

**ARCH BIOPARTNERS INC.**  
**Consolidated Financial Statements**  
**Years Ended September 30, 2025 and September 30, 2024**

**ARCH BIOPARTNERS INC.**  
**Index to Consolidated Financial Statements**  
**Years Ended September 30, 2025 and September 30, 2024**

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**Baker Tilly HMA LLP**  
701 - 330 Portage Avenue  
Winnipeg, MB R3C 0C4

**T:** 204.989.2229  
**TF:** 1.866.730.4777  
**F:** 204.944.9923

winnipeg@bakertilly.ca  
[www.bakertilly.ca](http://www.bakertilly.ca)

## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders  
Arch Biopartners Inc.

### **Opinion**

We have audited the consolidated financial statements of Arch Biopartners Inc. and its subsidiaries, (the Company), which comprise the consolidated statements of financial position as at September 30, 2025 and September 30, 2024 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2025 and September 30, 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Material Uncertainty Related to Going Concern**

Without modifying our opinion, we draw attention to Note 2 – Going Concern of Operations in the financial statements which highlights the existence of a material uncertainty relating to conditions that cast significant doubt on the Company's ability to continue as a going concern.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the year ended September 30, 2025. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material uncertainty related to going concern section, we have determined that there were no additional key audit matters to communicate in our report.

### **Other Information**

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Dion C. Bird.

*Baker Tilly* HMALCP

Chartered Professional Accountants

Winnipeg, Manitoba  
January 28, 2026


**ARCH BIOPARTNERS INC.**  
**Consolidated Statement of Financial Position**  
**As at September 30, 2025 and September 30, 2024**

	2025	2024
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 2,102	\$ 2,970
Amounts receivable	-	724,673
Goods and services tax recoverable	77,743	174,643
Prepaid expenses	24,685	33,329
	<u>\$ 104,530</u>	<u>\$ 935,615</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 1,042,203	\$ 2,316,932
Government remittances payable	103,953	35,531
Deferred revenue (Note 3)	-	117,865
Promissory notes (Note 16)	2,495,059	2,270,059
Interest payable on deferred convertible debt (Note 8)	-	42,925
Deferred convertible debt (Note 8)	-	500,000
Due to shareholder (Note 9)	344,851	-
	<u>3,986,066</u>	<u>5,283,312</u>
<b>SHAREHOLDERS' DEFICIENCY</b>		
Share capital (Note 10)	20,346,635	18,252,695
Contributed surplus	6,601,189	6,676,224
Warrants (Note 10)	2,694,619	2,694,619
Deficit	(33,523,979)	(31,971,235)
	<u>(3,881,536)</u>	<u>(4,347,697)</u>
	<u>\$ 104,530</u>	<u>\$ 935,615</u>

**ON BEHALF OF THE BOARD**

*"Richard Marawa"*

\_\_\_\_\_  
Director



\_\_\_\_\_  
Director

**ARCH BIOPARTNERS INC.**  
**Consolidated Statement of Comprehensive Loss**  
**Years Ended September 30, 2025 and September 30, 2024**

	2025	2024
<b>REVENUES</b>		
Industry grants <i>(Notes 15, 18)</i>	\$ 275,944	\$ 2,121,850
<b>EXPENSES</b>		
Communication	11,111	17,076
Insurance	13,665	15,844
Interest and bank charges	3,199	2,639
Interest on long-term debt	29,936	178,957
Interest on promissory notes <i>(Note 16)</i>	225,000	207,792
Marketing	83,009	8,422
Office	40,722	35,781
Patent <i>(Note 7)</i>	218,021	132,631
Professional fees	416,954	341,845
Regulatory and exchange fees	87,489	80,229
Research <i>(Notes 4, 7)</i>	(9,518)	3,645,393
Share based compensation <i>(Note 10)</i>	216,161	852,791
Transfer agent fee	19,746	21,893
Travel	14,175	15,131
Wages and employee benefits	406,086	512,539
	<u>1,775,756</u>	<u>6,068,963</u>
<b>LOSS FROM OPERATIONS</b>	<u>(1,499,812)</u>	<u>(3,947,113)</u>
<b>OTHER INCOME</b>		
Foreign exchange gain (loss)	(52,932)	15,944
Interest Income	-	4,072
Other income	-	6,809
	<u>(52,932)</u>	<u>26,825</u>
<b>NET AND COMPREHENSIVE LOSS</b>	<u>\$ (1,552,744)</u>	<u>\$ (3,920,288)</u>
<b>BASIC AND FULLY DILUTED LOSS PER SHARE</b>	<u>\$ (0.024)</u>	<u>\$ (0.062)</u>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>	<u>65,604,077</u>	<u>63,380,517</u>

See notes to financial statements

**ARCH BIOPARTNERS INC.**  
**Consolidated Statement of Changes in Equity**  
**Years Ended September 30, 2025 and September 30, 2024**

