



**Nova Leap Health Corp.**

**Condensed Interim Consolidated Financial Statements  
For the three and nine months ended September 30, 2019 and 2018**

**(Unaudited)  
(United States dollars)**

# Nova Leap Health Corp.

## Condensed Interim Consolidated Statement of Financial Position (Unaudited - United States dollars)

	September 30, 2019	December 31, 2018
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	657,362	1,283,505
Accounts receivable	1,418,986	1,486,318
Prepaid expenses	174,728	257,711
<b>Total current assets</b>	<b>2,251,076</b>	<b>3,027,534</b>
<b>Non-current assets</b>		
Property and equipment (note 4)	305,849	30,162
Intangible assets (note 5)	657,437	991,714
Goodwill (note 6)	8,658,039	8,205,276
Deferred income tax asset	117,975	204,395
<b>Total non-current assets</b>	<b>9,739,300</b>	<b>9,431,547</b>
<b>TOTAL ASSETS</b>	<b>11,990,376</b>	<b>12,459,081</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	810,364	923,688
Client deposits payable	86,066	85,434
Promissory notes (note 8)	569,575	491,498
Demand loans (note 9)	3,128,437	3,567,449
Lease liability (note 10)	125,364	-
<b>Total current liabilities</b>	<b>4,719,806</b>	<b>5,068,069</b>
<b>Non-current liabilities</b>		
Promissory notes (note 8)	378,500	563,483
Lease liability (note 10)	97,780	-
Deferred income tax liability	55,460	64,006
<b>Total non-current liabilities</b>	<b>531,740</b>	<b>627,489</b>
<b>TOTAL LIABILITIES</b>	<b>5,251,546</b>	<b>5,695,558</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 11)	8,690,814	8,291,861
Warrants (note 12)	704,803	930,510
Contributed surplus (note 14)	655,676	254,671
Accumulated other comprehensive loss	(236,814)	(411,120)
Deficit	(3,075,649)	(2,302,399)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>6,738,830</b>	<b>6,763,523</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>11,990,376</b>	<b>12,459,081</b>

Going concern (note 1)

Subsequent events (note 18)

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”

“Christopher Dobbin”

(signed)

Director

(signed)

Director

# Nova Leap Health Corp.

## Condensed Interim Consolidated Statement of Loss and Comprehensive Loss (Unaudited - United States dollars)

	For the three months ended		For the nine months ended	
	September 30, 2019 \$	September 30, 2018 \$	September 30, 2019 \$	September 30, 2018 \$
<b>Revenues</b>				
Service revenue	4,424,350	2,871,010	12,585,986	6,561,097
<b>Operating expenses</b>				
Cost of service	2,936,414	1,991,835	8,347,103	4,451,057
	<b>1,487,936</b>	<b>879,175</b>	<b>4,238,883</b>	<b>2,110,040</b>
<b>Corporate and administrative expenses</b>				
Head office and operations management	839,189	585,379	2,467,776	1,536,577
General & administrative	324,071	252,439	1,045,507	653,165
Amortization and depreciation	155,718	177,472	495,578	392,602
Stock based compensation (note 13)	51,823	26,248	247,084	134,395
	<b>1,370,801</b>	<b>1,041,538</b>	<b>4,255,945</b>	<b>2,716,739</b>
<b>Income (loss) from operating activities</b>	<b>117,135</b>	<b>(162,363)</b>	<b>(17,062)</b>	<b>(606,699)</b>
<b>Net finance, foreign exchange gains and acquisition expenses</b>				
Finance expense	(114,532)	(91,813)	(344,023)	(200,973)
Foreign exchange gain (loss)	49,134	(69,608)	(154,936)	75,104
Acquisition related expenses	(43,371)	(83,673)	(82,609)	(307,075)
	<b>(108,769)</b>	<b>(245,094)</b>	<b>(581,568)</b>	<b>(432,944)</b>
<b>Income (loss) before income tax</b>	<b>8,366</b>	<b>(407,457)</b>	<b>(598,630)</b>	<b>(1,039,643)</b>
Deferred income tax (expense) recovery	(6,085)	29,075	(75,997)	51,056
Current income tax expense	(45,355)	-	(82,789)	-
<b>Total income tax (expense) recovery</b>	<b>(51,440)</b>	<b>29,075</b>	<b>(158,786)</b>	<b>51,056</b>
<b>Net loss</b>	<b>(43,074)</b>	<b>(378,382)</b>	<b>(757,416)</b>	<b>(988,587)</b>
<b>Items that will be reclassified subsequently to profit or loss</b>				
Exchange gain (loss) on translation to presentation currency	(67,230)	96,429	174,306	(109,253)
<b>Total comprehensive loss</b>	<b>(110,304)</b>	<b>(281,953)</b>	<b>(583,110)</b>	<b>(1,097,840)</b>
<b>Weighted average number of shares outstanding (note 15)</b>	<b>61,047,322</b>	<b>53,679,899</b>	<b>60,725,256</b>	<b>44,819,522</b>
<b>Basic and diluted loss per share</b>	<b>\$ 0.00</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.02)</b>

