ARCH BIOPARTNERS INC.

Condensed Interim Consolidated Financial Statements

Three Months Ended December 31, 2023

(Unaudited - See Notice of No Auditor Review)

ARCH BIOPARTNERS INC.

Index to Condensed Interim Consolidated Financial Statements

Three Months Ended December 31, 2023

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NOTICE OF NO AUDITOR REVIEW

To the Shareholders of Arch Biopartners Inc.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the management of the Company.

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim financial statements for the period ended December 31, 2023.

"Richard Muruve" Director

ARCH BIOPARTNERS INC.

Condensed Interim Consolidated Statement of Financial Position

December 31, 2023

(Unaudited - See Notice of No Auditor Review)

	December 31 2023	September 30 2023
ASSETS		
CURRENT		
Cash and cash equivalents	**$ 302,634**	$ 831,273
Goods and services tax recoverable	**44,821**	32,782
Prepaid expenses	**24,935**	43,029
Australian research and development credit *(Note 4)*	**264,088**	264,088
	$ 636,478	$ 1,171,172
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**$ 300,602**	$ 393,434
Interest payable on deferred convertible debt *(Note 7)*	**211,568**	172,500
Deferred convertible debt *(Note 7)*	**2,600,000**	2,600,000
Due to shareholder *(Note 8)*	**178,202**	-
Deferred revenue *(Notes 3, 16)*	**800,724**	1,098,869
Promissory note *(Note 13)*	**1,758,465**	1,712,267
	5,849,561	5,977,070
DEFERRED CONVERTIBLE DEBT *(Note 7)*	**500,000**	500,000
DUE TO SHAREHOLDER	**-**	203,921
	6,349,561	6,680,991
SHAREHOLDERS' DEFICIENCY		
Share capital *(Note 9)*	**15,882,508**	15,882,508
Contributed surplus *(Note 9)*	**7,238,606**	6,658,620
Deficit	**(28,834,197)**	(28,050,947)
	(5,713,083)	(5,509,819)
	$ 636,478	$ 1,171,172

ON BEHALF OF THE BOARD

"*Richard Muruve*" *Director*

"*Andrew Bishop*" *Director*

See notes to financial statements

ARCH BIOPARTNERS INC.

Condensed Interim Consolidated Statement of Comprehensive Loss

Three Months Ended December 31, 2023

(Unaudited - See Notice of No Auditor Review)

	***December 31,* 2023**	*December 31,* 2022
REVENUE		
Industry grants	**$ 298,145**	$ 434,719
EXPENSES		
Communication	**1,707**	1,294
Insurance	**6,794**	13,132
Interest and bank charges	**647**	419
Interest on long-term debt *(Notes 7, 8)*	**41,850**	42,351
Interest on promissory note *(Note 13)*	**46,198**	25,205
Marketing	**1,671**	2,094
Office	**8,823**	5,580
Patent *(Note 6)*	**34,223**	11,429
Professional fees	**67,776**	66,408
Regulatory and exchange fees	**14,490**	2,195
Research	**135,511**	456,066
Share based compensation *(Note 9)*	**579,986**	1,958,042
Transfer agent fee	**2,546**	3,692
Travel	**5,616**	2,490
Wages and employee benefits	**142,247**	55,066
	1,090,085	2,645,463
LOSS FROM OPERATIONS	**(791,940)**	(2,210,744)
FOREIGN EXCHANGE GAIN (LOSS)	**8,690**	52,943
NET AND COMPREHENSIVE LOSS	**$ (783,250)**	$ (2,157,801)
BASIC AND FULLY DILUTED LOSS PER SHARE	**$ (0.013)**	$ (0.035)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	**62,465,800**	62,337,822

See notes to financial statements

ARCH BIOPARTNERS INC.

