MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Interim Period Ended December 31, 2020

Dear Appili Shareholders,

In addition to providing the attached updated Management Discussion and Analysis (MD&A), I want to take this opportunity to reflect on events that have shaped our business and a few of the many value-driving accomplishments at Appili over the last year. First and foremost, the SarsCov2 virus has permeated every corner of our world, with the World Health Organization reporting well over 105 million cases-to-date and approximately two million deaths worldwide. (By comparison, this time last year, there were just over 3,000 confirmed cases globally.)

But while the coronavirus is rightly making headlines, there are many other infections circulating among us. These diseases are caused by pathogenic organisms, such as bacteria, viruses, parasites and fungi. We have responded by advancing critical clinical studies necessary to meet the needs of the ongoing COVID-19 pandemic, and continue to advance the work across our platform to solve unmet needs in emerging bacterial and systemic fungal infections.

Our ongoing efforts to do good and do well is the lens through which we will continue to view the anti-infective treatment landscape. Our rigorous adherence to sound financial and scientific standards, and the ongoing commitment to identifying and addressing critical unmet needs in infectious diseases, continue to be the cornerstone of our approach to improving public health.

Major events that have shaped Appili over the last year, and will continue to do so going forward, include:

The advent of the COVID-19 pandemic, which has dominated both our industry and our way of life. We adapted quickly by bringing our favipiravir program to the forefront of our operations. Based on our deep knowledge of infectious diseases, we know that a multifaceted approach is needed to stem the widespread infections, and we believe that vaccines and oral antivirals can and should work together to bring this pandemic under control.

For our part, the critical step is obtaining robust, clinically sound data that answer the question: “does favipiravir work for early COVID-19 infections in the community setting?” We are conducting the PRESECO study with favipiravir to answer that question and to lay the foundation for our potential label expansion studies (PEPCO and CONTROL) in post-exposure prophylaxis.

We designed our PRESECO study according to the gold standard of scientific study: a large-scale, placebo-controlled, double-blind randomized trial to evaluate the safety and effectiveness of this oral antiviral in treating the early onset of COVID-19 in mild-to-moderate patients. Currently there are no approved oral antivirals for COVID-19 in North America or Europe, underscoring the unmet need for this part of the market. We believe that PRESECO is the only large-scale pivotal study in the world evaluating favipiravir to this gold standard, and in this patient sector. This approach underscores our dedication to resource stewardship, while still obtaining data with underlying processes reflecting the highest degree of scientific, clinical, and regulatory standards.

The continuing need for new antifungals and novel antibiotics, marked by a renewed interest in, and commitment to, investing in infectious disease prophylaxis and therapeutics from public and private organizations. Clearly this trend impacts our COVID-19 clinical program. But just as importantly, this recognition of the need for novel anti-infectives aligns with our antifungal and antibiotic programs as well. Our team is adept at identifying unique pathways to capital in this arena, and we look forward to leveraging additional opportunities in this new era.

The growth of the team and the people, who are responsible for bringing innovation to patients. Overall, our team grew by over 70% in 2020. I am honored to have stepped into the role of CEO during this time, as well as welcoming our inaugural Chief Medical Officer with the appointment of Dr. Yoav Golan, and bringing on Don Cilla in to serve as our Chief Development Officer. Our Board of Directors also strengthened its ability to advise the Company, with the appointment of both Rochelle Stenzler and Dr. Juergen Froehlich to its roster.

We are looking forward to continued progress as we enter the last quarter of our fiscal 2021 year. Thank you for your continued support of Appili Therapeutics, and the valuable work we are doing to improve the lives of patients worldwide.

Armand Balboni
Chief Executive Officer, Appili Therapeutics.

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 February 12, 2021 provides information concerning the Company's financial condition and results of operations. This MD&A should be read in conjunction with our audited annual financial statements for the fiscal years ended March 31, 2020 and 2019, and our unaudited interim condensed consolidated financial statements for the three and nine months ended December 31, 2020 and 2019, 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.

FORWARD-LOOKING STATEMENTS

This MD&A (which for purposes of this section includes the attached letter to shareholders) 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 novel SARS-CoV-2 ("**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;
- our strategy for protecting our intellectual property;
- our ability to identify licensable products or research suitable for licensing and commercialization;
- our ability to obtain licenses on commercially reasonable terms;
- our plans for generating revenue;
- our plans for future clinical trials;
- our ability to hire and retain skilled staff; and
- our intention with respect to updating any forward-looking statements after the date on which such statement is made or to reflect the occurrence of unanticipated events;

Such statements reflect our current views with respect to future events, are subject to risks and uncertainties and are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Appili as of the date of such statements, are inherently subject to significant medical, scientific, business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements. In making the forward-looking statements included in this MD&A, the Company has made various material assumptions, including but not limited to (i) the Company's ability to initiate and complete its proposed clinical trials in a timely manner; (ii) the ability of the Company to secure the requisite

level of patient and site enrollment; (iii) the Company's ability to enter into the requisite clinical trial agreements relating to any proposed clinical trials; (iv) obtaining positive results of clinical trials; (v) obtaining regulatory approvals; (vi) general business and economic conditions; (vii) the Company's ability to successfully out-license or sell its current products and in-license and develop new products; (viii) the availability of financing on reasonable terms; (ix) the Company's ability to attract and retain skilled staff; (x) market competition; (xi) the products and technology offered by the Company's competitors; (xii) the Company's ability to protect patents and proprietary rights; and (xiii) the effect of COVID-19 infections ("**COVID-19**") on the Company's business and operations.

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
- ability to 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 24, 2020.

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 medicines 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.

The Company's anti-infective portfolio currently includes five programs, described below: ATI-2307, ATI-1701, ATI-1503, ATI-1501, and a global partnership on the COVID-19 antiviral candidate REEQONUS™ / Avigan® / favipiravir ("**favipiravir**").

Favipiravir

On October 30, 2020, Appili announced a collaboration, development, and supply agreement (the "**Collaboration Agreement**") with Dr. Reddy's Laboratories Ltd. ("**DRL**") and Global Response Aid ("**GRA**") for the oral COVID-19 antiviral candidate favipiravir. This agreement follows on and is harmonized with the previously announced global licensing transaction (excluding Japan, Russia, and China) between DRL, GRA and FUJIFILM Toyama Chemical Co., Ltd. ("**FFTC**"), the originator of favipiravir tablets. The agreements work together to coordinate and accelerate the worldwide development, commercialization, and distribution of favipiravir tablets for the potential treatment and prevention of COVID-19. Under the terms of the agreement and in collaboration with its partners, Appili is designing, overseeing, and funding pivotal clinical trials to support global regulatory submissions. Partners DRL, GRA, and FFTC will be responsible for manufacturing, distribution, and commercialization worldwide outside of Japan, China and Russia. Appili will receive a profit share on Canadian and US commercial sales for a specified term and is eligible to receive royalties on rest of world sales realized by DRL and GRA, including in Europe and Latin America for a specified term.

There have been several vaccines developed for COVID-19 over the past year. Despite the tremendous advancement in vaccines the Company believes the need for other COVID-19 therapies, including oral antivirals, will continue, both to protect those unable to receive access to the vaccines, as well as to contain outbreaks of future variant of the virus. Easy-to-use oral therapeutics, available as a pill that could be taken at home or outside of the hospital, would allow physicians to treat patients early before they progress to more severe disease and hospitalization. Early intervention could also help limit the spread of disease, and oral therapeutics may also enable step-down from intravenous therapy in hospitals, reducing costs and freeing up beds. Oseltamivir, sold under the brand name of Tamiflu®, is an oral antiviral for influenza, which is regularly prescribed despite widespread influenza vaccine availability, underscoring the importance of oral agents for the treatment and containment of acute respiratory viral infections.

