ARCH BIOPARTNERS INC.

Condensed Interim Consolidated Financial Statements

Three Months Ended December 31, 2014

(Unaudited - See Notice Of No Auditor Review)

ARCH BIOPARTNERS INC.

Index to Condensed Interim Consolidated Financial Statements

Three Months Ended December 31, 2014

(Unaudited - See Notice Of No Auditor Review)

THE EXCHANGE
chartered accountants LLP

NOTICE OF NO AUDITOR REVIEW

To the Shareholders of Arch Biopartners Inc.

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

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim financial statements for the period ended December 31, 2014.

"Richard Muruve" Director
March 2, 2015

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ARCH BIOPARTNERS INC.

Condensed Interim Consolidated Statement of Financial Position

September 30, 2015

(Unaudited - See Notice Of No Auditor Review)

		December 31 **2014**		*September 30* 2014
ASSETS				
CURRENT				
Cash	**$**	**245,202**	$	365,113
Accounts receivable from the National Research Council *(Note 6)*		**37,598**		34,125
Goods and services taxes receivable		**17,882**		6,553
	$	**300,682**	$	405,791
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	**$**	**132,433**	$	58,902
Due to shareholder *(Note 9)*		**326,209**		353,474
		458,642		412,376
SHAREHOLDERS' DEFICIENCY				
Share capital *(Note 10)*		**8,516,904**		8,516,904
Contributed surplus *(Note 10)*		**320,809**		113,319
Deficit		**(8,995,673)**		(8,636,808)
		(157,960)		(6,585)
	$	**300,682**	$	405,791

ON BEHALF OF THE BOARD

_____*"Richard Muruve"*___________ *Director*

_____*"Andrew Bishop"*____________ *Director*

See notes to financial statements

ARCH BIOPARTNERS INC.

Condensed Interim Consolidated Statement of Loss

Three Months Ended December 31, 2014

(Unaudited - See Notice Of No Auditor Review)

	December 31, **2014**	*December 31,* 2013
REVENUE		
Industry grants *(Note 6)*	**$ 37,598**	$ -
EXPENSES		
Advertising and promotion	**3,517**	2,120
Interest and bank charges *(Note 9)*	**2,494**	3,336
Office	**6,089**	2,101
Transfer agent fee	**7,973**	4,057
Patent	**16,802**	30,358
Research	**72,110**	6,426
Regulatory and exchange fees *(Note 12)*	**61,075**	-
Professional fees *(Note 11)*	**2,838**	4,027
Wages and employee benefits	**18,606**	-
Share-based payments *(Note 10)*	**207,491**	-
Travel	**4,482**	341
	403,477	52,766
LOSS FROM OPERATIONS	**(365,879)**	(52,766)
FOREIGN EXCHANGE GAIN (LOSS)	**7,014**	(108)
NET LOSS	**$ (358,865)**	$ (52,874)
BASIC AND DILUTED LOSS PER SHARE	**$ (0.007)**	$ (0.001)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	**50,975,179**	48,260,179

See notes to financial statements

ARCH BIOPARTNERS INC.
Condensed Interim Consolidated Statement of Changes in Equity
Three Months Ended December 31, 2014

(Unaudited - See Notice Of No Auditor Review)

	Share Capital	Contributed Surplus	Deficit	Total
BALANCE OCTOBER 1, 2013	**$ 7,756,704**	**$ 113,319**	**$ (8,295,391)**	**$ (425,368)**
Loss for the period	-	-	(52,874)	(52,874)
BALANCE AT DECEMBER 31, 2013	**$ 7,756,704**	**$ 113,319**	**$ (8,348,265)**	**$ (478,242)**
BALANCE AT OCTOBER 1, 2014	**$ 8,516,904**	**$ 113,319**	**$ (8,636,808)**	**$ (6,585)**
Loss for the period	-	-	(358,865)	(358,865)
Stock options issued *(Note 10)*	-	207,490	-	207,490
BALANCE AT DECEMBER 31, 2014	**$ 8,516,904**	**$ 320,809**	**$ (8,995,673)**	**$ (157,960)**

See notes to financial statements

ARCH BIOPARTNERS INC.

