



Nova Leap Health Corp.

**Management Discussion & Analysis
For the three and six months ended June 30, 2023 and 2022**

NOVA LEAP HEALTH CORP.
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023

BACKGROUND

This Management’s Discussion and Analysis (“MD&A”) of Nova Leap Health Corp. (“Nova Leap” or “the Corporation”), together with its subsidiaries (the “Group”), is dated August 10, 2023 and provides an analysis of the Corporation’s operations for the three and six months ended June 30, 2023 and 2022. This MD&A should be read in conjunction with the Unaudited Condensed Interim Consolidated Financial Statements for the three and six months ended June 30, 2023 and 2022 and the Audited Consolidated Financial Statements for the years ended December 31, 2022 and 2021 which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). All amounts are in United States dollars (“USD”) unless otherwise specified. The Consolidated Financial Statements and additional information relating to Nova Leap are available on the Canadian System for Electronic Document Analysis and Retrieval (“SEDAR”) at www.sedar.com under the Corporation’s profile. The common shares of Nova Leap are traded on the TSX Venture Exchange under the symbol “NLH”.

CORPORATION OVERVIEW

Nova Leap is an acquisitive home health care services company operating in one of the fastest-growing industries in the U.S. and Canada. The Corporation performs a vital role within the continuum of care with an individual and family centered focus, particularly those requiring dementia care. The Corporation is geographically diversified with operations in ten different states within the New England, Southeastern, South Central and Midwest regions of the U.S. as well as in Nova Scotia, Canada.

Home care saves patients and taxpayers billions of dollars every year by treating clients in their own homes instead of in hospitals. An aging population, the prevalence of chronic disease, growing physician acceptance of home care, medical advancements and a movement toward cost-efficient treatment options from public and private payers have all fostered industry growth. Nova Leap is focused on a highly fragmented market of small privately held companies providing clients one on one care in their homes, facilities, or hospices.

Nova Leap's post acquisition organic growth strategy is to increase adjusted annual earnings before interest, taxes, depreciation and amortization (“Adjusted EBITDA”, see definition in *Use of Non-IFRS and Other Financial Measures*) per location through a combination of increased employee investment, including training, focused sales and marketing efforts, billing rate increases, expansion of geographical coverage, improved referral sources and implementation of efficiencies in payroll, scheduling, billing and human capital. The Corporation intends to continue its growth strategy through acquisitions, while pursuing organic growth opportunities and implementing operational efficiencies in existing operations.

The Unaudited Condensed Interim Consolidated Financial Statements and MD&A include the accounts of the Corporation and its U.S. and Canadian subsidiaries. The registered head office of the Corporation is located at 3006-7071 Bayers Road, Halifax, NS, Canada.

SELECTED FINANCIAL INFORMATION

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
	\$	\$	\$	\$
Service revenues	6,677,360	6,986,758	13,073,436	14,283,367
Income (loss) from operating activities	116,662	(430,833)	(66,202)	(629,712)
Add: Amortization and depreciation	256,835	373,676	490,862	704,564
Add: Stock-based compensation	12,587	91,157	47,449	186,660
Adjusted EBITDA⁽¹⁾	386,084	33,950	472,109	261,512
Net loss	(183,501)	(24,746)	(480,377)	(414,420)
Net loss per share –				
basic and diluted	\$(0.002)	-	\$(0.006)	\$(0.005)
Total assets	22,382,737	25,500,638	22,382,737	25,500,638
Total current liabilities	2,573,145	5,633,211	2,573,145	5,633,211
Long-term financial liabilities	1,149,671	1,886,204	1,149,671	1,886,204

(1) Please see *Use of non-IFRS and other financial measures*

USE OF NON-IFRS AND OTHER FINANCIAL MEASURES

This MD&A contains references to certain measures that do not have a standardized meaning under IFRS as prescribed by the International Accounting Standards Board and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS measures by providing a further understanding of operations from management's perspective. Accordingly, non-IFRS financial measures should not be considered in isolation or as a substitute for analysis of financial information reported under IFRS. The Corporation presents non-IFRS financial measures, specifically Adjusted EBITDA (as such term is hereinafter defined). The Corporation believes these measures are frequently used by lenders, securities analysts, investors and other interested parties as a measure of financial performance, and it is therefore helpful to provide supplemental measures of operating performance and thus highlight trends that may not otherwise be apparent when relying solely on IFRS financial measures.

The Corporation's definition of its non-IFRS measure is as follows:

- Adjusted EBITDA is calculated as income (loss) from operating activities plus amortization and depreciation and stock-based compensation expense. The most directly comparable IFRS measure is income (loss) from operating activities.

FORWARD-LOOKING INFORMATION

Certain statements in this MD&A are forward-looking statements or information (collectively, "forward-looking statements"). Any statements that express, or involve discussions as to expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "may", "will", "should", "could", "expects", "anticipates", "believes", "estimates", "intends", "plans", "projects", "predicts", "targets", "potential", "continue", "goals", "objective" and "outlook"), including statements regarding Nova Leap's business objectives and strategies, including those described under the headings "*Corporation Overview*", "*Operations Overview*" and "*Nova Leap's Strategy*", statements regarding future expansions and cost savings, plans regarding future acquisitions and business growth, expected recurring client service hours, expected cash flow projections, expectations for future financing activities and intentions relating to the payment of dividends, are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. The assumptions on which these forward-looking statements are based include assumptions concerning general economic and market conditions, availability of working capital necessary for conducting Nova Leap's operations, and Nova Leap's ability to integrate its acquired businesses and maintain previously achieved service hour and revenue levels. Further, any forward-looking statement speaks only as of the date on which such statement is made and, except as required by applicable law, Nova Leap undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statements are made or to reflect the occurrence of unanticipated events. New factors emerge from time to time. While it is impossible to identify all such factors, factors that could cause, actual results to differ, such as decreases in revenues or increases in costs, materially from those estimated by us include, but are not limited to the factors discussed in the "*Risks and Uncertainties*" section of this MD&A below and in Nova Leap's continuous disclosure materials filed from time to time on SEDAR.

Any financial outlook or future-oriented financial information in this MD&A has been approved by management of Nova Leap as of the date of this MD&A. Such financial outlook or future oriented financial information is provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that such outlook or information should not be used for purposes other than for which it is disclosed in this MD&A.

Q2 2023 Highlights

- Q2 2023 revenues of \$6,677,360 increased by 4.4% relative to Q1 2023 revenues of \$6,396,076 and decreased by 4.4% relative to Q2 2022 revenues of \$6,986,758. Revenues for the six months ended June 30, 2023 were \$13,073,436, a decrease of 8.5% over the same period in 2022.
- Gross profit margin as a percentage of revenues increased to 36.8% in Q2 2023 from 35.2% in Q1 2023 and 35.4% in Q2 2022. Q2 2023 gross profit of \$2,459,519 increased by 9.2% relative to Q1 2023 gross profit of \$2,251,956 and decreased by 0.6% relative to Q2 2022 gross profit of \$2,474,632.
- Q2 2023 Adjusted EBITDA of \$386,084 was the highest in the Corporation's history and increased from \$33,950 in Q2 2022 and \$86,025 in Q1 2023 (See calculation of Adjusted EBITDA in "*Segmented Information*" below).
- Q2 2023 Adjusted EBITDA for the U.S operating segment of \$597,893 was the highest in the Company's history, an increase of \$339,935 from Q2 2022 and \$283,480 from Q1 2023.

