ARCH BIOPARTNERS INC.

Interim Financial Statements

Six Months Ended March 31, 2011 and 2010

(Unaudited - See Notice Of No Auditor Review)

ARCH BIOPARTNERS INC.

Index to Interim Financial Statements

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THE EXCHANGE
chartered accountants LLP

NOTICE OF NO AUDITOR REVIEW

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

The Company's independent auditors have not performed a review of these interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for review of financial statements by an entity's auditors

"Richard Muruve" CEO and Director
May 30, 2011

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ARCH BIOPARTNERS INC.

Consolidated Interim Balance Sheets

(Unaudited - See Notice Of No Auditor Review)

	(Unaudited) *March 31,* **2011**	(Audited) *September 30,* 2010
ASSETS		
CURRENT		
Cash	**$ 349,850**	$ 506,249
Prepaid expenses	**2,445**	10,981
	352,295	517,230
INCORPORATION COSTS - COST *(Net of accumulated amortization)(Note 2)*	**12,512**	13,902
NON-CONTROLLING INTEREST	**9,337**	4,151
	$ 374,144	$ 535,283
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT		
Accounts payable and accrued liabilities	**$ 46,925**	$ 30,967
Due to shareholders *(Note 5)*	**349,846**	343,010
	396,771	373,977
SHAREHOLDERS' EQUITY		
Share capital *(Note 6)*	**7,476,704**	7,476,704
Deficit	**(7,499,331)**	(7,315,398)
	(22,627)	161,306
	$ 374,144	$ 535,283

ON BEHALF OF THE BOARD

_"Richard Muruve"_______________________ *Director*

_"Andrew Bishop"_______________________ *Director*

ARCH BIOPARTNERS INC.

Consolidated Interim Statement of Loss

Six Months Ended March 31, 2011 and 2010

(Unaudited - See Notice Of No Auditor Review)

	3 months ended *March 31,* **2011**	3 months ended *March 31,* 2010	**6 months ended** *March 31,* **2011**	6 months ended *March 31,* 2010
EXPENSES				
Advertising and promotion	$ 1,657	$ -	$ 1,657	$ -
Amortization of intangible assets	695	-	1,390	-
Interest and bank charges	3,108	36	6,949	36
Patent	37,266	-	83,312	-
License	-	-	38,564	-
Meetings and conventions	-	-	2,260	-
Office	3,296	-	4,564	-
Transfer agent fee	7,183	-	10,032	16,500
Professional fees	25,319	5,000	30,749	16,931
Travel	70	-	2,550	-
Materials	2,445	-	7,334	-
	81,039	5,036	189,361	33,467
LOSS FROM OPERATIONS	(81,039)	(5,036)	(189,361)	(33,467)
FOREIGN EXCHANGE GAIN	195	-	243	-
LOSS BEFORE NON-CONTROLLING INTEREST	(80,844)	(5,036)	(189,118)	(33,467)
NON-CONTROLLING INTEREST	(4,500)	-	(5,185)	-
NET LOSS	$ (76,344)	$ (5,036)	$ (183,933)	$ (33,467)
EARNINGS PER SHARE	$ (0.002)	$ (1.737)	$ (0.004)	$ (11.540)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	47,360,179	2,900	47,360,179	2,900

ARCH BIOPARTNERS INC.

Consolidated Interim Statement of Deficit

Six Months Ended March 31, 2011

(Unaudited - See Notice Of No Auditor Review)

	3 months ended March 31, 2011	3 months ended March 31, 2010	**6 months ended March 31, 2011**	6 months ended March 31, 2010
DEFICIT - BEGINNING OF PERIOD				
As previously reported	**$ (7,422,987)**	$ (128,239)	**$ (7,311,834)**	$ (99,808)
Prior period adjustments *(Note 7)*	-	-	**(3,564)**	-
As restated	**(7,422,987)**	(128,239) -	**(7,315,398)**	(99,808)
NET INCOME (LOSS) FOR THE PERIOD	**(76,344)**	(5,036)	**(183,933)**	(33,467)
DEFICIT - END OF PERIOD	**$ (7,499,331)**	$ (133,275)	**$ (7,499,331)**	$ (133,275)

ARCH BIOPARTNERS INC.

