ARCH BIOPARTNERS INC.

MANAGEMENT DISCUSSION AND ANALYSIS:

FOR THE FFIRST QUARTER ENDED DECEMBER 31, 2011

DATED FEBRUARY 29, 2012

The following Management Discussion and Analysis("MD&A") should be read in conjunction with Arch Biopartners Inc's (the "Company") unaudited condensed consolidated interim financial statements and related notes for the three months ended December 31, 2011 which were prepared in accordance with International Financial Reporting Standards ("IFRS") and comparative periods have been restated in accordance with IFRS where applicable.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with IFRS applicable to a going concern that contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern. In other than the normal course of business, the Company may be required to realize its assets and liquidate its liabilities and commitments at amounts different from those in the accompanying consolidated financial statements. The Company's viability as a going concern is dependent upon its ability to obtain adequate financing, the on-going support of its shareholders, affiliates and creditors, and to achieve profitable levels of operation. It is not possible to predict whether financing efforts shall be successful or if the Company will attain profitable levels of operations.

These financial statements, along with additional information relating to Arch Biopartners Inc, may be found on SEDAR at www.SEDAR.com.

Disclosure Regarding Forward-Looking Statements

This Management Discussion and Analysis contains forward-looking statements that involve various risks and uncertainties, including, without limitation, statements regarding the future plans and objectives of the Company. There can be no assurance that such statements will prove to be accurate. Actual results and future events could differ materially from those anticipated in such statements. These and all subsequent written and oral forward-looking statements are based on the estimates and opinions of management on the dates they are made and are expressly qualified in their entirety by this notice. The Company assumes no obligation to update forward-looking statements should circumstances or management's estimates or opinions change; however, these risks may be detailed from time to time in Arch Biopartners Inc.'s public disclosures.

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ITEM 1 - Overview

Company Profile

Arch Biopartners Inc (the "Company") 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 subsidiaries each with an area of focus:

- Novel treatments for brain tumours; (the focus of Arch Cancer Therapeutics Ltd.)
- Binding of peptides to solid surfaces (the focus of Arch Biophysics Ltd).
- Novel treatments for chronic kidney and bowel diseases caused by non-infectious inflammation; (the focus of Arch Biotech Inc.) 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 U.S. based Colorado Cancer Therapeutics Inc. or "CCT");

The Company owns intellectual property ("IP") emanating from its first three research programs and CCT has an exclusive option to license the cancer compounds from the University of Colorado.

Continuing research work is being conducted at the Universities of Calgary, Colorado and Alberta. Both Canadian universities became shareholders of the Company upon formation of Arch Biopartners on May 7, 2010. The University of Colorado has a pending minority equity stake in the Company which depends on the commercial success of a licensed technology.

Formation of Arch Biopartners

Arch Biopartners Inc. is incorporated under the Business Corporation Act (Ontario) and received continuance under the Canadian Business Corporations Act in 2003. On May 7, 2010, the Company was restructured into a biotechnology firm following a reverse take over transaction("RTO") involving three 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 "Acquisitions". These companies continue to operate as separate, 100% owned subsidiaries of the Company.

Concurrent with the RTO, the Company also completed a non-brokered private placement of $700,000 by issuing 1,400,000 common shares in the capital of the Company ("Common Shares") at $0.50 per Common Share (the "Private Placement"). Please see ITEM – 6 "Liquidity" and ITEM 9 "Transactions with Related Parties" found below for more information on the Private Placement.

The listing of the Common Shares was moved voluntarily from the TSX Venture Exchange (formerly Foccini International Inc: FOI-TSXV) to the Canadian National Stock Exchange with the first day of trading on May 7, 2010 under the ticker "ACH".

In September, 2010, the Company became two-thirds owner of Colorado Cancer Therapeutics, a U.S. based corporation incorporated in the state of Delaware.

Terms of the Acquisitions

The Company issued 18,013,000 common shares to acquire all the issued and outstanding shares in the capital of Arch Biotech, Arch Biophysics Ltd and Arch Cancer Therapeutics Ltd. respectively, as previously disclosed to the market by the Company in the management information circular dated February 26, 2010 and press release of May 7, 2010. The vendors of the three companies agreed to have their common shares be subject to the terms of an escrow agreement and three year release schedule pursuant to National Policy 46-201.

In connection with the closing of the acquisition of Arch Biotech Inc, the Company issued an additional 1,576,000 common shares to the University of Calgary ("UofC") pursuant to the terms of the agreement between Arch Biotech, the UofC and the Company, disclosed to the market in a press release dated June 24, 2009. These shares are subject to the same escrow agreement as was issued for the Acquisitions.

As a result of the Private Placement and the Acquisitions, the Company has 47,360,179 Common Shares outstanding.

About Arch Biotech Inc

Arch Biotech Inc. was founded by Richard Muruve and University of Calgary (**"**UofC**"**) based scientists Dr. Daniel Muruve, Dr. Paul Beck and Dr. Justin MacDonald in May, 2006. Arch Biotech was formed to:

i) Acquire the exclusive rights to intellectual property produced by the established UofC research programs of each Arch Biotech scientist;

ii) Fund, manage and develop the respective research projects with the goal of realizing the commercial potential of the intellectual property; and

iii) Sell developed intellectual property, technology or products to larger biotech, pharmaceutical or industrial companies.

In April 2009, Jerome McElroy, Richard Rossman and Conor Gunne became principal shareholders of Arch Biotech. These three individuals have extensive experience in the biotech industry and governing public biotech companies on the TSX Exchange.

