



Nova Leap Health Corp.

**Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2021 and 2020**

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

Nova Leap Health Corp.

Unaudited Condensed Interim Consolidated Statement of Financial Position

(United States dollars)

As at	September 30, 2021	December 31, 2020
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	6,320,266	2,778,845
Accounts receivable	1,834,759	1,407,625
Government tax credit receivable (note 4a)	3,422,376	-
Prepaid expenses	231,923	147,625
Total current assets	11,809,324	4,334,095
Non-current assets		
Property and equipment	488,855	395,310
Intangible assets (note 5)	1,169,479	1,349,766
Goodwill (note 6)	10,855,344	10,176,288
Deferred income tax asset	906,184	1,279,627
Total non-current assets	13,419,862	13,200,991
TOTAL ASSETS	25,229,186	17,535,086
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	1,465,640	946,143
Corporate tax payable	553,000	-
Client deposits payable	130,053	143,112
Demand loans	1,715,006	2,300,046
Promissory notes (note 7)	572,193	431,075
Lease liability	150,311	139,400
Contingent consideration (note 8)	95,697	19,323
Government loans and deferred payroll liability	182,400	195,106
Total current liabilities	4,864,300	4,174,205
Non-current liabilities		
Promissory notes (note 7)	581,985	445,166
Lease liability	341,728	245,593
Contingent consideration (note 8)	218,748	259,133
Government loans and deferred payroll liability	271,497	319,466
Convertible debentures (note 9)	-	2,249,333
Total non-current liabilities	1,413,958	3,518,691
TOTAL LIABILITIES	6,278,258	7,692,896
SHAREHOLDERS' EQUITY		
Share capital (note 10)	17,136,284	10,285,708
Contributed surplus	1,609,613	1,581,886
Accumulated other comprehensive (loss) income	(164,262)	92,346
Retained earnings (Deficit)	369,293	(2,117,750)
TOTAL SHAREHOLDERS' EQUITY	18,950,928	9,842,190
TOTAL LIABILITIES AND SHARHOLDERS' EQUITY	25,229,186	17,535,086

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

Subsequent events (note 17)

Approved on behalf of the Board of Directors

Michael O'Keefe

(signed)

Director

Chris Dobbin

(signed)

Director

(1)

Nova Leap Health Corp.

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

(United States dollars)

For the	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
	\$	\$	\$	\$
Revenues				
Service revenues	5,263,242	4,231,326	15,368,826	12,825,868
Operating expenses				
Cost of service	3,451,492	2,789,028	10,086,635	8,445,036
	1,811,750	1,442,298	5,282,191	4,380,832
Corporate and administrative expenses				
Head office and operations management	1,284,310	926,040	3,808,758	2,710,983
General & administrative	468,340	396,487	1,410,051	1,171,326
Amortization and depreciation	205,824	123,076	643,459	381,431
Stock based compensation	90,460	61,438	202,213	187,468
	2,048,934	1,507,041	6,064,481	4,451,208
Loss from operating activities	(237,184)	(64,743)	(782,290)	(70,376)
Other income (expenses)				
COVID-19 relief programs (note 4)	1,871,265	1,080,283	5,245,585	1,362,492
Impairment loss (note 6)	-	-	(605,682)	(800,000)
Finance expense	(123,716)	(121,574)	(298,543)	(383,190)
Foreign exchange gain (loss)	240,496	(129,186)	9,411	121,631
Acquisition related expenses	(120,879)	(55,083)	(172,355)	(79,845)
Other (expense) income	(498)	2,514	(1,487)	2,814
	1,866,668	776,954	4,176,929	223,902
Income before income taxes	1,629,484	712,211	3,394,639	153,526
Income taxes				
Deferred income tax (expense) recovery	(51,062)	(87,416)	(373,681)	156,373
Current income tax expense	(319,038)	(157,022)	(533,915)	(289,955)
	(370,100)	(244,438)	(907,596)	(133,582)
Net income	1,259,384	467,773	2,487,043	19,944
Items that will be reclassified subsequently to profit or loss				
Foreign exchange loss on translation to presentation currency	(422,599)	(30,341)	(256,608)	(126,837)
Total comprehensive income (loss)	836,785	437,432	2,230,435	(106,893)
Net income per share – basic and diluted (note 12)	\$0.02	\$0.01	\$0.03	-

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

Nova Leap Health Corp.