Consolidated Interim Statement of Cash Flows

Six Months Ended March 31, 2011 and 2010

(Unaudited - See Notice Of No Auditor Review)

	3 months ended *March 31,* **2011**	3 months ended *March 31,* 2010	**6 months ended** *March 31,* **2011**	6 months ended *March 31,* 2010
OPERATING ACTIVITIES				
Cash paid to suppliers and employees	**$ (114,066)**	$ (21,500)	**$ (156,287)**	$ (30,034)
Interest paid	**(3,108)**	(36)	**(6,948)**	(36)
Cash flow used by operating activities	**(117,174)**	(21,536)	**(163,235)**	(30,070)
FINANCING ACTIVITY				
Advances from shareholders	**3,202**	5,000	**6,836**	5,000
Cash flow from financing activity	**3,202**	5,000	**6,836**	5,000
DECREASE IN CASH FLOW	**(113,972)**	(16,536)	**(156,399)**	(25,070)
Cash - beginning of period	**463,822**	20,981	**506,249**	29,515
CASH - END OF PERIOD	**$ 349,850**	$ 4,445	**$ 349,850**	$ 4,445

1. DESCRIPTION OF OPERATIONS

Arch Biopartners Inc., formerly “Foccini International Inc” prior to May 3, 2010 (the “Company”), is incorporated under the Business Corporation Act (Ontario) with continuance under the CBCA. On May 7, 2010, the Company was restructured into a biotechnology firm following a reverse take over transaction (“RTO”) involving 3 private Canadian biotechnology firms: Arch Biotech Inc, Arch Biophysics Ltd (formerly “1495628 Alberta Ltd”) and Arch Cancer Therapeutics Ltd (formerly “1502440 Alberta Ltd”), collectively, the “Acquirors”. In September, 2010, the Company became two-thirds owner of Colorado Cancer Therapeutics, a U.S. based corporation incorporated in the state of Delaware.

Arch Biopartners Inc. is a portfolio based biotechnology company established to develop new products and technology for sale to pharmaceutical and industrial companies.

At present, the Company has four areas of focus:
- Novel treatments for brain tumours (the focus of Arch Cancer Therapeutics Ltd.);
- Novel treatments for chronic kidney and bowel diseases caused by non-infectious inflammation (the focus of Arch Biotech Inc.);
- Binding of peptides to solid surfaces (the focus of Arch Biophysics); and.
- Novel anti-cancer compounds which have shown pre-clinical efficacy in slowing the progression of pancreatic cancer, non small cell lung cancer, and prostate cancer. (the focus of Colorado Cancer Therapeutics).

The Company owns, or has exclusive license on, intellectual property emanating from its four research programs. Continuing research work is being conducted at the Universities of Calgary, Alberta and Colorado. Both Canadian universities became shareholders of the Company upon formation of Arch Biopartners Inc. on May 7, 2010. The University of Colorado has a pending minority stake in the Company subject to a licensed product reaching certain commercial milestones.

The current balance sheet of the Company does not show a build up of material assets such as buildings and equipment, as any facilities used for continuing research have been owned by the universities. The company has not accumulated any material liabilities to date as a result of its research activities. In the future, scientific research may also be conducted in private labs. The corporate headquarters are located in Toronto, Ontario.

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 dependant upon the existence of economically recoverable medical or industrial solutions, the ability of the Company to obtain the necessary financing to complete the research, and on future profitable production from, or proceeds from the disposition of intellectual property.

The Company's ability to continue operations is also dependent on its ability to obtain additional financing. Although 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.

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1. DESCRIPTION OF OPERATIONS *(continued)*

Basis of Consolidation

Effective May 7, 2010 the Company completed a transaction with Foccini International Inc., Arch Biotech Inc., 1495628 Alberta Ltd. and 1502440 Alberta Ltd. This transaction was accounted for as a RTO as the control of the Company was acquired by the former management of Arch Biotech Inc. In connection to this transaction, the Company's name was changed to Arch Biopartners Inc. These consolidated financial statements include the accounts of the Company and its subsidiaries from May 7, 2010. Prior period results and comparatives are those of Arch Biotech Inc. Although legally, Arch Biopartners Inc. (formerly Foccini International) is regarded as the parent or continuing company, Arch Biotech Inc., whose management have control of the company, was treated as the acquirer under Canadian generally accepted accounting principles. Consequently, Arch Biopartners Inc. (formerly Foccini International Inc) is deemed a continuation of Arch Biotech and control of the assets and business of Arch Biopartners Inc. (formerly Foccini International Inc) is deemed to have been acquired in consideration for the issuance of the shares. On September 21, 2010 the company formed a new American subsidiary, Colorado Cancer Therapeutics ("CCT"). This company is considered to be an integrated foreign subsidiary and is consolidated using the temporal method. This foreign subsidiary is two thirds owned by Arch Biopartners, with the remaining one third accounted for as a non-controlling interest.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. 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 March 31, 2011, potentially dilutive common shares (relating to options and warrants outstanding at year end) totaling 100,000 (March 31, 2010 - NIL) 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.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. 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:

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.

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2. 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, since recoverability is uncertain.

Financial instruments

The company classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired or liability incurred. The company's accounting policy for each category is as follows:

Assets held-for-trading

Financial instruments classified as assets held-for-trading are reported at fair value at each balance sheet date, and any change in fair value is recognized in excess (deficiency) of revenue over expenses in the period during which the change occurs. Transaction costs are expensed when incurred.

In these financial statements, cash has been classified as held-for-trading.

Available-for-sale investments

Financial instruments classified as available-for-sale are reported at fair value at each balance sheet date, and any change in fair value is recognized in net assets in the period in which the change occurs. All transactions related to marketable securities are recorded on a settlement date basis.

In these financial statements, no assets have been classified as available-for-sale.

Held-to-maturity investments

Financial instruments classified as held-to-maturity are financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity. These assets are initially recorded at fair value and subsequently carried at amortized cost, using the effective interest rate method. Transaction costs are included in the amount initially recognized.

In these financial statements, no assets have been classified as held-to-maturity.

Loans and receivables and other financial liabilities

Financial instruments classified as loans and receivables and other financial liabilities are carried at amortized cost using the effective interest method. Transaction costs are expensed when incurred.

In these financial statements, no assets have been classified as loans and receivables. Accounts payable and accrued liabilities have been classified as other financial liabilities.

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

Capital disclosures

Capital is comprised of the company's shareholders' equity and any debt that it may issue. As at March 31, 2011, the company's shareholders' deficiency was $(22,627) and its only debt related to amounts due to shareholders (See Note 5 for further details). The company's objectives when managing capital are to continue as a going concern to protect its ability to meet its on-going liabilities, and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines based on risk management policies.

The capital for the company's current expansion plan has been raised primarily from net proceeds from the recent issuance of common shares. The net proceeds raised will only be sufficient to identify and evaluate a limited number of research projects.

The company does not have any externally imposed capital requirements with which it has not complied.

Intangible assets

The incorporation cost are being amortized on a straight-line basis over their estimated useful lives of five years.

3. FINANCIAL INSTRUMENTS

In the normal course of business, the company uses various financial instruments which, by their nature, involve risk, including market risk, interest rate risk, liquidity risk and credit risk of non-performance by counter parties. These financial instruments are subject to normal credit standards, financial controls, risk management as well as monitoring procedures.

Fair value of financial instruments:

The following table sets out the fair values of recognized financial instruments using the valuation methods and assumptions described below:

	Carrying and fair values	
	March 31, 2011	September 30, 2010
Financial Assets Held for Trading		
Cash	**$ 349,850**	$ 506,249
Financial Liabilities at Amortized Cost		
Accounts payable and accrued liabilities	**46,925**	30,967

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3. FINANCIAL INSTRUMENTS *(continued)*

Three-level hierarchy

The Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862 "Financial Instruments - Disclosures" requires the disclosure of a three-level hierarchy for the fair value measurements based upon transparency of inputs to the valuation of financial instruments measured at fair value on the balance sheet date are as follows:

As at March 31, 2011	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$349,850			$349,850

The three levels are defined as follows:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Determination of fair value

The following methods and assumptions were used to estimate the fair values of each class of financial instruments:

The fair value of the amounts due to related parties and shareholders are less than their carrying values, as the amounts are non-interest bearing. As the amounts have no terms of repayment, the fair value cannot be calculated with any degree of certainty.

The carrying amounts of cash and accounts payable and accrued liabilities, approximate their fair values due to the short maturity of these financial instruments.

Risk management policies

<u>Credit Risk</u>

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The company is not exposed to any credit risk.