Condensed Interim Consolidated Statement of Cash Flow

Three Months Ended December 31, 2014

(Unaudited - See Notice Of No Auditor Review)

	December 31, 2014	December 31, 2013
OPERATING ACTIVITIES		
Cash receipts from grants	**$ 37,598**	$ -
Cash paid to suppliers and employees	**(127,750)**	(47,731)
Interest paid	**(259)**	(655)
Cash flow used by operating activities	**(90,411)**	(48,386)
FINANCING ACTIVITIES		
Proceeds from short term debt	**-**	25,200
Advances from (repayments to) shareholders	**(29,500)**	205
Cash flow from (used by) financing activities	**(29,500)**	25,405
DECREASE IN CASH	**(119,911)**	(22,981)
CASH - BEGINNING OF PERIOD	**365,113**	25,593
CASH - END OF PERIOD	**$ 245,202**	$ 2,612

See notes to financial statements

1. DESCRIPTION OF OPERATIONS

Arch Biopartners Inc. (the Company) is incorporated under the Business Corporation Act (Ontario) with continuance under the CBCA. The Company is a biotechnology firm made up of four subsidiaries: Arch Biotech Inc., Arch Biophysics Inc., Arch Cancer Therapeutics Inc., and Arch Bio Ohio Inc.

Arch Biopartners Inc. is a portfolio based biotechnology company established to develop new products and technology for unmet medical needs.

At present, the Company has four technologies in its development pipeline:

• MetaMx TM - Novel synthetic molecules designed to target brain tumor initiating cells and invasive glioma cells; the focus of Arch Cancer Therapeutics Inc..

• MetaBlok TM - A new drug candidate for the potential treatment of sepsis and cancer metastasis; the focus of Arch Cancer Therapeutics Inc..

• Borg - Peptide-solid surface interface; the focus of Arch Biophysics Inc.; and

• Novel treatments for chronic kidney and bowel diseases caused by non-infectious inflammation; the focus of Arch Biotech Inc.

The Company owns, or has exclusive licence on intellectual property emanating from these programs listed above. Continuing product development is ongoing at various third party facilities. Both the University of Calgary and the University of Alberta became shareholders of the Company upon formation of Arch Biopartners Inc. on May 7, 2010.

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

In August 2014, the Company incorporated Arch Bio Ohio Inc., a U.S. based corporation incorporated in the State of Delaware.

The Company entered into a one year option agreement with the University of Cincinnati (UC) in March 2014 to exclusively license the commercial rights to a U.S Patent for treating bacterial respiratory infections using a formulation involving acidified nitrite; the potential focus of Arch Bio Ohio Inc.

In September 2010, the Company became two-thirds owner of Colorado Cancer Therapeutics, a U.S. based corporation incorporated in the State of Delaware. On August 28, 2014, the Company completely divested its ownership in CCT for a nominal value. At the time of its divestiture, other than amounts owing to Arch Biopartners, CCT had no assets or liabilities. See Note 7 for further information on the divestiture of this investment.

2. BASIS OF PREPARATION

a) Statement of Compliance

The financial statements of the Company for the year-ended September 30, 2013 were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements for the three month period ended December 31, 2014 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on March 2, 2015.

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.

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

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2. BASIS OF PREPARATION *(continued)*

d) Basis of Consolidation

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

Arch Bio Ohio Inc. is considered to be an integrated foreign subsidiary and is consolidated using the temporal method as described in Note 3.

Colorado Cancer Therapeutics ("CCT") was considered to be an integrated foreign subsidiary and was consolidated using the temporal method as described in Note 3.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

<u>Foreign Currency Transactions</u>

Foreign currency accounts are translated into Canadian dollars as follows:

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

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

Temporal Method of Consolidating Foreign Subsidiaries:

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

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

Loss per share

The Company uses the treasury stock method to calculate earnings (loss) per share. Basic earnings (loss) per common share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding for the period. To calculate diluted earnings per share, all options and warrants whose average exercise price is less than or equal to the average share price for the year are assumed to be exercised. Also under this method, certain shares are considered contingently issuable, such as escrowed shares subject to release based on performance criteria, are excluded from the calculation of weighted average common shares. For the quarter ended December 31, 2014, potentially dilutive common shares (relating to options and warrants outstanding at year end) totaling 1,450,000 (September 30, 2014 - 250,000) were not included in the computation of loss per share because their effect was anti-dilutive. Therefore, diluted loss per share is the same as basic loss per share.

