



Nova Leap Health Corp.

**Consolidated Financial Statements
For the years ended December 31, 2024 and 2023**

(United States dollars)

Independent auditor's report

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To the shareholders of
Nova Leap Health Corp.

Opinion

We have audited the consolidated financial statements of Nova Leap Health Corp. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, and the consolidated statements of income (loss) and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements, present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024 and 2023, and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of the recoverable amount of cash generating units ("CGUs") to which goodwill has been allocated

Refer to Note 6 of the consolidated financial statements.

IAS 36 – *Impairment of Assets* ("IAS 36") requires indefinite life intangible assets to be tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. The Group has recorded goodwill of \$15.973 million and other intangible assets of \$0.634 million as at December 31, 2024.

The recoverable amount of a CGU (or group of CGUs), which is a significant estimate, is the higher of its value in use and its fair value less costs of disposal. In determining the recoverable amount of the CGU (or group of CGUs) on a value in use basis, the Group uses significant assumptions including projected future revenues, income, terminal growth rate and discount rate.

Given the significance of management's judgements and estimates in determining the value in use of each CGU, we have identified the assessment of the recoverable amount of CGU's to which goodwill has been allocated or indicators of impairment exist as a key audit matter.

Our audit procedures included, amongst other procedures:

- We evaluated the reasonableness of management's judgement with respect to whether there are any indicators of impairment.
- We evaluated the reasonableness of management's cash flow projections used to establish the recoverable amount of the CGUs by comparing them to the Group's historical cash flows
- We compared management's historical forecasts of cash flow projections with actual results to assess management's ability to accurately predict cash flows
- We involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the reasonableness of the terminal growth rates and discount rates used by management. This included an assessment of the reasonableness of the required inputs into the two rates
- We assessed how management addressed estimation uncertainty by obtaining support for management's sensitivity analysis of their calculations of each CGU's value in use, future cash flows and terminal growth and discount rates.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Grant Cuyllé.

Halifax, Canada
March 6, 2025

Chartered Professional Accountants

Nova Leap Health Corp.

Consolidated Statements of Financial Position

(United States dollars)

As at	December 31, 2024 \$	December 31, 2023 \$
ASSETS		
Current assets		
Cash and cash equivalents	1,402,767	894,765
Accounts receivable	1,697,910	1,652,116
Prepaid expenses	319,057	294,248
Total current assets	3,419,734	2,841,129
Non-current assets		
Property and equipment (note 4)	976,560	1,188,383
Intangible assets (note 5)	634,209	542,711
Goodwill (note 6)	15,972,551	14,622,219
Deferred income tax asset (note 7b)	1,385,246	1,701,285
Total non-current assets	18,968,566	18,054,598
TOTAL ASSETS	22,388,300	20,895,727
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	1,563,605	1,240,953
Client deposits payable	49,804	59,584
Demand loans (note 8)	1,211,204	-
Promissory notes (note 9)	111,621	117,509
Lease liability (note 10)	299,683	276,124
Government loans (note 11)	-	90,730
Total current liabilities	3,235,917	1,784,900
Non-current liabilities		
Promissory notes (note 9)	218,575	-
Lease liability (note 10)	684,872	914,056
Total non-current liabilities	903,447	914,056
TOTAL LIABILITIES	4,139,364	2,698,956
SHAREHOLDERS' EQUITY		
Share capital (note 12)	19,104,212	18,959,250
Contributed surplus (note 14)	2,309,419	2,263,219
Accumulated other comprehensive loss	(2,295,700)	(778,235)
Deficit	(868,995)	(2,247,463)
TOTAL SHAREHOLDERS' EQUITY	18,248,936	18,196,771
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	22,388,300	20,895,727

The accompanying notes form an integral part of these Consolidated Financial Statements.

Subsequent events (note 22)

Approved on behalf of the Board of Directors

“Michael O’Keefe”

(signed)

Director

“Chris Dobbin”

(signed)

Director

Nova Leap Health Corp.

Consolidated Statements of Income (Loss) and Comprehensive Loss

(United States dollars)

	For the years ended December 31	
	2024	2023
	\$	\$
Revenues		
Service revenues	25,760,606	26,179,025
Operating expenses		
Cost of service	15,873,678	16,410,647
	9,886,928	9,768,378
Corporate and administrative expenses		
Head office and operations management	6,098,903	6,196,390
General & administrative	2,226,264	2,094,417
Amortization and depreciation	583,695	885,111
Stock-based compensation (note 13)	114,354	132,308
	9,023,216	9,308,226
Income from operating activities	863,712	460,152
Other income (expenses)		
Finance expense	(106,856)	(144,748)
Forgiveness of government loans (note 11)	29,544	-
Foreign exchange gain (loss)	1,308,375	(404,484)
Litigation settlement gain (note 16)	-	352,789
Acquisition related expenses	(257,267)	(105,793)
Impairment loss (note 6)	-	(1,502,562)
Other expenses	(25,498)	(21,348)
	948,298	(1,826,146)
Income (loss) before income taxes	1,812,010	(1,365,994)
Income taxes (note 7a)		
Deferred income tax (expense) recovery	(320,706)	356,905
Current income tax expense	(112,836)	(45,592)
	(433,542)	311,313
Net income (loss)	1,378,468	(1,054,681)
Items that will be reclassified subsequently to profit or loss		
Foreign exchange (loss) gain on translation to presentation currency	(1,507,455)	437,223
Total comprehensive loss	(128,987)	(617,458)
Net income (loss) per share – basic and diluted (note 17)	\$0.016	(\$0.012)

The accompanying notes form an integral part of these Consolidated Financial Statements.

Nova Leap Health Corp.

Consolidated Statements of Changes in Shareholders' Equity

(United States dollars)

	Common shares	Share capital \$	Contributed surplus \$	Accumulated other comprehensive loss \$	Deficit \$	Total shareholders' equity \$
Balance at January 1, 2024	86,209,252	18,959,250	2,263,219	(778,235)	(2,247,463)	18,196,771
Stock-based compensation (note 13)	-	-	114,354	-	-	114,354
Stock Options exercised (note 12)	1,105,000	144,962	(68,154)	-	-	76,808
Net income for the period	-	-	-	-	1,378,468	1,378,468
Loss on foreign currency translation	-	-	-	(1,517,465)	-	(1,517,465)
Balance at December 31, 2024	87,314,252	19,104,212	2,309,419	(2,295,700)	(868,995)	18,248,936
Balance at January 1, 2023	86,209,252	18,959,250	2,130,911	(1,215,458)	(1,192,782)	18,681,921
Stock-based compensation (note 13)	-	-	132,308	-	-	132,308
Net loss for the period	-	-	-	-	(1,054,681)	(1,054,681)
Gain on foreign currency translation	-	-	-	437,223	-	437,223
Balance at December 31, 2023	86,209,252	18,959,250	2,263,219	(778,235)	(2,247,463)	18,196,771

The accompanying notes form an integral part of these Consolidated Financial Statements.