- The Company had a cash balance of \$888,257 as of June 30, 2023, as well as full access to the unutilized revolving credit facility of \$1,132,931 (CAD\$1,500,000).
- Head office and operations management expense decreased by \$269,953 and \$371,895 for the three and six months ended June 30, 2023 due primarily to the elimination of targeted support functions in Head office late in Q2 2022 and management's efforts since Q3 2022 to streamline the US operations.
- During the three and six months ended June 30, 2023, \$452,306 and \$659,495 was collected on the ERC receivable. The funds were used to reduce the outstanding balance of the non-revolving demand loan from \$640,000 at December 31, 2022 to \$nil as of June 30, 2023.
- Q2 2023 income from operating activities was \$116,662 compared to a loss from operating activities of \$430,883 in Q2 2022. Loss from operating activities decreased to \$66,202 for the six months ended June 30, 2023 from \$629,712 for the same period in 2022. The improvement for the three and six month periods is primarily due to the decrease in Head office and operations management expense, a general reduction in Head office costs due to a stronger U.S. dollar, and a decrease in amortization and depreciation expense.
- During the quarter, the litigation previously initiated by Nova Leap in Q2 2022 was settled, resulting in a total gain of \$352,789. The settlement consisted of a cash payment of \$95,000 received during the quarter, forgiveness of the remaining promissory notes plus accrued interest of \$257,789 and the elimination of any future earnout payments.
- In Q2 2023, a goodwill impairment loss of \$350,567 was recorded in the Corporation's US – RI CGU. The impairment loss is based on the loss of client service hours and the expected longer recovery time to return to previous revenue levels.
- Net loss was \$183,501 and \$480,377 for the three and six months ended June 30, 2023 as compared to \$24,746 and \$414,420 for the same periods in 2022. The increase in net loss was due to foreign exchange losses of \$353,657 and \$365,404 for the three and six months ended June 30, 2023 as compared to foreign exchange gains of \$422,299 and \$229,736 for the three and six months ended June 30, 2023 due to the strengthening of the U.S. dollar in 2023.
- During Q2, one of the Corporation's demand loans was fully repaid and total liabilities decreased by \$1,543,826 as compared to December 31, 2022.

NOVA LEAP'S STRATEGY

Nova Leap will continue with its strategy of acquiring home and home health care companies and will consider opportunities in the United States and Canada where clients pay out of pocket, are covered through long-term care insurance programs or government programs such as Medicare or the Department of Veteran Affairs. The Corporation has completed nineteen acquisitions as of the date of this MD&A and has opened one organic location. Achieving the Corporation's plans remains dependent on management's ability to operate cash flow positive subsidiaries, acquire profitable home and home health care businesses and to arrange financing to complete such acquisitions.

Post-acquisition, Nova Leap's strategy is to enhance all businesses and increase Adjusted EBITDA through the following:

- Enhancement of sales and marketing strategies;
- Implementation of efficiencies around payroll, scheduling, billing, accounting and human capital;
- Increased investment in staff and staff training;
- Expansion of services, partnerships and geographical coverage;
- In-State and in-Province organic expansion by increased office location footprint; and
- Enhancement of risk management policies.

OPERATIONS OVERVIEW

The Corporation, through its subsidiaries, provides the following services to clients and families:

- Dementia care;
- Companionship;
- Personal care;
- Respite care;
- Cooking and meal preparation;
- Light housekeeping;
- Activities of daily living;
- Transportation services;
- Medication reminders; and

- Medication administration by nursing staff.

Services are generally paid directly by clients, the Department of Veteran Affairs or through long-term care insurance programs. Services are provided in private homes, assisted living communities, hospitals, nursing homes, hospice and rehabilitation centers.

RESULTS OF OPERATIONS

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
	\$	\$	\$	\$
Revenues				
Service revenues	6,677,360	6,986,758	13,073,436	14,283,367
Operating expenses				
Cost of service	4,217,841	4,512,126	8,361,961	9,267,652
	2,459,519	2,474,632	4,711,475	5,015,715
Corporate and administrative expenses				
Head office and operations management	1,525,981	1,795,934	3,158,456	3,530,351
General & administrative	547,454	644,748	1,080,910	1,223,852
Amortization and depreciation	256,835	373,676	490,862	704,564
Stock-based compensation	12,587	91,157	47,449	186,660
	2,342,857	2,905,515	4,777,677	5,645,427
Income (loss) from operating activities	116,662	(430,883)	(66,202)	(629,712)
Other income (expenses)				
Foreign exchange (loss) gain	(353,637)	422,299	(365,404)	229,736
Impairment loss	(350,567)	-	(350,567)	-
Finance expense	(23,358)	(42,900)	(92,813)	(66,845)
Litigation settlement gain	352,789	-	352,789	-
Acquisition related and other legal	(11,769)	(46,306)	(118,260)	(65,535)
Other expenses	(7,064)	(8,280)	(9,245)	(19,262)
	(393,626)	324,813	(583,500)	78,094
Loss before income taxes	(276,964)	(106,070)	(649,702)	(551,618)
Income taxes				
Current income tax expense	(8,542)	(53,981)	(17,232)	(209,431)
Deferred income tax recovery	102,005	135,305	186,557	346,629
	93,463	81,324	169,325	137,198
Net loss	(183,501)	(24,746)	(480,377)	(414,420)

The Corporation reported net loss of \$183,501 and \$480,377 for the three and six months ended June 30, 2023 as compared to \$24,746 and \$414,420 for the three and six months ended June 30, 2022. The following is a discussion of the items that contributed to the change in net loss period over period.

Revenues

Revenues are billed at the hourly rates specified in client agreements and are recognized at the time services are rendered. The decrease in revenues of \$309,398 and \$1,209,931 for the three and six months ended June 30, 2023 as compared to the same period in the prior year is attributable to the loss of client service hours at several agencies, including the New England agency where a lawsuit was settled during the quarter. The decline in client service hours is in part due to staffing shortages and the closure of one of our physical locations for which we had previously recognized a goodwill impairment. We have implemented focused plans for marketing, recruitment and retention to drive revenue growth.

Cost of Services and Gross Margin

Cost of services is comprised of hourly employee compensation, related payroll taxes, benefits and workers compensation insurance. The decrease for the three and six months ended June 30, 2023 is primarily related to decreased revenues.

Gross margin percentage increased to 36.8% and 36.0% for the three and six months ended June 30, 2023 from 35.4% and 35.1% for the three and six months ended June 30, 2022 due in part to billing rate increases during the period. Gross margin varies slightly by location and period based on staffing models (use of overtime), billing rates, paid holidays, workers' compensation rates and state specific payroll taxes.

