Nova Leap Health Corp.

Management Discussion & Analysis
For the three and nine months ended September 30, 2020

NOVA LEAP HEALTH CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020

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 November 5, 2020 and provides an analysis of the Corporation's operations for the periods ended September 30, 2020 and 2019. This MD&A should be read in conjunction with the condensed interim consolidated financial statements and accompanying notes for the three and nine months ended September 30, 2020 and 2019 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the audited consolidated financial statements for the year ended December 31, 2019. All amounts are in United States dollars ("USD") unless otherwise specified. The 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.V".

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", expected recurring client service hours, expectations for future financing activities, estimates around the amount of potential forgiveness of Paycheck Protection Program loans 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, and in the case of the COVID-19 pandemic has already caused, 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 following:

- Each of the factors discussed in the "Risks and Uncertainties" section of this MD&A below and Nova Leap's continuous disclosure materials filed from time to time on SEDAR.
- a pandemic, epidemic, or other widespread outbreak of an infectious disease or other public health crisis, such as the COVID-19 pandemic, which could decrease our client service hours and revenues, lead to staffing and supply shortages and associated cost increases, or otherwise interrupt operations;
- actions by government agencies at the various levels, including federal, state, local and provincial, in response to the COVID-19 pandemic, such as shelter-in-place orders, facility closures and quarantines, which could impair our ability to operate and provide care;
- our ability to maintain infectious disease prevention and control efforts that are required and effectively minimize the spread of COVID-19 among clients and employees;
- our ability to successfully complete and integrate acquisitions consistent with our growth strategy, including realization of anticipated revenues, cost savings, productivity improvements arising from the related operations and avoidance of unanticipated difficulties, costs or liabilities that could arise from acquisitions or integrations; and
- general conditions in the economy and capital markets.

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.

USE OF NON-IFRS 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 ("IASB") 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 gross margin, EBITDA, adjusted net income (loss), annualized recurring revenue, annualized revenue, annualized EBITDA and organic EBITDA growth (as each of such terms are hereinafter defined). The Corporation believes these non-IFRS financial measures are frequently used by lenders, securities analysts, investors and other interested parties as measures 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 definitions of non-IFRS financial measures are as follows:

- Gross margin is service revenue less cost of service;
- Earnings before interest, taxes, depreciation and amortization ("EBITDA"), is calculated as the net income (loss), before acquisition and transaction costs, government grant income, non-cash expenses (including loss from disposal of assets, impairments, amortization and depreciation and stock-based compensation), foreign exchange gains/losses, interest expense, net of interest income and income tax expense.
- Adjusted net income (loss) is net income (loss) adjusted for stock-based compensation expense, acquisition expenses, foreign exchange gains/losses, impairment losses net of the related deferred tax recovery, restructure charges, and severance and other costs as well as non-recurring government grants net of income taxes.
- Annualized recurring revenue run rate is the expected annualized recurring revenue based on the most recent month's actual revenue for current operations multiplied by 12.
- Annualized revenue and annualized EBITDA are calculated as actual revenue or EBITDA extrapolated from the beginning of the year or date of acquisition over 365 days.

CORPORATION OVERVIEW

The Home Care Providers industry has been one of the fastest growing healthcare industries in the United States and Canada. Home care saves patients and taxpayers billions of dollars every year by treating them 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 hospice. Nova Leap's post acquisition organic growth strategy is to increase annual EBITDA 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. As of the date of this MD&A, Nova Leap has operations in the United States in Arkansas, Massachusetts, New Hampshire, Ohio, Oklahoma, Rhode Island and Vermont and in Nova Scotia, Canada. The Corporation intends to continue its growth strategy through acquisitions, while pursing organic growth opportunities and implementing operational efficiencies in existing operations.

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

Highlights for 2020

- On January 16, 2020, Nova Leap closed the second and final tranche of its non-brokered private placement through the issuance of unsecured subordinated convertible debentures for gross proceeds of $579,532 USD (CAD$756,000). The debentures mature five (5) years from issuance, bear interest of 8% per annum, are paid semi-annually, and contain a conversion price of CAD $0.52 per common share.

- Throughout the nine-month period ended September 30, 2020, 3,579,508 warrants were exercised for proceeds of $933,085 (CAD$1,273,569).

- In April 2020, by way of a subsidiary, Nova Leap opened a new office in Centerville, a city in Montgomery County and part of the Dayton metropolitan area. This is Nova Leap's first entry into the State of Ohio and the Midwestern United States.

- On August 10, 2020, the Corporation received $1.976 million of loans from a U.S. bank under the Paycheck Protection Program ("PPP"). Management estimated that the criteria for forgiveness of $1.080 million of the PPP loans had been met by the end of Q3. Management further estimates that by the end of Q4 the criteria for forgiveness on $1.778 million of the PPP loans will be met and anticipates forgiveness on 90% of the total value of the PPP loans.

- In September 2020, Nova Leap completed the acquisition of the business assets of a home care agency located in Fort Smith, Arkansas for $250,000. The purchase price was for the acquisition was paid with $200,000 in cash and a $50,000 promissory note issued to the Vendor.