Favipiravir is an orally delivered novel broad-spectrum antiviral drug originally developed by FFTC and approved in 2014 in Japan for use against pandemic influenza (flu) (PMDA 2014). Favipiravir is active against a wide range of RNA viruses, including many for which there are limited or no approved therapies (Furuta 2017). Favipiravir has been extensively studied and has a well-established safety profile. Over 3,000 subjects had received at least one dose of favipiravir prior to the COVID-19 pandemic with additional trials initiated and completed since (Pilkington 2020). The drug is available in an oral tablet format, stable at room temperature, and amenable to use in a wide range of care settings (PMDA 2014; Furata 2017).

Multiple clinical studies suggest favipiravir may also be used to effectively treat COVID-19. As of January 29, 2021, there were over 40 active clinical studies listed on clinicaltrials.gov evaluating favipiravir for COVID-19. Researchers in China were the first to report in February 2020 that favipiravir exhibited antiviral activity *in vitro* against SARS-CoV-2, the virus that causes COVID-19 (Wang 2020). Other small-scale clinical trials conducted in China, Russia, and India provided early indications of clinical benefit to patients with COVID-19, although some studies were also inconclusive (Cai 2020; Chen 2020; Glenmark Jul 22 2020 PR; Doi 2020; Ivashchenko 2020). Based on initial data, Russia and India have approved favipiravir for the emergency treatment of COVID-19. Researchers are currently conducting trials evaluating favipiravir for COVID-19 in various countries, including the United States, China, and the United Kingdom. However, robust randomized controlled Phase 3 trials are needed to support regulatory approvals globally.

Appili and its consortium partners are engaged in a comprehensive clinical development program to evaluate the potential efficacy for favipiravir for the treatment of COVID-19. Appili partners DRL and FFTC have each reported

on trials conducted in the hospital setting, while Appili continues to focus on evaluation of favipiravir in community and outpatient settings.

In September 2020, FFTC announced the results of its Phase 3 study evaluating favipiravir for the treatment of hospitalized COVID-19 patients with non-severe pneumonia. The study met its composite primary endpoint, with favipiravir showing a statistically significant improvement in time to elimination of COVID-19-related symptoms (defined as no fever, SpO2[1] >95%, and improvement on chest imaging) and undetectable SARS COV-2 by PCR testing. This randomized, placebo-controlled study was conducted in 156 COVID-19 patients (n=107 on favipiravir; n=49 on placebo). The median time to achieving the endpoint with favipiravir was reduced by 2.8 days compared to the control group (p= 0.0136) (FFFTC PR Sept 23 2020). FFTC has announced that favipiravir is being reviewed for marketing approval for the treatment of COVID-19 by the Pharmaceuticals and Medical Devices Agency ("**PMDA**"), the agency responsible for ensuring the safety, efficacy and quality of pharmaceuticals and medical devices in Japan.

In January 2021, DRL announced interim results from its Phase 3 trial conducted in Kuwait evaluating favipiravir for the treatment of hospitalized patients with moderate-to-severe COVID-19. The primary endpoint analyzed was sustained resolution of hypoxia, a condition where not enough oxygen makes it to the cells and tissues in the body. Length of hospitalization was analyzed as a secondary endpoint. The study's primary endpoint met the pre-specified definition of futility and the trial was stopped. A subgroup analysis, however, of subjects with a low National Early Warning Risk Score ("**NEWS2**"), a system for predicting severe COVID-19 outcomes, revealed that the patients were discharged 3 days earlier than the control group (median time to discharge; 8 days vs. 11 days; $p < 0.05$).

The data generated by DRL and FFTC suggests that favipiravir may provide important clinical benefits when given early in COVID-19 patients and has little or no effect when given to later-stage hospitalized patients. This observation is consistent with earlier trials conducted on favipiravir in India and China (Chen 2020; Glenmark Jul 22 2020) and in-line with findings reported by both Gilead and Eli Lilly showing greater clinical benefit with Veklury® (remdesivir) and bamlalnivimab when administered to patients with milder, earlier-stage disease (Beigel 2020; ACTIV-3/TICO LY-CoV555 Study Group 2020; Chen 2020). Previous clinical experience with other acute viral infections such as influenza also suggests that the potential clinical benefit of antivirals is highest when administered either prior to or early during infection, before widespread tissue damage and progression to severe illness has occurred (Fiore 2011, Welliver 2001, Romagnoli 2020).

The only approved COVID-19 antiviral in the United States, Veklury® (remdesivir), is only available in an intravenous format (Veklury® FDA Label). As a result, patients typically require hospitalization in order to access therapy. This both delays initiation of antiviral therapy in patients that may require it and places a significant burden on the healthcare system via increased hospitalization rates. Monocloncal antibodies produced by Eli Lilly and Regeneron have also been authorized for treatment of mild-to-moderate COVID-19 at high risk of progression in Canada and the United States (FDA EUA Nov 21 2020, FDA EUA Nov 10 2020). However, these products also require infusion and specialized healthcare infrastructure limiting access and utility. In contrast, favipiravir is available in a tablet format and therefore may be rapidly administered in the community to treat infected patients or those recently exposed to COVID-19, as a prophylactic agent. This enables delivery of antiviral therapy at the time of highest potential impact. Favipiravir has the potential to significantly reduce the burden of disease of patients, lower rates of hospitalization, lower costs to the healthcare system, and limit spread of the virus to the community by allowing for more rapid intervention.

Appili's announced clinical trials are summarized below:

- ***PRESECO: Phase 3 Early Treatment of Mild-to-Moderate COVID-19***

PRESECO is a double-blinded, randomized, placebo-controlled Phase 3 trial designed to evaluate the efficacy of favipiravir for the early treatment of mild-to-moderate COVID-19 in the outpatient setting. The study is actively enrolling and expected to enroll approximately 826 patients at COVID-19 treating sites in the US, with potential to expand to additional jurisdictions. The study population also is designed to enrich for elderly patients and those with

[1] Oxygen saturation (SpO2) is a measurement of how much oxygen your blood is carrying as a percentage of the maximum it could carry. For a healthy individual, the normal SpO2 should be between 96% to 99%.

known risk factors for COVID-19 complications. The primary endpoint will be time to resolution of symptoms, with additional secondary endpoints assessing impact on hospitalization rates and more severe outcomes. PRESECO also includes a viral shedding sub-study involving a subset of 136 study participants.

The Phase 3 protocol has been submitted to the IND and enrollment commenced in November 2020. Enrollment is expected to be completed in calendar Q2 2021, with interim data readout anticipated in late calendar Q1 2021/early Q2 2021.

- ***PEPCO: Phase 3 Early Treatment of Mild-to-Moderate COVID-19***

PEPCO is a double-blinded, randomized, placebo-controlled Phase 3 trial designed to evaluate the efficacy of favipiravir for COVID-19 post-exposure prophylaxis in the outpatient setting. The study is expected to enroll 1,156 COVID-19 household contacts in Canada and the US. The primary endpoint will be the proportion of subjects who develop symptomatic COVID-19, with additional secondary endpoints assessing asymptomatic infections rates, as well as impact on hospitalization rates and more severe outcomes.

The Phase 3 protocol has been submitted to the IND and enrollment is expected to commence in 2021, subject to non-dilutive government support. The Company has applied for non-dilutive government assistance from both Canadian and US government departments to help fund part of the above clinical trials evaluating favipiravir. The processing of such applications is ongoing and the timing, quantum and terms of any successful government grant remains to be determined.