Corporate and administrative expenses

Head office and operations management expenses include total compensation for all home care agency office staff as well as total compensation of Head office employees and directors of the Board. The quarter-over-quarter and year-over-year decreases were mainly a result of the elimination of targeted head office support functions late in Q2 2022 and management's efforts since Q3 2022 to streamline the US operations.

The decrease is partially offset by directors' fees recognized in Head office and operations management expenses in 2023 as compared to stock-based compensation during the same periods in 2022. The Directors elected to receive their directors' fees in DSUs from Q3 2021 to Q3 2022 which resulted in a decrease in Head office and operations management expenses with a corresponding increase in stock-based compensation in those periods. The total number of shares available for issuance under the DSU plan was reached in Q3 2022 and, as a result, directors' fees for the three and six months ended June 30, 2023 were included in Head office and operations management expenses.

General and administrative expenses relate to all advertising, bank charges/credit card processing fees, IT software, hardware and support, insurance, rent and occupancy costs and supplies related to all agency locations and Head Office. It also includes all fees related to running a public company including professional fees, regulatory and transfer agent fees and investor relations. The quarter-over-quarter and year-over-year decreases were primarily a result of the stronger U.S. dollar in 2023 and cost saving measures implemented in certain agencies.

Amortization and depreciation decreased in the three and six months ended June 30, 2023 primarily due to a reduced rate of amortization of customer lists and non-compete agreements relating to the five business acquisitions in 2021.

Other income and other expenses

Foreign exchange gains and losses will vary from quarter to quarter based on the period end foreign exchange rates used in the translation of monetary balances in Head Office. These foreign exchanges gains or losses are primarily unrealized and non-cash. For the three and six months ended June 30, 2023, foreign exchange losses of \$353,657 and \$365,404 were recognized due to the weakening of the US dollar. The US dollar exchange rate at June 30, 2023 decreased by 2.2% as compared to the exchange rates at March 31, 2023 and December 31, 2022. For the three and six months ended June 30, 2022, foreign exchanges gains of \$422,299 and \$229,736 were due to an increase in the US dollar exchange rate of 3.1% and 1.6% at June 30, 2022 as compared to the exchange rate at March 31, 2022 and December 31, 2021.

The impairment loss of \$350,567 for the three and six months ended June 30, 2023 was a result of a goodwill impairment loss recorded for the US-RI CGU in Q2 2023.

Finance expense decreased to \$23,358 for Q2 2023 as compared to \$42,900 in Q2 2022 due to lower demand loan balances, in addition to interest received on collection of the ERC receivable. Finance expense in Q2 2022 was impacted by a fair value gain of \$69,092 related to a decrease in expected future contingent consideration payments.

Finance expense for the six months ended June 30, 2023 increased to \$92,813 as compared to \$66,845 for the six months ended June 30, 2022 due primarily to the recognition of fair value gains of \$149,039 for the six months ended June 30, 2022 related to a decrease in expected future contingent consideration payments, partially offset by the impact of lower demand loan balances and the impact of interest received on the ERC receivable in 2023.

The litigation settlement gain of \$352,789 for the three and six months ended June 30, 2023 related to the settlement of litigation previously initiated in Q2 2022.

Acquisition related and other legal expenses of \$11,769 and \$118,260 for the three and six months ended June 30, 2023 are related to the litigation that was settled during Q2 2023.

Income taxes

Nova Leap's combined statutory income tax rate is comprised of a blended federal and provincial corporate income tax rate of 29% (2022 – 29%) in Canada and a blended federal and state corporate income tax rate of 25.21% (2022 – 25.21%) in the United States, based on the locations where the Group operates. Nova Leap's effective tax rates for the three and six months ended June 30, 2023 and 2022 will vary from the combined statutory income tax rates as stock-based compensation and the majority of Nova Leap's foreign exchange losses are not deductible for income tax purposes. Income tax recovery was \$93,463 and \$169,325 for the three and six months ended June 30, 2023 compared to \$81,324 and \$137,198 for the same period in 2022.

At June 30, 2023, Nova Leap has non-capital income tax losses of \$225,831 (CAD\$299,000) available to reduce future taxable income in Canada and non-capital income tax losses of \$2,905,062 available to reduce future taxable income in the US.

SEGMENTED INFORMATION

Management identifies the Group's reportable segments as U.S. operations and Canadian 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 financial reporting, strategic guidance, capital allocation and merger and acquisition services.

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.

Segment information for the reporting period is as follows:

	For the three months ended June 30, 2023				
	US	Canada	Total Reportable Segments	Group Head Office	Total
	\$	\$	\$	\$	\$
Segment revenues	5,763,763	911,182	6,674,945	2,415	6,677,360
Cost of services	3,576,507	641,334	4,217,841	-	4,217,841
Gross margin	2,187,256	269,848	2,457,104	2,415	2,459,519
Corporate & administrative ⁽¹⁾	1,589,363	170,050	1,759,413	314,022	2,073,435
Adjusted EBITDA	597,893	99,798	697,691	(311,607)	386,084
Amortization and depreciation	225,550	14,712	240,262	16,573	256,835
Stock-based compensation	1,549	2,903	4,452	8,135	12,587
Segment operating income (loss)	370,794	82,183	452,977	(336,315)	116,662
Gross margin %	37.9%	29.6%	36.8%	-	36.8%
Impairment loss	350,567	-	350,567	-	350,567
Segment assets	18,665,336	2,886,794	21,552,130	830,607	22,382,737

	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 ⁽¹⁾	1,872,926	189,171	2,062,097	378,585	2,440,682
Adjusted EBITDA	257,958	151,792	409,750	(375,800)	33,950
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)
Gross margin %	35.6%	33.9%	35.4%	-	35.4%
Segment assets	21,687,644	2,907,764	24,595,408	905,230	25,500,638

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

Nova Leap had positive Adjusted EBITDA and segment operating income in the US and Canada operating segments in Q2 2023.

Adjusted EBITDA in the US segment increased from \$257,958 in Q2 2022 to \$597,893 in Q2 2023. The decrease in revenues in the US segment is primarily due to the decline in client service hours at several agencies as a result of staffing shortages and the closure of one of our physical locations, however gross margin increased due to billing rate increases and operational efficiencies implemented in 2023. Corporate and administrative costs decreased year over year due to management's efforts to streamline the US operations since Q3 2022.

The Canadian segment's revenues in CAD dollars in Q2 2023 decreased by 5% as compared to Q2 2022 due to a reduction in client service hours, however due to a stronger U.S. dollar in 2023 revenues decreased by 9% in U.S. dollars. Adjusted EBITDA also decreased due to an increase in caregiver wages partially offset by lower Corporate and administrative costs resulting from the stronger U.S. dollar in Q2 2023.