- In September 2020, Nova Leap announced the execution of a definitive agreement to acquire a home care business in New England. Under the terms of the Agreement, the acquisition is to be made for total consideration of $660,000 of which $465,000 is payable with cash on closing and $195,000 is by way of a promissory note repayable over a three-year period bearing interest of 5% per annum. The promissory note will be secured by a corporate guarantee by Nova Leap Health Corp. and are subordinated to Nova Leap's primary commercial lender. Closing of the acquisition is subject to final due diligence and state licensing.

- In September 2020, Nova Leap placed Number 2 on the Globe and Mail's second-annual ranking of Canada's top growing companies based on the three-year revenue growth.

- In October 2020, Nova Leap completed the acquisition of a home care business located in Massachusetts. The total maximum consideration is $1.275 million of which $600,000 was payable with cash on closing, $375,000 by way of a promissory note repayable over a three-year period, bearing interest of 2% per annum, and up to $300,000 by way of a 3-year structured earnout.

- Impact of COVID-19:

  On March 11, 2020, the World Health Organization ("WHO") officially declared the Coronavirus disease 2019 ("COVID-19") a pandemic.

  The safety and well-being of Nova Leap's employees and clients remains a priority. Management is following the guidelines set out by the WHO, the Centers for Disease Control and Prevention ("CDC"), Health Canada, the Province of NS, the states, counties and municipalities in which we operate. To date, Nova Leap has secured adequate Personal Protective Equipment ("PPE") and has access to further supplies, as required.

  Home care is deemed an essential service in all jurisdictions in which Nova Leap operates and all home care agencies owned by Nova Leap continue to operate. Toward late-March, Nova Leap began to see a decline in client service hours due to COVID-19. In May, Nova Leap began to see a rebound of client service hours in several jurisdictions in which it operates as various governments began the re-opening of their respective economies and lifting the shelter-in-place orders that were in effect. The Canadian operating segment reported the best quarter in its history with record revenues and record EBITDA in the third quarter. However, in certain areas client service hours have not yet fully recovered to pre-COVID-19 levels. While the pressure on client service hours in certain areas of the U.S. is expected to continue in the near term, management remains confident in the longer-term prospects of the Corporation and believes Nova Leap is well positioned for the future.

  As the COVID-19 pandemic has evolved, many of the federal and state/provincial governments in jurisdictions in which Nova Leap operates have introduced economic measures to protect companies, employees and the economy. A listing of the more significant programs Nova Leap is participating in is outlined below.

a) Canadian Emergency Business Account ("CEBA") loan

Two of the Canadian entities received a total $80,000 CAD ($54,271 USD) Canada Emergency Business Account (CEBA) loans from the Canadian Government in response to the COVID-19 pandemic. The loans are interest-free and 25% forgivable (up to $20,000 CAD) if repaid by December 31, 2022. It is management's intention to repay these loans prior to December 31, 2022 to ensure one quarter of the loans are forgivable.

b) Canada Emergency Wage Subsidy ("CEWS")

The subsidy covers a portion of employee's wages for employers who have suffered a drop in gross revenues beginning in March 2020. The Corporation's Canadian segment received $386,406 CAD ($282,509 USD) from the CEWS program in the second quarter. The subsidy is classified as Other income on the Condensed Interim Consolidated Statement of Loss and Comprehensive Loss.

c) Deferred payroll liabilities

The CARES Act in the US allows employers to defer payment of an employer's 6.2% share of the Social Security ("FICA") payroll tax for the period beginning on March 27, 2020 and ending December 31, 2020. The repayment terms are that 50% of the deferred payroll liability is due December 31, 2021 and the remaining 50% is due by December 31, 2022. The Corporation implemented this program effective May 4, 2020 and has accumulated a deferral of $225,565 to the end of Q3.

d) Paycheck Protection Program loans ("PPP")

On August 10, 2020, the Corporation received $1,975,600 of loans from a U.S. bank under the Paycheck Protection Program ("PPP"). These loans are guaranteed by the U.S. Small Business Administration ("SBA") under the U.S. CARES Act in response to COVID-19. These loans, which bear interest at the rate of 1% per annum, will be repayable monthly, over a five-year period starting in 2021 and if certain conditions are met, may be partially or fully forgiven. Key conditions for forgiveness include the requirement that at least 60% of the loan be used for payroll, maintaining the number of employees on payroll and maintaining at least 75% of total salary. If any of the conditions are not met, the amount eligible for forgiveness is reduced proportionately.

As at September 30, 2020, it is estimated that at least $1,080,797 will be forgiven and has been recognized as Other Income in the Statement of Income and Comprehensive Income. The remaining amount is recorded on the Statement of Financial Position Government loans in current liabilities. Management further estimates that by the end of Q4 the criteria for forgiveness on $1.778 million of the PPP loans will be met and anticipates forgiveness on 90% of the total value of the PPP loans.