About Arch Biophysics Ltd

Arch Biophysics Ltd, (formerly 1495628 Alberta Ltd.) was incorporated under the Alberta Business Corporations Act ("ABCA") on October 29, 2009, to hold legal and beneficial title to the intellectual property produced by Dr. Randall Irvin and his co-inventors at the University of Alberta in connection with a research project specializing in peptide chemistry. The assets of Arch Biophysics Ltd. presently consist of patent applications filed with the United States Patent and Trademarks Office and Patent Cooperation Treaty ("PCT") countries relating to intellectual property, developed by Dr. Irvin, Dr. Li and Dr. Davis, in the area of interfacing biological compounds and certain solid surfaces.

All of the issued and outstanding common shares of Arch Biophysics Ltd. were exchanged for an aggregate issuance of 2,146,000 common shares of the Company at a deemed price of $0.50 per common share.

About Arch Cancer Therapeutics Ltd.

Arch Cancer Therapeutics Ltd., (formerly 1502440 Alberta Ltd.) was incorporated under the ABCA November 19, 2009, to hold legal and beneficial title to the intellectual property produced by Dr. Stephen Robbins, Dr. Donna Senger and Jennifer Rahn of the U of C in connection with a research project specializing in brain tumours. The assets of Arch Cancer Therapeutics Ltd. presently consist of a patent application filed with the United States Patent and Trademarks Office and PCT countries relating to intellectual property in the area of brain tumour targeting peptides developed by Dr. Robbins, Dr. Senger and Jennifer Rahn.

All of the issued and outstanding common shares of Arch Cancer Therapeutics Ltd. were exchanged for an aggregate issuance of 1,667,000 common shares of the Company at a deemed price of $0.50 per common share.

For more details regarding the formation of Arch Biopartners, please see the Company's public disclosures including the Management Information Circular dated Feb 26, 2010 filed at www.sedar.com .

About Colorado Cancer Therapeutics

Arch Biopartners Inc formed a new American subsidiary, Colorado Cancer Therapeutics Inc ("CCT") with leading University of Colorado ("CU") chemists Dr. Lajos Gera and Dr. Robert Hodges. The Company owns 2/3s of CCT with the remainder owned by Drs. Gera and Hodges. (the "Minority Shareholders").

CCT has acquired an option to enter into an exclusive license to commercialize specific pre-clinical, anti-cancer compounds invented at the University of Colorado and Emory University with Drs. Lajos Gera and Robert Hodges among the inventors

In pre-clinical studies involving mice, these compounds have shown efficacy in slowing the progression of pancreatic cancer, non small cell lung cancer, and prostate cancer.

As consideration for the option, Arch paid approximately $12,000 USD to CU and paid for patent costs incurred during the period of the option. As pre–conditions to exercising the option, Arch will perform further pre-clinical validation studies and assess the commercial viability of the technology. Arch had up to January 1, 2012 to complete this assessment and exercise the option. Since this date, Arch and CU have been in discussion to extend the option period.

Terms of sale of one third interest in CCT to Company

In November, 2010, the Company agreed to terms on an option to purchase the 1/3 equity stake it does not already own (the "Minority Shares") in its American subsidiary, Colorado Cancer Therapeutics Inc ("CCT").

The Minority Shareholders have granted the sole and exclusive option to the Company to acquire the Minority Shares (the "Option") in return for 500,000 common shares in the capital of Arch to each Minority Shareholder, at a deemed price of $0.80/common share for a total deemed consideration of $800,000. The Option is exercisable after November 20, 2011 and no later than May 20, 2013. (the "Option Period").

The Company has also granted to the Minority Shareholders the sole and exclusive irrevocable right to sell the Minority Shares exercisable up to 120 days after CCT enters into an exclusive license with the University of Colorado pursuant to the terms and conditions of an exclusive option agreement previously disclosed to the market on September 21, 2010.

ITEM 2 - Overall Performance

The Company has not yet generated revenue. During the year ended September 30, 2011 the Company spent approximately $25,000 per month on operations, professional fees and governance up to the end of January, 2012. This spending rate of the Company has been fairly consistent since the Company began operations in May, 2010

The current operations of the Company do not show a build up of research and development expenses as any facilities used for continuing research and development to date have been owned by the universities mentioned above. Lab expenditures to date have been predominantly funded through various research grants within the university system.

Cash flow used by operating activities totaled $70,382 during the quarter ending December 31, 2011 and the Company reported a loss from operations of $86,327 for the same period, compared with a loss from operations $107,628 for the same quarter a year earlier. The smaller loss is the mostly the result of a one time licensing expense of $38,564 in the quarter ending December 31, 2010.

Comment Regarding Operating Segments

The annual consolidated financial statements for the year ending September 30, 2011 and the interim consolidated financial statements for the quarter ending December 31, 2011 include the accounts of the Company and its four subsidiaries. Each subsidiary is considered an operating segment. The Company and its subsidiaries represent one reporting segment as all activity is effectively in the same line of business.

