



**Nova Leap Health Corp.**

**Unaudited Condensed Interim Consolidated Financial Statements  
For the three and nine months ended September 30, 2022 and 2021**

**(United States dollars)**

# Nova Leap Health Corp.

## Unaudited Condensed Interim Consolidated Statements of Financial Position

(United States dollars)

As at	September 30, 2022 \$	December 31, 2021 \$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,207,432	1,733,442
Accounts receivable	2,036,257	2,170,700
Government tax credit receivable (note 3a)	659,495	1,772,744
Prepaid expenses	260,848	285,243
<b>Total current assets</b>	<b>5,164,032</b>	<b>5,962,129</b>
<b>Non-current assets</b>		
Property and equipment	1,371,791	1,293,589
Intangible assets	1,297,235	2,079,453
Goodwill	16,528,304	16,705,091
Deferred income tax asset	1,029,292	729,067
<b>Total non-current assets</b>	<b>20,226,622</b>	<b>20,807,200</b>
<b>TOTAL ASSETS</b>	<b>25,390,654</b>	<b>26,769,329</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	1,341,599	1,309,384
Income taxes payable	-	200,000
Client deposits payable	82,935	103,002
Demand loans (note 4)	1,530,063	3,122,672
Promissory notes (note 5)	764,501	775,330
Lease liability	320,032	290,151
Contingent consideration (note 6)	76,034	127,697
Government loans and deferred payroll liability	207,833	298,373
<b>Total current liabilities</b>	<b>4,322,997</b>	<b>6,226,609</b>
<b>Non-current liabilities</b>		
Promissory notes (note 5)	580,035	896,131
Lease liability	1,047,936	1,024,961
Contingent consideration (note 6)	-	141,194
Government loans and deferred payroll liability	86,580	-
<b>Total non-current liabilities</b>	<b>1,714,551</b>	<b>2,062,286</b>
<b>TOTAL LIABILITIES</b>	<b>6,037,548</b>	<b>8,288,895</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 7)	18,959,250	17,136,284
Contributed surplus	2,045,891	1,781,804
Accumulated other comprehensive loss	(1,429,648)	(80,617)
Deficit	(222,387)	(357,037)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>19,353,106</b>	<b>18,480,434</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>25,390,654</b>	<b>26,769,329</b>

The accompanying notes form an integral part of these unaudited condensed interim consolidated financial statements.

Approved on behalf of the Board of Directors

**“Michael O’Keefe”**

(signed)

Director

**“Chris Dobbin”**

(signed)

Director

# Nova Leap Health Corp.

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

(United States dollars)

For the	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
<b>Revenues</b>				
Service revenues	7,141,654	5,263,242	21,425,021	15,368,826
<b>Operating expenses</b>				
Cost of service	4,595,117	3,451,492	13,862,769	10,086,635
	2,546,537	1,811,750	7,562,252	5,282,191
<b>Corporate and administrative expenses</b>				
Head office and operations management	1,664,527	1,284,310	5,194,878	3,808,758
General & administrative	556,513	468,340	1,780,365	1,410,051
Amortization and depreciation	343,639	205,824	1,048,203	643,459
Stock-based compensation (note 8)	92,832	90,460	279,492	202,213
	2,657,511	2,048,934	8,302,938	6,064,481
<b>Loss from operating activities</b>	(110,974)	(237,184)	(740,686)	(782,290)
<b>Other income (expenses)</b>				
Foreign exchange gain	880,705	240,496	1,110,441	9,411
COVID-19 relief programs (note 3a)	-	1,871,265	-	5,245,585
Impairment loss	-	-	-	(605,682)
Finance expense	(102,566)	(123,716)	(169,411)	(298,543)
Acquisition related expenses	(59,716)	(120,879)	(125,251)	(172,355)
Other expenses	(10,075)	(498)	(29,337)	(1,487)
	708,348	1,866,668	786,442	4,176,929
<b>Income before income taxes</b>	597,374	1,629,484	45,756	3,394,639
<b>Income taxes</b>				
Deferred income tax (expense) recovery	(37,208)	(51,062)	309,421	(373,681)
Current income tax (expense)	(11,096)	(319,038)	(220,527)	(533,915)
	(48,304)	(370,100)	88,894	(907,596)
<b>Net income</b>	549,070	1,259,384	134,650	2,487,043
<b>Items that will be reclassified subsequently to profit or loss</b>				
Foreign exchange loss on translation to presentation currency	(1,077,580)	(422,599)	(1,349,031)	(256,608)
<b>Total comprehensive (loss) income</b>	(528,510)	836,785	(1,214,381)	2,230,435
<b>Net income per share – basic and diluted (note 9)</b>	\$0.007	\$0.015	\$0.002	\$0.033

The accompanying notes form an integral part of these unaudited condensed interim consolidated financial statements.