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

# Nova Leap Health Corp.

## Condensed Interim Consolidated Statement of Changes in Shareholders' Equity (Unaudited - United States dollars)

	Common shares	Share capital \$	Warrants \$	Contributed surplus \$	Accumulated other comprehensive (loss) income \$	Deficit \$	Total equity \$
<b>Balance – January 1, 2019, as presented</b>	<b>59,639,966</b>	<b>8,291,861</b>	<b>930,510</b>	<b>254,671</b>	<b>(411,120)</b>	<b>(2,302,399)</b>	<b>6,763,523</b>
Adoption of IFRS 16, Leases (note 2)	-	-	-	-	-	(15,834)	(15,834)
Warrants exercised (note 12)	1,163,715	364,578	(55,642)	-	-	-	308,936
Warrants expired (note 12)	-	-	(170,065)	170,065	-	-	-
Stock based compensation (note 13)	-	-	-	247,084	-	-	247,084
Stock options exercised (note 13)	245,000	34,375	-	(16,144)	-	-	18,231
Net loss for the period	-	-	-	-	-	(757,416)	(757,416)
Other comprehensive income for the period	-	-	-	-	174,306	-	174,306
<b>Balance – September 30, 2019</b>	<b>61,048,681</b>	<b>8,690,814</b>	<b>704,803</b>	<b>655,676</b>	<b>(236,814)</b>	<b>(3,075,649)</b>	<b>6,738,830</b>
<b>Balance – January 1, 2018</b>	<b>29,722,100</b>	<b>2,596,157</b>	<b>399,980</b>	<b>107,975</b>	<b>58,564</b>	<b>(1,341,128)</b>	<b>1,821,548</b>
Units issued for cash, net of issuance costs	27,964,611	5,275,669	345,579	-	-	-	5,621,248
Broker shares issued	80,000	15,787	-	-	-	-	15,787
Broker warrants issued	-	-	176,477	-	-	-	176,477
Agent options exercised	350,000	40,736	-	(13,661)	-	-	27,075
Broker warrants exercised	2,400	767	(310)	-	-	-	457
Stock based compensation	-	-	-	134,395	-	-	134,395
Net loss for the period	-	-	-	-	-	(988,587)	(988,587)
Other comprehensive loss for the period	-	-	-	-	(109,253)	-	(109,253)
<b>Balance – September 30, 2018</b>	<b>58,119,111</b>	<b>7,929,116</b>	<b>921,726</b>	<b>228,709</b>	<b>(50,689)</b>	<b>(2,329,715)</b>	<b>6,699,147</b>

