ARCH BIOPARTNERS INC.

Condensed Interim Consolidated

Financial Statements

Six Months Ended March 31, 2012 and 2011

(Unaudited - See Notice Of No Auditor Review)

ARCH BIOPARTNERS INC.

Index to Condensed Interim Consolidated Financial Statements

Six Months Ended March 31, 2012 and 2011

(Unaudited - See Notice Of No Auditor Review)

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, 2012

100-123 Bannatyne Ave., Winnipeg, MB R3B 0R3
Telephone: (204) 943-4584 Fax: (204) 957-5195
Toll Free: 1-866-EXG-0303
E-mail: info@exg.ca Website: www.exg.ca

ARCH BIOPARTNERS INC.

Condensed Interim Consolidated Statement of Financial Position

(Unaudited - See Notice Of No Auditor Review)

	March 31, **2012**	*September 30,* 2011
ASSETS		
CURRENT		
Cash	**$ 93,135**	$ 205,567
Prepaid expenses	**-**	5,353
	93,135	210,920
NON-CONTROLLING INTEREST	**1**	1
	$ 93,136	$ 210,921
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT		
Accounts payable and accrued liabilities	**$ 62,926**	$ 40,059
Due to shareholder *(Note 8)*	**363,360**	356,961
	426,286	397,020
SHAREHOLDERS' EQUITY		
Share capital *(Note 9)*	**7,476,704**	7,476,704
Contributed surplus	**113,319**	113,319
Deficit	**(7,923,173)**	(7,776,122)
	(333,150)	(186,099)
	$ 93,136	$ 210,921

ON BEHALF OF THE BOARD

_"Richard Muruve"______________________ *Director*

_"Andrew Bishop"_______________________ *Director*

ARCH BIOPARTNERS INC.

Condensed Interim Consolidated Statement of Comprehensive Loss and Deficit

Six Months Ended March 31, 2011 and 2010

(Unaudited - See Notice Of No Auditor Review)

	3 months ended *March 31,* **2012**	3 months ended *March 31,* 2011 *(Restated)*	**6 months ended** *March 31,* **2012**	6 months ended *March 31,* 2011 *(Restated)*
EXPENSES				
Advertising and promotion	**$ 1,108**	$ 1,657	**$ 10,635**	$ 1,657
Research	**25,244**	-	**38,769**	-
Interest and bank charges	**3,282**	3,108	**6,945**	6,949
Patent	**17,139**	37,266	**54,923**	83,312
License	**-**	-	**-**	38,564
Meetings and conventions	**-**	-	**-**	2,260
Office	**3,788**	3,296	**6,450**	4,564
Transfer agent fee	**7,326**	7,183	**10,461**	10,032
Professional fees	**380**	25,319	**13,769**	30,749
Travel	**1,704**	70	**4,347**	2,550
Materials	**-**	2,445	**-**	7,334
	59,971	80,344	**146,299**	187,971
LOSS FROM OPERATIONS	**(59,971)**	(80,344)	**(146,299)**	(187,971)
FOREIGN EXCHANGE GAIN	**146**	195	**(752)**	243
LOSS BEFORE NON-CONTROLLING INTEREST	**(59,825)**	(80,149)	**(147,051)**	(187,728)
NON-CONTROLLING INTEREST	**-**	(4,500)	**-**	(5,185)
NET LOSS	**$ (59,825)**	$ (75,649)	**$ (147,051)**	$ (182,543)
EARNINGS PER SHARE	**$ (0.002)**	$ (0.002)	**$ (0.003)**	$ (0.004)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	**47,360,179**	47,360,179	**47,360,179**	47,360,179

ARCH BIOPARTNERS INC.

Condensed Consolidated Interim Statement of Changes in Equity

Six Months Ended March 31, 2012

(Unaudited - See Notice Of No Auditor Review)

	Share Capital	Contributed Surplus	Deficit	Total
DEFICIT - AT OCTOBER 1, 2010				
As previously reported	**$ 7,476,704**	**$ -**	$ (3,718,732)	$ 157,972
Prior period adjustments *(Note 12)*	-	**-**	(13,902)	-
DEFICIT - AT OCTOBER 1, 2011 As restated	**7,476,704**	**-**	(7,332,634)	157,972
LOSS FOR THE YEAR	**-**	-	**(443,488)**	(182,543)
Stock options issued	**-**	113,319	-	$ 113,319
DEFICIT - AT SEPTEMBER 30, 2011	**$ 7,476,704**	**$ 113,319**	**$ (7,776,122)**	**$ (186,099)**
DEFICIT - AT OCTOBER 1, 2011	**$ 7,476,704**	**$ 113,319**	**$ (7,776,122)**	**$ (186,099)**
Loss for the period	**-**	**-**	(147,051)	**(59,825)**
DEFICIT - AT MARCH 31,2012	**$ 7,476,704**	**$ 113,319**	**$ (7,923,173)**	**$ (335,150)**

ARCH BIOPARTNERS INC.