	Share capital	Warrants	Contributed Surplus	Deficit	Total
<b>BALANCE OCTOBER 1, 2023</b>	\$ 15,882,508	\$ -	\$ 6,658,620	\$ (28,050,947)	\$ (5,509,819)
Loss for the year	-	-	-	(3,920,288)	(3,920,288)
Share based compensation	-	-	852,791	-	852,791
Warrants	-	2,694,619	-	-	2,694,619
Common shares issued ( <i>Note 10</i> )	1,535,000	-	-	-	1,535,000
Transfer for exercised options	835,187	-	(835,187)	-	-
<b>BALANCE SEPTEMBER 30, 2024</b>	<u>\$ 18,252,695</u>	<u>\$ 2,694,619</u>	<u>\$ 6,676,224</u>	<u>\$ (31,971,235)</u>	<u>\$ (4,347,697)</u>
<b>BALANCE OCTOBER 1, 2024</b>	\$ 18,252,695	\$ 2,694,619	\$ 6,676,224	\$ (31,971,235)	\$ (4,347,697)
Loss for the year	-	-	-	(1,552,744)	(1,552,744)
Share based compensation	-	-	216,161	-	216,161
Transfer for exercised options	291,196	-	(291,196)	-	-
Common shares issued ( <i>Note 10</i> )	1,802,744	-	-	-	1,802,744
<b>BALANCE SEPTEMBER 30, 2025</b>	<u>\$ 20,346,635</u>	<u>\$ 2,694,619</u>	<u>\$ 6,601,189</u>	<u>\$ (33,523,979)</u>	<u>\$ (3,881,536)</u>

See notes to financial statements



**ARCH BIOPARTNERS INC.**  
**Consolidated Statement of Cash Flows**  
**Years Ended September 30, 2025 and September 30, 2024**

	2025	2024
<b>OPERATING ACTIVITIES</b>		
Cash receipts from industry grants and other sources	\$ 882,752	\$ 691,142
Cash paid to suppliers, employees and government	(2,455,155)	(3,019,673)
Interest paid	(11,682)	(2,639)
	<u>(1,584,085)</u>	<u>(2,331,170)</u>
Cash flow used by operating activities		
<b>FINANCING ACTIVITIES</b>		
Advances from (repayments to) shareholders	337,720	(209,633)
Proceeds from promissory notes	-	350,000
Issuance of share capital	1,245,497	1,362,500
	<u>1,583,217</u>	<u>1,502,867</u>
Cash flow from financing activities		
<b>DECREASE IN CASH</b>	<b>(868)</b>	<b>(828,303)</b>
<b>CASH - BEGINNING OF YEAR</b>	<b><u>2,970</u></b>	<b><u>831,273</u></b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b><u>\$ 2,102</u></b>	<b><u>\$ 2,970</u></b>
<b>CASH CONSISTS OF:</b>		
Cash and cash equivalents	<b><u>\$ 2,102</u></b>	<b><u>\$ 2,970</u></b>

See notes to financial statements

**ARCH BIOPARTNERS INC.**  
**Notes to Consolidated Financial Statements**  
**Years Ended September 30, 2025 and September 30, 2024**

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**1. DESCRIPTION OF OPERATIONS**

Arch Biopartners Inc. ("Arch" or the "Company") is a late-stage clinical trial company focused on preventing acute kidney and organ damage caused by inflammation. The Company is developing a platform of novel drugs targeting the dipeptidase-1 (DPEP1) inflammation pathway prevalent in the kidneys, lungs and liver. Organ inflammation often results in organ damage or failure, in such cases as ischemia reperfusion, toxic insult, viral infections and sepsis.

The Company's lead drug candidates, LSALT peptide and cilastatin, are being developed to target kidney injury caused by inflammation or toxins respectively, which are both significant unmet medical needs. Clinical development of these two drug candidates is currently ongoing.

LSALT peptide is currently being dosed in a Phase II trial targeting inflammation related acute kidney injury often experienced by patients undergoing on-pump (bypass) cardiac surgery.

A Phase II trial entitled "Prevention Of Nephrotoxin-Induced Acute Kidney injury using cilastatin" (PONTIAK trial) is currently in the final stages of preparation. This investigator led trial is being funded by third-party research grants. The Company is providing the cilastatin drug supply required to support the trial.

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, and principal place of business and registered office is 545 King St. W, Toronto, Ontario, Canada M5V 1M1. 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.

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**2. BASIS OF PREPARATION**

Statement of Compliance

The financial statements of the Company for the year ended September 30, 2025 were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Board of Directors on January 28, 2026.

Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are stated at fair value.

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.

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**ARCH BIOPARTNERS INC.**  
**Notes to Consolidated Financial Statements**  
**Years Ended September 30, 2025 and September 30, 2024**

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2. BASIS OF PREPARATION *(continued)*

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 September 30, 2025. As at September 30, 2025, the Company had a working capital deficit (current assets less current liabilities) of \$3,881,536 (September 30, 2024 - \$4,347,697).

During the year ended September 30, 2025, the Company incurred a net and comprehensive loss of \$1,552,744 (2024 - \$3,920,288) and has an accumulated deficit of \$33,523,979 as at September 30, 2025 (September 30, 2024 - \$31,971,235).