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

# Nova Leap Health Corp.

## Condensed Interim Consolidated Statement of Cash Flows (Unaudited - United States dollars)

	For the three months ended		For the nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	\$	\$	\$	\$
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Net loss for the period	(43,074)	(378,382)	(757,416)	(988,587)
Amortization	155,718	177,472	495,578	392,602
Deferred income tax expense (recovery)	6,085	(29,075)	75,997	(51,056)
Loss on disposal of property, plant and equipment	-	-	-	1,325
Stock based compensation (note 13)	51,823	26,248	247,084	134,395
Finance expense	103,062	91,813	317,149	200,973
Unrealized foreign exchange loss (gain)	(56,930)	78,397	156,232	(99,297)
Net changes in non-cash working capital balances related to operations				
Change in accounts receivable	18,388	45,522	67,332	(937,815)
Change in prepaid expense	(2,492)	23,784	82,983	(85,903)
Change in accounts payable and accrued liabilities	(37,651)	(81,938)	(113,324)	273,995
Change in client deposits payable	4,542	(10,796)	632	(34,687)
	199,471	(56,955)	572,247	(1,194,055)
<b>Investing activities</b>				
Purchase of property and equipment (note 4)	(15,483)	-	(15,483)	(35,103)
Acquisition of businesses (note 3)	1,795	(1,360,000)	(257,967)	(5,995,599)
	(13,688)	(1,360,000)	(273,450)	(6,030,702)
<b>Financing activities</b>				
Proceeds from issuance of Units, net of issue costs	-	1,171,927	-	5,813,511
Proceeds from exercise of Options (note 13)	-	-	18,226	27,075
Proceeds from exercise of warrants (note 12)	6,680	457	309,035	457
Proceeds from demand loan, net of transaction costs (note 9)	-	720,049	-	3,472,414
Repayment of demand loans and transaction costs (note 9)	(187,777)	(144,922)	(543,454)	(290,464)
Interest payments on demand loans	(56,666)	(54,916)	(178,344)	(114,416)
Repayment of promissory notes and interest (note 8)	(39,333)	-	(443,028)	-
Repayment of lease liability and interest (note 10)	(32,716)	-	(87,375)	-
	(309,812)	1,692,595	(924,940)	8,908,577
<b>Change in cash and cash equivalents for the period</b>	<b>(124,029)</b>	<b>275,640</b>	<b>(626,143)</b>	<b>1,683,820</b>
<b>Cash and cash equivalents – beginning of period</b>	<b>781,391</b>	<b>1,545,000</b>	<b>1,283,505</b>	<b>136,820</b>
<b>Cash and cash equivalents – end of period</b>	<b>657,362</b>	<b>1,820,640</b>	<b>657,362</b>	<b>1,820,640</b>
<b>Non-cash items:</b>				
Broker shares/warrants issued as share issue costs	-	19,101	-	161,440
Exercise of options/warrants	1,366	310	55,642	13,661
Exercise of stock options	16,144	-	16,144	-
Expiry of warrants	137,043	-	170,065	-
Issuance of promissory notes for acquisition of businesses	-	209,423	263,614	919,616

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

# Nova Leap Health Corp.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - United States dollars)

For the three and nine months ended September 30, 2019 and 2018

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### 1. Nature of operations and going concern

#### Nature of operations

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

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

The condensed interim consolidated financial statements were approved by the Board of Directors on November 7, 2019.

#### Going concern

The Group's consolidated financial statements have been prepared based on International Financial Reporting Standards applicable to a going concern, which assumes the Group will continue in operation for the foreseeable future realizing its assets and settling its liabilities and commitments in the normal course of business. While the Group has begun to realize improved cash flows and results from operations, there is doubt about the appropriateness of the going concern assumption as the Group incurred a net loss for the three and nine months ended September 30, 2019 of \$43,074 (2018 - \$378,382) and \$757,416 (2018 - \$988,587), respectively, does not yet have a prolonged history of reporting positive cash flows or income from operations and currently has a working capital deficiency, when factoring in Schedule 1 Bank demand loans that are amortized over five to seven years. The Group achieved positive total operating income excluding non-cash amortization and stock-based compensation and positive cash provided by operating activities for the three and nine months ended September 30, 2019. The positive operating income and operating cash flows from the existing and acquired home and home health care operations contribute to the Group's ability to increase overall operating income and improve cash flows from operations.

The continuing operations of the Group are dependent on its ability to develop sustainable positive cash flows in the future and to raise adequate financing, if necessary. In the past, the Group has raised funds through equity, convertible debt, Schedule 1 Bank demand loans and promissory notes to fund the purchase of home care businesses. The Group also has a working capital line of credit available.

There can be no assurance that the Group will be successful in achieving sustainable positive cash flows from operations or raising additional cash to finance operations. These condensed interim consolidated financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Group be unable to continue as a going concern, and these adjustments could be material.

### 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 ("IAS 34") 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 consolidated financial statements for the year ended December 31, 2018 except as described in Note 2(b). 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, 2018, prepared in accordance with IFRS as issued by the IASB.