Group Head office negative Adjusted EBITDA in Q2 2023 was lower than Q2 2022 due to the elimination of targeted support functions late in Q2 2022 and a stronger U.S. dollar in Q2 2023 which was offset by the recognition of directors' fees in Corporate and administrative expenses in Q2 2023 as compared to stock-based compensation in Q2 2022.

For the six months ended June 30, 2023					
	US	Canada	Total Reportable Segments	Group Head Office	Total
	\$	\$	\$	\$	\$
Segment revenues	11,249,093	1,819,529	13,068,622	4,814	13,073,436
Cost of services	7,085,327	1,276,634	8,361,961	-	8,361,961
Gross margin	4,163,766	542,895	4,706,661	4,814	4,711,475
Corporate & administrative ⁽¹⁾	3,251,459	342,404	3,593,863	645,503	4,239,366
Adjusted EBITDA	912,307	200,491	1,112,798	(640,689)	472,109
Amortization and depreciation	427,882	29,944	457,826	33,036	490,862
Stock-based compensation	3,019	5,660	8,679	38,770	47,449
Segment operating income (loss)	481,406	164,887	646,293	(712,495)	(66,202)
Gross margin %	37.0%	29.8%	36.0%	-	36.0%
Impairment loss	350,567	-	350,567	-	350,567
Segment assets	18,665,336	2,886,794	21,552,130	830,607	22,382,737

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 ⁽¹⁾	3,640,090	371,648	4,011,738	742,465	4,754,203
Adjusted EBITDA	698,192	300,472	998,664	(737,152)	261,512
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)
Gross margin %	35.3%	33.7%	35.1%	-	35.1%
Segment assets	21,687,644	2,907,764	24,595,408	905,230	25,500,638

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

Nova Leap had positive segment operating income and Adjusted EBITDA in the US and Canada operating segments for the six months ended June 30, 2023 and 2022.

Adjusted EBITDA in the US Segment increased for the six months ended June 30, 2023 due primarily to a reduction in Corporate and administrative expenses as a result of the streamlining of US operations since Q3 2022. Revenue and gross margin decreased year over year due to a decline in client service hours at several agencies and the closure of one physical location, partially offset by an increase in client billing rates.

The Canadian segment's decline in revenue for the six months ended June 30, 2023 was impacted by a stronger U.S. dollar in 2023, as revenues in CAD dollars have decreased by 3% year over year. Gross margin was also impacted by an increase in caregiver wages in 2023. The impact of these items on Adjusted EBITDA was partially offset by lower Corporate and

administrative costs resulting from a stronger U.S. dollar in 2023.

Group Head office Adjusted EBITDA improved in the six months ended June 30, 2023 due to a stronger U.S. dollar and the elimination of targeted support functions late in Q2 2022 offset by the recognition of directors' fees in Corporate and administrative expenses in 2023 as compared to stock-based compensation in 2022.

CASH FLOWS, LIQUIDITY AND CAPITAL RESOURCES

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
	\$	\$	\$	\$
Cash provided by (used in) operating activities	664,685	(682,322)	959,012	(313,936)
Cash used in investing activities	-	(16,010)	(23,129)	(37,855)
Cash used in financing activities	(674,412)	(495,257)	(1,324,580)	(942,137)
Effect of foreign exchange rate change on cash and cash equivalents	3,619	(4,297)	4,308	9,423
Decrease in cash and cash equivalents	(6,108)	(1,197,886)	(384,389)	(1,284,505)

Operating Activities

In Q2 2023, cash provided by operating activities increased to \$664,685 from negative \$682,322 in Q2 2022 primarily due to an increase in Adjusted EBITDA in Q2 2023 (as discussed in *Segmented Information* above) and the collection of the government tax credit receivable of \$452,306. In addition, changes in non-cash operating working capital improved to negative \$259,374 in Q2 2023 from negative \$779,465 in Q2 2022. Changes in non-cash operating working capital in Q2 2022 were negatively impacted by the payment of \$350,000 in income taxes.

For the six months ended June 30, 2023, cash provided by operating activities increased to \$959,012 from negative \$313,936 in 2022 due to an increase in Adjusted EBITDA, an increase in the collection of government tax credits receivable and a reduction in cash used in non-cash working capital in 2023.

The operating activities for the three and six months ended June 30, 2023 were primarily related to ongoing management of home care operations, management expenses for back-office support of operations and the corporate and administrative costs (such as professional fees, consulting fees and salary, regulatory and transfer agent fees) associated with operating a public company.

Investing Activities

The Corporation's cash used in investing activities of \$nil and \$23,129 for the three and six months ended June 30, 2023 decreased from \$16,010 and \$37,855 for the same periods in 2022.

Financing Activities

The Corporation's cash used in financing activities increased to \$674,412 and \$1,324,580 for the three and six months ended June 30, 2023 due primarily to the non-revolving demand loan payments of \$430,000 and \$640,000 in those periods.

Financing activities for 2023 and 2022 also included regular payments of principal and interest on demand loans, promissory notes and leases.

Liquidity and Capital Resources

As of June 30, 2023, the Corporation had cash and cash equivalents of \$888,257 and positive working capital of \$385,108. The working capital has been reduced by the full amount of Schedule 1 Canadian bank demand loans of \$443,431, not the amount due in the next twelve months of \$302,522, as the demand loans are classified as current liabilities due to their demand feature.

The Corporation currently has enough cash and cash equivalents as well as access to an unused revolving credit facility of \$1,132,931 (CAD\$1,500,000) to meet its contractual obligations including scheduled loan payments for the next year but based on the existing situation, additional cash flow for acquisitions and financing could be required to support future operations and to fund significant future acquisitions. Management believes it has the ability to obtain additional capital financing as needed.

Future growth plans will be dependent on management's ability to raise required funding through future issuances of equity or debt, its ability to acquire targets or business interests and develop profitable operations or a combination thereof, which is not assured. The plan is to grow the Corporation through acquisitions such that operations will, at a minimum, support all debt

financing costs. The Corporation has no commitments for capital expenditures or asset acquisitions as of June 30, 2023.

Additional potential sources of funding include unexercised stock options. On June 30, 2023, the Corporation had 7,711,250 stock options outstanding at a weighted average exercise price of CAD\$0.41 of which 6,412,813 are vested and exercisable at June 30, 2023 at a weighted average exercise price of CAD\$0.39. The exercise of all vested and in the money stock options could potentially bring in additional financing of CAD\$110,500. However, there is no certainty that the Corporation will receive these stock option proceeds over time as not all stock options may be exercised.

SUMMARY OF QUARTERLY RESULTS

A summary of quarterly results is included in the table below. The financial information is extracted from or derived from the Corporation's consolidated financial statements.

