Nova Leap Health Corp.

Consolidated Financial Statements
For the years ended December 31, 2019 and 2018

(United States dollars)

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Independent auditor's report

To the Shareholders of
Nova Leap Health Corp.

Opinion

We have audited the consolidated financial statements of Nova Leap Health Corp. and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Rodney D. Belliveau.

Grant Thornton LLP

Halifax, Canada
March 12, 2020

Chartered Professional Accountants

Nova Leap Health Corp.

Consolidated Statement of Financial Position
(United States dollars)

	December 31, 2019 $	December 31, 2018 $
ASSETS		
Current assets		
Cash and cash equivalents	**1,635,211**	1,283,505
Accounts receivable	**1,680,194**	1,486,318
Prepaid expenses	**166,607**	257,711
Total current assets	**3,482,012**	3,027,534
Non-current assets		
Property and equipment (note 4)	**271,255**	30,162
Intangible assets (note 5)	**811,268**	991,714
Goodwill (note 6)	**9,416,109**	8,205,276
Deferred income tax asset (note 7)	**134,326**	204,395
Total non-current assets	**10,632,958**	9,431,547
TOTAL ASSETS	**14,114,970**	12,459,081
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**941,756**	923,688
Client deposits payable	**92,925**	85,434
Promissory notes (note 9)	**498,892**	491,498
Contingent consideration (note 10)	**93,619**	-
Demand loans (note 11)	**2,985,348**	3,567,449
Lease liability (note 12)	**122,139**	-
Total current liabilities	**4,734,679**	5,068,069
Non-current liabilities		
Deferred income tax liability (note 7)	**50,323**	64,006
Promissory notes (note 9)	**390,603**	563,483
Contingent consideration (note 10)	**149,284**	-
Lease liability (note 12)	**68,203**	-
Convertible debentures (note 13)	**1,647,576**	-
Total non-current liabilities	**2,305,989**	627,489
TOTAL LIABILITIES	**7,040,668**	5,695,558
SHAREHOLDERS' EQUITY		
Share capital (note 14)	**9,001,673**	8,291,861
Warrants (note 15)	**472,731**	930,510
Contributed surplus (note 17)	**1,094,459**	254,671
Accumulated other comprehensive loss	**(120,513)**	(411,120)
Deficit	**(3,374,048)**	(2,302,399)
TOTAL SHAREHOLDERS' EQUITY	**7,074,302**	6,763,523
TOTAL LIABILITIES AND SHARHOLERS' EQUITY	**14,114,970**	12,459,081

Subsequent events (note 21)

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

Approved on behalf of the Board of Directors

"Dana Hatfield"	**"Christopher Dobbin"**
(signed) Director	(signed) Director

Nova Leap Health Corp.

Consolidated Statement of Loss and Comprehensive Loss
(United States dollars)

	For the years ended December 31,	
	2019	**2018**
	$	**$**
Revenues		
Service revenue	**17,404,715**	10,362,179
Operating expenses		
Cost of service	**11,559,882**	7,041,936
	5,844,833	3,320,243
Corporate and administrative expenses		
Head office and operations management	**3,504,215**	2,424,628
General & administrative	**1,433,358**	1,056,727
Amortization and depreciation	**618,670**	442,728
Stock based compensation (note 16)	**401,420**	159,897
	5,957,663	4,083,980
Loss from operating activities	**(112,830)**	(763,737)
Net finance, foreign exchange and acquisition expenses		
Finance expense	**(460,729)**	(312,923)
Foreign exchange (loss) gain	**(259,856)**	366,560
Acquisition related expenses	**(117,699)**	(330,488)
	(838,284)	(276,851)
Loss before income tax	**(951,114)**	(1,040,588)
Deferred income tax (expense) recovery	**(56,808)**	95,765
Current income tax expense	**(47,893)**	(16,448)
Total income tax (expense) recovery (note 7)	**(104,701)**	79,317
Net loss	**(1,055,815)**	(961,271)
Items that will be reclassified subsequently to profit or loss		
Exchange gain (loss) on translation to presentation currency	**290,607**	(469,684)
Total comprehensive loss	**(765,208)**	(1,430,955)
Weighted average number of shares outstanding (note 18)	**60,854,861**	48,450,917
Basic and diluted loss per share	**$(0.02)**	$(0.02)

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

Nova Leap Health Corp.

Consolidated Statement of Changes in Shareholders' Equity
(United States dollars)

	Common shares	Share capital $	Warrants $	Contributed surplus $	Accumulated other comprehensive (loss) income $	Deficit $	Total equity $
Balance – January 1, 2019	**59,639,966**	**8,291,861**	**930,510**	**254,671**	**(411,120)**	**(2,302,399)**	**6,763,523**
Adoption of IFRS 16, Leases (note 2v)	-	-	-	-	-	(15,834)	(15,834)
Warrants exercised (notes 14 & 15)	2,078,215	675,437	(123,604)	-	-	-	551,833
Warrants expired (notes 15 & 17)	-	-	(334,175)	334,175	-	-	-
Stock based compensation (notes 16 & 17)	-	-	-	401,420	-	-	401,420
Stock options exercised (notes 16 & 17)	245,000	34,375	-	(16,144)	-	-	18,231
Convertible debt issued (note 13)	-	-	-	120,337	-	-	120,337
Net loss for the period	-	-	-	-	-	(1,055,815)	(1,055,815)
Other comprehensive income for the period	-	-	-	-	290,607	-	290,607
Balance – December 31, 2019	**61,963,181**	**9,001,673**	**472,731**	**1,094,459**	**(120,513)**	**(3,374,048)**	**7,074,302**
Balance – January 1, 2018	**29,722,100**	**2,596,157**	**399,980**	**107,975**	**58,564**	**(1,341,128)**	**1,821,548**
Units issued for cash, net of issuance costs	29,485,466	5,638,413	345,584	-	-	-	5,983,997
Broker shares issued	80,000	15,788	-	-	-	-	15,788
Broker warrants issued	-	-	185,256	-	-	-	185,256
Agent options exercised	350,000	40,736	-	(13,661)	-	-	27,075
Broker warrants exercised	2,400	767	(310)				457
Stock based compensation	-	-	-	160,357	-	-	160,357
Net loss for the period	-	-	-	-	-	(961,271)	(961,271)
Other comprehensive loss for the period	-	-	-	-	(469,684)	-	(469,684)
Balance – December 31, 2018	**59,639,966**	**8,291,861**	**930,510**	**254,671**	**(411,120)**	**(2,302,399)**	**6,763,523**

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

Nova Leap Health Corp.

Consolidated Statement of Cash Flows
(United States dollars)

	For the year ended December 31, 2019 $	December 31, 2018 $
Cash provided by (used in)		
Operating activities		
Net loss for the period	**(1,055,815)**	(961,271)
Amortization and depreciation	**618,670**	442,728
Deferred income tax expense (recovery)	**56,808**	(95,765)
(Gain) loss on disposal of property, plant and equipment	**(1,214)**	1,325
Stock based compensation (note 16)	**401,420**	159,897
Finance expense	**419,943**	312,923
Unrealized foreign exchange loss (gain)	**251,203**	(451,613)
Net changes in non-cash working capital balances related to operations		
Change in accounts receivable	**(193,876)**	(1,216,371)
Change in prepaid expenses	**91,104**	(198,558)
Change in accounts payable and accrued liabilities	**18,068**	470,798
Change in client deposits payable	**7,491**	(14,029)
	613,802	(1,550,208)
Investing activities		
Purchase of property and equipment (note 4)	**(15,483)**	(19,422)
Acquisition of businesses (note 3)	**(977,967)**	(6,336,178)
	(993,450)	(6,355,600)
Financing activities		
Proceeds from issuance of Units, net of issue costs	**-**	6,185,040
Proceeds from exercise of options (note 16)	**18,231**	27,532
Proceeds from exercise of warrants (note 15)	**551,833**	-
Proceeds from issuance of convertible debt, net of issue costs (note 13)	**1,767,913**	-
Proceeds from demand loan, net of transaction costs (note 11)	**-**	3,472,525
Repayment of demand loans and transaction costs (note 11)	**(729,384)**	(453,958)
Interest payments on demand loans (note 11)	**(229,664)**	(178,645)
Repayment of promissory notes and interest (note 9)	**(527,828)**	-
Repayment of lease liability and interest (note 12)	**(119,747)**	-
	731,354	9,052,493
Change in cash and cash equivalents for the period	**351,706**	1,146,685
Cash and cash equivalents – beginning of period	**1,283,505**	136,820
Cash and cash equivalents – end of period	**1,635,211**	1,283,505
Non-cash items:		
Broker shares/warrants issued as share issue costs	**-**	185,256
Exercise of options/warrants	**123,603**	13,971
Exercise of stock options	**16,144**	-
Expiry of warrants	**334,175**	-
Issuance of promissory notes for acquisition of businesses	**263,614**	1,013,783
Issuance of contingent consideration for acquisition of businesses	**233,790**	-

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

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 Vermont, New Hampshire, Rhode Island, Massachusetts and Oklahoma 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.V.

