

ARCpoint Inc.

**Interim Condensed Consolidated
Financial Statements**

**For the nine months ended September 30, 2024 and
2023**

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim condensed consolidated financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying interim condensed consolidated financial statements and the notes thereto have been prepared by, and are the responsibility of, the management of ARCpoint Inc. These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards using management's best judgments.

The Company's independent auditor has not performed a review of these interim condensed consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Professional Accountants.

November 26, 2024

"Signed"

John Constantine
Chief Executive Officer

"Signed"

Jason Tong
Chief Financial Officer

ARCpoint Inc.

Interim Condensed Consolidated Statements of Financial Position

Unaudited (in United States dollars except per share data)

	Note	September 30, 2024	December 31, 2023
ASSETS			
Current assets			
Cash and cash equivalents		\$ 186,456	\$ 916,702
Brand Fund restricted cash	9	-	85,062
Accounts receivable, net	4, 9	579,102	794,661
Prepaid expenses	9	72,892	264,884
Inventory	5	-	56,100
Capitalized commissions	9	-	534,229
Notes receivable	6	91,834	254,193
		930,284	2,905,831
Non-current assets			
Capitalized commissions	9	-	1,975,783
Intangible assets	7	520,027	801,792
Property and equipment	8, 9	243,927	521,160
Right-of-use assets	9, 11	104,016	546,185
Investment in associate	9	1,563,388	-
TOTAL ASSETS		\$ 3,361,642	\$ 6,750,751
LIABILITIES AND DEFICIT			
Current liabilities			
Accounts payable and accrued liabilities	10	\$ 1,771,486	\$ 1,364,786
Convertible loans	12	2,610,333	2,490,250
Current portion of deferred revenue	9	-	1,385,841
Current portion of lease liabilities	11	74,925	186,272
Notes payable	14	2,012,415	1,887,336
		6,469,159	7,314,485
Non-current liabilities			
Deferred revenue	9	-	6,416,740
Lease liabilities	11	4,280	606,399
Notes payable - related party	13	2,463,862	1,954,838
Notes payable	14	322,536	665,934
Deferred income tax liability		178,052	178,052
TOTAL LIABILITIES		9,437,889	17,136,448
Shareholders' deficiency			
Share capital	16	10,864,246	8,994,984
Accumulated other comprehensive income (loss)		19,068	53,275
Reserves	16	1,004,823	839,668
Accumulated deficit		(17,877,890)	(20,197,472)
		(5,989,753)	(10,309,545)
Noncontrolling interest	15	(86,494)	(76,152)
TOTAL SHAREHOLDERS' DEFICIENCY		(6,076,247)	(10,385,697)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		\$ 3,361,642	\$ 6,750,751

Commitments and contingencies (note 17)

Subsequent events (note 22)

Approved on behalf of the Board:

(Signed) "Felix Mirando"
Director

(Signed) "John Constantine"
Director

ARCpoint Inc.

Interim Condensed Consolidated Statements of (Loss) Income and Comprehensive Loss

Unaudited (in United States dollars except per share data)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2024	2023	2024	2023
Revenue					
Royalties and other		\$ 783,254	\$ 1,114,766	\$ 2,884,193	\$ 3,247,683
Brand Fund revenue		59,946	133,300	356,151	432,375
Support and lab services		377,071	364,152	1,241,756	1,160,236
Total revenues		1,220,271	1,612,218	4,482,100	4,840,294
Cost of revenue					
Brand Fund expenses		(38,537)	(602,724)	(474,001)	(1,278,196)
Commissions		(79,228)	(258,463)	(433,293)	(678,791)
Support and lab services		(283,827)	(338,112)	(1,025,928)	(1,124,885)
Gross income		818,679	412,919	2,548,878	1,758,422
Expenses					
Amortization and depreciation		134,076	172,563	443,639	512,900
Bad debt		114,689	63,293	151,643	90,078
Foreign exchange loss (gain)		11,503	(9,992)	2,192	885
General, rent and administrative	11	197,823	255,033	639,932	716,768
Professional fees	20	401,013	286,875	1,332,246	1,277,495
Salary and wages	20	635,347	797,500	2,613,966	3,662,332
Sales and marketing		43,877	118,805	213,240	449,066
Share based compensation	16, 20	106,564	35,201	163,883	102,735
Software development	7	72,582	113,771	265,687	475,525
Transfer agent and filing fees		5,595	4,874	25,700	19,752
Travel		26,493	100,637	149,873	245,818
Total expenses		1,749,562	1,938,560	6,002,001	7,553,354
Operating loss		(930,883)	(1,525,641)	(3,453,123)	(5,794,932)
Other items					
Accretion expense	11 - 14	(65,081)	(51,802)	(194,317)	(155,830)
Interest expense	11 - 14	(120,437)	(101,390)	(373,060)	(319,735)
Gain on deconsolidation	9	6,314,646	-	6,314,646	-
Gain on retirement of lease	11	-	157,477	-	157,477
Share of gain of associate	9	14,749	-	14,749	-
Other income		-	17,380	345	126,459
Net income (loss) for the period		\$ 5,212,994	\$ (1,503,976)	\$ 2,309,240	\$ (5,986,561)
Net income (loss) attributable to:					
Shareholders of the Group		\$ 5,192,615	\$ (1,446,285)	\$ 2,319,582	\$ (5,808,889)
Noncontrolling interests	15	20,379	(57,691)	(10,342)	(177,672)
Total net income (loss) for the period		\$ 5,212,994	\$ (1,503,976)	\$ 2,309,240	\$ (5,986,561)
Accumulated other comprehensive income					
Items that may be reclassified subsequently to net income:					
Exchange differences on translating foreign operations		30,645	(39,947)	34,207	51,339
Total comprehensive income (loss) for the period		5,243,639	(1,543,923)	2,343,447	(5,935,222)
Accumulated other comprehensive income (loss) attributable to:					
Shareholders of the Group		30,645	(39,947)	34,207	51,339
		30,645	(39,947)	34,207	51,339
Total comprehensive income (loss) attributable to:					
Shareholders of the Group		\$ 5,223,260	\$ (1,486,232)	\$ 2,353,789	\$ (5,757,550)
Noncontrolling interests		20,379	(57,691)	(10,342)	(177,672)
		\$ 5,243,639	\$ (1,543,923)	\$ 2,343,447	\$ (5,935,222)
Income (loss) per share					
Basic - PVS and SVS		\$ 0.05	\$ (0.02)	\$ 0.02	\$ (0.07)
Diluted - PVS and SVS		\$ 0.05	\$ (0.02)	\$ 0.02	\$ (0.07)
Weighted average number of shares outstanding					
Basic - PVS and SVS		101,322,978	89,247,744	101,322,978	89,247,744
Diluted - PVS and SVS		101,322,978	89,247,744	101,322,978	89,247,744

ARCpoint Inc.

Interim Condensed Consolidated Statements of Changes in Shareholders' Deficiency

Unaudited (in United States dollars except per share data)

	Note	Total Capital		Amount	Reserves	Accumulated other comprehensive income (loss)	Accumulated deficit	Shareholders' Equity (Deficit)	Noncontrolling interest	Total
		Class A Subordinate Voting Shares ("SVS")	Class B Proportionate Voting Shares ("PVS")							
Balance, December 31, 2022		27,300,744	123,894	\$ 8,752,321	\$ 1,190,514	\$ 2,191	\$ (11,534,056)	\$ (1,589,030)	\$ 200,601	\$ (1,388,429)
Share-based compensation	16, 20	-	-	-	102,735	-	-	102,735	-	102,735
Currency translation adjustment		-	-	-	-	51,339	-	51,339	-	51,339
Net loss for the period		-	-	-	-	-	(5,808,889)	(5,808,889)	(177,672)	(5,986,561)
Balance, September 30, 2023		27,300,744	123,894	8,752,321	1,293,249	53,530	(17,342,945)	(7,243,845)	22,929	(7,220,916)
Share-based compensation	16, 20	-	-	-	36,197	-	-	36,197	-	36,197
Deferred income tax		-	-	-	(383,213)	-	-	(383,213)	-	(383,213)
Shares issued in exercise of Restricted Share Units		353,000	-	106,565	(106,565)	-	-	-	-	-
Shares issued for debt		1,500,000	-	136,098	-	-	-	136,098	-	136,098
Currency translation adjustment		-	-	-	-	(255)	-	(255)	-	(255)
Net loss for the period		-	-	-	-	-	(2,854,527)	(2,854,527)	(99,081)	(2,953,608)
Balance, December 31, 2023		29,153,744	123,894	\$ 8,994,984	\$ 839,668	\$ 53,275	\$ (20,197,472)	\$ (10,309,545)	\$ (76,152)	\$ (10,385,697)
Share-based compensation	16, 20	-	-	-	163,883	-	-	163,883	-	163,883
Shares issued in private placement	16	25,059,900	-	1,863,664	-	-	-	1,863,664	-	1,863,664
Shares issued in debt	13	1,396,046	-	112,686	-	-	-	112,686	-	112,686
Share issuance costs		-	-	(109,598)	-	-	-	(109,598)	-	(109,598)
Currency translation adjustment		-	-	2,510	1,272	(34,207)	-	(30,425)	-	(30,425)
Net income (loss) for the period		-	-	-	-	-	2,319,582	2,319,582	(10,342)	2,309,240
Balance, September 30, 2024		55,609,690	123,894	\$ 10,864,246	\$ 1,004,823	\$ 19,068	\$ (17,877,890)	\$ (5,989,753)	\$ (86,494)	\$ (6,076,247)

ARCpoint Inc.