Nova Leap Health Corp.

Consolidated Statements of Cash Flows

(United States dollars)

	For the years ended December 31	
	2024	2023
	\$	\$
Cash provided by (used in)		
Operating activities		
Net income (loss) for the period	1,378,468	(1,054,681)
Adjustments for items not affecting cash:		
Forgiveness of promissory notes on litigation settlement (note 16)	-	(257,789)
Government tax credit receivable	-	659,495
Amortization and depreciation	583,695	885,111
Impairment loss	-	1,502,562
Stock-based compensation (note 13)	114,354	132,308
Deferred income tax expense (recovery)	320,706	(356,905)
Finance expense	92,417	172,505
Unrealized foreign exchange (gain) loss	(1,314,376)	376,535
Forgiveness of government loans	(29,544)	-
Gain on disposal of property and equipment	-	(4,861)
Net change in non-cash operating working capital (note 18)	242,269	100,316
Cash provided by operating activities	1,387,989	2,154,596
Investing activities		
Acquisition of businesses (note 3)	(1,566,000)	-
Purchase of property and equipment (note 4)	(25,000)	(27,990)
Proceeds from the sale of assets	-	4,861
Cash used in investing activities	(1,591,000)	(23,129)
Financing activities		
Proceeds from demand loan, net of transaction costs (note 8)	1,230,401	-
Repayment of demand loans and transaction costs (note 8)	(27,693)	(1,376,036)
Interest payments on demand loans (note 8)	(6,538)	(55,817)
Repayment of promissory notes and interest (note 9)	(126,000)	(682,500)
Repayment of lease liability and interest (note 10)	(357,777)	(401,715)
Proceeds from exercise of options (note 13)	76,808	-
Repayment of government loan (note 11)	(59,422)	-
Cash provided by (used in) financing activities	729,779	(2,516,068)
Effect of foreign exchange rate change on cash and cash equivalents	(18,766)	6,720
Increase (decrease) in cash and cash equivalents for the year	508,002	(377,881)
Cash and cash equivalents – beginning of year	894,765	1,272,646
Cash and cash equivalents – end of year	1,402,767	894,765

The accompanying notes form an integral part of these Consolidated Financial Statements.

Nova Leap Health Corp.

Notes to the Consolidated Financial Statements

(United States dollars)

For the years ended December 31, 2024 and 2023

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 ten states as well as in Nova Scotia, Canada. The Corporation is a public corporation whose shares are listed and posted for trading on the TSX Venture Exchange under the symbol NLH and the over-the-counter market (OTCQX) in the United States under the symbol NVLPF.

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 3006, Halifax, NS Canada B3L 2C2.

The Consolidated Financial Statements were approved by the Board of Directors on March 6, 2025.

2. Material accounting policies

a) Statement of compliance

These Consolidated Financial Statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”).

b) Basis of measurement

The Consolidated Financial Statements are prepared on a going concern basis under the historical cost basis except for any financial assets and liabilities classified as fair value through profit and loss which are stated at fair value.

The Consolidated Financial Statements are presented in United States dollars (“USD”) which is the functional currency of the majority of the Group’s business operations. The functional currency of the Group’s United States subsidiaries is USD and the functional currency of the Corporation and the Canadian subsidiaries is Canadian dollars (“CAD”).

c) Basis of consolidation

The Consolidated Financial Statements include the financial statements of the Corporation and its subsidiaries, all of which have a reporting date of December 31. All transactions and balances between parties within the Group are eliminated on consolidation, including unrealized gains and losses on transactions. Amounts reported in the Consolidated Financial Statements as they relate to the subsidiaries have been adjusted where necessary to ensure consistency with accounting policies adopted by the Group. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

d) Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair value of assets transferred, liabilities incurred, and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values, except for deferred tax assets or liabilities measured in accordance with International Accounting Standard (IAS) 12 *Income Taxes*. Goodwill arising on acquisition is recognized as an asset and represents the excess of acquisition cost over the fair value of the identifiable net assets including separately identifiable intangible assets of the acquiree at the date of the acquisition. Any excess of identifiable net assets over the acquisition cost is recognized in net income or loss immediately after acquisition.

e) Foreign currency translation

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at each reporting date at the exchange rate prevailing at the Statement of Financial Position date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the remeasurement of monetary items denominated in foreign currencies, to the functional currency of the respective Group Entity, are recognized in Other income on the Consolidated Statement of Income and Comprehensive Loss.

Non-monetary items are measured at historical costs using the exchange rates at the transaction date except for non-monetary items measured at fair value which are translated using the exchange rates at the date the fair value is determined.

Nova Leap Health Corp.

Notes to the Consolidated Financial Statements

(United States dollars)

For the years ended December 31, 2024 and 2023

2. Material accounting policies (continued)

e) Foreign currency translation (continued)

Foreign operations

The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities including goodwill and fair value adjustments arising on the acquisition of a foreign entity are translated into USD at the exchange rate prevailing at the Statement of Financial Position date. Income and expenses are translated into USD at the average exchange rates in each reporting period. Differences on the translation of foreign operations into the presentation currency are recorded as other comprehensive income (loss) and recognized in accumulated other comprehensive income (loss) in Shareholders' Equity. On disposal of a foreign operation, the related accumulated translation difference recognized in Shareholders' Equity is recognized as gain or loss on disposal and reclassified to net income or loss in the Consolidated Statement of Loss and Comprehensive Loss.

f) Segment reporting

Management has identified the Group's reportable segments as US operations and Canadian operations. All businesses provide home care services to clients. These operating segments are monitored by the Group's Chief Operating Decision Maker, which is the Chief Executive Officer and strategic decisions are made based on segment operating results.

Corporate assets which are not directly attributable to the business activities of the operating segment are not allocated to the segment. This primarily applies to the Group's head office.

g) Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit, cash held in trust when cash held in trust is not restricted for use and short-term redeemable guaranteed investment certificates held with Schedule 1 banks. Interest earned is recognized in the Consolidated Statement of Income and Comprehensive Loss.

h) Property & equipment

Property and equipment include vehicles used in operations, office leases recognized as right-of-use assets, leasehold improvements and minor equipment used in operations.