- ***CONTROL-COVID: Phase 2 COVID-19 Outbreak Control in Long-Term Care Facilities ("LTCs")***

CONTROL-COVID is an ongoing, partially-blinded, placebo-controlled, cluster randomized controlled trial evaluating the utility of Avigan® as a preventative measure against COVID-19 outbreaks in LTCs. Under the trial protocol, upon confirmation of a COVID-19 outbreak in a long-term care unit, all consenting residents in that unit, including those with confirmed COVID-19, receive either favipiravir or placebo. The study design calls for enrollment of 16 long-term care units across Canada and the US. The study population is expected to include elderly subjects with co-morbidities and front-line healthcare workers with recent COVID-19 exposure or confirmed infection. The primary endpoint will be outbreak control, defined as no new cases of COVID-19 in residents for 24 consecutive days up to day 40 after the start of prophylaxis. Secondary objectives include measures of safety, rates of infection, disease progression, and fatality rates. Allison McGeer, MD, FRCPC, MSc, Department of Microbiology, Mount Sinai Hospital, Sinai Health System, Toronto, Ontario, is the trial's primary investigator.

Appili first announced clinical trial application ("**CTA**)" clearance for CONTROL-COVID from Health Canada in May 2020. The Company subsequently filed and received Health Canada approval for protocol amendments in June 2020 and October 2020. First enrollment was announced in October 2020 and is ongoing. The Company is prioritizing resources on the pivotal PRESECO Study, which may result in extended timelines for the completion of the CONTROL clinical trial.

On December 22, 2020, DRL, GRA and the Company announced the filing of an application for favipiravir tablets for the treatment of COVID-19 under Health Canada's Interim Order Respecting the Importation, Sale and Advertising of Drugs for Use in Relation to COVID-19 ("**Interim Order**"). The Interim Order was signed by the Canadian Minister of Health in September 2020 to create a new authorization pathway that will help expedite the authorization of drugs and vaccines for COVID-19. According to Health Canada, favipiravir tablets are the first oral solid dosage form submitted under the Interim Order.

Along with partners DRL, FFTC, and GRA, Appili continues to monitor the clinical and commercial landscape for COVID-19 therapies and may elect to initiate additional trials or development activities to accelerate or expand market access for favipiravir in the US, Canada, and globally.

ATI-2307

Appili acquired novel antifungal ATI-2307 (formerly T-2307) from 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 (as defined herein).

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 is planning on evaluating the potential effectiveness of ATI-2307 for the treatment of a variety of invasive fungal infections, including those caused by *Cryptococcus* and *Candida* species. The target patient population is proposed to consist of severely ill and hospitalized, highly comorbid patients with suspected or confirmed invasive fungal infection, in which ATI-2307 will be administered via intravenous infusion.

The safety and pharmacokinetics of ATI-2307 have been evaluated in 80 human subjects as part of three Phase 1 Single Ascending Dose ("**SAD**") and/or Multiple Ascending Dose ("**MAD**") clinical studies conducted in the United States. ATI-2307 has been safe and well tolerated at all doses tested in humans.

The Company is developing ATI-2307 for the treatment of invasive fungal infections with a near-term focus on those caused by *Cryptococcus* and *Candida.* Generally regarded as an opportunistic infection, *Cryptococcus* infections occur most commonly in immunosuppressed patients, such as those undergoing chemotherapy for cancer treatment, immunosuppression for transplant, or HIV-positive patients (May 2016). *Cryptococcus* is often invasive and infections frequently progress to the central nervous system, resulting in a disease known as cryptococcal meningitis. Cryptococcal meningitis is a life-threatening disease despite current therapies (Pyrgos 2013, Pappas 2013). The current standard of care for cryptococcal meningitis, which is amphotericin B in combination with flucytosine (Perfect 2010), is also associated with significant toxicity, including the potential for kidney failure (Saliba 2008, Hamill 2013, AmBisome® FDA Label 2012).

The Company is conducting proof of concept, nonclinical studies evaluating the therapeutic effect of ATI-2307 in rabbit and mouse intracranial *Cryptococcus* infection models. These studies are being conducted in collaboration with leading *Cryptococcus* researchers, including Dr. John Perfect at Duke University and Drs. Thomas Patterson and Nathan Wiederhold at the University of Texas Health Science Center at San Antonio. The Company is also evaluating ATI-2307 activity *in vitro* against a panel of clinical isolates, including drug-resistant *Cryptococcus* strains. The proposed and ongoing nonclinical studies will guide the Company's development strategy. A portion of the work described above is being supported by the U.S. National Institute of Allergy and Infectious Diseases ("**NIAID**").

The Company is also currently evaluating options to advance ATI-2307 as a therapeutic for invasive *Candida* infections through discussions with key opinion leaders and is exploring potential government grant sources to fund such activities. Multiple *Candida* species are capable of human infection, including the most commonly observed *Candida albicans* and the newly emerging pathogen *Candida auris* (Jeffery-Smith 2017). *Candida* species are generally treated with an echinocandin or an azole (Pappas 2015), but growing antifungal resistance is threatening the existing antifungal drugs on the market (Pristov 2019). Physicians often rely on toxic amphotericin B in cases of refractory and highly resistant *Candida* infections (Pappas 2015). In the case of *C. auris*, infections resistant to all three major classes have been reported (Ostrowsky 2020, Ostrowsky 2018, Lockhart 2017). Drug-resistant *Candida* and *C. auris* in particular are now priority pathogens for the CDC (CDC 2019).

Appili has initiated parallel preclinical, manufacturing, clinical, and regulatory activities to support initiation of a Phase 2 clinical trial targeted to commence in 2022.

Depending on the indication(s) pursued in the clinic, ATI-2307 may be eligible for development under the Limited Population Pathway for Antibacterial and Antifungal Drugs ("**LPAD**"). Introduced in 2016 as part of the 21st Century Cures Act, the LPAD provides a mechanism for accelerated clinical development for antibiotics and antifungals that

treat serious or life-threatening conditions in a limited population, by potentially allowing for smaller, shorter, or fewer clinical trials (FDA, 2018). Additional conditions may need to be met in order to be eligible for development and approval under the LPAD. The Company is evaluating the eligibility and appropriateness of applying the LPAD to ATI-2307 development.

The Company believes that ATI-2307 would be eligible for an Orphan Drug Designation ("**ODD**") from the FDA if developed for either the treatment of cryptococcal meningitis or invasive candidiasis. This would qualify ATI-2307 for seven years of regulatory exclusivity upon FDA approval of the ODD. *Candida* and *Cryptococcus* are also both qualifying pathogens for the Qualified Infectious Disease Product ("**QIDP**") designation and the Company believes ATI-2307 would be eligible for an additional five-year exclusivity extension if approved for the treatment of either pathogen.

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 when inhaled (PHAC PSDS Anthrax 2011, PHAC PSDS Tularemia 2011). Category A pathogens are organisms or 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 (Conlan 2010, Shen 2010). Appili and its strategic partners, including Ology Bioservices ("**Ology**") and MRI Global, are evaluating the feasibility of developing ATI-1701 under the FDA Animal Rule, including the development of suitable experimental models to demonstrate ATI-1701 efficacy. Appili intends to work with the NRC and existing partners to complete the preclinical and clinical testing required under the Animal Rule to evaluate the immunogenicity, efficacy, and safety of the ATI-1701 vaccine and ultimately support the Company's submission of a Biological License Application for ATI-1701 to the FDA. Drug manufacturing activities have been initiated and animal work commenced in 2019. Preliminary data from ongoing 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. Analysis of data is ongoing from an additional experiment where non-human primates were challenged at 365 days post-vaccination. Once complete, this will be followed by pivotal animal studies as well as a human safety Phase 1 study targeted to start in 2022.

ATI-1701 activities have been, and are continuing to be, funded with Appili's current resources and grant funding received from the US Defense Threat Reduction Agency ("**DTRA**"), including an award which was announced in October 2020 of $6.3M USD in additional funding to support advanced development and manufacturing of the vaccine.

