



Nova Leap Health Corp.

**Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2020 and 2019**

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

Nova Leap Health Corp.

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

	September 30, 2020 \$	December 31, 2019 \$
ASSETS		
Current assets		
Cash and cash equivalents	4,686,059	1,635,211
Accounts receivable	1,347,818	1,680,194
Prepaid expenses	138,930	166,607
Total current assets	6,172,807	3,482,012
Non-current assets		
Property and equipment (note 4)	267,858	271,255
Intangible assets (note 5)	553,895	811,268
Goodwill (notes 6 & 7)	8,784,198	9,416,109
Deferred income tax asset	283,603	134,326
Total non-current assets	9,889,554	10,632,958
TOTAL ASSETS	16,062,361	14,114,970
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	1,125,318	941,756
Client deposits payable	97,008	92,925
Promissory notes (note 9)	214,023	498,892
Contingent consideration (note 10)	76,035	93,619
Demand loans (note 11)	2,448,401	2,985,348
Lease liability	109,036	122,139
Government loans (note 12)	895,317	-
Total current liabilities	4,965,138	4,734,679
Non-current liabilities		
Deferred income tax liability	41,833	50,323
Promissory notes (note 9)	235,807	390,603
Contingent consideration (note 10)	166,655	149,284
Lease liability	82,859	68,203
Deferred payroll liability and government loans (note 12)	279,835	-
Convertible debentures (note 13)	2,159,680	1,647,576
Total non-current liabilities	2,966,669	2,305,989
TOTAL LIABILITIES	7,931,807	7,040,668
SHAREHOLDERS' EQUITY		
Share capital (note 14)	10,271,067	9,001,673
Warrants (note 15)	9,384	472,731
Contributed surplus	1,451,557	1,094,459
Accumulated other comprehensive loss	(247,350)	(120,513)
Deficit	(3,354,104)	(3,374,048)
TOTAL SHAREHOLDERS' EQUITY	8,130,554	7,074,302
TOTAL LIABILITIES AND SHARHOLERS' EQUITY	16,062,361	14,114,970

Subsequent events (note 20)

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

Approved on behalf of the Board of Directors

"Christopher Dobbin"

(signed)

Director

"Michael O'Keefe"

(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, 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
	<u>1,442,298</u>	<u>1,487,936</u>	<u>4,380,832</u>	<u>4,238,883</u>
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
	<u>1,507,041</u>	<u>1,370,801</u>	<u>4,451,208</u>	<u>4,255,945</u>
(Loss) income from operating activities	<u>(64,743)</u>	<u>117,135</u>	<u>(70,376)</u>	<u>(17,062)</u>
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 (note 12b & d)	1,082,797	-	1,365,306	-
Impairment loss (note 7)	-	-	(800,000)	-
	<u>776,954</u>	<u>(108,769)</u>	<u>223,902</u>	<u>(581,568)</u>
Income (loss) before income tax	<u>712,211</u>	<u>8,366</u>	<u>153,526</u>	<u>(598,630)</u>
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	<u>(244,438)</u>	<u>(51,440)</u>	<u>(133,582)</u>	<u>(158,786)</u>
Net income (loss)	<u>467,773</u>	<u>(43,074)</u>	<u>19,944</u>	<u>(757,416)</u>
Items that will be reclassified subsequently to profit or loss				
Exchange (loss) gain on translation to presentation currency	(30,341)	(67,230)	(126,837)	174,306
Total comprehensive income (loss)	<u>437,432</u>	<u>(110,304)</u>	<u>(106,893)</u>	<u>(583,110)</u>
Basic and diluted earnings (loss) per share (note 16)	<u>\$0.01</u>	<u>\$ 0.00</u>	<u>\$0.00</u>	<u>\$(0.01)</u>