All property and equipment are recognized at acquisition cost, less accumulated amortization and impairment losses. Depreciation of vehicles and other equipment is recognized on a straight-line basis over the useful life less estimated residual value. The useful life of used vehicles and equipment is 2-6 years depending on the type, age and condition of the asset.

The expected useful lives for right-of-use assets and leasehold improvements is determined by reference to comparable owned assets or the lease term, if shorter. Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property and equipment are recognized in Other income in the Consolidated Statement of Loss and Comprehensive Loss.

i) Intangible assets

Customer lists, non-compete agreements and brands acquired in a business acquisition that qualify for separate recognition are recognized as intangible assets at their fair values.

Customer lists are accounted for using the cost model whereby capitalized costs are amortized over their estimated useful lives using the declining balance method. The useful life is based on an estimated customer attrition rate. Non-compete agreements are accounted for using the cost model whereby capitalized costs are amortized using the straight-line method over the duration of the non-compete agreement.

All indefinite-lived intangible assets are accounted for at cost less accumulated impairment losses and are subject to at least annual impairment testing, or more frequently if indicators of impairment are identified (see note 2t).

j) Goodwill

Goodwill represents the future economic benefits arising from a business acquisition that are not individually identified and separately recognized. Goodwill is carried at cost less accumulated impairment losses and is subject to at least annual impairment testing, or more frequently if indicators of impairment are identified (see note 2t).

Nova Leap Health Corp.

Notes to the Consolidated Financial Statements

(United States dollars)

For the years ended December 31, 2024 and 2023

2. Material accounting policies (continued)

k) Leases

The Group recognizes a contract as a lease when the contract meets the following conditions:

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

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability on the Consolidated Statement of Financial Position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date, net of any incentives received. The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the lease commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

The lease liability is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments, with the corresponding adjustment reflected in the right-of-use asset or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these leases are recognized in general & administrative expenses in the Consolidated Statement of Income and Comprehensive Loss on a straight-line basis over the lease term.

l) Stock-based compensation

The Corporation accounts for stock options using the fair value method. The fair value of stock options granted is determined using the Black-Scholes pricing model. Stock-based compensation expense is calculated over the vesting period based on the number of stock options expected to vest. Stock-based compensation expense is recorded in the Consolidated Statement of Income and Comprehensive Loss with a corresponding increase to contributed surplus. When stock options are exercised, the consideration received and the amount previously recognized in contributed surplus are recorded as an increase to share capital. All stock options are equity settled.

m) Deferred share units

The fair value of the deferred share units ("DSUs") granted to Directors is measured based on the volume weighted average share price of the Corporation's common shares for the five trading days preceding the day the DSUs are granted. The fair value of DSUs granted is recorded as Stock-based compensation expense in the Consolidated Statement of Income and Comprehensive Loss with a corresponding increase to contributed surplus. All DSUs are settled in awards of common shares.

n) Equity

Share capital represents the nominal (par) value of shares that have been issued.

The Corporation applies the fair value method with respect to the measurement of shares and warrants issued as private placement units. The Corporation allocates the net proceeds and issue costs based on the relative fair values of each component. The fair value of warrants is determined using the Black-Scholes pricing model.

Accumulated other comprehensive income in shareholders' equity represents the differences arising from the translation of the financial statements of the Group's foreign operations into the presentation currency of the Group.

Nova Leap Health Corp.

Notes to the Consolidated Financial Statements

(United States dollars)

For the years ended December 31, 2024 and 2023

2. Material accounting policies (continued)

o) **Income (loss) per share**

Basic income (loss) per share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted income (loss) per share is calculated, after giving effect to the potential dilution that would occur if all outstanding share-based transactions were exercised, using the treasury stock method. This method assumes that the proceeds received upon exercise of all share-based payments, including employee stock options, deferred share units and convertible debentures, with an exercise price lower than the average market price of the Corporation's common shares, would be used to repurchase common shares at the average market price for the period. The resulting incremental number of common shares is added to the weighted average number of common shares.

p) **Revenue**

The Group generates revenues by providing home and home health care services directly to clients, such as dementia care, companionship, personal care and skilled nursing care. The Group receives payments for providing services from private individuals, government agencies such as the Department of Veteran Affairs and long-term care insurance companies. The transaction price for revenue is based on the hourly rate specified in client agreements and revenue is recognized at the time services are rendered, which is the point in time when all performance obligations are satisfied. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

The Group has determined that no significant financing components exist with respect to contracts with customers, as accounts receivable bear normal commercial credit terms and are non-interest bearing.

q) **Government grants and loans**

The Group recognizes government grant income when compliance with the relevant conditions of the grant has been met and collection is probable or the grant proceeds have been received.

The Group initially recognizes government loans at fair value with the difference between the fair value and proceeds received recognized as government grant income. At each reporting period, conditions for forgiveness are assessed and, if conditions have been met, the amount of the loan forgiven is accounted for as government grant income and classified as Other income on the Consolidated Statement of Income and Comprehensive Loss.

r) **Income taxes**

The Group uses the liability method of accounting for income taxes. Deferred income tax assets and liabilities are recognized for the future tax impact of differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized, or the liability is settled. The effect on deferred income tax assets or liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized.

s) **Impairment of long-lived assets and goodwill**

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units ("CGUs")). 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 or groups of CGUs 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.

CGUs 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, at various times during the year, depending on the CGU. 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.

Notes to the Consolidated Financial Statements

(United States dollars)

For the years ended December 31, 2024 and 2023

2. Material accounting policies (continued)

s) Impairment of long-lived assets and goodwill (continued)

An impairment loss 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 impairment testing procedures is directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganizations and asset enhancements. Discount factors are determined individually for each CGU and reflect current market assessments of the time value of money and asset-specific risk factors.

Impairment losses for CGUs, resulting from the required annual impairment test, 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.

Assets other than goodwill are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss for assets other than goodwill is reversed if the asset's or CGU's recoverable amount exceeds its carrying amount. Impairment losses on goodwill are not subsequently reversed.

t) Significant management judgement

The following are significant management judgments in applying the accounting policies of the Group that have the most significant effects on the financial statements.

Recognition of deferred income tax assets and measurement of income tax expense

Management continually evaluates the likelihood that its deferred tax assets can be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment.

u) Management estimates

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the period. Actual results may differ from those estimates.

Estimates and assumptions that could have a significant impact on the amounts recognized in the Consolidated Financial Statements are summarized below. Estimates are based on management's best knowledge of current events and actions that the Group may undertake in the future.