Unaudited Condensed Interim Consolidated Statement of Changes in Shareholders' Equity

(United States dollars)

	Common shares	Share capital \$	Warrants \$	Contributed surplus \$	Accumulated other comprehensive income (loss) \$	Retained earnings (Deficit) \$	Total equity \$
Balance at January 1, 2021	65,612,212	10,285,708	-	1,581,886	92,346	(2,117,750)	9,842,190
Issuance of common shares (note 10)	7,638,888	4,380,074	-	-	-	-	4,380,074
Conversion of debentures (note 9)	5,949,957	2,426,634	-	(156,399)	-	-	2,270,235
Stock based compensation	-	-	-	202,213	-	-	202,213
Stock options exercised	93,750	43,868	-	(18,087)	-	-	25,781
Net income for the period	-	-	-	-	-	2,487,043	2,487,043
Other comprehensive loss for the period	-	-	-	-	(256,608)	-	(256,608)
Balance at September 30, 2021	79,294,807	17,136,284	-	1,609,613	(164,262)	369,293	18,950,928
Balance at January 1, 2020	61,963,181	9,001,673	472,731	1,094,459	(120,513)	(3,374,048)	7,074,302
Warrants exercised	3,579,508	1,257,439	(324,354)	-	-	-	933,085
Warrants expired	-	-	(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	-	-	-	35,950	-	-	35,950
Net income for the period	-	-	-	-	-	19,944	19,944
Other comprehensive loss for the period	-	-	-	-	(126,837)	-	(126,837)
Balance at September 30, 2020	65,577,689	10,271,067	9,384	1,451,557	(247,350)	(3,354,104)	8,130,554

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

Nova Leap Health Corp.

Unaudited Condensed Interim Consolidated Statement of Cash Flows

(United States dollars)

For the	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
	\$	\$	\$	\$
Cash provided by (used in)				
Operating activities				
Net income for the period	1,259,384	467,773	2,487,043	19,944
Adjustments for items not affecting cash:				
Government tax credit receivable (note 4a)	(168,662)	-	(3,422,376)	-
Impairment loss	-	-	605,682	800,000
Amortization and depreciation	205,824	123,076	643,459	381,431
Deferred income tax expense (recovery)	51,062	87,416	373,681	(156,373)
Stock based compensation	90,460	61,438	202,213	187,468
Finance expense	120,786	105,809	292,753	377,895
Unrealized foreign exchange (gain) loss	(241,524)	139,749	(64,246)	(121,222)
Proceeds from government loans (note 4b)	-	1,975,600	-	1,975,600
Government loans forgiven (note 4b)	-	(1,080,283)	-	(1,080,283)
Gain on disposition of property and equipment	-	(715)	-	(715)
Net change in non-cash operating working capital (note 13)	273,408	490,296	484,560	773,263
Cash provided by operating activities	1,590,738	2,370,159	1,602,769	3,157,008
Investing activities				
Purchase of property and equipment	-	553	-	(5,470)
Acquisition of businesses (note 3)	(1,225,000)	(200,000)	(1,225,000)	(200,000)
Cash used in investing activities	(1,225,000)	(199,447)	(1,225,000)	(205,470)
Financing activities				
Proceeds for issuance of common shares, net of (share issue costs)	(74,086)	-	4,380,074	-
Repayment of demand loans and transaction costs	(209,840)	(189,161)	(634,542)	(563,306)
Interest payments on demand loans	(23,019)	(32,076)	(75,856)	(110,761)
Repayment of promissory notes and interest (note 7)	(35,334)	(37,333)	(146,163)	(505,702)
Repayment of lease liability and interest	(44,944)	(38,936)	(159,843)	(109,445)
Interest payments on convertible debt (note 9)	(7,479)	(17,536)	(75,191)	(86,534)
Net proceeds from issuance of convertible debt	-	-	-	527,193
Proceeds from exercise of stock options	9,986	6,642	25,781	6,642
Proceeds from government loans	-	26,981	-	52,619
Proceeds from exercise of warrants	-	-	-	933,085
Cash (used in) provided by financing activities	(384,716)	(281,419)	3,314,260	143,791
Effect of foreign exchange rate change on cash and cash equivalents	(115,818)	42,679	(150,608)	(44,481)
(Decrease) increase in cash and cash equivalents for the period	(134,796)	1,931,972	3,541,421	3,050,848
Cash and cash equivalents – beginning of period	6,455,062	2,754,087	2,778,845	1,635,211
Cash and cash equivalents – end of period	6,320,266	4,686,059	6,320,266	4,686,059
Non-cash items:				
Conversion of debentures into common shares	157,992	-	2,270,235	-
Exercise of stock options and warrants	7,993	5,313	18,087	329,667
Issuance of promissory notes for acquisitions	371,395	48,467	371,395	48,467
Expiry of warrants	-	18,127	-	138,993