These consolidated financial statements include the accounts of the Corporation and its United States and Canadian subsidiaries. The registered head office of the Corporation is located at 7071 Bayers Road, Suite 5003, Halifax, NS Canada B3L 2C2.

The consolidated financial statements were approved by the Board of Directors on March 12, 2020.

2. Significant accounting policies

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

b) Basis of measurement

The consolidated financial statements are prepared on a historical cost basis except for any financial assets and liabilities classified as available for sale or fair value through profit and loss which are stated at fair value.

c) Basis of consolidation

The consolidated financial statements consolidate those of the parent company and its subsidiaries, all of which have a reporting date of December 31. All transactions and balances between parties within the Group are eliminated on consolidation, including unrealized gains and losses on transactions. Amounts reported in the consolidated financial statements of the subsidiaries have been adjusted where necessary to ensure consistency with accounting policies adopted by the Group. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

d) Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair value of assets transferred, liabilities incurred, and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

Assets acquired, and liabilities assumed are generally measured at their acquisition-date fair values, except for deferred tax assets or liabilities measured in accordance with International Accounting Standard (IAS) 12 *Income Taxes*. Goodwill arising on acquisition is recognized as an asset and represents the excess of acquisition cost over the fair value of the identifiable net assets of the acquiree at the date of the acquisition. Any excess of identifiable net assets over the acquisition cost is recognized in net earnings or loss immediately after acquisition.

e) Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in United States dollars ("USD"), which is also the functional currency of the United States subsidiaries. The functional currency of Nova Leap Health Corp., the parent, and its Canadian subsidiaries is Canadian dollars ("CAD"). USD was selected as the presentation currency since the majority of the active business operations are in USD.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognized in profit or loss.

Non-monetary items are measured at historical costs (transacted using the exchange rates at the transaction date) except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

2. Significant accounting policies (continued)

e) Foreign currency translation (continued)

Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the USD are translated into USD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into USD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into USD at the closing rate. Income and expenses have been translated into USD at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognized in the accumulated other comprehensive income in equity. On disposal of a foreign operation, the related cumulative translation differences recognized in equity are reclassified to profit or loss and are recognized as part of the gain or loss on disposal.

f) Segment reporting

Management has identified the Group's reportable segments as US operations and Canadian operations. All businesses provide home care services to clients, with Corporate Head Office providing management oversight and expertise, and growth through acquisitions of additional businesses. These operating segments are monitored by the Group's Chief Executive Officer and strategic decisions are made based on segment operating results.

Corporate assets which are not directly attributable to the business activities of the operating segment are not allocated to the segment. This primarily applies to the Group's head office.

g) Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit, cash held in trust when cash held in trust is not restricted for use and short-term redeemable guaranteed investment certificates held with Schedule 1 banks. Interest earned is recognized in the consolidated statement of loss and comprehensive loss.

h) Property & equipment

Property and equipment include vehicles used in operations, an office building acquired as part of an acquisition, office leases recognized as right-of-use assets, and minor equipment used in operations.

All property and equipment are recognized at acquisition cost, less accumulated amortization and impairment losses. Amortization is recognized on a straight-line basis to write down the cost less estimated residual value. The useful life of used vehicles and equipment is 2-6 years depending on the type, age and condition of the asset. The useful life of the building is estimated to be 25 years.

In the case of right-of-use assets, expected useful lives are determined by reference to comparable owned assets or the lease term, if shorter. Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in profit or loss within other income or other expenses.

i) Intangible assets

Initial recognition of intangible assets

Customer lists and brands acquired in a business acquisition that qualify for separate recognition are recognized as intangible assets at their fair values.

Subsequent measurement

All finite-lived intangible assets (customer lists) are accounted for using the cost model whereby capitalized costs are amortized over their estimated useful lives using the declining balance method. The useful life is based on an estimated customer attrition rate used as a measure for the estimated useful life of the acquired customer lists. In addition, they are subject to impairment testing if indicators of impairment are identified (see note 2r).

All infinite-lived intangible assets (brands) are accounted for at cost less accumulated impairment losses and are subject to at least annual impairment testing, or more frequently if indicators of impairment are identified (see note 2r).

2. Significant accounting policies (continued)

j) Goodwill

Goodwill represents the future economic benefits arising from a business acquisition that are not individually identified and separately recognized. Goodwill is carried at cost less accumulated impairment losses and are subject to at least annual impairment testing, or more frequently if indicators of impairment are identified (see note 2r).

k) Leases

The Group as a Lessee

As described in note 2v, the Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC 4.

For any new contracts entered into on or after January 1, 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property and equipment and current lease liabilities have been included in trade and other payables and lease liabilities for periods beyond 12 months are included in long-term liabilities.

Prior to the adoption of IFRS 16, the Group followed IAS 17. All leases were classified as operating. Lease payments under an operating lease were recognized as an expense on a straight-line basis over the lease term.

2. Significant accounting policies (continued)

l) Convertible debentures

The component parts of compound financial instruments (convertible debentures) issued by the Corporation are classified separately as financial liabilities and equity component in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

At the date of issue, the liability component is recognized at fair value, which is estimated using the borrowing rate available for similar non-convertible instruments. Subsequently, the liability component is measured at amortized cost using the effective interest method until extinguished upon conversion or at maturity.

The value of the conversion option classified as equity component is determined at the date of issue by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This amount is recognized in equity, net of income tax effects, if any, and is not subsequently remeasured. When and if the conversion option is exercised, the equity component of convertible debentures will be transferred to share capital. If the conversion option remains unexercised at the maturity date of the convertible debentures, the equity component of the convertible debentures remains as a component of contributed surplus. No gain or loss is recognized upon conversion or expiration of the conversion option.

Transaction costs related to the issue of convertible debentures are allocated to the liability and equity component in proportion to the initial carrying amounts. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the term of the convertible debenture using the effective interest method.

m) Stock based compensation

The Corporation has a stock-based compensation plan that is described in note 16. The Corporation accounts for stock options using the fair value method by applying the Black Scholes model. The estimated fair value of all stock options granted is recorded in the statement of loss over their vesting periods except for amounts related to agents' options on share issuances which are recorded as share issuance cost as outlined below. All share options are equity settled.

n) Equity and reserves

Share capital represents the nominal (par) value of shares that have been issued.

The Corporation applies the fair value method with respect to the measurement of shares and warrants issued as private placement units. The Company allocates the net proceeds based on the relative fair values to each component, including issue costs. The fair value of the warrants was determined using the Black-Scholes pricing model.

Broker warrants are valued using the Black-Scholes pricing model and recorded as share issue costs.

Costs directly attributable to the raising of capital are charged against the related share capital and a portion is proportionately allocated to warrants, if costs are related to the issuance of units. Costs related to shares not yet issued are recorded as deferred share issuance costs. These costs are deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related share capital or charged to operations if the shares are not issued.
Other components of equity include a translation reserve which comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into USD, the presentation currency of the Group.

o) Loss per share

The Group presents basic and diluted earnings per share data for its common shares. Basic earnings per share is calculated by dividing earnings attributable to equity shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share are determined by adjusting the weighted average number of common shares for the dilutive effect of share-based payments, employee incentive share units, convertible debentures and warrants using the treasury stock method (if, and when, applicable). Under this method, stock options, whose exercise price is less than the average market price of the Corporation's common shares are assumed to be exercised and the proceeds used to repurchase common shares at the average market price for the period. The incremental number of common shares issued under stock options and repurchased from proceeds is included in the calculation of diluted earnings per share.