Impairment of goodwill and intangible assets

Determining if there are any facts or circumstances indicating an impairment loss is a subjective process involving judgment as well as a number of estimates and interpretations. When an indication of impairment exists, or at least annually for goodwill and indefinite life intangible assets, the recoverable amount of the individual asset or the cash generating units must be estimated. In assessing impairment, the Group must make some estimates and assumptions regarding future circumstances, in particular, estimates of future market growth and trends, forecasted revenue and costs, expected periods the assets will be utilized, appropriate discount rates and other variables. Estimates and assumptions may change if new information becomes available.

In assessing impairment on assets with definite lives such as customer lists, the Group must make estimates and assumptions relating to future expected business volumes attributed to the asset and determine if a decline from expectations represents an indicator of impairment.

Stock-based compensation

The Corporation's equity-settled stock-based compensation is measured at fair value, excluding the effect of non-market based vesting conditions, at the date of grant. Fair value is estimated using the Black-Scholes pricing model and requires the exercise of judgment in relation to variables such as expected volatility, interest rates, expected life and expected forfeitures, which are uncertain and based on information available at the time the fair value is measured.

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets, including estimating fair value of promissory notes, demand loans and contingent consideration. This involves developing estimates and assumptions consistent with how market participants would price the

Notes to the Consolidated Financial Statements

(United States dollars)

For the years ended December 31, 2024 and 2023

2. Material accounting policies (continued)

u) Management estimates (continued)

instrument. Management bases its assumptions on observable data but if not available, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Business combinations

Management uses valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination. In particular, the purchase price allocation and amounts attributable to customer lists, brands, non-compete agreements and goodwill are estimated using fair value techniques and is dependent on several factors including estimates of future market growth and trends, forecasted revenue and costs, expected periods the assets will be utilized, appropriate discount rates and other variables. The Group bases its fair value estimates on assumptions management believes to be reasonable, but which are unpredictable and inherently uncertain. Actual future results may differ from those estimates.

v) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expired.

Classification and measurement of financial assets

Except for those accounts receivable that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value and adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- amortized cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented, the Group does not have any financial assets categorized as FVOCI or FVTPL. The classification is determined by both:

- the entity's business model for managing the financial asset, and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented in finance expense, except for impairment of accounts receivable which is presented in general and administrative expenses.

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective it is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents and accounts receivables fall into this category of financial instruments.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the requirements include accounts receivables.

The Group makes use of a simplified approach in accounting for accounts receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for

Notes to the Consolidated Financial Statements

(United States dollars)

For the years ended December 31, 2024 and 2023

2. Material accounting policies (continued)

v) Financial instruments (continued)

default at any point during the life of the financial instrument. The Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assesses impairment of accounts receivable on a collective basis. As accounts receivable possess shared credit risk characteristics, they have been grouped based on the days past due.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead, the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses' are recognized for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Credit losses are defined as the difference between all the contractual cash flows that are due to an entity and the cash flows that it expects to receive ('cash shortfalls'). This difference is discounted at the original effective interest rate (or credit adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Classification and measurement of financial liabilities

The Group's financial liabilities include demand loans, promissory notes, client deposits payable and accounts payables and accrued liabilities and are all measured at amortized cost.

Financial liabilities are initially measured at fair value and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in finance expense.

Additional fair value measurement disclosure includes classification of financial instrument fair values in a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements which are as follows:

- Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates.
- Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

w) Accounting changes

Other pronouncements

The Corporation assesses new accounting pronouncements to determine whether there could be a material impact on its Consolidated Financial Statements. The Corporation is currently in the process of evaluating the potential impact of IFRS 18 - Presentation and Disclosure in Financial Statements. It has not yet been determined whether this will have a significant impact on the Consolidated Financial Statements.

Nova Leap Health Corp.

Notes to the Consolidated Financial Statements

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For the years ended December 31, 2024 and 2023

2. Material accounting policies (continued)

x) Comparative figures

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

3. Business acquisitions

The Corporation acquired 100% of the assets of two home care businesses in the United States during the year ended December 31, 2024, which the Corporation determined met the definition of businesses in accordance with IFRS 3 Business Combinations ("IFRS 3"). Details of the acquisitions are as follows:

Acquisition date	Florida December 14, 2024	Massachusetts May 3, 2024
	\$	\$
Total purchase price	1,596,716	296,067
Fair value of consideration transferred		
Cash	1,316,000	250,000
Fair value of promissory note issued to vendor	280,716	46,067
Total	1,596,716	296,067
Recognized amounts of identifiable net assets		
Intangible assets - customer lists	100,000	30,000
Intangible assets - non-compete agreements	180,000	50,000
Goodwill	1,316,716	216,067
Total	1,596,716	296,067
Acquisition costs	147,305	52,978
Contribution to Group Results		
Revenue from date of acquisition to reporting date	181,460	576,673
Income from operating activities from date of acquisition to reporting date	19,846	6,395

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, 2024

If the assets of the businesses acquired during the period had been acquired on January 1, 2024, revenue of the Group for the twelve months ended December 31, 2024 would have increased by approximately \$4,000,000 and income from operating activities would have increased by approximately \$410,000.

Acquisition of Florida assets

The acquisition of Florida assets was a non-arm's length transaction pursuant to TSX Venture Exchange policies as the business was previously controlled by a Director of Nova Leap. The acquisition was approved by written consent of disinterested shareholders of the Company under TSX Venture policies.

Nova Leap Health Corp.

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For the years ended December 31, 2024 and 2023

4. Property and equipment

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

	Leasehold improvements \$	Right of use assets (property) \$	Vehicles and other equipment \$	Total \$
Balance at January 1, 2024	56,001	1,111,735	20,647	1,188,383
Additions	-	140,821	25,000	165,821
Depreciation	(7,903)	(305,572)	(10,272)	(323,747)
Foreign exchange loss	(3,692)	(50,205)	-	(53,897)
Balance at December 31, 2024	44,406	896,779	35,375	976,560

	Leasehold improvements \$	Right of use assets (property) \$	Vehicles and other equipment \$	Total \$
Balance at January 1, 2023	62,637	1,430,622	354	1,493,613
Additions	-	75,291	27,990	103,281
Depreciation	(7,995)	(350,798)	(7,697)	(366,490)
Disposal (lease modification)	-	(60,081)	-	(60,081)
Foreign exchange gain	1,359	16,701	-	18,060
Balance at December 31, 2023	56,001	1,111,735	20,647	1,188,383

5. Intangible assets

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

	Definite life (customer lists & non- competitve agreements) \$	Indefinite life (brands) \$	Total \$
Balance at January 1, 2024	436,860	105,851	542,711
Additions from business acquisitions (note 3)	360,000	-	360,000
Amortization	(259,948)	-	(259,948)
Foreign exchange loss	-	(8,554)	(8,554)
Balance at December 31, 2024	536,912	97,297	634,209

	Definite life (customer lists & non- competitve agreements) \$	Indefinite life (brands) \$	Total \$
Balance at January 1, 2023	987,144	103,366	1,090,510
Amortization	(518,621)	-	(518,621)
Impairment (note 6)	(31,667)	-	(31,667)
Foreign exchange gain	4	2,485	2,489
Balance at December 31, 2023	436,860	105,851	542,711

Nova Leap Health Corp.