Interim Condensed Consolidated Statements of Cash Flows

Unaudited (in United States dollars except per share data)

	For the period ended September 30,	
	2024	2023
Operating Activities		
Net income (loss) for the period	\$ 2,309,240	\$ (5,986,561)
Adjusted for:		
Amortization of capitalized commissions	473,907	462,065
Amortization of deferred revenue	(1,417,164)	(1,204,256)
Bad debt and expected credit losses	151,643	90,078
Depreciation and amortization	443,639	512,900
Finance costs	531,400	475,120
Impairment of inventory	56,100	71,520
Interest paid	(57,654)	-
Notes receivable forgiven	44,322	-
Share based compensation	163,883	102,735
Gain as result of deconsolidation	(6,314,646)	-
Gain on retirement of lease	-	(157,477)
Share of gain of associate	(14,749)	-
Unrealized foreign exchange gains and losses	(20,366)	51,436
Changes in operating working capital:		
Accounts payable and accrued liabilities	715,482	(87,864)
Accounts receivable	(340,929)	(518,822)
Brand Fund restricted cash	83,263	827,049
Capitalized commissions	(299,298)	(650,633)
Cash received for deferred revenues	890,133	1,885,206
Inventory	-	13,573
Prepaid expenses	139,225	112,731
Net cash related to operating activities	(2,462,569)	(4,001,200)
Investing Activities		
Additions of property and equipment	-	(4,790)
Advances on notes receivable- other	(40,741)	(162,442)
Loss of cash on deconsolidation	(27,730)	-
Repayment on notes receivable- other	123,907	161,028
Net cash related to investing activities	55,436	(6,204)
Financing Activities		
Lease principal payments made	(85,245)	(169,903)
Lease interest payments made	(31,259)	(64,661)
Lease termination payments made	-	(80,750)
Repayment of notes payable	(370,230)	-
Proceeds from private placement, net	1,754,066	-
Proceeds from notes payable	439,980	-
Repayment of convertible notes	-	(150,000)
Net cash related to financing activities	1,707,312	(465,313)
Effect of currency translation reserve	(30,425)	-
Decrease in cash and cash equivalents	(730,246)	(4,472,717)
Cash and cash equivalents, beginning of year	916,702	6,003,609
Cash and cash equivalents, end of period	\$ 186,456	\$ 1,530,892

ARCpoint Inc.

Notes to Interim Condensed Consolidated Financial Statements

Unaudited (in United States dollars except per share data)

For the nine months ended September 30, 2024 and 2023

1. Nature of Operations and Going Concern

ARCpoint Inc. (the “Company” or “ARCpoint”, together with its subsidiaries, the “Group”) is a publicly traded health care company listed on the TSX Venture Exchange (“TSXV”) under the symbol “ARC”. The Company provides a US-based franchise system offering drug testing, alcohol screening, DNA and clinical lab testing, corporate wellness programs and employment and background screening and other services. ARCpoint Labs was founded in 1998 by Felix Mirando, offering drug and alcohol testing to small and medium-sized businesses in Greenville, South Carolina. In 2006, the franchise operations were launched and further expanded to a national presence in 2017. ARCpoint Group LLC (formerly known as “FJD LLC”) (“ARCGL”) was formed as a limited liability company under the Delaware Limited Liability Company Act on August 18, 2021. ARCGL completed a reorganization (the “Roll-Up”) with ARCpoint Franchise Group LLC (“AFG” or “ARCpoint Franchise”), ARCpoint Corporate Labs LLC (“ACL” or “ARCpoint Corporate Labs”), AFG Services LLC (“ASL” or “AFG Services”) and ARCpoint Holdings LLC (“AHL” or “ARCpoint Holdings, together with AFG, ACL, ASL, the “ARCpoint Operating Subsidiaries”) on September 7, 2021, resulting in ARCGL becoming the sole shareholder of the ARCpoint Operating Subsidiaries. In October 2022, through a series of transactions that resulted in the reverse takeover of the Company by the members of ARCGL (the “Transaction”), the Company becomes the sole shareholder of ARCGL and the ARCpoint Operating Subsidiaries and changed its name from RSI International Systems Inc. to ARCpoint Inc. The Transaction constituted a reverse acquisition of the Company by ARCGL, with ARCGL being identified as the accounting acquirer. As a result, these consolidated financial statements are a continuation of ARCGL and its subsidiaries. The Company’s results of operations are included from October 25, 2022, onwards, except for capital which has been retroactively adjusted to reflect the capital of the Company. Refer to Note 3. The Company maintains a 29.5% ownership in CRESSO Brands LLC (“Cresso”), a US-based franchise system which offers diagnostic testing and employer solutions.

The Company is a corporation existing under the *British Columbia Corporations Act*. Its head office is located at 101 North Main Street, Suite 301, Greenville, South Carolina, USA and its registered office is located at Suite 635, 333 Bay Street, Toronto, Ontario, Canada.

Entity Reorganization

ARCGL and the ARCpoint Operating Subsidiaries completed the Roll-Up on September 7, 2021. The consolidated financial statements of the Group include financial position and operations of:

- ARCpoint Franchise, which is the franchisor of the Group’s independently owned toxicological testing labs. ARCpoint Franchise offers comprehensive testing services for businesses and individuals, including drug, alcohol and DNA testing, background screenings, plus health and wellness solutions. ARCpoint Franchise was formed under the laws of the state of South Carolina in February 2005.
- AFG Services, which is a software and clinical services company that supports franchise systems along with other direct business to business customers. AFG Services provides support in the form of marketing, technology, and training to new and existing AFG franchisees. AFG Services was formed under the laws of the state of South Carolina in September 2020.

ARCpoint Inc.

Notes to Interim Condensed Consolidated Financial Statements

Unaudited (in United States dollars except per share data)

For the nine months ended September 30, 2024 and 2023

1. Nature of Operations and Going Concern (continued)

Entity Reorganization (continued)

- ARCpoint Corporate Labs and its subsidiary, ARCpoint Corporate Labs of Indy LLC ("ACL Indy"), which is a vaccine and augmented health services company. It provides diagnostic and toxicology testing, as well as vaccines, to businesses and individuals. ARCpoint Corporate Labs was formed under the laws of the state of South Carolina in July 2020. On June 30, 2022, the Group closed the business operations of ACL Indy and recorded an impairment loss of \$19,299 in 2022 and \$99,750 in 2023 in the consolidated statement of comprehensive income (loss).
- ARCpoint Holdings holds the intellectual property of the Group. ARCpoint Holdings was formed under the laws of the state of South Carolina in July 2019.

On September 7, 2021, ARCGL acquired all the outstanding membership interests of the ARCpoint Operating Subsidiaries and completed the Roll-Up. In exchange, certain members of the ARCpoint Operating Subsidiaries were provided units in ARCGL, and the interests of other members were redeemed for cash and notes payable more fully described in Note 13.

The Roll-Up transaction by ARCGL and the ARCpoint Operating Subsidiaries is a transaction under common control, as ultimately these entities were controlled by the same members before and after the transaction. Therefore, the interim condensed consolidated financial statements have been retrospectively recast to reflect ARCGL's controlling interest in the ARCpoint Operating Subsidiaries for all previous periods presented. For the period prior to the incorporation of ARCGL, the interim condensed consolidated financial statements reflect the member group's controlling interest in these entities. There is currently no specific guidance on accounting for common control transactions under International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). In the absence of specific guidance, the Group elected to apply the "pooling of interests" method of accounting. Under "pooling of interests", the assets and liabilities of the ARCpoint Operating Subsidiaries are carried over at their book values with no adjustment made for the acquisition price and prior periods are restated as if the common control transaction had occurred at the beginning of the earliest period presented.