All share options, warrants, and convertible debt are currently anti-dilutive. As a result, basic and diluted earnings per share are the same.

2. Significant accounting policies (continued)

p) Revenue

The Group generates home and home health care revenues by providing home and home health care services directly to clients, such as dementia care, companionship, personal care, and skilled nursing care. The Group receives payments for providing services from private individuals, Government Agencies such as the Department of Veteran Affairs and long-term care insurance. The transaction price for revenue is based on an hourly rate specified in client agreements and recognized as revenue at the time services are rendered, which is the point in time when all performance obligations are satisfied. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

The Group has determined that no significant financing components exist with respect to contracts with customers, as accounts receivable bear normal commercial credit terms and are non-interest bearing.

q) Income taxes

The Group uses the liability method of accounting for income taxes.

Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized, or the liability is settled. The effect on deferred tax assets or liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business acquisition and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and
- In respect of taxable temporary differences associated with investments in subsidiaries, and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent or subsidiary and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When results from the initial recognition of an asset or liability in a transaction that is not a business acquisition and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

r) Impairment of long-lived assets and goodwill

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of a related business acquisition and represent the lowest level within the Group at which management monitors goodwill. Goodwill is monitored by the Group at an operating segment level.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

2. Significant accounting policies (continued)

r) Impairment of long-lived assets and goodwill (continued)

An impairment loss is recognized for the amount by which the asset's (or cash-generating unit's) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganizations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. Except for goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

s) Significant management judgement

The following are significant management judgments in applying the accounting policies of the Group that have the most significant effects on the financial statements.

Recognition of deferred income tax assets and measurement of income tax expense

Management continually evaluates the likelihood that its deferred tax assets can be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment.

Going concern

The assessment of the Group's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned organic expansion and acquisitions, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

t) Management estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results may differ from those estimates.

Estimates and assumptions that could have a significant impact on the amounts recognized in the consolidated financial statements are summarized below. Estimates are based on management's best knowledge of current events and actions that the Group may undertake in the future.

Impairment of goodwill and intangible assets

Determining if there are any facts or circumstances indicating an impairment loss is a subjective process involving judgment as well as a number of estimates and interpretations. When an indication of impairment loss exists, the recoverable amount of the individual asset or the cash generating units must be estimated.

In assessing impairment, the Group must make some estimates and assumptions regarding future circumstances, in particular, estimates of future market growth and trends, forecasted revenue and costs, expected periods the assets will be utilized, appropriate discount rates and other variables. Estimates and assumptions may change if new information becomes available.

Stock based compensation

The Corporation issued equity-settled stock-based compensation to certain employees and third parties outside the Corporation. Equity-settled share-based payments are measured at fair value, excluding the effect of non-market based vesting conditions, at the date of grant. Fair value is estimated using the Black-Scholes pricing model and requires the exercise of judgment in relation to variables such as expected volatilities which are based on information available at the time the fair value is measured.

2. Significant accounting policies (continued)

t) Management estimates (continued)

Fair value measurement
Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets, including estimating fair value of promissory notes, demand loans, contingent consideration and liability component of convertible debentures on initial measurement. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Business combinations
Management uses valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination. In particular, the purchase price allocation and amounts attributable to customer lists, brands and goodwill are estimated using fair value techniques and is dependent on several factors including estimates of future market growth and trends, forecasted revenue and costs, expected periods the assets will be utilized, appropriate discount rates and other variables. The Group bases its fair value estimates on assumptions management believes to be reasonable, but which are unpredictable and inherently uncertain. Actual future results may differ from those estimates.

Recognition of contingent consideration
In certain acquisitions, the Company may include contingent consideration which is subject to the acquired business achieving certain performance targets. At the date of acquisition and at each subsequent reporting period, the Company estimates the future performance of the acquired businesses, which are subject to contingent consideration, in order to assess the probability that the acquired business will achieve its performance targets and thus earn its contingent consideration. Any changes in the fair value of the contingent consideration classified as a liability between reporting periods are included in the determination of net income/loss. Changes in fair value arise as a result of various factors, including the estimated probability of the acquired business achieving its earnings targets and discount rates applied.

u) Financial instruments

Recognition and derecognition
Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets
Except for those accounts receivable that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value and adjusted for transaction costs (where applicable).
Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented, the Group does not have any financial assets categorized as FVOCI or FVTPL.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance expense or finance income, except for impairment of accounts receivable which is presented within corporate and administrative expenses.

2. Significant accounting policies (continued)

u) Financial instruments (continued)

Subsequent measurement of financial assets

Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, accounts and other receivables fall into this category of financial instruments (under IAS 39 they were classified as loans and receivables and subsequently measured at amortized cost).

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included accounts and other receivables.

Accounts and other receivables and contract assets

The Group makes use of a simplified approach in accounting for accounts and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assesses impairment of accounts receivable on a collective basis. As they possess shared credit risk characteristics, they have been grouped based on the days past due.

Other financial assets

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses' are recognized for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Credit losses are defined as the difference between all the contractual cash flows that are due to an entity and the cash flows that it expects to receive ('cash shortfalls'). This difference is discounted at the original effective interest rate (or credit adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Classification and measurement of financial liabilities

The Group's financial liabilities include demand loans, promissory notes, contingent consideration, convertible debt and trade and other payables and all are measured at amortized cost except contingent consideration which is measured at FVTPL.

2. Significant accounting policies (continued)

u) Financial instruments (continued)

Classification and measurement of financial liabilities

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Additional fair value measurement disclosure includes classification of financial instrument fair values in a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements which are as follows:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

v) Accounting changes

The Corporation has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2019. These changes were made in accordance with the applicable transition provisions.

IFRS 16, Leases

IFRS 16 "Leases" replaces IAS 17 "Leases" along with three Interpretations (IFRIC 4 "Determining whether an arrangement contains a Lease", SIC 15 "Operating Leases-Incentives" and SIC 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"). The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognized in equity as an adjustment to the opening deficit balance for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as a lease under IAS 17 and IFRIC 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, January 1, 2019. At this date, the Group has elected to measure the right-of-use assets at an amount determined as if IFRS 16 had been applied since the commencement date, discounted using the incremental borrowing rate at the date of initial application.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months, and for leases of low-value assets, the Group has applied the optional exemptions to not recognize right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 6.3%.

The Group has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

(United States dollars)

2. Significant accounting policies (continued)

v) Accounting changes (continued)

The following is a reconciliation of total operating lease commitments at December 31, 2018 to the lease liabilities recognized at January 1, 2019.

	$	$
Total operating lease commitments disclosed at December 31, 2018		**258,929**
Recognition exemptions:		
• Leases of low value assets	(2,100)	
• Leases with remaining lease term less than 12 months	(59,886)	
		(61,986)
Operating lease liabilities before discounting		196,943
Discounted using incremental borrowing rate		(15,580)
Operating lease liabilities		181,363
Reasonably certain extension options		68,652
Total lease liabilities recognized under IFRS 16 at January 1, 2019		**250,015**

Other pronouncements

Other accounting pronouncements which have become effective from 1 January 2019 and have therefore been adopted do not have a significant impact on the Group's financial results or position.

3. Business acquisitions

Acquisitions completed in 2019

The Corporation completed one asset acquisition in Canada and two asset acquisitions in the United States during the year ended December 31, 2019.

- **Careforce Home Care Limited ("Careforce")**

  On April 20, 2019, the Corporation acquired the home care assets ("Significant Assets") of Careforce Home Care Workers Cooperative Limited with locations in Kentville and New Glasgow, Nova Scotia, Canada. Pursuant to the terms of the Definitive Agreement, the Corporation's Canadian subsidiary acquired Significant Assets from Careforce for a total purchase price of $561,672 ($750,000 CAD).

