
ARCH BIOPARTNERS INC.

MANAGEMENT DISCUSSION AND ANALYSIS:

FOR THE YEAR ENDED SEPTEMBER 30, 2025

DATED JANUARY 28, 2026

Management's Discussion and Analysis

The following Management Discussion and Analysis ("MD&A") should be read in conjunction with Arch Biopartners Inc.'s (the "Company") audited consolidated Financial Statements and related notes for the year ended September 30, 2025, which were prepared in accordance with International Financial Reporting Standards ("IFRS") and comparative periods have been restated in accordance with IFRS where applicable.

The audited consolidated 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 the Company, is available by accessing the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

Forward-Looking Statements

This Management Discussion and Analysis contains forward-looking statements within the meaning of applicable Canadian securities laws regarding expectations of our future performance, liquidity and capital resources, as well as the ongoing clinical development of our drug candidates targeting the dipeptidase-1 (DPEP-1) pathway, including the outcome of our clinical trials relating to LSALT Peptide (Metablok) and cilastatin, the successful commercialization and marketing of our drug candidates, whether we will receive, and the timing and costs of obtaining, regulatory approvals in Canada, the United States, Europe and other countries, our ability to raise capital to fund our business plans, the efficacy of our drug candidates compared to the drug candidates developed by our competitors, our ability to retain and attract key management personnel, and the breadth of, and our ability to protect, our intellectual property portfolio. These statements are based on management's current expectations and beliefs, including certain factors and assumptions, as described in our most recent annual audited financial statements and related management discussion and analysis under the heading "Business Risks and Uncertainties". As a result of these risks and uncertainties, or other unknown risks and uncertainties, our actual results may differ materially from those contained in any forward-looking statements. The words "believe", "may", "plan", "will", "estimate", "continue", "anticipate", "intend", "expect" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We undertake no obligation to update forward-looking statements, except as required by law. Additional information relating to Arch Biopartners Inc., including our most recent annual audited financial statements, is available by SEDAR at www.sedar.com.

Corporate Structure Overview

Arch Biopartners Inc. (“Arch” or the “Company”) is incorporated under the Business Corporation Act (Ontario) with continuance under the Canadian Business Corporations Act.

On May 7, 2010, the Company was restructured into a biotechnology firm following a reverse takeover transaction involving three private Canadian biotechnology firms, all formed in 2009: Arch Biotech Inc. (Ontario), Arch Biophysics Ltd. (Alberta), and Arch Cancer Therapeutics Ltd (Alberta). The Company formed Arch Bio Ohio Inc. (Delaware) in 2014, Arch Bio Ireland Ltd. in 2016 and Arch Clinical Pty Ltd (Australia) in 2018 to facilitate future activity in the United States, Europe, and Australia respectively.

Four of the six subsidiaries continue to exist as separate 100 % owned entities and consolidated for financial purposes. Arch Clinical Pty Ltd. (Australia) has been used as a vehicle to conduct two Phase I human trials in Australia with no activity in the last fiscal year. Arch Cancer Therapeutics Ltd. (Alberta) is a holding company for IP assignments with currently no active operations. Arch Bio Ohio Inc. (Delaware) and Arch Bio Ireland Ltd. (Ireland) are currently dormant subsidiaries with no active operations. Arch Biotech and Arch Biophysics were dissolved by the Company in 2024 due to long term inactivity.

Subsequent to the fiscal year ending September 30, 2025, Arch closed the acquisition of all outstanding shares of Lipdro Therapeutics Inc. (Lipdro), a private Alberta based company, which is now an inactive subsidiary of the Company.

The Company’s common shares are listed on the TSX Venture Exchange (“TSXV”) and trade under the ticker “ARCH”. The Company’s common shares trade in the U.S. on the OTCQB Venture Market under the ticker “ACHFF”.

The Company's registered office is located at 545 King Street West, Toronto, Ontario, Canada M5V 1M1.

As of the date hereinabove, the Company has 66,933,289 common shares outstanding. Please see **Outstanding Share Data** below for more information on the Company’s outstanding shares and options.

Business Overview

Arch Biopartners Inc. ("Arch" or the "Company") is a clinical trial company focused on developing new treatments for acute kidney injury (AKI) and chronic kidney disease (CKD). The Company is advancing a drug pipeline that includes new treatments targeting inflammation- and toxin-related kidney injury.

Arch's development pipeline includes:

- [LSALT Peptide](#): in a Phase II trial targeting cardiac surgery-associated AKI
- [Cilastatin](#): a repurposed drug in a Phase II trial targeting toxin-induced AKI
- [CKD Platform](#): next-generation therapeutics targeting chronic kidney disease

These assets represent distinct, mechanism-based approaches to treating and preventing common causes of kidney damage. Together, they target serious unmet needs in kidney care across both chronic and acute indications, affecting more than 800 million people worldwide. Both lead AKI programs are currently enrolling patients at Canadian clinical sites.

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

LSALT Peptide is currently being dosed in a Phase II trial targeting inflammation related acute kidney injury often experienced by patients undergoing on-pump (bypass) cardiac surgery. (CS-AKI). CS-AKI is often caused by ischemia-reperfusion injury (IRI) that reduces blood flow (ischemia) and thus oxygen in the kidney causing kidney cell damage. Once blood flow is restored to normal (reperfusion), inflammation is triggered and injury to kidney cells is exacerbated. In the worst cases of AKI, kidneys fail, leading to dialysis treatment or kidney transplant. At present, there are no therapeutic treatments available to prevent or treat CS-AKI or IRI.

Cilastatin is a small molecule that is being repurposed by Arch into a new kidney treatment. Cilastatin is currently being dosed in a Phase II trial entitled "*Prevention Of Nephrotoxin-Induced Acute Kidney Injury using Cilastatin*" (PONTIAK trial). This investigator led trial in Alberta is funded by third-party research grants. The Company is not managing or sponsoring this trial and has no influence on the time it will take to complete the trial. The Company is however, providing the cilastatin drug supply required to support the trial. If successful, the data results generated by the trial may be used to determine the scope of a potential Phase III trial and/or support future commercial development.

The chronic kidney disease platform specifically targets interleukin-32 (IL-32), a non-classical cytokine involved in regulating inflammation and immune responses. In pre-clinical studies, Dr. Justin Chun and his scientific team discovered that IL-32 is directly implicated in the

pathogenesis of diabetic CKD. New drug compositions were subsequently invented through a collaboration involving the National Research Council of Canada (NRC) during 2024 and 2025, Lipdro, and Arch scientists, and exclusively licensed to Arch by the NRC. Additional therapeutic approaches involving IL-32 were developed and patented by Dr. Chun and Arch scientists and assigned to Arch.

These patents are a significant addition to Arch's kidney drug asset portfolio. The IL-32 CKD program deepens the Company's portfolio for developing new treatments for kidney diseases and injury. The new program introduces a novel therapeutic approach for diabetic CKD, the most common cause of kidney failure globally. The therapeutic platform is based on a mechanistic understanding of disease pathways and builds on Arch's expertise in renal inflammation and organ protection. The Company is currently working on studies that will support a future Investigational New Drug (IND) application with the U.S. Food and Drug Administration (FDA).

The Company owns, or has exclusive licensing rights on, the intellectual property ("IP") emanating from each of its drug development programs. Patents are necessary to provide potential for future commercial sales, justifying the investment required to complete drug development, including human trials and drug manufacturing capabilities.

The goal of pre-clinical studies, and all human trials testing LSALT Peptide, cilastatin or CKD drug candidates is to produce data demonstrating drug safety and therapeutic efficacy in humans to support new drug approval by health authorities, such as the U.S. FDA, European Medicines Agency, and Health Canada ("Health Authorities"). Such drug approval is necessary to enable commercialization and future sales of the Company's drug candidates.