ATI-1503

The ATI-1503 program objectives include the development of a new class of Gram-negative targeting antibiotic. The ATI-1503 program builds 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. Negamycin has a novel, well-characterized mechanism of action, activity against a wide range of Gram-negative bacteria, and displays favourable pharmacokinetic properties (Guo 2015, McKinney 2015, Olivier 2014, Polikanov 2014).

The ATI-1503 development team has identified two novel and structurally-distinct lead series based on the negamycin scaffold, each of which has exhibited over 10-fold increases in antibiotic activity compared to the parent negamycin compound. These lead compounds now have low, single-digit minimum inhibitory concentrations ("**MICs**") against many Gram-negative bacteria, including carbapenem-resistant *Enterobactericiae* and *Acinetobacter*, both of which are top priorities for the CDC. These analogues have demonstrated *in vivo* proof-of-concept against *Klebsiella* and *Escherichia*. These most promising compounds continue to advance through Appili's structured preclinical screening and evaluation, including multiple *in vivo* efficacy animal models, safety screening, and pharmacokinetic evaluations.

Characterization of *in vivo* toxicology is currently ongoing. Compounds that successfully complete this preclinical development process may be nominated as clinical candidates for investigational new drug ("**IND**") enabling studies. In order to support IND enabling studies, the manufacturing route had to be optimized as the original synthetic route was only capable of generating milligram to gram quantities of material. The newly developed manufacturing process is now amenable to scale up to 100-gram amounts. While Appili aims to identify a preclinical lead in 2021, the Company recognizes that the negamycin molecular structure could potentially yield multiple derivative compounds with distinct efficacy, safety, and pharmacokinetic profiles suitable for parallel development. The Company may elect to continue pursuing additional optimization activities to produce follow-on compounds with additional clinical potential and value.

ATI-1503 activities are continuing to be, funded with Appili's current resources and grant funding received from the NRC Industrial Research Assistance Program and the U.S. government's Peer Reviewed Medical Research Program ("**PRMRP**").

ATI-1501

ATI-1501 is a taste-masked liquid oral suspension formulation of the 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 also 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.

Appili has licensed United States development and commercialization rights to the New York-based specialty pharmaceutical company Saptalis Pharmaceuticals LLC ("**Saptalis**").

The primary commercialization focus for ATI-1501 is the United States market. To be marketed in the United States, ATI-1501 must be approved by the FDA. Since ATI-1501 is a reformulation of an approved pharmaceutical product, the Company expects it to qualify for FDA approval pursuant to Section 505(b)(2) of the FDA Act. The 505(b)(2) regulatory pathway allows companies to use previously published clinical data about the approved active ingredient as part of its application package, a feature that reduces clinical costs and time to approval. The quantity of new clinical data required for a 505(b)(2) application is dependent on the reformulation in question and is determined in consultation with the FDA. If the application via the 505(b)(2) pathway is successful, ATI-1501 is expected to be approved for the same approved indications for which metronidazole is currently approved.

In December 2019, Appili entered into a development and commercialization agreement with 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 will be responsible for overseeing the regulatory review, manufacturing and preparation for the filing of an NDA with the FDA expected in 2022, 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 USD$150,000 that was recognized as revenue in December 2019. In November 2020, Saptalis requested and obtained a Type C meeting with the FDA to discuss potential adjustments to the formulation. The continued development of the drug product will be adapted to the feedback received from the regulatory agency.

COVID-19

The World Health Organization declared the outbreak of the novel coronavirus SARS-CoV-2 a global pandemic and a result, governmental authorities had to introduce measures to limit the impact of the pandemic, which resulted in a disruption and collapse of business activities for many organizations. As a result of COVID-19, currently, some of the development activities in Appili's product candidates have been delayed (including as a result of Appili's decision to prioritize its resources towards the development of favipiravir).

We continue to monitor the COVID-19 situation, which is rapidly evolving. In addition to adhering to directives from public health officials, we have implemented a pandemic contingency plan to guide our employees, contractors, visitors, facilities and operations. Our plan includes identifying essential business activities to help ensure continuity of business, restricting access to our offices and operation sites and encouraging all employees to work from home to the extent possible, asking business partners to engage us by telephone or video conference where possible, eliminating business travel and requiring self-isolation for employees travelling outside of Canada and increasing the frequency and emphasis on cleaning and sanitizing. As the COVID-19 health crisis further develops, we will continue to rely on guidance and recommendations from local health authorities and the Centers for Disease Control and Prevention to update our policies.

The extent to which COVID-19 will continue to impact the Company's operations will depend on future developments which are highly uncertain and cannot be predicted with confidence. The continued spread of COVID-19 globally could adversely impact the Company's operations, including among others, manufacturing supply chain and clinical trial activities and timelines, which could have an impact on business and financial results.

The milestones set out in this document are based on management's current expectations with respect to the development and advancement of the Company's products and are subject to certain underlying assumptions and general risks. Due to the nature of the Company's business and stage of operations, there is no assurance that these objective will be achieved, and there can be no assurance with respect to the time or resources that may be required.

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 limited revenues, so its ability to ensure continuing operations is dependent on obtaining necessary financing to complete the development of the Company's anti-infective portfolio, which includes five major programs: ATI-2307, ATI-1701, ATI-1503, ATI-1501 and sponsored clinical trials of favipiravir.

The Company had the following recent key developments and achievements:

- On February 2, 2021, the Company announced the appointment of Rochelle Stenzler to serve on its Board of Directors.

- On January 28, 2021, the Company announced that its Phase 3 PRESECO (PREventing SEvere COvid-19) clinical trial is actively recruiting participants in 12 out of 20 sites in the United States.

- On December 22, 2020, the Company announced that Dr. Reddy's Canada has filed an application on behalf of the consortium for favipiravir tablets for the acute treatment of mild to moderate COVID-19 adult patients under the Interim Order in Canada.

- On December 2, 2020, the Company announced that investigators have dosed the first participant in its Phase 3 PRESECO trial evaluating oral favipiravir tablets for the treatment of COVID-19.

- On November 24, 2020, the Company announced initiation of its Phase 3 PEPCO study to evaluate favipiravir tablets in the prevention of COVID-19. Health Canada has provided a 'No Objection Letter (NOL)' for Appili's proposed study; the FDA accepted a submission of protocol amendment to conduct the trial in the United States.

- On October 30, 2020, the Company announced that it has signed the Collaboration Agreement with DRL and GRA.

- On October 29, 2020, the Company announced that it has recruited Don Cilla, PharmD, MBA, to serve as the Company's new Chief Development Officer (CDO), effective November 1, 2020.

- On October 27, 2020, the Company announced it had entered into an agreement with Ology, a biologics contract development and manufacturing organization (CDMO), under which Ology will manufacture the Company's ATI-1701 vaccine candidate. The U.S. Department of Defense (DOD), through the Joint Science and Technology Office of the DTRA, awarded Ology $6.3MM USD for ATI-1701 manufacturing and development work under contract # MCDC18-04-13-006. DTRA-funded manufacturing work will be used to provide vaccine supply for future development of Appili's ATI-1701 program.

- On October 20, 2020, the Company announced that investigators enrolled and dosed the first cluster of participants in Appili's CONTROL COVID-19 clinical trial.

- On September 16, 2020, the Common Shares began trading on the TSX under the trading symbol "APLI".

- On September 11, 2020, the Company announced that it has submitted a new protocol to its open IND with the FDA to conduct a Phase 3 clinical study evaluating favipiravir in the early treatment outpatient setting for adult COVID-19 infections.