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.

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.

Basis of Consolidation

These consolidated 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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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 bank net of bank overdrafts and term deposits having maturity of three months or less at acquisition, which are held for the purpose of meeting short-term cash commitments.

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**ARCH BIOPARTNERS INC.**  
**Notes to Consolidated Financial Statements**  
**Years Ended September 30, 2025 and September 30, 2024**

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

Foreign currency translation

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 year end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year 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.

Consolidating foreign subsidiaries

Transactions in foreign currencies are translated to the respective functional currency of each entity within the consolidated group using the exchange rates in effect at the date of the transaction. The foreign subsidiaries had no active operations in the recent years. The functional currency of all the subsidiaries is the same as that of the parent company which is Canadian Dollars. These subsidiaries act as an extension of the parent company with all management decisions based in Canada, and all operational activities to be undertaken for the benefit of the parent company.

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.

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 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 year ended September 30, 2025, potentially dilutive common shares (relating to options and warrants outstanding at year end) totaling 7,827,500 (September 30, 2024 - 7,802,500) 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 when there is reasonable assurance that the Company will comply with the conditions attached to them and 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 year end. These amounts are recognized when related expenses are incurred.

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**ARCH BIOPARTNERS INC.**  
**Notes to Consolidated Financial Statements**  
**Years Ended September 30, 2025 and September 30, 2024**

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

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, the determination of future economic benefits to be derived is difficult to determine. Future patent costs may be capitalized if future recoverability is readily estimable.

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:

- Loans and receivables (amortized cost)

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.

- 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.

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*

Loans and receivables 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*

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 and 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.

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**ARCH BIOPARTNERS INC.**  
**Notes to Consolidated Financial Statements**  
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

*Fair value measurement*

Fair value is defined as the price to sell an asset or transfer a liability (i.e. the “exit price”) in an orderly transaction between market participants. Management uses a fair value hierarchy that gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. The fair value hierarchy is broken down into the following three levels:

*Level 1:* Fair value based on unadjusted quoted prices in active markets for identical assets or liabilities.

*Level 2:* Fair value based on quoted prices in active markets for similar assets or liabilities, quoted prices for identical assets or liabilities in inactive markets, or for which significant inputs are observable (e.g. interest rates, yield curves, etc.) or can be corroborated by observable market data.

*Level 3:* Fair value based on inputs that are unobservable and significant to the overall fair value measurement. The unobservable inputs reflect significant management judgments about assumptions that market participants might use.

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**ARCH BIOPARTNERS INC.**  
**Notes to Consolidated Financial Statements**  
**Years Ended September 30, 2025 and September 30, 2024**

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

Research and development

The Company incurs costs on activities that relate to the 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.

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/income 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.

Warrants

Warrants are recorded at fair value except when issued in a debt to equity conversion which is outside of the scope of IFRIC 19 in which case they are recorded at the carrying value of the liability.

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**ARCH BIOPARTNERS INC.**  
**Notes to Consolidated Financial Statements**  
**Years Ended September 30, 2025 and September 30, 2024**

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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.

*IFRS 9 Financial Instruments*

IFRS 9 Financial Instruments was revised to address the accounting issues surrounding financial instruments, specifically the classification, measurement and derecognition of hybrid instruments that contain both debt and equity components.

The effective date for these amendments is January 1, 2026. the Company will need to reassess its classification and measurement of financial instruments, particularly hybrid financial instruments such as its convertible loan agreements to ensure compliance with the new requirements.

*IFRS 7 Financial Instruments Disclosures*

IFRS 7 Financial Instruments Disclosures was revised to enhance the disclosure requirements regarding the risks associated with financial instruments. the new disclosure requirements aim to provide users of the financial statements with more detail information about an entity's exposure to risk.

The effective date for these amendments is January 1, 2026. Management is assessing the impact of this standard.

*IFRS 18 Presentation and disclosure in the financial statements*

In April 2024, the IASB issued the new standard on presentation and disclosure in financial statements to introduce new concepts related to the structure of the statement of profit and losses; required disclosures in the financial statements for management-defined performance measures; and enhanced principles on aggregation and disaggregation of information in the financial statements and accompanying notes. The standard is effective for reporting periods beginning on or after January 1, 2027, and also applies to comparative information. Earlier application is permitted as long as this fact is disclosed. The Company is currently assessing the impact of the new standard.

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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:

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# ARCH BIOPARTNERS INC.

## Notes to Consolidated Financial Statements

Years Ended September 30, 2025 and September 30, 2024

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

#### 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 10.

#### 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 year ended September 30, 2025, the Company has not recognized any tax credit as receivable due to uncertainty about the recoverability of the amounts.

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### 5. FINANCIAL INSTRUMENTS

Through its operations, the Company is exposed to various financial risks. Including: market risk, credit risk, and 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, policies 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.

*(continues)*

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**ARCH BIOPARTNERS INC.**  
**Notes to Consolidated Financial Statements**  
**Years Ended September 30, 2025 and September 30, 2024**

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5. FINANCIAL INSTRUMENTS *(continued)*

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 prices are comprised of interest rate risk and currency risk.