Future disclosure regarding the initiation, budgeting, and financial management of other human trials to generate sufficient human data to support future drug approval will be made only after such a trial is organized and involves any of the Health Authorities. Please see below in the section "Human Trial Development for LSALT Peptide" for more information about the human trial process.

Technology Overview

LSALT Peptide – Targeting Acute Kidney Injury Caused by Inflammation

LSALT Peptide is a new peptide drug candidate and is the lead opportunity among the Company's growing pipeline of DPEP-1 inhibitor drug candidates. LSALT Peptide is also referred to as "LSALT Peptide" or "Metablok" in Company communications.

The Company is currently focused on executing the human trials required by the Health Authorities to produce sufficient human data to support new drug approval and future drug sales.

Scientific Background of LSALT Peptide

LSALT Peptide has the potential to be a breakthrough in the treatment of diseases where inflammation plays a major role. Inflammation is involved in the pathogenesis of many diseases and contributes to organ dysfunction and failure, such as certain types of acute injury in the kidneys, lungs and liver.

The inventors of LSALT Peptide published the details of the mechanism of action and efficacy of LSALT Peptide. The publication, titled “Dipeptidase-1 is an adhesion receptor for neutrophil recruitment in lungs and liver” by Choudhry et. Al. was published by the journal *Cell* in August 2019 and can be found at the following link:

[“Dipeptidase-1 is an adhesion receptor for neutrophil recruitment in lungs and liver”](#)

In February 2022, Arch scientists and their collaborators published a paper in the journal *Science Advances* describing the mechanism of action for dipeptidase-1 (DPEP-1) in acute kidney injury (AKI) in a pre-clinical study. Importantly, the study also confirmed the mechanism of action of two DPEP-1 inhibitors (the LSALT Peptide and cilastatin) that effectively protected the kidney during ischemia reperfusion injury. These findings, among other peer reviewed data referenced herein, provided Arch with the scientific rationale to pursue a Phase II trial for LSALT Peptide targeting the prevention of cardiac surgery- associated AKI. The publication, entitled “Dipeptidase-1 governs renal inflammation during ischemia reperfusion injury” by Lau et al. can be found at:

[“Dipeptidase-1 governs renal inflammation during ischemia reperfusion injury”](#)

LSALT Peptide was invented by Arch scientists led by Dr. Stephen Robbins and Dr. Donna Senger. The inventors have assigned the intellectual property related to the drug to the Company. All the DPEP-1 inhibitors invented by the Arch team, including LSALT Peptide, are protected by composition patents held by Arch. These include proprietary peptides and antibodies that target DPEP-1

Human Trial Development for LSALT Peptide

New drug candidates such as LSALT Peptide must follow Health Authority regulations which dictate the general requirements for producing sufficient human safety and efficacy data to support new drug approval. In general, a new drug must show safety during in vivo, non-human studies before safety and tolerability can be tested in humans in a clinical trial, commonly known as a Phase I trial.

Following a successful and safe Phase I trial, a Phase II trial is typically a human trial where the new drug candidate is tested to treat a specific disease in humans. Phase II trials typically involve a smaller number of sick patients, often less than three hundred. The goal of a Phase II trial is to show a signal that the new drug is showing enough therapeutic efficacy to support a subsequent

Phase III trial.

The Phase III trial usually involves a greater number of patients than the Phase II trial to confirm, with a high degree of statistical confidence, that the new drug shows therapeutic efficacy and safety in humans to warrant new drug approval from the Health Authorities.

The size of Phase III trials depends on the strength of the new drug's performance in the Phase II trial. Generally, drugs that show strong performance versus a placebo will require fewer patients in a Phase III trial, and those new drugs that show minimal benefit in a Phase II trial will generally require many more patients in a Phase III trial to confirm therapeutic efficacy and safety to support drug approval.

Phase I Trials for LSALT Peptide

In pre-clinical studies, Arch scientists have demonstrated LSALT Peptide's ability to prevent acute kidney injury by blocking the inflammatory response triggered by ischemia/reperfusion and other insults to the kidney. The Arch team has similarly shown LSALT Peptide's ability to prevent acute inflammation injury to the lungs and liver in preclinical in vivo models. Currently, there are no specific or effective treatments to prevent acute organ injury caused by inflammation.

The Company completed initial toxicology, including a maximum tolerable dose and pharmacokinetic studies for LSALT Peptide prior to 2019. Arch then received approval from the Alfred Health Human Research Ethics Committee (HREC) in Melbourne, Australia to conduct a Phase I human trial for LSALT Peptide.

The Phase I human trial, completed in March 2020, was a double-blind, placebo-controlled, randomized, single and multiple ascending dose study to evaluate the safety and pharmacokinetic profile of LSALT Peptide in 52 healthy, normal participants. The drug was well tolerated by all volunteers to a maximum daily dose of 5mg of LSALT Peptide and no significant drug related adverse effects were observed. This Phase I data supported a Phase II trial for LSALT Peptide which began in 2020, described below.

In the second quarter ending March 31, 2023, the Phase I trial in Australia was reopened and another 16 healthy, normal participants were enrolled to receive 10 mg once daily and 10mg, twice daily. The drug was well tolerated by all volunteers, and no significant drug related adverse effects were observed.

The cost of the entire Phase I trial involving the 68 volunteers was approximately \$1.5 million, net of Australian Government research investment incentives.

**Phase II Trial for LSALT Peptide:
Targeting Acute Organ Damage Caused by Inflammation Due to SARS-CoV-2***Trial Design and Health Canada and FDA Approvals*

In May 2020, Health Canada granted a No Objection Letter to Arch to conduct a Phase II trial to investigate LSALT Peptide's efficacy to prevent acute organ damage caused by inflammation during the global pandemic. The Phase II trial was an international, multicenter, randomized, double-blind, placebo-controlled, proof of concept study of LSALT Peptide as prevention of organ inflammation known to trigger acute respiratory distress syndrome (ARDS) and acute kidney injury (AKI) in patients infected with SARS-CoV-2.

In June 2020, U.S. Food and Drug Administration (FDA) granted permission to the Company to proceed with the Phase II trial in the U.S. and an Investigational New Drug (IND) application was activated. Similar health authority approval was received in Turkey. The trial began in October 2020. A total of 7 sites were activated into the trial, with two sites in Canada, two sites in Turkey and three sites in the U.S.

Secondary endpoints to measure the performance of LSALT Peptide included continuous measurements of respiratory function of patients throughout the trial, and analyzing the comparative changes in inflammatory biomarkers in patients from both treatment and placebo arms of the study.

Non-Dilutive Funding for Trial

In December 2020, as part of a Contribution Agreement with the Canadian government, the Company received a commitment to contribute up to \$6.7 million to complete the Phase II trial and related activities to support drug approval. This funding represented up to approximately 75-80% of the Company's budget for the Phase II trial and came from Innovation Science and Economic Development (ISED) Canada's Strategic Innovation Fund (SIF).

Trial Progress

Patient recruitment and dosing in the Phase II trial was completed by the end of May 2021. The exploratory study was designed to detect a clinical signal of efficacy or biomarker data and was not powered for statistical significance. A total of 65 patients were randomized into the trial with 61 patients receiving at least one dose of treatment.

Top-Line Phase II Results

The Arch clinical team published a peer reviewed paper in the *British Medical Journal Open (BMJ Open)* detailing the results of the international Phase II human trial for LSALT Peptide targeting acute lung and kidney inflammation in hospitalized patients infected with SARS-CoV-

2 virus.

The results of the Phase II trial provided first-ever evidence validating DPEP-1 as a mediator of organ inflammation and therapeutic target in humans. In addition, LSALT Peptide was well tolerated with no safety issues related to the drug.