# Nova Leap Health Corp.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - United States dollars)

For the three and nine months ended September 30, 2019 and 2018

### 2. Significant accounting policies (continued)

#### b) Accounting changes (continued)

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

##### *IFRS 16, Leases*

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

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

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

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

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

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

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

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

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

##### *Other pronouncements*

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

#### c) Leases

##### *The Group as a Lessee*

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

# Nova Leap Health Corp.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - United States dollars)

For the three and nine months ended September 30, 2019 and 2018

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### 2. Significant accounting policies (continued)

#### c) Leases (continued)

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

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

#### *Measurement and recognition of leases as a lessee*

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

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

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

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

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

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

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

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

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

### 3. Business acquisitions

#### Acquisitions completed in 2019

The Corporation completed one asset acquisition in Canada during the period ended September 30, 2019.

#### • **Careforce Home Care Limited (“Careforce”)**

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

# Nova Leap Health Corp.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - United States dollars)

For the three and nine months ended September 30, 2019 and 2018

### 3. Business acquisitions (continued)

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

	<b>Careforce</b>
<b>Acquisition date</b>	April 20, 2019
<b>Acquisition costs</b>	\$14,622
<b>Fair value of consideration transferred</b>	<b>\$</b>
Cash	257,907
Promissory note to vendor	263,614
Prepaid security deposit	1,485
<b>Total</b>	<b>523,006</b>
<b>Recognized amounts of identifiable net assets</b>	<b>\$</b>
Prepaid security deposit and other	1,560
Building	70,527
Right of use asset	44,097
Lease liability	(44,097)
Intangible assets (customer lists)	59,391
Goodwill	391,528
<b>Total</b>	<b>523,006</b>
<b>Contribution to Group Results</b>	<b>\$</b>
Revenue from date of acquisition to reporting date	840,890
Operating income from date of acquisition to reporting date (including non-cash amortization)	49,999

#### *Goodwill*

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

#### **Proforma Group Results and Other**

*Proforma Group results based on acquiring the assets of all closed acquisitions at January 1, 2019*

If the Significant Assets of Careforce acquired during the period had been acquired on January 1, 2019, revenue of the Group for the nine months ended September 30, 2019 would have increased by approximately \$559,000 and income from operating activities would have increased by approximately \$33,250.

#### *Acquisition related expenses*

The Group incurred acquisition related expenses of \$82,609 for the nine months ended September 30, 2019 of which acquisition costs of \$14,622 related to the acquisition of businesses that closed during the period and the remaining amount related to future or considered acquisitions.

# Nova Leap Health Corp.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - United States dollars)

For the three and nine months ended September 30, 2019 and 2018

### 4. Property and equipment

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

	Right of use assets (property)	Buildings	Vehicles and other equipment	Total
	\$	\$	\$	\$
Balance, January 1, 2019	-	-	30,162	30,162
Additions	-	-	15,483	15,483
Additions from business acquisition (see note 3)	44,097	70,527	-	114,624
Adjustment on transition to IFRS 16 (note 2(b))	234,181	-	-	234,181
Depreciation	(84,689)	(1,272)	(8,925)	(94,886)
Foreign exchange gain	4,937	1,205	143	6,285
Balance, September 30, 2019	198,526	70,460	36,863	305,849

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

### 5. Intangible assets

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

	September 30, 2019	December 31, 2018
	\$	\$
<b>Definite life (customer lists)</b>		
Balance, beginning of period	889,090	226,493
Additions from business acquisitions (note 3)	59,391	1,104,273
Amortization	(400,692)	(436,165)
Impairment loss	-	-
Foreign exchange gain (loss)	3,932	(5,511)
Balance, end of period	551,721	889,090
<b>Indefinite life (brand)</b>		
Balance, beginning of period	102,624	-
Additions from business acquisitions (note 3)	-	107,991
Foreign exchange gain (loss)	3,092	(5,367)
Balance, end of period	105,716	102,624
Total intangible assets, beginning of period	991,714	226,493
Total intangible assets, end of period	657,437	991,714

# Nova Leap Health Corp.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - United States dollars)

For the three and nine months ended September 30, 2019 and 2018

### 6. Goodwill

The changes in goodwill for the period are as follows:

	September 30, 2019	December 31, 2018
	\$	\$
Balance, beginning of period	8,205,276	2,116,500
Additions (note 3)	391,528	6,183,007
Foreign exchange gain (loss)	61,235	(94,231)
Balance, end of period	8,658,039	8,205,276

### 7. Related party transactions

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

#### *Key management personnel*

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

	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	\$	\$	\$	\$
Consulting fees	82,341	80,341	245,470	244,678
Directors fees	14,575	14,729	43,451	44,858
Stock based compensation	45,412	22,713	207,207	117,923
	142,328	117,783	496,128	407,459

As at September 30, 2019, there was \$32,089 included in accounts payable and accrued liabilities for amounts owed to officers of the Corporation (September 30, 2018 – \$78,133) for consulting fees and expense reimbursements, and \$57,354 for amounts due to directors for director fees (September 30, 2018 – \$44,858).