# Nova Leap Health Corp.

## Unaudited Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(United States dollars)

	Common shares	Share capital \$	Contributed surplus \$	Accumulated other comprehensive (loss) income \$	Deficit \$	Total shareholders' equity \$
<b>Balance at January 1, 2022</b>	<b>79,294,807</b>	<b>17,136,284</b>	<b>1,781,804</b>	<b>(80,617)</b>	<b>(357,037)</b>	<b>18,480,434</b>
Issuance of common shares (note 7)	6,814,445	1,788,305	-	-	-	1,788,305
Stock-based compensation (note 8)	-	-	279,492	-	-	279,492
Stock options exercised	100,000	34,661	(15,405)	-	-	19,256
Net income for the period	-	-	-	-	134,650	134,650
Other comprehensive loss for the period	-	-	-	(1,349,031)	-	(1,349,031)
<b>Balance at September 30, 2022</b>	<b>86,209,252</b>	<b>18,959,250</b>	<b>2,045,891</b>	<b>(1,429,648)</b>	<b>(222,387)</b>	<b>19,353,106</b>
<b>Balance at January 1, 2021</b>	<b>65,612,212</b>	<b>10,285,708</b>	<b>1,581,886</b>	<b>92,346</b>	<b>(2,117,750)</b>	<b>9,842,190</b>
Issuance of common shares (note 7)	7,638,888	4,380,074	-	-	-	4,380,074
Conversion of debentures	5,949,957	2,426,634	(156,399)	-	-	2,270,235
Stock-based compensation (note 8)	-	-	202,213	-	-	202,213
Stock options exercised	93,750	43,868	(18,087)	-	-	25,781
Net income for the period	-	-	-	-	2,487,043	2,487,043
Other comprehensive loss for the period	-	-	-	(256,608)	-	(256,608)
<b>Balance at September 30, 2021</b>	<b>79,294,807</b>	<b>17,136,284</b>	<b>1,609,613</b>	<b>(164,262)</b>	<b>369,293</b>	<b>18,950,928</b>

The accompanying notes form an integral part of these unaudited condensed interim consolidated financial statements.

# Nova Leap Health Corp.

## Unaudited Condensed Interim Consolidated Statements of Cash Flows

(United States dollars)

For the	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
<b>Cash (used in) provided by</b>				
<b>Operating activities</b>				
Net income for the period	549,070	1,259,384	134,650	2,487,043
Adjustments for items not affecting cash:				
Government tax credit received (receivable)	917,474	(168,662)	1,113,249	(3,422,376)
Impairment loss	-	-	-	605,682
Amortization and depreciation	343,639	205,824	1,048,203	643,459
Deferred income tax expense (recovery)	37,208	51,062	(309,421)	373,681
Stock-based compensation	92,832	90,460	279,492	202,213
Finance expense	103,745	120,786	150,110	292,753
Unrealized foreign exchange gain	(914,605)	(241,524)	(1,158,450)	(64,246)
Gain on the sale of assets	-	-	(15,000)	-
Net change in non-cash operating working (note 10)	398,392	273,408	(29,014)	484,560
<b>Cash provided by operating activities</b>	<b>1,527,755</b>	<b>1,590,738</b>	<b>1,213,819</b>	<b>1,602,769</b>
<b>Investing activities</b>				
Purchase of property and equipment	(9,679)	-	(62,534)	-
Proceeds on the sale of assets	-	-	15,000	-
Acquisition of business	-	(1,225,000)	-	(1,225,000)
<b>Cash used in investing activities</b>	<b>(9,679)</b>	<b>(1,225,000)</b>	<b>(47,534)</b>	<b>(1,225,000)</b>
<b>Financing activities</b>				
Proceeds on issuance of common shares, net of share issue costs (note 7)	1,788,305	(74,086)	1,788,305	4,380,074
Repayment of demand loans and transaction costs (note 4)	(1,166,328)	(209,840)	(1,589,901)	(634,542)
Interest payments on demand loans (note 4)	(47,244)	(23,019)	(126,982)	(75,856)
Repayment of promissory notes and interest (note 5)	(211,000)	(35,334)	(418,344)	(146,163)
Repayment of lease liability and interest	(108,121)	(44,944)	(289,105)	(159,843)
Repayment of contingent consideration (note 6)	-	-	(50,498)	-
Interest payments on convertible debt	-	(7,479)	-	(75,191)
Proceeds from exercise of stock options	19,256	9,986	19,256	25,781
<b>Cash provided by (used in) financing activities</b>	<b>274,868</b>	<b>(384,716)</b>	<b>(667,269)</b>	<b>3,314,260</b>
Effect of foreign exchange rate change on cash and cash equivalents	(34,449)	(115,818)	(25,026)	(150,608)
<b>Increase (decrease) in cash and cash equivalents for the period</b>	<b>1,758,495</b>	<b>(134,796)</b>	<b>473,990</b>	<b>3,541,421</b>
Cash and cash equivalents - beginning of period	448,937	6,455,062	1,733,442	2,778,845
<b>Cash and cash equivalents - end of period</b>	<b>2,207,432</b>	<b>6,320,266</b>	<b>2,207,432</b>	<b>6,320,266</b>
<b>Non-cash items consist of:</b>				
Exercise of stock options	15,405	7,993	15,405	18,087
Conversion of debentures into common shares	-	157,992	-	2,270,235
Issuance of promissory notes for acquisitions	-	371,395	-	371,395