Biomarker Analysis

New biomarker data for LSALT Peptide was disclosed for the first time in the *BMJ Open* publication. An analysis of serum inflammatory biomarkers was performed from blood samples collected from study participants. Biomarkers analyzed which relate to organ inflammation included cytokines and chemokines such as IL-6, CXCL8, CXCL10, IL-1 β and CCL7. Collectively, a greater proportion of inflammatory biomarkers decreased in patients receiving LSALT Peptide compared with placebo. In particular, the reduction of CXCL10 in the LSALT Peptide group versus the placebo group was statistically significant at the end of treatment (p-value=0.02).

CXCL10 plays a role in facilitating leukocyte recruitment to various vascular beds including the lungs and kidneys. The reduction of CXCL10, and the other inflammatory biomarkers during LSALT Peptide treatment is consistent with LSALT Peptide's mechanism of action as an inhibitor of DPEP-1 mediated leukocyte recruitment to the lungs and kidneys.

Observations of Clinical Signals

There were no significant differences in adverse events between LSALT Peptide and placebo treated patients. The study population of the Phase II trial did not have enough incidence of ARDS or AKI to detect a conclusion on these two particular clinical outcomes. In a secondary evaluation of patients on ventilation, despite being older by an average of 5 years, subjects in the LSALT Peptide group demonstrated 22.8 ventilation-free days compared to 20.9 days in the placebo group in the unadjusted analysis at 28 days. "Ventilation" was defined as a need for high flow oxygen therapy ($\geq 6\text{L/min}$), non-invasive ventilation, mechanical ventilation, or extracorporeal membrane oxygenation (ECMO). In a post-hoc analysis adjusting for age, body mass index (BMI), and PaO₂/FiO₂ ratio (a measure of lung disease severity), the difference in ventilation-free days was 6.7 days favoring the LSALT Peptide group compared to the placebo group. These clinical observations were included in the totality of evidence in assessing the performance of LSALT peptide even though none of the clinical observations were statistically significant with a p-value of 0.05 or less.

Details of the results from the Phase II trial are reported in the peer-reviewed journal *BMJ Open*. The publication, titled ["Multicenter, Randomized, Double-Blind, Placebo-Controlled, Proof of Concept Study of LSALT Peptide as Prevention of Acute Respiratory Distress Syndrome and Acute Kidney Injury in Patients Infected with SARS-CoV-2 \(COVID-19\)"](#) by Somayaji et. al. can be found at [the BMJ Open website](#)

These Phase II results provide clinical observations and biomarker data from human patients which, in conjunction with extensive preclinical studies, further support DPEP-1 as a relevant therapeutic target for diseases of the lung, kidney and liver where inflammation plays a major role. Arch Biopartners continues to pursue its strategy to develop new DPEP-1 targeting drugs for these clinical indications.

Entry into the Phase III Canadian Treatments for Covid-19 Trial

In December 2021, the Company announced that LSALT Peptide would enter the Canadian Treatments for COVID-19 (CATCO) human trial, a multi-centre adaptive, randomized, open-label, controlled study conducted in fifty-five hospitals across Canada. The CATCO trial took place in conjunction with the World Health Organization's (WHO) SOLIDARITY trial, in collaboration with countries around the world and with support from the Canadian Institutes of Health Research (CIHR).

The progress of the trial depended on the incidence of patients with severe complications from COVID admitted to hospitals at any given time. The later stage of the pandemic saw a global decrease in hospitalized patients with severe complications of the SARS-CoV-2 virus.

In May 2023, the World Health Organization ended the pandemic's status as a health emergency and CATCO leadership subsequently decided to discontinue the study.

Phase II Trial for LSALT Peptide: Targeting Cardiac Surgery-Associated Acute Kidney Injury (CS-AKI)

Cardiac Surgery-Associated Acute Kidney Injury

Acute kidney injury (AKI) is a known common complication in patients after coronary artery bypass grafting (CABG) and other cardiac surgeries, including on-pump surgeries which increase the risk of AKI. The reported prevalence of CS-AKI is up to 30% and is independently associated with an increase in morbidity and mortality.

CS-AKI is often caused by ischemia-reperfusion injury (IRI) that reduces blood flow (ischemia) and thus oxygen in the kidney, causing kidney cell damage. Once blood flow is restored to normal (reperfusion), inflammation is triggered and injury to kidney cells is exacerbated. In the worst cases of AKI, kidneys fail, leading to kidney dialysis or kidney transplant. There is no treatment available in the market today that prevents acute kidney injury of the type commonly experienced by on-pump cardiac surgery patients.

LSALT Peptide targets the dipeptidase-1 (DPEP-1) pathway and has been shown by Arch scientists and their collaborators to prevent IRI to the kidneys in pre-clinical models, providing the scientific rationale for Arch to use LSALT Peptide in this CS-AKI trial. Details of their findings were published in a *Science Advances* publication, titled [*"Dipeptidase-1 governs renal inflammation during ischemia reperfusion injury"*](#) by Lau et. al. and can be found at the following

link at the [journal's website](#).

Trial Design and Health Canada and FDA Approvals

LSALT Peptide is currently being dosed in a Phase II trial targeting the prevention of ischemia reperfusion-associated acute kidney injury in high-risk cardiac surgery patients.

The U.S. Food and Drug Administration (FDA) granted permission to the Company to proceed with this Phase II trial in the U.S., and a new Investigational New Drug application was activated in June 2023. In addition, the Company received approval from the Turkish Ministry of Health and Health Canada in December 2023 and January 2024 respectively to have hospital sites in both countries participate in this trial.

The CS-AKI Phase II trial is an international multi-center, randomized, double-blind, placebo-controlled study of LSALT Peptide. The recruitment target for the trial is 240 patients. The primary objective of the trial is to evaluate the percentage of subjects with AKI within seven days following on-pump (heart-lung machine) cardiac surgery, defined by the KDIGO (Kidney Disease: Improving Global Outcomes) criteria.

Details of the Phase II trial, entitled “[Phase 2 Global, Multicenter, Randomized, Double-Blind, Placebo-Controlled Study of LSALT Peptide for the Prevention or Attenuation of Acute Kidney Injury \(AKI\) in Patients Undergoing On-Pump Cardiac Surgery](#)” can be viewed at clinicaltrials.gov.

Trial Progress

To date, the CS-AKI Phase II trial has recruited and dosed patients at five clinical sites in Turkey and two sites in Canada. The sites in Turkey are no longer dosing patients as the Company has moved to increase patient recruitment in Canada to broaden the geographic and demographic data produced by the study.

Arch and the CS-AKI trial team have aimed to execute the trial as efficiently and optimally as possible, given the available resources. The study is designed to target those patients that have greater health risks and as such, are more likely to experience AKI related to cardiac surgery. The drug's safety is also measured with every patient dosed, providing an important drug safety data set from those patients that have various morbidities. The Arch clinical team believes selecting patients that have a greater chance of AKI results in a more robust study where LSALT Peptide can be consistently tested against the incidence of AKI.

Performing a human trial in the cardiac surgery arena is very complicated and challenging due to the severe morbidities and individual stress that many of these patients experience by the time they require cardiac surgery. The protocol enhancements to the study design during 2024 are based on lessons learned during the recruitment of patients earlier in the study and supports the performance of all clinical sites in the trial in testing the LSALT Peptide against AKI.

Four additional Canadian sites have contracted to join the CS-AKI Phase II trial. Patient dosing started at the University of Calgary Hospital and the University Health Network (at Toronto General Hospital) during 2025. The Unity Health Network (at St. Michael's Hospital) is expecting to dose their first patient in February 2026 and the Royal Columbian Hospital near Vancouver continues to make final preparations to start recruiting patients.

The time required to obtain ethics and provincial regulatory approvals at the Canadian sites has moved the end date of the CS-AKI trial to November 2026.