### 8. Promissory notes

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

	September 30, 2019	December 31, 2018
	\$	\$
Balance, beginning of period	1,054,981	-
Issued	263,614	1,013,783
Effective interest	61,742	54,172
Repayments	(443,028)	-
Foreign exchange gains (loss)	10,766	(12,974)
Balance, end of period	948,075	1,054,981
Current portion	569,575	491,498
Non-current portion	378,500	563,483
Fair value	945,674	1,050,555

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

# Nova Leap Health Corp.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - United States dollars)

For the three and nine months ended September 30, 2019 and 2018

### 9. Demand loans

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

	September 30, 2019	December 31, 2018
	\$	\$
<i>At amortized cost:</i>		
Balance, beginning of period	3,567,449	540,545
Issued	-	3,643,866
Debt issue and EDC costs	(34,841)	(171,341)
Effective interest	243,867	258,479
Interest payment	(178,344)	(178,645)
Principal repayment in cash	(508,613)	(453,958)
Foreign exchange loss (gain)	38,919	(71,497)
Balance, end of period	3,128,437	3,567,449
Fair value	3,234,367	3,702,736

The non-revolving loans are repayable on demand, provided that until demands are made, blended monthly payments comprising the principal and interest be paid over the maximum amortization period, being an average range of 3-6 years remaining.

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

### 10. Lease Liability

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

	September 30, 2019	December 31, 2018
	\$	\$
Balance, beginning of period	-	-
Adjustment on transition to IFRS 16 (note 2(b))	252,939	-
Addition from business acquisition (note 3)	44,097	-
Effective interest	11,540	-
Repayments	(87,375)	-
Foreign exchange loss	1,943	-
Balance, end of period	223,144	-
Current portion	125,364	-
Non-current portion	97,780	-

### 11. Share capital

#### a. Authorized:

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

#### b. Issued and outstanding:

	September 30, 2019		December 31, 2018	
	Number of Shares	Value \$	Number of Shares	Value \$
Balance, beginning of period	59,639,966	8,291,861	29,722,100	2,596,157
Shares issued for cash, net of issue costs	-	-	29,485,466	5,638,413
Broker shares issued	-	-	80,000	15,788
Agent options exercised	-	-	350,000	40,736
Warrants exercised (note 12)	1,163,715	364,578	2,400	767
Stock options exercised (note 13)	245,000	34,375	-	-
Balance, end of period	61,048,681	8,690,814	59,639,966	8,291,861

# Nova Leap Health Corp.

## Notes to Condensed Interim Consolidated Financial Statements

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For the three and nine months ended September 30, 2019 and 2018

### 11. Share capital (continued)

#### Common shares subject to escrow

Of the 10,000,000 common shares issued in January 2016 which were subject to an escrow agreement, 1,500,000 shares were in escrow at September 30, 2019. The remaining shares in escrow were released on November 4, 2019.

### 12. Warrants

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

	Number	\$	September 30, 2019	
			Weighted Average Exercise Price (CAD)	Remaining contractual life (years)
Balance, beginning	12,627,383	930,510	\$0.35	0.81
Warrants exercised	(1,163,715)	(55,642)	\$0.35	-
Warrants expired	(3,221,188)	(170,065)	\$0.35	-
Balance, end	8,242,480	704,803	\$0.35	0.29

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

The following table summarizes information concerning outstanding and exercisable warrants at September 30, 2019:

Expiry date	Number	Exercise price (CAD) \$
Oct 5, 2019	2,475,000	0.35
Jan 7, 2020	1,223,800	0.35
Feb 22, 2020	3,422,500	0.375
Feb 22, 2020	319,400	0.25
Apr 12, 2020	221,879	0.30
May 30, 2020	417,407	0.30
Sep 27, 2020	107,097	0.35
Oct 24, 2020	55,397	0.35
	8,242,480	0.35