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

Nova Leap Health Corp.

Notes to Unaudited Condensed Interim Consolidated Financial Statements (United States dollars)

For the three and nine months ended September 30, 2021 and 2020

1. Nature of operations

Nova Leap Health Corp. (the “Corporation” or “Nova Leap”) 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 care and 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.

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 4, 2021.

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, 2020. 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, 2020, prepared in accordance with IFRS as issued by the IASB.

b) COVID-19

On March 11, 2020, the World Health Organization (“WHO”) officially declared the Coronavirus disease 2019 (“COVID-19”) a pandemic. COVID-19 continues to be widespread throughout the United States, Canada and other parts of the world. Governments and public health officials continue to recommend and mandate precautions to mitigate the spread of the virus, including closures of and limitations on many businesses and places of public assembly. As a result, COVID-19 has significantly affected and continues to affect the overall economic conditions in the United States and Canada. However, the number of cases of COVID-19 has decreased in the United States and Canada in recent months, and many of the restrictions related to the COVID-19 pandemic have been relaxed as the result of such decrease. Moreover, vaccines have become widely available. It is difficult to predict how long the pandemic will last, how many people are likely to be affected by it or the duration or types of restrictions that will be imposed or re-imposed as the situation is continuously evolving. For these and other reasons, we are unable to predict the long-term impact of the pandemic on our business at this time.

To help reduce the impact of COVID-19 on the Corporation, Management has been monitoring various government supported financial relief programs in the jurisdictions in which the Group operates and has determined the Group is eligible for various programs as discussed in note 4 – COVID-19 relief programs.

The operations of the Corporation’s US segment continue to be impacted through reduced client service hours, primarily as a result of caregiver shortages. With ongoing high levels of infection rates in the US including the impact of new variants, client service hours have not yet recovered to pre-COVID-19 levels in the US segment. 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. With the approval of COVID-19 vaccines in the U.S. and Canada and an active roll-out plan in both jurisdictions, management expects to see a strengthening in its operations.

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, the successful uptake of vaccines and the effectiveness of the vaccines against all variants, all of which are highly uncertain and cannot be predicted.

Nova Leap Health Corp.

Notes to Unaudited Condensed Interim Consolidated Financial Statements (United States dollars)

For the three and nine months ended September 30, 2021 and 2020

2. Significant accounting policies (continued)

c) Government grants and assistance

i) Employee Retention Credit

The Employee Retention Credit (“ERC”) is a refundable payroll tax credit for qualified wages paid to retain employees in 2021. The ERC covers a portion of employee’s wages for employers who have suffered a decrease in gross revenues. In accordance with IAS 20, any ERC funding received is treated as grant related income and is classified as Other income in the Condensed Interim Consolidated Statement of Income and Comprehensive Income (Loss).

3. Business acquisitions

On July 31, 2021, the Corporation acquired a home care business located in Rhode Island. The acquisition was made for total consideration of \$525,000 of which \$425,000 was payable with cash on closing and \$100,000 by way of a promissory note repayable over a two-year period.