Operational results

- Cash balance of $4,686,059 at September 30, 2020 was the highest reported cash balance in the Company's history.
- Operating cash flows of $2,370,159 for Q3 2020 as compared to Q3 2019 operating cash flows of $201,311 and Q2 2020 operating cash flows of $596,936. Of the Q3 2020 cash flows, $1,975,600 can be attributed to the PPP. In the absence of the PPP in Q3 2020 cash flows would have been $394,559.
- Q3 2020 EBITDA of $119,771, which excludes government assistance programs, was lower than Q3 2019 EBITDA of $324,676 and Q2 2020 EBITDA of $158,701 (see reconciliation of EBITDA to Operating income (loss) in "Segmented information" below).
- Q3 2020 revenues of $4,231,326 were 4.4% lower than Q3 2019 revenues of $4,424,350 and 6.2% higher than Q2 2020 revenues of $3,983,402. The lower revenues in Q3 2020 as compared to Q3 2019 is primarily the result of the impact of COVID-19 which began in the later part of March 2020. The increase over Q2 2020 is a result of economies beginning to reopen in May 2020 and hours beginning to rebound as a result.
- During the nine months ended September 30, 2020, $20,830 of accounts receivable were written off on revenues of $12.826 million. This represents a collection rate of 99.8%. The Company's accounts receivable collection rate for 2019 was also 99.8%.
- The Company's revolving credit facility of $696,000 did not have a balance at the end of Q3 2020, with the full amount available in the future, if required.

- The Company reported an adjusted net loss of ($82,913) for Q3 2020 as compared to an adjusted net income of $2,985 for Q3 2019 and an adjusted net loss ($159,337) for Q2 2020 (see reconciliation of adjusted net income to net income in "Summary of Quarterly Results" below).

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 or through a government program such as Medicare or the Department of Veteran Affairs. The Corporation has completed twelve 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 through the following:
1) Enhancement of sales and marketing strategies;
2) Implementation of efficiencies around payroll, scheduling, billing, accounting and human capital;
3) Increased investment in staff and staff training;
4) Expansion of services, partnerships and geographical coverage;
5) In-State and In-Province organic expansion by increased office location footprint; and
6) 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.

As of the date of this MD&A, the Corporation currently services clients in United States in the states of Arkansas, Massachusetts, New Hampshire, Ohio, Oklahoma, Rhode Island, and Vermont, and in Canada in the province of Nova Scotia from thirteen office locations under various brands.

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

Dates of Acquisition

The operating results include the results of operations for the periods ended September 30, 2020 and 2019 for the parent company, Nova Leap Health Corp., and US operations in Rhode Island and South Burlington, Vermont and Lebanon, New Hampshire, but only the results from operations of the subsidiaries as follows:

- Shrewsbury, Massachusetts for the period from February 23, 2018 onward,
- Holyoke, Massachusetts for the period from April 14, 2018 onward,
- Halifax, Nova Scotia for the period from September 1, 2018 onward,
- South Deerfield, Massachusetts for the period from September 28, 2018 onward,
- Amherst, New Hampshire for the period from October 19, 2018 onward,
- Kentville and New Glasgow, Nova Scotia for the period from April 20, 2019 onward,
- Chickasha and Duncan, Oklahoma for the period from October 5, 2019 onward,
- Stow, Massachusetts for the period from November 2, 2019 onward, and
- Centerville, Ohio for the period from April 1, 2020 onward.
- Fort Smith, Arkansas for the period from September 21, 2020 onward.

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 condensed interim consolidated financial statements.

	Sep 30, 2020	June 30, 2020	Mar 31, 2020	Dec 31, 2019
Client service hours	166,499	157,370	180,749	191,651
Revenue	4,231,326	$3,983,402	$4,611,140	$4,818,729
Adjusted net (loss) income (1)	(82,913)	$(159,337)	$(71,019)	$1,669
Net income (loss)	467,773	$(791,163)	$343,338	$(298,399)
Net income (loss) per share - **Basic and diluted**	$0.01	($0.01)	$0.01	$(0.00)
Operating cash flows	2,370,159	$596,936	$189,913	$23,491
	Sep 30, 2019	**Jun 30, 2019**	**Mar 31, 2019**	**Dec 31, 2018**
Client service hours	177,119	169,741	155,742	161,707
Revenue	$4,424,350	$4,249,781	$3,911,855	$3,801,082
Adjusted net income (loss) (1)	$2,985	$(148,933)	$(123,376)	$(185,649)
Net (loss) income	$(43,074)	$(315,208)	$(399,134)	$27,316
Net (loss) income per share - **Basic and diluted**	$(0.00)	$(0.01)	$(0.01)	$(0.00)
Operating cash flows	$201,311	$179,972	$186,022	($356,153)

The Corporation's client service hours increased for the three months ended September 30, 2020 as compared to the prior quarter due to the re-opening of economies and lifting the shelter-in-place orders that were in effect. The Corporation's client service hours increased most quarters through 2018 and 2019 primarily due to the acquisition of new operations (see "Dates of Acquisition") above. Revenue increased quarter over quarter through 2018 and 2019 as a result of the acquisition of new operations as well as organic growth from either an increase in client service hours or billing rates at existing locations with lower quarterly revenue for the quarters in 2020 due to the impact of COVID-19. Operating cash flows for the three months ended September 30, 2020 were positively impacted by the receipt of PPP loans of $1,975,600.