Key Corporate Developments since May, 2010

- Appointed Jerome McElroy Chairman of the Board of the Company. Mr. McElroy is co-founder of MDS Health Group and Helix Biopharma.
- Formed a new American subsidiary, Colorado Cancer Therapeutics Inc ("CCT") with leading University of Colorado ("CU") chemists Dr. Lajos Gera and Dr. Robert Hodges. Please see ITEM – 1 "Overview" for more details.
- Engaged the chemistry services of Dr. Hodges and Dr. Gera as ongoing support for its three existing technology platforms.
- Acquired an exclusive license for a patent pending in the area of peptides and solid surfaces owned by the University of Colorado ("CU") and emanating from the Program in Structural Biology and Biophysics, headed by Dr. Robert Hodges.
- Protected intellectual property produced by Arch Biophysics, Arch Cancer Therapeutics and Colorado Cancer Therapeutics. Company has filed USPTO and PCT patent applications on key technology and novel inventions.
- Signed new agreements throughout 2010 to continue technology development at the Universities of Alberta, Calgary and Colorado
- Disclosed discovery of Bio-organic stainless steel in May, 2011 issue of Biomaterials. Please see below in "Arch Biophysics" technology overview for more information.
- Alberta Innovates-Health Solutions granted $560,000 to Dr. Senger and Dr. Robbins to fund ongoing development of brain tumour stem cell imaging technology within Arch Cancer Therapeutics.
- Entered into agreement with National Research Council ("NRC") to develop MRI and PET scans of brain tumour cells. Please see below in "Arch Cancer Therapeutics" technology overview for more information.
- July, 2011 - U.S. Patent and Trademark Office issued a method and composition patent for an invention preventing or inhibiting the growth of biofilm formation on biotic and abiotic surfaces. This biofilm inhibitor was invented at the University of Colorado and the University of Alberta and was exclusively licensed to Arch. Biofilm formation on abiotic surfaces is a particular concern in hospitals and to the medical implant industry. This invention presents a unique method of modifying solid surfaces to prevent certain biofilm formations, particularly those caused by Pseudomonas aeruginosa.
- Selected lead cancer compound GH501a from the library of compounds from CU that the Company tested throughout 2011 as part of its pre-licensing evaluation.
- Engaged Intertek Cantox to formulate a drug development plan for GH501a
- Disclosed Biofilm inhibition on Titanium. Please see below in "Arch Biophysics" technology overview for more information

Arch Biopartners' Technology Overview

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I. Arch Biophysics Ltd.

Arch Biophysics' lead technology binds molecules (peptides/proteins) to non-biological solid surfaces to inhibit bacterial attachment and improve the biocompatibility of medical devices/implants. The Company intends to develop both of these applications toward commercial use since they address important challenges prevalent in the medical industry. The Company has focused product development around 3 lead compounds: ABP-0904, ABP-0912 and ABP-0918.

Medical devices and implants (eg. catheters, prosthetic joints, coronary/vascular stents and dental implants) are constantly exposed to infectious bacteria. The Arch Biophysics technology has been shown to prevent the adherence of bacteria on stainless steel. Inhibited bacteria include Staphlococcus aureus, Staphlococcus epidermidis, Streptococcus viridians, Listeria monocytogenes, and Pseudomonas aeruginosa.

Bioorganic Stainless Steel

In May, 2011, the Company disclosed that Arch scientists Randall Irvin, Dong Yang Li and Elisabeth Davis have successfully created a new material, which they have termed 'bioorganic stainless steel'.

Bioorganic stainless steel has a significantly increased electron work function that displays altered properties relative to the initial starting material. The bioorganic steel generated from this process yields a product that is ~40% harder and has a ~50% lower corrosion rate compared with regular stainless steel.

This new material was generated via a previously unreported type of chemical interaction between novel synthetic peptides (the lead compounds above) and stainless steel.

Increasing corrosion resistance and hardness of surfaces has potential applications in numerous industries where stainless steel and other metals are used, including industrial, life sciences and medical device sectors. Arch's technology development in these areas is ongoing.

Details of these findings are reported in the journal *Biomaterials*. The publication, titled "*A Peptide–Stainless Steel Reaction That Yields a New Bioorganic–Metal State of Matter"* by Davis, Li and Irvin.

Inhibiting Biofilm formation on Titanium

In December, 2011 the company disclosed that Arch scientists have inhibited biofilm formation (bacterial attachment) on titanium using the Company's proprietary peptide technology.

The attachment of *Pseudomonas aeruginosa* was reduced by more than 50% on titanium coated with Arch lead compounds ABP-0904 and ABP-0918. These data are similar to previously

disclosed results where ABP-0904 and ABP-0918 were effective in inhibiting attachment of several bacteria including *Staphlococcus aureus*, *Streptococcus viridans*, *Pseudomonas aeruginosa*, and *Listeria monocytogenes* to stainless steel.

In addition to the effects on biofilm formation, ABP-0904 and ABP-0918 increased titanium hardness by more than 50% compared to the uncoated metal.

Management believes these results provide opportunities for commercial development in the medical industry where biofilm formation on titanium, stainless steel and other solid surfaces is a significant problem. Medical devices and implants, such as catheters, orthopedic and dental implants, have a tendency to attract microbial biofilm formation. Such biofilms are often formed by antimicrobial-resistant organisms. It is estimated that more than 75% of urinary tract infections, pneumonias and bloodstream infections originating in hospitals are associated with medical devices and cost the healthcare industry billions of dollars to treat annually.

II. Arch Biotech (or "Arch Inflammation") Technology Developments

Arch Biotech's lead technology platform is called Arch Inflammation ("AI"). AI is developing anti-inflammatory small molecules that target proteins in the innate immune system.

Sterile inflammation (i.e. inflammation not caused by an infection or microbe) is a significant component of most chronic diseases. Chronic inflammation associated with disease often leads to a cycle of ongoing injury, progressive scarring and organ damage. For example, in both the gastrointestinal tract and in the kidney, the nature of the injury or inflammation determines which patients recover and which patients go on to develop chronic kidney failure or inflammatory bowel disease. The innate immune system represents a relatively new group of pathways that are involved in sterile inflammation and the tissue response to injury. Many of these pathways are implicated in a wide variety of chronic diseases and represent an attractive therapeutic target.

First generation anti-inflammatory molecules were designed and synthesized by the AI team and were tested during the first half of 2011 in proprietary inflammation disease models. Specifically, these drugs/molecules were applied in cell and pre-clinical models of inflammation developed by Arch scientists including chronic kidney and inflammatory bowel disease to determine biological effect. The results of these tests did not warrant any further development and the AI team continues to work toward developing new drug candidates and technologies.