Revenue recognition

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

Interest income is recognized as earned.

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)*

Share-based payments

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

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

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

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

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

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, the shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

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

Standards, Amendments and Interpretations Not Yet Effective

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

Amendments to IFRS 9: Financial Instruments (Effective for periods beginning on or after January 1, 2015)

Amendments to IFRS 15: Revenue from Contracts with Customers (Effective for periods beginning on or after January 1, 2017)

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.

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 10.

5. FINANCIAL INSTRUMENTS

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

- Market Risk
- Credit Risk
- Liquidity Risk

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

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

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

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

a) Market Risk

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

Interest Rate Risk:
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions. Had the interest rate been +/- 1% higher/lower during the period ended December 31, 2014 the Company's operations for the year would have changed by $25.

Currency Risk:
Currency risk is the risk to the company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of those rates. The Company is exposed to foreign currency exchange risk on cash and accounts payable and accrued liabilities. Had the currency rate been +/- 5% higher/lower at December 31, 2014, the resulting change to the net loss would have been $6,138.

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5. FINANCIAL INSTRUMENTS *(continued)*

b) Credit Risk

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

c) Liquidity Risk

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

As at December 31, 2014, the Company has a cash balance of $245,202 (2013 - $2,612) to settle current liabilities due in twelve months or less of $132,432 (2013 - $118,042). Management seeks additional financing through the issuance of equity instruments to continue its operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

Determination of Fair Value:

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

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

	December 31, 2014		September 30, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash	**$ 245,202**	**$ 245,202**	$ 365,113	$ 365,113
Accounts receivable from the National Research Council	**37,598**	**37,598**	34,125	34,125
Goods and services taxes receivable	**17,882**	**17,882**	6,553	6,553
Accounts payable and accrued liabilities	**(132,432)**	**(132,432)**	(58,902)	(58,902)
	$ 168,250	**$ 168,250**	$ 346,889	$ 346,889

6. AMOUNTS RECEIVABLE FROM THE NATIONAL RESEARCH COUNCIL CANADA

The Company has entered into a Contribution Agreement with National Research Council Canada (NRC), whereby the Company can receive up to a maximum of $91,030 in reimbursements for specified costs.

NRC agreed to reimburse the Company for costs related to the "Macroscale Characterization of Bio-organic Metal Surfaces" project as follows:

- 80% of supported Salary Costs (Excluding benefits, incentives and bonuses);
- 50% of supported Contractor Fees.

During the period ended December 31, 2014, the Company recorded $37,598 (2013 - $NIL) in reimbursements from NRC.

7. COLORADO CANCER THERAPEUTICS

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 recovery, management had historically valued the non-controlling interest assets at a nominal value of $1 and had recorded any resulting change in value for each quarter in the consolidated statement of loss.

Historically, Colorado Cancer Therapeutics ("CCT") had incurred expenses relating to an agreement with the University of Colorado that gave CCT the option to license certain patents in the area of cancer drugs. No expenditures relating to the arrangement between CCT and the University of Colorado were incurred during the period between October 1, 2012 and September 30, 2014 because management decided not to exercise or extend the option to license the underlying patents. Due to the fact that there were no future plans to continue operations in Colorado, on August 28, 2014 management opted to sell their shares in CCT to one of the scientists on the project for a nominal amount.

Amounts owing from CCT, for expenses paid on their behalf by Arch Biopartners Inc. in prior years, were treated as costs of disposition of the investment, resulting in a loss on disposal; however the deficit position of Colorado Cancer Therapeutic was treated as an increase to equity, resulting in an overall change to equity of $11.

8. PATENTS

As at December 31, 2014 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.

9. DUE TO SHAREHOLDER

The amount reflected as due to shareholder is a demand promissory note 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 three month period ended December 31, 2014, interest expense of $2,235 (2013 - $2,677) has been recorded as a result of this loan. During the period ended December 31, 2014, $29,500 of the loan was repaid to the shareholder.