On August 20, 2024, the Group completed a transaction with ALTN Holdings LLC to merge the franchise operations of both its subsidiary companies, AFG and Any Test Franchising, LLC ("ALTN"), into a new joint venture company, CRESSO Brands LLC. ALTN Holdings LLC will own 70.5% of the new entity, with the Group owning the other 29.5%. Both ALTN and AFG brands will remain and be managed on a separate basis. ALTN is an arm's-length party and there are no finders' fees payable in connection with this transaction. The Group has deconsolidated AFG and will record the interest in Cresso as an equity investment going forward.

As of September 30, 2024, the Group had the following wholly owned and controlled subsidiaries: AFG Services, ARCpoint Corporate Labs, ARCpoint Holdings and ARCpoint Finance Corp ("ARCpoint Finco"). ARCpoint Corporate Labs owns a 90% interest in its subsidiary, ACL Indy.

ARCpoint Inc.

Notes to Interim Condensed Consolidated Financial Statements

Unaudited (in United States dollars except per share data)

For the nine months ended September 30, 2024 and 2023

1. Nature of Operations and Going Concern (continued)

Entity Reorganization (continued)

In February 2022, the Group acquired a controlling interest (60%) in Achieve Behavioral Health Greenville, LLC ("ABH Greenville") in partnership with Achieve Behavioral Health, LLC who owns the remaining 40% interest. As of December 31, 2023, the Group acquired an additional 8% in ABH Greenville for a total controlling interest of 68%.

In August 2022, Total Reporting, LLC, a subsidiary of the Group newly formed under the laws of Delaware, acquired certain business assets. See further discussion in Note 7.

These consolidated financial statements are presented on the basis that the Group will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. Realization values may be substantially different from the carrying values shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Group be unable to continue as a going concern. At September 30, 2024, the Group had an accumulated deficit of \$17,877,890 (December 31, 2023 - \$20,197,472) and the Group's working capital deficit was \$5,538,875 (December 31, 2023 – working capital deficit of \$4,408,654).

The Group has incurred significant operating losses and negative cash flows from operations in recent periods and has a working capital deficiency. Whether and when the Group can attain profitability and positive cashflows is uncertain. These uncertainties cast significant upon the Group's ability to continue as a going concern. The Group will need to reduce expenditures and raise capital in order to fund its operations. This need may be adversely impacted by: a lack of normally available financing, accelerating operational activities, and falling sales per franchisee. To address its financing requirements, the Group will seek financing through debt and equity financings and asset sales. The outcome of these matters cannot be predicted at this time. See further discussion in Note 17.

2. Basis of Presentation and New IFRS Pronouncements

(a) Basis of Preparation

These unaudited interim condensed consolidated financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting as issued by the IASB. Accordingly, certain disclosures included in the interim consolidated financial statements prepared in accordance with IFRS as issued by the IASB have been condensed or omitted and these interim condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2023.

Other than as stated below, these unaudited interim condensed consolidated financial statements follow the same accounting policies and methods of application as the most recent audited consolidated financial statements of the Company.

The Company's interim results are not necessarily indicative of its results for a full year.

ARCpoint Inc.

Notes to Interim Condensed Consolidated Financial Statements

Unaudited (in United States dollars except per share data)

For the nine months ended September 30, 2024 and 2023

2. Basis of Presentation and New IFRS Pronouncements

(a) Basis of Preparation (continued)

The preparation of interim condensed consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the interim condensed consolidated financial statements are disclosed in Note 3 of the audited consolidated financial statements. The interim condensed consolidated financial statements were authorized for issue by the Board of Directors on November 26, 2024.

(b) Basis of measurement

The interim condensed consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value through the interim condensed consolidated statement of income (loss). The methods used to measure fair values are disclosed in Note 18.

These interim condensed consolidated financial statements are presented in United States Dollars (USD), which is the Group's presentation and functional currency.

(c) New IFRS Pronouncements

Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use

We adopted the amendments to IAS 16, Property, Plant and Equipment on January 1, 2022, with retrospective application. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related costs in profit (loss). On adoption, these amendments did not affect our financial results. This amendment did not have a material effect on the consolidated financial statements.

ARCpoint Inc.

Notes to Interim Condensed Consolidated Financial Statements

Unaudited (in United States dollars except per share data)

For the nine months ended September 30, 2024 and 2023

2. Basis of Presentation and New IFRS Pronouncements (continued)

(c) New IFRS Pronouncements (continued)

Amendments to IAS 1 - Presentation of Financial Statements

In October 2022, the IASB issued amendments to IAS 1, Presentation of Financial Statements titled Non-current liabilities with covenants. These amendments sought to improve the information that an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within 12 months after the reporting period. These amendments to IAS 1 override but incorporate the previous amendments, Classification of liabilities as current or non-current, issued in January 2020, which clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities should be classified as non-current if a company has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendments are effective January 1, 2024, with early adoption permitted. Retrospective application is required on adoption. We do not expect these amendments to have a material effect on our financial statements.

Effective for annual reporting periods beginning on or after January 1, 2023, the Company adopted the following amendments:

Amendment to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. We do not expect these amendments to have a material effect on our financial statements.

Amendments to IAS 8 - Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty.” Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. The adoption of these amendments did not have a material impact on the results of its operations and financial position.

ARCpoint Inc.

Notes to Interim Condensed Consolidated Financial Statements

Unaudited (in United States dollars except per share data)

For the nine months ended September 30, 2024 and 2023

3. Reverse Acquisition of the Company

On October 21, 2022, in accordance with the business combination agreement dated April 27, 2022, as amended (the "Business Combination Agreement"), RSI International Systems Inc. ("RSI"), ARCGL, ARCpoint Finco, 1000151427 Ontario Inc. ("RSI Subco") and all of the securityholders of ARCGL completed a series of transactions that resulted in the reverse takeover of RSI by the members of ARCGL ("the Transaction"). For the purpose of this section, the Company before giving effect to the Transaction is hereinafter referred to as "RSI".

In connection with the Transaction, RSI, RSI Subco and ARCpoint Finco completed a three-cornered amalgamation (the "Amalgamation") pursuant to which RSI Subco amalgamated with ARCpoint Finco. In connection with the Amalgamation, each common share of RSI Pubco was exchanged for one common share of the amalgamated entity, each common share of ARCpoint Finco was exchanged for one Class A Subordinate Voting Shares ("SVS") of RSI, and each warrant of ARCpoint Finco was exchanged for one SVS purchase warrant of RSI.

Following the Amalgamation, RSI continued its corporate existence from British Columbia to the federal jurisdiction under *Canada Business Corporations Act* ("CBCA") under the new corporate name "ARCpoint Inc." The Company acquired 25,000 of ARCGL's Class A Common Units held by Felix Mirando for \$2,500,000 by issuing a \$2,350,000 principal amount unsecured 1.88% interest bear promissory note (the "Promissory Note") with a maturity date of April 26, 2031 (the "Leveraged Acquisition") and paying the remaining \$150,000 in cash. Immediately after giving effect to the Leveraged Acquisition, the remaining securities of ARCGL were exchanged with the securities of the Company as follows: (A) each Class A Common Unit of ARCGL was exchanged for one Class B Proportionate Voting Shares ("PVS"), (B) each Class B Common Unit of ARCGL was exchanged for 500 SVS, and (C) each Class B Common Unit purchase warrant of ARCGL was exchanged for 500 SVS purchase warrants of ARCGL.

In connection with the Transaction, ARCpoint Finco has satisfied the escrow release conditions of the subscription receipt private placement conducted concurrently with the Transaction (the "Private Placement"). The escrowed funds, net of the cash commission and expenses payable to the finders and the service fees of the subscription receipt agent, has been released to ARCpoint Finco.