III. Arch Cancer Therapeutics Technology Developments

Arch Cancer Therapeutics' ("ACT") objective is to develop non-invasive diagnostic and therapeutic molecules for brain cancer. These molecules are specialized peptides proprietary to ACT that identify and target brain tumour initiating cells ("BTIC") and invasive brain cancer cells that are not normally seen using current state of the art diagnostic imaging techniques. Product development is focused around 3 lead molecules: ACT-0932, ACT-0971 and ACT-0981.

The Company intends to develop BTIC targeting diagnostic and therapeutic agents to meet significant unmet medical needs in the diagnosis and treatment of malignant gliomas of the brain.

Malignant gliomas have a dismal prognosis with a median survival of only 1 year and "long-term survivors" (i.e. surviving ≥ 3 years) are rare. Presently, there are several barriers to the effective treatment of malignant glioma. They are very difficult to remove surgically as they are highly invasive, moving into the surrounding normal brain. They extend tendrils several centimetres from the main tumour mass and disseminate as single cells with low proliferative activity; this results in resistance to radiotherapy/chemotherapy. A potential new "disease reservoir" is based on the BTIC hypothesis, which puts forth that malignant gliomas are maintained by cells with stem cell-like properties (BTICs) which form a resistant population of cells that are not killed by conventional therapies. These cells have an ability to self-renew and efficiently form tumours in mouse models.

During 2011, Arch entered into an agreement with the National Research Council to combine ACT's BTIC targeting peptide technology with paramagnetic nanoparticles to develop prototype BTIC diagnostic imaging agents for use in magnetic resonance imaging ("MRI").

Paramagnetic nanoparticles are small injectable particles used for molecular imaging and can be visualized by MRI. It is anticipated the combination of ACT's BTIC targeting peptides and paramagnetic nanoparticles will for the first time make BTICs visible.

It is expected that this development contract, including animal (in vivo) testing, will be completed in the next three months, and if successful, will further validate ACT's BTIC-targeting technology as a potential diagnostic tool for human malignant glioma. Management expects that additional development contracts with the NRC may arise after the current one is completed.

IV. Colorado Cancer Therapeutics Technology Developments

Colorado Cancer Therapeutics has an option to license a panel of small molecule anti-cancer agents that have shown pre-clinical efficacy in cell culture and in mouse models of pancreatic, lung and prostate cancer. 12 compounds are currently in the various stages of pre-clinical testing. In November 2011, the Company selected GH501a as the lead candidate compound for further development. Soon after, the Company hired Intertek Cantox to formulate a drug development plan and strategy for GH501a.

The cancer compounds pertaining to the Company's option to license from the University of Colorado were delivered to Arch Biopartners' early in 2011 and the testing of the compounds began at the labs of Arch scientists at the University of Calgary. The Company had until January 1, 2012 to exercise an option to enter into a license with CU for the purpose of bringing any of the compounds to clinical trials. The Company did not exercise this option before January 1, 2012, however; both the Company and CU are in discussion to possibly extend the option period

once additional intellectual property that arose during the testing of the compounds in 2011 is included in the option, as dictated by the original option and material transfer agreements.

ITEM 3 - Selected Annual Information

This section is not applicable to the interim MD&A pursuant to Form 51-102F1 contained in National Instrument 51-102. To view selected annual information, please refer to the Company's annual financial statements for the year ended September 30, 2011 and MD&A filed on SEDAR at www.sedar.com .

ITEM 4 - Results of Operations

The Company reported a *loss from operations* of $86,327 for the three months ended December 31, 2011 versus a *loss from operations* of $107,580 for the same period in 2010. The losses for the current quarter include the sum total of all general and administrative expenses, including communication costs, professional fees, patent expenses, and regulatory fees associated with managing the Company.

Expenses decreased during the quarter compared with the same quarter last year due to the lack of licensing fees in the recent quarter. During the same period last year, a license fee of $38,564 was paid to the University of Colorado and was not repeated in the quarter ending December 31, 2011. Patent expenses also decreased to $37,784 versus $46,048 in the same quarter last year.

Professional fees and transfer agent fees both increased to $13,389 and $3,135 respectively during the quarter due to the increase in transaction costs and regulatory fees compared with the same quarter last year in which the Company had a smaller scale of operations.

Advertising and promotion increased to $9,527 from nil in the same quarter last year due to the Company's engagement of an investor relations consultant to the end of November 30, 2011.

Research expenses increased from nil to $13,525 due to the 2011 engagement with the National Research Council to complete some testing in collaboration with Arch Cancer Therapeutics.

The result for the quarter is a *Net loss* of $87,226 or a loss of $0.002 per common share based on 47,360,179 common shares outstanding. Management of the Company expects to maintain a controlled cost environment for progressing each of the four technology development projects described in ITEM 2- Overall Performance. Management expects an increased pace of expenditures during 2012 in order to advance the intellectual property produced by its subsidiaries. If deemed necessary, management of the Company will consider accessing capital markets to raise more funds to complement existing resources. Please see ITEM 6 – Liquidity for more information.

ITEM 5 - Summary of Quarter Results

The following table sets forth, for each quarter ended on the date indicated, information relating to the Company's revenue, net income (loss) per common share.

The Company has been a reporting issuer for the previous seven quarters. For accounting purposes, the Company assumed the consolidated financial reporting of the Acquisitions and began operating as Arch Biopartners Inc effective May 7, 2010. Therefore, the Company only has quarterly results for the quarters ending after May 7, 2010. All quarters prior to June 30, 2010 are for Arch Biotech.