The annualized recurring client service hours for current operations are 666,000.

(1) *Reconciliation of non-IFRS measure*

	Sep 30, 2020	June 30, 2020	Mar 31, 2020	Dec 31, 2019
		$	$	$
Adjusted net (loss) income	(82,913)	(159,337)	(71,019)	1,669
Stock-based compensation	(61,438)	(62,042)	(63,988)	(154,335)
Foreign exchange gain (loss)	(129,186)	(230,060)	480,880	(104,919)
Acquisition expenses	(55,083)	(22,227)	(2,535)	(35,091)
Severance and other	(2,928)	(9,446)	-	(5,723)
Impairment loss (net of deferred tax recovery)	-	(590,560)	-	-
Other income (net of income taxes)	799,321	282,509	-	-
Net income (loss)	467,773	(791,163)	343,338	(298,399)

	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018
	$	$	$	$
Adjusted net income (loss)	2,985	(148,932)	(123,376)	(185,649)
Stock-based compensation	(51,823)	(50,822)	(144,440)	(25,502)
Foreign exchange (loss) gain	49,134	(98,942)	(105,130)	291,456
Acquisition expenses	(43,371)	(16,512)	(22,725)	(34,148)
Severance and other	-	-	(3,463)	(18,841)
Net (loss) income	(43,074)	(315,208)	(399,134)	27,316

RESULTS OF OPERATIONS – INTERIM PERIOD ENDED SEPTEMBER 30, 2020

For the three months ended September 30, 2020 and 2019, the Corporation reported a net income (loss) of $467,773 and ($43,074), respectively and for the nine months ended September 30, 2020 and 2019, the Corporation reported a net income (loss) of $19,944 and ($757,416), respectively. This represents an earning per share of $0.01 and $0.00, respectively, for the three and nine months ended September 30, 2020, and a loss per share of $0.00 and ($0.01), respectively, for the three and nine months ended September 30, 2019.

	For the three months ended		**For the nine months ended**	
	September 30, 2020	September 30, 2019	**September 30, 2020**	September 30, 2019
	$	$	**$**	$
Revenues				
Service revenue	**4,231,326**	4,424,350	**12,825,868**	12,585,986
Operating expenses				
Cost of service	**2,789,028**	2,936,414	**8,445,036**	8,347,103
	1,442,298	1,487,936	**4,380,832**	4,238,883
Corporate and administrative expenses				
Head office and operations management	**926,040**	839,189	**2,710,983**	2,467,776
General & administrative	**396,487**	324,071	**1,171,326**	1,045,507
Amortization and depreciation	**123,076**	155,718	**381,431**	495,578
Stock based compensation	**61,438**	51,823	**187,468**	247,084
	1,507,041	1,370,801	**4,451,208**	4,255,945
(Loss) income from operating activities	**(64,743)**	117,135	**(70,376)**	(17,062)
Other income and (expenses)				
Finance expense	**(121,574)**	(114,532)	**(383,190)**	(344,023)
Foreign exchange (loss) gain	**(129,186)**	49,134	**121,631**	(154,936)
Acquisition related expenses	**(55,083)**	(43,371)	**(79,845)**	(82,609)
Other income	**1,082,797**	-	**1,365,306**	-
Impairment loss	**-**	-	**(800,000)**	-
	776,954	(108,769)	**223,902**	(581,568)
Income (loss) before income tax	**712,211**	8,366	**153,526**	(598,630)
Deferred income tax (expense) recovery	**(87,416)**	(6,085)	**156,373**	(75,997)
Current income tax expense	**(157,022)**	(45,355)	**(289,955)**	(82,789)
Total income tax (expense) recovery	**(244,438)**	(51,440)	**(133,582)**	(158,786)
Net income (loss)	**467,773**	(43,074)	**19,944**	(757,416)

Revenue is billed (or invoiced) at an hourly rate specified in client agreements and recognized as revenue at the time services are rendered. The increase in revenue reported for the nine months ended September 30, 2020 versus September 30, 2019 is attributable to the increase in fully operational locations from seven to ten as a result of acquisitions completed throughout the 2019 fiscal year offset by the impact of COVID-19 on client service hours and resulting revenue. The decrease in revenue reported for the three months ended September 30, 2020 versus September 30, 2019 is attributable to the decline in hours are a result of the COVID-19 pandemic.

Cost of services is comprised of hourly employee compensation related payroll taxes, benefits and workers compensation insurance.

Gross margin for the three- and nine-month periods ended September 30, 2020 were 34.1% and 34.2%, respectively, as compared to 33.6% and 33.7% for the three- and nine-months periods ended September 30, 2019. Margins vary by location based on staffing models (use of overtime), billing rates, worker's compensation rates and state specific payroll taxes.

The corporate and administrative expenses include professional fees, consulting fees and salary for officers and operations management, regulatory and transfer agent fees related to costs associated with operating a public company along with costs related to the ongoing management of home care operations and non-cash expenses related to amortization of customer lists and stock-based compensation. The year-over-year increase in corporate and administrative expenses was primarily a result of the acquisitions closed during 2019 with no significant change in other head office expenses year-over-year.