Non-Dilutive Funding for Trial

Advisory services and a funding contribution up to \$4.0 million from the National Research Council of Canada Industrial Research Assistance Program (NRC-IRAP) announced by the Company in March 2023, significantly offset the costs of the CS-AKI Phase II trial to date. Arch has been able to move forward with the CS-AKI Phase II trial because of this NRC-IRAP funding contribution. Since early 2022, the financial market conditions for biotech companies have been very challenging, and sources of funding for new trials have been scarce for the Company.

Manufacturing of LSALT Peptide

In 2019, the Company produced LSALT Peptide under the U.S. FDA and Health Canada standards required to support a Phase I trial.

During the global pandemic, the Health Authorities allowed the Company, on an urgent basis, to use the Phase I supply of LSALT Peptide to support the international Phase II trial to treat patients in hospital suffering from severe organ complications from COVID-19 and subsequently for the CATCO Phase III trial.

During 2022 and early 2023, the Company actively developed the manufacturing capability, using a U.S. contract manufacturing organization, to produce LSALT Peptide at the standard required to enable Phase II and III trials, as well as for future drug approval and commercial scale up.

Cilastatin – Targeting the Prevention Of Nephrotoxin-Induced Acute Kidney Injury

Scientific Background of Cilastatin

Cilastatin is an enzymatic dipeptidase-1 (DPEP1) inhibitor originally developed in the early 1980's by Merck Sharp & Dohme Research Laboratories to limit the renal metabolism of imipenem, a β -lactam antibiotic used for the treatment of systemic infections. Cilastatin was approved for use as fixed combination with imipenem for IV administration to treat different types of bacterial infections. This fixed combination is currently marketed under different names, including Primaxin® (USA, UK, Australia, Italy), Tienam® (Spain, Belgium) or Zienam®

(Germany). The combination imipenem/cilastatin was approved by the FDA in 1985. Patents for imipenem and cilastatin have expired and the combination drug is currently in a generic phase. There is no commercial history of cilastatin as a stand-alone drug product.

Cilastatin has a slightly different mechanism of action compared with Arch's novel drug candidate, LSALT peptide a non-enzymatic DPEP1 inhibitor. Whereas LSALT peptide specifically blocks DPEP1-mediated inflammation in the kidney, lungs and liver, cilastatin also has off target-effects that prevent toxin uptake in the kidneys. Thus, cilastatin is particularly effective for toxin-related AKI, but not optimal for other forms of non-toxin related AKI targeted by LSALT peptide.

Arch has method of use patents in several jurisdictions for repurposing cilastatin as a treatment for AKI. The patents are either proprietary or exclusively licensed to Arch.

Cilastatin as a potential treatment for AKI

AKI reflects a broad spectrum of clinical presentations ranging from mild injury to severe injury that may result in permanent and complete loss of renal function. Clinically, the causes of AKI include sepsis, ischemia-reperfusion injury, and various endogenous as well as exogenous (drug) toxins. There is no specific therapeutic treatment available in the market today that prevents AKI. In the worst cases, the kidneys fail, requiring kidney dialysis or kidney transplant for survival.

Exogenous toxins include a wide range of pharmaceutical drugs such as antibiotics (vancomycin, aminoglycosides), chemotherapeutic agents and radiographic contrast. Drug toxin-induced AKI represent approximately 30% of all AKI in hospitalized patients.

As stated above, cilastatin is particularly suited to preventing AKI caused by drug toxins due to a unique off-target effect that blocks their uptake into the kidney tissue. Several *in vitro* and *in vivo* studies indicate that cilastatin prevents AKI induced by multiple nephrotoxic drugs (exogenous toxins).

PONTIAK Trial Design and Health Canada Approval

The Phase II trial is an investigator led trial entitled “*Prevention Of NephroToxin Induced Acute Kidney injury with Cilastatin*” (PONTIAK). The PONTIAK clinical team of investigators, based out of the Universities of Calgary and Alberta, was awarded \$1,500,000 by the Canadian Institutes of Health Research (CIHR) to fund the trial. The clinical team also received \$400,000 as part of the Accelerating Clinical Trials (ACT) call for proposals to “*Evaluate Canadian Biotechnologies with Randomized Controlled Trials*” (October 2023). Funds from both grants are being used by the clinical team to conduct the PONTIAK trial.

The trial design was based on a meeting between Arch and the U.S. Food and Drug Administration (FDA) Division of Cardiovascular and Renal Products (DCRP) in February 2024. The meeting provided Arch with guidance for the content of a future IND application for

cilastatin; and provided clarity on pharmacology; manufacturing; Phase II design for targeting toxin-related AKI; and the regulatory path that would lead to a New Drug Application (NDA).

The PONTIAK clinical team sponsoring the trial submitted a Clinical Trial Application (CTA) to Health Canada in January 2025 and received a *No Objection Letter* in February 2025 to proceed with the trial.

The PONTIAK trial is a randomized, double blind, placebo-controlled superiority study in hospitalized adults at risk of nephrotoxic AKI. The trial will be a 698 patient Phase II trial that will evaluate the efficacy of the dipeptidase-1 inhibitor cilastatin for preventing AKI caused by drugs such as antibiotics, chemotherapeutic agents and radiographic contrast.

Trial Progress

The PONTIAK team began dosing patients during the summer of 2025 following Alberta ethics approval and continues to recruit patients for its 698 patient trial.

Arch Role in Investigator Led Trial

Arch is acting as a study partner for grant funding opportunities, providing cilastatin drug product and providing scientific and regulatory advice upon request. Arch is not managing the trial, providing financial support or applying for regulatory approvals, and has no influence on the timeline to dose all patients and complete the study. As part of this support to the trial, Arch oversaw the development and manufacturing of a first-ever, stand-alone cilastatin drug product in late 2024.

While the PONTIAK team continues to conduct the trial, Arch will evaluate opportunities to sponsor a new arm of the PONTIAK study in another jurisdiction, such as the United States or Europe

CKD Drug Platform Targeting IL-32 for Diabetic Kidney Disease (DKD)

Breakthrough Discovery Links IL-32 to Kidney Injury in Diabetes

A new study by Dr. Justin Chun and his collaborators published in the *Journal of the American Society of Nephrology (JASN)*, reveals that the inflammatory protein IL-32 is directly associated with lipid droplets in kidney tubular cells, where it drives mitochondrial injury and cell death in diabetic kidney disease (DKD). This marks the first evidence that lipid droplets serve as active inflammatory platforms, connecting metabolic stress to progressive kidney damage. Importantly, blocking IL-32 in human kidney organoids reduced injury markers, and treatment with the SGLT2 inhibitor canagliflozin lowered IL-32 expression, highlighting immediate clinical relevance.

As a human-specific cytokine, IL-32 offers a differentiated pathway for therapeutic intervention and biomarker development. With DKD representing one of the leading causes of kidney failure worldwide, this discovery opens the door to next-generation therapies targeting IL-32 to address a significant unmet medical need.

New drug compositions were subsequently invented through a collaboration involving the National Research Council of Canada (NRC) during 2024 and 2025, Lipdro, and Arch scientists. The commercial rights related to the new drug compositions were exclusively licensed to Arch by the NRC following the acquisition of Lipdro by Arch. Additional therapeutic approaches involving IL-32 were developed and patented by Dr. Chun and Arch scientists and assigned to Arch.

The Company is currently working on studies related to its library of novel IL-32 targeting drug candidates that will support a future Investigational New Drug (IND) application with the U.S. Food and Drug Administration (FDA).

Discussion Regarding Key Milestones

The Company is focused primarily on the approval of its lead drug candidate, LSALT Peptide, as a new treatment for inflammation related AKI, secondarily on the approval of cilastatin as a new treatment for toxin related AKI, and tertiary on the development of the IL-32 CKD platform.