### 13. Stock based compensation

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

# Nova Leap Health Corp.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - United States dollars)

For the three and nine months ended September 30, 2019 and 2018

### 13. Stock based compensation (continued)

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

	September 30, 2019		December 31, 2018	
	Number	Weighted Average Exercise Price (CAD)	Number	Weighted Average Exercise Price (CAD)
Balance, beginning	2,835,000	\$0.18	1,350,000	\$0.10
Granted	1,935,000	\$0.45	1,485,000	\$0.25
Exercised	(245,000)	\$0.10	-	-
Expired	(132,500)	\$0.32	-	-
Balance, end	4,392,500	\$0.30	2,835,000	\$0.18

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

The following table summarizes information concerning outstanding and exercisable options at September 30, 2019:

Expiry date	Outstanding		Exercisable	
	Number	Exercise price (CAD) \$	Number	Exercise price (CAD) \$
Apr 25, 2026	1,105,000	\$0.10	1,105,000	\$0.10
Jan 11, 2028	1,400,000	\$0.25	700,000	\$0.25
Jan 13, 2029	1,887,500	\$0.45	471,875	\$0.45
	4,392,500	\$0.30	2,276,875	\$0.22

The weighted average contractual life outstanding as at September 30, 2019 is 8.29 years.

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

Option grant date	January 14, 2019	January 12, 2018
Exercise price (CAD)	\$0.45	\$0.25
Risk free interest rate	1.89%	1.00%
Expected volatility	121.45%	107%
Expected dividend yield	0%	0%
Expected life	6.0 years	6.0 years
Grant date fair value (CAD)	\$0.26	\$0.20

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

The Corporation recorded total stock-based compensation during the three and nine months ended September 30, 2019 of \$51,823 and \$247,084, respectively (September 30, 2018 - \$26,248 and \$134,395).

### 14. Contributed Surplus

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

	September 30, 2019	December 31, 2018
	\$	\$
Balance, beginning of period	254,671	107,975
Stock options granted – directors and officers (note 13)	247,084	160,357
Exercise stock options (note 13)	(16,144)	(13,661)
Expired warrants (note 12)	170,065	-
Balance, end of period	655,676	254,671

# Nova Leap Health Corp.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - United States dollars)

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### 15. Loss per Share

Basic earnings (loss) per share is calculated based on the weighted average number of shares outstanding during the period. Diluted earnings per share assumes that stock options, agent's options and warrants have been exercised on the later of the beginning of the period and the date granted. As of September 30, 2019, all options and warrants were excluded from the computation of diluted loss per share because their effect would have been anti-dilutive.

### 16. Financial instruments

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

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

#### Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting receivables to customers and placing deposits. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at the end of the reporting period, as summarized below:

Classes of financial assets – carrying amounts	September 30, 2019	December 31, 2018
	\$	\$
Cash and cash equivalents	657,362	1,283,505
Trade and other receivables	1,418,986	1,486,318
	2,076,348	2,769,823

#### Credit risk management

The credit risk is managed on a group basis based on the Group's credit risk management policies and procedures.

The credit risk in respect of cash balances held with banks are managed by only using major reputable financial institutions.

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

At certain locations, clients are required to pay an upfront deposit, mitigating the credit risk. As at September 30, 2019, the Group had \$86,066 collected for client deposits, representing approximately 6% of outstanding accounts receivable, billed and accrued (December 31, 2018 - \$85,434).

#### Liquidity risk

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

Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a quarterly lookout period are identified monthly. Net cash requirements are compared to available cash balances and anticipated earnings in order to determine headroom or shortfalls.

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Group's existing cash resources and trade receivables are in excess of the current contractual cash outflow requirements. Cash flows from trade and other receivables are all contractually due within 30 days.

# Nova Leap Health Corp.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - United States dollars)

For the three and nine months ended September 30, 2019 and 2018

### 16. Financial instruments (continued)

#### Liquidity risk (continued)

The Group has a working capital shortfall at September 30, 2019 and 2018 primarily due to the presentation of demand loans as current, and the Group's ability to continue to meet its liabilities when due, beyond the current cash balance, is dependent on the growth of the home care business acquired as well as future support of shareholders through public or private equity or debt offerings. Refer to note 1, Going Concern.