In Q2 2020 a goodwill impairment was recorded in the US-NH/VT Cash Generating Unit of $800,000 based on indicators of impairment identified during the period. One of the acquisitions made as part of this CGU was a turnaround which management understood would take time to achieve targeted operating results. While certain progress has been made, most notably towards improving operating income, the impact of COVID-19 and continued uncertainty around the extent of the impact of COVID-19 on the progress and timing of achieving the targeted operating results leads management to believe that a non-cash accounting impairment is warranted. Management's outlook for the business over the long-term remains consistent with its position taken during the acquisition and the impairment does not have an impact on current cash flow.

Segmented Information

Management identifies the Group's reportable segments as U.S. operations and Canadian operations. All businesses provide home care services to clients, with Corporate Head Office providing management oversight, capital allocation and M&A functions. 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, 2020				
	US	**Canada**	**Total Reportable Segments**	**Group Head Office**	**Total**
	$	**$**	**$**	**$**	**$**
Segment revenues	**3,109,560**	**1,119,259**	**4,228,819**	**2,507**	**4,231,326**
Cost of services	2,006,472	782,556	2,789,028	-	2,789,028
Gross margin	**1,103,088**	**336,703**	**1,439,791**	**2,507**	**1,442,298**
Gross margin %	**35.5%**	**30.1%**	**34.0%**	**-**	**34.1%**
General & administrative	857,310	180,890	1,038,200	284,327	1,322,527
EBITDA	**245,778**	**155,813**	**401,591**	**(281,821)**	**119,771**
Amortization and depreciation	95,687	14,155	109,842	13,234	123,076
Stock based compensation	3,222	2,520	5,742	55,696	61,438
Segment operating income (loss) (1)	**146,869**	**139,138**	**286,007**	**(350,750)**	**(64,743)**
Segment assets	**10,667,073**	**3,105,972**	**13,773,045**	**2,289,316**	**16,062,361**

Nova Leap had positive operating income and EBITDA for the US and Canada operating segments for the three months ended September 30, 2020 as well as positive consolidated EBITDA and operating cash flows. The Company continues to improve EBITDA year-over-year at both the segment and consolidated level by implementing efficiencies, cost controls, organic revenue growth and control of head office expenses. The current quarter has been impacted by COVID-19 with reduced revenue as well as increase operating costs resulting in lower EBITDA as compared to the prior quarter and the same quarter in the prior year.

	For the three months ended September 30, 2019				
	US	**Canada**	**Total Reportable Segments**	**Group Head Office**	**Total**
	$	**$**	**$**	**$**	**$**
Segment revenues	**3,321,264**	**1,100,682**	**4,421,946**	**2,404**	**4,424,350**
Cost of services	2,179,749	756,665	2,936,414	-	2,936,414
Gross margin	**1,141,515**	**344,017**	**1,485,532**	**2,404**	**1,487,936**
Gross margin %	**34.4%**	**31.3%**	**33.6%**	**-**	**33.6%**
General & administrative	715,424	198,491	913,915	249,345	1,163,260
EBITDA	**426,091**	**145,525**	**571,617**	**(246,942)**	**324,675**
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
Segment operating income (loss)	**303,769**	**122,594**	**426,363**	**(309,228)**	**117,135**
Segment assets	**8,615,568**	**3,041,709**	**11,657,227**	**333,099**	**11,990,376**

	For the nine months ended September 30, 2020				
	US	**Canada**	**Total Reportable Segments**	**Group Head Office**	**Total**
	$	**$**	**$**	**$**	**$**
Segment revenues	**9,839,143**	**2,978,703**	**12,817,846**	**8,022**	**12,825,868**
Cost of services	6,362,271	2,082,765	8,445,036	-	8,445,036
Gross margin	**3,476,872**	**895,938**	**4,372,810**	**8,022**	**4,380,832**
Gross margin %	**35.3%**	**30.1%**	**34.1%**	**-**	**34.2%**
General & administrative	2,507,269	547,404	3,054,673	827,636	3,882,309
EBITDA	**969,603**	**348,533**	**1,318,136**	**(1,012,900)**	**70,376**
Amortization and depreciation	289,202	53,159	342,361	39,070	381,431
Stock based compensation	16,968	7,283	24,251	163,217	187,468
Segment operating income (loss) (1)	**663,433**	**288,092**	**951,525**	**(1,021,901)**	**(70,376)**
Segment assets	**10,667,073**	**3,105,972**	**13,773,045**	**2,289,316**	**16,062,361**

For the nine months ended September 30, 2019					
	US	**Canada**	**Total Reportable Segments**	**Group Head Office**	**Total**
	$	**$**	**$**	**$**	**$**
Segment revenues	**10,058,476**	**2,521,942**	**12,580,418**	**5,568**	**12,585,986**
Cost of services	6,630,722	1,716,381	8,347,103	-	8,347,103
Gross margin	**3,427,754**	**805,561**	**4,233,315**	**5,568**	**4,238,883**
Gross margin %	**34.1%**	**31.9%**	**33.7%**	**-**	**33.7%**
General & administrative	2,168,875	527,825	2,696,700	816,583	3,513,283
EBITDA	**1,258,879**	**277,736**	**1,536,615**	**(811,015)**	**725,600**
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
Segment operating income (loss)	**849,122**	**206,779**	**1,055,901**	**(1,072,963)**	**(17,062)**
Segment assets	**8,615,568**	**3,041,709**	**11,657,227**	**333,099**	**11,990,376**

(1) *An $800,000 impairment loss for goodwill related to a CGU in the US operating segment is recorded in the "Other income and expense" section of the Condensed Interim Consolidated Statement of Loss and Comprehensive Loss.*

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.