Key milestones for LSALT Peptide and cilastatin include successful completion of the phase II AKI trials that would produce data to support drug approval from the Health Authorities and pursue drug sale revenues. Since there are no treatments to prevent acute kidney injury caused by inflammation or toxins, a potential milestone for the Company would be to demonstrate sufficient efficacy and safety of either drug in preventing or treating AKI to warrant any of the Health Authorities to grant a faster regulatory path toward drug approval and drug sales. The actual path can only be determined by the specific health authority after such a trial is completed.

Key milestones for the CKD platform include the completion of IND-enabling studies that will increase the value of the IL-32 targeting drug candidates under development.

In the meantime, Arch management continues to pursue business opportunities for its lead drug candidates, build the Company's team and resources, as well as building global market awareness of its two AKI clinical programs and CKD platform.

Please see **Risk Factors** of this management discussion and analysis for various risk factors that may inhibit LSALT Peptide from achieving drug approval and future drug sales.

Financial and Operating Performance

The Company has not yet generated commercial revenue. The Company's pace of research expenses decreased during the year ended September 30, 2025, as the Company did not undertake a new drug manufacturing campaign unlike the previous year. The Company also incurred less human trial costs due to the reduction of new site activations for the Phase II CS-AKI trial for LSALT Peptide during 2025. The pace of research expenses was further slowed during the year due to longer wait times to process approvals by regulatory and ethics boards in Canada to enable dosing of patients in the study.

Not including research and non-cash expenses, the Company spent approximately \$131,000 per month on patents, professional fees, wages, accrued interest on promissory notes, operations and governance. This monthly rate of interest, general and administrative expense is in line with the previous year, reflecting the Company's stable operating costs over the last two years.

The current operations of the Company do not show a buildup of capital expenditures as any facilities used for continuing research and development to date have been owned by third parties.

Cash flow used by operating activities totaled \$1,591,216 and the Company reported a net and comprehensive loss of \$1,552,744 for the year ending September 30, 2025.

Results from Operations

	Sept 30 2025	Sept 30 2024	Sept 30 2023
Revenue	\$275,944	\$2,121,850	\$1,983,643
Expenses			
Research & development	(9,518)	3,645,393	1,940,517
Interest	258,135	389,388	358,938
General & administrative	1,310,978	1,181,391	1,081,306
Stock based compensation	216,161	852,791	1,958,042
	1,775,756	6,068,963	5,338,803
Income (loss) from Operations	(1,499,812)	(3,947,113)	(3,355,160)
Foreign Exchange Gain (Loss)	(52,932)	15,944	11,901
Interest Income	-	4,072	16,530
Other Income	-	6,809	
Income (Loss)	(1,552,744)	(3,920,288)	(3,326,728)
per share (basic)	(0.024)	(0.062)	(0.053)

The Company reported a *loss from operations* of \$1,499,812 for the year ended September 30, 2025, versus a *loss from operations* of \$3,947,113 for the year ending September 30, 2024.

Revenue from industry grants in 2025 was lower by \$1,845,906 compared to 2024. Offsetting the decrease in grant revenue was a decrease in research expense of \$3,654,911, and a decrease of \$636,630 in the non-cash stock based compensation expense compared with the previous year.

The combined decrease of these three items totals \$2,445,635, which mostly explains the reduction in the loss from operations of \$2,447,301 in the year ended September 30, 2025 compared with the prior year.

Research expense for the year ended September 30, 2025, totaled (\$9,518). During December 2025, the Company received a credit from a foreign research vendor to extinguish an account payable of approximately \$315,139 due to efficiencies gained throughout the year on a research contract. This credit was applied to the income statement in a reversal of research expense in the same amount during the year ended September 30, 2025, resulting in a negative research expense. Without this adjustment, research expense for the year was \$305,621.

The \$216,161 expense total for stock-based compensation reflects the option issuance expense to various consultants during the fiscal year ended September 30, 2025. The decrease of \$636,630 in stock based compensation compared with the prior year was mainly the result of the Company not issuing stock options to directors and officers during the year ended September 30, 2025.

Total industry grant revenue decreased from \$2,121,850 during 2024 to \$275,944 during the year ended September 30, 2025 and was the result of the final payments from the NRC-IRAP award of up to \$4,000,000 received during 2025 and recognition of an earlier federal grant amount that was kept in deferred revenue.

Interest on the Promissory Notes was \$225,000 compared with \$207,792 a year earlier as the principal amount owing on the notes stayed constant for the entire year. The promissory notes provided the Company with a short-term borrowing facility with an arm's length party to help fund payment of expenses related to industry grant eligible research and clinical operations. Please see Note 16 of the 2025 Financial Statements for more details.

Interest on long-term debt decreased to \$29,936 in 2025, down from \$178,957 in 2024, as the final amount of long term debt matured and was converted to shares in early February 2025. The Company no longer has long term debt outstanding. Please see Note 8 of the 2025 Financial Statements for more detail on the settlement of the Deferred Convertible Debt.

Patent expense increased to \$218,021 versus \$132,631 in 2024 due to the increased amount of patent work performed by the Company's patent lawyers during the year related to the new drug compositions and methods of use claims targeting the new IL-32 disease pathway.

Professional fees increased to \$416,954 versus \$341,845 in 2024, which is consistent with the increased amount of marketing and investor relations work the Company contracted out to consultants and third parties during the year. Otherwise, the Company maintained a consistent level of expenses over the last two years in contracting the various professionals and consultants that assist in executing human trials, regulatory and financial market oversight.

Wages decreased \$106,453 to \$406,086 for the year ending September 30, 2025 due to the reduction in payroll staff during 2025 compared to the prior year.

The remaining expenses associated with managing the Company, including regulatory and exchange fees, general and administrative expenses, were similar to the prior year as the Company maintained stable operating costs. The Company's net loss was \$1,552,744 for the year ended September 30, 2025, compared with a net loss of \$3,920,286 a year earlier.

Management of the Company expects to maintain a controlled cost environment for progressing the technology development projects. Subject to new funding, management expects an increased pace of expenditures during the remainder of 2026 in order to advance certain proprietary technologies through additional clinical trials and toward viable commercial opportunities. If deemed necessary, management of the Company will access capital markets to raise more funds to complement existing resources. Please see **Liquidity, Capital Resources and Cash Flows** below.

Comment Regarding Operating Segments

The annual consolidated Financial Statements for the year ending September 30, 2025, include the accounts of the Company and its subsidiaries. Each subsidiary is considered an operating segment for consolidation purposes. The Company and its subsidiaries represent one reporting segment as all activity is effectively in the same line of business.

Selected Annual Information

The following information is derived from, and should be read in conjunction with, the Company's Financial Statements and related notes, and has been prepared in accordance with IFRS. The Company's fiscal year end is September 30 and all values herein are in Canadian dollars.

	Sept 30 2025	Sept 30 2024	Sept 30 2023
Revenue	\$275,944	\$2,121,850	\$1,983,643
Income (Loss)	(1,552,744)	(3,920,286)	(3,326,728)
per share (basic)	(0.024)	(0.062)	(0.053)
Total Assets	104,530	935,615	1,171,172
Total Liabilities	3,986,066	5,283,312	6,680,991
Shares Outstanding (basic)	66,106,366	64,650,633	62,598,815

The Company currently is developing technology and commercial products. Until these products are sold or licensed, the Company is primarily incurring expenses.

The Company reported a net loss for the fiscal year ended September 30, 2025 of \$1,552,744 or \$0.024 loss per share based on 65,604,077 weighted average shares outstanding, versus a net loss of \$3,920,286 or \$0.062 loss per share based on 63,380,517 weighted average shares outstanding a year earlier.

The Company has not yet paid any dividends.