Upon completion of the Transaction and at year end, the Company has a total 27,300,744 SVS and 123,894 PVS issued and outstanding. Each PVS is convertible into 500 SVS under limited circumstances. Assuming full conversion of the PVS into the SVS, the Company will have a total of 89,247,744 SVS issued and outstanding, with 16.56% held by former shareholders of RSI, 78.03% held by the former securityholders of ARCGL and 5.42% held by the investors of the Private Placement, on a non-diluted basis. In connection with the Transaction, the Company has issued 561,554 replacement options to the former option holders of RSI, 5,000,000 replacement warrants to the former warrant holder of ARCGL, 2,416,868 replacement warrants to the former warrant holders of ARCpoint Finco, and 45,351 replacement compensation warrants to the former compensation warrant holders of ARCpoint Finco. In addition, the Company has reserved 8,012,500 SVS for issuance upon conversion of the Convertible Notes.

ARCpoint Inc.

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For the nine months ended September 30, 2024 and 2023

3. Reverse Acquisition of the Company (continued)

Before giving effect to the Transaction, RSI had been concluded as a business with no clear identified input, process and output, and management has accordingly identified the Transaction as an asset acquisition as RSI does not meet the definition of a business as defined in IFRS 3. ARCGL is considered to have acquired RSI with the Transaction being accounted for as a reverse takeover of RSI by ARCGL in accordance with the guidance provided in IFRS 2 *Share-based Payment* and IFRS 3 *Business Combinations*.

Accordingly, the consolidated financial statements represent a continuation of ARCGL, with the exception that all figures as to the number of common units, as well as loss per share in these consolidated financial statements reflect the legal capital of RSI at the exchange ratio in the acquisition. In accordance with IFRS 2 since RSI does not qualify as a business, for accounting purposes, ARCGL is deemed to be the accounting acquirer in such reverse takeover transaction.

Therefore, no goodwill was recorded with respect to the Transaction. The Transaction was measured at the fair value of the common shares that ARCGL would have had to issue to the shareholders of RSI, being 14,775,002 common shares with a fair value of \$4,441,542, and 561,554 stock options of RSI with a fair value of \$72,848, to give the shareholders of RSI the same percentage of equity interest in the combined entity that results from the reverse acquisition had it taken the legal form of ARCGL acquiring RSI.

The fair value of common shares and share warrants issued are estimated based on the financing event which took place concurrently to the Transaction at the price of CAD\$0.45 per unit (see Note 16). These interim condensed consolidated financial statements include the accounts of RSI as at October 25, 2022.

The purchase price was allocated as follows:

	\$
Fair value of RSI International Systems Inc. shares (14,775,002 common shares)	4,441,542
Fair value of 561,554 RSI International Systems Inc. stock options	72,848
Total consideration	4,514,390
Less: fair value of identifiable assets and liabilities acquired:	
Cash	3,496,118
Interest receivable	22,297
Prepays	3,003
Notes payable - ARCpoint common units buyout	(903,915)
Net assets	2,617,503
Listing expenses	1,896,887
Transaction costs	327,253
Listing expense and transaction costs	2,224,140

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4. Accounts Receivable, Net

	September 30, 2024	December 31, 2023
Accounts receivable	\$ 785,649	\$ 989,769
Less: estimated credit losses	(206,547)	(195,108)
Net accounts receivable	\$ 579,102	\$ 794,661

Aging analysis of trade receivables is as follows:

	September 30, 2024	December 31, 2023
Not past due	\$ 364,109	\$ 622,848
31-60 days	26,970	103,170
61-90 days	16,589	46,573
Over 90 days	323,077	471,204
Amounts written off	(151,643)	(449,134)
Total	\$ 579,102	\$ 794,661

5. Inventory

The Group's inventory consists of medical supplies. Inventory impaired that is included in cost of revenue during the period ended September 30, 2024 totaled \$56,100 (September 30, 2023- \$71,520).

	September 30, 2024	December 31, 2023
Medical supplies	\$ -	\$ 56,100
Total	\$ -	\$ 56,100

6. Notes Receivable

On December 23, 2021, the Group issued an unsecured, 1% interest rate per annum note receivable of \$250,000 to an officer of the Group, which was repaid on April 14, 2022.

On March 31, 2022, ABH Greenville extended a revolving credit loan that bears interest at 1.85% per annum with a maturity date of December 31, 2024, to Achieve Behavioral Health, PA ("ABH PA") pursuant to the terms of a line of credit note. Interest payments are due quarterly, and all unpaid interest and principal are due on the maturity date. As of September 30, 2024, \$Nil was outstanding (2023- \$112,600).

The remaining notes receivable consisted of an employee loan and outstanding franchise fees from seven existing franchisees, all of which are on demand and are classified as current.

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6. Notes Receivable (continued)

	September 30, 2024	December 31, 2023
Balance, beginning of year	\$ 254,193	\$ 415,060
Additions	40,741	187,220
Accrued interest	345	4,444
Reclass note receivable to accounts receivable	(35,216)	(101,622)
Forgiven	(44,322)	(55,909)
Payments received	(123,907)	(195,000)
Balance, end of period	\$ 91,834	\$ 254,193

7. Intangible Assets

In December 2022, AFG Services LLC acquired from LabSender, LLC a forked copy of the source code for the LabSender platform ("the Software Asset"), including all LabSender's ownership right, title, and interest in and to the physical instance of the Software Asset to use for monetization by the Group. The Software Asset provides an integrated portal and database for scheduling, sample processing and patient management. It also provides an interface with highly complex labs, allowing for the scheduling and management of outsourced testing such as testosterone and DNA profiling. The Software Asset is expected to form the core of the Group's technology solutions, providing services to corporate clients and ARCpoint Franchisees, as well as services directly to consumers. The purchase price was payable in one installment of \$200,000, which occurred at closing on December 16, 2022, and a second installment of \$200,000 paid on December 18, 2022. The total purchase price and direct customization development costs of the Software Asset have been allocated to the Group's intangible assets. In January 2023, the Software Asset portal was commercially implemented with additional direct development costs capitalized as of September 30, 2023. The software development costs incurred, beginning October 1, 2023, are associated with maintaining the Group's implemented innovation and technology initiatives and, therefore, are expensed as incurred. Software development costs expensed during the period ended September 30, 2024 totaled \$265,687 (September 30, 2023- \$475,525).

In August 2022, Total Reporting, LLC, a subsidiary of the Group newly formed under the laws of Delaware acquired from Blueline Services, LLC trademarks and other related intellectual property related to conducting background checks, drug testing services and other employment related screening services, for a purchase price of \$300,000 (the "Total Reporting Acquisition"). The purchase price was payable in two installments of \$150,000 in 2022. As such, the \$300,000 was allocated to the Group's intangible assets. During the year ended December 31, 2023, the Company impaired the remaining carrying amount of \$174,932 related to these assets.

In 2021, ACL Indy entered into an asset purchase agreement for Linc Business Development and Diagnostic Inc, an Indiana Corporation doing business as ARCPPoint Labs of Indianapolis West. The Seller was an owner of one ARCpoint Corporate Labs franchised business located at 5035 West 71st Street, Suite I, Indianapolis, IN, USA. The Group paid total cash consideration of \$130,000 for 90% of the assets, which consisted of licenses and office supplies, with the remaining 10% purchased by an arm's length third party. During the year ended December 31, 2023, the Company impaired the remaining carrying amount of \$99,750 related to these assets.

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7. Intangible Assets (continued)

	Intangible Assets		Goodwill		Total
<i>Cost</i>					
Balance, December 31, 2022	\$	1,238,571	\$	440,000	\$ 1,678,571
Additions		330,960		-	330,960
Impairment		(274,682)		(440,000)	(714,682)
Balance, December 31, 2023	\$	1,294,849	\$	-	\$ 1,294,849
Balance, September 30, 2024	\$	1,294,849	\$	-	\$ 1,294,849
<i>Accumulated amortization</i>					
Balance, December 31, 2022	\$	53,819	\$	-	\$ 53,819
Amortization		439,238		-	439,238
Balance, December 31, 2023	\$	493,057	\$	-	\$ 493,057
Amortization		281,765		-	281,765
Balance, September 30, 2024	\$	774,822	\$	-	\$ 774,822
<i>Carrying amount</i>					
Balance, December 31, 2023	\$	801,792	\$	-	\$ 801,792
Balance, September 30, 2024	\$	520,027	\$	-	\$ 520,027