The accompanying notes form an integral part of these unaudited condensed interim consolidated financial statements.

# Nova Leap Health Corp.

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(United States dollars)

For the three and nine months ended September 30, 2022 and 2021

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### 1. Nature of operations

Nova Leap Health Corp. (the “Corporation”) is the parent company and was incorporated under the Canada Business Corporations Act on November 16, 2015. The principal activities of the Corporation and its subsidiaries (the “Group”) is to provide home and home health care services to clients. The Group is currently providing services in the United States in eleven states as well as in Nova Scotia, Canada. The Corporation’s shares are listed on the TSX Venture Exchange and are traded under the symbol NLH.

These Unaudited Condensed Interim Consolidated Financial Statements include the accounts of the Corporation and its United States (“US”) and Canadian subsidiaries and are presented in United States dollars (“USD”) which is the functional currency of the majority of the Group’s business operations. The registered head office of the Corporation is located at 7071 Bayers Road, Suite 3006, Halifax, NS Canada B3L 2C2.

The Unaudited Condensed Interim Consolidated Financial Statements were approved by the Board of Directors on November 10, 2022.

### 2. Significant accounting policies

#### a) Statement of compliance

These Unaudited Condensed Interim Consolidated Financial Statements are prepared in accordance with IAS 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board (“IASB”). These Unaudited Condensed Interim Consolidated Financial Statements were prepared using the same accounting policies and methods of computation and are subject to the same use of estimates and judgments as the Corporation’s Audited Consolidated Financial Statements for the year ended December 31, 2021. These Unaudited Condensed Interim Consolidated Financial Statements do not include all disclosures required by International Financial Reporting Standards (“IFRS”) for annual consolidated financial statements and accordingly should be read in conjunction with the Corporation’s Audited Consolidated Financial Statements for the year ended December 31, 2021, prepared in accordance with IFRS, as issued by the IASB.

#### b) COVID-19

On March 11, 2020, the World Health Organization (“WHO”) officially declared the Coronavirus disease (“COVID-19”) a pandemic. COVID-19 variants continue to be widespread throughout the United States, Canada and other parts of the world. As a result, COVID-19 has significantly affected and continues to affect the overall economic conditions in the United States and Canada and is expected to for the foreseeable future. It is difficult to predict how long the pandemic will last, how many people are likely to be affected by it or the duration or types of restrictions that will be imposed or re-imposed as the situation is continuously evolving.

The extent of the impact of COVID-19 longer-term on the Group’s operational and financial performance will depend on future developments, including the continued increase or decrease in the number of COVID-19 cases nationwide, the severity and impacts of new variants of the virus, the uncertainty regarding vaccine utilization rates and the effectiveness of the vaccines and boosters against all variants, all of which are highly uncertain and cannot be predicted.

The Corporation is beginning the process of recovering from the impact of COVID-19 however, client service hours have not yet recovered to pre-COVID-19 levels in the US segment, primarily as a result of caregiver shortages. While the pressure on client service hours is expected to continue in the near term, particularly in the U.S., management remains confident in the longer-term prospects of the Corporation and believes Nova Leap is well positioned for the future.