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 \$	Deficit \$	Total equity \$
Balance – January 1, 2020	61,963,181	9,001,673	472,731	1,094,459	(120,513)	(3,374,048)	7,074,302
Warrants exercised (note 15)	3,579,508	1,257,439	(324,354)	-	-	-	933,085
Warrants expired (note 15)	-	-	(138,993)	138,993	-	-	-
Stock based compensation	-	-	-	187,468	-	-	187,468
Stock options exercised	35,000	11,955	-	(5,313)	-	-	6,642
Convertible debt issued (note 13)	-	-	-	35,950	-	-	35,950
Net income for the period	-	-	-	-	-	19,944	19,944
Other comprehensive loss for the period	-	--	-	-	(126,837)	-	(126,837)
Balance – September 30, 2020	65,577,689	10,271,067	9,384	1,451,557	(247,350)	(3,354,104)	8,130,554
Balance – January 1, 2019, as presented	59,639,966	8,291,861	930,510	254,671	(411,120)	(2,302,399)	6,763,523
Adoption of IFRS 16, Leases	-	-	-	-	-	(15,834)	(15,834)
Warrants exercised	1,163,715	364,578	(55,642)	-	-	-	308,936
Warrants expired	-	-	(170,065)	170,065	-	-	-
Stock based compensation	-	-	-	247,084	-	-	247,084
Stock options exercised	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
Balance – September 30, 2019	61,048,681	8,690,814	704,803	655,676	(236,814)	(3,075,649)	6,738,830

The accompanying notes form an integral part of these 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, 2020 \$	September 30, 2019 \$	September 30, 2020 \$	September 30, 2019 \$
Cash provided by (used in)				
Operating activities				
Net income (loss) for the period	467,773	(43,074)	19,944	(757,416)
Amortization and depreciation	123,076	155,718	381,431	495,578
Gain on disposition of property and equipment	(715)		(715)	
Stock based compensation	61,438	51,823	187,468	247,084
Finance expense	105,809	103,062	377,895	317,149
Unrealized foreign exchange loss (gain)	139,749	(55,090)	(121,222)	151,290
Other income (note 12d)	(1,080,283)	-	(1,080,283)	-
Impairment loss (note 7)	-	-	800,000	-
Deferred income tax expense (recovery)	87,416	6,085	(156,373)	75,997
Proceeds from government loans (note 12d)	1,975,600	-	1,975,600	-
Net changes in non-cash working capital balances (note 17)	490,296	26,297	773,263	37,623
	2,370,159	201,311	3,157,008	567,305
Investing activities				
Purchase of property and equipment	553	(15,483)	(5,470)	(15,483)
Acquisition of businesses (note 3)	(200,000)	1,795	(200,000)	(257,967)
	(199,447)	(13,688)	(205,470)	(273,450)
Financing activities				
Repayment of promissory notes and interest (note 8)	(37,333)	(39,333)	(505,702)	(443,028)
Repayment of demand loans and transaction costs (note 11)	(189,161)	(187,777)	(563,306)	(543,454)
Interest payments on demand loans and convertible debentures (note 11 and 13)	(49,612)	(56,666)	(197,295)	(178,344)
Proceeds from issuance of convertible debt, net of issue (note 13)	-	-	527,193	-
Proceeds from government loans (note 12a)	26,981	-	52,619	-
Proceeds from exercise of warrants (note 14 and 15)	-	6,680	933,085	309,035
Repayment of lease liability and interest	(38,936)	(32,716)	(109,445)	(87,375)
Proceeds from exercise of stock options	6,642	-	6,642	18,226
	(281,419)	(309,812)	143,791	(924,940)
Effect of exchange rate changes on cash and cash equivalents	42,679	(1,840)	(44,481)	4,942
Change in cash and cash equivalents for the period	1,931,972	(124,029)	3,050,848	(626,143)
Cash and cash equivalents – beginning of period	2,754,087	781,391	1,635,211	1,283,505
Cash and cash equivalents – end of period	4,686,059	657,362	4,686,059	657,362
Non-cash items:				
Exercise of options/warrants	-	1,366	324,354	55,642
Exercise of stock options	5,313	16,144	5,313	16,144
Expiry of warrants	18,127	137,043	138,993	170,065
Issuance of promissory notes for acquisition of businesses	48,467	-	48,467	263,614

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, 2020 and 2019

1. Nature of operations

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

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

The consolidated financial statements were approved by the Board of Directors on November 5, 2020.