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

	< 1 year \$	1-2 years \$	3-5 years \$	> 5 years \$
<b>For the period ended September 30, 2019</b>				
Account payable and accrued liabilities	810,364	-	-	-
Client deposits	86,066	-	-	-
Demand loan, principal and interest	952,704	942,650	1,801,824	102,109
Promissory note, principal and interest	600,316	200,842	239,419	-
Lease liability, principal and interest	135,352	89,984	10,723	-
<b>Total</b>	<b>2,584,802</b>	<b>1,233,476</b>	<b>2,051,966</b>	<b>102,109</b>
<b>For the year ended December 31, 2018</b>				
Account payable and accrued liabilities	923,688	-	-	-
Client deposits	85,434	-	-	-
Demand loan, principal and interest	954,585	940,041	2,313,118	289,786
Promissory note, principal and interest	525,110	510,162	116,934	-
<b>Total</b>	<b>2,488,817</b>	<b>1,450,203</b>	<b>2,430,052</b>	<b>289,786</b>

#### Market risk

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

#### Foreign currency sensitivity

The Group's operations are carried out in USD. Exposure to currency exchange rates arise from the fact that the Group's equity offerings have been denominated in CAD and will be denominated in CAD for the foreseeable future as the Corporation's shares are listed on a Canadian stock exchange and the Group has two operations in Canada that transact in Canadian dollars. The Group's exposure to CAD dollar currency risk was as follows:

	September 30, 2019 (CAD) \$	December 31, 2018 (CAD) \$
Cash and cash equivalents	261,729	526,979
Accounts receivable	442,015	423,960
Accounts payable & accrued liabilities	(582,651)	(524,042)
Demand loan	(1,538,635)	(1,787,004)
Promissory note	(538,550)	(342,096)
Lease liabilities	(202,014)	-
	<b>(2,158,106)</b>	<b>(1,702,203)</b>

Sensitivity to a plus or minus 5.0% change in the CAD dollar exchange rate would affect net loss and comprehensive loss and deficit by approximately \$78,000 (December 31, 2018 - \$60,000).

# Nova Leap Health Corp.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - United States dollars)

For the three and nine months ended September 30, 2019 and 2018

### 16. Financial instruments (continued)

#### Market risk (continued)

##### *Interest rate sensitivity*

As at September 30, 2019, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. Sensitivity if interest rates increased or decreased by 1% would affect net loss and comprehensive loss and deficit by approximately \$77,000 over the remaining term of the loans (December 31, 2018 - \$120,000).

#### 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 promissory notes and demand loans are disclosed in Note 8 and 9.

### 17. Segment reporting

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

Segment information for the reporting period is as follows:

	For the three months ended September 30, 2019				
	US	Canada	Total	Group	Total
	\$	\$	Reportable	Head Office	\$
			Segments		
			\$	\$	\$
<b>Segment revenues</b>	<b>3,321,264</b>	<b>1,100,682</b>	<b>4,421,946</b>	<b>2,404</b>	<b>4,424,350</b>
Cost of services	2,179,749	756,665	2,936,414	-	2,936,414
<b>Gross margin</b>	<b>1,141,515</b>	<b>344,017</b>	<b>1,485,532</b>	<b>2,404</b>	<b>1,487,936</b>
General & administrative	715,424	198,491	913,915	249,345	1,163,260
Amortization and depreciation	120,586	21,790	142,376	13,342	155,718
Stock based compensation	1,736	1,142	2,878	48,945	51,823
<b>Segment operating income (loss)</b>	<b>303,769</b>	<b>122,594</b>	<b>426,363</b>	<b>(309,228)</b>	<b>117,135</b>
<b>Segment assets</b>	<b>8,615,568</b>	<b>3,041,709</b>	<b>11,657,227</b>	<b>333,099</b>	<b>11,990,376</b>

# Nova Leap Health Corp.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - United States dollars)

For the three and nine months ended September 30, 2019 and 2018

### 17. Segment reporting (continued)

	For the three months ended September 30, 2018				
	US \$	Canada \$	Total Reportable Segments \$	Group Head Office \$	Total \$
<b>Segment revenues</b>	<b>2,309,911</b>	<b>561,099</b>	<b>2,871,010</b>	-	<b>2,871,010</b>
Cost of services	1,584,656	407,179	1,991,835	-	1,991,835
<b>Gross margin</b>	<b>725,255</b>	<b>153,920</b>	<b>879,175</b>	-	<b>879,175</b>
General & administrative	483,287	87,026	570,313	267,505	837,818
Amortization and depreciation	147,897	29,575	177,472	-	177,472
Stock based compensation	1,767	-	1,767	24,481	26,248
<b>Segment operating income (loss)</b>	<b>92,304</b>	<b>37,319</b>	<b>129,623</b>	<b>(291,986)</b>	<b>(162,363)</b>
<b>Segment assets</b>	<b>8,487,295</b>	<b>2,570,013</b>	<b>11,057,308</b>	<b>1,272,625</b>	<b>12,329,933</b>

