



Nova Leap Health Corp.

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

(United States dollars)

Nova Leap Health Corp.

Unaudited Condensed Interim Consolidated Statements of Financial Position

(United States dollars)

As at	June 30, 2022 \$	December 31, 2021 \$
ASSETS		
Current assets		
Cash and cash equivalents	794,123	1,733,442
Accounts receivable	2,198,713	2,170,700
Government tax credit receivable (note 3a)	1,576,969	1,772,744
Prepaid expenses	309,393	285,243
Total current assets	4,879,198	5,962,129
Non-current assets		
Property and equipment	1,334,225	1,293,589
Intangible assets	1,548,155	2,079,453
Goodwill	16,667,078	16,705,091
Deferred income tax asset	1,071,982	729,067
Total non-current assets	20,621,440	20,807,200
TOTAL ASSETS	25,500,638	26,769,329
LIABILITIES		
Current liabilities		
Revolving operating facility (note 4)	345,186	-
Accounts payable and accrued liabilities	1,151,242	1,309,384
Income taxes payable	-	200,000
Client deposits payable	85,901	103,002
Demand loans (note 4)	2,713,219	3,122,672
Promissory notes (note 5)	748,495	775,330
Lease liability	311,981	290,151
Contingent consideration (note 6)	69,354	127,697
Government loans and deferred payroll liability	207,833	298,373
Total current liabilities	5,633,211	6,226,609
Non-current liabilities		
Promissory notes (note 5)	778,340	896,131
Lease liability	1,016,785	1,024,961
Contingent consideration (note 6)	-	141,194
Government loans and deferred payroll liability	91,079	-
Total non-current liabilities	1,886,204	2,062,286
TOTAL LIABILITIES	7,519,415	8,288,895
SHAREHOLDERS' EQUITY		
Share capital	17,136,284	17,136,284
Contributed surplus	1,968,464	1,781,804
Accumulated other comprehensive loss	(352,068)	(80,617)
Deficit	(771,457)	(357,037)
TOTAL SHAREHOLDERS' EQUITY	17,981,223	18,480,434
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	25,500,638	26,769,329

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

Approved on behalf of the Board of Directors

“Michael O’Keefe”

(signed)

Director

“Chris Dobbin”

(signed)

Director

Nova Leap Health Corp.

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

(United States dollars)

For the	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Revenues				
Service revenues	6,986,758	5,085,445	14,283,367	10,105,584
Operating expenses				
Cost of service	4,512,126	3,354,355	9,267,652	6,635,143
	2,474,632	1,731,090	5,015,715	3,470,441
Corporate and administrative expenses				
Head office and operations management	1,795,934	1,236,245	3,530,351	2,524,448
General & administrative	644,748	451,871	1,223,852	941,711
Amortization and depreciation	373,676	222,618	704,564	437,635
Stock-based compensation (note 7)	91,157	57,931	186,660	111,753
	2,905,515	1,968,665	5,645,427	4,015,547
Loss from operating activities	(430,883)	(237,575)	(629,712)	(545,106)
Other (expenses) income				
Foreign exchange gain (loss)	422,299	(125,209)	229,736	(231,085)
COVID-19 relief programs (note 3a)	-	1,698,283	-	3,374,825
Impairment loss	-	(605,682)	-	(605,682)
Finance expense	(42,900)	(101,457)	(66,845)	(174,827)
Acquisition related expenses	(46,306)	(36,266)	(65,535)	(51,476)
Other expenses	(8,280)	(8,845)	(19,262)	(16,447)
	324,813	820,824	78,094	2,295,308
(Loss) income before income taxes	(106,070)	583,249	(551,618)	1,750,202
Income taxes				
Deferred income tax recovery (expense)	135,305	(16,127)	346,629	(322,619)
Current income tax expense	(53,981)	(221,652)	(209,431)	(199,924)
	81,324	(237,779)	137,198	(522,543)
Net (loss) income	(24,746)	345,470	(414,420)	1,227,659
Items that will be reclassified subsequently to profit or loss				
Foreign exchange (loss) gain on translation to presentation currency	(496,515)	49,526	(271,451)	165,991
Total comprehensive (loss) income	(521,261)	394,996	(685,871)	1,393,650
Net (loss) income per share – basic and diluted (note 9)	-	\$0.005	\$(0.005)	\$0.017

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

Nova Leap Health Corp.