Notes to the Consolidated Financial Statements

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For the years ended December 31, 2024 and 2023

6. Goodwill

The changes in goodwill for the year are as follows:

	December 31, 2024	December 31, 2023
	\$	\$
Balance, beginning of period	14,622,219	16,040,114
Impairment	-	(1,470,895)
Additions (note 3)	1,532,783	-
Foreign exchange (loss) gain	(182,451)	53,000
Balance, end of period	15,972,551	14,622,219

The carrying value of goodwill for each CGU is as follows:

	December 31, 2024	December 31, 2023
	\$	\$
US-MA	4,388,990	4,172,923
US-South Carolina	465,906	465,906
US-South Central	2,863,646	2,863,646
US-Midwest	4,862,395	4,862,395
US-Florida	1,316,716	-
Canada-NS	2,074,898	2,257,349
Total	15,972,551	14,622,219

The Corporation performed its annual goodwill impairment test in accordance with its policy described in Note 2. The Corporation compared the recoverable amount of the assets included in the groups of CGUs to their respective carrying amounts. The recoverable amount is the higher of a CGUs fair value less costs of disposal and its value-in-use. To determine the value-in-use, management estimates expected future cash flows from each group of CGUs 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. Discount factors are determined individually for each group of CGUs and reflect current market assessments of the time value of money and asset-specific risk factors.

The key assumptions used in the goodwill impairment tests include the following:

- Pre-tax discount rates ranging from 15.54% to 24.95% (December 31, 2023 – 19.24% to 34.17%) reflecting the risks specific to each group of CGUs.
- A five-year cash flow forecast based on current and previous year financial results adjusted for inflation and any known changes (i.e. increase in billing rates, change in office staff, etc.) and a perpetual growth rate of 3.0% (December 31, 2023 – 3.0%) based on applicable inflation rates.
- Forecasted gross margins and operating income margins based on margins achieved in the current fiscal year. Management believes the operating margins are reasonably achievable.

Impairment Loss

The recoverable amount of the groups of CGU's exceeded the carrying amounts as at December 31, 2024.

During Q2 2023, the Corporation determined that indicators of impairment existed within the US-RI CGU and a goodwill impairment test was completed which resulted in an impairment loss of \$350,567. The impairment loss was due to a decline in client service hours and an expected longer recovery time to return to previous revenue levels.

At December 31, 2023, due to a continued decline in client service hours, an additional goodwill impairment test was completed which resulted in an impairment of \$1,151,995. The total impairment losses recognized related to the US-RI CGU for the year ended December 31, 2023 was \$1,502,562.

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 of 3% and a discount rate of 18.5% - 19.2%. Given the ongoing negative operating results for this CGU, the value in use calculations did not support the carrying value of the goodwill and intangible assets and impairment of \$1,470,895 and \$31,667 respectively was recognized during the year.

Nova Leap Health Corp.

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For the years ended December 31, 2024 and 2023

6. Goodwill (continued)

Based on a sensitivity analysis, reasonable changes in assumptions would not result in an impairment loss in the groups of CGUs as at December 31, 2024 with the exception of the following:

	Actual		Break-even sensitivity	
	Excess recoverable amount over carrying amount	Discount rate	Range of operating income margins	Range of operating income margins
US-South Central	\$452,000	23.7%	12.8% - 17.75%	26.9% 12.8% -15.5%

7. Income taxes

a) Income tax expense

The Group's provision for income taxes differs from the amount calculated by applying the combined Canadian federal and provincial income tax rates and United States federal and state corporate income tax rates to the income before income taxes, as follows:

	2024	2023
	\$	\$
Income (loss) before income taxes	1,812,010	(1,365,994)
Combined statutory income tax rate	26.33%	25.95%
Expected income tax expense (recovery)	477,102	(354,475)
Increase (decrease) resulting from:		
Non-deductible stock-based compensation	30,109	34,334
Effect of foreign exchange, income tax rate differences and other items	(139,899)	(30,136)
Non-deductible expenses	1,255	3,472
State taxes included in current income tax expense	64,975	35,492
Income tax expense (recovery)	433,542	(311,313)

The combined statutory income tax rate is comprised of a blended federal and provincial corporate income tax rate of 29% (2023 – 29%) in Canada and a blended federal and state corporate income tax rate of 24.98% (2023 – 25.17%) in the United States, based on the locations where the Group operates.

b) Deferred income tax assets

Deferred income tax assets arising from temporary differences and non-capital losses are summarized as follows:

For the year ended December 31, 2024

	Canada	US	Total
	\$	\$	\$
Non-capital loss carry-forward	10,015	767,354	777,369
Intangible assets and goodwill	(28,645)	611,713	583,068
Share issuance costs	35,953	-	35,953
Debt	(24,030)	(10,479)	(34,509)
Unrealized foreign exchange (losses) gains and other	(181,814)	205,179	23,365
Deferred income tax asset (liability)	(188,521)	1,573,767	1,385,246

Nova Leap Health Corp.

Notes to the Consolidated Financial Statements

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For the years ended December 31, 2024 and 2023

7. Income taxes (continued)

For the year ended December 31, 2023

	Canada \$	US \$	Total \$
Non-capital loss carry-forward	50,416	594,805	645,221
Intangible assets and goodwill	(38,425)	873,377	834,952
Share issuance costs	37,595	-	37,595
Debt	8,771	(628)	8,143
Unrealized foreign exchange (losses) gains and other	(22,202)	197,576	175,374
Deferred income tax asset	36,155	1,665,130	1,701,285

c) Non-capital loss carry-forward

The Group has non-capital income tax losses of \$34,536 (CAD\$49,694) available to reduce future taxable income in Canada and \$3,072,325 available to reduce future taxable income in the United States. The Canadian non-capital income tax losses expire in 2042.