- **Around the Clock Home Care ("ATC")**

  On October 5, 2019, the Corporation acquired the home care assets ("Significant Assets") of Around the Clock Home Care, LLC located in Chickasha, Oklahoma. Pursuant to the terms of the Definitive Agreement, the Corporation acquired the Significant Assets from ATC for a maximum total consideration of $660,000 of which $345,000 was paid with cash on closing and up to $315,000 by way of a 3-year structured earnout. Under the Earnout, the maximum potential annual payout in each of 2020, 2021, and 2022 is subject to a ceiling of $105,000 and is calculated based on gross service revenue of the acquired operations for the previous 12-month period, which begins October 1, 2019. The Earnout is also subject to a floor such that no payments will be made in a given year if gross service revenue falls below approximately $1 million for the preceding 12-month period.

- **Keystone Home Care ("Keystone")**

  On November 2, 2019, the Corporation acquired the home care assets ("Significant Assets") of Keystone Home Care, LLC located in Stow, Massachusetts. Pursuant to the terms of the Definitive Agreement, the Corporation acquired the Significant Assets from Keystone for a total purchase price of $375,000.

(United States dollars)

3. Business acquisitions (continued)

The details of the business acquisitions are as follows:

	Careforce	**ATC**	**Keystone**
Acquisition date	April 20, 2019	October 5, 2019	November 2, 2019
Acquisition costs	$25,430	$61,455	$23,911
Fair value of consideration transferred	**$**	**$**	**$**
Cash	257,907	345,000	369,909
Promissory note to vendor	263,614	-	-
Contingent consideration	-	233,790	-
Prepaid security deposit	1,485	-	-
Assumed client deposits	-	-	5,091
Total	**523,006**	**578,790**	**375,000**
Recognized amounts of identifiable net assets	**$**	**$**	**$**
Prepaid security deposit and other	1,560	-	-
Building	70,527	-	-
Right of use asset	44,097	-	-
Lease liability	(44,097)	-	-
Intangible assets (customer lists)	59,391	90,000	150,000
Goodwill	391,528	488,790	225,000
Total	**523,006**	**578,790**	**375,000**
Contribution to Group Results	**$**	**$**	**$**
Revenue from date of acquisition to reporting date	1,390,728	324,930	144,568
Operating income from date of acquisition to reporting date (including non-cash amortization, depreciation and stock-based compensation)	97,291	43,830	29,836

Goodwill
Goodwill is primarily related to growth expectations, expected future profitability and the assembled workforce.

Proforma Group Results and Other

Proforma Group results based on acquiring the assets of all closed acquisitions at January 1, 2019
If the Significant Assets of Careforce, ATC and Keystone acquired during the period had been acquired on January 1, 2019, revenue of the Group for the year ended December 31, 2019 would have increased by approximately $2,350,000 and income from operating activities would have increased by approximately $329,000 including $63,000 of amortization expense.

Acquisitions completed in 2018

The Corporation completed four asset acquisitions in the United States and one share purchase in Canada during the year ended December 31, 2018

United States Acquisitions:

- **Family Tree Home Care, Inc. ("Family Tree")**

  On February 23, 2018, the Corporation acquired the home care assets ("Significant Assets") of Family Tree located in Shrewsbury, Massachusetts, USA. Pursuant to the terms of the Definitive Agreement, one of the Corporation's U.S. subsidiaries acquired the Significant Assets from Family Tree for a total purchase price of $2,100,000.

(United States dollars)

3. Business acquisitions (continued)

- **Home Health Solutions Inc. ("HHS")**

  On April 14, 2018, the Corporation acquired the home care assets ("Significant Assets") of HHS located in Holyoke, Massachusetts, USA. Pursuant to the terms of the Definitive Agreement, one of the Corporation's U.S. subsidiaries acquired the Significant Assets from HHS for a total purchase price of $1,200,000.

- **Comprehensive Home Care ("CHC")**

  On September 28, 2018, the Corporation acquired the home care assets ("Significant Assets") of CHC located in South Deerfield, Massachusetts, USA. Pursuant to the terms of the Definitive Agreement, one of the Corporation's U.S. subsidiaries acquired the Significant Assets from CHC for a total purchase price of $1,600,000.

- **Living at Home SeniorCare ("LAH")**

  On October 19, 2018, the Corporation acquired the home care assets of Living at Home SeniorCare located in Amherst, New Hampshire, USA. The acquired business operates under one of Nova Leap's existing brands, Armistead Senior Care, which has operations in Vermont and New Hampshire. Pursuant to the terms of the Definitive Agreement, one of the Corporation's U.S. subsidiaries acquired the Significant Assets from LAH for a total purchase price of $425,000.

The details of the business acquisitions in the United States are as follows:

	Family Tree	**HHS**	**CHC**	**LAH**
Acquisition date	Feb 23	Apr 14	Sep 28	Oct 19
Acquisition costs	$93,246	$74,168	$52,630	$42,135
Fair value of consideration transferred	**$**	**$**	**$**	**$**
Cash	470,620	273,397	615,483	310,405
Promissory note to vendor	274,500	183,000	209,426	94,164
Demand loan, net of fees	1,329,830	730,395	744,514	-
Assumed client deposits	-	-	-	14,495
Total	**2,074,950**	**1,186,792**	**1,569,423**	**419,064**
Recognized amounts of identifiable net assets	**$**	**$**	**$**	**$**
Prepaid security deposit	450	-	-	-
Prepaid expenses	-	3,792	-	-
Vehicle	-	9,000	-	-
Intangible assets (customer lists)	540,000	160,000	170,000	80,000
Goodwill	1,534,500	1,014,000	1,399,423	339,064
Total	**2,074,950**	**1,186,792**	**1,569,423**	**419,064**
Contribution to Group Results	**$**	**$**	**$**	**$**
Revenue from date of acquisition to reporting date	3,493,169	1,347,932	799,617	189,976
Operating income from date of acquisition to reporting date (including non-cash amortization)	410,176	187,262	22,237	506

Goodwill
Goodwill is primarily related to growth expectations, expected future profitability and the assembled workforce.

(United States dollars)

3. Business acquisitions (continued)

Canada Acquisition:

- **Always Home Homecare Services Inc. ("Always Home")**

  On June 1, 2018, the Corporation acquired Always Home Homecare Services Inc. located in Halifax, Nova Scotia, Canada. Pursuant to the terms of the Definitive Agreement, the Corporation's Canadian subsidiary acquired the shares of Always Home for a total purchase price of $2,121,259 ($2,750,000 CAD). The acquisition was funded using $1,079,914 ($1,400,000 CAD) cash, $771,367 ($1,000,000 CAD) funds from debt and $252,693 ($350,000 CAD) promissory note issued to the vendors.

The details of the business acquisition in Canada is as follows:

	Always Home
Acquisition date	Jun 1
Acquisition costs	$50,133
Fair value of consideration transferred	**$**
Cash	1,079,914
Promissory note to vendor	252,693
Demand loan, net of fees	771,367
Working capital adjustment	159,702
Total	**2,263,676**
Recognized amounts of identifiable net assets	**$**
Working capital	159,702
Property, plant and equipment	6,681
Intangible assets (customer lists)	154,273
Intangible assets (brand)	107,991
Goodwill	1,896,021
Deferred tax asset	20,310
Deferred tax liability	(81,302)
Total	**2,263,676**
Contribution to Group Results	**$**
Revenue from date to acquisition of reporting date	1,325,863
Operating income from date of acquisition to reporting date (including non-cash amortization)	117,321

Goodwill
Goodwill is primarily related to growth expectations, expected future profitability and the assembled workforce.

Proforma Group Results and Other

Proforma Group results based on acquiring the assets of all closed acquisitions at January 1, 2018
If the Significant Assets of Family Tree, HHS, CHC, LAH and the Always Home business acquired during the period had been acquired on January 1, 2018, revenue of the Group for the reporting period would have increased by approximately $5,144,000 and loss from operating activities for the period would have decreased by approximately $295,000, including $174,000 of amortization expense.