SELECTED FINANCIAL INFORMATION

		Three months ended December 31, 2020 ($)	**Three months ended December 31, 2019 ($)**
Net loss and comprehensive loss for the period		(4,266,342)	(1,180,591)
Basic and diluted loss per share		(0.07)	(0.04)

		As at December 31, 2020	**As at March 31, 2020**
Cash and short-term investments		20,287,936	10,540,165
Total assets		21,534,464	11,173,963
Long-term debt		1,038,700	1,005,000

RESULTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2020 ("Q3 2021"), COMPARED TO THE THREE MONTHS ENDED DECEMBER 31, 2019 ("Q3 2021")

	Three months ended December 31, 2020 ($)	Three months ended December 31, 2019 ($)
Income		
License revenue	-	199,106
Interest income	30,146	6,973
	30,146	206,079
Expenses		
Research and development ("**R&D**")	3,358,824	531,349
General and administration ("**G&A**")	1,124,838	846,457
Business development ("**BD**")	123,546	224,262
Accreted interest	25,300	34,656
Government assistance	(336,020)	(250,054)
	4,296,488	1,386,670
Net loss and comprehensive loss	**(4,266,342)**	**(1,180,591)**

Income

i. License revenue

License revenue decreased by $199,106 in Q3 2021 in comparison to Q3 2020. This is attributable to the out-licensing of ATI-1501 to Saptalis Pharmaceuticals LLC in Q3 2020 and no revenues in Q3 2021.

ii. Interest income

Interest income increased by $23,173 to $30,146 during Q3 2021 compared to $6,973 in Q3 2021, due to a higher cash and short term investments balance during Q3 2021.

Operating expenses

Overall operating expenses increased by $2,909,818 to $4,296,488 during Q3 2021 compared to $1,386,670 in Q3 2021 due mainly to an increase of $2,827,475 in R&D activities and an increase of $278,381 in G&A costs. This was offset by a decrease of $100,716 in BD costs, a decrease in accreted interest of $9,356 and an increase in government assistance of $85,966. 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 preparation of its product candidates. The R&D expenses for the period relate to costs incurred for the development of all four product candidates, including ATI-1501, ATI-1503, ATI-1701, ATI-2307, as well as costs incurred to sponsor the clinical trials of favipiravir, and general R&D.

Specifically, the Company's R&D expenses for favipiravir include clinical site expenses, fees paid to the Contract Research Organizations ("**CROs**") associated with the ongoing clinical trials, clinical manufacturing, consulting costs, clinical trial insurance and regulatory fees. ATI-2307 expenses include pre-clinical animal studies, manufacturing technology transfer costs, clinical manufacturing costs, clinical consultants and Phase 2 clinical trial preparation activities. For ATI-1701, expenses include license fees, patent costs, stability testing 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 to optimizing the pre-clinical manufacturing process. Finally, the ATI-1501 R&D activities include clinical manufacturing costs, technology transfer and supporting regulatory activities. All programs, as well as general R&D, also include allocation of salaries and benefits, consulting fees paid to various independent contractors with specific research and development expertise required by the Company. General R&D expenses also include rental of laboratory facilities, insurance, as well non-material research projects.

R&D expenses consist of the following:

	Three months ended December 31, 2020 ($)	**Three months ended December 31, 2019 ($)**
Favipiravir expenses	2,366,369	-
ATI-2307 expenses	382,616	78,311
ATI-1701 expenses	746	(25,373)
ATI-1503 expenses	152,458	172,443
ATI-1501 expenses	18,901	80,194
General R&D expenses	17,139	44,570
Amortization of property and equipment	2,294	2,868
Salaries and benefits	362,176	174,775
Stock-based compensation	56,125	3,561
Total	**3,358,824**	**531,349**

The increase in R&D expenses of $2,827,475 from $531,349 in Q3 2020 to $3,358,824 in Q3 2021 is mainly attributable to a $2,366,369 increase in the favipiravir clinical trials, a $304,305 increase in the ATI-2307 program, a $187,401 increase in salaries and benefits, a $52,564 increase in stock-based compensation, and a $26,119 increase in the ATI-1701 program. This was offset by a $61,293 decrease in the ATI-1501 program, a $27,431 decrease in general R&D expenses, a $19,985 decrease in the ATI-1503 program and immaterial fluctuations in amortization.

Favipiravir

Favipiravir expenses for the three clinical trials for Q3 2021 as described under the Business Overview section include clinical expenses fees paid to the CROs for project management, clinical operations, monitoring and data management. Expenses also include clinical manufacturing, consulting costs, clinical trial insurance and regulatory costs in association with the preparation and publishing of an IND application with the FDA.

ATI-2307

The expenses related to the ATI-2307 program are mainly patent fees in various jurisdictions, biological testing and clinical manufacturing performed in Q3 2021. The expenses in Q3 2020 consisted of pre-clinical research and Phase 2 clinical trial preparation.

ATI-1701

The increase in expenses related to the ATI-1701 program is due to the increase in IP management costs in Q3 2021 in comparison to Q3 2020, offset by the decrease in the license fees owed to NRC due to a contract amendment. In Q3 2020, and amendment was made to the license agreement with the NRC that allowed the Company to redirect its obligated minimum required spend with the NRC to the ATI-2307 program, that was previously accruing to ATI-1701.

ATI-1503

The decreased costs in the ATI-1503 program are a result of the change of development activities the Company undertook in Q3 2021 in comparison to Q3 2020, which resulted in decreased research consulting costs and chemistry costs in Q3 2021.

ATI-1501

The decreased costs in the ATI-1501 program are a result of the Company out-licensing the development and commercialization rights to Saptalis in December 2019. During Q3 2021, the Company incurred expenses for IP management in comparison to formulation development costs in Q3 2020.

General R&D Expenses

The decrease in general R&D expenses is mainly related to the decrease of consulting fees paid to the Chief Development Officer once he became the full time CEO in December 2019.

Salaries and Benefits and Stock-based compensation

Salaries and benefits increased in Q3 2021 due mainly due to staff changes. The increase in stock-based compensation expenses is due to stock options being issued since Q3 2020.

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 Venture Exchange ("**TSX-V**") and the subsequent graduation to the TSX, the creation of the US subsidiary, regulatory, investor relations and public relations, 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 December 31, 2020 ($)	Three months ended December 31, 2019 ($)
G&A expenses, excluding salaries	594,620	322,736
Salaries and benefits	290,232	465,480
Stock-based compensation	238,366	56,663
Amortization of property and equipment	1,620	1,578
Total	**1,124,838**	**846,457**

G&A expenses increased by $278,381 from $846,457 in Q3 2020 to $1,124,838 in Q3 2021 due to an increase of

$271,884 in G&A expenses excluding salaries and benefits and a $181,703 increase in stock-based compensation offset by a $175,248 decrease in salaries and benefits, and an immaterial decrease in amortization.

G&A expenses, excluding salaries

G&A expenses, excluding salaries, for Q3 2021 increased by $271,884 mainly due to increased recruitment fees, public relations costs, investor relations costs and regulatory fees as a publicly listed company, as well as increases in audit and legal fees. These increases were offset by decreases in travel costs due to travel restrictions in place as a result of COVID-19.

Salaries and Benefits and Stock-based compensation

Salaries and benefits decreased in Q3 2021 by $175,248 due mainly to staffing changes. The increase in stock-based compensation in Q3 2021 in comparison to Q3 2020 by $181,703 is due to stock options granted in Q3 2021.

iii. BD expenses

BD expenses consist of business development travel expenses, office rent, and consulting and services fees paid to various independent contractors with specific business development expertise required by the Company.