Interest Rate Risk:

Interest rate risk is the risk that the value of or cash flows from a financial instrument, and consequently net income (loss), might be adversely affected by a change in the interest rates. The company is exposed to interest rate risk through its promissory notes and amounts outstanding to shareholder.

Currency Risk:

Currency risk is the risk to the company's earning 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 September 30, 2025, the resulting change to the net loss would have been \$17,811 (2024 - \$65,784).

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 September 30, 2025, the Company has current assets of \$104,530 (September 30, 2024 - \$935,615) to settle current liabilities due in twelve months or less of \$3,986,066 (September 30, 2024 - \$5,283,312).

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**ARCH BIOPARTNERS INC.**

**Notes to Consolidated Financial Statements**

**Years Ended September 30, 2025 and September 30, 2024**

**5. FINANCIAL INSTRUMENTS** *(continued)*

**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.

	<b>September 30, 2025</b>		<b>September 30, 2024</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
Cash	\$ 2,102	\$ 2,102	\$ 2,970	\$ 2,970
Accounts receivable	-	-	724,673	724,673
Goods and services tax recoverable	77,743	77,743	174,643	174,643
Accounts payable and accrued liabilities	(1,042,203)	(1,042,203)	(2,316,932)	(2,316,932)
Government remittances payable	(103,953)	(103,953)	(35,531)	(35,531)
Promissory note	(2,495,059)	(2,495,059)	(2,270,059)	(2,270,059)
Interest payable on convertible debt	-	-	(42,925)	(42,925)
Deferred convertible debt	-	-	(500,000)	(500,000)
Due to shareholder	(344,851)	(344,851)	-	-
	<b>\$ (3,906,221)</b>	<b>\$ (3,906,221)</b>	<b>\$ (4,263,161)</b>	<b>\$ (4,263,161)</b>

**6. HIERARCHY OF FINANCIAL INSTRUMENTS**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b><u>2025</u></b>				
Cash	\$ 2,102	\$ -	\$ -	\$ 2,102
Government remittances payable	(103,953)	-	-	(103,953)
Goods and service tax recoverable	77,743	-	-	77,743
Accounts payable and accrued liabilities	(1,042,203)	-	-	(1,042,203)
Promissory note	-	(2,495,059)	-	(2,495,059)
Due to shareholder	-	(344,851)	-	(344,851)
	-	-	-	-
	<b>\$ (1,066,311)</b>	<b>\$ (2,839,910)</b>	<b>\$ -</b>	<b>\$ (3,906,221)</b>
<b><u>2024</u></b>				
Cash	\$ 2,970	\$ -	\$ -	\$ 2,970
Government remittances payable	(35,531)	-	-	(35,531)
Accounts receivable	724,673	-	-	724,673
Goods and services tax recoverable	174,643	-	-	174,643
Accounts payable and accrued liabilities	(2,316,932)	-	-	(2,316,932)
Promissory note	-	(2,270,059)	-	(2,270,059)
Interest payable on convertible debt	(42,925)	-	-	(42,925)
Deferred convertible debt	-	(500,000)	-	(500,000)
	<b>\$ (1,493,102)</b>	<b>\$ (2,770,059)</b>	<b>\$ -</b>	<b>\$ (4,263,161)</b>

**ARCH BIOPARTNERS INC.**  
**Notes to Consolidated Financial Statements**  
**Years Ended September 30, 2025 and September 30, 2024**

**7. PATENTS AND RESEARCH EXPENSES**

During the year ended September 30, 2025, the Company incurred costs related to patents and research expenses. At year end, it was difficult to determine the extent of future benefits to be derived from these costs. As a result, costs related to development have been expensed in these financial statements. Future patent costs may be capitalized if future recoverability is readily estimable.

Subsequent to year end, the Company negotiated a reduction of previous balances owing to a vendor in the amount of \$315,139. This was recorded as a reduction of current year research fees. The Company intends on spending this money on future research activities within Canada.

**8. DEFERRED CONVERTIBLE DEBT**

The Company had previously closed a non-brokered, unsecured convertible note financing for which they received gross proceeds of \$500,000.

The Note matured on February 1, 2025 and was converted into 561,798 common shares at the original contractual price per common share of \$0.89. The interest associated with this note was converted into 31,112 common shares at a price per common share of \$1.84.

Accrued interest at September 30, 2025 relating to these notes is \$NIL (September 30, 2024 - \$42,925).

**9. DUE TO SHAREHOLDER**

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

During the year ended September 30, 2025, interest expense of \$15,614 (September 30, 2024 - \$6,032) has been recorded as a result of this loan.

The promissory note carries interest at a fixed rate of 7% per annum paid (or accrued). 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 twelve month period from the date of repayment.