Condensed Interim Consolidated Statement of Changes in Equity

Three Months Ended December 31, 2023

(Unaudited - See Notice of No Auditor Review)

	Share Capital	Contributed Surplus	Deficit	Total
BALANCE OCTOBER 1, 2022	**$ 15,553,049**	**$ 4,700,578**	**$ (24,724,219)**	**$ (4,470,592)**
Loss for the period	-	-	(2,157,801)	(2,157,801)
Share based compensation	-	1,958,042	-	1,958,042
Common shares issued	201,459	-	-	201,459
BALANCE AT DECEMBER 31, 2022	**$ 15,754,508**	**$ 6,658,620**	**$ (26,882,020)**	**(4,468,892)**
BALANCE AT OCTOBER 1, 2023	**$ 15,882,508**	**$ 6,658,620**	**$ (28,050,947)**	**(5,509,819)**
Loss for the period	-	-	(783,250)	(783,250)
Share based compensation (Note 9)	-	579,986	-	579,986
Common shares issued	-	-	-	-
BALANCE AT DECEMBER 31, 2023	**$ 15,882,508**	**$ 7,238,606**	**$ (28,834,197)**	**$ (5,713,083)**

See notes to financial statements

ARCH BIOPARTNERS INC.

Condensed Interim Consolidated Statement of Cash Flow

Three Months Ended December 31, 2023

(Unaudited - See Notice of No Auditor Review)

	December 31, 2023	December 31, 2022
OPERATING ACTIVITIES		
Cash paid to suppliers and employees	**$ (500,139)**	$ (296,111)
Interest paid	**(46,198)**	(419)
Cash flow used by operating activities	**(546,337)**	(296,530)
FINANCING ACTIVITIES		
Repayments of advances from shareholders	**(28,500)**	(50,000)
Proceeds from promissory note	**46,198**	-
Cash flow from (used by) financing activities	**17,698**	(50,000)
DECREASE IN CASH	**(528,639)**	(346,530)
CASH - BEGINNING OF PERIOD	**831,273**	506,348
CASH - END OF PERIOD	**$ 302,634**	$ 159,818

See notes to financial statements

1. DESCRIPTION OF OPERATIONS

Arch Biopartners Inc. ("Arch" or the "Company") is a portfolio-based biotechnology company focused on the development of innovative technologies that have the potential to make a significant medical or commercial impact. Arch works closely with the scientific community, universities and research institutions to advance and build the value of select preclinical technologies, develop the most promising intellectual property, and create value for its investors.

At present, the Company is focused on the clinical development of its novel drug platform targeting dipeptidace-1 (DPEP-1) mediated organ inflammation in the lungs, liver and kidneys. Organ inflammation often results in organ damage or failure, including in the cases of ischemia reperfusin, toxic insult, crush injury (kidney), viral infections and sepsis. The Company's lead drug candidate is LSALT Peptide (also known as "Metablok")

The company continues to purse the clinical development of LSALT Peptide and other DPEP-1 targeting drug candidates for indications where inflammation of the lungs, liver and kidneys is an unmet problem.

The Company owns, or has exclusive licensing rights on the intellectual property ("IP") emanating from its drug development programs.

The Company is incorporated under the Business Corporation Act (Ontario) with continuance under the Canadian Business Corporations Act. As at December 31, 2023, the Company has four subsidiaries, 100% owned, that continue to operate as separate entities, and are consolidated for financial purposes. The status of each subsidiary is as follows:

Arch Clinical Pty Ltd. (Australia) was used in the past as a vehicle to conduct a Phase I human trial in Australia. A dose escalation trial was conducted in early 2023.

Arch Bio Ohio Inc. (Delaware) is an entity available to the Company for any United States operations. Currently a dormant entity with no active operations.

Arch Bio Ireland Ltd. is a dormant subsidiary and was formed as a holding company to act as the holder of an orphan drug designation from the European Medicines Authority. This subsidiary has no active operations.

Arch Cancer Therapeutics Ltd. (Alberta) is a holding company for IP assignments. Currently no active operations

2. BASIS OF PREPARATION

Statement of Compliance

The financial statements of the Company for the period-ended September 30, 2023 were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements for the three month period ended December 31, 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on February 28, 2024.

Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis.

The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Going Concern of Operations

These consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of operations for at least twelve months from December 31, 2023. As at December 31, 2023, the Company had a working capital deficit (current assets less current liabilities) of $5,213,083 (December 31, 2022: $2,117,604).

During the three-months ended December 31, 2023, the Company incurred a net and comprehensive loss of $783,250 (2022: $2,157,801) and has an accumulated deficit of $28,834,197 as at December 31, 2023 December 31, 2022: $26,882,020).

The Company is in the process of performing further research and development, and has not yet determined whether costs incurred are economically recoverable. The Company's continuing operations are dependent upon any one of:

1. the existence of economically recoverable medical or industrial solutions;
2. the ability of the Company to obtain the necessary financing to complete the research; or
3. future profitable production from, or proceeds from the disposition of intellectual property.