All values in CAD Quarter Ending:	Dec 31 2012 Q1	Sep 30 2011 Q4	Jun 30 2011 Q3	Mar 31 2011 Q2	Dec 31 2010 Q1	Sep 30 2010 Q4	Jun 30 2010 Q3	Mar 31 2010 Q2
Revenue	-	-	-	-	-	-	-	-
Income (loss) BEFORE discontinued operations	(86,327)	(88,875)	(173,460)	(76,344)	(107,589)	(51,083)	(30,033)	(5,036)
Income (loss) BEFORE extraordinary item	(86,327)	(88,875)	(173,460)	(76,344)	(107,589)	(51,083)	(30,033)	(5,036)
Per share	(0.002)	(0.002)	(0.003)	(0.002)	(0.002)	(0.001)	(0.001)	n/a
Results Surrounding Extraordinary/Other Items:								
Discontinued Operations	-	-	-	-	-	-	-	-
Extraordinary/Other Items	-	-	-	-	-	-	(7,075,176)	-
Income (Loss)	(86,327)	(88,875)	(173,460)	(76,344)	(107,589)	(51,083)	(7,105,209)	(5,036)
Per share	(0.002)**	(0.002)**	(0.003)**	(0.002)**	(0.002)**	(0.001)**	(0.150)**	n/a *

*Arch Biotech had less than 3,000 shares outstanding as a private company. A useful loss per share comparison using similar denominators of shares outstanding is therefore not achievable for the purpose of this table

**Based on 47,360,179 shares outstanding since June 30, 2010

ITEM 6 - Liquidity

The Company's primary source of cash flow is from the issuance of its own securities, as it has not yet generated positive cash flows from its operations. Economic downturn, a weak stock market, restriction of global capital similar to the global financial crisis of 2008 are examples that could make it more difficult for the Company to raise money in the future if it so requires.

The Company's working capital surplus as at December 31, 2011, excluding loans from a shareholder, was $87,010 as current assets totalled $138,107. This working capital surplus is a calculated number and does not have a formal definition according to IFRS but management feels it provides useful information to the user of the financial statements.

The Company has taken the following steps to improve liquidity and working capital during 2010 and 2011:

- On May 7, 2010, the Company closed a non-brokered, private placement of 1,400,000 Common Shares issued at a price of $0.50/share for total proceeds of $700,000. The proceeds of the Private Placement are being used to provide working capital for the

business operations of the Company and seed capital for research priorities in the Company's three subsidiaries. Management of the Company is expecting to raise additional funds via future equity financings.

- Company management has secured loans from a director and a shareholder of the Company, in an amount of approximately $360,355 as of December 31, 2011. The Company will pay the Canadian Prime Lending Rate plus 100 basis points on these funds. These funds were used to settle payables and ongoing expenses of the Company's operations prior to May, 2010, including the standard, reoccurring expenses of operating a public company. The funds were also used to restructure the Company and complete the transactions which led to the formation of Arch Biopartners Inc. on May 7, 2010.
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ITEM 7 - Capital Resources

The Company does not currently have any commitments to capital expenditures nor does it have any externally imposed capital requirements at this time.

Management expects during 2011 to make additional expenditures of at least $100,000 in the area of protecting intellectual property emanating from its four subsidiaries. Management views this as vital to maintaining the Company's competitive position in developing new technologies for commercial use and to be able to fund development activities in the future. Exact amounts of future patent expense will depend on future success of technology development within the Company's four subsidiaries.

Presently, the Company does not have sources of capital other than issuing new equity.

Please see ITEM 2 – Overall performance – for an explanation of why the Company has not yet incurred research and development expenses to date.

ITEM 8 - Off-Balance Sheet Arrangement

Arrangement with the University of Calgary

Arch Biotech Inc, the Company and the University of Calgary ("UofC") reached an agreement in June 2009 which provides for the basic terms of equity and future overhead arrangements between the parties. Pursuant to the agreement, the UofC exchanged its revenue sharing rights in the intellectual property produced by the specified Arch Biotech research programs at the UofC in exchange for an equity stake in Arch Biotech. The Company agreed to issue 1,576,000 common shares to the UofC at a deemed price of $0.50 per share for a total value of $788,000. The UofC and Arch Biotech also intend to enter into an overhead agreement to allow continuing research activities funded by the Company.

This off balance sheet arrangement with the UofC has a significant effect on results of current and future operations in that it provides controls on expenses and capital expenditures of the Arch Biotech research and development project.

Termination of this arrangement and the access to UofC facilities it provides would cause the Company to have a revenue sharing agreement with the UofC instead of sharing equity. It is possible the Company would not perform continuing research at the UofC facilities without such an arrangement. In the latter case, expenses and the capital expenditures of the Arch Biotech research and development plan would likely increase significantly if Arch Biotech chose to move continuing development work off campus into a private laboratory.

During the summer of 2011 this arrangement with the UofC was extended with Arch Biotech until July 1, 2012 and a similar overhead agreement was granted to Arch Cancer Therapeutics.

Intellectual Property Transfer Agreements

According to UofC policy, intellectual property is owned 100% by the inventor. The founding UofC scientists have contractually assigned ownership of current and future intellectual property relating to the Arch Biotech and Arch Cancer Therapeutics' research projects to the Company.

A similar intellectual property assignment was executed by the scientists of Arch Biophysics Ltd, the University of Alberta and the Company.

This intellectual property represents one of the key assets of the Company.

Scientist Engagement Contracts

Scientists managing the Company's technology development within the Company's subsidiaries have executed scientist engagement contracts with the Company. Pursuant to the contracts, the scientists are obliged, among other things, to work on the Company's respective research programs exclusively for the Company without detracting from their responsibilities as members of the university faculty.

ITEM 9 - Transactions with Related Parties

The following were transactions with Related Parties during the year ending September 30, 2011 and during 2010 and subsequently into 2012:

- During July, 2011 the Company extended overhead arrangements with the UofC, a shareholder of the Company. More details can be found in ITEM 8 above.

- On April 15, 2011, the company announced it granted 250,000 stock options with an exercise price of $0.90 per common share and a term of 5 years to a director, pursuant to the terms of the Company's stock option plan. The shares of the Company closed at $0.73 on April 14, 2011 on the Canadian National Stock Exchange.