**10. SHARE CAPITAL**

Authorized:

Unlimited Common voting shares

	<u># of shares</u>	<u>Amount</u>
Issued and fully paid, common shares:		
<b>Balance, October 1, 2023</b>	<b>62,598,815</b>	\$ 15,882,508
Shares issued	<b>2,051,818</b>	2,370,187
<b>Balance September 30, 2024</b>	<b>64,650,633</b>	18,252,695
Shares issued	<b>1,455,733</b>	2,093,940
<b>Balance September 30, 2025</b>	<b>66,106,366</b>	\$ 20,346,635

*(continues)*

**ARCH BIOPARTNERS INC.**

**Notes to Consolidated Financial Statements**

**Years Ended September 30, 2025 and September 30, 2024**

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10. SHARE CAPITAL *(continued)*

During the year ended September 30, 2024, the Company issued 1,495,000 common shares. 20,000 common shares for the price of \$1.25 per share and 1,475,000 common shares for a price of \$0.50 per share.

During the year ended September 30, 2024, the Company settled interest on the convertible notes. Interest accrued on those notes to September 30, 2023 in the amount of \$172,500 was settled with the issuance of 156,818 common shares for a price of \$1.10 per share.

During the year ended September 30, 2024, the Company closed a private placement of 400,000 common shares priced at \$1.50 per common share for proceeds of \$600,000.

During the fiscal year ended September 30, 2025, the Company completed several equity transactions, summarized as follows.

At the start of the fiscal year, during the period ended December 31, 2024, the Company closed a private placement issuing 290,323 common shares at a price of \$1.55 per share, for total proceeds of \$450,000. Transaction cost of \$2,170 incurred on this private placement.

During the second quarter of the fiscal year, the Company converted its \$500,000 Convertible Note, which matured on February 1, 2025, into 561,798 common shares at a price of \$0.89 per share. In addition, the related accrued interest was settled through the issuance of 31,112 common shares at a price of \$1.84 per share, for proceeds of \$57,246. Also during the quarter, 100,000 common share options were exercised at \$0.60 per unit for proceeds of \$60,000, and 37,500 common share options were exercised at \$2.00 per unit, generating \$75,000 in proceeds. The Company also completed a private placement of 235,000 common shares at \$1.55 per share, raising \$373,143. Transaction cost of \$5,500 incurred on this private placement.

During the third quarter, 200,000 common share options were exercised at \$1.48 per unit, generating \$296,000 in proceeds.

The Company has a discretionary stock option plan under which the Company may grant options to its directors, officers, employees and consultants. The option plan is a rolling plan whereby the maximum number of common shares that may be reserved for issuance under the plan is a rolling amount fixed at 10% of the issued and outstanding common shares of the Company from time to time where no one Optionee has shares reserved for issuance in excess of 5% of the outstanding number of shares in any twelve month period. The options granted under the plan are valid for a period not to exceed ten years from the date of their grant and may be subject to certain vesting conditions as determined by the Board of Directors. The options are exercisable at the price determined by the Company which must not be less than the last closing price of the listed shares of the Company before the date of their grant, less any applicable discount.

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**ARCH BIOPARTNERS INC.**

**Notes to Consolidated Financial Statements**

**Years Ended September 30, 2025 and September 30, 2024**

10. SHARE CAPITAL *(continued)*

	<b>Number of Options at Oct. 1, 2023</b>	<b>Options exercised</b>	<b>Options expired</b>	<b>Options issued</b>	<b>Options remaining at Sep. 30, 2024</b>
	5,035,000	1,495,000	475,000	675,000	3,740,000
Weighted average exercise price	\$ 1.16	\$ 0.51	\$ 0.68	\$ 1.50	\$ 1.54

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Vesting Period</b>	<b>Number of options at Oct. 1, 2024</b>	<b>Options Exercised</b>	<b>Options Expired</b>	<b>Options Issued</b>	<b>Options Remaining at Sep. 30, 2025</b>
Mar-2025	\$ 0.60	Fully vested	250,000	100,000	150,000	-	-
Jun-2025	\$ 1.48	Fully vested	200,000	200,000	-	-	-
May-2028	\$ 0.78	Fully vested	1,000,000	-	-	-	1,000,000
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
Feb-2029	\$ 1.50	Fully vested	150,000	-	-	-	150,000
Feb-2029	\$ 1.50	Fully vested	25,000	-	-	-	25,000
Aug-2034	\$ 1.55	Fully vested	100,000	-	-	-	100,000
Oct-2027	\$ 2.05	Fully vested	-	-	-	100,000	100,000
Dec-2029	\$ 1.85	Fully vested	-	-	-	125,000	125,000
Jan-2027	\$ 2.00	Partially vested	-	37,500	112,500	150,000	-
Sep-2032	\$ 1.70	Not vested	-	-	-	250,000	250,000
			<u>3,740,000</u>	<u>337,500</u>	<u>262,500</u>	<u>625,000</u>	<u>3,765,000</u>
Weighted average exercise price			\$ 1.54	\$ 1.28	\$ 1.20	\$ 1.86	\$ 1.64

All issued options at September 30, 2024 were fully vested and were exercisable.