Subsequent to December 31, 2014, the loan was extended as described in Note 14.

10. SHARE CAPITAL

Authorized:
Unlimited Common voting shares

	# of shares		Amount
Issued and fully paid common shares:			
Balance October 1, 2013	**48,260,179**	$	7,756,704
Shares issued	**2,715,000**		760,200
Balance September 30, 2014 and December 31, 2014	**50,975,179**	**$**	**8,516,904**

No shares were issued during the three months ended December 31, 2014.

The Company closed a private placement on August 5, 2014. The Company issued 625,500 Units at a price of $0.28 per Unit, for gross total proceeds of $175,140. 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 $0.50 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 warrants will be subject to a hold period of 4 months from the closing date of August 5, 2014.

The Company closed a private placement on July 7, 2014. The Company issued 715,000 Units at a price of $0.28 per Unit, for gross total proceeds of $200,200. 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 $0.50 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 warrants will be subject to a hold period of 4 months from the closing date of July 7, 2014.

The Company closed a private placement on March 25, 2014. The Company issued 557,000 Units at a price of $0.28 per Unit, for gross total proceeds of $155,960. 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 $0.50 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 warrants will be subject to a hold period of 4 months from the closing date of March 25, 2014.

The Company closed a private placement on February 25, 2014. The Company issued 817,500 Units at a price of $0.28 per Unit, for gross total proceeds of $228,900. 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 $0.50 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 warrants will be subject to a hold period of 4 months from the closing date of February 25, 2014. Included in this placement is a $25,200 loan that was repaid by issuing 90,000 Units.

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10. SHARE CAPITAL *(continued)*

The Company closed off the first tranche of private placement on August 6, 2013. The Company issued 300,000 Units at a price of $0.25 per Unit, for gross total proceeds of $75,000. 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 $0.50 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 warrants will be subject to a hold period of 4 months from the closing date.

On August 20, 2013, the Company announced an increase to the first tranche of private placement which closed on August 6, 2013. The Company issued an additional 100,000 Units at a price of $0.25 per Unit, for gross total proceeds of $25,000. 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 $0.50 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 warrants will be subject to a hold period of 4 months from the closing date.

On January 4, 2013, 100,000 outstanding stock options were exercised for 100,000 common shares for total proceeds of $20,000.

The Company did not pay finder’s fees in connection with any of the above noted transactions.

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 having shares reserved for issuance in excess of 5% of the outstanding number of shares in and twelve 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.

(continues)

10. SHARE CAPITAL *(continued)*

	Number of Stock Options	Weighted Average Exercise Price	Expiry date
Balance, September 30, 2013	250,000	0.90	April 2016
Granted	-	-	
Exercised	-	-	
Forfeited	-	-	
Balance, September 30, 2014	250,000	0.90	April 2016
Granted	1,200,000	0.34	*
Exercised	-	-	
Forfeited	-	-	
Balance, December 31, 2014	1,450,000	0.44	

All issued options have fully vested and are exercisable as at December 31, 2014.

* 900,000 of these options have an exercise price of $0.30, 100,000 of these options have an exercise price of $0.40, and 200,000 of these options have an exercise price of $0.50; the total amount of 1,200,000 will expire in October 2019.

b) Stock-based compensation

In January 2013, 100,000 options, previously issued to a director, were exercised for proceeds of $20,000.

During the year ended September 30, 2014, the Company did not grant any stock options for compensation..

During the three month period ended December 31, 2014, the Company granted 1,200,000 incentive stock options to its directors, officers, and consultant for compensation pursuant to its 2014 stock option plan. Each stock option is exercisable into a common share of the company for a period of five years. The total compensation expense, as calculated using the Black-Scholes option pricing model, for the stock options granted was $207,491. The expense relating to the issuance of these options is recorded in the Statement of Loss with an offsetting increase to contributed surplus.