Fourth Quarter ending September 30, 2025

	Sept 30 2025	Sept 30 2024
Revenue	-	\$(360,655)
Expenses		
Research & development	\$(283,505)	\$365,571
Interest	62,286	116,730
General & administrative	454,682	286,400
Stock based compensation	45,738	18,847
	<u>279,201</u>	<u>787,548</u>
Income (loss) from operations	(279,201)	(1,148,203)
Foreign Exchange Gain (Loss)	9,443	37,438
Interest Income		-
Other Income		6,809
Income (Loss)	<u>(269,758)</u>	<u>(1,103,956)</u>
<i>per share (basic)</i>	<i>(0.0041)</i>	<i>(0.017)</i>

The Company recorded a *loss from operations* of \$279,201 for the quarter ended September 30, 2025, versus a *loss from operations* of \$1,148,203 for the same quarter in 2024. The loss in the quarter is mainly the result of normal operating expenses for the quarter compared with the prior year. The amount of the loss was smaller than the previous fourth quarter due to an unusual reversal in revenue last year in regard to deferred and unclaimed government contract reimbursements causing a reversal in revenue of \$360,655 and an increase in research expenses of \$365,571 for ongoing activities. The loss in the fourth quarter of 2025 was further reduced by a reversal of a trade payable explained below.

General and Administrative expenses increased to \$454,682 versus \$286,400 in the fourth quarter last year due to an increase in patent expenses related to the new CKD platform targeting IL-32. The remainder of the expenses for the fourth quarter were otherwise similar year-over-year with no other significant differences to report. The resulting net loss for the fourth quarter of 2025 was \$269,758.

During December 2025, the Company received a credit from a foreign research vendor to extinguish an account payable of approximately \$315,139 due to efficiencies gained throughout the year on a research contract. This credit was applied to the income statement in a reversal of research expense in the same amount during the fourth quarter ended September 30, 2025, resulting in a negative research expense. Without this adjustment, research expense for the fourth quarter was \$31,634.

The variations in revenue and income (loss) from quarter to quarter do not reflect any seasonality nor any pattern. The differences in loss are the result of increased or decreased operating expenses and/or non-dilutive funding events in any given quarter, depending on the level of clinical trial activity underway at the time.

Selected Quarterly Information

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 as prepared under IFRS.

All values in CAD

Quarter Ending:	Sept 30 2025 Q4	June 30 2025 Q3	Mar 31 2025 Q2	Dec 31 2024 Q1	Sept 30 2024 Q4	June 30 2024 Q3	Mar 31 2024 Q2	Dec 31 2023 Q1
Revenue	-	158,079	-	117,865	(360,655)	-	2,184,360	298,145
Income (loss)	(269,758)	(242,334)	(624,353)	(416,301)	(1,103,956)	(884,565)	(1,148,516)	(783,250)
Per share	(0.0041.)	(0.004)	(0.009)	(0.006)	(0.017)	(0.014)	(0.018)	(0.013)

Based on weighted average shares outstanding as at quarter end

Liquidity, Capital Resources and Cash Flows

The Company's adjusted working capital deficit as at September 30, 2025, was \$3,881,536. This working capital deficit 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. Calculations of the working capital deficit for the most recent fiscal year and the adjusted working capital in previous years are as follows:

	Year Ended		
	Sept 30 2025	Sept 30 2024	Sept 30 2023
Current assets	104,530	935,615	1,171,172
Current liabilities	3,986,066	5,283,312	5,977,070
Working capital surplus (deficit)	(3,881,536)	(4,347,697)	(4,805,898)
Adj. for: convertible debt	0	500,000	2,600,000
Adj. for: interest on convertible debt	0	42,925	172,500
Adj. for: Deferred Revenue	0	117,865	1,098,869
Adjusted working capital surplus (deficit)	(3,881,536)	(3,686,907)	(934,529)

The Company's primary sources of cash flow during 2024 and in the first three quarters of 2025 were from a contribution from the National Research Council of Canada Industrial Research Assistance Program, stock options exercised, and two equity issuances, each described further below:

	Year Ended		
	Sept 30 2025	Sept 30 2024	Sept 30 2023
Cash from (used in) operating activities	(1,591,216)	(2,331,170)	(234,075)
Cash from (used in) investing activities	-	-	-
Cash from (used in) financing activities	1,590,348	1,502,867	559,000
Increase (decrease) in cash	(868)	(828,303)	324,925
Cash and cash equivalents, beginning of period	2,970	831,273	506,348
Cash and cash equivalents, end of period	2,102	2,970	831,273

In addition, the Company relies on the issuance of its own securities to fund much of its activities, as the Company has not generated positive cash flow from operations. Raising capital through the issuance of its own securities can be difficult or uncertain, depending on the state of the economy, the health of the stock market, restrictions on capital and liquidity due to crises, such as the global financial crisis of 2008-09 or the impact of the 2020-22 global pandemic.

In the next 6 to 12 months, management of the Company will consider accessing capital markets to raise more funds to complement existing resources and improve its cash position.

The Company has taken the following steps to improve liquidity and working capital since 2024 and subsequent to the year ending September 30, 2025:

- During December 2025, the Company received a credit from a foreign vendor to extinguish an account payable of approximately \$315,139. This credit was applied to the income statement in a reversal of research expense in the same amount during the year ended September 30, 2025.
- During November 2025, the Company closed a non-brokered, private placement financing of CAD \$600,000 by issuing a total of 576,923 common shares priced at \$1.04 per common share. The Offering involved the issuance of 480,923 common shares to an officer of the Company. These shares have a four month hold period from the close date and all investors are considered non-insiders to the Company. These amounts were used to reduce accounts payable of the Company.
- On October 1, 2025, the Company negotiated with its lender to reduce the interest rate to 7% from 10-15% on a total of \$1,850,000 of unsecured promissory notes outstanding.
- During June 2025, an arm's length consultant to the Company exercised 200,000 stock options to purchase 200,000 common shares at the option strike price of \$1.48 per common share, for net proceeds of \$296,000.
- In April 2025, the Company received a reimbursement from the NRC-IRAP program in the amount of \$601,655 and this amount was used to reduce accounts payable of the Company as at March 31, 2025.

- During March 2025, the Company closed a non-brokered, private placement financing of CAD \$374,000 by issuing 145,000 common shares priced at \$1.55 per common share and 90,000 common shares priced at \$1.15 (U.S.) per common share. These shares have a four month hold period from the close date and all investors are considered non-insiders to the Company. These amounts were used to reduce accounts payable of the Company.
- On February 1, 2025, the Company's last deferred convertible notes outstanding (Note E, as described in the Company's annual financial statements) with a notional value of \$500,000, converted into 561,798 common shares. As per the terms of Note E, the Company arranged a shares for debt transaction to settle an aggregate of \$57,246.57 in interest accrued up to Feb. 1, 2025. A total of 31,112 shares were issued at a deemed price of \$1.84 to settle the interest amount outstanding. The Company no longer has any convertible notes outstanding following the maturity and settlement of Note E.
- During January to March 2025, two arm's length researchers exercised 50,000 stock options each at a price of \$0.60 per common share and a non-insider exercised 37,500 stock options at a price of \$2.00 per common share for net proceeds of \$135,000 to the Company during the second quarter ending March 31, 2025.
- In December 2024 the Company received a reimbursement from the NRC-IRAP program in the amount of \$281,096 and this amount was used to pay accounts payable of the Company owing at September 30, 2024
- In December 2024 the Company received its recoverable goods and services tax amount of \$174,643 and this amount was used to pay payroll liabilities and accounts payable of the Company owing at September 30, 2024
- Between December 2024 and January 2026, the Company obtained a new loan from Richard Muruve, CEO and director of the Company, in amount of \$460,000 with an interest rate of 7% per annum. These amounts were used to pay accounts payable of the Company owing as at September 30, 2024. The principal amount owing as at September 30, 2025, was \$344,851, and \$146,140 as of January 28, 2026.
- On October 15, 2024, the Company closed a non-brokered, private placement financing of CAD \$450,000 by issuing 290,323 common shares at \$1.55 per share. These shares have a four month hold period from the close date and all investors are considered non-insiders to the Company. These amounts were used to pay accounts payable of the Company owing at September 30, 2024.
- On July 30, 2024, the Company closed a non-brokered, private placement financing of CAD \$600,000 by issuing 400,000 common shares at \$1.50 per share. These shares have a four month hold period from the close date and all investors are considered non-insiders to the Company.