- Certain directors and officers of the Company and Arch Biotech subscribed for 1,058,000 Common Shares of the above mentioned Private Placement which closed on May 7, 2010, representing aggregate gross proceeds of $529,000 (the "Insider Subscriptions"). Each Insider Subscription constitutes a "related party transaction" within the meaning of Multilateral Instrument 61-101 – *Protection of Minority Securityholders in Special Transactions* ("MI 61-101"). However, the completion of transactions contemplated by the Insider Subscriptions are exempt from both the formal valuation and minority shareholder approval requirements of MI 61-101 as neither the fair market value of the Common Shares issued to, or the consideration paid by, such persons will exceed 25% of the Company's market capitalization.

- During 2007 and up to January 28, 2010, Richard Muruve, a director and current CEO of the Company, has lent a total of approximately $360,000 (including accrued interest) to the Company for working capital purposes. The Company must pay the current Canadian Prime Lending Rate plus 100 basis points on the outstanding amount borrowed.

ITEM 10 - Proposed Transactions

As described in ITEM 1 above, the Company completed transactions as proposed in the management information circular ("MIC") dated February 26, 2010, filed on SEDAR in connection with the Company's special meeting of shareholders held in Toronto on April 12, 2010 (the "Meeting"). Readers are encouraged to read the MIC for details of the recent restructuring of the Company which culminated in the forming of Arch Biopartners on May 7, 2010.

For more information regarding the recent transactions, please consult the Company's public filings including the MIC at www.SEDAR.com.

The Company does not have any proposed transactions as at the date hereinabove.

ITEM 11 - Critical Accounting Estimates

This section is not required as the Company is a Venture Issuer, as the term is defined in National Instrument 51-102. Comments on accounting estimates are disclosed in the notes to the annual financial statements.

ITEM 12 - Financial Instruments and Other Instruments

Please refer to Note 2 – "Summary of Significant Accounting policies - *Financial Instruments*" and Note 3 – "Financial Instruments" in the Company's audited annual financial statements for the year ending September 30, 2011 or the Company's unaudited condensed consolidated interim financial statements for the quarter ending December 31, 2011.

ITEM 13 - Other MD&A Requirements

The Company is authorized to issue an unlimited number of common shares, where each common share provides the holder to one vote. At of the date of this MD&A there were 47,360,179 common shares issued and outstanding. In addition, the Company had the following convertible securities outstanding:

Type	Quantity	Exercise Price	Expiry Date
Stock Options	100,000	$0.20	February 22, 2013
Stock Options	250,000	0.90	April 15, 2016

200,000 of the remaining 300,000 Feb 2013 stock options described above belonged to two former directors who ceased to be directors effective May 7, 2010. As a result, these 200,000 options expired on August 7, 2010 and none of these were exercised, leaving 100,000 of the Feb 2013 options outstanding. Please see ITEM 9 above for more information regarding the April 15, 2016 stock options.

Summary of Significant Accounting Polices

Please refer to Note 3 of the Company's unaudited condensed consolidated interim financial statements for the quarter ending December 31, 2011 for a summary of significant accounting policies

Accounting Changes

(i) International Financial Reporting Standards

In February 2008, the Canadian Institute of Chartered Accountants (CICA) announced that Canadian GAAP for publicly accountable enterprises will be replaced by IFRS for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The standard also requires that comparative figures for 2010 be based on IFRS. Accordingly, the Company has adopted IFRS on October 1, 2011, with restatement for comparative purposes of amounts reported by the Company for the fiscal year beginning October 1, 2010.

The significant accounting policies adopted under IFRS are included in note 3 to the unaudited condensed consolidated interim financial statements for the quarter ended December 31, 2011. These accounting policies have been applied consistently to all periods presented in the financial statements. They also have been applied in preparing an opening IFRS statement of financial position as at October 1, 2011, the Company's transition date, as required by IFRS 1. The accounting policies have been selected to be consistent with IFRS as is expected to be effective on September 30, 2012, the Company's first annual IFRS year end reporting date. The standards and interpretations within IFRS are subject to change and accordingly, the accounting policies for the annual period that are relevant to these unaudited condensed consolidated interim

financial statements will be finalized only when the first full IFRS financial statements are prepared for the year ending September 30, 2012.
Reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS are included in Note 2 to the unaudited condensed consolidated interim financial statements for the quarter ended December 31, 2011.

The transition from Canadian GAAP to IFRS had no impact on total comprehensive income (loss).

Future Accounting Changes

For more information relating to future accounting changes, please refer to Note 3 "Summary of Significant Accounting Policies of the Company's un-audited condensed interim financial statements for the quarter ending December 31, 2011.

Discussion on Disclosure and Internal Controls

As a venture issuer, Arch Biopartners management is not required to certify or include representations about the design and maintenance of Disclosure Controls & Procedures or Internal Control over Financial Reporting and none of the following comments should be so interpreted; however, in the interest of full disclosure, management wishes to include the following comments on Internal Control over Financial Reporting and Disclosure Controls & Procedures.

In assessing Disclosure Controls and Procedures and Internal Control over Financial Reporting, readers are cautioned that a control system can only provide reasonable, not absolute, assurance that the objectives of the control system are achieved. Due to the inherent limitations in all control systems, an evaluation of controls cannot provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. Inherent limitations include the possibility that the assumptions and judgments of management could ultimately prove to be incorrect under varying conditions and circumstances; or that isolated errors could prove to have a significant impact on the reliability of information.

Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and it is not possible to provide complete assurance that a control system will succeed in achieving its stated goals under all potential future conditions.