(continues)

10. SHARE CAPITAL *(continued)*

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

	December 31, 2014
Risk free interest rate	1.50 %
Expected dividend yield	NIL
Expected stock price volatility	11.23 %
Expected option life in years	5 years
Option exercise price	\$0.30 - \$0.50
Fair value of options granted	\$0.17 - \$0.18

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

	Number of Warrants	Weighted Average Price	Expiry date
Balance September 30, 2013	**3,115,000**	0.50	*
Granted	-	-	
Exercised	-	-	
Balance September 30, 2014 and December 31, 2014	**3,115,000**	0.50	*

There have been no warrants granted, exercised or forfeited during the three months ended December 31, 2014.

* 400,000 of these warrants have an exercise price of \$0.50 and expire August 2015. 817,500 of these warrants have an exercise price of \$0.50 and expire February 2016. 557,000 of these warrants have an exercise price of \$0.50 and expire March 2016. 715,000 of these warrants have an exercise price of \$0.50 and expire July 2016. 625,500 of these warrants have an exercise price of \$0.50 and expire August 2016.

11. RELATED PARTY TRANSACTIONS

The CEO, several principal scientists and directors have significant share holdings at this time that align their interests with those of all shareholders. Due to the Corporation's pre revenue stage and the 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 10. As this compensation is not readily measurable, these expenses and the related services revenue have not been recorded. For the current period ended December 31, 2014 there have been no such transactions, nor were there any in the previous fiscal year.

12. COMMITMENTS

The Company agreed to be an industry partner for an Alberta Innovates' Collaborative Research and Innovation Opportunities ("CRIO") project entitled "Development of New Imaging Agents and Therapeutic Platforms for Improving Clinical Outcomes for Brain Tumour Patients”. The Company has agreed to incur a minimum of $50,000 in expenditures per year, over a three year period from April 1, 2013 to March 31, 2016, as an industry partner for the CRIO project. The Company's contribution includes incurring the costs of filing patents and hiring professionals to provide consulting advice to prepare the technology for a human trial. The Company has incurred all required expenditures relating to this project to date.

On December 1, 2014 the Company entered into a Sponsorship Agreement with Euro Pacific Canada Inc. ("Europac") that obliges Europac to deliver a Sponsor Report to the TSXV. The Company paid a lump sum of $30,000 plus HST upon the signing of the agreement and will issue 71,500 common shares that will be held in escrow for one year from the date of issue. As at the date of these financial statements, these common shares have not been issued.

13. CAPITAL DISCLOSURES

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

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

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

The Company monitors its capital and capital structure on an ongoing basis to ensure it is sufficient to achieve the Company's short-term and long-term strategic objectives. Management primarily funds the Company's operations and product development by issuing share capital, rather than using other capital sources that require fixed repayments of principal and interest. The Company closely watches its cash balances. The balance of current assets as at December 31, 2014 was $300,682 (2013 - $38,830). The Company does not currently have significant debt outstanding and there are presently no formal capital requirements with which the Company has not complied.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company’s approach to capital management during the period ended December 31, 2014.

14. SUBSEQUENT EVENTS

On January 14, 2015 the Company extended the term of the outstanding shareholder's demand promissory notes. The shareholder's loan has been extended to January 15, 2017 at a fixed rate of 6% per annum paid semi-annually. The principal together with any accrued interest will become due and will be paid in full on demand so long as such payment does not reduce the Company's ability to complete its product development work plan for any given 12 month period from date of repayment.

During January and February 2015 the Company raised net proceeds of $750,050 by completing a non-brokered private placement of 2,143,000 Units at a price of $0.35 per Unit, issed as follows:

Issue date	Number of Units issued
January 12, 2015	1,881,500
January 26, 2015	143,000
January 30, 2015	116,000
February 9, 2015	2,500

Each Unit consists of one common share of the Company and one common share purchase Warrant. Each Warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.70 per common share until 5PM EST on January 13, 2017. All common shares issued with this offering are subject to a statutory four month hold period from the time of issuance.

As at the date of these financial statements, the Company has 53,118,179 common shares outstanding.

On February 19, 2015 the Company received final approval for its common shares to be listed on the TSX Venture Exchange. The Company's common shares began trading on the TSXV under its current trading symbol 'ACH ' at the opening of trading on February 23, 2015. The Company's common shares have been delisted from the Canadian Securities Exchange after the close of the market on February 20, 2015.