8. Demand loans

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

	December 31, 2024 \$	December 31, 2023 \$
At amortized cost:		
Balance, beginning of period	-	1,378,244
Proceeds from issuance of demand loan	1,316,000	-
Debt issue costs	(85,599)	-
Guarantee insurance costs	(5,760)	(6,515)
Effective interest	15,034	47,452
Interest payment	(6,538)	(55,817)
Principal repayment in cash	(21,933)	(1,369,521)
Foreign exchange loss	-	6,157
Balance, end of period	1,211,204	-
Fair value	1,294,067	-

The details of the issued demand loans outstanding as of December 31, 2024 are as follows:

	Facility#1
Year of issue	2024
Original principal amount	\$1,316,000
Remaining principal	\$ 1,294,067
Issue costs	\$85,599
Maximum amortization period	60 months
Remaining amortization period	59 months
Annual interest rate	USD base rate plus 1.5%
EDC Guarantee	75%
EDC Guarantee fee	2.35%

During the year, the Corporation entered into an agreement to amend its existing credit agreement with its primary lender. The amended credit facilities provided the Corporation with access to non-revolving demand loans of CAD \$1,380,000 and

Nova Leap Health Corp.

Notes to the Consolidated Financial Statements

(United States dollars)

For the years ended December 31, 2024 and 2023

8. Demand loans (continued)

\$6,007,000 to assist with financing business acquisitions. As at December 31, 2024, \$1,316,000 was used to finance the business acquisition completed on December 14, 2024.

The non-revolving loan outstanding is repayable on demand, provided that until demands are made, blended monthly payments comprising the principal and interest be paid over the maximum amortization period. The US base rate at December 31, 2024 was 8.0%.

The Corporation also has access to a \$1,042,463 (CAD\$1,500,000) revolving operating facility for working capital purposes from a Schedule 1 Canadian bank. The interest rate is CAD prime rate plus 1.5%. The CAD prime rate at December 31, 2024 was 5.45 % (December 31, 2023 – 7.20%). Interest is calculated monthly in arrears, and payable on the last day of each month. The facility is repayable on demand. There was no outstanding balance on this facility at December 31, 2024 or December 31, 2023.

The revolving operating facility and demand loans are secured through a registered General Security Agreement and joint and several unlimited guarantees from Nova Leap's US and Canadian subsidiaries.

9. Promissory notes

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

	December 31, 2024	December 31, 2023
	\$	\$
Balance, beginning of period	117,509	1,008,035
Issuance of promissory notes for acquisition of business (note 3)	326,783	-
Effective interest	11,904	49,763
Repayments	(126,000)	(682,500)
Forgiveness of notes on litigation settlement (note 16)	-	(257,789)
Balance, end of period	330,196	117,509
Current portion	111,621	117,509
Non-current portion	218,575	-
Balance, end of period	330,196	117,509
Fair value	333,067	119,940

The details of the promissory notes outstanding as of December 31, 2024 are as follows:

	Note#3	Note#2
Year of issue	2024	2024
Original principal amount	320,000	50,000
Fair value on initial recognition	280,716	46,067
Annual interest rate	3%	5%
Repayment terms (instalments are principal plus accrued interest)	3 equal instalments on Dec. 14	2 equal instalments on May 3
Remaining principal amount at:		
- December 31, 2024	320,000	50,000

The promissory notes were initially recorded at fair value using a market interest rate of 9.75-10.5% (December 31, 2023 – 7.75%) and subsequently measured at amortized cost using the effective interest rate method. The promissory notes are subject to a Guarantee Agreement from the Corporation and are subordinated to the demand loans (note 8).

Nova Leap Health Corp.

Notes to the Consolidated Financial Statements

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For the years ended December 31, 2024 and 2023

9. Promissory notes (continued)

The details of the promissory notes repaid during the year ended December 31, 2024 are as follows:

	Note#1
Year of issue	2021
Original principal amount	\$360,000
Fair value on initial recognition	\$340,780
Annual interest rate	5%
Remaining principal amount at December 31, 2023	\$120,000

10. Lease liability

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

	December 31, 2024	December 31, 2023
	\$	\$
Balance, beginning of period	1,190,180	1,491,984
Additions	140,821	75,524
Disposal (lease modification)	-	(68,162)
Effective interest	65,479	75,471
Repayments	(357,777)	(401,715)
Foreign exchange (gain) loss	(54,148)	17,078
Balance, end of period	984,555	1,190,180
Current portion	299,683	276,124
Non-current portion	684,872	914,056
Balance, end of period	984,555	1,190,180

11. COVID-19 relief programs

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

During the year ended December 31, 2020, two of the Canadian entities received a total of \$90,317 (CAD\$120,000) of CEBA loans from the Canadian Government in response to the COVID-19 pandemic. The loans were interest-free and \$29,544 (CAD\$40,000) qualified for forgiveness as the loans were repaid by the repayment deadline of January 18, 2024.

The changes in the government loans for the year are as follows:

	December 31, 2024	December 31, 2023
	\$	\$
Balance, beginning of year	90,760	88,600
Foreign exchange (gain) loss	(1,794)	2,130
Repayment	(59,422)	-
Forgiveness	(29,544)	-
Balance, end of year	-	90,730
Current portion	-	90,730

Nova Leap Health Corp.

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12. Share capital

a. Authorized:

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

b. Issued and outstanding:

	December 31, 2024		December 31, 2023	
	Number of Shares	Value \$	Number of Shares	Value \$
Balance, beginning of period	86,209,252	18,959,250	86,209,252	18,959,250
Stock options exercised	1,105,000	144,962	-	-
Balance, end of period	87,314,252	19,104,212	86,209,252	18,959,250

During the year ended December 31, 2024, 1,105,000 stock options were exercised, for gross proceeds of \$76,808 USD.

During the year ended December 31, 2023, no new shares were issued and no stock options were exercised.

13. Equity incentive plans

The Corporation had an Amended and Restated Equity Incentive Plan (the "Plan") for directors, officers, employees and consultants which included the award of stock options and deferred share units ("DSUs"). The total number of shares available for issuance under the Plan could not exceed 10% of the issued and outstanding common shares of the Corporation, and the maximum number of shares available for issuance under the DSU plan was 500,000 common shares of the Corporation, unless shareholder and regulatory approvals are obtained. The Plan was approved by the Shareholders on April 29, 2021.

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

On June 7, 2024, the shareholders approved a Third Amended and Restated Equity Incentive Plan for directors, employees and consultants which includes housekeeping amendments and other amendments required to comply with regulatory requirements.

Stock options

Stock options granted under the Plan have a ten-year term and are non-transferable. Vesting conditions are determined by the Board of Directors at the time of grant. Vested stock options may be exercised ninety days following the date of termination of employment or holding office as a director or officer of the Corporation and, in the case of death, within one year thereafter. Stock options are granted at a price no lower than the market price of the common shares less any discounts allowed by the TSX Venture Exchange at the time of the grant.