Unaudited Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(United States dollars)

	Common shares	Share capital \$	Contributed surplus \$	Accumulated other comprehensive income (loss) \$	Deficit \$	Total shareholders' equity \$
Balance at January 1, 2022	79,294,807	17,136,284	1,781,804	(80,617)	(357,037)	18,480,434
Stock-based compensation (note 7)	-	-	186,660	-	-	186,660
Net loss for the period	-	-	-	-	(414,420)	(414,420)
Other comprehensive loss for the period	-	-	-	(271,451)	-	(271,451)
Balance at June 30, 2022	79,294,807	17,136,284	1,968,464	(352,068)	(771,457)	17,981,223
Balance at January 1, 2021	65,612,212	10,285,708	1,581,886	92,346	(2,117,750)	9,842,190
Issuance of common shares	7,638,888	4,454,160	-	-	-	4,454,160
Conversion of debentures	5,536,497	2,264,056	(151,813)	-	-	2,112,243
Stock-based compensation (note 7)	-	-	111,753	-	-	111,753
Stock options exercised	43,750	25,889	(10,094)	-	-	15,795
Net income for the period	-	-	-	-	1,227,659	1,227,659
Other comprehensive income for the period	-	-	-	165,991	-	165,991
Balance at June 30, 2021	78,831,347	17,029,813	1,531,732	258,337	(890,091)	17,929,791

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

Nova Leap Health Corp.

Unaudited Condensed Interim Consolidated Statements of Cash Flows

(United States dollars)

For the	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Cash (used in) provided by				
Operating activities				
Net (loss) income for the period	(24,746)	345,470	(414,420)	1,227,659
Adjustments for items not affecting cash:				
Government tax credit received (receivable)	195,775	(1,698,283)	195,775	(3,253,714)
Impairment loss	-	605,682	-	605,682
Amortization and depreciation	373,676	222,618	704,564	437,635
Deferred income tax (recovery) expense	(135,305)	16,127	(346,629)	322,619
Stock-based compensation	91,157	57,931	186,660	111,753
Finance expense	21,960	101,076	46,365	171,967
Unrealized foreign exchange (gain) loss	(425,374)	86,519	(243,845)	177,278
Gain on the sale of assets	-	-	(15,000)	-
Net change in non-cash operating working capital (note 10)	(779,465)	368,073	(427,406)	211,152
Cash (used in) provided by operating activities	(682,322)	105,213	(313,936)	12,031
Investing activities				
Purchase of property and equipment	(16,010)	-	(52,855)	-
Proceeds on the sale of assets	-	-	15,000	-
Cash used in investing activities	(16,010)	-	(37,855)	-
Financing activities				
Proceeds on issuance of common shares, net of share issue costs	-	4,454,160	-	4,454,160
Repayment of demand loans and transaction costs (note 4)	(211,416)	(208,805)	(423,573)	(424,702)
Interest payments on demand loans (note 4)	(35,640)	(25,607)	(79,738)	(52,837)
Repayment of promissory notes and interest (note 5)	(102,844)	(85,270)	(207,344)	(110,829)
Repayment of lease liability and interest	(94,859)	(64,055)	(180,984)	(114,899)
Repayment of contingent consideration (note 6)	(50,498)	-	(50,498)	-
Interest payments on convertible debt	-	(15,353)	-	(67,712)
Proceeds from exercise of stock options	-	-	-	15,795
Cash (used in) provided by financing activities	(495,257)	4,055,070	(942,137)	3,698,976
Effect of foreign exchange rate change on cash and cash equivalents	(4,297)	(56,355)	9,423	(34,790)
(Decrease) increase in cash and cash equivalents for the period	(1,197,886)	4,103,928	(1,284,505)	3,676,217
Cash and cash equivalents – beginning of period	1,646,823	2,351,134	1,733,442	2,778,845
Cash and cash equivalents – end of period	448,937	6,455,062	448,937	6,455,062
Cash and cash equivalents consist of:				
Cash and cash equivalents	794,123	6,455,062	794,123	6,455,062
Revolving operating facility	(345,186)	-	(345,186)	-
	448,937	6,455,062	448,937	6,455,062
Non-cash items consist of:				
Conversion of debentures into common shares	-	388,950	-	2,112,243
Exercise of stock options	-	-	-	10,094

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

Nova Leap Health Corp.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(United States dollars)

For the three and six months ended June 30, 2022 and 2021

1. Nature of operations

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

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

The Unaudited Condensed Interim Consolidated Financial Statements were approved by the Board of Directors on August 11, 2022.