BD expenses decreased by $100,716 due to reduced BD activity in Q3 2021, compared to Q3 2020. In Q3 2021, the Company finalized the Collaboration Agreement for favipiravir, in comparison to Q3 2020, the Company acquired ATI-2307 and outlicensed ATI-1501. As a result, the BD legal costs and BD advisory services decreased in Q3 2021.

iv. Accreted Interest

Accreted interest relates entirely 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, these zero-interest bearing government loans from the Atlantic Canada Opportunities Agency must be initially valued at fair value and the difference between the fair value of the loans and the contribution received must be treated as government assistance. These loans are then accreted to their original value over time. For the loan repayable on a percentage of future gross revenue from ATI-1501, management is required to revise the estimated cash flows whenever new information related to ATI-1501 and its potential market, including time of entry, market size, etc., is made available. Management recalculates the carrying amount by computing the present value of the estimated future cash flows at the original effective interest rate and any adjustments are recognized in the statements of loss and comprehensive loss as accreted interest after initial recognition. The decrease of accreted interest by $9,356 from $34,656 in Q3 2020 to $25,300 in Q3 2021 is due mainly to the accreted interest associated with the revaluations of the zero interest bearing government loans that are repayable over 84 or 120 months as a result of a 9 month payment deferral granted in response to COVID-19.

v. Government assistance

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

Government assistance increased by $85,966 from $250,054 in Q3 2020 to $336,020 in Q3 2021. This is due mainly to different government grants and loans the Company had in Q3 2020 versus Q3 2021.

vi. Net loss and comprehensive loss

The net loss and comprehensive loss was $4,266,342 for Q3 2021, a difference of $3,085,751 compared to the net loss and comprehensive loss of $1,180,591 for Q3 2020.

RESULTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2020, COMPARED TO THE NINE MONTHS ENDED DECEMBER 31, 2019

		Nine months ended December 31, 2020 ($)	Nine months ended December 31, 2019 ($)
Net loss and comprehensive loss for the period		(9,340,013)	(4,129,423)
Basic and diluted loss per share		(0.16)	(0.13)

	Nine months ended December 31, 2020 ($)	Nine months ended December 31, 2019 ($)
Income		
License revenue	-	199,106
Interest income	97,813	32,771
	97,813	231,877
Expenses		
R&D	6,045,084	1,666,948
G&A	3,569,415	2,420,784
BD	446,108	855,036
Accreted interest	33,700	(15,507)
Government assistance	(656,481)	(565,961)
	9,437,826	4,361,300
Net loss and comprehensive loss	**9,340,013**	**4,129,423**

Income

i. License revenue

License revenue decreased by $199,106 during the nine months ended December 31, 2020 compared to the nine months ended December 31, 2019. This is attributable to the out-licensing of ATI-1501 to Saptalis in the nine months ended December 31, 2019 and no revenues in the nine months ended December 31, 2020.

ii. Interest income

Interest income increased by $65,042 to $97,813 during the nine months ended December 31, 2020 compared to $32,771 in the nine months ended December 31, 2019 due to a higher cash and short term investments balance during the nine months ended December 31, 2020.

Operating expenses

Overall operating expenses increased by $5,076,526 to $9,437,826 during the nine months ended December 31, 2020 compared to $4,361,300 in the nine months ended December 31, 2019 due to an increase in R&D expenses by $4,378,136, an increase in G&A expenses by $1,148,631 and an increase in accreted interest of $49,207. These

increases were offset by a decrease of $408,928 in BD expenses and an increase of government assistance of $90,520. 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 R&D activities that include non-clinical, clinical manufacturing, regulatory and clinical trial preparation of its product candidates. The R&D expenses for the period relate to costs incurred for the development of all four product candidates, including ATI-1501, ATI-1503, ATI-1701, ATI-2307, as well as costs incurred to sponsor the clinical trials of favipiravir, and general R&D.

R&D expenses consist of the following:

	Nine months ended December 31, 2020 ($)	Nine months ended December 31, 2019 ($)
Favipiravir expenses	3,874,454	-
ATI-2307 expenses	749,409	81,670
ATI-1701 expenses	93,296	69,301
ATI-1503 expenses	192,172	375,772
ATI-1501 expenses	62,264	200,726
General R&D expenses	47,827	306,225
Amortization of property and equipment	6,839	8,605
Salaries and benefits	844,718	554,424
Stock-based compensation	174,105	70,225
Total	**6,045,084**	**1,666,948**

The increase in R&D expenses by $4,378,136 from $1,666,948 in the nine months ended December 31, 2019 to $6,045,084 in the nine months ended December 31, 2020 is mainly attributable to a $3,874,454 increase in the favipiravir program, the $667,739 increase in ATI-2307 program, a $290,294 increase in salaries and benefit, a $103,880 increase in stock-based compensation and a $23,995 increase in the ATI-1701 program. These increases were offset by a $258,398 decrease in general R&D expenses, a $183,600 decrease in the ATI-1503 program, a $138,462 decrease in the ATI-1501 program as well as immaterial fluctuations in amortization.

Favipiravir

Favipiravir expenses for the three clinical trials described under the Business Overview section for the nine months ended December 31, 2020 include clinical site start up expenses, including the protocol development and initiation of site screening, fees paid to the CROs for project management, clinical operations, monitoring and data management. Expenses also include clinical manufacturing of the placebo, as well as bottling and labelling of the favipiravir pills required for the clinical trials, consulting costs and regulatory costs in association with filing the Clinical Trial Application with Health Canada and the IND with the FDA.

ATI-2307

The expenses related to the ATI-2307 program are mainly patent fees in various jurisdictions, biological testing performed, clinical manufacturing costs and technology transfer costs and analysis in the nine months ended December

31, 2020. The expenses in the nine months ended December 31, 2019 consisted of pre-clinical research and Phase 2 clinical trial preparation following the acquisition of the product.

ATI-1701

The increase in the ATI-1701 costs is due to an increase in intellectual property management work, offset by a decrease in regulatory expenses in the nine months ended December 31, 2020 in comparison to the nine months ended December 31, 2019.

ATI 1503

The decreased costs in the ATI-1503 program are mainly due to a decrease in pre-clinical manufacturing costs the Company undertook in the nine months ended December 31, 2020 in comparison to the nine months ended December 31, 2019.

ATI-1501

The decreased costs in the ATI-1501 program are a result of the Company out-licensing the development and commercialization rights to Saptalis in December 2019. During the nine months ended December 31, 2020, the Company sold the remaining inventory related to ATI-1501 to Saptalis and as a result recorded a cost recovery to the extent Saptalis reimbursed the Company for the costs of the inventory. Costs for the nine months ended December 31, 2019 consisted mainly of formulation development.

General R&D Expenses

The decrease in general R&D expenses is mainly related to the decrease in other R&D research projects the Company is exploring, as well as a decrease of consulting fees paid to the Chief Development Officer once he became the full time CEO in December of 2019.

Salaries and Benefits and Stock-based compensation

Salaries and benefits increased in the nine months ended December 31, 2020 due mainly due to staff changes. The increase in stock-based compensation expense is due to stock options being granted in the nine months ended December 31, 2020.

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-V and subsequent graduation to the TSX, the creation of the US subsidiary, regulatory, investor relations and public relations, travel expenses, office rent, operating and information technology costs, director compensation, and directors' and officers' insurance premiums.

G&A expenses consist of the following:

	Nine months ended December 31, 2020 ($)	Nine months ended December 31, 2019 ($)
General and administrative expenses, excluding salaries	1,946,230	1,304,233
Salaries and benefits	870,132	878,829
Stock-based compensation	748,838	233,011
Amortization of property and equipment	4,215	4,711
Total	**3,569,415**	**2,420,785**

G&A expenses increased by $1,148,630 from $2,420,785 in the nine months ended December 31, 2019 to $3,569,415 in the nine months ended December 31, 2020 due to a $641,997 increase in G&A expenses, excluding salaries, and a $515,827 increase in stock-based compensation, offset by a $8,697 decrease in salaries and benefits and an immaterial fluctuation in amortization.