	June 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022
	\$	\$	\$	\$
Revenues	6,677,360	6,396,076	6,780,083	7,141,654
Impairment loss	350,567	-	514,403	-
Net (loss) income	(183,501)	(296,876)	(970,395)	549,070
Net (loss) income per share - basic and diluted	(0.00)	(0.00)	(0.01)	0.01
Cash provided by (used in) operating activities	664,685	294,327	(193,089)	1,527,755
	June 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021
	\$	\$	\$	\$
Revenues	6,986,758	7,296,609	5,910,257	5,263,242
COVID-19 relief programs income	-	-	(96,131)	1,871,265
Net (loss) income	(24,746)	(389,674)	(726,330)	1,259,384
Net (loss) income per share - basic and diluted	(0.00)	(0.00)	(0.01)	0.02
Cash (used in) provided by operating activities	(682,322)	368,386	577,145	1,590,738

Revenues

Same agency revenues (agencies owned from July 1, 2021 onward) decreased from \$5.01 million in Q3 2021 to \$4.39 million in Q2 2023, approximately 12% below Q3 2021 revenues due primarily to the loss of significant client service hours at several agencies, including the New England agency where a lawsuit was settled in Q2 2023. The decline in client service hours is due in part to staffing shortages and the closure of one of our physical locations for which we had previously recognized a goodwill impairment.

Five acquisitions were completed in the latter part of 2021 adding \$0.25 million of revenues in Q3 2021, \$1.19 million in Q4 2021, \$2.74 million in Q1 2022, \$2.59 million in Q2 2022, \$2.52 million in Q3 2022, \$2.40 million in Q4 2022, \$2.19 million in Q1 2023 and \$2.28 million in Q2 2023.

Net Income (Loss)

Net income was positively impacted in Q3 2021 by the recognition of income from COVID-19 relief programs, primarily the ERC. The ERC resulted in COVID-19 relief programs income of \$1,846,969 in Q3 2021. The ERC program was discontinued effective September 30, 2021 and as a result, there was no COVID-19 relief program income after Q3 2021 resulting in a decrease in net income in these periods.

Net income was negatively impacted by a goodwill impairment loss of \$350,567 in the US-RI CGU in Q2 2023 and \$514,403 in the US-MA II CGU in Q4 2022.

Net loss was positively impacted in Q2 2023 by a litigation settlement gain of \$352,789.

Net income (loss) will vary each quarter based on the period end foreign exchange rates due to the translation of US dollar monetary balances to Canadian dollars in Head Office. In Q3 2022, a foreign exchange gain of \$880,705 was recognized due to a 6.4% strengthening of the US dollar relative to the Canadian dollar increasing net income in that period.

Cash provided by operating activities

Cash provided by operating activities was positively impacted by the receipt of an instalment of the ERC of \$452,306 in Q2 2023, \$207,189 in Q1 2023, \$917,474 in Q3 2022, \$1,678,307 in Q3 2021 and \$1,651,207 in Q4 2021.

Cash used in operating activities of \$682,322 in Q2 2022 was negatively impacted by the net change in non-cash operating working capital of \$779,465.

Cash provided by operating activities of \$577,145 in Q4 2021 was negatively impacted by a decrease in the net change in non-cash operating working capital of \$1,080,835.

TRANSACTIONS WITH RELATED PARTIES

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. 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	
	2023	2022	2023	2022
	\$	\$	\$	\$
Management compensation	98,652	103,568	204,053	213,077
Directors' compensation including deferred share units	35,738	37,606	71,242	75,512
Stock-based compensation	27,805	46,413	54,487	92,094
	162,195	187,587	329,782	380,683

On April 29, 2021, the Shareholders approved an Amended and Restated Equity Incentive Plan ("Plan") for directors, employees and consultants which allowed for the issuance of deferred share units ("DSUs"). As permitted under the plan, all the directors elected to receive their directors' fees in DSUs effective July 1, 2021. DSU grants are based on the volume weighted average share price of the Corporation's common shares over the five previous trading days. DSUs cannot be redeemed for shares until the director retires, resigns or otherwise leaves the Board of Directors. When redeemed, each vested DSU will be redeemed for one Nova Leap common share. The total number of shares available for issuance under the DSU plan of 500,000 common shares was reached as of Q3 2022.

On June 28, 2023, the shareholders approved a Second Amended and Restated Equity Incentive Plan for directors, employees and consultants which removed the fixed maximum number of common shares that may be issued upon redemption of deferred share units.

During the three and six months ended June 30, 2022, Nova Leap granted to the directors 125,784 DSUs at a weighted average share price of CAD\$0.3816 and 206,576 DSUs at a weighted average share price of CAD\$0.4647. All DSUs were granted under, and are subject to, the terms and conditions of the Corporation's Amended and Restated Equity Incentive Plan.

OFF BALANCE SHEET ITEMS

The Corporation has no off-balance sheet arrangements.

OUTSTANDING SHARE DATA

Authorized capital stock consists of an unlimited number of common shares without nominal or par value.

As at the date of the MD&A, there were 86,209,252 common shares of the Corporation issued and outstanding, 7,711,250 stock options and 500,000 DSUs outstanding.

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, 2023	December 31, 2022
	\$	\$
Cash and cash equivalents	888,257	1,272,646
Accounts receivable	1,672,987	1,753,285
	2,561,244	3,025,931

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 of June 30, 2023, the Group had \$61,084 collected for client deposits (December 31, 2022 - \$57,538), representing approximately 3.7% of outstanding accounts receivable, billed and accrued (December 31, 2022 – 3.3%).

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 cash balances 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 over the next twelve months. Cash flows from accounts and other receivables are all contractually due within 30 days.

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

As at June 30, 2023	< 1 year	1-2 years	3-5 years	> 5 years
	\$	\$	\$	\$
Account payable and accrued liabilities	1,122,866	-	-	-
Client deposits	61,084	-	-	-
Demand loans, principal and interest	302,522	165,524	-	-
Promissory notes, principal and interest	555,000	126,000	-	-
Lease liability, principal and interest	386,807	326,505	558,617	276,567
Government loans	60,423	-	-	-
Total	2,488,702	617,729	558,617	276,567

As at December 31, 2022	< 1 year	1-2 years	3-5 years	> 5 years
	\$	\$	\$	\$
Account payable and accrued liabilities	1,242,241	-	-	-
Client deposits	57,538	-	-	-
Demand loans, principal and interest	1,127,662	237,125	77,096	-
Promissory notes, principal and interest	940,000	126,000	-	-
Lease liability, principal and interest	405,842	359,260	656,390	303,223
Government loans	59,067	-	-	-
Total	3,832,350	722,385	733,486	303,223

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, 2023	December 31, 2022
	CAD\$	CAD\$
Cash and cash equivalents	247,321	821,821
Accounts receivable	230,806	223,223
Accounts payable & accrued liabilities	(413,625)	(424,171)
Demand loans	(76,802)	(277,698)
Lease liability	(954,077)	(1,012,977)
Government loans	(120,000)	(120,000)
	(1,086,377)	(789,802)

A change of 5.0% in the Canadian dollar exchange rate at June 30, 2023 would affect net loss and comprehensive loss and deficit by approximately \$39,000 (June 30, 2022 - \$64,000).

Interest rate sensitivity

As at June 30, 2023, 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 loss and comprehensive loss and deficit by approximately \$3,000 on an annual basis (June 30, 2022- \$27,000).