2. Significant accounting policies

a) Statement of compliance

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

b) COVID-19

On March 11, 2020, the World Health Organization (“WHO”) officially declared the Coronavirus disease 2019 (“COVID-19”) a pandemic. COVID-19 variants continue to be widespread throughout the United States, Canada and other parts of the world. As a result, COVID-19 has significantly affected and continues to affect the overall economic conditions in the United States and Canada and is expected to for the foreseeable future. It is difficult to predict how long the pandemic will last, how many people are likely to be affected by it or the duration or types of restrictions that will be imposed or re-imposed as the situation is continuously evolving.

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

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

3. COVID-19 relief programs

a) Employee Retention Credit (“ERC”)

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

Nova Leap’s US segment qualified for an ERC in 2021 and recognized \$1,698,283 and \$3,253,714 for the three and six months ended June 30, 2021 in Other Income in the Condensed Interim Consolidated Statement of Income and Comprehensive Income. As of June 30, 2022, an ERC amount of \$1,576,969 is outstanding, the timing of receipt of which is unknown at the time of filing these financial statements.

Nova Leap Health Corp.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(United States dollars)

For the three and six months ended June 30, 2022 and 2021

4. Demand loans

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

	June 30, 2022	December 31, 2021
	\$	\$
At amortized cost:		
Balance, beginning of period	3,122,672	2,300,046
Proceeds from issuance of demand loan	-	1,600,000
Debt issue and guarantee insurance costs	(8,327)	(35,703)
Effective interest	100,527	163,544
Interest payment	(79,738)	(103,337)
Principal repayment in cash	(415,246)	(817,142)
Foreign exchange (gain) loss	(6,669)	15,264
Balance, end of period	2,713,219	3,122,672
Fair value	2,714,925	3,136,681

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

In December 2021, the Corporation obtained a non-revolving demand loan of \$1,600,000 from its primary lender as a temporary working capital facility to be used for acquisition purposes until the ERC receivable has been collected. The demand loan is based on interest only payments at a rate of USD prime rate plus 1.5%. The USD prime rate at June 30, 2022 was 4.75%. During the quarter, the demand loan's maturity date was extended from April 30, 2022 to December 31, 2022.

The Corporation also has access to a \$1,164,054 (CAD\$1,500,000) revolving operating facility for working capital purposes from a Schedule 1 Canadian bank. The interest rate is CAD prime rate plus 1.5%. The CAD prime rate at June 30, 2022 was 3.7%. Interest is calculated monthly in arrears, and payable on the last day of each month. The facility is repayable on demand. There was an outstanding balance on this facility of \$345,186 (CAD \$444,807) at June 30, 2022 (\$nil at December 31, 2021).

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

5. Promissory notes

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

	June 30, 2022	December 31, 2021
	\$	\$
Balance, beginning of period	1,671,461	876,241
Issuance of promissory notes for acquisition of business	-	1,104,497
Effective interest	61,419	75,291
Repayments	(207,344)	(386,263)
Foreign exchange loss	1,299	1,695
Balance, end of period	1,526,835	1,671,461
Current portion	748,495	775,330
Non-current portion	778,340	896,131
Balance, end of period	1,526,835	1,671,461
Fair value	1,504,515	1,671,201

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

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

Nova Leap Health Corp.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(United States dollars)

For the three and six months ended June 30, 2022 and 2021

6. Contingent consideration

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

In determining the fair value of the contingent consideration as at June 30, 2022, the potential future payments were discounted using a risk adjusted discount rate of 21.79% (December 31, 2021 – 20.39% and 22.40%).

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

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

	June 30, 2022	December 31, 2021
	\$	\$
Balance, beginning of period	268,891	278,456
Repayment	(50,498)	(50,125)
Fair value (gain) loss	(149,039)	40,560
Balance, end of period	69,354	268,891
Current portion	69,354	127,697
Non-current portion	-	141,194
Balance, end of period	69,354	268,891

7. Equity incentive plans

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

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

The changes in DSUs during the period are as follows:

	June 30, 2022		December 31, 2021	
	Number of DSUs	Value \$	Number of DSUs	Value \$
Balance, beginning of period	131,785	66,668	-	-
Granted	206,576	75,512	131,785	66,668
Balance, end of period	338,361	142,180	131,785	66,668

Nova Leap granted the directors 80,792 DSUs at a weighted average share price of CAD\$0.5941 at March 31, 2022 and 125,784 DSUs at a weighted average share price of CAD\$0.3816 at June 30, 2022. All DSUs were granted under, and are subject to, the terms and conditions of the Plan.