(United States dollars)

4. Property and equipment

The changes in property and equipment for the period are as follows:

	Right of use assets (property)	**Buildings**	**Vehicles and other equipment**	**Total**
	$	$	$	$
Balance, January 1, 2019	-	-	30,162	30,162
Adjustment on transition to IFRS 16 (note 2v)	234,181	-	-	234,181
Additions	-	-	15,483	15,483
Additions from business acquisition (see note 3)	44,097	70,527	-	114,624
Disposal	(5,478)	-	-	(5,478)
Amortization	(113,093)	(1,995)	(12,748)	(127,836)
Foreign exchange gain	7,335	2,577	207	10,119
Balance, December 31, 2019	167,042	71,109	33,104	271,255

	Vehicles and other equipment
	$
Balance, January 1, 2018	3,225
Additions	35,103
Disposal	(1,325)
Depreciation	(6,563)
Foreign exchange (loss)	(278)
Balance, December 31, 2018	30,162

5. Intangible assets

The changes in intangible assets for the period are as follows:

	December 31, 2019	**December 31, 2018**
	$	$
Definite life (customer lists)		
Balance, beginning of period	889,090	226,493
Additions from business acquisitions (note 3)	299,391	1,104,273
Amortization	(490,834)	(436,165)
Foreign exchange gain (loss)	5,830	(5,511)
Balance, end of period	703,477	889,090

	December 31, 2019	**December 31, 2018**
	$	$
Indefinite life (brand)		
Balance, beginning of period	102,624	-
Additions from business acquisitions (note 3)	-	107,991
Foreign exchange gain (loss)	5,167	(5,367)
Balance, end of period	107,791	102,624
Total intangible assets, beginning of period	991,714	226,493
Total intangible assets, end of period	811,268	991,714

(United States dollars)

6. Goodwill

The changes in goodwill for the period are as follows:

	December 31, 2019	December 31, 2018
	$	$
Balance, beginning of period	8,205,276	2,116,500
Additions (note 3)	1,105,453	6,183,007
Foreign exchange gain (loss)	105,380	(94,231)
Balance, end of period	9,416,109	8,205,276

Impairment testing
For annual impairment testing, goodwill is allocated to the operating segments expected to benefit from the synergies of the business acquisition in which the goodwill arises.

As at December 31, 2019, the Group had the following CGUs and the goodwill and indefinite life intangibles were allocated as follows:

		2019		2018	
CGU	**State/Province of operation**	**Goodwill & indefinite life intangibles**	**Excess recoverable amount over carrying amount**	**Goodwill & indefinite life intangibles**	**Excess recoverable amount over carrying amount**
		$	**$**	**$**	**$**
US-RI	RI	1,050,000	118,166	1,050,000	301,000
US-NH/VT	VT/NH	1,405,564	nil	1,405,564	185,000
US-MA I	MA	1,759,500	2,071,405	1,534,500	1,940,000
US-MA II	MA	1,014,000	682,159	1,014,000	788,000
US-MA III	MA	1,399,423	1,064,017	1,399,423	1,748,000
US-OK	OK	488,790	519,952	-	-
Canada-NS I	NS	2,000,308	141,623	1,904,413	1,080,000
Canada-NS II	NS	406,198	423,708	-	-

The recoverable amount of the segments was determined based on value-in-use calculation, covering a detailed five-year forecast, followed by an extrapolation of expected cash flows for the remaining periods using a growth rate determined by management. The recoverable amount is greater than the carrying amount of goodwill.

The present value of the expected cash flows of the CGUs are determined by applying a suitable discount rate reflecting current market assessments of the time value of money and risks specific to the CGU.

<u>Cash flow assumptions</u>
Significant assumptions impacting the calculation of the recoverable amount are as follows:

	2019			2018		
CGU	**Client Service Growth**	**Discount rate**	**Break-even discount rate (a)**	**Client Service Growth**	**Discount rate**	**Break-even discount rate (a)**
US-RI	2%	14.5%	16.1%	15%	14.3%	18.3%
US-NH/VT	2%	15.9%	15.9%	12%	15.3%	17.0%
US-MA I	2%	16.6%	34.9%	-	17.1%	33.5%
US-MA II	2%	20.1%	33.2%	11%	17.2%	29.2%
US-MA III	2%	18.6%	32.2%	8%	18.7%	41.0%
US-OK	2%	17.6%	42.4%	-	-	-
Canada-NS I	2%	11.8%	12.3%	2%	11.6%	16.7%
Canada-NS II	2%	18.4%	28.8%	-	-	-

a) The discount rate at which the cash-generating unit's recoverable amount is equal to its carrying amount

(United States dollars)

7. Income taxes

a) The Group's provision for income taxes differs from the amount computed by applying the combined Canadian federal and provincial income tax rates to income (loss) before income taxes because of the following:

	2019	**2018**
Statutory tax rate	31%	31%
	$	$
Loss before income taxes	(951,114)	(1,040,588)
Income tax recovery based on substantively enacted rates	(294,845)	(322,582)
Stock based compensation	124,440	49,568
Non-taxable / deductible expenses	21,802	34,398
Effect of foreign and other tax rate differences	(27,555)	(144,206)
Increase in deferred tax asset not recognized	280,859	303,505
Income tax recovery	104,701	(79,317)

The enacted tax rates in Canada 31% (2018 – 31%) and United States 27.3% (2018 – 27.4%) where the Group operates are applied in the tax provision calculation.

b) Deferred tax assets / (liabilities) arising from temporary differences and non-capital losses are summarized as follows:

For the period ended December 31, 2019

	Canada	**US**	**Total**
	$	**$**	**$**
Non-capital loss carry-forwards	780,840	15,184	796,024
Intangible assets and goodwill	(42,208)	124,838	82,630
Share issuance costs	109,780	-	109,780
Debt	29,293	(5,696)	23,597
Unrealized foreign exchange gains and other	(17,037)	-	(17,037)
Deferred tax asset not recognized	(910,991)	-	(910,991)
Deferred tax liability	(50,323)	-	(50,323)
Deferred tax asset	-	134,326	134,326

For the period ended December 31, 2018

	Canada	**US**	**Total**
	$	**$**	**$**
Non-capital loss carry-forwards	571,776	82,281	654,057
Intangible assets and goodwill	(64,006)	122,114	58,108
Share issuance costs	143,489	-	143,489
Unrealized foreign exchange gains and other	(85,133)	-	(85,133)
Deferred tax asset not recognized	(630,132)	-	(630,132)
Deferred tax liability	(64,006)	-	(64,006)
Deferred tax asset	-	204,395	204,395

c) Losses

The Group has non-capital tax losses of approximately $2,574,455 available for carry-forward to reduce future years' taxable income. These non-capital tax losses expire as follows:

2036	$280,416
2037	$664,382
2038	$1,049,493
2039	$580,164

(United States dollars)

8. Related party transactions

Transactions with related parties were in the normal course of operations and are measured at the exchange amount, which is the amount agreed to by the parties.

Key management personnel

Key management personnel include members of the Board of Directors, as well as the Chief Executive Officer, the Chief Financial Officer and Corporate Secretary. Key management personnel remuneration for the periods include the following expenses:

	Year ended December 31, 2019	2018
	$	$
Consulting fees	388,461	428,383
Directors fees	58,034	59,406
Stock based compensation	324,817	140,023
	771,312	627,812

As at December 31, 2019, there was $64,971 included in accounts payable and accrued liabilities for amounts owed to officers of the Corporation (December 31, 2018 – $133,093) for consulting fees and expense reimbursements, and $54,545 for amounts due to directors for director fees (December 31, 2018 – $13,195).