Fair value

All financial assets and liabilities except for the demand loans and promissory notes 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 is disclosed in notes 4 and 5 to the Unaudited Condensed Interim Consolidated Financial Statements as at June 30, 2023.

RISKS AND UNCERTAINTIES

The following information is a summary of certain risk factors relating to the business of the Corporation and its subsidiaries, and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this MD&A and the documents incorporated by reference herein.

Nova Leap and its subsidiaries are subject to certain risks inherent in the operation of the business. Nova Leap and its subsidiaries manage risk and risk exposures through a combination of management oversight, insurance, systems of internal controls and disclosures and sound operating policies and practices.

These risks and uncertainties are not the only ones facing the Corporation. Additional risks and uncertainties not currently known to the Corporation, or that the Corporation currently deems immaterial, may also impair operations of the Corporation.

If any such risks were to occur, the financial condition, liquidity and results of operations of the Corporation could be materially adversely affected and the ability of the Corporation to implement its plans could be adversely affected.

Risks Related to Ownership of Nova Leap Shares

Market Price of the Common Shares

The common shares of Nova Leap (“Common Shares”) are currently listed and posted for trading on the TSX Venture Exchange. Securities of small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. The price of the Common Shares is also likely to be significantly affected by short-term changes in cost of services, or in the financial condition or results of operations of the Corporation. Other factors unrelated to the performance of the Corporation that may have an effect on the price of the Common Shares include the following: the extent of analyst coverage available to investors concerning the business of the Corporation may be limited if investment banks with research capabilities do not follow the Corporation’s securities; lessening in trading volume and general market interest in the Corporation’s securities may affect an investor’s ability to trade significant numbers of the Common Shares; the size of the Corporation’s public float may limit the ability of some institutions to invest in the Corporation’s securities; a substantial decline in the price of the Common Shares that persists for a significant period of time could cause the Corporation’s securities to be delisted from an exchange on which they are listed, further reducing market liquidity; adverse changes in general market or industry conditions or economic trends; or a variety of other factors.

As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect the long-term value of the Corporation. Securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Corporation may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management’s attention and resources.

Future Sales of Shares by Shareholders

Sales of a large number of the Common Shares in the public markets, or the potential for such sales, could decrease the trading price of the Common Shares and could impair the Corporation’s ability to raise capital through future sales of the Common Shares. The Corporation cannot predict the effect that future sales of Common Shares or other equity related securities would have on the market price of the Common Shares.

Dilution

The Corporation may require additional funds in respect of the further development of the Corporation’s business. If the Corporation raises funds by issuing additional Common Shares or other equity securities, such financing will dilute the equity interests of its shareholders.

Dividends

The Corporation has never declared or paid any dividends on its Common Shares. The Corporation intends, for the foreseeable future, to retain its future earnings, if any, to finance its business activities. The payment of future dividends, if any, will be reviewed periodically by the Board and will depend upon, among other things, conditions then existing including earnings, financial conditions, cash on hand, financial requirements to fund business activities, development and growth, restrictions under the Corporation’s debt agreements and other factors that the Board may consider appropriate in the circumstances.

Risks Related to Growth Strategy

Our growth strategy depends on our ability to manage growth and effectively integrate operations and we may not be successful in managing this growth.

Our business plan calls for significant growth in our business over the foreseeable future through the expansion of our services in existing markets and the establishment of a presence in new markets. This growth has placed and continues to place significant demands on our management team, systems, internal controls and financial and professional resources. In addition, we will need to further develop our financial controls and reporting systems to accommodate our growth. This could require us to incur expenses for hiring additional qualified personnel, retaining professionals to assist in developing the appropriate control systems and expanding our information technology infrastructure. Our inability to effectively manage growth could have a material adverse effect on our financial results.

Previously completed or future acquisitions, or growth initiatives, may be unsuccessful and could expose us to unforeseen liabilities.

Our growth strategy includes geographical expansion into new markets and existing markets through the acquisition of home care agencies. These acquisitions involve significant risks and uncertainties, including difficulties assimilating acquired personnel and other corporate cultures into our business, the potential loss of key employees or clients, regulatory risks, the

assumption of liabilities, exposure to unforeseen liabilities of acquired agencies, and the diversion of the management team's attention.

In the past, we have made acquisitions that have not performed as expected. In addition, our due diligence review of acquired businesses may not successfully identify all potential issues. Further, following completion of an acquisition, we may not be able to maintain the growth rate, levels of revenue, earnings or operating efficiency that we and the acquired business have achieved or might achieve separately. The failure to effectively integrate future acquisitions could have a material adverse impact on our operations.

We may in the future selectively open new agencies in existing and new states. New agency locations involve risks, including those relating to licensing, hiring new personnel, and establishing relationships with referral sources. We may not be successful in generating sufficient business activity to sustain the operating costs of such new agency operations.

We may be unable to pursue acquisitions or expand into new geographic regions without obtaining additional capital or consent from our lenders.

We believe that future bank borrowings will be based on a multiple of an Adjusted EBITDA or cash flow ratio. An inability to produce sufficient Adjusted EBITDA to support debt repayments could cause an inability of the Corporation to achieve additional bank financing. We cannot predict the timing, size and success of our acquisition efforts, our efforts to expand into new geographic regions or the associated capital commitments. If we do not have sufficient cash resources, or availability through additional bank financing, our growth could be limited unless we obtain additional equity or debt financing. In the future, we may elect to issue additional equity securities in conjunction with raising capital, completing an acquisition or expanding into a new geographic region. Such issuances could be dilutive to existing shareholders.

In addition, our ability under our credit facility to consummate acquisitions is subject to approval by our lender. Our ability to expand in a manner consistent with historic practices may be limited if we are unable to obtain such consent from our lenders.

Risks Related to Operations

Limited History of Operations

The Corporation has a limited history of operations. There can be no assurance that the business of the Corporation and/or its subsidiaries will be successful and generate, or maintain, any profit.

Shortage of caregivers

There is a shortage of caregivers in many of the regions in which the Group operates. As a result, the Group may face higher costs of recruiting and retaining caregivers, compensating caregivers or loss of clients and revenues which would all adversely impact the Corporation.

Renewal of Home Care Licenses

There are licensing requirements in the States of New Hampshire, Rhode Island and Oklahoma to provide home care or home health care services and there may be similar licensing requirements in other jurisdictions in which the Corporation expands its operations. Such a license is subject to an annual renewal, and as a result there is no assurance or guarantee that the Corporation will pass any future license renewal processes. If the license is not renewed it will impact the ability to generate future profits. The Corporation currently operates under valid licenses.

Our industry is highly competitive, fragmented and market-specific

We compete with other personal care service agencies, including privately held single-site agencies as well as franchises and private caregivers including family members. Some of our competitors may have greater financial, technical, political and marketing resources, name recognition or a larger number of clients than we do. In addition, some of these organizations offer more services than we do in the markets in which we operate. These competitive advantages may limit our ability to attract and retain referrals in local markets and to increase our overall market share.