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, 2019. 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, 2019, prepared in accordance with IFRS as issued by the IASB.

b) COVID-19

On March 11, 2020, the World Health Organization ("WHO") officially declared the Coronavirus disease 2019 ("COVID-19") a pandemic. This has resulted in governments worldwide enacting emergency measures to contain the spread of the virus. These measures have caused material disruption to businesses globally, including the United States and Canada, resulting in economic slowdown. While home care has been deemed an essential service in all jurisdictions in which the Group operates, operations have been impacted through reduced client service hours particularly in the jurisdictions that were the hardest hit by COVID-19 initially.

Management has been monitoring all financial programs and government relief in the jurisdictions in which it operates and has been eligible for various programs as discussed in note 12 – COVID-19 related relief and note 20 – Subsequent events.

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. However, client service hours have not yet fully recovered to pre-COVID-19 levels. While the pressure on client service hours is expected to continue in the near term, particularly in the U.S., management remains confident in the longer-term prospects of the Corporation and believes Nova Leap is well positioned for the future.

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.

The extent of the impact of COVID-19 longer-term on the Group's operational and financial performance will depend on future developments, including the duration and spread of the outbreak, all of which are highly uncertain and cannot be predicted.

c) Government grants and assistance

i) Canadian Emergency Business Account (CEBA) loan

The Canada Emergency Business Account (CEBA) loan offered from the Canadian Government in response to the Covid-19 pandemic is an interest-free loan of \$40,000 CAD and 25% forgivable (up to \$10,000 CAD) if repaid by December 31, 2022.

Nova Leap Health Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - United States dollars)

For the three and nine months ended September 30, 2020 and 2019

2. Significant accounting policies (continued)

c) Government grants and assistance (continued)

In accordance with IAS 20 and IFRS 9, the loan is initially recognized at fair value and the difference between the fair value and proceeds is treated as a government grant (the interest-free benefit). When repaid and the forgivable portion is triggered, that will also be accounted for as a government grant.

ii) 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.

In accordance with IAS 20, any CEWS funding received is treated as grant related income and is classified as Other income on the Condensed Interim Consolidated Statement of Loss and Comprehensive Loss.

iii) Paycheck Protection Program (PPP) loan

The Paycheck Protection Program ("PPP") are loans from a U.S. bank that are guaranteed by the U.S. Small Business Administration ("SBA") under the U.S. Care Act in response to COVID-19. These loans, which bear interest at the rate of 1%, are repayable monthly, over a five-year period starting in 2021 if the conditions are not met for partial or full forgiveness. The PPP loans can be forgiven equal to eligible expenses, including payrolls costs, rent and utility payments, made during the loan's qualifying period, beginning on the date the loan proceeds are received and ending on December 31, 2020, provided the borrower meets all of the loan's employee-retention criteria.

In accordance with IAS 20 and IFRS 9, the loan is initially recognized at fair value and the difference between the fair value and proceeds is treated as an income-related government grant (the below market interest benefit). At each reporting period, conditions for forgiveness are assessed and if probable, the proportionate amount of forgivable loan amount related to eligible expenses that have been incurred are accounted for as government grant-related income and is classified as Other income on the Condensed Interim Consolidated Statement of Loss and Comprehensive Loss. The Group elects to treat the proceeds from income related government grants as operating cash flows as payments are related to direct reimbursements of employee payroll.

3. Business acquisitions

Acquisitions completed in 2020

The Corporation completed one asset acquisition in the United States during the period ended September 30, 2020.

- **Arkansas company**

On September 20, 2020, the Corporation acquired the home care assets ("Significant Assets") of a company located in Fort Smith, Arkansas. Pursuant to the terms of the Definitive Agreement, the Corporation acquired the Significant Assets from the Arkansas company for a total purchase price of \$250,000.

