,375	191,498	63,933	572,160
Financing costs	200,356	136,182	373,414	160,973
Government assistance	(20,800)	(297,823)	(76,026)	(570,991)
Exchange gain/loss	287,954	(14,901)	425,340	(22,718)
	1,662,482	11,173,098	3,981,521	18,537,691
<b>Loss before Income taxes</b>	(1,653,397)	(11,168,161)	(3,967,595)	(18,516,255)
Provision for income taxes	(15,181)	8,501	(4,618)	29,599
<b>Net loss and comprehensive loss for the period</b>	<u>(1,638,216)</u>	<u>(11,176,662)</u>	<u>(3,962,977)</u>	<u>(18,545,854)</u>
<b>Basic and diluted loss per share</b>	<u>(0.01)</u>	<u>(0.18)</u>	<u>(0.04)</u>	<u>(0.30)</u>
<b>Weighted-average shares outstanding</b>	<u>121,266,120</u>	<u>62,832,120</u>	<u>106,238,798</u>	<u>62,819,799</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 six months ended September 30, 2022 and 2021

	September 30 2022	September 30 2021
	\$	\$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net loss and comprehensive loss for the period	(3,962,977)	(18,545,854)
Changes to operations not involving cash:		
Amortization of property and equipment	3,095	6,323
Non-cash finance costs	130,765	160,973
Share-based compensation	303,097	999,984
Loss on disposal of property and equipment	21,045	-
Unrealized loss from changes in foreign currency	(1,548)	10,862
Unrealized foreign exchange loss on long term debt (note 6)	389,253	
	(3,117,270)	(17,367,712)
Net changes in non-cash operating working capital		
Decrease in amounts receivable	311,192	61,595
Decrease (increase) in investment tax credits receivable	(26,600)	117,700
Decrease (increase) in prepaid expenses and deposits	(176,693)	119,931
Increase (decrease) in accounts payable and accrued liabilities	(5,021,928)	6,461,725
Increase in deferred revenue	-	1,265,520
	(8,031,299)	(9,341,241)
<b>Financing activities</b>		
Proceeds from the issuance of Class A common shares in a public offering	3,214,286	-
Share issuance costs	(444,241)	-
Proceeds from the issuance of warrants	1,285,714	-
Warrant issuance costs	(177,714)	(30,534)
Proceeds from exercise of warrants	-	43,721
Proceeds from long-term debt	-	3,500,000
Repayment of long-term debt	(41,598)	(36,836)
Accreted interest involving cash	(42,966)	(47,636)
Costs associated with issuance of convertible debt	-	(193,241)
	3,793,481	3,235,474
<b>Investing activities</b>		
Proceeds from disposal equipment	3,500	(1,094)
Proceeds from disposal of short-term investments	-	5,041,558
	3,500	5,040,464
<b>Net change in cash during the period</b>	(4,234,318)	(1,065,303)
<b>Cash - Beginning of period</b>	6,664,855	11,062,938
Changes due to foreign exchange	(5,283)	(13,049)
<b>Cash - End of period</b>	2,425,254	9,984,586

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

# **Appili Therapeutics Inc.**

## **Notes to Interim Condensed Consolidated Financial Statements (unaudited)**

**For the six months ended September, 2022 and 2021**

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### **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 Inc. USA. The Company is domiciled in Halifax, Nova Scotia. The Company exists under the Canada Business Corporations Act, 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 OTCQX Exchange. The address of its principal place of business is #21-1344 Summer Street, Halifax, Nova Scotia, Canada.

#### **Going concern**

These unaudited interim condensed consolidated financial statements have been prepared using International Financial Reporting Standards (“IFRS”) 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 six months ended September 30, 2022, the Company reported a loss of \$3,962,977 (September 30, 2021 - \$18,545,854) and an accumulated deficit of \$60,032,169 (September 30, 2021 - \$49,496,747). In addition to 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 advance its programs in its pipeline is dependent on raising additional financing through equity and non-dilutive funding and 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 fund its research and development programs and generate future positive cash flows from operations. These unaudited condensed 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.

# Appili Therapeutics Inc.

## Notes to Interim Condensed Consolidated Financial Statements (unaudited)

For six months ended September 30, 2022 and 2021

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### 2 Basis of preparation

The Company prepares its unaudited interim condensed consolidated financial statements in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) 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 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, as issued by the IASB, 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, 2022. 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 issued and outstanding as of November 9, 2022, the date the Board of Directors approved the unaudited interim condensed consolidated financial statements.

### 3 Critical accounting estimates and judgments

These unaudited interim condensed consolidated financial statements for the six months ended September 30, 2022 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, 2022 for more information on accounting estimates and judgements applied.