The changes in stock options during the year were as follows:

	December 31, 2024		December 31, 2023	
	Number	Weighted Average Exercise Price (CAD)	Number	Weighted Average Exercise Price (CAD)
Balance, beginning of year	7,480,000	\$0.40	7,886,250	\$0.42
Granted	1,000,000	\$0.35	1,000,000	\$0.35
Exercised	(1,105,000)	\$0.10	-	\$0.00
Expired, cancelled, or forfeited	(100,000)	\$0.35	(1,406,250)	\$0.48
Balance, end of year	7,275,000	\$0.44	7,480,000	\$0.40

In December 2024, Nova Leap granted 1,000,000 stock options to directors, officers and employees of the Corporation (December 2023 – 1,000,000 stock options). The stock options are exercisable for a period of 10 years at an exercise price of CAD \$0.35 per share and vest 25% immediately and 25% on each anniversary date of the stock option grant date. All options were granted under, and are subject to, the terms and conditions of the Plan.

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For the years ended December 31, 2024 and 2023

13. Equity incentive plans (continued)

The following table summarizes information relating to the outstanding and exercisable options at December 31, 2024:

Expiry date	Outstanding		Exercisable	
	Number	Exercise price (CAD) \$	Number	Exercise price (CAD) \$
Jan 11, 2028	950,000	\$0.25	950,000	\$0.25
Jan 13, 2029	1,300,000	\$0.45	1,300,000	\$0.45
Dec 10, 2029	1,075,000	\$0.45	1,075,000	\$0.45
Dec 29, 2030	475,000	\$0.78	475,000	\$0.78
Dec 20, 2031	700,000	\$0.78	700,000	\$0.78
Dec 9, 2032	825,000	\$0.35	618,750	\$0.35
Dec 7, 2033	950,000	\$0.35	475,000	\$0.35
Dec 20, 2034	1,000,000	\$0.35	250,000	\$0.35
	7,275,000	\$0.44	5,843,750	\$0.46

The weighted average contractual life outstanding as at December 31, 2024 is 4.98 years.

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

	December 20, 2024	December 7, 2023
Option grant date		
Exercise price (CAD)	\$0.35	\$0.35
Risk free interest rate	3.10%	3.31%
Expected volatility	56%	75%
Expected dividend yield	0%	0%
Expected life	6.6 years	6.4 years
Expected Forfeiture	4.33%	4.29%
Grant date fair value (CAD)	\$0.12	\$0.17

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

During the year ended December 31, 2024, Nova Leap recorded stock-based compensation with an offsetting increase to contributed surplus of \$114,354 relating to the stock option plan (December 31, 2023 - \$132,308).

Deferred share units

In accordance with the Plan, directors may elect to receive all or a portion of their annual compensation and incentive awards in the form of DSUs. The directors must elect to participate in the Plan prior to the beginning of the fiscal year and this election is irrevocable. DSU awards generally vest immediately; however, the redemption of the DSUs only occurs after the director retires, resigns or otherwise leaves the Board of Directors. Each DSU is equivalent in value to one common share. Beginning in Q3 2021, the directors all elected to receive their annual compensation in DSUs. Directors' fees are paid on a quarterly basis and, at the time of each payment of fees, the applicable amount are converted into DSUs based on the volume weighted average share price of the Corporation's common shares over the five previous trading days. The maximum total number of shares available for issuance under the plan was reached in Q3 2022.

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

Nova Leap Health Corp.

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13. Equity incentive plans (continued)

The following table summarizes the changes in the outstanding DSUs:

	December 31, 2024		December 31, 2023	
	Number of DSUs	Value \$	Number of DSUs	Value \$
Balance, beginning of period	500,000	178,938	500,000	178,938
Granted	-	-	-	-
Balance, end of period	500,000	178,938	500,000	178,938

No DSUs were issued in 2024 or in 2023.

14. Contributed surplus

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

	December 31, 2024	December 31, 2023
	\$	\$
Balance, beginning of period	2,263,219	2,130,911
Stock-based compensation (note 13)	114,354	132,308
Stock options exercised (note 13)	(68,154)	-
Balance, end of period	2,309,419	2,263,219

15. 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. Corporate and administrative expenses include the following related party remuneration expenses:

	Year ended December 31	
	2024	2023
	\$	\$
Management compensation	405,106	414,697
Directors' compensation	140,183	142,276
Stock-based compensation	102,769	129,124
	648,058	686,097

As at December 31, 2024, there was \$63,574 included in accounts payable and accrued liabilities for amounts owed to officers of the Corporation (December 31, 2023 – \$53,337) for compensation and expense reimbursements, and \$10,425 for amounts due to Directors for Directors' fees (December 31, 2023 – \$11,341).

On December 14, 2024, the Company acquired 100% of the assets of a Florida based home care business. The acquisition was a non-arm's length transaction as the assets were previously controlled by a Director of the Company (see note 3).

16. Litigation settlement

The litigation previously initiated by Nova Leap in 2022 was settled in 2023, resulting in a total gain of \$352,789 for the year ended December 31, 2023. The settlement consisted of a cash payment of \$95,000, forgiveness of the remaining promissory notes plus accrued interest of \$257,789 and the elimination of any future earnout payments.

Nova Leap Health Corp.

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17. 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 and DSUs have been exercised on the later of the beginning of the period and the date granted. For the year ended December 31, 2024, 6,325,000 stock options were excluded from the computation of diluted earnings per share because their effect would have been anti-dilutive. For the year ended December 31, 2023, all stock options and DSUs were excluded from the computation of diluted loss per share because their effect would have been anti-dilutive.

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

	Year ended December 31	
	2024	2023
Weighted average number of shares used in basic earnings per share	86,245,482	86,209,252
Shares deemed to be issued for no consideration in respect of share-based payments	549,441	-
Weighted average number of shares used in diluted earnings per share	86,794,923	86,209,252

18. Supplemental cash flow information

	Year ended December 31	
	2024	2023
	\$	\$
Change in non-cash operating working capital:		
Accounts receivable	(45,794)	101,169
Prepaid expenses	(24,809)	(1,611)
Accounts payable and accrued liabilities	322,652	(1,288)
Client deposits payable	(9,780)	2,046
	242,269	100,316
Supplemental information:		
Interest paid	82,679	156,287
Income taxes paid	40,834	33,578

19. Capital management

The Group manages its capital structure and adjusts it, based on the funds available to the Group, to support the identification and evaluation of further home care business or asset acquisitions and continue as a going concern. The Group considers capital to be shareholders' equity, promissory notes and demand loans. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Group's management to sustain future development of the business. Additional funds may be required to finance further acquisitions and finance expenses.