9. Promissory notes

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

	December 31, 2019	December 31, 2018
	$	$
Balance, beginning of period	1,054,981	-
Issued (note 3)	263,614	1,013,783
Effective interest	79,846	54,172
Repayments	(527,828)	-
Foreign exchange gains (loss)	18,882	(12,974)
Balance, end of period	889,495	1,054,981
Current portion	498,892	491,498
Non-current portion	390,603	563,483
Fair value	888,494	1,050,555

(United States dollars)

9. Promissory notes (continued)

The details of the promissory notes are as follows:

	Note#1	Note#2	Note#3 (a)	Note#4	Note#5	Note#6 (a)
Original Principal amount	$300,000	$200,000	$269,978	$240,000	$100,000	$299,233
Fair value on initial recognition	$274,500	$183,000	$252,693	$209,426	$94,164	$265,636
Year of issue	2018	2018	2018	2018	2018	2019
Annual interest rate	3%	3%	3%	2%	6%	3%
Repayment dates	Jan 31	Apr 1	May 31	Oct 1	Sep 1	Apr 20
Repayment terms	2 equal instalments principal + accrued interest	2 equal instalments principal + accrued interest	2 equal instalments principal + accrued interest	3 equal instalments principal + accrued interest	3 equal instalments principal + accrued interest	4 equal instalments principal + accrued interest

a) Loan is repayable in CAD

The promissory notes were all initially recorded at fair value using a market interest rate of 7.45% to 9.5% and subsequently measured at amortized cost using the effective interest rate method.

The promissory notes are subject to a Guaranty Agreement of Nova Leap Health Corp. and are subordinated to the demand loans (note 11).

10. Contingent consideration

The contingent consideration is earnout payments that are contingent on meeting certain revenue targets that make up a portion of the total purchase price for an acquisition. At initial recognition, the maximum value of the total earnout was measured at fair-value and recorded as a liability. Each reporting period, management will evaluate the likelihood of acquisition reaching its targets. If targets are not being met, the liability will be adjusted accordingly.

In determining the fair value on the earnout payments, the potential future payments were discounted using a risk adjusted discount rate of 17.50%.

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

The following table summarizes changes in contingent considerations at December 31, 2019

	December 31, 2019 $
Balance, beginning of period	-
Addition from business acquisition (note 3)	233,790
Fair value gain/loss	9,113
Balance, end of period	242,903
Current portion	93,619
Non-current portion	149,284

(United States dollars)

11. Demand loans

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

	December 31, 2019	December 31, 2018
	$	$
At amortized cost:		
Balance, beginning of period	3,567,449	540,545
Issued	-	3,643,866
Debt issue and guarantee insurance costs	(43,697)	(171,341)
Effective interest	316,279	258,479
Interest payment	(229,664)	(178,645)
Principal repayment in cash	(685,687)	(453,958)
Foreign exchange loss (gain)	60,668	(71,497)
Balance, end of period	2,985,348	3,567,449
Fair value	3,079,682	3,702,736

The details of the issued demand loans are as follows:

	2018				2017
	Facility#5	**Facility#4**	**Facility#3 (a)**	**Facility#2 (a)**	**Facility#1**
Principal amount	$1,350,000	$750,000	$771,367	$772,499	$600,000
Initial loan expenses	$41,503	$35,383	$24,620	$35,447	$46,983
Annual interest rate	US Base Rate plus 1.5%	US Base Rate plus 1.5%	CAD Prime Rate plus 2%	CAD Prime Rate plus 1.5%	US Base Rate plus 1.5%
Maximum amortization period	84 months	60 months	60 months	60 months	60 months
EDC Guarantee	75%	75%	N/A	50%	75%
EDC Guarantee fee	2.35%	2.35%	N/A	2.35%	2.35%

a) Loans are repayable in CAD

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, being an average range of 3-5 years remaining.

The Corporation also has access to a CAD$1 million revolving operating facility for working capital purposes from a Schedule 1 Canadian bank. The interest rate is Canadian Prime Rate + 1.5%. The Canadian Prime Rate at December 31, 2019 is 3.95%. Interest is calculated monthly in arrears, and payable on the last day of each month. The facility is repayable on demand. The facility had an outstanding balance of $nil as at December 31, 2019.

All the loans are also 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.

(United States dollars)

12. Lease Liability

The changes in the lease liability for the period are as follows:

	December 31, 2019 $	December 31, 2018 $
Balance, beginning of period	-	-
Adjustment on transition to IFRS 16 (note 2(v))	250,015	
Addition from business acquisition (note 3)	44,097	-
Disposal	(6,692)	
Effective interest	14,704	-
Repayments	(119,747)	-
Foreign exchange loss	7,965	-
Balance, end of period	190,342	-
Current portion	122,139	
Non-current portion	68,203	

13. Convertible debentures

On December 30, 2019, the Corporation completed the first tranche of a non-brokered private placement through the issuance of unsecured subordinated convertible debentures for gross proceeds of $1,800,123 USD ($2,338,000 CAD).

The Debentures have a maturity date of December 31, 2024 and will accrue interest at the rate of 8.0% per annum, payable semi-annually. At the holders' option, the Debentures may be converted into common shares of Nova Leap at a conversion price of CAD$0.52 per common share. At any time after the date that is one year following the issue date of the Debentures, the Company may force the conversion of the principal amount of the then outstanding Debentures at the Conversion Price on not less than 30 days' notice if the daily volume weighted average trading price of the common shares is greater than CAD$0.78 for any 20 consecutive trading days.

For purposes of determining the fair value of the liability component, an effective interest rate of 10% was used which is the estimated market rate that the Corporation would have obtained for a similar financing without the conversion option. The liability component is subsequently accreted up to the face value of the debenture over the term of the debentures as an interest expense.

The equity component was assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component and is not subsequently remeasured.

As such, of the gross proceeds of $1,800,123 USD ($2,338,000 CAD), $1,676,968 USD ($2,178,046 CAD) was allocated to the liability component of the convertible debentures and $123,155 USD ($159,954 CAD) to the equity component (conversion right feature) of the convertible debentures, upon issuance.

Financing costs incurred in connection with the issuance of convertible debentures totalled $31,551 USD ($40,978 CAD). Financing costs were allocated based on the relative fair values of the liability and equity components at initial recognition per above. The allocated costs were netted against each component. Interest on the net liability component is determined using the effective interest method (9.82%) and accreted over the term of the debentures.

The initial carrying amount of the convertible debentures was allocated as follows:

	2019 $
Balance, beginning of period	-
Proceeds from the issuance of convertible debentures, December 30, 2019	1,800,123
Less transaction costs	(31,551)
Foreign exchange loss	(659)
Net proceeds	1,767,913
Amount classified as equity (conversion rights), net of transaction costs	(120,337)
Balance of convertible debenture, end of period	1,647,576

(United States dollars)

14. Share capital

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

b. Issued and outstanding:

	December 31, 2019		December 31, 2018	
	Number of Shares	Value $	Number of Shares	Value $
Balance, beginning of period	59,639,966	8,291,861	29,722,100	2,596,157
Shares issued for cash, net of issue costs	-	-	29,485,466	5,638,413
Broker shares issued	-	-	80,000	15,788
Agent options exercised	-	-	350,000	40,736
Warrants exercised (note 15)	2,078,215	675,437	2,400	767
Stock options exercised (notes 16 & 17)	245,000	34,375	-	-
Balance, end of period	61,963,181	9,001,673	59,639,966	8,291,861

The details of the private placements completed during 2018 are as follows:

	Jan 8 (a)	Feb 22 (a)	Apr 13 Tranche#1	May 31 Tranche#2	Sep 28 Tranche#1	Oct 25 Tranche#2
Brokered placement	No	Yes	Yes	Combined	Combined	Combined
Gross proceeds	$382,386	$1,350,845	$798,642	$2,515,106	$1,226,396	$407,081
Gross proceeds (CAD)	$475,000	$1,711,250	$1,006,050	$3,256,560	$1,587,570	$532,299
Price per Unit or Share (CAD)	$0.20	$0.25	$0.30	$0.30	$0.35	$0.35
Shares issued	2,375,000	6,845,000	3,353,499	10,855,197	4,535,915	1,520,855
Investor warrants issued	1,187,500	3,422,500	-	-	-	-
Investor warrant exercise price (CAD)	$0.35	$0.375	-	-	-	-
Broker warrants issued	36,300	324,800	221,879	418,060	107,097	55,397
Warrant exercise price (CAD)	$0.35	$0.25	$0.30	$0.30	$0.35	$0.35

a) Private placement was for Units whereby each unit was comprised of one common share of the Corporation and a one-half common share purchase warrant. Two half warrants entitle the holder to acquire one common share of the Corporation.