### 4 Amounts receivable

	September 30, 2022	March 31, 2022
	\$	\$
Sales tax receivable	65,339	425,940
Amounts due from government assistance	90,147	40,738
	<u>155,486</u>	<u>466,678</u>

### 5 Due to related party and related 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



# Appili Therapeutics Inc.

## Notes to Interim Condensed Consolidated Financial Statements (unaudited)

For six months ended September 30, 2022 and 2021

### 5 Due to related party and related transactions (continued)

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 defined in note 7).

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.

### 6 Long-term debt

	September 30, 2022 \$	March 31, 2022 \$
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 September 30, 2022, the principal outstanding was \$312,500 (March 31, 2022- \$337,500)	219,100	230,600
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 September 30, 2022, the principal outstanding was \$285,728 (March 31, 2022- \$321,440)	226,000	247,400
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 September 30, 2022, the principal outstanding was \$387,720 (March 31, 2022- \$411,480)	246,500	255,200
ACOA Atlantic Innovation Fund 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 September 30, 2022, the amount drawn down on the loan is \$2,662,990 (March 31, 2022- \$2,662,990)	282,555	282,555
Long Zone Holdings Inc. (LZH) secured loan bearing an interest rate of the higher of 8.25% or the US prime lending rate plus 5.25% per year. The average rate during the quarter was 10.6%. Interest is compounded quarterly, and the loan matures on March 28, 2025. As at September 30, 2022, the principal outstanding was \$4,500,000 (March 31, 2022- \$4,500,000)	4,439,982	3,962,928
	5,414,137	4,978,683
Less: Current Portion	(100,856)	(95,555)
	5,313,281	4,883,128

# Appili Therapeutics Inc.

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

For six months ended September 30, 2022 and 2021

## 6 Long-term debt (continued)

### ACOA Loans

Total contributions received, less amounts that have been repaid as at September 30, 2022 for ACOA loans, were \$3,648,938 (March 31, 2022 - \$3,733,410). 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.

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

	<b>Amount</b>
	<b>\$</b>
<b>LZH secured loan - March 31, 2021</b>	-
Proceeds from loan	4,500,000
Costs associated with acquisition of the loan	(301,818)
Fair value of the warrants issued	(117,627)
Fair value of the distribution agreement	(117,627)
<b>LZH secured loan - March 31, 2022</b>	<u>3,962,928</u>
Accreted interest, non-cash	87,801
Unrealized foreign exchange loss	389,253
<b>LZH secured loan - September 30, 2022</b>	<u><u>4,439,982</u></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 2023, since these are not determinable at this time:

	<b>\$</b>
Remainder of the fiscal year ended March 31, 2023	84,476
2024	168,948
2025	4,668,948
2026	168,948
2027	97,556
	<u><u>5,188,876</u></u>

# Appili Therapeutics Inc.

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

For six months ended September 30, 2022 and 2021

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## 6 Long-term debt (continued)

### Net debt reconciliation

	September 30, 2022	March 31, 2022
	\$	\$
<b>Balance - Beginning of period</b>	4,978,683	1,032,600
Accreted interest, cash	(42,966)	(93,005)
Accreted interest, non-cash	130,765	152,060
Unrealized foreign exchange translation (LZH)	389,253	-
Fair value of LZH secured loan, on receipt of funds	-	3,962,928
Repayment of debt	(41,598)	(75,900)
<b>Balance - End of period</b>	5,414,137	4,978,683
Less: Current Portion	(100,856)	(95,555)
Non-current portion	5,313,281	4,883,128

# Appili Therapeutics Inc.

## Notes to Interim Condensed Consolidated Financial Statements (unaudited)

For six months ended September 30, 2022 and 2021

### 7 Share capital

#### Authorized

Unlimited number of Class A common shares

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

Unlimited number of preferred shares (nil outstanding)

#### Issued

Class A common shares

	Number of Shares #	Amount \$
<b>Balance - March 31, 2021</b>	62,777,469	34,962,095
Warrants exercised	54,651	67,634
<b>Balance - September 30, 2021</b>	62,832,120	35,029,729
Issued for cash	8,434,000	5,344,254
Less: share issuance costs	-	(720,669)
<b>Balance - March 31, 2022</b>	71,266,120	39,653,314
Issued for cash	50,000,000	3,214,286
Less: share issuance costs	-	(544,241)
<b>Balance - September 30, 2022</b>	121,266,120	42,323,359

On May 26, 2022, the Company completed a prospectus offering ("May 2022 Public Offering") of 50,000,000 units at a price of \$0.09 per unit, for aggregate gross proceeds of \$4,500,000. Each unit consisted of one common share and one-half of one common share purchase warrant, with each whole warrant entitling the holder to acquire one common share of the Company at an exercise price of \$0.15 for a period of five years, expiring on May 26, 2027. The Company allocated the gross proceeds of the May 2022 Public Offering to the common share and the common share purchase warrants on a reasonable basis, proportionately based on their relative stand-alone fair values of the instruments. Based on the proportionate relative fair values, \$3,214,286 was allocated to the common shares and \$1,285,714 to the common share purchase warrants.