On September 19, 2021, the Corporation acquired the business assets of a home care services company located in Oklahoma. The acquisition was made for total consideration of \$1,100,000 of which \$800,000 was payable with cash on closing and \$300,000 by way of a promissory note repayable over a two-year period.

The details of the business acquisitions in 2021 are as follows:

Acquisition date	Rhode Island July 31, 2021	Oklahoma September 19, 2021
	\$	\$
Acquisition costs	65,979	47,458
Fair value of consideration transferred		
Cash	425,000	800,000
Promissory note to vendor	95,895	275,500
Total	520,895	1,075,500
Recognized amounts of identifiable net assets		
Intangible assets - customer lists	40,000	90,000
Intangible assets - non-compete agreements	60,000	120,000
Goodwill	420,895	865,500
Total	520,895	1,075,500
Contribution to Group Results		
Revenue from date of acquisition to reporting date	180,184	68,939
Operating income from date of acquisition to reporting date (including non-cash amortization and depreciation)	(5,903)	8,491

Goodwill

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

Nova Leap Health Corp.

Notes to Unaudited Condensed Interim Consolidated Financial Statements (United States dollars)

For the three and nine months ended September 30, 2021 and 2020

3. Business acquisitions (continued)

Proforma Group Results and Other

Proforma Group results based on acquiring the assets of all closed acquisitions at January 1, 2021

If the assets of the businesses acquired during the period had been acquired on January 1, 2021, revenue of the Group for the nine months ended September 30, 2021 would have increased by approximately \$2,522,000 and income from operating activities would have increased by approximately \$184,000, including \$40,000 of non-cash amortization expense.

4. COVID-19 relief programs

a) Employee Retention Credit

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) contains a business relief provision known as the Employee Retention Credit, a refundable payroll tax credit for qualified wages paid to retain employees between March 13, 2020 and December 31, 2020. The Taxpayer Certainty and Disaster Tax Relief Act of 2020, which is part of the Consolidated Appropriations Act 2021, was signed into law December 27, 2020, and significantly modifies and expands provisions of the ERC to include wages paid in 2021.

Employers qualify for the ERC in 2021 if they were ordered to fully or partially shut down or if their gross receipts fell below 80% as compared to the same quarter in 2019. However, employers can elect to use the immediately preceding calendar quarter. For 2021, the ERC rate per employee is increased to 70% of qualified wages and the wage limit per employee is increased from \$10,000 for the year to \$10,000 per quarter.

Nova Leap's US segment qualified for the ERC and has recognized \$1,846,969 and \$5,100,683 for the three and nine months ended September 30, 2021 in Other Income on the Condensed Interim Consolidated Statement of Income and Comprehensive Income (Loss). To date, an amount of \$1,678,307 has been received, the timing of the receipt of the remaining funds is unknown at the time of filing these financial statements.

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. For the three and nine months ended September 30, 2021, the Corporation's Canadian segment received \$24,296 and \$81,456 respectively (CAD\$30,789 and CAD\$102,672) from the CEWS program (three and nine months ended September 30, 2020 - \$nil and \$282,209 (CAD\$391,559)). The CEWS is recognized as Other income in the Condensed Interim Consolidated Statement of Income and Comprehensive Income (Loss).

c) Paycheck Protection Program (PPP)

During the nine months ended September 30, 2021, management determined that the criteria for forgiveness had been met for the PPP loans of \$63,446 (September 30, 2020 - \$1,080,283) and this amount was recognized as Other Income in the Condensed Interim Consolidated Statement of Income and Comprehensive Income (Loss). The PPP loans received in Q3 2020 of \$1,975,600 have been forgiven.

5. Intangible assets

	September 30, 2021	December 31, 2020
	\$	\$
Definite life (customer lists & non-compete agreements)		
Balance, beginning of period	1,239,807	703,477
Additions from business acquisitions (note 3)	310,000	930,000
Amortization	(490,631)	(392,735)
Foreign exchange gain (loss)	422	(935)
Balance, end of period	1,059,598	1,239,807
Indefinite life (brand)		
Balance, beginning of period	109,959	107,791
Foreign exchange (loss) gain	(78)	2,168
Balance, end of period	109,881	109,959
Total intangible assets, beginning of period	1,349,766	811,268
Total intangible assets, end of period	1,169,479	1,349,766

Nova Leap Health Corp.