- During the third quarter of 2024, insiders of the Company, employees and consultants collectively exercised stock options which resulted in the issuance of 1,495,000 common shares and gross proceeds of \$762,500
- Company had secured loans from Richard Muruve, CEO and director of the Company and repaid the outstanding loan during the quarter ending June 30, 2024. Please see related party transactions below for more information.

As of the date hereinabove, the Company continues to sponsor the CS-AKI Phase II trial to produce additional efficacy and safety data to support future drug approval of LSALT Peptide. Funding from the NRC-IRAP grant has significantly helped offset the cost of this trial to date. The Company also continues to support the PONTIAK trial with cilastatin drug supply and is not incurring significant new costs at this time in regard to the trial.

Management expects during the next 12 months to make additional expenditures of at least \$100,000 to protect intellectual property emanating from its R&D efforts. 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 subsidiaries.

Presently, the Company does not have significant sources of capital other than issuing new equity or possibly applying for new government contracts or research grants. Management of the Company will continue to look for liquidity sources in the next few months to further pay down outstanding accounts payable and the unsecured promissory notes on the balance sheet.

Off-Balance Sheet Arrangement

Intellectual Property Transfer Agreements

The university scientists in Arch contractually assigned ownership of current and future intellectual property relating to Arch Cancer Therapeutics' research projects to the Company in return for equity or commitment from Arch to clinically develop commercial products. Through the patent process managed and financed by Arch, the IP was assigned to the Company and enables Arch to have commercial freedom to operate and develop new therapeutics. These IP assignments are irrevocable.

Future Revenue Sharing Arrangements if Company realizes drug sales

The Company has revenue sharing agreements with the University of Calgary on potential revenue emanating from the Company's intellectual property that was invented at the University of Calgary. The revenue sharing covenants in these agreements are triggered only if the Company succeeds in obtaining new drug approval from Health Authorities and begins to sell a drug such as LSALT Peptide. The royalties contained in the revenue sharing agreements are within a range

that is consistent with current industry standards. There are no milestone or other payments in the agreements with the University of Calgary.

These agreements with the University of Calgary cannot be terminated unilaterally by the university without cause and the Company is not aware of any event or uncertainty that may affect the availability of the benefits to the Company of these agreements.

The Company has determined that its business is not substantially dependent on any one of these agreements, given, among other factors, the Company's current stage of development and operations, the status of clinical trials and the lack of regulatory drug approvals. As a result, the Company does not consider any of these agreements to be currently material. The Company will continue to assess the materiality of these agreements on an ongoing basis as circumstances warrant.

Transactions with Related Parties

The following were transactions with Related Parties during the last two years from the date hereinabove:

- During November 2025, the Board of Directors of the Company granted a total of 750,000 stock options to directors and officers pursuant to the Company's stock option plan and the requirements of the TSX Venture Exchange. Each of these stock options is exercisable into one common share of the Company at a price of \$1.70 per share for a period of ten years, effective November 4, 2025, and will be subject to regulatory approvals. The grant of 750,000 stock options to directors and officers represents remuneration for serving on the board and managing the Company's affairs for the annual periods immediately following the Company's Annual General Meeting, ending April 1, 2025, and April 1, 2026.
- During November 2025, the Company closed a non-brokered, private placement financing of CAD \$600,000 by issuing a total of 576,923 common shares priced at \$1.04 per common share. Mr. Muruve, an officer and director of the Company, subscribed for 480,923 common shares with an investment of \$500,160.
- In December 2024 the Company obtained a new loan from Richard Muruve, CEO and director of the Company, in the amount of \$460,000 with an interest rate of 7% per annum. These amounts were used to pay accounts payable of the Company owing at September 30, 2024. In April 2025, the Company repaid \$408,000 to Mr. Muruve. Between May and August 2025, Mr. Muruve re-increased the loan amount to \$300,027 to the Company, with the principal amount owing of \$146,140 outstanding as of the date of this MD&A.
- In the third quarter of 2024, three officers of the Company exercised a total of 1,250,000 stock options for gross proceeds of \$625,000 to the Company.

Proposed Transactions

The Company does not have any proposed transactions as at the date of this MD&A.

For more information regarding past transactions, please consult *Corporate Structure Overview* above and the Company's public filings at www.sedar.com.

Outstanding Share Data

The table below sets out the outstanding share capital of the Company as at September 30, 2025, and as of the date of this MD&A:

Class of Security	As of the date of this MD&A	As of September 30, 2025
Common Shares	66,933,289	66,106,366
Pre-Funded Warrants	2,031,250	2,031,250
Convertible Debentures	0	0
Stock Options	5,165,000	3,765,000
Warrants	2,031,250	2,031,250

The Company is authorized to issue an unlimited number of common shares, where each common share provides the holder to one vote.

As of the date of this Management Discussion and Analysis there were 66,933,289 common shares and 2,031,250 pre-funded warrants issued and outstanding.

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

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

The Company had convertible debt securities outstanding as detailed in Note 8 of the Financial Statements for the year ending September 30, 2025, which were converted into 561,798 common shares on February 11, 2025. An additional number of common shares priced at the market on February 1, 2025, were issued to settle \$57,246.57 of accrued interest related to the convertible debt.

As at the date of this MD&A, there were 5,165,000 stock options are outstanding, as follows:

Stock Options	Quantity	Exercise Price	Expiry Date
	100,000	\$3.00	December 15, 2026
	100,000	\$2.05	October 22, 2027
	50,000	\$3.00	December 15, 2027
	1,000,000	\$0.78	May 8, 2028
	100,000	\$1.25	November 4, 2028
	50,000	\$1.50	December 15, 2028
	150,000	\$1.50	February 8, 2029
	25,000	\$1.50	February 15, 2029
	125,000	\$1.85	December 20, 2029
	880,000	\$1.48	June 11, 2030
	200,000	\$1.25	November 4, 2030
	250,000	\$1.25	September 16, 2032
	250,000	\$1.70	September 16, 2032
	585,000	\$3.00	December 15, 2032
	350,000	\$1.50	December 15, 2033
	100,000	\$1.55	August 6, 2034
	100,000	\$1.25	November 4, 2035
	750,000	\$1.25	November 4, 2035
	5,165,000		

Please see ***Transactions with Related Parties*** for details on stock option transactions.

Share based payments

The fair value of share-based compensation expenses is estimated using the Black-Scholes option pricing model and rely on a number of estimates, such as the expected life of the option, the volatility of the underlying share price, the risk-free rate of return, and the estimated rate of forfeiture of options or warrants granted.

Lipdro Acquisition of 2025

In December 2025, following final regulatory approvals, the Company acquired 100% ownership of Lipdro Therapeutics Inc. in exchange for 250,000 common shares of the Company and a royalty on net sales in the future.

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.

Financial Instruments and Other Instruments

Please refer to Note 3 “**Summary of Significant Accounting Policies - Financial Instruments**” and Note 5 “**Financial Instruments**” in the Company’s audited annual Financial Statements for the year ending September 30, 2025.

Summary of Material Accounting Policies

Please refer to Note 3 of the Company’s audited annual Financial Statements for the year ending September 30, 2025, for a **Summary of Material Accounting Policies** and future accounting changes.

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.

Risk Factors

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; and 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.