Condensed Interim Consolidated Statement of Cash Flows

Six Months Ended March 31, 2012 and 2011

(Unaudited - See Notice Of No Auditor Review)

	3 months ended *March 31,* **2012**	3 months ended *March 31,* 2011	**6 months ended** *March 31,* **2012**	6 months ended *March 31,* 2011
OPERATING ACTIVITY				
Cash paid to suppliers and employees	**$ (42,050)**	$ (113,972)	**$ (112,432)**	$ (156,399)
Cash - beginning of period	**135,185**	463,822	**205,567**	506,249
CASH - END OF PERIOD	**$ 93,135**	$ 349,850	**$ 93,135**	$ 349,850

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 the first three research programs listed above. 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 statement of financial position 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.

2. BASIS OF PREPARATION

a) Statement of Compliance

The financial statements of the Company for the year-ending September 30, 2012 will be prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), having previously prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles (“pre-changeover Canadian GAAP”). These condensed interim financial statements for the three month period ended December 31, 2011 have been prepared in accordance with IAS 34 Interim Financial Reporting, and as they are part of the Company’s first IFRS annual reporting period, IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

As these condensed interim consolidated financial statements are the Company’s first financial statements prepared using IFRS, certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS that were not included in the Company’s most recent annual financial statements prepared in accordance with pre-changeover Canadian GAAP have been included in these financial statements for the comparative annual period. However, these condensed interim financial statements do not include all of the information required for full annual financial statements.

These condensed interim consolidated financial statements should be read in conjunction with the Company’s 2010 annual financial statements and the explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company provided in note 13.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 30, 2012.

b) Basis of Measurement

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

The condensed interim 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.

c) Going Concern of Operations

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.

(continues)

2. BASIS OF PREPARATION *(continued)*

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.

d) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below are expected to be adopted for the year-ending September 30, 2012 and have been applied consistently to all periods presented in the condensed interim financial statements.

Foreign Currency Transactions

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the 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. Exchange gains and losses arising on the retranslation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in net income. Exchange gains and losses on non-monetary available-for-sale financial assets form part of the overall gain or loss recognized in respect of that financial instrument.

(continues)

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

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. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

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, 2012, potentially dilutive common shares (relating to options and warrants outstanding at year end) totaling 100,000 (March 31, 2011 - 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.

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.

Patent fees

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

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

Financial instruments

Financial Assets

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

Loans and Receivables

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

Fair value through profit or loss assets

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

Impairment on Financial Assets

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

Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise trade payables and accrued liabilities. 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 carrying 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.

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

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

Standards, Amendments and Interpretations Not Yet Effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning after January 1, 2011 or later periods.

The following new standards, amendments and interpretations, that have not been early adopted in these interim financial statements, will or may have an effect on the Company's future results and financial position:

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets, amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2013. The Company is in the process of evaluating the impact of the new standard.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 financial statements within the next financial year are discussed below:

i) 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.

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

ii) Share -based Payment Transactions

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

5. 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, 2012	September 30, 2011
Financial Assets Held for Trading		
Cash	**$ 93,135**	$ 205,567
Financial Liabilities at Amortized Cost		
Accounts payable and accrued liabilities	**62,925**	40,059

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5. 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, 2012	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$93,135			$93,135

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

Credit Risk

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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5. 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. 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, 2012, the company had $12,809 in US cash and $1,899 in US accounts payable and accrued liabilities. Had the US and Euro exchange rate been +/- 5% higher/lower at March 31, 2012 the company's operations for the 6 months ended March 31, 2012 would have changed by $546.

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.

6. NON-CONTROLLING INTEREST IMPAIRMENT

Non-controlling interest assets have arisen on the accumulated losses incurred in Colorado Cancer Therapeutics, a company owned two-thirds by Arch Biopartners Inc. Based on the fact that Colorado Cancer Therapeutics has not generated revenue to date, and based on the number of variables in determining the value of any potential recoverability, management has valued the non-controlling interest assets at a nominal value of $1 and has record any resulting change in value for each quarter to the consolidate interim statement of loss.