### 3. COVID-19 relief programs

#### a) Employee Retention Credit (“ERC”)

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) contained a business relief provision known as the Employee Retention Credit, a refundable payroll tax credit on qualified wages paid to retain employees. The ERC was in effect from January 1, 2021 to September 30, 2021. Employers qualified for the ERC in 2021 if they were ordered to fully or partially shut down or if their gross receipts fell below 80% as compared to the same quarter in 2019. However, employers could elect to use the immediately preceding calendar quarter.

Nova Leap’s US segment qualified for an ERC in 2021 and recognized \$1,846,969 and \$5,100,683 for the three and nine months ended September 30, 2021 in Other Income in the Condensed Interim Consolidated Statement of Income and Comprehensive Income. As of September 30, 2022, an ERC amount of \$659,495 is outstanding (December 31, 2021 - \$1,772,744), the timing of receipt of which is unknown at the time of filing these financial statements.

# Nova Leap Health Corp.

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(United States dollars)

For the three and nine months ended September 30, 2022 and 2021

### 4. Demand loans

The changes in the demand loans for the period are as follows:

	September 30, 2022	December 31, 2021
	\$	\$
At amortized cost:		
Balance, beginning of period	3,122,672	2,300,046
Proceeds from issuance of demand loan	-	1,600,000
Debt issue and guarantee insurance costs	(10,244)	(35,703)
Effective interest	149,821	163,544
Interest payment	(126,982)	(103,337)
Principal repayment in cash	(1,579,657)	(817,142)
Foreign exchange (gain) loss	(25,547)	15,264
Balance, end of period	1,530,063	3,122,672
Fair value	1,531,989	3,136,681

The non-revolving loans are repayable on demand provided that, until demands are made, blended monthly payments comprising the principal and interest be paid over the maximum amortization period, with remaining periods ranging between six and twenty-nine months.

In December 2021, the Corporation obtained a non-revolving demand loan of \$1,600,000 from its primary lender as a temporary working capital facility to be used for acquisition purposes until the ERC receivable was collected. The demand loan is based on interest only payments at a rate of USD prime rate plus 1.5% and matures December 31, 2022. The USD prime rate at September 30, 2022 was 6.25%. At September 30, 2022, the non-revolving demand loan has an outstanding balance of \$640,000 (December 31, 2021 - \$1,600,000).

The Corporation also has access to a \$1,094,331 (CAD\$1,500,000) revolving operating facility for working capital purposes from a Schedule 1 Canadian bank. The interest rate is CAD prime rate plus 1.5%. The CAD prime rate at September 30, 2022 was 5.45%. Interest is calculated monthly in arrears, and payable on the last day of each month. The facility is repayable on demand. There was no outstanding balance on this facility as at September 30, 2022 or December 31, 2021.

All the demand loans are secured through a registered General Security Agreement and a Corporate Guarantee for the principal amount of the loan from Nova Leap's US and Canadian subsidiaries.

### 5. Promissory notes

The changes in the promissory notes for the period are as follows:

	September 30, 2022	December 31, 2021
	\$	\$
Balance, beginning of period	1,671,461	876,241
Issuance of promissory notes for acquisition of business	-	1,104,497
Effective interest	90,119	75,291
Repayments	(418,344)	(386,263)
Foreign exchange loss	1,300	1,695
Balance, end of period	1,344,536	1,671,461
Current portion	764,501	775,330
Non-current portion	580,035	896,131
Balance, end of period	1,344,536	1,671,461
Fair value	1,318,664	1,671,201

The promissory notes were all initially recorded at fair value using market interest rates ranging between 7.75% to 7.95% (December 31, 2021 - 7.45% to 7.95%) and subsequently measured at amortized cost using the effective interest rate method.

The promissory notes are subject to a Guaranty Agreement from the Corporation and are subordinated to the demand loans (note 4).

# Nova Leap Health Corp.

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(United States dollars)

For the three and nine months ended September 30, 2022 and 2021

### 6. Contingent consideration

Contingent consideration makes up a portion of the total purchase price in some acquisitions and represents future payments contingent on meeting certain revenue targets. At initial recognition, the expected value of the total future payments are measured at fair value and recorded as a liability. Each reporting period, management evaluates the likelihood of the acquisition reaching its targets and adjusts the liability accordingly. Fair value is then recalculated with any fair value gain or loss recognized in finance expense.