Total costs associated with the May 2022 Public Offering are \$761,955, including cash costs for commissions of \$315,000, professional fees and regulatory costs of approximately \$306,955 and 3,500,000 compensation warrants issued as commissions to the agents valued at approximately \$140,000. Each compensation warrant entitles the holder to acquire one common share of the Company at an exercise price of \$0.095 for a period of two years, expiring on May 26, 2024. The Company allocated the total costs of the May 2022 Public Offering to the common share and the common share purchase warrants on a reasonable basis, proportionately based on their relative stand-alone fair values of the instruments. Based on the proportionate relative fair values, \$544,241 was allocated to the common shares and \$217,714 to the common share purchase warrants.

## Appili Therapeutics Inc.

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

For six months ended September 30, 2022 and 2021

### 8 Contributed surplus

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

	<b>Amount</b>
	<b>\$</b>
<b>Balance -March 31, 2021</b>	2,552,253
Vesting of stock options	999,984
Options exercised	-
Warrants expired	140,867
<b>Balance- September 30, 2021</b>	3,693,104
Vesting of stock options	1,040,038
Warrants expired	280,257
<b>Balance- March 31, 2022</b>	5,013,399
Vesting of stock options	303,097
Warrants expired	524,440
<b>Balance- September 30, 2022</b>	5,840,936

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 such 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.

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.

# Appili Therapeutics Inc.

## Notes to Interim Condensed Consolidated Financial Statements (unaudited)

For six months ended September 30, 2022 and 2021

### 8 Contributed surplus (continued)

The fair value of stock options is estimated using the Black-Scholes valuation model. During the six months ended September 30, 2022, no stock options (September 30, 2021– 2,405,000) were granted to employees and consultants. 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 six months ended September 30, 2022 and September 30, 2021 was as follows:

	Number #	September 30, 2022 Weighted average exercise price \$	Number #	September 30, 2021 Weighted average exercise price \$
<b>Outstanding - Beginning of period</b>	9,276,490	0.67	4,526,871	0.79
Granted	-	-	2,405,000	1.22
Forfeited	(539,585)	0.34	(170,002)	1.08
Expired	(443,865)	0.76	(175,379)	0.74
<b>Outstanding - End of period</b>	<b>8,293,040</b>	<b>0.69</b>	<b>6,586,490</b>	<b>0.94</b>

### 9 Warrants

Warrant activity for the six months ended September 30, 2022 and September 30, 2021 was as follows:

	Number #	Weighted average exercise price \$
<b>Outstanding -March 31, 2021</b>	14,680,644	1.29
Granted	2,209,874	0.95
Exercised	(54,651)	0.8
Expired	(299,717)	1.5
<b>Outstanding - September 30, 2021</b>	<b>16,536,150</b>	<b>1.24</b>
Granted	6,307,380	0.87
Expired	(640,493)	1.02
<b>Outstanding - March 31, 2022</b>	<b>22,203,037</b>	<b>1.14</b>
Granted	28,500,000	0.14
Expired	(885,158)	1.20
<b>Outstanding - September 30, 2022</b>	<b>49,817,879</b>	<b>0.57</b>

# Appili Therapeutics Inc.

## Notes to Interim Condensed Consolidated Financial Statements (unaudited)

For six months ended September 30, 2022 and 2021

### 9 Warrants (continued)

The Company completed the May 2022 Public Offering (see note 7) and issued 25,000,000 common share purchase warrants exercisable for a period of 5 years at an exercise price of \$0.15 per share, valued at \$1,285,714 on May 26, 2022. The Company also issued 3,500,000 compensation warrants as commissions to the agents exercisable for a term of 2 years at an exercise price of \$0.10 per value, valued at \$140,000 on May 26, 2022.

The weighted average value per warrant issued for the six months ended September 30 2022 was \$0.05 (September 30, 2021-\$0.28) and was determined using the Black-Scholes valuation model and the following weighted average assumptions:

	September 30, 2022	September 30, 2021
Risk-free interest rate	2.71%	1.43%
Expected volatility	110%	72.3%
Expected life (years)	4.63	4
Dividend yield	-	-

### 10 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 unaudited interim condensed consolidated statements of financial position dates 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.

# Appili Therapeutics Inc.

## Notes to Interim Condensed Consolidated Financial Statements (unaudited)

For six months ended September 30, 2022 and 2021

### 10 Financial instruments (continued)

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 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.

The fair value of the long-term debt is estimated based on the expected interest rates for similar borrowings by the Company as at the unaudited interim condensed consolidated statements of financial position dates. At September 30, 2022, 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 6 as at September 30, 2022:

	<b>Total</b>	<b>Year 1</b>	<b>Years 2 to 3</b>	<b>Years 4 to 5</b>	<b>After 5 Years</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
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