7. PATENTS

As at March 31, 2012 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. Future patent costs may be capitalized if future recoverability is readily estimable.

8. 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, 2012, interest expense of $6,054 has been recorded as a result of this loan.

9. SHARE CAPITAL

	# of shares	Amount
Issued and fully paid, common shares		
Balance September 30, 2010 and March 31, 2012	**$ 47,360,179**	**$ 7,476,704**

No shares were issued during the six months ended March 31, 2012 or during the year ended September 30, 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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9. SHARE CAPITAL *(continued)*

	Number of Stock Options	Weighted Average Exercise Price	Expiry date
Balance September 30, 2010	$ 100,000	0.20	February 2013
Granted	250,000	0.90	April 2016
Exercised	-	-	
Forfeited	-	-	
Balance September 30, 2011	350,000	0.70	
Granted	-	-	
Exercised	-	-	
Forfeited	-	-	
Balance March 31, 2012	**350,000**	**0.70**	

There have been no options granted, exercised or forfeited during the six months ended March 31, 2012.

b) Stock-based compensation

During the year ended September 30, 2011, the Company granted 250,000 options to a director pursuant to terms of the Company's stock option plan.

For the year ended September 30, 2011, the total compensation expense, as calculated using the Black-Scholes option pricing model, for stock options granted to this director is $113,319. 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 options that vested during year ended September 30, 2011 are estimated on the date of grant using the Black-Scholes Option Pricing Model, with the following weighted average assumptions:

10. RELATED PARTY TRANSACTIONS

The CEO, several principal scientists and directors have siginificant share holdings at this time that align their interests with those of all shareholders. Due to the Coroporation's early stage of development and small size of the Corporation's management team and board, the Board's Nominating and Compensation Committee has maintained the Corporation's recent practice of not compensating executives or board members, other than the share based payments noted above in Note 9. As this compensation is not readily measurable, these expenses and the related services revenue have not been recorded. For the current period ended March 31, 2012 there have been no such transactions, nor were there for the comparative period in the previous fiscal year.

11. COMMITMENTS

The Company entered into an agreement with the University of Alberta for a research assistant. The agreement runs from September 1, 2011 to August 31, 2012 for a total fee of $25,308.

12. PRIOR PERIOD ADJUSTMENT

According to ISA 38, Start-up costs relating to the establishment of a legal entity should be expensed in the period incurred. Previous financial statements of the Company had capitalized these costs to be amortized over a five year period. The financial statements have been adjusted to reflect a reduction of the previous capitalized incorporation costs and accumulated deficit of $13,902 (2010 - $13,902).

13. SUBSEQUENT EVENTS

The Company closed off the first tranche of the private placement on April 16, 2012. The Company issued 300,000 Units at a price of $0.40 per Unit, for gross total proceeds of $120,000. Each Unit comprises of one common share and one common share purchase warrant. Each warrant allows the holder to purchase an additional common share at $0.60 cents during the 24 month period following the close of the private placement. The proceeds will be used for the Company’s working capital and general corporate purposes. The common shares and any common shares issued from the exercise of the warrants will be subject to a hold period of 4 months from the closing date.

14. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company’s financial statements for the year-ending September 30, 2012 are the first annual financial statements that will be prepared in accordance with IFRS. IFRS 1, First Time Adoption of International Financial Reporting Standards, requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was October 11, 2010 (the “Transition Date”). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be September 30, 2012. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adoption. Prior to transition to IFRS, the Company prepared its financial statements in accordance with pre-changeover Canadian generally accepted accounting principles (“pre-changeover Canadian GAAP”).

In preparing the Company’s opening IFRS financial statements, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with pre-changeover Canadian GAAP.

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14. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

Business Combinations

The Company elected not to retrospectively apply IFRS 3, Business Combinations, to any business combinations that may have occurred prior to its Transition Date and such business combinations have not been restated.

Share -based Payment Transactions

The Company has elected not to retrospectively apply IFRS 2 to equity instruments that were granted and had vested before the Transition Date. As a result of applying this exemption, the Company will apply the provisions of IFRS 2 only to all outstanding equity instruments that are unvested as at the Transition Date to IFRS.

Estimates

The estimates previously made by the Company under pre-changeover Canadian GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result the Company has not used hindsight to revise estimates.

Reconciliation of pre-changeover Canadian GAAP Equity and Comprehensive Income to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. There were no adjustments necessary to the company's recorded balances or operations as a result of the changeover to IFRS. Therefore a reconciliation from pre-changeover Canadian GAAP to IFRS has not been reflected as information in these financial statements.