In determining the fair value of the contingent consideration as at September 30, 2022, the potential future payments were discounted using a risk adjusted discount rate of 22.62% (December 31, 2021 – 20.39% and 22.40%).

The earnout payments have been classified as a financial liability and are carried at fair value through profit and loss.

The changes in contingent consideration for the period are as follows:

	September 30, 2022	December 31, 2021
	\$	\$
Balance, beginning of period	268,891	278,456
Repayment	(50,498)	(50,125)
Fair value (gain) loss	(142,359)	40,560
Balance, end of period	76,034	268,891
Current portion	76,034	127,697
Non-current portion	-	141,194
Balance, end of period	76,034	268,891

### 7. Share capital

#### a. Authorized:

Unlimited number of common shares, without nominal or par value.

#### b. Issued and outstanding:

	September 30, 2022		December 31, 2021	
	Number of Shares	Value \$	Number of Shares	Value \$
Balance, beginning of period	79,294,807	17,136,284	65,612,212	10,285,708
Issuance of common shares	6,814,445	1,788,305	7,638,888	4,380,074
Conversion of debentures into common shares	-	-	5,949,957	2,426,634
Stock options exercised	100,000	34,661	93,750	43,868
Balance, end of period	86,209,252	18,959,250	79,294,807	17,136,284

During the period, Nova Leap closed a non-brokered private placement, through the issuance of 6,814,445 common shares at a price of CAD\$0.35 per share, for gross proceeds of \$1,818,432 (CAD\$2,385,056). The Company had share issuance costs related to the private placement of \$30,127 (CAD\$39,515) resulting in net proceeds of \$1,788,305 (CAD\$2,345,541).



# Nova Leap Health Corp.

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(United States dollars)

For the three and nine months ended September 30, 2022 and 2021

### 8. Equity incentive plans

The Corporation has an Amended and Restated Equity Incentive Plan (the "Plan") for directors, officers, employees and consultants which includes the award of stock options and deferred share units ("DSU's"). The total number of shares available for issuance under the Plan shall not exceed 10% of the issued and outstanding common shares of the Corporation unless shareholder and regulatory approvals are obtained. The Plan was initially approved by the Shareholders on April 29, 2021.

In accordance with the Plan, directors may elect to receive all or a portion of their annual compensation and incentive awards in the form of DSUs. The directors must elect to participate in the Plan prior to the beginning of the fiscal year and this election is irrevocable. DSU awards generally vest immediately; however, the redemption of the DSUs only occurs after the director retires, resigns or otherwise leaves the Board of Directors. Each DSU is equivalent in value to one common share. The total number of shares available for issuance under the DSU plan is 500,000 common shares of the Corporation unless shareholder and regulatory approvals are obtained. Since Q3 2021, the directors have all elected to receive their annual compensation in DSUs. Directors' fees are paid on a quarterly basis and, at the time of each payment of fees, the applicable amount will be converted into DSUs based on the volume weighted average share price of the Corporation's common shares over the five previous trading days.

The changes in DSUs during the period are as follows:

	September 30, 2022		December 31, 2021	
	Number of DSUs	Value \$	Number of DSUs	Value \$
Balance, beginning of period	131,785	66,668	-	-
Granted	368,215	112,270	131,785	66,668
Balance, end of period	500,000	178,938	131,785	66,668

During the quarter, Nova Leap granted the directors 161,639 DSUs at a weighted average share price of CAD\$0.2935. All DSUs were granted under, and are subject to, the terms and conditions of the Plan.

During the three and nine months ended September 30, 2022, Nova Leap recorded stock-based compensation with an offsetting increase to contributed surplus of \$92,832 and \$279,492 (three and nine months ended September 30, 2021 - \$90,460 and \$202,213). Stock-based compensation of \$36,758 and \$112,270 for the three and nine months ended September 30, 2022 (three and nine months ended September 30, 2021 - \$32,964) relates to the DSU plan and \$56,074 and \$167,222 (three and nine months ended September 30, 2021 - \$57,496 and \$169,249) relates to the stock option plan.

### 9. Earnings per share

Basic earnings per share is calculated based on the weighted average number of shares outstanding during the period. Diluted earnings per share assumes that stock options, DSUs and convertible debt have been exercised on the later of the beginning of the period and the date granted. For the three and nine months ended September 30, 2022, 4,600,000 and 1,500,000 stock options were excluded from the computation of diluted earnings per share because their effect would have been anti-dilutive (three and nine months ended September 30, 2021 - 600,000 stock options).