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2. BASIS OF PREPARATION *(continued)*

There are no assurances that management's plan will be realized, management believes the Company will be able to secure the necessary financing to continue operations into the future. The financial statements do not include any adjustments to the recoverability and classification of recorded assets, or the amounts of, and classification of liabilities that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

The above events and conditions indicate there is a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

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2. BASIS OF PREPARATION *(continued)*

Basis of Consolidation

These condensed consolidated interim financial statements include the assets and liabilities and results of operations of the Company and its wholly-owned subsidiaries, Arch Cancer Therapeutics Inc., Arch Bio Ohio Inc., Arch Clinical Party Ltd., and Arch Bio Ireland Ltd.

Arch Bio Ohio Inc., Arch Clinical Party Ltd., and Arch Bio Ireland Ltd. are considered to be integrated foreign subsidiaries and are consolidated using the temporal method as described in note 3.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgment. The financial statements have, in management's opinion, been properly prepared within the reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks overdrafts and term deposits having maturity of three months or less at acquistion, which are held for the purpose of meeting short-term cash commitments.

Foreign Currency Transactions

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the period-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the period-end date and the related translation differences are recognized in net income.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated.

Temporal Method of Consolidating Foreign Subsidiaries:

Monetary assets and liabilities are translated at year end using the year end exchange rate. Non-monetary assets are translated at the rate of exchange prevailing at the date of transaction. Revenues and expenses are translated at the average rates of exchange during the year, except for amortization, which is translated at the same rate as the related asset.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Loss per share

The Company uses the treasury stock method to calculate earnings (loss) per share. Basic earnings (loss) per common share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding for the period. To calculate diluted earnings per share, all options and warrants whose average exercise price is less than or equal to the average share price for the year are assumed to be exercised, unless anti-dilutive. Also under this method, certain shares are considered contingently issuable, such as escrowed shares subject to release based on performance criteria, are excluded from the calculation of weighted average common shares.

For the quarter ended December 31, 2023, potentially dilutive common shares (relating to options and warrants outstanding at year end) totaling 5,435,000 (December 31, 2022 - 5,535,000) were not included in the computation of loss per share because their effect was anti-dilutive. Therefore, diluted loss per share is the same as basic loss per share.

Revenue recognition

Revenue and cost recoveries on the sales, assignment and transfer of rights of patents are recorded in the period in which the agreement relates.

Interest income is recognized as earned.

Amounts relating to industry grants are recognized as income on a systematic basis as expenses are incurred, and are recorded only when management estimates that receivables are reasonably determined to be collectible

Deferred revenue consists of amounts received that have not been recognized as revenue as of December 31, 2023. These amounts will be recognized when related expenses are incurred..

Patent fees

The Company has expensed all costs incurred with the review of patentability of intellectual property. Patent fees paid for approved patent applications are expensed, since recoverability is uncertain. Future patent costs may be capitalized if future recoverability is readily estimable.

Research and development

The company incurs costs on activities that relate to research and development of new products. Some of the research and development costs incurred are eligible for refundable tax credits and these tax credits are accounted for on a net basis, with the credits reducing the reported research expenses.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial Assets

Financial assets are classified as into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Loans and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Fair value through profit or loss assets

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Fair value through profit or loss assets are measured at fair value with changes in those fair values recognized in the statement of comprehensive loss. Transaction costs are expensed when incurred.

Impairment on Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise accounts payables, accrued liabilities, deferred convertible debt, promissory note and amounts due to shareholder. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Accounts payables and accrued liabilities represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Accounts payables and accrued liabilities amounts are unsecured and are usually paid within one month of recognition.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

Leases are accounted for by recognizing a right-of-use asset and corresponding lease liability when the asset is ready for use, except for when the lease is of low value or has a duration of twelve months or less. In these instances, amounts are expensed in the financial statements when incurred.

Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted.

Where the terms and conditions of options are modified before they vest, any increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss, unless they are related to the issuance of shares, in which case they are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are reflected in contributed surplus, until exercised.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Standards, Amendments and Interpretations Not Yet Effective

The following new standards, amendments and interpretations, that have not been early adopted in these financial statements, are not expected to have an effect on the Company's short-term results and financial position: Given the nature of operations for the company, management is continuing to review the following standards and will apply them if there will be any impact

IAS 1 Presentation of Financial Statements

Amendments to IAS 1 clarify the classification of current and non-current liabilities. The Company does not expect that the implementation of IAS 1 will have a material affect on the Company's financial statements.