G&A expenses, excluding salaries

G&A expenses, excluding salaries, for the nine months ended December 31, 2020 increased by $641,997 mainly due to (i) a $233,401 increase in public and media relations due to the new favipiravir program; (ii) a $215,873 increase in business advisory fees as a result of financial advisory services and recruiting fees; (iii) a $117,051 increase in public filings as a result of listing the Company on the OTCQX and graduating to the TSX from the TSX-V; (iv) a $126,064 increase in investor relations efforts and (v) a $89,127 increase in government grant and relations consulting as a result of receiving increased funding from the PRMRP grant in the nine months ended December 31, 2020 versus the nine months ended December 31, 2019. These increases were offset by a $161,011 decrease in audit fees and legal fees, which were higher in the nine months ended December 31, 2019 as a result of preparation of the public listing.

Salaries and Benefits and Stock-based compensation

Salaries and benefits decreased in the nine months ended December 31, 2020 by $8,697 due to changes in staff, offset by an increase in salaries. The increase in stock-based compensation in the nine months ended December 31, 2020 in comparison to the nine months ended December 31, 2019 by $515,827 is due to options being granted in the nine months ended December 31, 2020.

iii. BD expenses

BD expenses consist of business development travel expenses, office rent, and consulting and services fees paid to various independent contractors with specific business development expertise required by the Company.

BD expenses decreased by $408,928 in the nine months ended December 31, 2020 in comparison to the nine months ended December 31, 2019, when the Company focused significant BD efforts into acquiring ATI-2307 and out-licensing ATI-1501. In the nine months ended December 31, 2020, BD costs consisted mainly of legal costs associated with the partnership agreement for favipiravir. The nine months ended December 31, 2020 also had a decrease in salaries and benefits and stock-based compensation as a result changes in staff and a reallocation of salaries and a decrease in BD advisory services.

iv. Accreted Interest

Accreted interest relates entirely 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, these zero-interest

bearing government loans from 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 then 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 is made available. Management recalculates the carrying amount by computing the present value of the estimated future cash flows at the original effective interest rate and any adjustments are recognized in the statements of loss and comprehensive loss as accreted interest after initial recognition. The decrease of negative accreted interest by $49,207 from $15,507 in the nine months ended December 31, 2019 to positive $33,700 in the nine months ended December 31, 2020 is due mainly to the accreted interest associated with the revaluations of the zero interest bearing government loans that are repayable over 84 or 120 months as a result of a nine month payment deferral granted in response to COVID-19.In the nine months ended December 31, 2019, there was also a revaluation of $123,100 on the ACOA AIF loan due to new information and estimated cash flows, which resulted in accreted interest in a credit position.

v. Government assistance

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

Government assistance increased by $90,520 from $565,961 in the nine months ended December 31, 2019 to $656,481 in the nine months ended December 31, 2020. This is due mainly to different government grants and loans the Company had in the nine months ended December 31, 2019 versus the nine months ended December 31, 2020.

vi. Net loss and comprehensive loss

The net loss and comprehensive loss was $9,340,013 for the nine months ended December 31, 2020 which was $5,210,590 higher than the net loss and comprehensive loss of $4,129,423 for the nine months ended December 31, 2019.

SUMMARY OF QUARTERLY RESULTS

The following consolidated quarterly data was drawn from the audited annual financial statements and the unaudited interim condensed consolidated financial statements. The information is reported on an IFRS basis.

Quarterly Ended In		Total Income ($)	Total Expenses ($)	Loss ($)	Basic and Diluted Loss Per Share ($)
Q3 – December 31, 2020		30,146	4,296,488	(4,266,342)	(0.07)
p – September 30, 2020		46,116	2,521,649	(2,475,533)	(0.04)
Q1 – June 30, 2020		21,551	2,619,689	(2,598,138)	(0.05)
Q4 - March 31, 2020		7,394	1,294,467	(1,287,073)	(0.04)
Q3 – December 31, 2019		206,079	1,386,670	(1,180,591)	(0.04)
Q2 – September 30, 2019		13,380	1,163,200	(1,149,820)	(0.03)
Q1 – June 30, 2019		12,419	1,811,431	(1,799,012)	(0.06)
Q4 - March 31, 2019		13,095	1,319,552	(1,306,457)	(0.04)

Certain reclassifications have been made to the prior quarter's financial results to enhance comparability with the current year's financial statements. As a result, interest income and general and administrative expenses have been amended to remove interest income from general and administrative expenses to be presented as income.

CASH FLOWS

At December 31, 2020, the Company had cash and short-term investments of $20,287,936 and working capital of $18,267,050 compared to $10,540,165 and $9,732,658, respectively as at March 31, 2020.

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

Operating activities

During the nine months ended December 31, 2020, $7,114,373 was used in operating activities, including a reported net loss of $9,340,013 prior to being decreased by $977,508, $33,700, $16,260, $11,055, and $1,929 for non-cash items including stock-based compensation, accreted interest, unrealized loss from changes in foreign currency, amortization, and loss on disposal of property and equipment. This was offset by a net increase of cash of $1,185,188 as a result of changes in working capital.

Financing activities

The Company raised $16,965,000 in connection with the June 2020 Offering (as defined herein) and a concurrent private placement of $1,440,000 (as defined herein) (the "**Concurrent Private Placement**"), less share and warrant issuance costs of $1,400,210. The Company also received proceeds of $1,123,260 through the exercise of warrants, and $198,134 through the exercise of stock options.

Investing activities

During the nine months ended December 31, 2020, the Company invested $5,021,199 in multiple guaranteed investment certificates with maturities of one year or less and are subject to insignificant risk of changes in value.

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: clinical trial costs, including regulatory, third-party CRO's and manufacturing for the clinical trials for favipiravir; regulatory, clinical manufacturing, non-clinical studies and Phase 2 clinical trial preparation for ATI-2307; supportive activities for pre-IND and IND-enabling activity costs for ATI-1701 including regulatory, manufacturing and non-clinical activities; chemistry and biological testing expenses to identify a clinical candidate for ATI-1503; 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 December 31, 2020, the Company had approximately $21.01 million of existing and identified potential sources of cash including:

- cash and short-term investments of $20.29 million; and
- amounts receivable and investment tax credits receivable of $0.72 million.

The Company completed the February 2020 Offering (as defined herein), the June 2020 Offering and the Concurrent Private Placement for aggregate gross proceeds of $27,215,000 and net proceeds of $24,767,260. Additionally, the Company also has been granted an U.S. PRMRP award for up to USD$3.0 million over the next two years to fund the Company's ATI-1503 program, of which the Company had only drawn down approximately USD$0.55 million as of December 31, 2020. The Company also has a USD$6.3 million DTRA grant, however while this grant is funding part of the development costs for the ATI-1701 program, only partial funding will be received directly by the Company. As of December 31, 2020, the Company had drawn down USD$0.02 million of this funding.

Going Concern

While the Company has cash resources of $21.01 million as well as access to the $2.45 million USD remaining PRMRP government grant, management does not believe it will be sufficient to fund operations, including the multiple clinical trials for favipiravir, for the next twelve months, while maintaining adequate working capital unless significant reduction of the Company's discretionary expenditures are made and further financing is obtained. The ability of the Company to continue as a going concern is dependent upon raising additional capital to fund the Company's current clinical trials for favipiravir, R&D activities for the other programs, 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, the results of the clinical trials and other 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 favorable 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.

FEBRUARY 2020 EQUITY OFFERING AND USE OF PROCEEDS

On February 20, 2020, the Company completed an offering of 12,812,500 units (each a "**February 2020 Unit**") at a price of $0.80 per February 2020 Unit, for aggregate proceeds of $10,250,000 (the "**February 2020 Offering**"). The Company intended to use the net proceeds of the February 2020 Offering to fund planned R&D activities for the Company's four product candidates including the recently acquired ATI-2307 antifungal program, the ATI-1701 tularemia vaccine program, and the antibiotic ATI-1503 program, as well as for working capital and general corporate purposes.