All 100,000 options issued in October 2024 were fully vested by September 30, 2025. Of these, 25,000 vested immediately upon grant and the remaining 75,000 vested during the year.

All 125,000 options issued in December 2024 were fully vested by September 30, 2025. Of these, 50,000 vested immediately upon grant and the remaining 75,000 vested during the year.

75,000 of the options issued in January 2025 are vested, and the remaining 75,000 options will only vest subject to certain milestones being reached. During the year, 37,500 options from this grant were exercised and the remaining 112,500 options expired, resulting in no options outstanding from this grant as at September 30, 2025.

On September 16, 2025, the Company issued 250,000 stock options that vest one year from the date of grant. Accordingly, none of these options were vested as at September 30, 2025.

*(continues)*

**ARCH BIOPARTNERS INC.**

**Notes to Consolidated Financial Statements**

**Years Ended September 30, 2025 and September 30, 2024**

10. SHARE CAPITAL *(continued)*

Stock-based compensation

During the year ended September 30, 2025 the Company granted 625,000 incentive stock options and 37,500 of these were exercised and 112,000 were canceled. 100,000 of these stock options are exercisable into common shares of the company for a period of three years. 125,000 of these stock options are exercisable into common shares of the company for a period of five years. 250,000 of these stock options are exercisable into common shares of the company for a period of seven years. The total compensation expense, as calculated using the Black-Scholes option pricing model, for the stock options granted was \$216,161. The expense relating to the issuance of these options is recorded in the Statement of Loss with an offsetting increase to contributed surplus.

The fair value of the 625,000 options that have vested during the year ended September 30, 2025 is estimated on the date of grant using the Black-Scholes Option Pricing Model, with the following weighted average assumptions:

Risk free interest rate	2.75 - 4.25%
Expected dividend yield	NIL
Expected stock price volatility	47.20 - 49.08%
Expected option life in years	2 - 7 years
Option exercise price	\$1.85 - 2.05
Fair value of options granted	\$0.52 - 0.85

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.

	<b>Number of Warrants</b>	<b>Book Value</b>	<b>Expiry Date</b>
<b>Balance September 30, 2023</b>			
Granted	<b>4,062,500</b>	2,694,619	September 2029
Exercised	-	-	
Expired	-	-	
<b>Balance September 30, 2024</b>	<b>4,062,500</b>	2,694,619	September 2029
Granted	-	-	
Exercised	-	-	
Expired	-	-	
<b>Balance September 30, 2025</b>	<b>4,062,500</b>	2,694,619	September 2029

*(continues)*

**ARCH BIOPARTNERS INC.**  
**Notes to Consolidated Financial Statements**  
**Years Ended September 30, 2025 and September 30, 2024**

10. SHARE CAPITAL *(continued)*

Number of Warrants	Exercise price	Expiration date
2,031,250	\$ 1.68	September 2029
2,031,250	\$ 1.68	September 2029
<u>4,062,500</u>		

Explanation of Warrants

There are 2,031,250 pre-funded warrants outstanding that are exercisable into common shares of the Company on a one-for-one basis, only on September 30, 2029.

There are also 2,031,250 warrants outstanding that are exercisable into common shares of the Company at \$1.68 per common share, on a one-for-one basis, only on September 30, 2029.

Since the conversion of debt was outside the scope of IFRIC 19, the warrants were recorded at a value equal to the carrying value of the Notes and accrued interest less \$35,381 in transaction costs.

The warrants are classified as equity instruments, recorded in equity at grant-date fair value, and are not subsequently remeasured.

11. RELATED PARTY TRANSACTIONS

The following is a summary of the company's related party transactions:

	<u>2025</u>	<u>2024</u>
Key Management Compensation		
Compensation	\$ (150,000)	\$ (150,000)
Interest accrued on note payable	<u>(15,614)</u>	<u>(6,032)</u>
	<u>\$ (165,614)</u>	<u>\$ (156,032)</u>

The CEO, several principal scientists and directors have significant share holdings at this time that align their interests with those of all shareholders. Due to the Corporation's early stage of development and small size of the Company's management team and board, the Board's Nominating and Compensation Committee has maintained the Company's recent practice of not compensating other executives or board members, other than those noted in Note 10 and 12. As this compensation is not readily measurable, these expenses and the related services revenue have not been recorded. For the year ended September 30, 2025 there have been no such transactions, nor were there any for the comparative period in the previous fiscal year.

Options granted to related parties have been disclosed in note 12.

Included in accounts payable and accrued liabilities is \$27,228 (September 30, 2025 - \$NIL) owed to key management for the transactions described above.