Nova Leap Health Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - United States dollars)

For the three and nine months ended September 30, 2020 and 2019

3. Business acquisitions (continued)

The details of the business acquisition in the United States is as follows:

	Arkansas
Acquisition date	September 20, 2020
Acquisition costs	\$33,625
Fair value of consideration transferred	\$
Cash	197,506
Promissory note to vendor	48,467
Assumed client deposits	2,494
Total	248,467
Recognized amounts of identifiable net assets	\$
Intangible assets (customer lists)	20,000
Goodwill	228,467
Total	248,467
Contribution to Group Results	\$
Revenue from date of acquisition to reporting date	17,730
Operating income from date of acquisition to reporting date (including non-cash amortization)	1,834

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, 2020.

If the Significant Assets of the Arkansas company acquired during the period had been acquired on January 1, 2020, revenue of the Group for the nine months ended September 30, 2020 would have increased by approximately \$468,000 and income from operating activities would have increased by approximately \$48,000.

Acquisition related expenses

The Group incurred acquisition related expenses of \$79,845 for the nine months ended September 30, 2020 of which acquisition costs of \$33,625 related to the acquisition of businesses that closed during the period and the remaining amount related to future or considered acquisitions.

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, 2020	167,042	71,109	33,104	271,255
Additions	133,029	-	6,719	139,748
Depreciation	(95,713)	(2,107)	(12,199)	(110,019)
Disposal	(28,133)	-	-	(28,133)
Foreign exchange loss	(2,991)	(1,901)	(101)	(4,993)
Balance, September 30, 2020	173,234	67,101	27,523	267,858

Nova Leap Health Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - United States dollars)

For the three and nine months ended September 30, 2020 and 2019

4. Property and equipment (continued)

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

5. Intangible assets

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

	September 30, 2020	December 31, 2019
	\$	\$
Definite life (customer lists)		
Balance, beginning of period	703,477	889,090
Additions from business acquisitions (note 3)	20,000	299,391
Amortization	(271,412)	(490,834)
Foreign exchange (loss) gain	(3,125)	5,830
Balance, end of period	448,940	703,477
Indefinite life (brand)		
Balance, beginning of period	107,792	102,624
Foreign exchange (loss) gain	(2,837)	5,167
Balance, end of period	104,955	107,791
Total intangible assets, beginning of period	811,268	991,714
Total intangible assets, end of period	553,895	811,268

6. Goodwill

The changes in goodwill for the period are as follows:

	September 30, 2020	December 31, 2019
	\$	\$
Balance, beginning of period	9,416,109	8,205,276
Additions (note 3)	228,467	1,105,453
Impairment (note 7)	(800,000)	-
Foreign exchange (loss) gain	(60,378)	105,380
Balance, end of period	8,784,198	9,416,109

Nova Leap Health Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - United States dollars)

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7. Impairment of goodwill

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

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

In the second quarter of 2020, Management determined that a goodwill impairment test was required for the US-NH/VT CGU 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.

An impairment loss is recognized for the amount by which the asset's (or cash-generating unit's) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate to calculate the present value of those cash flows. The data used for the impairment testing procedures was based on a detailed five-year forecast, followed by an extrapolation of expected cash flows for the remaining periods using a growth rate determined by management. The growth rate used was 2%. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors. The discount rate used for the US-NH/VT CGU was 16.3%

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

In the second quarter of 2020, the affected CGU had goodwill and indefinite life intangibles allocated as follows which resulted in recording an impairment loss for the CGU:

CGU	State of operation	Goodwill & indefinite life intangibles \$	Shortfall under recoverable amount \$
US-NH/VT	VT/NH	1,405,564	(800,000)

8. Related party transactions

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

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(Unaudited - United States dollars)

For the three and nine months ended September 30, 2020 and 2019

8. Related party transactions (continued)

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).