Intended Use of Proceeds	Estimated amount ($)	Approximate Amount to December 31, 2020 ($)	Variance ($)
ATI-2307 expenses	4,783,000	959,000	3,824,000
ATI-1701 expenses	202,000	179,000	23,000
ATI-1503 expenses	706,000	303,000	403,000
Other R&D expenses	649,000	346,000	303,000
Business Development	756,000	446,000	310,000
G&A	2,009,000	1,357,500	651,500
Working Capital	182,500	182,500	-
Total	**9,287,500**	**3,773,000**	**5,514,500**

JUNE 2020 EQUITY OFFERING AND USE OF PROCEEDS

On June 10, 2020, the Company completed an offering of 12,937,500 units of the Company (each, a "**June 2020 Unit**") at a price of $1.20 per June 2020 Unit, for aggregate proceeds of $15,525,000 (the "**June 2020 Offering**"). The Company intended to use the net proceeds of the June 2020 Offering to fund the sponsoring of favipiravir clinical trials for COVID-19, R&D activities for the Company's four product candidates including the recently acquired ATI-2307 antifungal program, the ATI-1701 tularemia vaccine program, and the antibiotic ATI-1503 program, as well as for working capital and general corporate purposes.

Intended Use of Proceeds	Estimated amount ($)	Approximate Amount to December 31, 2020 ($)	Variance ($)
Favipiravir expenses	7,445,000	4,154,000	3,291,000
ATI-2307 expenses	999,000	-	999,000
ATI-1701 expenses	599,000	-	599,000
ATI-1503 expenses	175,000	-	175,000
Other R&D expenses	840,000	-	840,000
Business Development	160,000	-	160,000
G&A	1,947,000	-	1,947,000
Working Capital	125,000	-	125,000
Total	**12,290,000**	**4,154,000**	**8,136,000**

RELATED PARTY TRANSACTIONS

The Company's Chief Executive Officer (formerly Chief Development Officer) is a partner of Bloom Burton & Co., which is a principal shareholder of the Company. At December 31, 2020, the Company owed $4,265 (March 31, 2020 - $nil) to the Chief Executive Officer (formerly Chief Development Officer) and during the nine months ended December 31, 2020, the Company was charged $277,510 (December 31, 2019 - $122,025) for services performed by the Chief Executive Officer (formerly Chief Development Officer).

During the nine months ended December, 2020, the Company was charged $15,000 (December 31, 2019 - $120,000) for consulting services in relation to business development activities by Bloom Burton Securities Inc. Also, during the nine months ended December 31, 2020, the Company issued 280,777 compensation warrants valued at $166,625 (December 31, 2020 - $nil) and paid $294,395 (December 31, 2020 - $nil) in cash commissions to Bloom Burton Securities Inc. resulting from the June 2020 Offering.

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. The initial payment under the Agreement is only due upon a future milestone being achieved, which the Company has anticipated to be in 2021. If this milestone is not met, no amounts would be due. Additional payments are due upon the achievement of additional milestones, including FDA approval and other various performance thresholds. If the Company meets all of the contractual FDA approval requirements, a total of USD$1,300,000 would be due under the contract prior to commercialization of the product. No payments have been made to date.

On October 30, 2020, the Company signed the Collaboration Agreement with DRL and GRA. Under the terms of the Collaboration Agreement, Appili is designing, overseeing, and funding pivotal clinical trials to support global regulatory submissions. Partners DRL, GRA, and FFTC will be responsible for manufacturing, distribution, and commercialization worldwide outside of Japan, China and Russia. The Company will receive a profit share on Canadian and US commercial sales and is eligible to receive royalties on rest of world sales realized by DRL and GRA, including in Europe and Latin America.

There is no other material change in the contractual obligations of the Company since the beginning of the 2021 fiscal year. Details on the contractual obligations of the Company can be found in the audited financial statements and related notes in the audited annual financial statements for the year ended March 31, 2020 and unaudited interim condensed consolidated financial statements for the nine months ended December 31, 2020.

OFF-BALANCE SHEET ARRANGEMENTS

The Company was not party to any off-balance sheet arrangements as of December 31, 2020.

OUTSTANDING SECURITIES

As of February 12, 2021, the Company had 62,578,194 issued and outstanding Common Shares, 4,538,538 stock options and 14,879,919 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 24, 2020 filed in respect of the fiscal year ended

March 31, 2020. 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

For the first time this quarter, following the graduation of the Company to the Toronto Stock Exchange in October 2020, the Company's Chief Executive Officer and Chief Financial Officer will certify on the design of the disclosure controls and procedures ("**DC&P**") and the internal controls over financial reporting ("**ICFR**") of the Company. 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 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 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 the CFO of the Company are responsible for establishing and maintain the Company's disclosure controls and procedures, including adherence to the Disclosure Policy adopted by the Company. The Disclosure Policy Requires all staff to keep senior management fully apprised of all material information affecting the Company so that they may evaluate and discuss this information and determine the appropriateness and timing for public disclosure.

The Company maintains disclosure controls and procedures 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 CFO have ensured evaluated whether there were changes to the disclosure controls and procedures during the period ended December 31, 2020 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 disclosure controls and procedures, 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 for the Company to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The fundamental issue is ensuring all transactions are properly authorized and identified and entered into a well-designed, robust and clearly understood accounting system on a timely basis to minimize risk of inaccuracy, failure to fairly reflect transactions, failure to fairly record transactions necessary to present financial statements in accordance with IFRS, unauthorized receipts and expenditures, or the inability to provide assurance that unauthorized acquisitions or dispositions of assets can be detected.

The CEO and CFO have evaluated whether there were changes to ICFR during the period ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, ICFR. No such changes were identified through their evaluation. In response to the COVID-19 pandemic, the Company asked its employees to work from home to the extent possible. This change requires certain processes and controls that were previously done or documented manually to be completed and retained in electronic form. Despite the changes required by the current

environment, there have been no significant changes in the Company's internal controls during the quarter ended December 31, 2020 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 Corporation's policies and procedures.

BASIS OF PRESENTATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the IFRS as issued by the IASB. The accounting policies, methods of computation and presentation applied in the financial statements are consistent with those of previous financial years except for the presentation of government assistance now presented as a separate item in the statements of loss and comprehensive loss. The Company's significant accounting policies are detailed in the notes to the audited financial statements for March 31, 2020.

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 the unaudited interim condensed consolidated financial statements for the nine months ended December 31, 2020.

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:

	December 31, 2020		March 31, 2020	
	Carrying value $	Fair value $	Carrying value $	Fair value $
Cash	15,236,202	15,236,202	10,509,630	10,509,630
Short-term investments	5,051,734	5,051,734	30,535	30,535
Amounts receivable	131,121	131,121	96,018	96,018
Accounts payable and accrued liabilities	3,126,617	3,126,617	1,323,495	1,323,495
Long-term debt	1,038,700	1,038,700	1,005,000	1,005,000

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 December 31, 2020, 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 following table outlines the contractual maturities for long-term debt which includes loans with a set repayment schedule, as well as loans that are repayable based on a percentage of revenues, for the Company's financial liabilities. The long-term debt is comprised of the contributions received described in note 8 of the unaudited interim condensed consolidated financial statements as at December 31, 2020:

	Total	Year 1	Years 2 to 3	Years 4 to 5	After 5 years
Accounts payable and accrued liabilities	3,126,617	3,126,617	-	-	-
Long-term debt	3,944,590	178,530	342,928	376,145	3,046,987
	7,071,207	3,305,147	342,928	376,145	3,046,987

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's annual information dated June 24, 2020 filed in respect of the fiscal year ended March 31, 2020, is available under the Company's profile on SEDAR at www.sedar.com.