Notes to Unaudited Condensed Interim Consolidated Financial Statements (United States dollars)

For the three and nine months ended September 30, 2021 and 2020

6. 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 (“CGUs”) to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or CGUs are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Management conducted its annual goodwill impairment test for the US-NH/VT CGU in Q2 2021. The US-NH/VT CGU is comprised of three acquisitions completed between 2016 and 2018. The largest acquisition that is part of this CGU was a business that was overstaffed and not profitable that required significant rightsizing to achieve profitability. Management understood it would take time to achieve targeted operating results. While the rightsizing efforts were showing some progress, most notably with the achievement of positive operating income less non-cash amortization and depreciation in 2019, the impact of COVID-19 on operating income resulted in an initial impairment loss of \$800,000 in the three months ended June 30, 2020.

Operating results have continued to trend below forecast for this CGU and management has made changes to the business, including new leadership, in an effort to achieve positive earnings before interest, taxes, depreciation and amortization. Although management’s outlook for this business over the long-term remains consistent with its position taken during the acquisition, the time required for new leadership to integrate and implement plans and the ongoing impact of COVID-19 on the CGU including on-going restrictions, the impact on hiring caregivers and the slow-down of the vaccines uptake and government support programs has resulted in a further impairment in the three months ended June 30, 2021.

An impairment is recognized for the amount by which the asset’s (or CGU’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 CGU 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 CGU 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 16.9%. Given the ongoing negative operating results for this CGU, the fair value less costs to sell calculation did not support the carrying value of the goodwill and an impairment loss of \$605,682 was recognized in Q2 2021.

Impairment losses for CGUs reduce first the carrying amount of any goodwill allocated to that CGU. Any remaining impairment loss is charged pro rata to the other assets in the CGU. 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 CGU’s recoverable amount exceeds its carrying amount.

The changes in goodwill for the period are as follows:

	September 30, 2021	December 31, 2020
	\$	\$
Balance, beginning of period	10,176,288	9,416,109
Additions (note 3)	1,286,395	1,513,960
Impairment loss	(605,682)	(800,000)
Foreign exchange (loss) gain	(1,657)	46,219
Balance, end of period	10,855,344	10,176,288

As at September 30, 2021, 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	NH/VT	605,682	(605,682)

Nova Leap Health Corp.

Notes to Unaudited Condensed Interim Consolidated Financial Statements (United States dollars)

For the three and nine months ended September 30, 2021 and 2020

7. Promissory notes

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

	September 30, 2021	December 31, 2020
	\$	\$
Balance, beginning of period	876,241	889,495
Issued due to business acquisitions	371,395	589,721
Effective interest	51,473	54,528
Repayments	(146,163)	(647,391)
Foreign exchange loss (gain)	1,232	(10,112)
Balance, end of period	1,154,178	876,241
Current portion	572,193	431,075
Non-current portion	581,985	445,166
Balance, end of period	1,154,178	876,241
Fair value	1,164,728	890,690

The promissory notes were all initially recorded at fair value using a market interest rate of 7.45% to 9.5% and subsequently measured at amortized cost using the effective interest rate method. The promissory notes are subject to a Guaranty Agreement of Nova Leap Health Corp. and are subordinated to the demand loans.

8. Contingent consideration

Contingent consideration, which makes up a portion of the total purchase price in some acquisitions, represents future payments contingent on meeting certain revenue targets. At initial recognition, the maximum value of the total future payments are measured at fair value and recorded as a liability. Each reporting period, management evaluates the likelihood of the acquisition reaching its targets and adjusts the liability accordingly. Fair value is then recalculated and any fair value gain or loss is recognized in Finance expense. In determining the fair value of the earnout payments at September 30, 2021, the potential future payments were discounted using a risk adjusted discount rate ranging between 20.43% and 22.44% (September 30, 2020 – 16.9%).