Business Risks and Uncertainties

An investment in the common shares of the Company should be considered highly speculative due to the nature of the business of the Company, consisting of research, development and commercialization of patents for industrial products, pharmaceuticals or therapies for the treatment related of human diseases, as well the Company's present stage of its development and

its lack of operating history. In evaluating the business of the Company, readers should carefully consider the following risk factors. Additional risks not currently known to the Company as of the date hereof may also impair future business operations of Company. The list below is not a definitive list of all risk factors associated with the business of the Company.

Debt and Interest Risk

The Company does not have any external debt at the moment. As previously mentioned, the Company has borrowed approximately $350,000 from a director and a shareholder for working capital purposes.

Management of the Company does not consider this debt exposure to have material sensitivity to changes in interest rates.

Current Global Financial and Economic Conditions

Current global financial and economic conditions remain extremely volatile. Several major international financial institutions and other large, international enterprises have either filed for bankruptcy or are being actively rescued by governmental intervention. Access to public and private capital and financing continues to be negatively impacted by many factors as a result of the global financial crisis and global recession. Such factors may impact the Company's ability to obtain financing in the future on favourable terms or obtain any financing at all. Additionally, global economic conditions may cause a long term decrease in asset values. If such global volatility, market turmoil and the global recession continue, the Company's operations and financial condition could be adversely impacted.

Risks Related to Early Stage Development

The Company is currently at an early stage of development and subject to start up risks, including start up losses, lack and uncertainty of revenues, unproven markets for its products, risks in the commercialization process, lack of profitability and the need to raise additional funding.

Risks Associated with Biomedical Research, Development and Product Commercialization

The Company's growth and future success will be substantially dependent on its ability to develop, license or otherwise acquire new commercially viable patents and products and obtain related governmental approvals. Any failure in respect of the commercially viability of the Company's patents or failure to obtain related governmental approvals could result in a material adverse effect on the business, financial condition and results of operations of the Company. The business of the Company is subject to significant and material risks that cannot be eliminated or adequately mitigated, even with careful and prudent planning and evaluation, experience, knowledge and managerial and operational know-how. The Company will face a number of uncertainties. Development of intellectual property into commercially viable patents can

oftentimes completely fail or be terminated at any stage in the research and development process, oftentimes after the expenditure of considerable financial resources.

Health Canada's Therapeutic Products Directorate (the "**TPD**") is the Canadian federal authority that regulates pharmaceutical drugs and medical devices for human use. The United States Food and Drug Administration (the ''**FDA**'') performs a similar function at the federal level in the United States. Prior to being given market authorization to sell products sold in the U.S. and Canada, respectively, the TBD and FDA must be presented with substantive scientific evidence of a product's safety, efficacy and quality. Member states of the European Union and other nations may impose similar regulatory pre-approvals before products can be brought to market. Obtaining FDA, TPD and other regulatory and governmental approvals is extremely time consuming, requires a material amount of capital and subjects products to thorough testing. The outcome of such regulatory applications can often times be unpredictable and yield unanticipated outcomes. The time involved, and the potential failure to obtain, FDA, TPD and other similar regulatory approvals could adversely affect the Company's business plan, product pipeline, financial condition and results of operations.

The Company may rely on the acquisition or licensing of other patents, products or technologies sourced from third parties. The use of such a strategy will draw down the Company's resources in connection with due diligence and expenses in identifying, evaluating and negotiating joint venture or acquisition agreements. In addition, the licensing of patents, products or technologies from third parties can involve significant counterparty contractual risk.

Significant Future Capital Requirements, Future Financing Risk and Dilution

No assurances can be provided that the Company's financial resources will be sufficient for its future needs. Current projections for revenues from operations are insufficient to meet the Company's future capital requirements. As such, the Company will be required to undertake future financings which may be in the form of a sale of equity, debt secured by assets or forward purchase payments. No assurances can be made that the Company will be able to complete any of these financing arrangements or that the Company will be able to obtain the capital that it requires. In addition, the Company cannot provide any assurances that any future financings will be obtained on terms that are commercially favourable to the Resulting Issuer.

Any such future sale of Common Shares or other securities convertible into Common Shares will lead to further dilution of the equity ownership of existing shareholders.

No Anticipated Dividends

The Company does not expect to pay dividends on its issued and outstanding Common Shares upon completion of the proposed Transaction or in the foreseeable future. If the Company generates any future earnings such cash resources will be retained to finance further growth and current operations. The board of directors of the Company will determine if and when dividends

should be declared and paid in the future based on the financial position of the Company and other factors relevant at the particular time. Until the Company pays dividends, which it may never do, a shareholder will not be able to receive a return on his or her investment in the Common Shares unless such Common Shares are sold. In such event, a shareholder may only be able to sell his or her Common Shares at a price less than the price the shareholder originally paid for them, which could result in a significant loss of such shareholder's investment.

Negative Cash Flow and Absence of Profits

The Company has not earned any profits to date and there is no assurance that it will earn any profits in the future. The Company expects to continue to incur significant operating losses as continued development and clinical trials occur. Such losses are anticipated to have an adverse effect on shareholders' equity and working capital. The Company will need to generate significant revenues in order to achieve and maintain profitability and there can be no guarantees that profitability, if ever achieved, will be sustained.

The Company's ability to generate revenue in the future is dependent, in large part, on completing product development, obtaining regulatory approvals and successful commercialization and marketing of the Company's patents for pharmaceuticals or therapies for the treatment related of human diseases. The Company cannot provide any assurances that the products it may develop or license will ever successfully commercialize or achieve revenues from sales. There can be no assurance that future revenues will be sufficient to generate the required funds to continue in the biotechnology industry.

Limited Operating History

The Company is in the early stage of development. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations.