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments

Amendments to IAS 1 and IFRS Practice Statement 2 clarify the rules regarding disclosure of accounting policy information in financial statements. The Company does not expect that the implementation of IAS 1 and IFRS Practice Statement 2 will have a material affect on the Company's financial statements.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Amendments to IAS 8 clarify accounting for estimates. The Company does not expect that the implementation of IAS 8 will have a material affect on the Company's financial statements.

IAS 12 Income Taxes

Amendments to IAS 12 clarify the accounting for deferred tax assets and liabilities. The Company does not expect that the implementation of IAS 12 will have a material affect on the Company's financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the condensed interim consolidated financial statements within the next financial year are discussed below:

Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 9.

Research and development tax credits

The company incurs research and development costs which are eligible for refundable tax credits and accounted for on a net basis, as described in Note 3. For the 3 month period ended December 31, 2023, the Company has incurred research and development expenses in Australia which are eligible for Australian research and deveolpment tax credits of up to 43.5% od incurred costs.

The company has estimated their credit based on what they believe to be eligible expenditures, however, there is judgement used in calculating the credit amount.

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

As the Company has applied for and received this credit in the past, they are aware of the conditions required and believe that they are in compliance as it related to their expenses incurred during the year ended September 30, 2023. Based on the Company's history of receiving the research and development tax credit, there is reasonable assurance that the Company will receive the amount claimed for the research and development expenses.

As at December 31, 2023, the Company has recognized a receivable tax credit of $264,088, for costs incurred in the prior year.

5. FINANCIAL INSTRUMENTS

The company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, polices and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

General Objectives, Policies and Processes:

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors receives monthly reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of interest rate risk and currency risk.

Interest Rate Risk:
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. There is currently no interest rate risk as all outstanding debts have fixed interest rates.

Currency Risk:
Currency risk is the risk to the company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of those rates. The Company is exposed to foreign currency exchange risk on cash and accounts payable and accrued liabilities. Had the currency rate been +/- 5% higher/lower at December 31, 2023, the resulting change to the net loss would have been $3,238.

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5. FINANCIAL INSTRUMENTS *(continued)*

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company's credit risk is also attributable to its receivables. The amounts disclosed in the balance sheet are net of allowances for bad debts, estimated by the Company's management based on prior experience and their assessment of the current economic environment. The Company believes the credit risk of its receivables is limited due to the fact that the amounts owing, for which no allowance for bad debts was recorded, consists of goods and services taxes receivable from the Government of Canada and grants receivable from government agencies.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk by maintaining adequate cash and restricted cash balances. The Company continuously monitors both actual and forecasted cash flows and matches the maturity profile of financial assets and liabilities.

As at December 31, 2023, the Company has current assets of $636,478 (December 2022 - $718,124) to settle current liabilities due in twelve months or less of $5,969,504 (December 2022 - $2,895,728).

Determination of Fair Value:

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The consolidated balance sheet carrying amounts for cash, accounts receivable, accounts payable and accrued liabilities and short term debt approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

	December 31, 2023		September 30, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	**$ 302,634**	**$ 302,634**	$ 831,273	$ 831,273
Australian research and development credit	**264,088**	**264,088**	264,088	264,088
Goods and services tax recoverable	**44,821**	**44,821**	32,782	32,782
Accounts payable and accrued liabilities	**(300,602)**	**(300,602)**	(393,434)	(393,434)
Promissory note	**(1,758,465)**	**(1,758,465)**	(1,712,267)	(1,712,267)
Interest payable on convertible debt	**(211,568)**	**(211,568)**	(172,500)	(172,500)
Deferred convertible debt	**(3,100,000)**	**(3,100,000)**	(3,100,000)	(3,100,000)
Due to shareholder	**(178,202)**	**(178,202)**	(203,921)	(203,921)
	$ (4,937,294)	**$ (4,937,294)**	$ (4,453,979)	$ (4,453,979)

6. PATENTS AND RESEARCH EXPENSES

As at December 31, 2023 it was difficult to determine the value and the future recoverability of patents owned by the Company and research expenses incurred. The Company has chosen to take a conservative approach, and expense all costs relating to patents and research. Future patent costs may be capitalized if future recoverability is readily estimable.