15. Warrants

The changes in the warrants for the period are as follows:

	December 31, 2019			
	Number	$	Weighted Average Exercise Price (CAD)	Remaining contractual life (years)
Balance, beginning	12,627,383	930,510	$0.35	0.81
Warrants exercised	(2,078,215)	(123,604)	$0.35	-
Warrants expired	(5,696,188)	(334,175)	$0.35	-
Balance, end	4,852,980	472,731	$0.35	0.18

(United States dollars)

15. Warrants (continued)

	Number	$	December 31, 2018 Weighted Average Exercise Price (CAD)	Remaining contractual life (years)
Balance, beginning	6,856,250	399,980	$0.35	0.52
Issued for cash	4,610,000	345,584	$0.37	1.11
Broker warrants issued	1,163,533	185,256	$0.29	1.35
Warrants exercised	(2,400)	(310)	$0.25	-
Balance, end	12,627,383	930,510	$0.35	0.81

2018

On January 8, 2018, in connection with the private placement, the Corporations issued 1,187,500 warrants with an exercise price of $0.35 CAD and expire on January 7, 2020. The fair value of the warrants issued, net of share issue costs allocation was $82,209 (CAD $102,121). The Corporation also issued 36,300 broker warrants with an exercise price of $0.35 CAD and expire on February 21, 2020.

On February 22, 2018, in connection with the brokered private placement, the Corporations issued 3,422,500 warrants with an exercise price of $0.375 CAD and expire on February 21, 2020. The fair value of the warrants issued, net of share issue costs allocation was $280,730 (CAD $355,628). The Corporation also issued 324,800 broker warrants with an exercise price of $0.25 CAD and expire on February 21, 2020.

On April 13, 2018, in connection with the first tranche of a brokered private placement, the Corporations issued 221,879 broker warrants with an exercise price of $0.30 CAD and expire on April 12, 2020. The fair value of the broker warrants issued was $45,795 (CAD $57,689).

On May 31, 2018, in connection with the second and final tranche of a brokered private placement, the Corporations issued 418,060 broker warrants with an exercise price of $0.30 CAD and expire on May 30, 2020. The fair value of the broker warrants issued was $64,575 (CAD $83,612).

On September 28, 2018, in connection with the first tranche of a brokered private placement, the Corporations issued 107,097 broker warrants with an exercise price of $0.35 CAD and expire on September 27, 2020. The fair value of the broker warrants issued was $19,101 (CAD $24,726).

On October 25, 2018, in connection with the second tranche of a brokered private placement, the Corporations issued 55,397 broker warrants with an exercise price of $0.35 CAD and expire on October 25, 2020. The fair value of the broker warrants issued was $8,778 (CAD $11,478).

The following weighted average assumptions were used in the Black-Scholes option pricing model for the period:

	December 31, 2019	December 31, 2018
Exercise price (CAD)	-	$0.35
Risk free interest rate	-	1.31%
Expected volatility	-	142%
Expected dividend yield	-	0%
Expected life	-	2.0 years
Grant date fair value (CAD)	-	$0.24

The following table summarizes information concerning outstanding and exercisable warrants at December 31, 2019:

Expiry date	Number	Exercise price (CAD) $
Jan 7, 2020	494,250	0.35
Feb 22, 2020	3,302,500	0.375
Feb 22, 2020	319,400	0.25
Apr 12, 2020	184,804	0.30
May 30, 2020	389,532	0.30
Sep 27, 2020	107,097	0.35
Oct 24, 2020	55,397	0.35
	4,852,980	0.35

(United States dollars)

16. Stock based compensation

The Corporation has a common share purchase option plan (the "Plan") for directors, officers, employees and consultants. The total number of options issued and outstanding at any time cannot exceed 10% of the issued and outstanding common shares of the Corporation unless shareholder and regulatory approvals are obtained. Options granted under the Plan have a ten-year term and are non-transferable. Options vesting conditions are determined by the Board of Directors at the time of grant. Options may be exercised ninety days following the date of termination of employment or holding office as a director or officer of the Corporation and, in the case of death, expire within one year thereafter. Options are granted at a price no lower than the market price of the common shares less any discounts allowed by the TSX Venture Exchange at the time of the grant.

The changes in incentive stock options during the period were as follows:

	December 31, 2019		December 31, 2018	
	Number	Weighted Average Exercise Price (CAD)	Number	Weighted Average Exercise Price (CAD)
Balance, beginning	2,835,000	$0.18	1,350,000	$0.10
Granted	3,490,000	$0.45	1,485,000	$0.25
Exercised	(245,000)	$0.10	-	-
Expired	(145,000)	$0.33	-	-
Balance, end	5,935,000	$0.34	2,835,000	$0.18

In January 2019, Nova Leap granted 1,935,000 incentive stock options to directors, officers, employees and consultants of the Corporation. The stock options are exercisable for a period of 10 years at an exercise price of $0.45 CAD per share and vest 25% immediately and 25% on each anniversary date of the stock option grant date. The options were granted under, and are subject to, the terms and conditions of the Corporation’s Stock Option Plan.

In December 2019, Nova Leap granted 1,555,000 incentive stock options to directors, officers, employees and consultants of the Corporation. The stock options are exercisable for a period of 10 years at an exercise price of $0.45 CAD per share and vest 25% immediately and 25% on each anniversary date of the stock option grant date. The options were granted under, and are subject to, the terms and conditions of the Corporation’s Stock Option Plan

The following table summarizes information concerning outstanding and exercisable options at December 31, 2019:

	Outstanding		Exercisable	
Expiry date	Number	Exercise price (CAD) $	Number	Exercise price (CAD) $
Apr 25, 2026	1,105,000	$0.10	1,105,000	$0.10
Jan 11, 2028	1,400,000	$0.25	700,000	$0.25
Jan 13, 2029	1,875,000	$0.45	468,750	$0.45
Dec 10, 2029	1,555,000	$0.45	388,750	$0.45
	5,935,000	$0.34	2,662,500	$0.25

The weighted average contractual life outstanding as at December 31, 2019 is 8.54 years.

The compensation cost for the stock options granted during the period were determined based on the fair value of the options at the date of grant using the Black-Scholes option pricing model with the following assumptions:

Option grant date	December 10, 2019	January 14, 2019	January 12, 2018
Exercise price (CAD)	$0.45	$0.45	$0.25
Risk free interest rate	1.60%	1.89%	1.00%
Expected volatility	105%	121%	107%
Expected dividend yield	0%	0%	0%
Expected life	6.0 years	6.0 years	6.0 years
Expected Forfeiture	2.82%	-	-
Grant date fair value (CAD)	$0.31	$0.26	$0.20

(United States dollars)

16. Stock based compensation (continued)

The expected volatility was determined based on a weighted average of Nova Leap's historical share price volatility from the date of the grant over the trading history available.

The Corporation recorded total stock-based compensation during the year ended December 31, 2019 of $401,420, respectively (December 31, 2018 - $159,897).

17. Contributed surplus

The changes in contributed surplus for the period are as follows:

	December 31, 2019	December 31, 2018
	$	$
Balance, beginning of period	254,671	107,975
Stock options granted – directors and officers (note 16)	401,420	160,357
Exercise stock options (note 15)	(16,144)	(13,661)
Expired warrants (note 14)	334,175	-
Convertible debt issued (note 12)	120,337	-
Balance, end of period	1,094,459	254,671

18. Loss per share

Basic earnings (loss) per share is calculated based on the weighted average number of shares outstanding during the period. Diluted earnings per share assumes that stock options, agent's options and warrants have been exercised on the later of the beginning of the period and the date granted. As of December 31, 2019, all options, warrants and convertible debt were excluded from the computation of diluted loss per share because their effect would have been anti-dilutive.