CASH FLOWS, LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

The Corporation's cash from operating activities was $2,370,159 for the three months ended September 30, 2020 and $3,157,008 for the nine months ended September 30, 2020, as compared to $201,311 for the three months ended September 30, 2019 and $597,305 for the nine months ended September 30, 2019. The Corporation's ability to generate positive operating cash flows reflects streamlining operations as well as the ability for segment operations to cover head office costs for the period ended September 30, 2020. The operating activities for the periods ended September 30, 2020 and 2019 were primarily related to ongoing management of home care operations, the continued efforts for identification, evaluation and completion of the additional acquisitions, 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. The higher cash flows for Q3 2020 are primarily a result of receiving the PPP loans, CEWS as well as payroll tax deferrals as discussed above.

Financing Activities

The Corporation's cash (used in) or provided by financing activities for the three and nine months ended September 30, 2020 was $(281,419) and $143,791, respectively, as compared to $(309,812) and $(924,940) respectively, for the three and nine months ended September 30, 2019. Financing activities for the nine month period ended September 30, 2020 included the proceeds from the issuance of convertible debt of $527,193 (2019 - $nil), proceeds from the exercise warrants and stock options of $939,727 (2019 - $327,261), proceeds from government loans of $52,619 (2019 - $nil), offset by principal repayments on the demand loans and transaction costs of $563,306 (2019 – $543,454), principal and interest payments on the promissory notes of $505,702 (2019 - $443,028), principal and interest payments on the lease liabilities $109,445 (2019- $87,375) and interest payments on the demand loans and convertible debentures of $197,295 (2019 - $178,344).

Investing Activities

The Corporation's cash used in investing activities for the three and nine months ended September 30, 2020 was $199,477 and $205,470, respectively, as compared to $13,688 and $273,450 for the three and nine months ended September 30, 2019, respectively. The cash used in investing activities for the nine months ended September 30, 2020 was for the purchase of property and equipment and acquisition of the assets of an Arkansas home care agency. The cash used in investing activities for the nine months ended September 30, 2019 acquisition of the assets of Careforce including $114,624 related to a building and right-of-use asset included in the acquisition and used in the operations.

Liquidity

Continuing operations, as intended, are 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.

During the period-ended September 30, 2020, the Corporation generated positive cash flows from operations as a result of the cash flow from the US and Canada operating segments being in excess of head office expenses. Management believes it has the ability to obtain additional capital financing as needed. As at September 30, 2020, the Corporation had positive working capital of approximately $1,207,669, including $2,448,401 of Schedule 1 Canadian bank demand loans that are classified as current liabilities due to their demand feature of which $913,000 is due in the next twelve months. The Corporation currently has enough cash as well as access to an unused $696,000 revolving facility to meet its contractual obligations as they come due including scheduled loan payments but would require financing for future significant acquisitions.

Capital Resources

The Corporation had 5,843,750 stock options exercisable and 55,397 warrants outstanding at September 30, 2020, which could potentially bring in additional financing upon exercise. There is no certainty that the Corporation will receive these stock option or warrant proceeds over time as not all stock options or warrants may be exercised. Throughout the nine-month period ended September 30, 2020, 3,579,508 warrants were exercised for proceeds of $933,085 (CAD$1,273,569), and 35,000 stock options were exercised for proceeds of $6,642 ($8,750 CAD).

SELECTED ANNUAL INFORMATION

	2019	2018
	$	$
Service revenue	17,404,715	10,362,179
EBITDA	907,260	(161,112)
Less: Amortization and depreciation	*618,670*	*442,728*
Less: Stock-based compensation	*401,420*	*159,897*
Less: Impairment	-	-
Loss from operating activities	(112,830)	(763,737)
Net loss	(1,055,815)	(961,271)
Net loss per share – basic and diluted	(0.02)	(0.02)
Total assets	14,114,970	12,459,081
Total current liabilities	4,734,679	5,068,069
Long-term financial liabilities	2,305,989	563,483

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.

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, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	$	$	$	$
Salary & consulting fees	81,667	82,341	241,040	245,470
Directors fees	14,456	14,575	42,667	43,451
Stock based compensation	45,656	45,412	149,096	207,207
	141,779	142,328	432,803	496,128

As at September 30, 2020, there was $470 included in accounts payable and accrued liabilities for amounts owed to officers of the Corporation (September 30, 2019 – $32,089) for consulting fees and expense reimbursements, and $43,180 for amounts due to directors for director fees (September 30, 2019 – $57,354).

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 Management Discussion & Analysis, there were 65,577,689 common shares of the Corporation issued and outstanding. 5,843,750 stock options were outstanding as at the date of the MD&A.