7. DEFERRED CONVERTIBLE NOTE FINANCING

The Company had previously closed a non-brokered, unsecured convertible note financing for which they received gross proceeds of $500,000 ("Note A"), $600,000 ("Note B"), $500,000 ("Note C"), $1,000,000 ("Note D"), and $500,000 ("Note E") respectively.

Note A ($500,000) was scheduled to mature on March 31, 2023, but the term of the note was extended to September 30, 2024. The Note will be convertible, at the option of the holder, into Common Shares of the Company at a price per share of $0.50, in the thirty-day period prior to maturity of the Note. The Note bears interest of 5% per annum, which is payable in kind by the Company with Common Shares to be issued at the then market price for the Common Shares and subject to TSX Venture Exchange approval in each instance.

Note B ($600,000) was scheduled to mature on February 28, 2023, but the term of the note was extended to September 30, 2024. The Note will be convertible, at the option of the holder, into Common Shares of the Company at a price per share of $0.60, in the thirty-day period prior to maturity of the Note. The Note bears interest of 5% per annum, which is payable in-kind by the Company with Common Shares to be issued at the then market price for the Common Shares and subject to TSX Venture Exchange approval in each instance.

Note C ($500,000) was scheduled to mature on January 24, 2024, but the term of the note was extended to September 30, 2024. The note will be convertible, at the option of the holder, into Common Shares in the capital of the Company at a price per common share of $1.27, in the thirty-day period prior to the maturity of the Note. The Note bears interest at 5% per annum, which is payable in-kind by the Company with Common Shares to be issued at then market prices for the Common Shares and subject to TSX Venture Exchange approval in each instance.

Note D ($1,000,000) was scheduled to mature on March 31 2023, but the term of the note was extended to September 30, 2024. The Note will be convertible at the option of the holder, into common shares in the Company at a price per share of $1.21, in the thirty-day period prior to maturity of the Note. The note bears simple interest at a rate of 5% per annum, which is payable in kind by the Company with Common Shares to be issued at then market price for the Common Shares, subject to TSX Venture Exchange approval.

Note E ($500,000) matures on February 1, 2025 and will be convertible, at the option of the holder, into Common Shares in the capital of the Company at a price per common share of $0.89, in the thirty-day period prior to the maturity of the Note. The Note bears interest at 8.5% per annum, which is payable in-kind by the Company with common shares to be issued at then market prices for the Common Shares and subject to TSX Venture Exchange approval in each instance.

Accrued interest at December 31, 2023 relating to these Notes is $211,568 (September 30, 2023 - $172,500).

8. DUE TO SHAREHOLDER

The amount reflected as due to shareholder consists of a demand promissory note payable to the chief executive of the company.

During the three month period ended December 31, 2023, interest expense of $2,781 (December 2022 - $3,282) has been recorded as a result of this loan. During the three month period ended December 31, 2023, $28,000 (December 2022 - $50,000) of the loan was repaid to the shareholder.

The company extended the term of the outstanding shareholder's demand promissory notes. The shareholder's loan has been extended to September 30, 2024 at a fixed rate of 6% per annum paid (or accrued) semi-annually. The consolidated principal together with any accrued interest will become due and will be paid in full on demand so long as such payment does not reduce the Company's ability to complete its product development work plan for any given 12 month period from the date of repayment.

9. SHARE CAPITAL

Authorized:
Unlimited Common voting shares

	# of shares		Amount
Issued and fully paid common shares:			
Balance October 1, 2022	62,330,292	$	15,553,049
Shares issued	268,523		329,459
Balance, September 30, 2023	62,598,815		15,882,508
Shares issued	156,818 -		-
Balance December 31, 2023	**62,755,633**	**$**	**15,882,508**

During the year ended September 30, 2023, the Company had settled interest on converible notes described in Note 7. Interest accrued on those notes to September 30, 2022 in the amount of $201,459 was settled with the issuance of 68,523 cpmmon shares for a price of $2.94 per share.