20. 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.

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20. Financial instruments (continued)

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	December 31, 2024	December 31, 2023
	\$	\$
Cash and cash equivalents	1,402,767	894,765
Accounts receivable	1,697,910	1,652,116
	3,100,677	2,546,881

Credit risk management

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 December 31, 2024, the Group had \$49,804 collected for client deposits (December 31, 2023 - \$59,584), representing approximately 2.9% of outstanding accounts receivable, billed and accrued (December 31, 2023 – 3.6%).

Accounts receivable

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

In measuring the expected credit losses, the accounts receivable have been assessed on a collective basis as they possess shared credit risk characteristics.

The expected loss rates are based on the payment profile for revenues over the past 12 months before December 31, 2024. The historical rates are adjusted to reflect current and forward-looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The Group has identified gross domestic product of the countries in which the clients are domiciled to be the most relevant factors and accordingly adjusts historical loss rates for expected changes in these factors. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

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

Lifetime expected credit loss is less than 0.2% and the Group's accounts receivable maximum exposure to credit risk is \$1,648,106 at December 31, 2024 (December 31, 2023 – \$1,572,697) with 74% of the balance outstanding for less than 30 days (December 31, 2022 – 65%). Actual specific write-offs of accounts receivable for the year ended December 31, 2024 was \$147,517 (December 31, 2023 - \$57,080).

Liquidity risk

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

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

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20. Financial instruments (continued)

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and accounts receivable. The Group's existing cash resources and accounts receivable, in addition to the current unused balance of the revolving operating facility and cash flow projections are expected to be sufficient to meet the contractual cash outflow requirements over the next twelve months. Cash flows from accounts and other receivables are all contractually due within 30 days.

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

As at December 31, 2024	< 1 year \$	1-2 years \$	3-5 years \$	> 5 years \$
Account payable and accrued liabilities	1,563,605	-	-	-
Client deposits	49,804	-	-	-
Promissory notes, principal and interest	143,767	139,317	109,866	-
Demand loans, principal and interest	397,790	367,428	895,268	-
Lease liability, principal and interest	354,501	274,957	329,262	147,955
Total	2,509,467	781,702	1,334,396	147,955

As at December 31, 2023	< 1 year \$	1-2 years \$	3-5 years \$	> 5 years \$
Account payable and accrued liabilities	1,240,953	-	-	-
Client deposits	59,584	-	-	-
Promissory notes, principal and interest	126,000	-	-	-
Lease liability, principal and interest	335,938	305,579	480,096	238,228
Government loans	60,487	-	-	-
Total	1,822,962	305,579	480,096	238,228

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 predominantly 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 operations in Canada that transact in Canadian dollars.

The Group's exposure to the Canadian dollar currency risk is as follows:

	December 31, 2024 (CAD) \$	December 31, 2023 (CAD) \$
Cash and cash equivalents	702,022	288,643
Accounts receivable	312,147	232,445
Accounts payable & accrued liabilities	(632,736)	(455,173)
Lease liability	(796,046)	(933,413)
Government loans	-	(120,000)
	(414,613)	(987,498)

A change of 5.0% in the Canadian dollar exchange rate at December 31, 2024 would affect net income and comprehensive income and deficit by approximately \$13,700 (December 31, 2023 - \$35,500).

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20. Financial instruments (continued)

Interest rate sensitivity

As at December 31, 2024, 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 \$11,700 on an annual basis (December 31, 2023 - \$nil).

Fair value

All financial assets and liabilities except for the demand loans and promissory notes are short-term. The carrying values of short-term financial assets and liabilities are a reasonable approximation of fair value. The fair value of the demand loans and promissory notes are disclosed in notes 8 and 9.

21. Segment reporting

Management identifies the Group's reportable segments as Canadian operations and US operations. All businesses provide home care services to clients. These operating segments are monitored by the Group's Chief Executive Officer and strategic decisions are made based on segment operating results. Group Head Office provides management oversight and expertise including merger and acquisitions services.

Segment information for the year is as follows:

For the year ended December 31, 2024					
	US	Canada	Total Reportable Segments	Group Head Office	Total
	\$	\$	\$	\$	\$
Segment revenues	21,874,128	3,877,096	25,751,224	9,382	25,760,606
Cost of services	13,168,081	2,705,597	15,873,678	-	15,873,678
Gross margin	8,706,047	1,171,499	9,877,546	9,382	9,886,928
Corporate & administrative ⁽ⁱ⁾	6,299,272	753,833	7,053,105	1,272,062	8,325,167
Amortization and depreciation	470,699	47,991	518,690	65,005	583,695
Stock-based compensation	5,626	6,657	12,283	102,071	114,354
Segment operating income (loss)	1,930,450	363,018	2,293,468	(1,429,756)	863,712
Segment assets	18,834,245	2,645,002	21,479,247	909,053	22,388,300
For the year ended December 31, 2023					
	US	Canada	Total Reportable Segments	Group Head Office	Total
	\$	\$	\$	\$	\$
Segment revenues	22,653,764	3,515,648	26,169,412	9,613	26,179,025
Cost of services	13,937,162	2,473,485	16,410,647	-	16,410,647
Gross margin	8,716,602	1,042,163	9,758,765	9,613	9,768,378
Corporate & administrative ⁽ⁱ⁾	6,295,558	709,705	7,005,263	1,285,544	8,290,807
Amortization and depreciation	765,007	54,128	819,135	65,976	885,111
Stock-based compensation	11,259	13,000	24,259	108,049	132,308
Segment operating income (loss)	1,644,778	265,330	1,910,108	(1,449,956)	460,152
Segment assets	17,324,584	2,894,383	20,218,967	676,760	20,895,727

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

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.

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22. Subsequent events

On October 29, 2024, the Corporation executed a definitive agreement to acquire all of the shares of two affiliated home care companies with operations in Nova Scotia, Canada. The acquisitions were completed on January 20, 2025 for total consideration of CAD\$1,380,000, subject to post-closing working capital adjustments, with the full amount paid with cash on closing. The Corporation financed the purchases with proceeds of a new demand loan of CAD\$1,380,000 issued from the company's existing credit facility (see note 8). It is anticipated that the purchase consideration will be allocated to certain identifiable intangible assets, goodwill and working capital, in a similar manner and ratio as prior acquisitions.

The Acquisition was a Non-Arm's Length transaction pursuant to TSX Venture Exchange policies, as certain officers, directors and insiders of the Corporation also controlled the vendor. The acquisition was approved by disinterested shareholders on January 8, 2025.