RISKS AND UNCERTAINTIES

The following are certain factors relating to the business of the Corporation. 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 actually 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 Stock

Financing Risks and Dilution to Shareholders

If the Corporation is to make further significant acquisitions, additional funds will be required. There can be no assurance that the Corporation will be able to obtain adequate financing in the future or that such financing will be available on favorable terms or at all. It is likely such additional capital will be raised through the issuance of additional equity, which will result in dilution to the Corporation's existing shareholders.

Price Volatility of Public Stock

In recent years, securities markets have experienced extremes in price and volume volatility. The market price of securities of many early stage companies, among others, have experienced fluctuations in price which may not necessarily be related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any market for the Corporation's shares will be subject to market trends generally and the value of the Corporation's shares on a stock exchange may be affected by such volatility.

Conflicts of Interest

The Corporation's directors and officers may serve as directors and officers or may be associated with other reporting companies or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Corporation may participate, the directors and officers of the Corporation may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Corporation will follow the provisions of the CBCA in dealing with conflicts of interest. These provisions state, where a director/officer has such a conflict, that the director/officer must at a meeting of the board, disclose his interest and refrain from voting on the matter unless otherwise permitted by the

CBCA. In accordance with the applicable laws, the directors and officers of the Corporation are required to act honestly, in good faith and in the best interest of the Corporation.

Risks Related to Growth Strategy

The Corporation may not be able to integrate the operations of our acquired businesses with our current business structure in an efficient and cost-effective manner. Acquisitions involve significant risks and uncertainties, including difficulties integrating personnel and business practices into our business, and the potential loss of key employees or referral sources. The failure to effectively integrate any of these businesses could have a material adverse effect on the business and consolidated financial condition, results of operations and cash flows of the Corporation.

Risks Related to Operations

Dependence on Management

The Corporation is dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Corporation could result, and other persons would be required to manage and operate 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. Licenses are subject to an annual renewal process, and there is no assurance or guarantee that the Corporation will be successful with future license renewal processes. If the licenses are not renewed, it will impact the Company's ability to generate future profits. The Corporation currently operates under valid licenses.

Competition

The home health care industry is highly competitive, with few barriers to entry in certain states. We compete based on the availability of caregivers, the quality of services, expertise of operating staff, and the price of our services. Increased competition in the future may limit our ability to maintain or increase market share. Also, the Corporation competes with other companies that have greater financial resources. Competition could adversely affect the Corporation's ability to expand in the future.

Relationships with client referral sources

If we are unable to maintain relationships with existing client referral sources, our business and consolidated financial condition, results of operations and cash flows could be materially adversely affected. The Corporation's success depends on referrals from various sources in the communities we serve and our ability to maintain good relationships with existing referral sources. Referral sources are not contractually obligated to refer clients to the Corporation and may refer clients to other providers which could adversely impact the Corporation.

Shortage of caregivers

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

Information systems

The Corporation's business depends on information systems and the ability to effectively integrate, manage and keep information systems secure and operational. If the Corporation isn't able to accomplish this it could disrupt operations.

Litigation

The Corporation and/or its Officers and Directors may be subject to a variety of civil or other legal proceedings, with or without merit.

Insurance

Nova Leap's insurance liability coverage may not be sufficient for its business needs. As a result of operating in the home health care industry, the business entails an inherent risk of claims, losses and potential lawsuits alleging incidents involving employees that are likely to occur in a client's home. The Corporation maintains professional liability insurance to provide coverage against these risks. However, there is no assurance claims will not be made in the future in excess of the limits of the Corporation's insurance.

Pandemic, epidemic or other widespread outbreak of an infectious disease including the COVID-19 pandemic

If a pandemic, epidemic, or other widespread outbreak of an infectious disease or other public health crisis were to occur in areas in which the Corporation operates, operations could be materially and adversely affected by causing staffing and supply shortages. The exact nature of a crisis stemming from a pandemic, epidemic or other widespread outbreak and how it would affect the Corporation is difficult to predict but could adversely affect operations.

The COVID-19 pandemic has resulted in governments worldwide enacting emergency measures to combat the spread of the virus, including the implementation of travel bans, self-imposed quarantine periods and social distancing. Companies are also taking precautions, such as requiring employees to work remotely, imposing travel restrictions and temporarily closing businesses. Nova Leap's operations are deemed an essential service in all jurisdictions in which it operates, and the Company continues to provide service to its clients.

As a result of the COVID-19 pandemic, global equity and capital markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 pandemic are unknown at this time, as is the effectiveness of the government and central bank interventions. The extent to which the COVID-19 pandemic impacts our future business, including our operations and the market for our securities, will depend on future developments, which are highly uncertain and cannot be predicted at this time, and include the duration, severity and scope of the outbreak and the actions taken to contain or treat the COVID-19 pandemic. It is not possible to reliably estimate the length and severity of these developments or the negative impact on our financial results, share price and financial condition in future periods. Many of the risks, uncertainties and other risk factors identified are, and will be, amplified by the COVID-19 pandemic.