  

	For the nine months ended September 30, 2019				
	US \$	Canada \$	Total Reportable Segments \$	Group Head Office \$	Total \$
<b>Segment revenues</b>	<b>10,058,476</b>	<b>2,521,942</b>	<b>12,580,418</b>	<b>5,568</b>	<b>12,585,986</b>
Cost of services	6,630,722	1,716,381	8,347,103	-	8,347,103
<b>Gross margin</b>	<b>3,427,754</b>	<b>805,561</b>	<b>4,233,315</b>	<b>5,568</b>	<b>4,238,883</b>
General & administrative	2,168,875	527,825	2,696,700	816,583	3,513,283
Amortization and depreciation	390,584	65,296	455,880	39,698	495,578
Stock based compensation	19,173	5,661	24,834	222,250	247,084
<b>Segment operating income (loss)</b>	<b>849,122</b>	<b>206,779</b>	<b>1,055,901</b>	<b>(1,072,963)</b>	<b>(17,062)</b>
<b>Segment assets</b>	<b>8,615,568</b>	<b>3,041,709</b>	<b>11,657,227</b>	<b>333,099</b>	<b>11,990,376</b>

# Nova Leap Health Corp.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - United States dollars)

For the three and nine months ended September 30, 2019 and 2018

### 17. Segment reporting (continued)

	For the nine months ended September 30, 2018				
	US \$	Canada \$	Total Reportable Segments \$	Group Head Office \$	Total \$
<b>Segment revenues</b>	<b>5,800,945</b>	<b>760,152</b>	<b>6,561,097</b>	-	<b>6,561,097</b>
Cost of services	3,903,458	547,599	4,451,057	-	4,451,057
<b>Gross margin</b>	<b>1,897,487</b>	<b>212,553</b>	<b>2,110,040</b>	-	<b>2,110,040</b>
General & administrative	1,377,286	119,241	1,496,527	693,215	2,189,742
Amortization and depreciation	352,835	39,767	392,602	-	392,602
Stock based compensation	10,233	-	10,233	124,162	134,395
<b>Segment operating income (loss)</b>	<b>157,133</b>	<b>53,545</b>	<b>210,678</b>	<b>(817,377)</b>	<b>(606,699)</b>
<b>Segment assets</b>	<b>8,487,295</b>	<b>2,570,013</b>	<b>11,057,308</b>	<b>1,272,625</b>	<b>12,329,933</b>

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.

### 18. Subsequent events

On October 5, 2019, 2,475,000 warrants which were outstanding and exercisable at period end expired.

On October 5, 2019, Nova Leap completed the acquisition of the business assets of Around the Clock Home Care, LLC located in Chickasha, Oklahoma for a maximum purchase price of \$660,000. The purchase price for the acquisition was paid with \$345,000 in cash on closing, and up to \$315,000 by way of a 3-year structured earnout. Under the Earnout, the maximum potential annual payout in each of 2020, 2021, and 2022 is subject to a ceiling of \$105,000 and is calculated based on gross service revenue of the acquired operations for the previous 12-month period, which begins October 1, 2019. The Earnout is also subject to a floor such that no payments will be made in a given year if gross service revenue falls below approximately \$1 million for the preceding 12-month period.

On November 1, 2019, Nova Leap completed the acquisition of the business assets of Keystone Homecare, LLC located in Stow, Massachusetts for \$375,000. The purchase price for the acquisition was paid with cash on hand.

The initial accounting for the business acquisitions was incomplete at the time the condensed interim consolidated financial statements were authorized for issue; therefore, certain disclosures cannot be determined at this time. This includes amounts to be recognized as of the acquisition date for the fair value of the assets acquired and liabilities assumed including any intangible assets that may arise from the transaction. The Corporation expects the preliminary purchase price allocation will include intangible assets (i.e. customer lists) and goodwill.

On November 4, 2019, the remaining 1,500,000 shares in escrow were released.

### 19. Comparative figures

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