Current Global Financial and Economic Conditions

Current global financial and economic conditions remain uncertain and at times volatile due to the effects of the global pandemic, high global debt levels, inflation risks and political risks. 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 a global recession emerges, the Company's operations and financial condition could be adversely impacted.

Risks Related to Clinical Stage Development

The Company is currently at a clinical stage of development and subject to human trial risks, including among other things, the potential for its lead drug candidate to not show efficacy or safety in human patients, unforeseen cost increases, the potential emergence of superior new drugs from competitors and the unavailability of patients to recruit into a particular human trial. There is no guarantee that a successful human trial will result in future revenue.

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 commercial 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 Pharmaceutical Drugs Directorate (the "**PDD**") 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 in the U.S. and Canada, respectively, the PDD 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, PDD 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 be unpredictable and yield unanticipated outcomes. The time involved, and the potential failure to obtain, FDA, PDD 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.

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.

The outcome of preclinical studies and earlier-stage clinical trials may not be predictive of the success of later-stage clinical trials.

The outcome of preclinical testing and earlier-stage clinical trials may not be predictive of the success of later-stage clinical trials. LSALT and any other product candidates we may develop may fail to show the desired safety and efficacy in clinical development despite positive results in preclinical studies or having successfully advanced through initial clinical trials. Numerous

companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in later-stage clinical trials even after achieving promising results in preclinical testing and earlier-stage clinical trials, and we cannot be certain that we will not face similar setbacks. Moreover, preclinical and clinical data are often susceptible to varying interpretations and analyses, and many companies that have believed their product candidates performed satisfactorily in preclinical studies and clinical trials have nonetheless failed to obtain marketing authorization of their products. Furthermore, the failure of any product candidate to demonstrate safety and efficacy in any clinical trial could negatively impact the perception of any other product candidates then under development and/or cause applicable Health Authorities to require additional testing before approving any other product candidates.

We may not achieve our projected development goals in the announced and expected time frames.

From time to time, we set goals for and make public statements regarding the expectations for and timing of the accomplishment of objectives material to our success, such as the commencement and completion of clinical trials, expected results, anticipated regulatory submission and approval dates, and timing of product launch. The actual timing of these events can vary dramatically due to factors such as delays or failures in clinical trials, the uncertainties inherent in the marketing authorization process, and delays in achieving manufacturing or marketing arrangements sufficient to commercialize products. There can be no assurance that our clinical trials will be completed, that we will make regulatory submissions or receive regulatory approvals as planned, or that we will be able to adhere to our current schedule for the launch of LSALT or any other future product candidates we may develop. If we fail to achieve one or more of these milestones as planned, the price of our common shares would likely be adversely affected.

Negative Results of External Clinical Trials or Studies

From time to time, studies, or clinical trials on various aspects of biopharmaceutical products are conducted by academic researchers, competitors, or others. The results of these studies or trials, when published, may have a significant effect on the market for the biopharmaceutical product that is the subject of the study. The publication of negative results of studies or clinical trials or adverse safety events related to the Company's prescription drug product candidates, or the therapeutic areas in which the Company's prescription drug product candidates compete, could adversely affect its share price and the Company's ability to finance future development of its prescription drug product candidates, and its business and financial results could be materially and adversely affected.

Completion of Clinical Trials

As the Company's prescription drug product candidates advance from preclinical testing to clinical testing, and then through progressively larger and more complex clinical trials, the Company will need to enroll an increasing number of patients that meet its eligibility criteria. There is significant competition for recruiting patients in clinical trials, and the Company may be unable to enroll the patients it needs to complete clinical trials on a timely basis or at all. The factors that affect the

Company's ability to enroll patients are largely uncontrollable and include, but are not limited to, the size and nature of the patient population, eligibility and exclusion criteria for the trial, design of the clinical trial, competition with other companies for clinical sites or patients, perceived risks and benefits of the prescription drug product candidate, and the number, availability, location, and accessibility of clinical trial sites.

Reliance on Third Parties for Clinical Development Activities

The Company relies and will continue to rely on third parties to conduct a significant portion of its preclinical and clinical development activities. For example, clinical development activities include trial design, regulatory submissions, clinical patient recruitment, clinical trial monitoring, clinical data management and analysis, safety monitoring and project management. If there is any dispute or disruption in its relationship with third parties, or if it is unable to provide quality services in a timely manner and at a feasible cost, the Company's active development programs will face delays. Further, if any of these third parties fails to perform as the Company expects or if their work fails to meet regulatory requirements, the Company's testing could be delayed, cancelled or rendered ineffective.

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. Many 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 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 do 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.

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. 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.

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 depend 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.

Lack of Significant Product Revenue

To date, the Company has generated little product revenue and cannot predict when and if it will generate significant product revenue. The Company's ability to generate significant product revenue and ultimately become profitable depends upon its ability, alone or with partners, to successfully develop its prescription drug product candidates, obtain regulatory approval, and commercialize products, including any of its current prescription drug product candidates or other prescription drug product candidates that it may develop, in-license or acquire in the future. The Company does not anticipate generating revenue from the sale of products for the foreseeable future. The Company expects its research and development expenses to increase in connection with its ongoing activities, particularly as it advances its prescription drug product candidates through clinical trials.

Negative Cash Flow and Absence of Profits

The Company has not earned any operating profits from product sales to date and there is no assurance that it will earn any such 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.

Debt and Interest Risk

The Company does not have any external debt other than the Promissory Note described in Note 16.

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

Currency Risk

The Company is exposed to currency risk related to the fluctuation of foreign exchange rates and the degree of volatility of those rates. Currency risk is limited to the portion of the Company's business transactions and balances denominated in currencies other than the Canadian dollar.

The majority of expenses that are not hedged are currently in Canadian dollars. At the present time, the Company does not use any foreign exchange risk management tools such as currency forward or options contracts.

No Anticipated Dividends

The Company does not expect to pay dividends on its issued and outstanding Common Shares 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.

Estimates or Judgments Relating to Critical Accounting Policies

The preparation of financial statements in conformity with the International Financial Reporting Standards requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Company bases its estimates on

historical experience and on various other assumptions that it believes to be reasonable under the circumstances, as provided in the notes to the financial statements of the Company, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. The Company's operating results may be adversely affected if the assumptions change or if actual circumstances differ from those in the assumptions, which could cause its operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the share price of the Company. Significant assumptions and estimates used in preparing the financial statements include those related to income tax credits receivable, share based payments, impairment of non-financial assets, fair value of biological assets, as well as cost recognition.

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 likely be required to undertake future financings that 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 Company. 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.

Market for the Common Shares

There can be no assurance that an active trading market for the Common Shares will develop or, if developed, that any market will be sustained. The Company cannot predict the prices at which the Common Shares will trade. Fluctuations in the market price of the Common Shares could cause an investor to lose all or part of its investment in Common Shares. Factors that could cause fluctuations in the trading price of the Common Shares include: (i) announcements of new offerings, products, services or technologies; commercial relationships, acquisitions or other events by the Company or its competitors; (ii) price and volume fluctuations in the overall stock market from time to time; (iii) significant volatility in the market price and trading volume of companies commercializing similar pharmaceuticals; (iv) fluctuations in the trading volume of the Common Shares or the size of the Company's public float; (v) actual or anticipated changes or fluctuations in the Company's results of operations; (vi) whether the Company's results of operations meet the expectations of securities analysts or investors; (vii) actual or anticipated changes in the expectations of investors or securities analysts; (viii) litigation involving the Company, its industry, or both; (ix) regulatory developments; (x) general economic conditions and trends; (xi) major catastrophic events; (xii) sales of large blocks of the Common Shares; (xiii) departures of key employees or members of management; or (xiv) an adverse impact on the Company from any of the other risks cited herein.

Additional Information

Additional information relating to the Company can be found on SEDAR at www.sedar.com.