19. Financial instruments

The Group's risk management is coordinated at its headquarters, 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. 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	December 31, 2019	December 31, 2018
	$	$
Cash and cash equivalents	1,635,211	1,283,505
Accounts receivable	1,680,194	1,486,318
	3,315,405	2,769,823

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 payable within seven days. The ongoing credit risk is managed through regular review of aging analysis.

(United States dollars)

19. Financial instruments (continued)

Credit risk (continued)

At certain locations, clients are required to pay an upfront deposit, mitigating the credit risk. As at December 31, 2019, the Group had $92,925 collected for client deposits, representing approximately 6% of outstanding accounts receivable, billed and accrued (December 31, 2018 - $85,434).

Accounts receivable

The Group applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all accounts receivable as these items do not have a significant financing component.

In measuring the expected credit losses, the accounts receivable have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

The expected loss rates are based on the payment profile for sales over the past 12 months before December 31, 2019 for entities owned for the full year and for entities acquired during the year it was based on sales over the 12 months for the full fiscal year prior to acquisition as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forward-looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The group has identified gross domestic product (GDP) of the countries in which the clients are domiciled to be the most relevant factors and accordingly adjusts historical loss rates for expected changes in these factors. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Accounts receivable are written-off when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

Lifetime expected credit loss is less than 0.1%.

December 31, 2019			**Accounts receivable aging**		
	Current	More than 30 days	More than 60 days	More than 90 days	Total
Expected credit loss rate	0.1%	0.1%	0.1%	0.1%	0.1%
Gross carrying amount	$1,040,293	$253,955	$30,323	$128,804	$1,453,376
Lifetime expected credit loss	$1,040	$254	$30	$129	$1,453

December 31, 2018			**Accounts receivable aging**		
	Current	More than 30 days	More than 60 days	More than 90 days	Total
Expected credit loss rate	0.1%	0.1%	0.1%	0.1%	0.1%
Gross carrying amount	$1,023,606	$183,264	$83,089	63,287	$1,353,246
Lifetime expected credit loss	$1,024	$183	$83	$63	$1,353

Liquidity risk

Liquidity risk is 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 cash balance are expected to be sufficient for the next twelve months. The Group has a working capital shortfall at December 31, 2019 and 2018 primarily due to the presentation of demand loans as current.

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. Cash flows from accounts and other receivables are all contractually due within 30 days.

19. Financial instruments (continued)

Liquidity risk (continued)

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

	< 1 year	1-2 years	3-5 years	> 5 years
	$	$	$	$
For the period ended December 31, 2019				
Account payable and accrued liabilities	941,756	-	-	-
Client deposits	92,925	-	-	-
Demand loan, principal and interest	955,092	944,880	1,634,807	40,592
Promissory note, principal and interest	603,048	200,858	160,918	-
Lease liability, principal and interest	127,981	63,088	6,833	-
Convertible debenture	144,010	144,010	2,232,153	-
Contingent consideration	80,844	80,844	80,844	-
Total	2,945,656	1,433,680	4,115,555	40,592
For the year ended December 31, 2018				
Account payable and accrued liabilities	923,688	-	-	-
Client deposits	85,434	-	-	-
Demand loan, principal and interest	954,585	940,041	2,313,118	289,786
Promissory note, principal and interest	525,110	510,162	116,934	-
Total	2,488,817	1,450,203	2,430,052	289,786

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 the fact that the Group's equity offerings have been denominated in CAD and will be denominated in CAD for the foreseeable future as the Corporation's shares are listed on a Canadian stock exchange and the Group has two operations in Canada that transact in Canadian dollars.

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

	December 31, 2019 (CAD)	December 31, 2018 (CAD)
	$	$
Cash and cash equivalents	1,589,610	526,979
Accounts receivable	478,679	423,960
Accounts payable & accrued liabilities	(462,355)	(524,042)
Demand loan	(1,452,429)	(1,787,004)
Promissory note	(549,108)	(342,096)
Lease liabilities	(179,616)	-
Convertible debt	(2,139,871)	-
	(2,715,090)	(1,702,203)

Sensitivity to a plus or minus 5.0% change in the CAD dollar exchange rate would affect net loss and comprehensive loss and deficit by approximately $100,000 (December 31, 2018 - $60,000).

Interest rate sensitivity

As at December 31, 2019, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. Sensitivity if interest rates increased or decreased by 1% would affect net loss and comprehensive loss and deficit by approximately $69,000 over the remaining term of the loans (December 31, 2018 - $120,000).

(United States dollars)

19. Financial instruments (continued)

Fair value

All financial assets and liabilities except for the demand loans, promissory notes, contingent consideration and convertible debentures 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 promissory notes and demand loans are disclosed in Notes 9 and 11.

20. Segment reporting

Management identifies the Group's reportable segments as Canadian operations and US operations. All businesses provide home care services to clients, with Corporate providing management oversight and expertise, and growth through acquisitions of additional business. These operating segments are monitored by the Group's Chief Executive Officer and strategic decisions are made based on segment operating results.

Segment information for the reporting period is as follows:

	For the year ended December 31, 2019				
	US	**Canada**	**Total Reportable Segments**	**Group Head Office**	**Total**
	$	**$**	**$**	**$**	**$**
Segment revenues	**13,760,173**	**3,636,338**	**17,396,511**	**8,204**	**17,404,715**
Cost of services	9,086,071	2,473,811	11,559,882	-	11,559,882
Gross margin	**4,674,102**	**1,162,527**	**5,836,629**	**8,204**	**5,844,833**
General & administrative	3,023,223	745,899	3,769,122	1,168,451	4,937,573
Amortization and depreciation	478,525	87,099	565,624	53,046	618,670
Stock based compensation	36,217	11,639	47,856	353,564	401,420
Segment operating income (loss)	**1,136,137**	**317,890**	**1,454,027**	**(1,566,857)**	**(112,830)**
Segment assets	**9,687,472**	**3,019,059**	**12,706,531**	**1,408,439**	**14,114,970**

	For the year ended December 31, 2018				
	US	**Canada**	**Total Reportable Segments**	**Group Head Office**	**Total**
	$	**$**	**$**	**$**	**$**
Segment revenues	**9,036,315**	**1,325,864**	**10,362,179**	**-**	**10,362,179**
Cost of services	6,102,137	939,799	7,041,936	-	7,041,936
Gross margin	**2,934,178**	**386,065**	**3,320,243**	**-**	**3,320,243**
General & administrative	2,142,989	223,904	2,366,893	1,114,462	3,481,355
Amortization and depreciation	396,366	46,362	442,728	-	442,728
Stock based compensation	10,619	-	10,619	149,278	159,897
Segment operating income (loss)	**384,204**	**115,799**	**500,003**	**(1,263,740)**	**(763,737)**
Segment assets	**9,536,745**	**2,334,169**	**11,870,914**	**588,167**	**12,459,081**

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.

21. Subsequent events

Convertible debentures – Tranche #2

On January 16, 2020, the company closed the second and final tranche of its non-brokered private placement for gross proceeds of $579,532 USD ($756,000 CAD).

The Debentures have a maturity date of January 16, 2025 and will accrue interest at the rate of 8.0% per annum, payable semi-annually. At the holders' option, the Debentures may be converted into common shares of Nova Leap at a conversion price of CAD$0.52 per common share. At any time after the date that is one year following the issue date of the Debentures, the Company may force the conversion of the principal amount of the then outstanding Debentures at the Conversion Price on not less than 30 days' notice if the daily volume weighted average trading price of the common shares is greater than CAD$0.78 for any 20 consecutive trading days.

Warrant exercised & expired

Subsequent to December 31, 2019, 2,544,712 warrants were exercised for proceeds of $684,920 (CAD$904,972) between the period end and the time of reporting. 56,250 warrants which were outstanding and exercisable at period end, expired on January 7, 2020 and 1,525,500 warrants which were outstanding and exercisable at period end, expired on February 22, 2020.

Promissory note repayment

Subsequent to December 31, 2019, a promissory note relating to an acquisition made in 2018 was paid out in full, with the second and final payment of $154,500 (including interest) made on January 31, 2020.

22. Comparative figures

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