The following table summarizes the difference between basic and diluted weighted average number of shares:

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Weighted average number of shares used in basic earnings per share	80,965,652	79,126,132	79,857,875	72,756,347
Shares deemed to be issued for no consideration in respect of share-based payments	1,619,302	3,301,606	2,065,107	3,338,824
<b>Weighted average number of shares used in diluted earnings per share</b>	<b>82,584,954</b>	<b>82,427,738</b>	<b>81,922,982</b>	<b>76,095,171</b>

# Nova Leap Health Corp.

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(United States dollars)

For the three and nine months ended September 30, 2022 and 2021

### 10. Supplemental cash flow information

The change in the non-cash operating working capital is as follows:

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Accounts receivable	162,456	(340,913)	134,443	(427,134)
Prepaid expenses	48,545	(34,599)	24,395	(84,298)
Accounts payable and accrued liabilities	190,357	105,895	32,215	519,497
Income taxes payable	-	553,000	(200,000)	553,000
Client deposits payable	(2,966)	(9,975)	(20,067)	(13,059)
Government loans and deferred payroll liability	-	-	-	(63,446)
	398,392	273,408	(29,014)	484,560

### 11. Related party transactions

Transactions with related parties are in the normal course of operations and are measured at the exchange amount, which is the amount agreed to by the parties. Related parties include members of the Board of Directors, as well as the Chief Executive Officer and the Chief Financial Officer.

Corporate and administrative expenses include the following related party remuneration expenses:

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Management compensation	107,371	107,257	320,448	324,762
Directors' fees (note 8)	-	-	-	56,362
Stock-based compensation	79,168	85,358	246,773	178,926
	186,539	192,615	567,221	560,050

Stock-based compensation includes directors' fees in the form of DSUs of \$36,758 and \$112,270 for the three and nine months ended September 30, 2022 (three and nine months ended September 30, 2021 - \$33,330)

As at September 30, 2022, there was \$35,703 included in accounts payable and accrued liabilities for amounts owed to officers of the Corporation for compensation and expense reimbursements (December 31, 2021 - \$440).

During the quarter, certain related parties participated in the Corporation's private placement of common shares and subscribed for an aggregate of 885,802 common shares for gross proceeds of \$236,376 (CAD\$310,031).

During the nine months ended September 30, 2021, convertible debentures of CAD\$483,000 held by related parties were converted into common shares of the Corporation at a conversion price of CAD\$0.52. For the nine months ended September 30, 2021, interest of \$18,419 was paid to related parties at the prescribed rate in relation to the convertible debentures.

### 12. Financial instruments

The Group's risk management is coordinated at its Head Office, in close cooperation with the Board of Directors, and focuses on actively securing the Group's short to medium-term cash flows by maximizing cash flow from operations.

The Group is exposed to various risks in relation to financial instruments. The main types of risks are credit risk, liquidity risk and market risk. The Group is exposed to the same risks in the current year as it was exposed to in the prior year. The most significant financial risks to which the Group is exposed are described below.

#### Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting receivables to customers and placing deposits.

# Nova Leap Health Corp.

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(United States dollars)

For the three and nine months ended September 30, 2022 and 2021

### 12. Financial instruments (continued)

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at the end of the reporting period, as summarized below:

Classes of financial assets – carrying amounts	September 30, 2022 \$	December 31, 2021 \$
Cash and cash equivalents	2,207,432	1,733,442
Accounts receivable	2,036,257	2,170,700
	4,243,689	3,904,142

#### *Credit risk management*

The credit risk is managed on a group basis based on the Group's credit risk management policies and procedures. The credit risk in respect of cash balances held with banks are managed by only using major reputable financial institutions.

The Group does not specifically assess the credit quality of clients based on a credit rating but through an informal process while onboarding for service. Invoice terms are generally payable within thirty days. The ongoing credit risk is managed through regular review of the aging analysis.

At certain locations, clients are required to pay an upfront deposit, mitigating the credit risk. As at September 30, 2022, the Group had \$82,935 collected for client deposits (December 31, 2021 - \$103,002), representing approximately 4.1% of outstanding accounts receivable, billed and accrued (December 31, 2021 – 4.7%).

#### **Liquidity risk**

Liquidity risk is the risk that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecasting cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below.

Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a quarterly lookout period are identified monthly. Net cash requirements are compared to available cash balances and available borrowing facilities in order to determine headroom or shortfalls. This analysis shows that available borrowing facilities and available cash are expected to be sufficient for the next twelve months.