Natural disasters

The occurrence of natural disasters, such as hurricanes, blizzards and other snow and ice events, in the markets in which the Corporation operates could impact the ability to serve clients which could result in lower revenue for the period in which they occur.

Write-off of Goodwill

A write-off of a significant amount of intangible assets or long-lived assets could have a material adverse effect on the Corporation's consolidated financial condition and results of operations. A significant and sustained decline in Nova Leap's stock price and market capitalization, a significant decline in expected future cash flows, a significant adverse change in the business climate, or slower growth rates could result in an impairment charge. Nova Leap has grown substantially through acquisitions. Therefore, goodwill and other acquired intangible assets represent a significant portion of the Corporation's assets. A write-off of these assets could have a material adverse effect on the Corporation's consolidated financial condition and results of operations.

Risks Related to Liquidity

Delays in client payments

The Corporation's business is characterized by delays from the time services are provided to the time payments are received for those services. If the Corporation experiences information system problems or other issues in completing adequate paperwork for the Department of Veteran's Affairs or long-term insurance reimbursement, delays in collection may result. Timing delays in billings and collections may cause working capital shortages.

Economic Conditions

Unfavorable economic conditions may negatively impact the Corporation's financial viability because of increased financing costs and limited access to capital markets and debt financing.

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, 2020	**December 31, 2019**
	$	$
Cash and cash equivalents	4,686,059	1,635,211
Accounts receivable	1,347,818	1,680,194
	6,033,877	3,315,405

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, 2020, the Group had $97,008 collected for client deposits, representing approximately 7% of outstanding accounts receivable, billed and accrued (December 31, 2019 - $92,925).

Accounts receivable consist of many clients in various geographical areas.

Accounts receivable

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

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

The expected loss rates are based on the payment profile for sales over the past 12 months before September 30, 2020 for entities owned for the full year and for entities acquired during the year it was based on sales over the 12 months for the full fiscal year prior to acquisition as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forward-looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

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

Lifetime expected credit loss is less than 0.1%.

September 30, 2020	**Accounts receivable aging**				
	Current	More than 30 days	More than 60 days	More than 90 days	Total
Expected credit loss rate	0.1%	0.1%	0.1%	0.1%	0.1%
Gross carrying amount	$721,797	$77,240	$63,831	$172,783	$1,035,650
Lifetime expected credit loss	$722	$77	$64	$173	$1,036

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

Liquidity risk

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

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

	< 1 year	**1-2 years**	**3-5 years**	**> 5 years**
	$	**$**	**$**	**$**
For the period ended September 30, 2020				
Accounts payable and accrued liabilities	1,125,318	-	-	-
Client deposits	97,008	-	-	-
Demand loans, principal and interest	913,017	891,941	946,164	-
Promissory note, principal and interest	225,808	187,066	77,217	-
Lease liability, principal and interest	114,698	32,536	60,158	-
Convertible debentures	185,561	185,561	2,806,087	-
Contingent consideration	76,034	105,000	105,000	-
Government loans (CEBA)	-	-	59,975	-
Government loans (PPP)	125,000	-	-	
Deferred payroll liability	-	112,783	112,783	-
Total	2,862,444	1,514,887	4,167,384	-

	< 1 year	1-2 years	3-5 years	> 5 years
	$	$	$	$
For the period ended December 31, 2019				
Accounts payable and accrued liabilities	941,756	-	-	-
Client deposits	92,925	-	-	-
Demand loans, principal and interest	955,092	944,880	1,634,807	40,592
Promissory note, principal and interest	603,048	200,858	160,918	-
Lease liability, principal and interest	127,981	63,088	6,833	-
Convertible debentures	144,010	144,010	2,232,153	-
Contingent consideration	80,844	80,844	80,844	-
Total	2,945,656	1,433,680	4,115,555	40,592

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, 2020 (CAD)	December 31, 2019 (CAD)
	$	$
Cash and cash equivalents	1,399,459	1,589,610
Accounts receivable	447,677	478,679
Accounts payable & accrued liabilities	(599,585)	(462,355)
Demand loans	(1,182,859)	(1,452,429)
Promissory notes	(281,512)	(549,108)
Lease liabilities	(108,909)	(179,616)
Convertible debt	(2,880,797)	(2,139,871)
Government loans	(80,000)	-
	(3,286,526)	(2,715,090)

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 $114,500 (December 31, 2019 - $100,000).

Interest rate sensitivity

As at September 30, 2020, 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 $46,000 over the remaining term of the loans (December 31, 2019 - $69,000).

Fair value

All financial assets and liabilities except for the demand loans, promissory notes, contingent consideration and convertible debentures are short-term. The carrying values of short-term financial assets and liabilities are a reasonable approximation of fair value. The fair value of the demand loans and promissory notes are disclosed in note 9 and 11 of the condensed interim consolidated financial statements for the period ended September 30, 2020.

Dividends

The Corporation has no history of net income or record of paying dividends. Any future determination to pay dividends will be at the discretion of the board of directors and will depend on the Corporation's financial condition, results of operations, capital requirements and such other factors as the board of directors deem relevant.

Management's Responsibility for Financial Statements

The information provided in the Corporation's 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 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 ICR 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 November 5, 2020