The following table summarizes changes in contingent consideration:

	September 30, 2021	December 31, 2020
	\$	\$
Balance, beginning of period	278,456	242,903
Addition from business acquisition	-	179,239
Repayment	-	(76,687)
Fair value loss (gain)	35,989	(66,999)
Balance, end of period	314,445	278,456
Current portion	95,697	19,323
Non-current portion	218,748	259,133

9. Convertible debentures

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

	September 30, 2021	December 31, 2020
	\$	\$
Balance, beginning of period	2,249,333	1,647,576
Net proceeds from issuance	-	491,124
Conversion of debentures into common shares	(2,270,235)	-
Effective interest	60,231	219,961
Interest payment	(75,191)	(157,604)
Foreign exchange loss	35,862	48,276
Balance, end of period	-	2,249,333

Nova Leap Health Corp.

Notes to Unaudited Condensed Interim Consolidated Financial Statements (United States dollars)

For the three and nine months ended September 30, 2021 and 2020

9. Convertible debentures (continued)

On August 3, 2021, the Corporation exercised its option to convert the remaining convertible debentures with a principal amount of \$173,471 (CAD\$215,000) and a maturity date of January 15, 2025 into common shares of the Corporation at a conversion price of CAD\$0.52.

In January 2021, \$147,128 (CAD\$187,000) of the debentures due December 30, 2024 were voluntarily converted into common shares at a conversion price of CAD\$0.52. On March 3, 2021, Nova Leap exercised its option to convert convertible debentures, with a principal amount of \$1,704,032 (CAD\$2,151,000) and a maturity date of December 30, 2024, into common shares of the Corporation at a conversion price of CAD\$0.52. On June 23, 2021, \$440,303 (CAD\$541,000) of the debentures due January 15, 2025 were voluntarily converted into common shares at a conversion price of CAD\$0.52.

10. Share capital

a. Authorized:

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

b. Issued and outstanding:

	September 30, 2021		December 31, 2020	
	Number of Shares	Value \$	Number of Shares	Value \$
Balance, beginning of period	65,612,212	10,285,708	61,963,181	9,001,673
Issuance of common shares	7,638,888	4,380,074	-	-
Conversion of debentures into common shares	5,949,957	2,426,634	-	-
Warrants exercised	-	-	3,614,031	1,272,080
Stock options exercised	93,750	43,868	35,000	11,955
Balance, end of period	79,294,807	17,136,284	65,612,212	10,285,708

During the period, Nova Leap closed a non-brokered private placement, through the issuance of 7,638,888 common shares at a price of CAD\$0.72 per share, for gross proceeds of \$4,535,397 (CAD\$5,499,999). The Company had share issuance costs related to the private placement of \$155,323 (CAD\$188,509) resulting in net proceeds of \$4,380,074 (CAD\$5,311,490).

11. Deferred share units

The Corporation has a deferred share unit ("DSU") plan for directors, employees and consultants. As permitted under the DSU plan, all the directors have elected to receive their directors' fees in DSUs.

Directors' fees are paid on a quarterly basis and, at the time of each payment of fees, the applicable amount will be converted into DSUs based on the volume weighted average share price of the Corporation's common shares over the five previous trading days. DSUs cannot be redeemed for shares until the director retires, resigns or otherwise leaves the Board of Directors. When redeemed, each vested DSU will be redeemed for one Nova Leap common share.

The following table summarizes the changes in the outstanding DSUs:

	September 30, 2021		December 31, 2020	
	Number of DSUs	Value \$	Number of DSUs	Value \$
Balance, beginning of period	-	-	-	-
Grants	62,424	32,964	-	-
Balance, end of period	62,424	32,964	-	-

On September 30, 2021, Nova Leap granted 62,424 DSUs to directors of the Corporation at a weighted average share price of CAD\$0.6728. All DSUs were granted under, and are subject to, the terms and conditions of the Corporation's Amended and Restated Equity Incentive Plan.

During the nine months ended September 30, 2021, Nova Leap recorded stock based compensation with an offsetting increase to contributed surplus of \$32,964 relating to the DSU plan.

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12. Earnings per share

Basic earnings per share is calculated based on the weighted average number of shares outstanding during the period. Diluted earnings per share assumes that stock options, DSUs and convertible debentures have been exercised on the later of the beginning of the period and the date granted.