The Company had 200,00 common share options exercised during the year ended September 30, 2023. (100,000 @ $0.50 per share and 100,000 @ $0.78 per share)

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9. SHARE CAPITAL *(continued)*

	Number of Options at Oct. 1, 2021	Options exercised	Options expired	Options issued	Options remaining at Sep. 30, 2022
	4,900,000	250,000	50,000	-	4,600,000
Weighted average exercise price	$0.88	$1.48	$1.24	$-	$0.85

Expiry Date	Exercise Price	Vesting Period	Number of options at Oct. 1, 2023	Options exercised	Options expired	Options issued	Options remaining at Dec. 31, 2023
Apr-2024	$0.50	Fully vested	1,850,000	-	-	-	1,850,000
Jun-2024	$1.36	Fully vested	100,000	-	-	-	100,000
Mar-2025	$0.60	Fully vested	250,000	-	-	-	250,000
Jun-2025	$1.48	Fully vested	200,000	-	-	-	200,000
May-2028	$0.78	Fully vested	1,000,000	-	-	-	1,000,000
May-2029	$1.25	Fully vested	20,000	-	-	-	20,000
Jun-2030	$1.48	Fully vested	880,000	-	-	-	880,000
Dec-2026	$3.00	Fully vested	100,000	-	-	-	100,000
Dec-2032	$3.00	Fully vested	635,000	-	-	-	635,000
Dec-2033	$1.50	Fully vested	-	-	-	400,000	400,000
			5,035,000	-	-	400,000	5,435,000
Weighted average exercise price			$1.16	$-	$-	$1.50	$1.18

All issued options have fully vested and are exercisable as of December 31, 2023

Stock-based compensation

During the three month period ended December 31, 2023 the Company granted 400,000 incentive stock options. 400,000 of these stock options are exercisable into a common share of the company for a period ten years. The total compensation expense, as calculated using the Black-Scholes option pricing model, for the stock options granted was $579,986. The expense relating to the issuance of these options is recorded in the Statement of Loss with an offsetting increase to contributed surplus.

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9. SHARE CAPITAL *(continued)*

The fair value of 400,000 options that have vested during the period ended December 31, 2023 is estimated on the date of grant using the Black-Scholes Option Pricing Model, with the following weighted average assumptions:

	December 31, 2023
Risk free interest rate	5.00%
Expected dividend yield	NIL
Expected stock price volatility	263.29%
Expected option life in years	10 years
Option exercise price	$1.50
Fair value of options granted	$1.45

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Change in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

10. RELATED PARTY TRANSACTIONS

	Three months ended December 31, 2023	Three months ended December 31, 2022
Key Management		
Compensation	**$ 37,500**	$ 37,500
Interest accrued on note payable	**2,781**	3,283
	$ 40,281	$ 40,783

11. EXECUTIVE COMPENSATION

COMPENSATION OF NAMED EXECUTIVE OFFICERS

Richard Muruve served as Chief Executive Officer of the Company, Andrew Bishop served as Chief Financial Officer of the Company and Daniel Muruve served as Chief Science Officer of the Company throughout the reporting period (the "Named Executive Officers"). The following table provides a summary of the compensation earned by the Named Executive Officers during the reporting period and in the same period of the preceding two financial years, as applicable.

Summary Compensation

		Compensation			Long-Term Compensation
Name and principle position	**October 1 to December 31**	**Salary**	**Bonus**	**Other annual compensation**	**Securities under options granted**
Richard Muruve	2023	$150,000	$NIL	$NIL	200,000
Chief Executive Officer	2022	$112,500	$NIL	$NIL	NIL
	2021	$100,000	$NIL	$NIL	NIL
Andrew Bishop	2023	$NIL	$NIL	$NIL	300,000
Chief Financial Officer	2022	$NIL	$NIL	$NIL	NIL
	2021	$NIL	$NIL	$NIL	NIL
Daniel Muruve	2023	$NIL	$NIL	$NIL	150,000
Chief Science Officer	2022	$NIL	$NIL	$NIL	NIL
	2021	$NIL	$NIL	$NIL	NIL

(continues)

11. EXECUTIVE COMPENSATION *(continued)*

Options

During the period ended December 31, 2023 stock options were granted to the Named Executive Officers and no options were repriced during the reporting period, nor were any options exercised by the Named Executive Officers. The following table sets out the value of unexercised incentive stock options, if any, as at December 31, 2023.