Management of Growth

The Company may be subject to growth-related risks including pressure on its internal systems and controls. The Company's ability to manage its growth effectively will require it to continue to implement and improve its operational and financial systems. The inability of Company management to deal with this growth could result in a material adverse impact on its business, operations and prospects. While management believes that it will make the necessary investments in infrastructure to process anticipated volume increases in the short term, the Company may experience growth in the scope of its operating and financial systems, resulting in increased responsibilities for the Company's personnel, the hiring of additional personnel and, in general, higher levels of operating expenses. In order to manage its current operations and any

future growth effectively, the Company will also need to continue to implement and improve its operational, financial and management information systems and to hire, train, motivate, manage and retain its employees. There can be no assurance that the Company will be able to manage such growth effectively, that its management, personnel or systems will be adequate to support the Company's operations.

Risks Related to Pre-Clinical and Clinical Trials

Extensive preclinical and clinical trials (collectively "**Clinical Trials**") are required to commercialize the Company's pipeline of products, which involves, among other things, demonstrating safety and efficacy. Clinical Trials are capital intensive undertakings, take years to complete and can oftentimes yield unintended outcomes, including, among other things, harmful side effects that may delay or bar regulatory approval or limit commercial use of the product, if approved. The Company's future success will depend, to a significant degree, on obtaining successful outcomes to Clinical Trials. In general, Clinical Trials are risky, time consuming endeavours and can oftentimes result in complete failure after material expenditures are made, especially where a novel use or chemical is proposed or tested, which can also increase the risk of harmful side effects. The Company's developmental pipeline may never evolve into commercially viable products if adverse outcomes or failures arise in connection with Clinical Trials. The scope, duration and number of Clinical Trials will vary according to the relevant governmental agency. Failure to obtain regulatory approval or successful commercialization of the product pipeline could result in a material adverse effect on the business and financial condition of the Company.

Risks Related to Marketplace Acceptance of the Resulting Issuer's Products

The Company's product pipeline may appear promising but may ultimately fail to reach a defined market. Additionally, the Company's products may have limited or no commercial success. Market acceptance of the Company's products will be impacted by several factors, none of which (collectively or individually) can necessarily be eliminated, adequately mitigated or managed, even with careful and prudent planning and evaluation, experience, knowledge and managerial and operational know-how. Such factors include, but are not limited to, the following (in no particular order): (i) timing of regulatory approvals, (ii) competition from more established firms, (iii) safety of the proposed product as compared to existing treatments, including the availability of alternatives, (iv) scope of approved use and marketing approval, (v) costs to produce the product and (vi) price.

Risks Related to Intellectual Property (Licenses, Patents and Proprietary Rights)

The patent positions of other persons are oftentimes uncertain and tend to involve an examination of increasingly complex legal and factual questions. The patent situation outside the U.S. and Canada is even more uncertain. The business of the Company will be characterized by a significant amount of potential litigation risk in relation to patent defence and patent

infringement claims. The success of the Company will depend upon its ability to protect its own intellectual property while simultaneously conducting its affairs in a manner that does not infringe upon the proprietary rights of others. Existing patent holders, or others, may seek to oppose or challenge some or the Company's entire portfolio of patents or may actively attempt to circumvent the Company's patents. Additionally, the Company may discover that existing patents may impede its ability to capitalize on the outcomes of its research projects. The Company can provide no assurances that it can successfully defend its patents and can provide no comfort that a court will ultimately uphold their validity. The costs of litigation, if any, may be material and may quickly strain the limited financial resources of the Company. In addition to cost any litigation could be time-consuming and place severe operational strains upon senior management team and technical personnel. The loss of actual litigation, if any, could result in monetary damages being levied against the Company or subject the Company to an interlocutory or permanent injunction.

Risks Related to Competition and Technological Change

The biotechnology industry is extremely competitive and is subject to rapid and significant technological change which, among other things, places immense pressure on the business of the Company. The Company competes against other, more established research teams and firms who may be examining the same subject matter being researched by the Company. A large number of the Company's competitors, which include, among others, major pharmaceutical and chemical companies, specialized contract research organizations, research-and-development firms, universities and other research institutions will have superior financial and operational resources and more experience in research and development. Competitors may develop new treatments or technologies that compete with the Company's products or even render the Company's technologies obsolete.

Risks Related to Product Liability Claims

Product liability claims may arise against the Company in connection with the testing and administration of pharmaceuticals, whether in Clinical Trials or commercially, and may arise regardless of whether the Company's product is actually at fault. In general, product liability claims may produce product recalls, result in protracted litigation and could cause adverse publicity, any of which outcomes could adversely affect the regulatory approval process and/or cause a long term decline in the value of the Common Shares. The defense of product liability claims (which oftentimes comes in the form of a class proceeding) can be extremely time consuming and costly, even against bogus claims, and may place significant strains on the financial resources of the Company. The Company does not carry any product liability insurance at this time but intends to so as its business develops and its product pipeline is commercialized. However, product liability insurance coverage is very expensive, is oftentimes difficult to obtain, may not be available on commercially reasonable terms or may be capped at certain thresholds, which may result in uninsurable risks to the Company. The Company can provide no assurances that product liability insurance, if any, will be obtained or if obtained will be adequate in scope.

Key Personnel

The Company's business involves a high degree of risk, which a combination of experience, knowledge and careful evaluation may not be able to be managed or overcome. As such, the Company's success is dependent on the services of its senior management and the members of its Scientific Advisory Board. The loss of one or more of the Company's key employees or consultants could have a material adverse effect on the Company's operations and business prospects. In addition, the Company's future success will depends on its ability to attract and retain skilled technical, management and marketing personnel. There can be no assurance that the Company will be successful in attracting and retaining such personnel and the failure to do so could have a material adverse effect on the Company's business, its operating results as well its overall financial condition.

Foreign Exchange Risk
The majority of expenses are now in Canadian dollars only. Less than 10% of the Company's expenses are denominated in US dollars.

At the present time, the Company does not use any foreign exchange risk management tools such as currency forward or options contracts.