8. Property and Equipment

	Furniture and Office Equipment		Computer Equipment and Software		Leasehold Improvements		Total
<i>Cost</i>							
Balance, December 31, 2022	\$	215,285	\$	161,579	\$	508,134	\$ 884,998
Additions		8,461		-		-	8,461
Balance, December 31, 2023	\$	223,746	\$	161,579	\$	508,134	\$ 893,459
Balance, September 30, 2024	\$	223,746	\$	161,579	\$	508,134	\$ 893,459
<i>Accumulated amortization and impairment</i>							
Balance, December 31, 2022		96,172	\$	133,188	\$	34,382	\$ 263,742
Amortization		34,564		18,620		55,373	108,557
Balance, December 31, 2023	\$	130,736	\$	151,808	\$	89,755	\$ 372,299
Amortization		22,455		9,594		40,432	72,481
Deconsolidation of AFG (Note 9)		52,177		-		152,575	204,752
Balance, September 30, 2024	\$	205,368	\$	161,402	\$	282,762	\$ 649,532
<i>Carrying amount</i>							
Balance, December 31, 2023	\$	93,010	\$	9,771	\$	418,379	\$ 521,160
Balance, September 30, 2024	\$	18,378	\$	177	\$	225,372	\$ 243,927

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9. Investment in Associate

On August 20, 2024, the Group completed a transaction with ALTN Holdings LLC to merge the franchise operations of both its subsidiary companies, ARCpoint Franchise and Any Lab Test Now ("ALTN"), into a new joint venture company, Cresso. ALTN Holdings LLC will own 70.5% of the new entity, with the Group owning the other 29.5%. The Group's interest in Cresso will be recorded as an investment in associate accounted using the equity method.

Due to the change in control, AFG Franchise was consolidated up to August 20, 2024 and resultant deconsolidation of ARCpoint Franchise gave rise to a gain on loss of control of \$6,314,646 (2023 - \$Nil).

Analysis of assets and liabilities over which the Group lost control are noted in the table below:

	September 30, 2024
Current assets	
Cash and cash equivalents	\$ 25,972
Brand fund restricted cash	1,799
Accounts receivable, net	440,061
Prepaid expenses	52,767
Non-current assets	
Capitalized commissions	2,335,403
Notes receivable	1,757
Property and equipment	204,752
Right-of-use assets	353,075
Current liabilities	
Accounts payable and accrued liabilities	(309,082)
Non-current liabilities	
Deferred revenue	(7,275,550)
Lease liabilities	(596,962)
Shareholders' deficiency	
Share capital	(568,329)
Reserves	2,385,320
Accumulated deficit	10,073,315
Noncontrolling interest	28,972
Net assets deconsolidated	\$ 7,153,272

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9. Investment in Associate (continued)

The gain on deconsolidation of ARCpoint Franchise are noted in the table below:

	Nine months ended September 30, 2024
Carrying amount of liabilities and shareholders' deficit	\$ 11,919,279
Investment in associate	1,548,639
Less: Net assets deconsolidated	(7,153,272)
Gain on deconsolidation of subsidiary	\$ 6,314,646

The Group's interest in Cresso is recorded as an investment in an associate accounted for using the equity method under IAS 28.

Opening balance, December 31, 2023	\$ -
Share of investment in Cresso on August 20, 2024	1,548,639
Share of income in Cresso for the period August 20 - September 30, 2024	14,749
Balance, September 30, 2024	\$ 1,563,388

	September 30, 2024
Current assets ¹	2,584,394
Non-current assets	3,468,174
Current liabilities	(623,005)
Non-current liabilities	(7,203,033)
Net assets (liabilities)	\$ (1,773,469)
The Group's share of net assets - 29.5%	(523,173)

¹ Inclusive of Cash of \$2,014,858 at September 30, 2024 (August 20, 2024 - \$1,781,448)

The following is the summarized statements of comprehensive income of Cresso for the period of August 20, 2024 to September 30, 2024:

Cresso	August 20 - September 30, 2024
Revenue	\$ 1,191,095
Expenses	1,141,099
Net income	49,996
Total comprehensive income	\$ 49,996
The Group's share of net income - 29.5%	\$ 14,749

ARCpoint Inc.

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10. Accounts Payable and Accrued Liabilities

	September 30, 2024	December 31, 2023
Trade payables	\$ 1,300,813	\$ 903,914
Accrued distributions	266,238	266,238
Accrued bonuses	7,614	74,814
Other accrued liabilities	196,821	119,820
Total	\$ 1,771,486	\$ 1,364,786

11. Right-of-Use Assets and Lease Liabilities

The Group entered into lease agreements for long-term office space and medical equipment during 2021 and recognized an initial lease liability of \$1,013,790, measured using the present value of the lease payments discounted using a range of incremental borrowing rates of 3.9% to 8.4%. The Group entered into lease agreements for long-term office space during the year ended December 31, 2022, and recognized an initial lease liability of \$501,107 under IFRS 16, measured using the present value of the lease payments discounted using the incremental borrowing rates ranging from 6.25% to 10.75%. The Group recorded a right-of-use asset of the same amount which relates to long-term office leases. Amortization of the right-of-use asset is calculated using the straight-line method over the remaining lease term. In the year ended December 31, 2023, the Group terminated its ACL Indy office lease for \$80,750, resulting in a gain on retirement of the lease of \$157,477 and one ABH Greenville office lease, resulting in a gain on retirement of the lease of \$25,833.

During the three and nine-month periods ended September 30, 2024, the Group recognized interest expense on the lease liability of \$10,698 and \$31,259 (September 30, 2023- \$16,452 and \$64,661) and derecognized its AFG office lease with the deconsolidation of AFG.

Right-of-use assets:

Balance, December 31, 2022	\$	799,517
Amortization		(172,781)
Termination of lease		(80,551)
Balance, December 31, 2023	\$	546,185
Amortization		(89,094)
Deconsolidation of AFG (Note 9)		(353,075)
Balance, September 30, 2024	\$	104,016

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11. Right-of-Use Assets and Lease Liabilities (continued)

Lease liabilities:

Balance, December 31, 2022	\$	1,338,814
Add: Interest		75,913
Less: Rent payments		(230,773)
Less: Equipment lease payments		(46,673)
Less: Termination of lease		(344,610)
Balance, December 31, 2023	\$	792,671
Add: Interest		31,259
Less: Rent payments		(120,959)
Less: Equipment lease payments		(26,804)
Less: Deconsolidation of AFG (Note 9)		(596,962)
Balance, September 30, 2024		79,205
Less: Current portion		(74,925)
Non-current portion	\$	4,280
		September 30,
		2024
Maturity Analysis – contractual undiscounted cash flows from minimum lease		
Short-term portion - less than one year	\$	68,936
Long-term portion - one to five years		27,819
Total undiscounted lease liabilities	\$	96,755

12. Convertible Loans

Balance, December 31, 2022	\$	2,497,600
Principal paid		(150,000)
Interest paid		(95,363)
Interest accrued		155,153
Accretion		82,860
Balance, December 31, 2023	\$	2,490,250
Interest paid		(57,654)
Interest accrued		114,668
Accretion		63,069
Balance, September 30, 2024	\$	2,610,333

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13. Notes Payable – Related Party

Notes payable - related party consisted of seven loans with an associate, officers and board members of the Group. These loans are unsecured and are payable as cash flow allows, at rates ranging from 1.88% to 10% per annum.

On October 21, 2022, concurrently with the Transaction described in Note 1, the Group provided \$150,000 in cash and issued a promissory note that bears a 1.88% interest per annum of \$2,350,000 with a maturity date of April 26, 2031, to a board member to acquire 25,000 ARCpoint Class A Common Units.

During the period ended September 30, 2024, the Company entered into non-secured demand loan agreements with officers and board members of the Group for \$439,980 that bear a simple interest rate of 10% per annum. The Group completed a debt settlement agreement with a director of the Company to settle an outstanding debt of \$110,884 (C\$153,565) owed by issuing 1,396,046 SVS at a price of C\$0.11 per SVS in full and final satisfaction of the debt.

For the nine months ended September 30, 2024, interest expense on these notes were \$91,053 (September 30, 2023 - \$46,497).

As at September 30, 2024, an amount of \$2,463,862, net of fair value discount, remains outstanding (2023 - \$1,954,838). As at September 30, 2024, the face value amount of \$3,728,797 remains outstanding (2023 - \$3,320,365).