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and accounts receivable. The Group's existing cash resources and accounts receivable are in excess of the current contractual cash outflow requirements. This assumes repayment of the ERC specific USD non-revolving demand loan through the collection of the outstanding ERC receivable. If collection of the outstanding ERC receivable does not occur, the non-revolving demand loan will be repaid through the Corporation's existing revolving operating facility and cash flows from operations. Cash flows from accounts and other receivables are all contractually due within 30 days.

The Group's financial liabilities have contractual maturities (including interest payments where applicable) as summarized below:

As at September 30, 2022	< 1 year \$	1-2 years \$	3-5 years \$	> 5 years \$
Account payable and accrued liabilities	1,341,599	-	-	-
Client deposits	82,935	-	-	-
Demand loans, principal and interest	1,242,439	238,335	97,856	-
Promissory notes, principal and interest	823,500	477,000	126,000	-
Lease liability, principal and interest	379,618	327,854	536,429	317,961
Contingent consideration	76,034	-	-	-
Government loans	-	58,364	-	-
Deferred payroll liability	207,833	-	-	-
Total	4,153,958	1,101,553	760,285	317,961

# Nova Leap Health Corp.

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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### 12. Financial instruments (continued)

As at December 31, 2021	< 1 year \$	1-2 years \$	3-5 years \$	> 5 years \$
Account payable and accrued liabilities	1,309,384	-	-	-
Income taxes payable	200,000	-	-	-
Client deposits	103,002	-	-	-
Demand loans, principal and interest	2,484,384	491,057	276,268	-
Promissory notes, principal and interest	887,835	830,311	126,000	-
Lease liability, principal and interest	345,334	290,958	491,707	384,751
Contingent consideration	127,697	77,727	63,467	-
Government loans	63,101	-	-	-
Deferred payroll liability	207,833	-	-	-
Total	5,728,570	1,690,053	957,442	384,751

#### Market risk

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk and interest rate risk, which result from both its operating and financing activities.

#### Foreign currency sensitivity

The Group's operations are carried out in USD. Exposure to currency exchange rates arise from Canadian assets, liabilities, home care operations and head office costs.

The Group's exposure to the Canadian dollar currency risk was as follows:

	September 30, 2022 CAD\$	December 31, 2021 CAD\$
Cash and cash equivalents	1,950,712	1,142,936
Accounts receivable	300,904	396,562
Accounts payable & accrued liabilities	(461,305)	(414,411)
Demand loans	(382,948)	(693,881)
Promissory notes	-	(124,214)
Lease liability	(1,047,683)	(835,431)
Government loans	(118,676)	(114,787)
	241,004	(643,226)

A change of 5.0% in the Canadian dollar exchange rate at September 30, 2022 would affect net income and comprehensive income and deficit by approximately \$8,000 (September 30, 2021 - \$140,000).

#### Interest rate sensitivity

As at September 30, 2022, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. An increase or decrease of 1% in interest rates would affect net income and comprehensive income and deficit by approximately \$12,000 on an annual basis (September 30, 2021 - \$17,000).

#### Fair value

All financial assets and liabilities except for the demand loans, promissory notes and government loans and deferred payroll liability are short-term. The carrying values of short-term financial assets and liabilities are a reasonable approximation of fair value. The fair value of the demand loans and promissory notes are disclosed in notes 4 and 5.

# Nova Leap Health Corp.

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(United States dollars)

For the three and nine months ended September 30, 2022 and 2021

### 13. Segment reporting

Management identifies the Group's reportable segments as Canadian operations and US operations. All businesses provide home care services to clients. These operating segments are monitored by the Group's Chief Executive Officer and strategic decisions are made based on segment operating results. Group Head Office provides management oversight and expertise including merger and acquisitions services.

Segment information for the reporting period is as follows:

For the three months ended September 30, 2022					
	US	Canada	Total Reportable Segments	Group Head Office	Total
	\$	\$	\$	\$	\$
Segment revenues	6,027,040	1,112,163	7,139,203	2,451	7,141,654
Cost of services	3,843,202	751,915	4,595,117	-	4,595,117
<b>Gross margin</b>	<b>2,183,838</b>	<b>360,248</b>	<b>2,544,086</b>	<b>2,451</b>	<b>2,546,537</b>
Corporate & administrative <sup>(i)</sup>	1,777,081	177,008	1,954,089	266,951	2,221,040
Amortization and depreciation	310,971	15,737	326,708	16,931	343,639
Stock-based compensation	1,888	3,342	5,230	87,602	92,832
<b>Segment operating income (loss)</b>	<b>93,898</b>	<b>164,161</b>	<b>258,059</b>	<b>(369,033)</b>	<b>(110,974)</b>
<b>Segment assets</b>	<b>20,531,581</b>	<b>2,900,865</b>	<b>23,432,446</b>	<b>1,958,208</b>	<b>25,390,654</b>