9. Promissory notes

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

	September 30, 2020	December 31, 2019
	\$	\$
Balance, beginning of period	889,495	1,054,981
Issued (note 3)	48,467	263,614
Effective interest	36,521	79,846
Repayments	(505,702)	(527,828)
Foreign exchange (loss) gain	(18,951)	18,882
Balance, end of period	449,830	889,495
Current portion	214,023	498,892
Non-current portion	235,807	390,603
Fair value	449,795	888,494

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

10. Contingent consideration

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

The following table summarizes changes in contingent considerations at September 30, 2020:

	September 30, 2020	December 31, 2019
	\$	\$
Balance, beginning of period	242,903	-
Addition from business acquisition	-	233,790
Fair value (loss) gain	(213)	9,113
Balance, end of period	242,690	242,903
Current portion	76,035	93,619
Non-current portion	166,655	149,284

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Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - United States dollars)

For the three and nine months ended September 30, 2020 and 2019

11. Demand loans

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

	September 30, 2020	December 31, 2019
	\$	\$
<i>At amortized cost:</i>		
Balance, beginning of period	2,985,348	3,567,449
Debt issue and guarantee insurance costs	(3,722)	(43,697)
Effective interest	169,525	316,279
Interest payment	(110,761)	(229,664)
Principal repayment in cash	(559,584)	(685,687)
Foreign exchange (loss) gain	(32,405)	60,668
Balance, end of period	2,448,401	2,985,348
Fair value	2,491,220	3,079,682

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 2-4.5 years remaining.

The Corporation also has access to a \$696,000 revolving operating facility for working capital purposes from a Schedule 1 Canadian bank. The interest rate is US Prime Rate + 1.5%. The US Prime Rate at September 30, 2020 was 3.75%. Interest is calculated monthly in arrears, and payable on the last day of each month. The facility is repayable on demand.

The facility had an outstanding balance of \$nil as at September 30, 2020.

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

12. COVID-19 related relief

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.

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, this 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 the employers 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 date.

d) Paycheck Protection Program (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%, 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.

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(Unaudited - United States dollars)

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12. COVID-19 related relief (continued)

d) Paycheck Protection Program (PPP) (continued)

As at September 30, 2020, it is estimated that at least \$1,080,283 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.

13. Convertible debentures

On January 16, 2020, the Corporation completed the second tranche of a non-brokered private placement through the issuance of unsecured subordinated convertible debentures for gross proceeds of \$579,532 USD (\$756,000 CAD).

The Debentures have a maturity date of January 15, 2025 and will accrue interest at the rate of 8.0% per annum, payable semi-annually. At the holders' option, the Debentures may be converted into common shares of Nova Leap at a conversion price of CAD\$0.52 per common share. At any time after the date that is one year following the issue date of the Debentures, the Company may force the conversion of the principal amount of the then outstanding Debentures at the Conversion Price on not less than 30 days' notice if the daily volume weighted average trading price of the common shares is greater than CAD\$0.78 for any 20 consecutive trading days.

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

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

As such, of the gross proceeds of \$579,532 USD (\$756,000 CAD), \$491,124 USD (\$640,672 CAD) was allocated to the liability component of the convertible debentures and \$36,068 USD (\$47,050 CAD) to the equity component (conversion right feature) of the convertible debentures, upon issuance.

Financing costs incurred in connection with the issuance of convertible debentures totalled \$52,340 USD (\$68,278 CAD). Financing costs were allocated based on the relative fair values of the liability and equity components at initial recognition per above. The allocated costs were netted against each component. Interest on the net liability component is determined using the effective interest method (9.82%) and accreted over the term of the debentures.