Related Parties	Maturity Date	September 30, 2024	December 31, 2023
P Blakely	December 31, 2025	\$ 926,590	\$ 848,888
F Mirando	April 26, 2031	1,214,195	1,105,950
Management Loans		323,077	-
Total		\$ 2,463,862	\$ 1,954,838

14. Notes Payable

On September 7, 2021, in connection to the Roll-Up described in Note 1, the Group issued a two-year, 5% interest per annum promissory note of \$2,552,611 to pay out the minority unitholders of AFG. Under the terms of the Redemption Agreement, a portion of the redemption price was paid to the Sellers at the closing of the transactions contemplated by the Redemption Agreement, which occurred on September 7, 2021. The Redemption Agreement provides that the remainder of the redemption price is to be paid on or before September 7, 2023, provided that payment of such remainder will be deferred if and to the extent necessary to comply with South Carolina Code Section 33-44-406. Section 33-44-406 generally restricts distributions by a limited liability company to its members if the limited liability company would not be able to pay its debts as they become due in the ordinary course of business or the company's total assets would be less than the sum of its total liabilities. Given the current net losses, the Group has deferred payment until such time the Group is able to make in accordance with Section 33-44-406. As at September 30, 2024, \$2,334,951 was outstanding (2023 - \$2,553,270).

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14. Notes Payable (continued)

The Group also entered into an agreement during the year ended December 31, 2023 with one of the arm's length unitholders to restructure \$1,062,719 of the note plus accrued and unpaid interest ("the Indebtedness"). Pursuant to the terms of the agreement, the Group agreed to issue 1,500,000 Class A SVS at a deemed price of CDN\$0.12 per share to settle \$136,098 (CDN\$180,000) of the Indebtedness on December 29, 2023 and to pay \$350,000 of the Indebtedness to the unitholder in 2024. The Group further agreed that the remaining Indebtedness shall bear a simple interest at a rate of 9.6% per annum for a period of two years and shall cease to accrue after the date that is two years from the date of the Agreement. Taking into effect the cash and shares paid in this agreement, a change in the present value of the outstanding note payable resulted in a gain of \$32,899 for the Group.

During the period ended September 30, 2024, the Group entered into an agreement with one of the arm's length unitholders of the AFG minority unitholders note payable to restructure the related interest rate from 5% to 10% per annum as of March 1, 2024. Pursuant to the terms of the agreement, the Group agreed to pay an additional amount of \$23,776 when the remaining redemption price and accrued interest are paid.

During the period ended September 30, 2024, the Company entered into an amended agreement to assign the promissory notes from AFG to ARCGL and defer the repayment of the Outstanding Redemption Amount until the later of December 28, 2024 and after certain financial metrics are met.

Balance as of December 31, 2022	\$	2,561,734
Payments made, net		121,904
Interest accrued		38,629
Accretion		(136,098)
Gain on modification on note		(32,899)
Balance, December 31, 2023		2,553,270
Interest accrued		131,681
Repayments		(350,000)
Balance, September 30, 2024	\$	2,334,951
Less: Current portion		(2,012,415)
Non-current portion	\$	322,536

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15. Acquisition of Achieve Behavioral Health and Noncontrolling Interests

On February 18, 2022, the Group acquired a 60% equity interest in the business of Achieve Behavioral Health, LLC ("ABH", the transaction is hereinafter referred to as the "ABH Acquisition") through a series of transactions, pursuant to which: (i) ARCGL acquired 60,000 Class B Common Units of ABH Greenville for the purpose of completing the ABH Acquisition, for US\$640,000; (ii) ABH contributed its non-clinical assets to ABH Greenville in exchange for 40,000 Class A Common Units of ABH Greenville and earn-out payments up to US\$160,000 pursuant to the terms of a contribution agreement (the "ABH Contribution Agreement") dated February 18, 2022 between ABH Greenville, ABH and the Members of ABH, being Patrick Hogan and Dr. Jeffrey Harris (collectively, the "ABH Principals"); (iii) ABH transferred its clinical assets, including the ABH Clinic that provides the Practice Services, to Achieve Behavioral Health, PA (the "ABH PA"), a professional association formed under the laws of Delaware for the purpose of holding the clinical assets of ABH in connection with the ABH Acquisition. For purposes of determining the consideration paid on acquisition, the inputs used to calculate the earn-out payments cannot be reliably estimated and, therefore, was excluded from the purchase price. ABH PA is wholly owned by a licensed physician and is not an affiliate of the Group. ABH was acquired to support and expand the Group's clinical services and improve the efficiency of its operations.

On February 18, 2022, ABH was subsequently dissolved resulting in the ABH Principals each owning 20,000 Class A Common Units of ABH Greenville.

After giving effect to the ABH Acquisition, the Group owns 60% of the issued and outstanding Common Units and voting interests of ABH Greenville with the ABH Principals each owning 20% of the remaining issued and outstanding Common Units and voting interests of ABH Greenville. On October 10, 2022, the Group contributed an additional \$120,000 with the ABH Principals each contributing \$40,000 as per the related Equity Contribution Agreement. These transactions resulted in \$440,000 of goodwill and \$480,000 in a noncontrolling interest for the Group in 2022. Noncontrolling interest is based on the fair value of Class A and B outstanding Common Units equalling \$10 per Unit. Goodwill represents workforce intangible assets, including registered intellectual property that are not separable.

During the year ended December 31, 2023, the Group contributed an additional \$320,000 into ABH Greenville, increasing its equity interest to 68% with a corresponding dilution of the non controlling interest partners. This represented a 13% change ownership interest over the prior year.

In accordance with IAS 36, the Company completed its annual impairment test of goodwill as of December 31, 2023 and determined the goodwill had an estimated recoverable amount of \$Nil and, therefore, was less than its carrying value. As a result, \$440,000 in impairment was recorded (2022- \$Nil).

The following key assumptions were used to determine recoverable amount for the impairment test performed at December 31, 2023 were a 20% after-tax discount rate and an annual revenue growth rate of 80%.

The total revenues and net loss for ABH was \$216,586 and \$1,817,334, respectively, from January 1, 2022.

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15. Acquisition of Achieve Behavioral Health and Noncontrolling Interests (continued)

The noncontrolling interests of the Group consisted of the following:

	September 30, 2024	December 31, 2023
Corporate Labs of Indy (90% (2023 – 90%))	\$ (47,749)	\$ (47,749)
Achieve Behavioral Health Greenville (68% (2023 - 68%))	(38,745)	(28,403)
	<u>\$ (86,494)</u>	<u>\$ (76,152)</u>

The following is the summarized statements of financial position of ACL Indy and ABH Greenville as of September 30, 2024:

Corporate Labs of Indy	September 30, 2024	December 31, 2023
Current:		
Assets	\$ 3,202	\$ 2,995
Liabilities	(355,054)	(352,622)
Total current net assets (liabilities)	(351,852)	(349,627)
Non-current:		
Assets	-	-
Liabilities	-	-
Total non-current net assets (liabilities)	-	-
Total net assets (liabilities)	<u>\$ (351,852)</u>	<u>\$ (349,627)</u>

Achieve Behavioral Health Greenville	September 30, 2024	December 31, 2023
Current:		
Assets	\$ 9,444	\$ 28,430
Liabilities	(99,420)	(231,884)
Total current net assets (liabilities)	(89,976)	(203,454)
Non-current:		
Assets	34,083	189,682
Total non-current net assets	34,083	189,682
Total net assets	<u>\$ (55,893)</u>	<u>\$ (13,772)</u>

The following is the summarized statements of comprehensive income (loss) of ABH Greenville for the periods ended September 30, 2024 and 2023:

Achieve Behavioral Health Greenville	September 30, 2024	September 30, 2023
Revenue	\$ 210,072	\$ 3,762
Expenses	(252,295)	(444,174)
Net loss	(42,223)	(440,412)
Total comprehensive loss	<u>\$ (42,223)</u>	<u>\$ (440,412)</u>

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Notes to Interim Condensed Consolidated Financial Statements

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16. Share Capital

(a) Authorized share capital:

The Company is authorized to issue unlimited SVS and PVS, both with no par value. As of September 30, 2024, 55,609,960 SVS and 123,894 PVS were issued and outstanding.

On January 22, 2024, the Group completed a non-brokered private placement by issuing 11,000,000 SVS at C\$0.10 per SVS for total gross proceeds of \$1,100,000.

On July 12, 2024, the Group completed a debt settlement agreement with a director of the Company to settle an outstanding debt of \$110,884 (C\$153,565) owed by issuing 1,396,046 SVS at a price of C\$0.11 per SVS in full and final satisfaction of the debt.