During the three and six months ended June 30, 2022, Nova Leap recorded stock-based compensation with an offsetting increase to contributed surplus of \$91,157 and \$186,660 (three and six months ended June 30, 2021 - \$57,931 and \$111,753). Stock-based compensation of \$37,606 and \$75,512 for the three and six months ended June 30, 2022 (June 30, 2021 - nil) relates to the DSU plan and \$53,551 and \$111,148 (three and six months ended June 30, 2021 - \$57,931 and \$111,753) relates to the stock option plan.

Nova Leap Health Corp.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(United States dollars)

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8. Related party transactions

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

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

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Management compensation	103,568	110,059	213,077	217,505
Directors' fees	-	32,437	-	56,362
Stock-based compensation	84,019	41,785	167,606	93,568
	187,587	184,281	380,683	367,435

As at June 30, 2022, there was \$25,434 included in accounts payable and accrued liabilities for amounts owed to officers of the Corporation for compensation and expense reimbursements (December 31, 2021 – \$440).

During the six months ended June 30, 2021, convertible debentures of CAD\$483,000 held by related parties were converted into common shares of the Corporation at a conversion price of CAD\$0.52. For the six months ended June 30, 2021, interest of \$8,446 was paid to related parties at the prescribed rate in relation to the convertible debentures.

9. (Loss) Earnings per share

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

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

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Weighted average number of shares used in basic earnings per share	79,294,807	71,859,880	79,294,807	69,521,923
Shares deemed to be issued for no consideration in respect of share-based payments	-	3,749,440	-	3,483,055
Weighted average number of shares used in diluted earnings per share	79,294,807	75,609,320	79,294,807	73,004,978

10. Supplemental cash flow information

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Change in non-cash operating working capital:				
Accounts receivable	(93,598)	149,116	(28,013)	(86,221)
Prepaid expenses	(24,688)	(64,319)	(24,150)	(49,699)
Accounts payable and accrued liabilities	(303,493)	281,512	(158,142)	413,602
Income taxes payable	(350,000)	-	(200,000)	-
Client deposits payable	(7,686)	1,764	(17,101)	(3,084)
Government loans and deferred payroll liability	-	-	-	(63,446)
	(779,465)	368,073	(427,406)	211,152

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(United States dollars)

For the three and six months ended June 30, 2022 and 2021

11. Financial instruments

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

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

Credit risk

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

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	June 30, 2022	December 31, 2021
	\$	\$
Cash and cash equivalents	794,123	1,733,442
Accounts receivable	2,198,713	2,170,700
	2,992,836	3,904,142

Credit risk management

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

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

At certain locations, clients are required to pay an upfront deposit, mitigating the credit risk. As at June 30, 2022, the Group had \$85,901 collected for client deposits (December 31, 2021 - \$103,002), representing approximately 3.9% of outstanding accounts receivable, billed and accrued (December 31, 2021 – 4.7%).

Liquidity risk

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

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

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and accounts receivable. The Group's existing cash resources and accounts receivable, in addition to the current unused balance of the revolving operating facility and cash flow projections are expected to be sufficient to meet the contractual cash outflow requirements for the next twelve months. This assumes repayment of the ERC specific USD non-revolving demand loan through the collection of the outstanding ERC receivable. If collection of the outstanding ERC receivable does not occur by the end of 2022, a further extension will be required to repay the non-revolving demand loan. Cash flows from accounts and other receivables are all contractually due within 30 days.

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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11. Financial instruments (continued)

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

As at June 30, 2022	< 1 year \$	1-2 years \$	3-5 years \$	> 5 years \$
Revolving operating facility	345,186	-	-	-
Account payable and accrued liabilities	1,151,242	-	-	-
Client deposits	85,901	-	-	-
Demand loans, principal and interest	2,346,570	283,046	156,570	-
Promissory notes, principal and interest	829,000	682,500	126,000	-
Lease liability, principal and interest	367,790	308,390	485,855	357,732
Contingent consideration	69,354	-	-	-
Government loans	-	62,083	-	-
Deferred payroll liability	207,833	-	-	-
Total	5,402,876	1,336,019	768,425	357,732