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

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Weighted average number of shares used in basic earnings per share	79,126,132	65,548,776	72,756,347	64,957,148
Shares deemed to be issued for no consideration in respect of share-based payments and convertible debentures	3,301,606	1,245,089	3,338,824	1,245,089
Weighted average number of shares used in diluted earnings per share	82,427,738	66,793,865	76,095,171	66,202,237

13. Supplemental cash flow information

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
	\$	\$	\$	\$
Change in non-cash operating working capital:				
Accounts receivable	(340,913)	152,621	(427,134)	332,376
Prepaid expenses	(34,599)	83,156	(84,298)	27,677
Accounts payable and accrued liabilities	105,895	127,097	519,497	183,562
Corporate tax payable	553,000	-	553,000	-
Client deposits payable	(9,975)	(5,613)	(13,059)	4,083
Government loans and deferred payroll liability	-	133,035	(63,446)	225,565
	273,408	490,296	484,560	773,263

14. 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. Related parties include members of the Board of Directors, as well as the Chief Executive Officer and the Chief Financial Officer and Corporate Secretary.

Head office and operations management expenses include the following related party remuneration expenses:

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
	\$	\$	\$	\$
Management compensation	107,257	81,667	324,762	241,040
Directors fees (note 11)	-	14,456	56,362	42,667
Stock based compensation	85,358	45,656	178,926	149,096
	192,615	141,779	560,050	432,803

As at September 30, 2021, there was \$55,468 included in accounts payable and accrued liabilities for amounts owed to officers of the Corporation (December 31, 2020 – \$nil) for compensation and expense reimbursements, and \$20,598 for amounts due to directors for director fees (December 31, 2020 – \$60,478).

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14. Related party transactions (continued)

During the nine months ended September 30, 2021, convertible debentures of CAD\$483,000 held by related parties at December 31, 2020 were converted into common shares of the Corporation at a conversion price of CAD\$0.52, as detailed in note 9. For the nine months ended September 30, 2021, interest of \$18,419 (September 30, 2020 – \$9,827) was paid to related parties at the prescribed rate in relation to the convertible debentures.

During the nine months ended September 30, 2021, certain related parties participated in the Corporation's private placement of common shares and subscribed for an aggregate of 323,112 common shares.

15. Financial instruments

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

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

Credit risk

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

Classes of financial assets – carrying amounts	September 30, 2021	December 31, 2020
	\$	\$
Cash and cash equivalents	6,320,266	2,778,845
Accounts receivable	1,834,759	1,407,625
	8,155,025	4,186,470

Credit risk management

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

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

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

At certain locations, clients are required to pay an upfront deposit, mitigating the credit risk. As at September 30, 2021, the Group had \$130,053 collected for client deposits (December 31, 2020 - \$143,112), representing approximately 7.1% of outstanding accounts receivable, billed and accrued (December 31, 2020–10.2%).

Liquidity risk

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

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

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

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15. Financial instruments (continued)

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

As at September 30, 2021	< 1 year \$	1-2 years \$	3-5 years \$
Account payable and accrued liabilities	1,465,640	-	-
Corporate tax payable	553,000	-	-
Client deposits	130,053	-	-
Demand loans, principal and interest	919,625	623,144	336,191
Promissory notes, principal and interest	637,030	483,210	127,500
Lease liability, principal and interest	170,058	168,709	197,496
Contingent consideration	95,697	158,476	60,271
Government loans	-	62,789	-
Deferred payroll liability	182,400	182,400	-
Total	4,153,503	1,678,728	721,458
As at December 31, 2020	< 1 year \$	1-2 years \$	3-5 years \$
Account payable and accrued liabilities	946,143	-	-
Client deposits	143,112	-	-
Demand loans, principal and interest	927,363	882,939	766,449
Promissory notes, principal and interest	489,337	338,988	147,725
Lease liability, principal and interest	168,387	97,371	171,792
Convertible debentures	198,963	194,408	2,842,664
Contingent consideration	19,323	79,894	179,239
Government loans	-	62,834	-
Government loans (PPP), principal and interest	12,816	12,816	38,448
Deferred payroll liability	182,417	182,417	-
Total	3,087,862	1,851,667	4,146,317