On July 31, 2024, the Group completed a non-brokered private placement (the "Offering") for gross proceeds of C\$1,004,175, through the sale of 13,389,000 SVS of the Group at a price of C\$0.075 per SVS. In connection with the closing of the Offering, the Company issued 670,900 finder's SVS (the "Finder's Shares"), 1,013,900 finder's warrants (the "Finder's Warrants") and paid a cash commission of C\$60,934 to certain arm's length finders. Each Finder's Warrant entitles the holder thereof to purchase one Share (a "Finder's Warrant Share") at a price of C\$0.075 per Finder's Warrant Share until July 31, 2026. The Group incurred additional share issuance costs of \$48,764.

(b) Share options

The Company adopted an omnibus incentive plan (the "Omnibus Plan"), which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSX-V requirements, grant to directors, officers and employees to the Company and its subsidiaries, restricted share units ("RSU"), performance share units ("PSU"), deferred share units ("DSU", together with RSU and PSU, the "Units") and non-transferable SVS purchase options (the "Options", together with the Units, the "Awards"). The maximum number of SVS issuable at any time pursuant to outstanding Awards under the Omnibus Plan will be equal to the following: (i) in respect to grants of the Options under the Omnibus Plan, 10% of the total number of SVS that are issued and outstanding and that may be convertible from the PVS that are then issued and outstanding (the "Issued Shares") as of the date of any Option grant, and (ii) in respect to grants of Units under the Omnibus Plan, 10,210,074 SVS, representing 10% of the Issued Shares as of the date of implementation of the Omnibus Plan.

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16. Share Capital (continued)

(b) Share options (continued)

On October 2, 2023, the Company issued 3,440,000 options to current officers, directors and employees of the Company. Each option is exercisable to acquire one Class A SVS of the Company at a price of C\$0.25 per SVS. The options vest in three equal installments on the anniversary of the issue date for each of the three years following the issue date with an expiry date of October 2, 2033. The grant date fair value of the Options was \$100,703 (C\$138,082), based on the Black-Scholes Option Pricing Model, with the following assumptions: risk free rate 4.26%; volatility of 31%; dividend rate 0%; forfeiture rate 0%; and expected life of 10 years. The share-based compensation expense recognized in the period ending September 30, 2024 for the vesting of these options was \$46,351 (C\$63,217) (2023- \$Nil).

On July 18, 2024, the Company issued 2,000,000 options to arm's length consultants of the Company. Each option is exercisable to acquire one Class A SVS of the Company at a price of C\$0.12 per SVS. The options vest in eight equal quarterly installments for each of the two years following the issue date with an expiry date of July 18, 2029. The grant date fair value of the Options was \$86,191 (C\$118,053), based on the Black-Scholes Option Pricing Model, with the following assumptions: risk free rate 3.34%; volatility of 44%; dividend rate 0%; forfeiture rate 0%; and expected life of 5 years. The share-based compensation expense recognized in the period ending September 30, 2024 for the vesting of these options was \$23,730 (C\$32,365).

On September 3, 2024, the Company issued 4,720,000 options to current officers, directors, consultants and employees of the Company. Each option is exercisable to acquire one Class A SVS of the Company at a price of C\$0.12 per SVS. Of the 4,720,000 options, 920,000 vest in four equal quarterly installments for the year following the issue date with an expiry date of September 3, 2034. The remaining 3,800,000 options vest in eight equal quarterly installments for each of the two years following the issue date with an expiry date of September 3, 2034. The grant date fair value of the Options was \$221,320 (C\$299,851), based on the Black-Scholes Option Pricing Model, with the following assumptions: risk free rate 3.06%; volatility of 37%; dividend rate 0%; forfeiture rate 0%; and expected life of 10 years. The share-based compensation expense recognized in the period ending September 30, 2024 for the vesting of these options was \$32,231 (C\$43,960).

During the period ending September 30, 2024, 361,000 options with an exercise price of C\$0.25 expired (2023 – Nil). Due to the transaction discussed in Note 9, 680,000 options with an exercise price of C\$0.25 were cancelled on the August 20, 2024 transaction date (2023 – Nil).

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16. Share Capital (continued)

(b) Share options (continued)

The changes in Options during the nine months ended September 30, 2024 and 2023 are as follows:

	Sept 30, 2024		December 31, 2023	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning	4,061,000	C\$ 0.26	881,554	C\$ 0.32
Options issued	6,720,000	0.12	3,440,000	0.25
Options expired/cancelled	(1,041,000)	0.25	(260,554)	0.30
Options outstanding, ending	9,740,000	C\$ 0.17	4,061,000	C\$ 0.26

Details of options outstanding and exercisable at September 30, 2024 are as follows:

Number outstanding	Number exercisable	Price (C\$)	Expiry Date	Remaining Life
260,000	260,000	\$0.45	October 21, 2027	3.06 years
2,760,000	-	\$0.25	October 2, 2033	9.01 years
2,000,000	-	\$0.12	July 18, 2029	4.80 years
4,720,000	-	\$0.12	September 3, 2034	9.93 years
9,740,000	260,000	\$0.17		8.43 years

(c) Share warrants

ARCpoint Finco issued 45,351 compensation warrants to certain finders in connection with the Private Placement. Each compensation warrant was exchanged for one (1) replacement compensation warrant (each, a "Replacement Compensation Warrant") of the Company upon closing of the Transaction on October 21, 2022. Each Replacement Compensation Warrant is exercisable to acquire one (1) SVS of the Company at a price of C\$0.45 per SVS for a period of two (2) years from the date of issue. The fair value of the warrants issued to finders was \$2,548.

In connection with the Private Placement, ARCpoint Finco issued, in aggregate, 2,416,868 warrants ("Unit Warrants") to the investors of the Private Placement. Each Unit Warrant was exchanged for one (1) replacement unit warrant (each, a "Replacement Unit Warrant") of the Company upon closing of the Transaction on October 21, 2022. Each Replacement Unit Warrant is exercisable to acquire one (1) SVS of the Company at a price of C\$0.675 per SVS for a period of three (3) years from the date of issue.

On July 31, 2024, the Company extended the expiry date of five million share purchase warrants from December 31, 2024, to December 31, 2026. On December 16, 2021, ARCGL issued 10,000 warrants to ARCGL security holders. Following the completion of the Company's reverse takeover transaction on October 21, 2022, the 10,000 ARCGL warrants were exchanged for 5,000,000 of the Company's warrants. Each warrant entitles the holder thereof to acquire a SVS at a price of C\$0.16 per SVS.

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16. Share Capital (continued)

(c) Share warrants (continued)

On July 31, 2024, in connection with the closing of the private placement, the Group issued 1,013,900 finders' warrants, which are exercisable to acquire one (1) SVS of the Company at a price of C\$0.075 per SVS for a period of two years from the date of issue. The fair value of the warrants issued to finders was \$21,061 (C\$29,082).

The changes in warrants during the nine months ended September 30, 2024 and 2023 are as follows:

	Sept 30, 2024		December 31, 2023	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning	7,462,219	C\$ 0.330	7,462,219	C\$ 0.33
Warrants issued	1,013,900	0.075	-	-
Warrants outstanding, ending	8,476,119	C\$ 0.298	7,462,219	C\$ 0.33

Details of warrants outstanding and exercisable as at September 30, 2024 are as follows:

Number outstanding	Price (C\$)	Expiry Date	Remaining Life
45,351	\$0.45	October 21, 2024	0.06 years
5,000,000	\$0.16	December 31, 2026	2.25 years
2,416,868	\$0.675	October 21, 2025	1.06 years
1,013,900	\$0.075	July 31, 2026	1.83 years
8,476,119	\$0.298		1.85 years

(d) Restricted Share Units, Performance Share Units and Deferred Share Units

On October 21, 2022, the Company awarded 353,000 RSUs to certain directors and officers of the Company. Each RSU were able to be settled for one SVS after such RSU vests on October 21, 2023 (which were subsequently settled on November 28, 2023). The fair value of the RSUs recognized during the period ended September 30, 2024, included in share-based compensation expense was \$Nil (2023 - \$54,323 (C\$71,770)).

On October 2, 2023, the Company awarded 555,000 RSUs to a director and officer of the Company pursuant to the Omnibus Plan. Each RSU can be settled for one SVS after such RSU vests on October 2, 2024. The fair value of the RSUs recognized during the period ended September 30, 2024, included in share-based compensation expense was \$39,707 (C\$54,014) (2023 - \$Nil).

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For the nine months ended September 30, 2024 and 2023

17. Commitments and Contingencies

(a) Franchisor obligation agreements

To provide services, benefits, and rights in connection with franchisees' ARCpoint Labs Onsite and Online Operations, as well as the services, benefits, and rights in connection with franchisees' Lab Operations.