Named Executive Officers	Securities acquired on exercise	Aggregate value realized	Unexercised options as at December 31, 2023 Exercisable/Unexercisable	Value of unexercised in-the-money options at December 31, 2023 Exercisable/Unexercisable
Richard Muruve *Chief Executive Officer*	NIL	N/A	1,275,000/0	$731,500/NIL
Andrew Bishop *Chief Financial Officer*	NIL	N/A	1,175,000/0	$549,500/NIL
Daniel Muruve *Chief Science Officer*	NIL	N/A	800,000/0	$434,000/NIL

COMPENSATION OF DIRECTORS

Due to the Company's early stage of development and small size of the board, the Board's Nominating and Compensation Committee has maintained the Corporation's recent practice of not compensating board members, other than the share based payments noted in note 9.

Options

During the period ended December 31, 2023 stock options were granted to the Directors and no options were repriced during the reporting period, nor were any options exercised by the Directors. The following table sets out the value of unexercised incentive stock options, if any, as at December 31, 2023.

Director	Securities acquired on exercise	Aggregate value realized	Unexercised options as at December 31, 2023 Exercisable/Unexercisable	Value of unexercised in-the-money options at December 31, 2023 Exercisable/Unexercisable
Claude Allary	NIL	N/A	450,000/0	$168,000/NIL
Richard Rossman	NIL	N/A	350,000/0	$168,000/NIL

12. CAPITAL DISCLOSURES

The Company's objectives when managing capital are to maintain a strong capital base in order to:

1. Advance the Company's corporate strategies to create long-term value for its stakeholders;

2. Ensure compliance with the covenants of any applicable credit facility and other financing facilities used from time to time.

The Company monitors its capital and capital structure on an ongoing basis to ensure it is sufficient to achieve the Company's short-term and long-term strategic objectives. Management primarily funds the Company's operations and product development by issuing share capital, rather than using other capital sources that require fixed cash repayments of principal and interest. The Company closely watches its cash balances. The balance of current assets as at December 31, 2023 was $636,478 (2022- $718,124). There are presently no formal capital requirements with which the Company has not complied.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company’s approach to capital management during the period ended December 31, 2023.

13. PROMISSORY NOTE

On April 6, 2021 the Company entered into a short-term financing agreement with an arm's length party. The note carries interest at 10% per annum. The maturity date of the note is January 22, 2024. The purpose of the note is to reduce accounts payable until amounts are received from the Innovation, Science and Economic Development Canada contribution. During the period ending December 31, 2023, the maturity date was extended to April 15, 2024.

During the period ended December 31, 2023, interest expense in the amount of $25,205 was incurred in relation to this note.

On December 31, 2023 the balance of the promissory note consists of the principal of this note in the amount of $1 million and accrued interest on this note in the amount of $25,205.

On March 22, 2023 a $1,500,000 60 day promissory note was signed to pay vendors who performed work related to the National Research Council of Canada Research Assistance Program project (As described in Note 16). The promissory note bears interest at a rate of 15% per annum and a maturity date of September 30, 2024. On May 11, 2023 $1,000,000 was repaid. Interest payable of $60,000 has been accrued and included with the promissory note on the Consolidated Statement of Financial Postion.

14. SEGMENT REPORTING

The Company is engaged in the development of innovative technologies that have the potential to make a significant medical or commercial impact. Each subsidiary is an operating segment, however, for segment reporting purposes, the Company and its subsidiaries are considered one reporting segment as all activity is effectively in the same line of business. All grant revenues were generated in Canada.

15. TERM DEPOSITS

As of December 31, 2023 this is a guaranted investment certificate in the amount of $316,533. This is a rolling three-month invetment that bears interest at 4% per annum.

16. NRC IRAP FUNDING

On March 23.2023, the Company announced that it is receiving advisory services and up to $4,000,000 in funding for the National Research Council of Canada Industrial Research Assistance Program ("NRC IRAP") to support the research and development of the LSALT Peptide (Metablok) program. LSALT Peptide is the Company's lead drug candidate for treating acute inflammation injury in the lungs, kidneys and liver.

$2,551,717 was claimed and received under this program during the year ended September 30, 2023. $1,570,712 was recognized as revenue in the prior year. $1,098,869 was deferred to the current year.

The research and development funding form NRC IRAP will help support several sub-tasks needed to advance the LSALT Peptide drug program. These include: dose escalation studies; costs incurred by Arch during the Canadian Treatments for COVID-19 Phase III human trial; manufacturing new drug product supply to support future non-COVID human trials; the non-COVID Phase II trials (sach as cardiac surgury associated acute kidney injury trial) to gather more human data to support future drug approval; and, additional non-clinical studies to discover potential biomarkers and to further understand the mechanism of action related to LSALT Peptide.