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3. FINANCIAL INSTRUMENTS *(continued)*

Market Risk

Market risk arises through changes in the value of assets that will occur due to the volatility of changing market prices in the economy. The company does not have any market risk at present.

Liquidity Risk

Liquidity risk is the risk that the company will not have adequate cash flows to maintain operations. The company manages liquidity risk by maintaining adequate cash balances to pay liabilities as they become due in accordance with Note 2 (Capital Management). The company continuously monitors both actual and forecasted cash flows and matches the maturity profile of financial assets and liabilities. The company does not have a current source of operating revenue. Without continued sources of external financing, the company may not be able to discharge its liabilities in the normal course of operations.

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 these rates. The company is exposed to foreign currency exchange risk on cash, accounts payable and accrued liabilities held in U.S. dollars. The company does not use derivative instruments to reduce its exposure to foreign currency risk. As of March 31, 2011, the company had $34,672 in US cash and $24,112 in US accounts payable and accrued liabilities. Had the US and Euro exchange rate been +/- 5% higher/lower at March 31, 2011 the company's operations for the 6 months ended March 31, 2011 would have changed by $488.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The company is exposed to interest rate risk through its loan to shareholders. The company does not use any derivatives to manage this exposure.

4. PATENTS

As at March 31, 2011 it was difficult to determine the value and the future recoverability of patents owned by the company. The company has chosen to take a conservative approach, and expense all costs relating to patents. The total patent fee expense reflected in the interim income statement relates to professional fees incurred to obtain and file patents. The total professional fees incurred during the six months ended March 31, 2011in quarter two, relating to patents, were $83,312.

5. DUE TO SHAREHOLDERS

The amount reflected as due to shareholders is payable to a director of the company. $2,805 of this balance does not bear interest or have any terms of repayment. The remaining amount of this balance bears interest at the Canadian prime lending rate plus 1%.

During the six month period ended March 31, 2011, interest expense of $6,837 has been recorded as a result of this loan.

6. SHARE CAPITAL

	# of shares	Amount
Issued:		
Issued and fully paid, common shares		
Balance September 30, 2009	**$ 26,371,179**	$ 13,269,387
Issued for cash - private placement	**1,400,000**	699,456
Net shares issued on RTO transaction	**19,589,000**	-
Cancellation under RTO accounting	**-**	(6,492,139)
Balance September 30, 2010 and March 31, 2011	**47,360,179**	$ 7,476,704

The above table represents capital for Arch Biopartners Inc. The amounts represented in the balance sheet for the quarter ended ended March 31, 2011 are those of Arch Biotech Inc., the acquiring company under reverse takeover accounting. See note 1 regarding the basis of consolidation for further details. No shares were issued during the six months ended March 31, 2011.

The company has also reserved for issuance one million common shares in the event that it exercises its option to acquire the remaining one third interest in Colorado Cancer Therapeutics it does not already own. The option is exercisable after November 20, 2011 and no later than May 20, 2013.

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 with no one Optionee have shares reserved for issuance in excess of 5% of the outstanding number of shares in any 12 month period. The options granted under the plan are valid for a period not to exceed five 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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6. SHARE CAPITAL *(continued)*

		Number of Stock Options		Exercise price	Expiry date
Balance September 30, 2009	$	**300,000**		0.2	February 2013
Granted		**-**		**-**	-
Exercised		**-**		**-**	-
Forfeited		**(200,000)**		**-**	-
Balance September 30, 2010 and March 31, 2011		**100,000**	**$**	**-**	-

There have been no options granted, exercised or forfeited during the six months ended March 31, 2011.

7. PRIOR PERIOD ADJUSTMENT

During the quarter ended December 31, 2010 unanticipated legal invoices relating to patents were received that related to the September 30, 2010 year end. As a result a prior period adjustment was made to reflect an increase in accounts payables and accrued liabilities as well as patent expenses in the fourth quarter of the September 30, 2010 year.

8. SUBSEQUENT EVENTS

On April 15, 2011 the company announced it has granted 250,000 pursuant to the terms of the Company's stock option plan. The option shares are subject to a hold period of 4 months from the date that the options were granted. The exercise price for the options is $0.90 and expire 5 years from the date of issue. The price of Arch shares closed at $0.73 on April 14, 2011 on the CNSX.