(b) Capital and other commitments

There were no capital or other commitments at the current or prior year end in addition to the lease commitments disclosed above.

18. Capital Management

The Group's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Group consists of the aggregate of short-term and long-term debt, deferred revenue, members' capital, reserves, and deficit.

The Group manages its capital structure and makes adjustments to it in light of economic conditions and externally imposed capital requirements. The Group, upon approval from its Board of Directors, will make changes to its capital structure as deemed appropriate under the specific circumstances. The current objectives are to safeguard the Group's ability to continue as a going concern, provide financial capacity and flexibility to meet its strategic objectives and provide an adequate return to unitholders commensurate with the level of risk. There were no changes in the Group's approach to capital management during the period ending September 30, 2024.

19. Financial Instruments

(a) Financial assets and liabilities

Financial instruments are measured at amortized cost or fair value. Fair value represents the estimated amounts at which financial instruments could be exchanged between knowledgeable and willing parties in an arm's length transaction. Determining fair value requires management judgment.

As of September 30, 2024, and December 31, 2023, the carrying values of cash, cash equivalent and restricted cash, accounts receivable, notes receivable, short term portion of lease liabilities, accounts payable, and notes payable approximate their fair value due to their ability to be promptly liquidated and their short term to maturity.

Financial instruments are analyzed using the following hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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For the nine months ended September 30, 2024 and 2023

19. Financial Instruments (continued)

(b) Financial risk management (continued)

The Group's convertible debt are measured based on unobservable inputs and are considered Level 3 instruments. The Group's all other financial assets and liabilities are carried at amortized cost and are considered Level 2 instruments, because while observable prices and inputs are available, they are not quoted in an active market. There has not been any transfer between fair value hierarchy levels during the periods ended September 30, 2024 and 2023.

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- currency risk

(i) Credit risk

The Group's financial instruments that are exposed to concentrations of credit risk are primarily cash. Credit risk pertaining to cash relates primarily to deposits in banks that, at times, exceed the federally insured limit of \$250,000. Management does not believe a significant risk of concentration exists with respect to these balances at September 30, 2024.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group constantly monitors its operations and cash flows to ensure that current and future obligations will be met when due.

The maturities of the Group's financial liabilities are as follows:

	As at September 30, 2024	
Less than 90 days:		
Accounts payable	\$	1,300,813
Notes payable		2,012,415
Lease liabilities		23,023

ARCpoint Inc.

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19. Financial Instruments (continued)

(c) Currency risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency.

The Group is exposed to foreign currency risk on fluctuations related to cash and accounts payable and accrued liabilities that are denominated in Canadian dollars ("CAD"). At September 30, 2024, the Group holds cash of C\$35,853 (2023 - C\$93,119) in CAD bank accounts. A 1% change in foreign exchange rates would have an effect of C\$479 (2023 - C\$1,219) on foreign currency. During the period ended September 30, 2024, the Company had a foreign exchange loss of \$2,192 (September 30, 2023 – loss of \$855).

20. Related Party Transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and not disclosed in this note. The following table discloses the compensation amount of the Board of Directors and key management personnel in the ordinary course of their employment recognized as an expense during the reporting periods. Key management personnel have authority and responsibility for overseeing, planning, directing, and controlling the activities of the Group and consist of the Group's executive officers. The Group's key management consists of its officers and directors.

Key management compensation for the periods ended September 30, 2024 and 2023 is as follows:

		Nine months ended September 30,	
		2024	2023
Professional fees	\$	308,345	\$ 188,587
Salaries and wages		758,050	806,191
Share based compensation		97,618	97,417
	\$	1,164,013	\$ 1,092,195

Compensation of the key management personnel includes salaries and non-cash benefits.

As of September 30, 2024, accounts payable amounts owing to related parties are \$193,291 (2023 - \$54,495).

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21. Segmented Information

Operating segments

The majority of the Group's revenue is derived through two operating segments, which each represent a reportable segment. Management has separated reporting segments by the types of products and services it derives its revenue from. These include:

- (i) ARCpoint Franchise - This segment's revenue consists primarily of royalties and Brand Fund contributions based on a percentage of sales reported by franchise labs. Revenue generated from this segment also includes franchise fees paid by franchisees and initial clinical, training and technology setup fees paid by new franchisees. As a result of the transaction discussed in Note 9, ARCpoint Franchise is no longer an operating segment of the Group at September 30, 2024.
- (ii) AFG Services - This segment's revenue consists primarily of clinical testing and software services that support the Group's franchise systems. Revenue generated from this segment also includes diagnostic testing kits sold to franchisees as well as other direct business to business customers.
- (iii) Other - This segment's revenue consists of corporately held ARCpoint Lab franchises. This segment's expenses include all corporate related expenses and assets and expenses related to ABH Greenville.

A breakdown of revenues and expenses for each operating and reporting segment for the periods ended September 30, 2024 and 2023 is as follows:

Period ended September 30, 2024	ARCpoint Franchise Group	AFG Services	Other	Total
Revenues	\$ 2,692,695	\$ 1,544,415	\$ 244,990	\$ 4,482,100
Cost of sales	953,322	964,030	15,870	1,933,222
Gross income	1,739,373	580,385	229,120	2,548,878
Operating expenses	2,299,602	1,599,142	2,103,256	6,002,001
Total operating loss	\$ (560,229)	\$ (1,018,757)	\$ (1,874,136)	\$ (3,453,123)

Period ended September 30, 2023	ARCpoint Franchise Group	AFG Services	Other	Total
Revenues	\$ 3,282,173	\$ 1,494,620	\$ 63,501	\$ 4,840,294
Cost of sales	1,957,126	1,089,336	35,410	3,081,872
Gross income	1,325,047	405,284	28,091	1,758,422
Operating expenses	3,059,121	2,262,724	2,231,510	7,553,354
Total operating loss	\$ (1,734,074)	\$ (1,857,440)	\$ (2,203,419)	\$ (5,794,932)

ARCpoint Inc.

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21. Segmented Information (continued)

Operating segments (continued)

A breakdown of non-current assets for each operating segment as of September 30, 2024 and December 31, 2023 is as follows:

At September 30, 2024	ARCpoint Franchise Group		AFG Services		Other	Total
Intangible assets	\$	-	\$	520,027	\$ -	\$ 520,027
Property and equipment		-		-	243,927	243,927
Right-of-use assets		-		74,735	29,281	104,016
Investment in associate		-		-	1,563,388	1,563,388
Total non-current assets	\$	-	\$	594,762	\$ 1,836,596	\$ 2,431,358

At December 31, 2023	ARCpoint Franchise Group		AFG Services		Other	Total
Capitalized commissions	\$	1,975,783	\$	-	\$ -	1,975,783
Intangible assets		-		801,792	-	801,792
Property and equipment		224,169		-	296,991	521,160
Right-of-use assets		398,012		88,909	59,264	546,185
Total non-current assets	\$	2,597,964	\$	890,701	\$ 356,255	\$ 3,844,920

A breakdown of total assets and total liabilities for each operating segment as of September 30, 2024 and December 31, 2023, is as follows:

At September 30, 2024	ARCpoint Franchise Group		AFG Services		Other	Total
Total Assets	\$	-	\$	977,829	\$ 2,383,812	\$ 3,361,642
Total Liabilities	\$	-	\$	680,507	\$ 8,757,382	\$ 9,437,889

At December 31, 2023	ARCpoint Franchise Group		AFG Services		Other	Total
Total Assets	\$	4,670,115	\$	1,393,096	\$ 687,540	\$ 6,750,751
Total Liabilities	\$	12,759,797	\$	406,807	\$ 3,969,844	\$ 17,136,448

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22. Subsequent Events

Subsequent to period end, 280,000 RSUs were exercised by an officer of the Company.

Subsequent to period end, 45,351 warrants with an exercise price of C\$0.45 expired.

Subsequent to period end, the Group issued 2,000,000 Deferred Share Units ("DSUs") to a director of the Company (the "Participant"). Each vested DSU shall entitle the Participant to one (1) SVS. The expiry of the DSUs would be the earlier of: (i) the last Business Day that is one year from the date on which the Participant receiving the DSU ceases to be a director, officer, employee or Consultant of the Corporation or any of its Subsidiaries, or (ii) the Business Day preceding December 31 of the calendar year following the calendar year during which such Participant ceases to be a director, officer, employee or Consultant of the Corporation or any of its Subsidiaries.