In many states and provinces, there are limited barriers to entry in providing personal care services. However, some states require entities to obtain a license before providing home care services. In addition, economic changes such as increases in minimum wage and changes in Department of Labor rules can also impact the ease of entry into a market. These factors may affect competition in the states in which we operate.

Our agreements with clients are not exclusive and there is no cost of cancellation of services. Local competitors may develop strategic relationships with referral sources and payors. This could result in pricing pressures, loss of or failure to gain market

share or loss of clients, any of which could harm our business and have a negative impact on our results of operations.

United States Operations and Exchange Rate Fluctuations

The Corporation conducts many of its operations through its United States subsidiaries. Therefore, to the extent of these holdings, the Corporation (directly and indirectly) is dependent on the cash flows of these subsidiaries to meet its obligations. The ability of such subsidiaries to make payments to their parent companies may be constrained by the following factors: the level of taxation, particularly corporate profits and withholding taxes, in the jurisdiction in which each subsidiary operates; and the introduction of exchange controls or repatriation restrictions or the availability of hard currency to be repatriated.

In the past, the Corporation has financed acquisitions of US businesses in part by obtaining U.S. denominated loans that could then be serviced and repaid from anticipated future US earnings streams. Although this natural hedging strategy is partially effective in mitigating future foreign currency risks, a substantial portion of Nova Leap's revenue and cash flows are now, and are expected to continue to be, generated in US dollars. Fluctuations in exchange rates between the Canadian dollar and the US dollar may have a material adverse effect on the Corporation's reported earnings and cash flows and its ability to make future Canadian dollar cash dividends. Fluctuations in the exchange rates between the Canadian dollar and the U.S. currency may also have a material adverse effect on Nova Leap's share price. To reduce volatility from exchange rates, Nova Leap reports results in USD. The Corporation will continue to maintain cash balances in both United States and Canadian dollars, but management does not currently anticipate that it will purchase any securities or financial instruments to speculate on, or hedge against, a rise or fall in the value of the United States dollar.

Goodwill and/or intangible assets impairment

Goodwill and intangible assets with finite lives represent a significant portion of our assets. Goodwill represents the excess of cost over the fair market value of net assets acquired in business combinations. For example, if our market capitalization drops significantly below the amount of net equity recorded on our balance sheet, it might indicate a decline in our fair value and would require us to further evaluate whether our goodwill has been impaired.

If as part of our annual review of goodwill and intangibles, we were required to write down all or a significant part of our goodwill and/or intangible assets, our net earnings and net worth could be materially adversely affected, which could affect our ability to obtain additional financing. In addition, if our assumptions used in preparing our valuations for purposes of impairment testing differ materially from actual future results, we may record impairment charges in the future and our financial results may be materially adversely affected. Nova Leap recognized an impairment loss of \$350,567 in Q2 2023 and \$514,403 in Q4 2022 for CGUs that had not performed according to forecasts and expectations from the time of acquisition.

It is not possible at this time to determine if there will be any future impairment charges, or if there is, whether such charges would be material. We will continue to review our goodwill and other intangible assets for possible impairment. We cannot be certain that a downturn in our business, changes in market conditions or rising interest rates as a result of inflation will not result in an impairment of goodwill or other intangible assets and the recognition of resulting expenses in future periods, which could adversely affect our results of operations for those periods.

Liability Risks

Government Regulation and Tax Risk

Nova Leap and its subsidiaries are subject to various federal, state, provincial, and local laws, regulations and taxation authorities. Various federal, state, provincial and local agencies as well as other governmental departments administer such laws, regulations and their related rules and policies. New laws governing Nova Leap or its business could be enacted or changes or amendments to existing laws and regulations could be enacted which could have a significant impact on the Corporation. Nova Leap utilizes the services of professional advisors in the areas of taxation, labour and general business law to mitigate the risk of non-compliance. Failure to comply with the applicable laws, regulations or tax changes may subject the Corporation to civil or regulatory proceedings and no assurance can be given that this will not have a material impact on financial results.

Our insurance liability coverage may not be sufficient for our business needs.

Although Nova Leap maintains insurance consistent with industry practice, the insurance we maintain may not be sufficient to satisfy all claims made against us. We cannot assure you that claims will not be made in the future in excess of the limits of our insurance, and any such claims, if successful and in excess of such limits, may have a material adverse effect on our business or assets. If losses on asserted claims exceed the current insurance coverage and accrued reserves, our business, results of operations and financial condition could be adversely affected. Changes in our annual insurance costs depend in large part on the insurance market, and insurance coverage may not continue to be available to us at commercially reasonable rates, in adequate amounts or on satisfactory terms.

Nova Leap maintains insurance consistent with industry practice including general liability, property and automobile as well as worker's compensation insurance, through insurance policies with insurance carriers located in the US and Canada. Nova Leap also insures its directors and officers against liabilities arising from errors, omissions and wrongful acts. Management uses its knowledge, as well as the knowledge of experienced brokers, to ensure that insurable risks are insured appropriately under terms and conditions that would protect Nova Leap and its subsidiaries from losses. There can be no assurance that all perils would be fully covered or that a material loss would be recoverable under such insurance policies.

We may have exposure to unforeseen tax liabilities.

We are subject to income taxes, as well as non-income based taxes (such as payroll taxes), in the United States and Canada and our tax structure is subject to review by numerous taxation authorities. Significant judgment is required in determining our worldwide provision for income taxes and other tax liabilities. In the ordinary course of a global business, there are many inter-company transactions and calculations where the ultimate tax determination is uncertain. Although we strive to ensure that our tax estimates and filing positions are reasonable, we cannot assure you that the final determination of any tax audits and litigation will not be different from what is reflected in our historical income tax provisions and accruals, and any such differences may materially affect our operating results for the affected period or periods.

Risks Related to the COVID-19 Pandemic and External Factors

The COVID-19 pandemic could negatively affect our operations, business and financial condition, and our liquidity could also be negatively impacted, particularly if the U.S. and Canadian economies remain unstable for a significant amount of time. The effects of COVID-19 continue to affect the overall economic conditions in the United States and Canada where the Corporation operates. At this time, it is unknown the extent the impact of the COVID-19 outbreak may have on the Corporation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. Although many of the restrictions have eased, there are no reliable estimates of 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. Global stock markets have also experienced great volatility and a significant weakening of certain sectors. For these and other reasons, we are unable to predict the long-term impact of the pandemic on our business at this time.

We have experienced staffing shortages which has impacted our ability to schedule and provide services to all of our current or future clients, and we expect that this difficulty will continue for the foreseeable future. As front-line providers of personal care services, our employees that contract COVID-19 could be unable to continue to perform their duties, and we could face litigation if our employees or clients contract COVID-19 while our employees perform their duties. In addition, we have incurred and will continue to incur additional costs related to protecting the health and well-being, and meeting the needs, of our clients and employees as we implement operational changes in response to the pandemic. While the COVID-19 pandemic has not had a negative material effect on our business (primarily as a result of the receipt of government financial assistance to help mitigate the impact of COVID-19 on the Corporation), financial condition and results of operations, the extent of future impact will depend on future developments that cannot be accurately predicted at this time.