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 United States dollars (USD). Exposure to currency exchange rates arise from the fact that the Group's equity offerings have been denominated in Canadian dollars (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 the Canadian dollar currency risk is as follows:

	September 30, 2021 (CAD) \$	December 31, 2020 (CAD) \$
Cash and cash equivalents	4,949,844	1,005,575
Accounts receivable	433,384	309,752
Accounts payable & accrued liabilities	(551,686)	(491,865)
Demand loans	(794,631)	(1,089,667)
Promissory notes	(121,777)	(218,719)
Lease liability	(53,172)	(125,141)
Convertible debentures	-	(2,863,850)
Government loans	(113,520)	(109,868)
	3,748,442	(3,583,783)

A change of 5.0% in the Canadian dollar exchange rate at September 30, 2021 would affect net income and comprehensive income and deficit by approximately \$140,000 (September 30, 2020 - \$114,500).

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15. Financial instruments (continued)

Interest rate sensitivity

As at September 30, 2021, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. An increase or decrease of 1% in interest rates would affect net income and comprehensive income and deficit by approximately \$23,000 over the remaining term of the loans (September 30, 2020 - \$46,000).

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 is disclosed in note 7.

16. Segment reporting

Management identifies the Group's reportable segments as Canadian operations and US operations. All businesses provide home care services to clients, with Group Head Office 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, 2021				
	US \$	Canada \$	Total Reportable Segments \$	Group Head Office \$	Total \$
Segment revenues	4,246,542	1,012,187	5,258,729	4,513	5,263,242
Cost of services	2,764,708	686,784	3,451,492	-	3,451,492
Gross margin	1,481,834	325,403	1,807,237	4,513	1,811,750
Corporate & administrative	1,238,467	205,994	1,444,461	308,189	1,752,650
Amortization and depreciation	189,986	11,150	201,136	4,688	205,824
Stock based compensation	2,782	1,195	3,977	86,483	90,460
Segment operating income (loss)	50,599	107,064	157,663	(394,847)	(237,184)
Segment assets	17,668,976	3,357,263	21,026,239	4,202,947	25,229,186

	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
Corporate & 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)	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

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16. Segment reporting (continued)

	For the nine months ended September 30, 2021				
	US \$	Canada \$	Total Reportable Segments \$	Group Head Office \$	Total \$
Segment revenues	12,165,134	3,193,825	15,358,959	9,867	15,368,826
Cost of services	7,914,001	2,172,634	10,086,635	0	10,086,635
Gross margin	4,251,133	1,021,191	5,272,324	9,867	5,282,191
Corporate & administrative	3,485,587	604,946	4,090,533	1,128,276	5,218,809
Amortization and depreciation	566,984	43,523	610,507	32,952	643,459
Stock based compensation	8,374	3,606	11,980	190,233	202,213
Segment operating income (loss)	190,188	369,116	559,304	(1,341,594)	(782,290)
Segment assets	17,668,976	3,357,263	21,026,239	4,202,947	25,229,186

	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
Corporate & 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)	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

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.

17. Subsequent events

On October 28, 2021, the Corporation executed a definitive agreement to acquire the business assets of a home care services company located in South Central region, US. Under the terms of the agreement, the acquisition is to be made for total consideration of \$1,660,000 of which \$1,300,000 is payable with cash on closing and \$360,000 is by way of a promissory note repayable over a three-year period.

On October 28, 2021, the Corporation executed a definitive agreement to acquire the business assets of a home care services company located in Southeastern region, US. Under the terms of the agreement, the acquisition is to be made for total consideration of \$550,000 of which \$475,000 is payable with cash on closing and \$75,000 is by way of a promissory note repayable over a two-year period.

Subsequent to the quarter end, the Corporation received authorization from its Schedule 1 Bank to increase its existing revolving credit facility from CAD\$1 million to CAD\$1.5 million and secured a \$1.6 million non-revolving facility which can be used for acquisition purposes should funds be required before the Government tax credit receivable is collected.

18. Comparative figures

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