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

Market risk

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

Foreign currency sensitivity

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

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

	June 30, 2022 CAD\$	December 31, 2021 CAD\$
Cash and cash equivalents	198,987	1,142,936
Accounts receivable	329,729	396,562
Revolving operating facility	(394,407)	-
Accounts payable & accrued liabilities	(419,774)	(414,411)
Demand loans	(487,745)	(693,881)
Promissory notes	-	(124,214)
Lease liability	(833,852)	(835,431)
Government loans	(117,365)	(114,787)
	(1,724,427)	(643,226)

Nova Leap Health Corp.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(United States dollars)

For the three and six months ended June 30, 2022 and 2021

11. Financial instruments (continued)

A change of 5.0% in the Canadian dollar exchange rate at June 30, 2022 would affect net income and comprehensive income and deficit by approximately \$64,000 (June 30, 2021 - \$156,000).

Interest rate sensitivity

As at June 30, 2022, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. An increase or decrease of 1% in interest rates would affect net income and comprehensive income and deficit by approximately \$27,000 on an annual basis (June 30, 2021- \$19,000).

Fair value

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

12. Segment reporting

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

Segment information for the reporting period is as follows:

	For the three months ended June 30, 2022				
	US \$	Canada \$	Total Reportable Segments \$	Group Head Office \$	Total \$
Segment revenues	5,977,252	1,006,721	6,983,973	2,785	6,986,758
Cost of services	3,846,368	665,758	4,512,126	-	4,512,126
Gross margin	2,130,884	340,963	2,471,847	2,785	2,474,632
Corporate & administrative ⁽ⁱ⁾	1,872,926	189,171	2,062,097	378,585	2,440,682
Amortization and depreciation	347,973	8,688	356,661	17,015	373,676
Stock-based compensation	1,916	3,394	5,310	85,847	91,157
Segment operating income (loss)	(91,931)	139,710	47,779	(478,662)	(430,883)
Segment assets	21,687,644	2,907,764	24,595,408	905,230	25,500,638

	For the three months ended June 30, 2021				
	US \$	Canada \$	Total Reportable Segments \$	Group Head Office \$	Total \$
Segment revenues	3,988,058	1,094,669	5,082,727	2,718	5,085,445
Cost of services	2,605,392	748,963	3,354,355	-	3,354,355
Gross margin	1,382,666	345,706	1,728,372	2,718	1,731,090
Corporate & administrative ⁽ⁱ⁾	1,087,919	205,594	1,293,513	394,603	1,688,116
Amortization and depreciation	193,072	15,195	208,267	14,351	222,618
Stock-based compensation	2,820	1,212	4,032	53,899	57,931
Segment operating income (loss)	98,855	123,705	222,560	(460,135)	(237,575)
Segment assets	15,332,777	3,149,173	18,481,950	4,999,396	23,481,346

Nova Leap Health Corp.

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12. Segment reporting (continued)

	For the six months ended June 30, 2022				
	US \$	Canada \$	Total Reportable Segments \$	Group Head Office \$	Total \$
Segment revenues	12,284,819	1,993,235	14,278,054	5,313	14,283,367
Cost of services	7,946,537	1,321,115	9,267,652	-	9,267,652
Gross margin	4,338,282	672,120	5,010,402	5,313	5,015,715
Corporate & administrative ⁽ⁱ⁾	3,640,090	371,648	4,011,738	742,465	4,754,203
Amortization and depreciation	651,669	19,574	671,243	33,321	704,564
Stock-based compensation	3,668	6,782	10,450	176,210	186,660
Segment operating income (loss)	42,855	274,116	316,971	(946,683)	(629,712)
Segment assets	21,687,644	2,907,764	24,595,408	905,230	25,500,638

	For the six months ended June 30, 2021				
	US \$	Canada \$	Total Reportable Segments \$	Group Head Office \$	Total \$
Segment revenues	7,918,592	2,181,638	10,100,230	5,354	10,105,584
Cost of services	5,149,293	1,485,850	6,635,143	-	6,635,143
Gross margin	2,769,299	695,788	3,465,087	5,354	3,470,441
Corporate & administrative ⁽ⁱ⁾	2,247,120	398,953	2,646,073	820,086	3,466,159
Amortization and depreciation	376,998	32,373	409,371	28,264	437,635
Stock-based compensation	5,592	2,410	8,002	103,571	111,753
Segment operating income (loss)	139,589	262,052	401,641	(946,747)	(545,106)
Segment assets	15,332,777	3,149,173	18,481,950	4,999,396	23,481,346

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

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

13. Comparative figures

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