The foregoing and other continued disruptions to our business as a result of the COVID-19 pandemic could result in an adverse effect on our business, results of operations, financial condition, liquidity, cash flows and our ability to service our indebtedness. Furthermore, the COVID-19 pandemic could heighten the risks in certain of the other risk factors described in this MD&A.

Data Security and Privacy Risks

Our business depends on our information systems. Our operations may be disrupted if we are unable to effectively integrate, manage and maintain the security of our information systems.

Our business depends on effective and secure information systems that assist us in, among other things, gathering information to improve the quality of consumer care, optimizing financial performance, and enhancing staff efficiency. Our business also depends on a comprehensive payroll and human resources system for basic payroll functions and reporting, payroll tax reporting and benefits tracking and offerings. Our business supports the use of Electronic Visit Verification ("EVV") to collect visit submission information through our delivery of home care services. Our solution, when used to its full functionality, uses telephony to capture time in and time out, mileage and travel time, as well as the completed care plan tasks.

We rely on external service providers to provide continual maintenance, upgrading, and enhancement of our primary information systems used for our operational needs. To the extent providers fail to support the software or systems, or if we lose our licenses, our operations could be negatively affected.

The COVID-19 pandemic also has led to an increase in administrative employees working remotely and, consequently,

accessing our system remotely. As a result, we are more dependent on our systems that facilitate remote access and potentially could experience increased risks.

If we experience a reduction in the performance, reliability, or availability of our information systems, our operations and ability to process transactions and produce timely and accurate reports could be adversely affected. If we experience difficulties with the transition and integration of information systems or are unable to implement, maintain, or expand our systems properly, we could suffer from, among other things, operational disruptions, regulatory problems, and increases in administrative expenses.

A cyber-attack or security breach could cause a loss of confidential client or employee data, give rise to remediation and other expenses, expose us to liability under HIPAA/PIPEDA, consumer protection laws, common law and other legal theories, subject us to litigation and federal and state governmental inquiries, damage our reputation, and otherwise be disruptive to our business.

We rely extensively on computer systems to manage clinical and financial data, to communicate with our clients, employees, payors (VA or insurance companies), vendors and other third parties, and to summarize and analyze our operating results. We at times exchange clinical and financial data with third parties in connection with our routine operations and in order to meet our contractual and regulatory obligations. We are required to comply with the federal and state privacy and security laws and requirements, including the Health Insurance Portability and Accountability Act (“HIPAA”).

In spite of our policies, procedures and other security measures used to protect our computer systems and data, we could (but have not to date) experience breaches that would require us to notify affected clients or employees and the government. There can be no assurance that we will not be subject to cyber-attacks or security breaches in the future. Such attacks or breaches could result in loss of protected client medical data or other information subject to privacy laws or disrupt our information technology systems or business.

In addition, COVID-19 may have an adverse impact on our information technology systems and our ability to securely preserve confidential information, including risks associated with telecommuting issues associated with our employees working remotely. If our privacy and security practices fail to comply with HIPAA and other applicable privacy and security laws and/or if we fail to satisfy applicable breach notification requirements in the event of a security breach, we could be subject to significant fines, penalties, lawsuits and reputational harm. In addition, we may be at increased risk because we outsource certain services or functions to, or have systems that interface with, third parties. Some of these third parties may store or have access to our data and may not have effective controls, processes, or practices to protect our information from attack, damage, or unauthorized access. A breach or attack, including those caused by updates and other releases, affecting any of these third parties could harm our business.

Human Capital Risks

We may not be able to attract and retain qualified personnel or we may incur increased costs in doing so.

We must attract and retain qualified non-executive personnel in the markets in which we operate in order to provide our services. We compete for personnel with other providers of social and medical services as well as companies in other service-based industries. Increased competition for trained personnel or general inflationary pressures may require that we enhance our pay and benefits packages to compete effectively for such personnel. We may not be able to offset such added costs by increasing the rates we charge for our services. An increase in personnel costs could negatively impact our business. In addition, if we fail to attract and retain qualified and skilled personnel, our ability to conduct our business operations effectively would be harmed.

Competition may be greater for managers, such as regional and agency directors. Our ability to attract and retain personnel depends on several factors, including our ability to provide employees with attractive assignments and competitive benefits and salaries. The loss of one or more of the members of the management team or the inability of a new management team to successfully execute our strategies may adversely affect our business. If we are unable to attract and retain qualified personnel, we may be unable to provide our services, the quality of our services may decline, and we could lose clients and referral sources.

With the widespread adverse impacts of the COVID-19 pandemic on the hospitality and other labor-intensive industries, we continue to believe we will have an opportunity to increase our hiring of new caregivers in the long term. However, in the near term, the enhanced unemployment benefits offered by several states have suppressed the opportunity to attract this new pool of potential caregivers in these states.

We depend on the services of our executive team members.

Our success depends upon the continued employment of certain members of our executive team to manage several of our key functional areas, including operations, business development, accounting, finance, human resources, marketing, information systems, and compliance. The departure of certain members of our executive team may materially adversely affect our operations.

General Risks

Inclement weather, natural disasters, acts of terrorism, pandemics, riots, civil insurrection or social unrest, looting, protests, strikes or street demonstrations may impact our ability to provide services.

Inclement weather, natural disasters, acts of terrorism, pandemics, riots, civil insurrection or social unrest, looting, protests, strikes or street demonstrations may prevent our employees from providing services to clients. Furthermore, prolonged disruptions as a result of such events in the markets in which we operate could disrupt our relationships with clients, caregivers and employees and referral sources located in affected areas and, in the case of our corporate office, our ability to provide administrative support services, including billing and payroll services. For example, most of our agencies are located in the North-eastern US or Canada, with exposure to blizzards and other major snowstorms, ice storms, hurricanes and flooding. The impact of disasters and similar events is inherently uncertain. Future inclement weather, natural disasters, acts of terrorism, pandemics, riots, civil insurrection or social unrest, looting, protests, strikes or street demonstrations may adversely affect our reputation, business and consolidated financial condition, results of operations and cash flows.

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in the Corporation’s Unaudited Condensed Interim Consolidated Financial Statements is the responsibility of management. In the preparation of the statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

In contrast to the certificate required under National Instrument 52-109 *Certificate of Disclosure in Issuers’ Annual and Interim Filings* (“NI 52-109”) for non-venture issuers, the Venture Issuer Basic Certificate (“Certificate”) does not include representations relating to the establishment and maintenance of disclosure controls and procedures (“DC&P”) and internal control over financial reporting (“ICFR”), as defined in NI 52-109. In particular, the certifying officers filing the Certificate are not making any representations relating to the establishment and maintenance of:

- i. controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii. a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Corporation’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the Certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

NATURE OF THE SECURITIES

The purchase of the Corporation’s securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. The Corporation’s securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment.

Approval

Dated August 10, 2023