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

	January 16, 2020
	\$
Balance, beginning of period	-
Proceeds from the issuance of convertible debentures, January 16, 2020	579,532
Less transaction costs	(52,340)
Net proceeds	527,192
Amount classified as equity (conversion rights), net of transaction costs	(35,950)
Foreign exchange loss	(118)
Balance of convertible debenture, January 16, 2020	491,124

The changes in the convertible debentures for the period are as follows:

	September 30, 2020	December 31, 2019
	\$	\$
Balance, beginning of period	1,647,576	-
Additions	491,124	1,647,576
Effective interest	161,417	-
Interest payment	(86,534)	-
Foreign exchange loss	(53,903)	-
Balance of convertible debenture, end of period	2,159,680	1,647,576

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14. Share capital

a. Authorized:

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

b. Issued and outstanding:

	September 30, 2020		December 31, 2019	
	Number of Shares	Value \$	Number of Shares	Value \$
Balance, beginning of period	61,963,181	9,001,673	59,639,966	8,291,861
Warrants exercised (note 15)	3,579,508	1,257,439	2,078,215	675,437
Stock options exercised	35,000	11,955	245,000	34,375
Balance, end of period	65,577,689	10,271,067	61,963,181	9,001,673

15. Warrants

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

	Number	\$	September 30, 2020	
			Weighted Average Exercise Price (CAD)	Remaining contractual life (years)
Balance, beginning	4,852,980	472,731	\$0.35	0.18
Warrants exercised	(3,579,508)	(324,354)	\$0.36	-
Warrants expired	(1,218,075)	(138,993)	\$0.37	-
Balance, end	55,397	9,384	\$0.35	0.07

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

The following table summarizes information concerning outstanding and exercisable warrants at September 30, 2020:

Expiry date	Number	Exercise price (CAD) \$
Oct 24, 2020	55,397	0.35
	55,397	0.35

16. Earnings (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, warrants and convertible debt have been exercised on the later of the beginning of the period and the date granted.

Nova Leap Health Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - United States dollars)

For the three and nine months ended September 30, 2020 and 2019

16. Earnings (Loss) per share (continued)

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

	For the three months ended		For the nine months ended	
	September 30, 2020	September 30, 2019 ^(a)	September 30, 2020	September 30, 2019 ^(a)
Weighted average number of shared used in basic earnings per share	65,548,776	61,047,322	64,957,148	60,725,256
Shares deemed to be issued for no consideration in respect of share-based payments and warrants	1,245,089	-	1,245,089	-
Weighted average number of shares used in diluted earnings per share	66,793,865	61,047,322	66,202,237	60,725,256

^(a) As of the three and nine months ended September 30, 2019, all options, warrants and convertible debt were excluded from the computation of diluted loss per share because their effect would have been anti-dilutive.

17. Changes in non-cash working capital

Changes in non-cash working capital balances are as follows:

	For the three months ended		For the nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	\$	\$	\$	\$
Change in accounts receivable	152,621	18,388	332,376	67,332
Change in prepaid expenses	83,156	(2,492)	27,677	82,983
Change in accounts payable and accrued liabilities	127,097	(37,651)	183,562	(113,324)
Change in client deposits payable	(5,613)	(4,542)	4,083	632
Change in deferred payroll liability	133,035	-	225,565	-
Total	490,296	26,297	773,263	37,623

18. 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

Nova Leap Health Corp.

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18. Financial instruments (continued)

Credit risk (continued)

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).

Liquidity risk

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

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

The Group 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	-

Nova Leap Health Corp.

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18. Financial instruments (continued)

Liquidity risk (continued)

	< 1 year \$	1-2 years \$	3-5 years \$	> 5 years \$
For the year 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 promissory notes and demand loans are disclosed in Notes 9 and 11.

Nova Leap Health Corp.

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19. 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, 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
General & administrative	857,310	180,890	1,038,200	284,327	1,322,527
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

	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
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
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

Nova Leap Health Corp.

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For the three and nine months ended September 30, 2020 and 2019

19. Segment reporting (continued)

	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
General & administrative	2,507,269	547,404	3,054,673	827,636	3,882,309
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
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
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.

20. Subsequent events

Subsequent to September 30, 2020, the Corporation sold the building acquired with the assets of Careforce Home Care for \$75,000 (CAD). Proceeds were used to pay a portion of the promissory note related to the acquisition of Careforce Home Care.

Subsequent to September 30, 2020, the Corporation acquired a Home Care Business located in Massachusetts. The acquisition was made for total maximum consideration of \$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.

21. Comparative figures

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