  

For the three months ended September 30, 2021					
	US	Canada	Total Reportable Segments	Group Head Office	Total
	\$	\$	\$	\$	\$
Segment revenues	4,246,542	1,012,187	5,258,729	4,513	5,263,242
Cost of services	2,764,708	686,784	3,451,492	-	3,451,492
<b>Gross margin</b>	<b>1,481,834</b>	<b>325,403</b>	<b>1,807,237</b>	<b>4,513</b>	<b>1,811,750</b>
Corporate & administrative <sup>(i)</sup>	1,238,467	205,994	1,444,461	308,189	1,752,650
Amortization and depreciation	189,986	11,150	201,136	4,688	205,824
Stock-based compensation	2,782	1,195	3,977	86,483	90,460
<b>Segment operating income (loss)</b>	<b>50,599</b>	<b>107,064</b>	<b>157,663</b>	<b>(394,847)</b>	<b>(237,184)</b>
<b>Segment assets</b>	<b>17,668,976</b>	<b>3,357,263</b>	<b>21,026,239</b>	<b>4,202,947</b>	<b>25,229,186</b>

# Nova Leap Health Corp.

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(United States dollars)

For the three and nine months ended September 30, 2022 and 2021

### 13. Segment reporting (continued)

	For the nine months ended September 30, 2022				
	US \$	Canada \$	Total Reportable Segments \$	Group Head Office \$	Total \$
<b>Segment revenues</b>	<b>18,311,859</b>	<b>3,105,398</b>	<b>21,417,257</b>	<b>7,764</b>	<b>21,425,021</b>
Cost of services	11,789,739	2,073,030	13,862,769	-	13,862,769
<b>Gross margin</b>	<b>6,522,120</b>	<b>1,032,368</b>	<b>7,554,488</b>	<b>7,764</b>	<b>7,562,252</b>
Corporate & administrative <sup>(i)</sup>	5,417,171	548,656	5,965,827	1,009,416	6,975,243
Amortization and depreciation	962,640	35,311	997,951	50,252	1,048,203
Stock-based compensation	5,556	10,124	15,680	263,812	279,492
<b>Segment operating income (loss)</b>	<b>136,753</b>	<b>438,277</b>	<b>575,030</b>	<b>(1,315,716)</b>	<b>(740,686)</b>
<b>Segment assets</b>	<b>20,531,581</b>	<b>2,900,865</b>	<b>23,432,446</b>	<b>1,958,208</b>	<b>25,390,654</b>

  

	For the nine months ended September 30, 2021				
	US \$	Canada \$	Total Reportable Segments \$	Group Head Office \$	Total \$
<b>Segment revenues</b>	<b>12,165,134</b>	<b>3,193,825</b>	<b>15,358,959</b>	<b>9,867</b>	<b>15,368,826</b>
Cost of services	7,914,001	2,172,634	10,086,635	-	10,086,635
<b>Gross margin</b>	<b>4,251,133</b>	<b>1,021,191</b>	<b>5,272,324</b>	<b>9,867</b>	<b>5,282,191</b>
Corporate & administrative <sup>(i)</sup>	3,485,587	604,946	4,090,533	1,128,276	5,218,809
Amortization and depreciation	566,984	43,523	610,507	32,952	643,459
Stock-based compensation	8,374	3,606	11,980	190,233	202,213
<b>Segment operating income (loss)</b>	<b>190,188</b>	<b>369,116</b>	<b>559,304</b>	<b>(1,341,594)</b>	<b>(782,290)</b>
<b>Segment assets</b>	<b>17,668,976</b>	<b>3,357,263</b>	<b>21,026,239</b>	<b>4,202,947</b>	<b>25,229,186</b>

i) Corporate & administrative includes Head office and operations management expenses and general & administrative expenses.

The Group's revenues from external customers and its non-current assets are all attributable to the U.S. and Canada segments. Revenues from external customers are identified based on the client's geographical location. Non-current assets are allocated based on their physical location.

### 14. Comparative figures

Certain comparative figures have been reclassified to conform to changes in the current year presentation.