**ARCH BIOPARTNERS INC.**

**Notes to Consolidated Financial Statements**

**Years Ended September 30, 2025 and September 30, 2024**

**12. 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***

<b>Name and Principle Position</b>	<b>October 1 to September 30</b>	<b>Compensation</b>			<b>Long-Term Compensation</b>
		<b>Salary</b>	<b>Bonus</b>	<b>Other Annual Compensation</b>	<b>Securities Under Options Granted</b>
Richard Muruve <i>Chief Executive Officer</i>	2025	\$150,000	\$NIL	\$NIL	NIL
	2024	\$150,000	\$NIL	\$NIL	100,000
	2023	\$150,000	\$NIL	\$NIL	100,000
Andrew Bishop <i>Chief Financial Officer</i>	2025	\$NIL	\$NIL	\$NIL	NIL
	2024	\$NIL	\$NIL	\$NIL	100,000
	2023	\$NIL	\$NIL	\$NIL	200,000
Daniel Muruve <i>Chief Science Officer</i>	2025	\$NIL	\$NIL	\$NIL	NIL
	2024	\$NIL	\$NIL	\$NIL	50,000
	2023	\$NIL	\$NIL	\$NIL	100,000

*(continues)*

**ARCH BIOPARTNERS INC.**  
**Notes to Consolidated Financial Statements**  
**Years Ended September 30, 2025 and September 30, 2024**

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12. EXECUTIVE COMPENSATION *(continued)*

***Options***

During the year ended September 30, 2025, no 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 value of the unexercised in-the-money options is the total options issued determined using the intrinsic value of the option (stock price less exercise price) for each issuance at report date. The following table sets out the value of unexercised incentive stock options, if any, as at September 30, 2025.

<b>Named Executive Officers</b>	<b>Securities Acquired on Exercise</b>	<b>Aggregate Value Realized</b>	<b>Unexercised Options as at September 30 2025 Exercisable/Unexercisable</b>	<b>Value of Unexercised In- The-Money Options at September 30, 2025 Exercisable/Unexercisable</b>
Richard Muruve <i>Chief Executive Officer</i>	NIL	NIL	725,000/0	\$140,250/\$NIL
Andrew Bishop <i>Chief Financial Officer</i>	NIL	N/A	775,000/0	\$114,750/\$NIL
Daniel Muruve <i>Chief Science Officer</i>	NIL	N/A	500,000/0	\$102,000/\$NIL

*(continues)*

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**ARCH BIOPARTNERS INC.**  
**Notes to Consolidated Financial Statements**  
**Years Ended September 30, 2025 and September 30, 2024**

12. EXECUTIVE COMPENSATION *(continued)*

*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 as described in Note 10. As Andrew Bishop and Richard Muruve also serve as directors, their option positions include compensation received for services in both executive and director capacities.

***Options***

During the period ended September 30, 2025, no 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 September 30, 2025.

Director	Securities acquired on exercise	Aggregate value realized	Unexercised options as at September 30, 2025 Exercisable/Unexercisable	Value of unexercised in- the-money options at September 30, 2025 Exercisable/Unexercisable
Claude Allary	NIL	N/A	350,000/0	\$51,000/\$NIL
Richard Rossman	NIL	N/A	250,000/0	\$51,000/\$NIL

13. CAPITAL MANAGEMENT

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 repayments of principal and interest. The Company closely watches its cash balances. The balance of current assets as at September 30, 2025 was \$104,530 (September 30, 2024 - \$935,615). There are presently no formal capital requirements with which the Company has not complied.

Additional capital resources consist of the following:

- Promissory notes - \$2,495,059 (2024 - \$2,270,059)
- Deferred convertible debt - \$Nil (2024 - \$500,000)
- Share Capital - \$20,346,635 (2024 - \$18,252,695)

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 September 30, 2025.

**ARCH BIOPARTNERS INC.**

**Notes to Consolidated Financial Statements**

**Years Ended September 30, 2025 and September 30, 2024**

**14. INCOME TAXES**

The difference between tax expense for the year and the expected income taxes based on the statutory tax rate arises as follows:

	<u>2025</u>	<u>2024</u>
Statutory tax rates	<b>26.41%</b>	26.46%
Loss before income tax	<b>\$ (1,552,744)</b>	\$ (3,920,288)
Expected income tax recovery	<b>\$ (410,080)</b>	\$ (1,037,394)
Increase (decrease) resulting from:		
Stock based compensation	<b>57,086</b>	225,668
Patent expenses added back	<b>57,578</b>	35,097
Share issue cost	<b>(239)</b>	1,105
Capital cost allowance	<b>(19,372)</b>	(20,528)
Non-capital loss carried forward - Canadian entities	<b>314,736</b>	805,181
Non-capital loss carried forward (applied) - Foreign entities	<b>291</b>	(9,129)
Effective tax expense	<b>\$ -</b>	\$ -

The nature and tax effect of the temporary differences giving rise to the deferred tax assets and liabilities at September 30, 2025 and 2024 are summarized below:

	<u>October 1, 2024</u>	<u>Recognized in net income</u>	<u>Expired as at September 30, 2025</u>	<u>September 30, 2025</u>
Non-capital losses carried forward	\$ 14,988,751	\$ 1,191,782	-	\$ 16,180,642
Unrecognized non-capital losses	(14,988,751)	(1,191,782)	-	(16,180,642)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	<u>October 1, 2023</u>	<u>Recognized in net income</u>	<u>Expired as at September 30, 2024</u>	<u>September 30, 2024</u>
Non-capital losses carried forward	\$ 11,945,985	\$ 3,042,766	-	\$ 14,988,751
Unrecognized non-capital losses	(11,945,985)	(3,042,766)	-	(14,988,751)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The company has incurred losses of \$16,180,533 for tax purposes which are available to reduce future taxable income. Due to the going concern of operations outlined in Note 2, no future income taxes recoverable have been recorded in respect of these losses. Such benefits will be recorded as an adjustment to the tax provision in the year realized. The losses will expire as follows:

2026	\$ 215,112
2027	90,277
2028	138,852
2029	81,405
2030	127,753
Thereafter	<u>15,527,134</u>
	<b><u>\$ 16,180,533</u></b>

**ARCH BIOPARTNERS INC.**  
**Notes to Consolidated Financial Statements**  
**Years Ended September 30, 2025 and September 30, 2024**

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**15. INNOVATION, SCIENCE AND ECONOMIC DEVELOPMENT CANADA CONTRIBUTION**

On December 15, 2020, the Company was awarded a contribution of up to \$6.7 million from Innovation, Science and Economic Development Canada.

\$530,795 was claimed during the year ended September 30, 2023, out of which \$412,930 was recorded as revenue. and \$117,865 was deferred under the program.

During the year ended September 30, 2025, \$117,865 was transferred to revenue.

There are no further amounts to claim, receive or recognize as revenue in the future.

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**16. 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 purpose of the note is to reduce accounts payable until amounts are received from the Innovation, Science, and Economic Development Canada contribution. During the year ended September 30, 2024, the maturity date was extended to September 30, 2025 and the principal amount was increased by \$50,000. During the year ended September 30, 2025, interest expense in the amount of \$105,000 was incurred in relation to this note. At September 30, 2025, the balance of short-term debt consists of the principal of this note in the amount of \$1,050,000 and accrued interest on this note in the amount of \$360,774.

On March 22, 2023, the Company issued a promissory note to pay vendors for work performed under the National Research Council of Canada Research Assistance Program project. The original note amounted to \$1,500,000 and bore interest at 15% per annum. On May 11, 2023, the Company repaid \$1,000,000 of the note, reducing the outstanding principal to \$500,000. The remaining principal continues to bear interest at 15% per annum. During the year ended September 30, 2025, interest expense of \$75,000 was recorded in relation to the outstanding balance. Interest payable of \$219,230 has been accrued and presented together with the promissory note on the Consolidated Statement of Financial Position. The promissory note's maturity date was extended from September 30, 2024 to September 30, 2025.

On April 17, 2024, the company issued a new \$300,000 promissory note to an arm's length party. During the year ended September 30, 2025, interest expense of \$45,000 was recorded in relation to the outstanding balance. Interest payable of \$65,055 has been accrued and presented together with the promissory note on the Consolidated Statement of Financial Position. This note matures on September 30, 2025.

Subsequent to year end, the above three promissory notes have been consolidated on October 1, 2025 into on promissory note of \$1,850,000 at an interest rate of 7% per annum.

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**17. 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.

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**ARCH BIOPARTNERS INC.**  
**Notes to Consolidated Financial Statements**  
**Years Ended September 30, 2025 and September 30, 2024**

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**18. 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.

Eligible expenses of \$2,551,717 were claimed and received under this program during the year ended September 30, 2023. \$1,570,712 was recognized as revenue in the year ended September 30, 2023, \$981,004 was deferred to the following year.

Eligible expenses of \$2,576,239 were claimed under this program during the year ended September 30, 2024, with \$416,173 received and \$724,673 receivable as of September 30, 2024. The revenue deferred from the prior year was applied to the current year claims. \$2,121,850 was recognized as revenue in the year ended September 30, 2024.

During the year ended September 30, 2025, a total amount of \$882,752 including the final claim of \$601,655 was received by the company, and an amount of \$158,079 was recognized in revenue. There are no further amounts to claim, receive or recognize as revenue in the future.

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**19. SUBSEQUENT EVENTS**

Grant of Options to Directors, Officers and Consultants

On November 4, 2025, the Board of Directors granted a total of 1,400,000 stock options to directors, officers and consultants. Each option is exercisable into one common share at a price of \$1.25-\$1.70 per share.

Acquisition of Chronic Kidney Disease ("CKD") Assets from Lipdro Therapeutics Inc.

On November 4, 2025, the Company announced the acquisition of Chronic Kidney Disease assets through the acquisition of all outstanding shares of Lipdro Therapeutics Inc., a private Alberta-based company, in exchange for 250,000 common shares issued at a deemed price of \$1.85 per share, for deemed proceeds of \$462,500, and a royalty on future net sales. The common shares issued are subject to a four-month hold period.

Non-Brokered Private Placement

On November 19, 2025, the Company closed a non-brokered private placement for gross proceeds of \$600,000, issuing 576,923 common shares at a price of \$1.04 per share.

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**20. COMPARATIVE FIGURES**

Some of the comparative figures have been reclassified to conform to the current year's presentation.

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